

Dear Honorable Mayor and Council Members,

5-3-20

The undersigned respectfully request that agenda item # 8 be removed from the May 5, 2020 consent calendar. We believe the Town and its residents will benefit greatly from a wholistic and transparent process in which the Council discusses the full impact of all salary increases given to the TEA, AFSCME and POA at one time and in consideration of the entire budget and current economic environment.

There is much to be concerned about regarding the Staff recommendation. The Staff memo notes the **Town is not obligated to give any increases** in FY 20/21 because the existing MOU's (Memo of Understanding) for the TEA, AFSCME and POA were three year agreements and do not expire until June 30, 2021. The Town is **only obligated to "re-open" discussions in good faith** on FY 20/21 salary adjustments. Approving salary increases for two of the three Town's bargaining units at this time guarantees that an increase will be given to the POA. If increases are given to all three bargaining groups, the total amount of these increases will likely approach \$1 million.

This raises several obvious questions, namely:

- Why does the Staff believe that it is prudent and in the best interest of residents and the Town to grant nearly \$1 million in additional salary to TEA, AFSCME and POA in FY21, when it is clear that the current economic conditions do not support any increase?
- How does the Council know whether the Town can afford these increases since it has not yet been presented with an FY21 budget?
- How is this being fiscally responsible when it is highly likely the Town could experience a 10% decline in tax-based revenues in FY 20/21?

These important decisions also should be made in the context of prior Council decisions. Below are set forth the Council-approved total salaries and benefits budgets for the each of the past 3 years, as well as an estimate of the current Staff proposal for FY21:

Fiscal Year	Salaries & Benefits Budget	Dollar Increase	Percent Increase	Cumulative % Increase from FY18
FY18	\$27,005,920			
FY19	\$28,884,998 <sup>1</sup>	\$1,879,078	7.0%	7.0%
FY20	\$31,117,995	\$2,232,997	7.7%	15.2%
FY21	\$32,692,354 <sup>2</sup>	\$1,574,359	5.1%	21.1%

**This Staff-recommended increase of 21.1% for the three year period compares to an increase of only 5.9% for the relevant COLA index for the March 2017 to March 2020 period<sup>3</sup>.**

In addition, we should point out that this recommendation has implications that go far beyond the budgets for the collective bargaining unit compensation. This is because the Staff is recommending that these same increases be applied to “Management, Confidential, and Temporary” staff. In essence, **Staff is recommending its own salary increase with this proposal.**

The rationale Staff sets forth for this tie-in is to “maintain parity with the represented units and the distance between supervisory and non-supervisory classification salary ranges to prevent any overlapping of supervisory and non-supervisory salary ranges within similar career ladders (also known as compaction).”

However, in fact this tie-in between collective bargaining compensation and management compensation means **Staff has a financial incentive to negotiate higher increases in collective bargaining compensation in order to provide the same higher increases to their own compensation.** We believe a more appropriate approach would de-link the two compensation structures and permit each to be assessed on its own merits.

We encourage a robust discussion by the Council on the merits of the Staff’s recommendation. These important decisions should not be considered on a “piecemeal” basis. The residents of this great Town deserve to hear each Council Member publicly explain their rationale for approving or disapproving the Staff-recommended salary increase for the TEA and AFSCME, and also should disclose to the public their intention regarding FY 20/21 salary increases for the POA.

We look forward to the decisions you reach following a thoughtful consideration of the facts under current economic circumstances.

Thank you,

Philip J. Koen

Jak VanNada

Rick Van Hoesen

### ***Los Gatos Community Alliance***

<sup>1</sup> adjusted for salary increases approved after the budget was adopted

<sup>2</sup> includes the current Staff proposal of a \$433,338 increase and an estimated \$500,000 for the POA and CALPERS mandated increased payments of \$631,021

<sup>3</sup> CPI – All Urban Consumers Index (1967=100), which CALPERS uses for their COLA adjustments. For March 2017, the index was 730.320 and for March 2020, the index was 773.199. That is a total increase of 5.87% over the same period.

**From:** Phil Koen  
**Sent:** Monday, May 4, 2020 8:27 AM

Dear Laurel,

Attached is a presentation that the Los Altos Council received on April 28 which discusses the impact of Covid 19 on Los Altos. **We respectfully request that this presentation to be included in the Council's packet for the May 5, 2020 Council meeting as additional background information for agenda item #8.** Since the Los Gatos Council has not received a report from Staff regarding the fiscal impact of Covid 19 on this fiscal year, we believe this presentation from Los Altos is materially meaningful and would further inform the Council with regard to on the decision they are undertaking regarding staff salary increases.

Los Altos is nearly identical in the number of residents and annual budget to Los Gatos. This presentation informed the Los Altos Council that they should expect a **\$3 million reduction in revenue this current fiscal year (i.e. FY 2019/20) which represents 7% of total city revenue.**

The personal actions they are taking to respond to this revenue shortfall include "**ongoing negotiations with labor groups**" and the release of certain temporary part time employees.

Given the rapidly deteriorating economic environment, rising unemployment rate and the potential for material reduction in the Town's revenue this fiscal year and beyond, we strongly recommend that the Council reject the Staff recommendation of giving salary increases to all three bargaining units and revisit this issue in June 2021 when the contracts expire. The Town clearly can not afford the increases and the case has not been made as to why these increases are even needed.

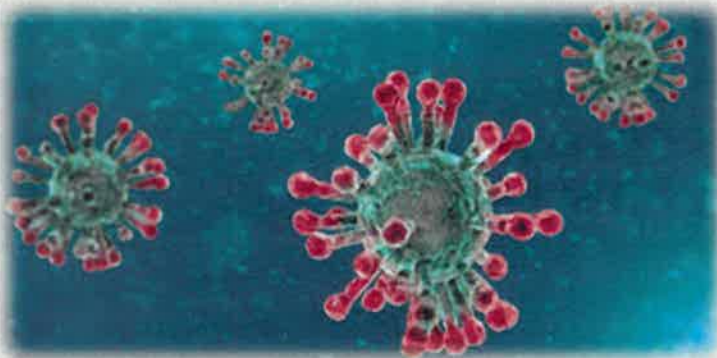
Thank you.

Phil Koen



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# PRELIMINARY FISCAL IMPACT OF COVID-19



City of Los Altos

April 28, 2020

# OUTLINE

- Where We Are Today
- Impact to City Revenues
- Expense Adjustments
- Unknown vs. Known
- Re-prioritize Projects and Timelines
- FY 2020-21 and Beyond
- Next Steps



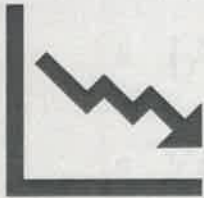
# WHERE WE ARE TODAY

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- Shelter In Place Order through May 3<sup>rd</sup>, 2020
- City Staff
  - Essential work being performed (Police, Maintenance, Recreation, Admin etc...)
  - Most City Staff Working From Home
  - Paid Administrative Leave
- Only Essential Businesses Are Open; Some Restaurants
- All Other Businesses Closed to Public

# WHERE WE ARE TODAY

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## Key Changes / Negative Trends

Property Tax decrease over time

Sales Tax significant decrease

TOT significant decrease

Minimum 2-year recession  
expected



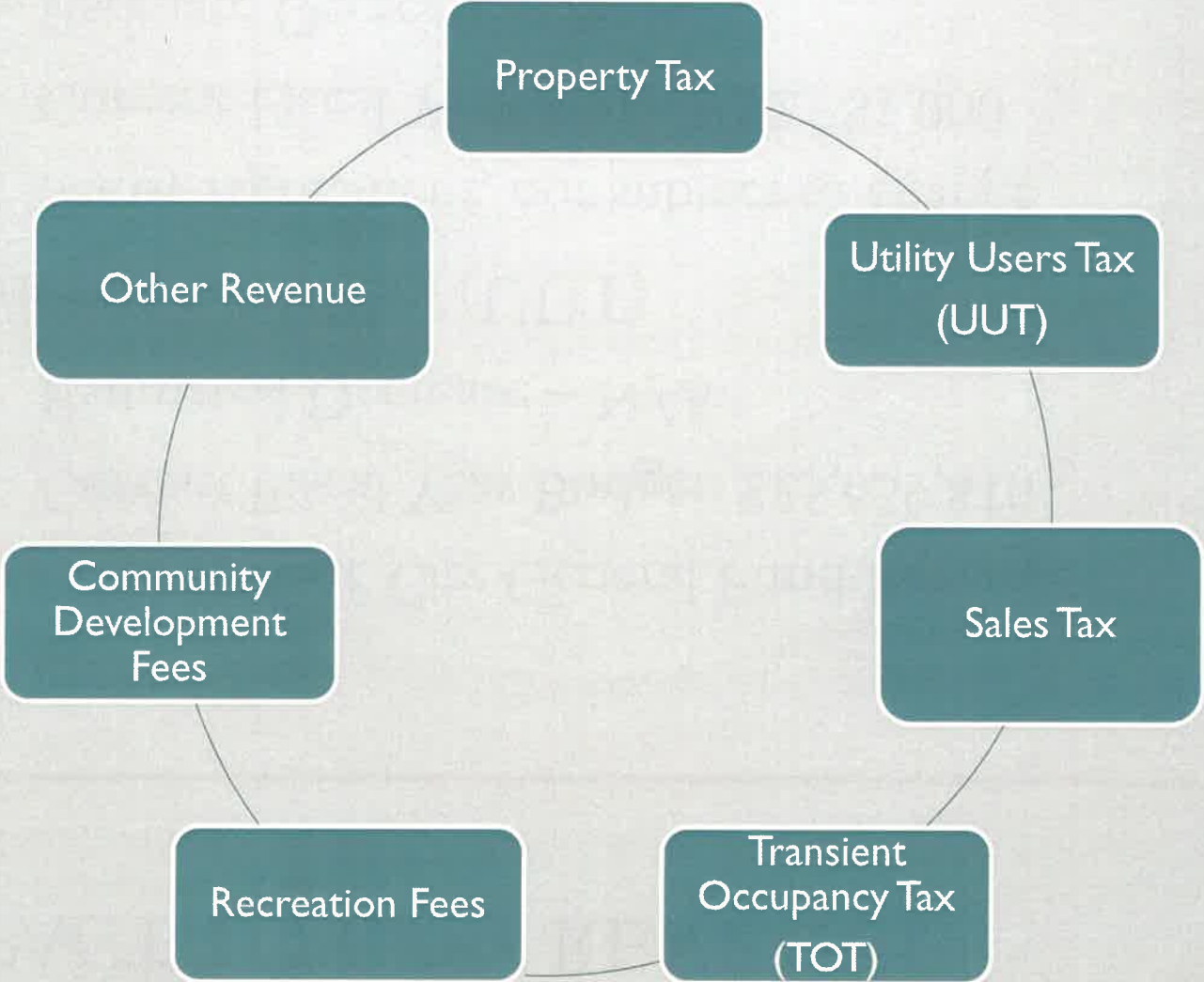
## Upcoming Challenges

Cash Flow

Increased Litigation Costs

General Fund dollars and CIP  
Projects

# IMPACT TO CITY REVENUES





# IMPACT TO CITY REVENUE

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- Property Tax
  - Over 50% of City General Fund Revenue
  - Current Fiscal Year Budget: \$25,639,810
  - Estimated Decrease – N/A
- Utility User's Tax (UUT)
  - Set by Agreement, not subject to change
  - Current Fiscal Year Budget: \$2,781,000
  - Estimate Decrease – N/A

# IMPACT TO CITY REVENUE

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- Sales Tax
  - Significant decrease due shelter in place order
  - Some business may defer sales tax payment
  - Current Fiscal Year Budget – \$3,301,400
  - **Estimated Decrease - \$700K**
- Transient Occupancy Tax
  - Significant decrease
  - Current Fiscal Year Budget – \$3,360,000
  - **Estimated Decrease - \$800K**

# IMPACT TO CITY REVENUE

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- Recreation Fees
  - Significant decreases due to cancelations of all rentals and major events through summer
  - Current Fiscal Year Budget: \$1,477,000
  - **Estimated Decrease – \$400K**
- Community Development Fees
  - Previously very strong source of revenue
  - Current Fiscal Year Budget: \$3,623,000
  - **Estimate Decrease – \$800K**



# IMPACT TO CITY REVENUE

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- Other Revenue
  - Business Licenses, Police Fees, Other Admin Fees
  - Estimated Decrease – \$300K
- Unknown
  - Gas Tax, SB1 – (road repair funds), Federal and State grants
- Total Projected Revenue Impact
  - \$3.0M
  - 7% of Total City Revenue

# EXPENSE ADJUSTMENTS

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- Limited staff spending less
  - Water, Gas, Utilities, Supplies
- Canceled all travel and conferences and meetings into summer
- Multiple events canceled
- Personnel Costs
  - 11 full time vacant positions
  - Release of certain temporary part time employees – Recreation Dept.
  - Ongoing negotiations with labor groups



# EXPENSE ADJUSTMENTS / OTHER

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- Use of Emergency Operating Reserve
  - Currently \$8.25M (after allocation)
- Scaling back / Prioritization of CIP Projects
  - Multiple discussions over time Community Center / General Fund Loan
- \$10M+ General Fund / Community Center Loan
  - Paid over 20 years
  - Financial Commission reviewing

# OTHER

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## **Newly Announced Federal Loan Programs**

- Federal Emergency Management Agency (FEMA) Community Disaster Loan (CDL) Program.
  - Details not released. Loan payable over 5 fiscal years
  - Would increase the City's debt capacity
- The Federal Reserve Municipal Liquidity Facility Program offers \$500B in loans to local governments. More details are forthcoming.

## **FEMA Reimbursement under the Public Assistance Program (PAP)**

- Reimbursement of eligible expenses related City's response to COVID-19
- City is tracking all eligible expenses related to COVID-19

# REVENUE OVER EXPENSES



## **FY 2019-20 Operating Budget**

\$42.5M Projected Revenue

\$40.3M Projected Expenses

Projected \$2-3M Revenue over Expenses (after COVID-19)



## **Annual Revenue over Expenses**

\$6.2M, \$5.8M, \$5.4M, \$6.8M  
(FY2016-2019)

Transfer to:

Operating Reserve

CIP Fund

CalPERS Reserve

General Fund Loan



# CURRENT RESERVES AFTER ALLOCATION

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Assigned Fund Balance	As of June 30, 2019	Proposed Allocation	Reserves after allocation
Emergency and Operating*	\$ 7,250,645	3,850,000	\$ 8,250,374
OPEB	1,500,000	-	\$ 1,500,000
PERS Reserve	5,000,000	-	\$ 5,000,000
Technology Reserve	1,574,089	-	\$ 1,574,089
CIP Reserve	416,263	2,991,453	\$ 3,407,716
Community Center Reserve	23,695,425	-	\$ 23,695,425
Equipment Reserve	1,078,044	-	\$ 1,078,044
<b>Total Unassigned Fund Balance</b>	<b>\$ 40,514,466</b>	<b>\$ 6,841,453</b>	<b>\$ 47,355,919</b>

\*Includes 999 Fremont Payment of \$2.85M and \$1.0M to achieve 20% of Expenditure Budget

# CAPITAL IMPROVEMENT PROGRAM PRIORITIES

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## **Streets and Roads**

PCI  
Safe Routes to Schools  
Street Resurfacing  
Traffic Management



## **Parks and Improvements**

Annual Park  
Improvements



## **Infrastructure Needs**

Sewer  
Solid Waste  
Clean Water



## **Buildings**

New Community Center  
Council Chambers  
Emergency Operations  
Center (EOC)  
Police Department  
Los Altos Youth Center  
(LAYC)  
City Hall Remodel  
Other



# RELIEF PROGRAMS

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- Community Services Agency - \$75K Grant
- Women SV - \$40K Grant
- CHAC - \$20K Grant
- Proposed Small Business Relief Grant – \$250K

# TAKEAWAYS

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## Uncertain Times

Changing Daily  
Loss of Revenue  
Decrease Expenses  
Short Term Effects  
Long Term Effects



## Address Our Needs

Build and Fund Community  
Center  
CalPERS Unfunded Liability  
Prioritize Critical CIP Projects  
Maintain Best Practices



## Timing is Key

Cash Flow  
Monitoring Budget  
Making Decisions

# NEXT STEPS

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- Meet with Financial Commission- May 26
- Updated Two-year Plan – May / June
- Carryforward budget with updates
- Prioritize / Defer / Cancel CIP Projects
- Understand and Plan for the Future
  - Plan for 10% Reduction in Revenue for FY 2020-21
  - Finish \$38M Community Center
  - Fund CRITICAL CIP Priorities
  - Address Increase Cost of Litigation



# QUESTIONS / DISCUSSION

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**From:** Phil Koen <[pkoen@monteropartners.com](mailto:pkoen@monteropartners.com)>

**Sent:** Monday, May 4, 2020 9:13 AM

Honorable Mayor,

Sales tax, TOT, license/permit fees, and fines/forfeitures make up \$15 million or 35% of the General Fund Revenue. Many cities, such as Los Altos, are predicting 20% to 25% shortfall in these revenue sources this current fiscal year as a result of Covid 19. This would suggest the Town could **experience a \$2 - \$3m revenue shortfall this year.**

My questions are:

What is the Town's current estimate of the revenue impact of Covid -19 on the Town's FY 2020 budget?  
What is the Town strategy to control expenses in anticipation of a material revenue shortfall this fiscal year?

Perhaps you could address these issues in your next "Message from the Mayor".

Thank you.

Phil Koen



**From:** Martha Sterne

**Sent:** Monday, May 4, 2020 9:56 AM

Dear Honorable Mayor and Council Members,

I am concerned about the notion of giving town employees and town management salary increases in this economic climate. While many people are either losing their jobs and incomes or taking salary cuts, I believe to hold town employee/management salaries flat in this era is in fact a gift. There is absolutely no indication that town revenue can support these proposed increases.

I support the letter delivered to you on May 3, 2020, signed by Philip J Koen, Jak VanNada, and Rick Van Hoesen.

Thank you in advance for your consideration.

Sincerely,  
Martha

**From:** Phil Koen

**Sent:** Monday, May 4, 2020 10:17 AM

Dear Laurel,

Thank you for your quick reply. **Please include this email in the Council packet for agenda item #8.**

Your response brings up the obvious question as to how can the Council make an informed decision on the proposed salary increases if the FY 21 Operating Budget **AND** the impact on this FY's revenue from Covid 19 have not been publicly disclosed? I would think this would be material information that the Council would need to fully understand prior to making any salary decision.

I am also concerned that the decision-making process regarding the Staff recommended salary increases has not been fully transparent to the public. I am troubled by this.

Thank you.

Phil Koen

**From:** Phil Koen

**Sent:** Monday, May 4, 2020 2:07 PM

Dear Honorable Mayor and Council Members,

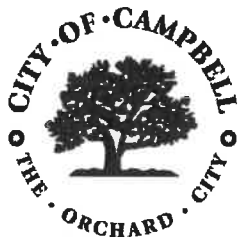
I previously forwarded to you a report that the Los Altos Council received in late April regarding the impact of Covid 19 on the city's FY 2020 revenues. I have attached a similar report that the City of Campbell Council received on April 21. The story is the alarmingly the same.

**Campbell is projecting a \$5 million net revenue loss which is 9% across all General Fund revenue categories after factoring in savings identified by Staff.**

Since the Los Gatos Council has not yet received a report advising on the Covid 19 impact on the Town's FY 2020 revenues, it would be prudent to assume that we will see similar in magnitude decreases forecasted by Los Altos and Campbell.

Thank you.

Phil Koen



*City  
Council  
Report*

**Item:** 7  
**Category:** NEW BUSINESS  
**Meeting Date:** April 21, 2020

**TITLE:** Receive an Update on Initial Fiscal and Budgetary Impacts Due to COVID-19 and Provide Staff with Feedback Regarding Recommended Strategies in Fiscal Year (FY) 2019-20 and FY 2020-21 to Address Those Impacts

**RECOMMENDED ACTION**

That the City Council receive an update on the initial fiscal and budgetary impacts due to COVID-19 and provide staff with feedback regarding recommended strategies in Fiscal Year (FY) 2019-20 and FY 2020-21 to address those impacts.

**BACKGROUND**

Due to the rapidly increasing spread of the Novel Coronavirus Disease (COVID-19) in many parts of the United States, California, and the Bay Area, the County of Santa Clara Public Health Department issued its first public health order on March 9, 2020; imposing a countywide moratorium on mass gatherings of 1,000 or more persons. The City Manager, serving as the Director of Emergency Services, then proclaimed a local emergency in the City of Campbell on March 12, ratified by Council resolution on March 17. A second County public health order followed this resolution on March 13, imposing a countywide moratorium on mass gatherings of more than 100 persons and a conditional moratorium on gatherings between 35 and 100 persons. A third public health order was issued on March 16 for all residents in the County to shelter in place and for all businesses and governmental agencies to cease non-essential operations at physical locations through April 7, 2020. A fourth public health order was issued on March 31, extending the terms of the third-order through May 3, 2020, and clarifying the definition of essential and non-essential services<sup>[1]</sup>. These orders mirror guidance from the State of California and the Center for Disease Control and Prevention (CDC) as well as public health orders of many states nationwide. Through the use of social distancing and shelter in place orders, public health officials hope to slow the spread of COVID-19 until a viable cure can be developed, tested, and administered.

While social distancing guidance and shelter in place, orders have started to have their intended effect in slowing down the spread of COVID-19 cases nationwide, more specifically in California. The effects have resulted in significant portions of the local, state, and national economy being shut down partially or completely. For Campbell, this has meant a direct and immediate fiscal impact on major City revenue sources such as Sales Tax, Transient Occupancy Tax (TOT), Licenses and Permits, and Charges for

Service. Before the County public health orders, staff was in the midst of preparing the Fiscal Year (FY) 2020-21 Proposed Operating Budget and the 2021-2025 Capital Improvement Plan (CIP) for City Council consideration in June 2020. As such, this report will provide the City Council with the following information:

- FY 2019-20 initial estimated revenue impacts due to COVID-19
- FY 2019-20 recommended strategies to address fiscal impacts of COVID-19
- FY 2020-21 initial estimated revenue impacts due to COVID-19
- FY 2020-21 recommended budget approaches and strategies due to COVID-19
- Potential state and federal aid for local governments
- Update on the operating budget and CIP development process

These are extremely negative events or occurrences that are impossibly difficult to predict, unexpected, and unknowable. Each event is also unique in its characteristics and impacts. Staff will continue to provide the Council with the best information available and informed recommendations to ensure fiscal stability given a number of possible economic outcomes. Due to the unique nature of individual Black Swan events, the magnitude and duration of COVID-19's economic impacts cannot be predicted with absolute certainty.

## **DISCUSSION**

### **FY 2019-20 Initial Estimated Revenue Impacts Due to COVID-19**

As previously discussed, Santa Clara County and Campbell are under shelter in place orders through at least May 3, 2020, a period equaling approximately 1.5 months since the original shelter in place order went into effect on March 16. It is also possible given the closure of many Bay Area school districts for the remainder of the school year, that shelter in place orders could be extended through the end of June 2020. That would equal approximately 3.5 months since the original shelter in place order went into effect. As a result of shelter in place orders, local retail businesses and restaurants have either closed temporarily or been reduced to limited service; local hotels have seen occupancy rates and room rates drop drastically. The City recreation programs, and events have been canceled, and City building permitting, and other revenue-generating services have been temporarily halted, which has again had a direct and immediate fiscal impact on major City revenue sources such as Sales Tax, Transient Occupancy Tax (TOT), Licenses and Permits, and Charges for Service.

On March 3, 2020, before shelter in place orders and the full extent of COVID-19's spread were known, staff provided the City Council with a mid-year financial status update that showed improving General Fund revenues and the need to minimally drawdown on General Fund reserves by approximately \$398,000 in FY 2019-20. Estimated General Fund revenues at the time are shown in Table 1 below:



**Table 1 - Mid-Year General Fund Revenue Update**

<b>Revenue Category</b>	<b>Proj YE 19-20</b>	<b>% of Total</b>
Property Tax	\$ 16,932,000	29.57%
Sales Tax	\$ 15,891,400	27.75%
Charges for Service	\$ 5,444,903	9.51%
Transient Occupancy Tax	\$ 4,785,400	8.36%
Franchise Taxes	\$ 3,736,800	6.53%
Other Revenue	\$ 3,348,591	5.85%
Licenses & Permits	\$ 2,356,500	4.12%
Other Taxes	\$ 1,633,500	2.85%
Other Funding Sources	\$ 1,380,016	2.41%
Intergovernmental Revenue	\$ 915,470	1.60%
Investment Income	\$ 478,000	0.83%
Fines & Forfeitures	\$ 362,300	0.63%
<b>TOTAL REVENUES</b>	<b>\$ 57,264,880</b>	<b>100.00%</b>

Property Tax is the City's largest revenue source. Fortunately, staff does not expect it to be negatively impacted by COVID-19 in either FY 2019-20 or FY 2020-21, even if there are delinquencies or delays in individual taxpayer payments. The City is on a Teeter Plan for property taxes in which it receives 100% of what is supposed to be collected every fiscal year by Santa Clara County. The County is able to offer this guarantee in exchange for keeping 100% of any penalty and interest charges on delinquent property tax payments that would have been owed to the City. It is possible the State could suspend Teeter Plans in the wake of COVID-19, but staff does not expect that to occur at this time and expects Campbell to receive its full estimated share of property taxes in FY 2019-20. The assessment roll for FY 2020-21 is nearing completion by the County, and staff does not expect that COVID-19 will have a negative impact on assessed valuations yet. Thus, property tax revenues should still see normal 2% to 4% growth in FY 2020-21. If the economic impacts of COVID-19, though, are prolonged, property taxes could be negatively impacted starting FY 2021-22.

Sales Tax is the City's second-largest revenue source, and unfortunately, staff does expect it to be negatively impacted by COVID-19 in FY 2019-20. Staff has performed a business sector by sector analysis of sales tax revenues and used the assumption that the level of current shelter in place orders will remain in place through at least June 30, 2020. Using these assumptions, the City could lose approximately **\$1.46 million** over what it was expecting in sales tax revenues for FY 2019-20. Such losses could be less if shelter in place orders are lifted or eased before June 30, 2020. However, on March 30, 2020, Governor Newsom approved Executive Order N-40-20, which allows small businesses with less than \$5 million in annual sales to defer up to \$50,000 of their Quarter 1 (Q1) 2020 sales tax payments until FY 2020-21. The City should eventually receive these payments, but such deferral could further decrease sales tax revenues received in FY 2019-20. In total, 1,132 businesses within Campbell earned less than \$5 million in annual sales in calendar year 2019. It is uncertain as to the total number of small businesses that will defer their Q1 2020 sales tax payments, but this could further

negatively impact FY 2019-20 sales tax revenues by up to \$500,000. Staff, with this assistance of the City's sales tax consultants, will monitor deferrals and provide Council with a better update once actual payment data for Q1 is available in May 2020.

Charges for Service is the City's third-largest revenue source, and staff also expects it to be negatively impacted by COVID-19 in FY 2019-20. The primary impacts are expected to occur in Recreation programs and events since many have canceled or postponed indefinitely. Other losses are expected in Community Development Zoning Fees and Public Works Capital Project Overhead Offset Fees. Using the assumption that that the level of current shelter in place orders will remain in place through at least June 30, 2020, staff expects a loss of **\$1.67 million** over what is was expecting in charges for service in FY 2019-20. Such losses could be less if shelter in place orders lifted or eased before June 30, 2020. And these losses are offset by **\$633,000** in salary savings for temporary personnel in fee-based Recreation programs that have been released from City service as of April 10, 2020, as well as other associated costs. And while the Public Works Department will see decreased Capital Project Overhead Offset Fees, it also expects to see approximately **\$150,000** in salary savings in vacant positions that would normally charge their time to capital projects. Therefore, the net revenue decrease in charges for service is approximately **\$886,000** after factoring in associated savings.

Transient Occupancy Tax (TOT) is the City's fourth-largest revenue source, and staff also expects it to be negatively impacted by COVID-19 in FY 2019-20. Despite the fact that Campbell hotels remain open, all have experienced significant decreases in their occupancy rates and room rates since shelter in place orders went into effect. And even before those orders, hotels were seeing reduced occupancy rates due to many businesses beginning to restrict commercial travel starting in February 2020. Thus, using the assumption that the level of current shelter in place orders will remain in place through at least June 30, 2020, that occupancy rates will equal 15%, and average room rates will be decreased by 12%, staff expects the City to see a decrease in TOT revenues of approximately **\$1.5 million** in FY 2019-20. Occupancy rates for Campbell hotels are normally above 80%, and staff contacted a number of local hotels to determine their current occupancy and room rates.

Franchise Tax is the City's fifth-largest revenue source, and staff does not expect it to be negatively by COVID-19 in either FY 2019-20 or FY 2020-21. Franchise taxes are collected for electric, gas, cable television, garage, and telephone franchise agreements already in place and are based upon consumer usage. They are normally fairly stable even in economic downturns and usually increase annually per contractual agreement or inflationary adjustments. Staff, though, will continue to monitor this revenue source and provide Council with updates should it see a COVID-19 related decrease.

The preceding provided detail on potential decreases in the City's five largest General Fund revenue sources in FY 2019-20 due to COVID-19. However, staff also expects approximately **\$1.13 million** in decreases in other General Fund revenue sources in FY 2019-20 due to COVID-19. These include a \$78,000 in decrease to Other Taxes, a

\$359,000 decrease to Licenses & Permits, a \$213,000 decrease to Fines & Forfeitures, a \$38,000 decrease to Intergovernmental Revenue, and a \$444,000 decrease to Other Revenues which include Recreation Rental Income.

In total, net revenue losses in FY 2019-20 due to COVID-19 could equal approximately **\$4.96 million** or **8.7%** across all General Fund revenue categories after factoring in associated savings discussed previously. If these numbers should change up or down, staff will provide City Council with an update.

**FY 2019-20 Recommended Strategies to Address Fiscal Impacts of COVID-19**

To address the potential \$4.9 million revenue loss due to COVID-19 discussed previously, the City Manager and staff have already implemented the following cost containment strategies in FY 2019-20:

- **Limited hiring freeze except for those positions which address public health and safety** – The City currently has vacancies in the following permanent positions. Estimated annual total compensation costs (salary and benefits) are shown in parenthesis:
  - Recreation and Community Service Director (\$331,000)
  - Associate Planner (\$196,000)
  - Parks Supervisor (\$214,000)
  - Building Maintenance Supervisor (\$206,000)
  - Building Maintenance Worker (\$158,000)
  - Deputy City Manager (\$251,000)
  - Chief Building Official (\$254,000)
  - Recreation Specialist (\$119,000)
  - Assistant Engineer (\$196,000)
  - Police Officers (3.0 FTEs) – (\$215,000 each/ \$645,000 total)

In total, these positions equal approximately **\$2.57 million** in annual salary and benefit costs.

- **Release of all temporary part-time employees as of April 10, 2020** – Most of these positions are in the Recreation Department, but there were also temporary part-time employees in all departments. As of this report, the City was averaging approximately \$83,000 in salary and benefit costs per payroll period for its part-time temporary staff. With their release as of April 10, that will result in no part-time temporary staffing costs for approximately 5.5 bi-weekly pay periods. Based on historical averages, that would equal approximately **\$456,500** in salary and benefit savings through June 30, 2020; assuming that no staff return before this time. Most of those cost savings are captured in the \$633,000 of Recreation salary savings discussed previously and should not be counted twice. Still, staff did want to provide more detail on these savings as an already enacted cost containment strategy.



- **Employee use of leave time as of April 8, 2020** – Through April 7 and similar to other Bay Area public agencies, the City of Campbell was providing paid administrative leave for any employee not deemed to be performing an essential service onsite or not able to work remotely offsite. Since that time, the City has implemented a **Limited Duration Teleworking During an Emergency Policy**, which should allow more staff to remain productive offsite. For any employee who cannot remain fully productive during the current shelter in place orders through May 3 and who is not a necessary emergency worker, they are now required to augment their hours with their accrued leave banks. This will not decrease the City's costs in FY 2019-20, but it will decrease the City's long-term liabilities for accrued leave. Nevertheless, the City must also now comply with the recently passed Families First Coronavirus Response Act (FFCRA), which creates two new emergency paid leave options in response to the COVID-19 global pandemic. These leaves are available to all employees under certain circumstances and are not supported by Federal or State funding. Thus, the City may see reduced positive impact on its strategy requiring employees to use previously accrued leave time if not able to remain fully productive during current shelter in place orders.

In addition to the strategies already implemented, staff also recommends the following strategies in FY 2019-20 to mitigate potential revenue losses to COVID-19 and requests Council feedback:

- **Use of the General Fund Emergency Reserve** – As of the fiscal year ending June 30, 2019, the City had **\$5.59 million** in its General Fund Emergency Reserve. Per Section 20.V.A. of the Council Financial Policies, this reserve is based on 10% of General Fund revenue. It will only be used in the case of dire need as a result of physical or financial emergency as determined by the City Council. Emergencies of physical nature include but are not limited to: natural disasters such as earthquakes, fire, flooding, or severe weather-related damage, resulting in significant loss of infrastructure or damage to City property requiring material expenditures for repair or replacement of essential City equipment or structures. e.g., police or other emergency vehicles, computer systems infrastructure, City Hall, Community Center, service center buildings, and equipment required to deliver essential city services. Emergencies of a financial nature would include but not be limited to material onetime statutory reductions in revenue or unexpected/unbudgeted losses due to judgments or liability claims in excess of the liability claims reserve balance. Mitigation of unexpected and significant revenue losses due to a global pandemic and COVID-19 could be an appropriate use of this reserve account, and staff encourages Council to consider its use to maintain critical city services and cash flow requirements in FY 2019-20. The decision to utilize this reserve does not have to be decided upon until August 2020, when the City is closing its financial books for FY 2019-20. At that time or before, staff will request Council authorization to use the General Fund Emergency Reserve, but only up to an amount that is necessary to preserve as much of the account as possible for future needs.



- **Application to the Federal Emergency Management Agency (FEMA) Community Disaster Loan (CDL) Program** – The Stafford Act authorizes FEMA to provide direct loans to local governments who have suffered a substantial loss as a result of a major presidentially declared disaster. It can demonstrate a need for Federal financial assistance in order to perform its governmental functions<sup>1</sup>. Cities such as Campbell may apply for these loans up to \$5 million, and they are payable back over a five-year period, which can also be extended to 10 years. While these funds would restrict the City's future debt capacity until they are paid back, they could provide the City with necessary cash flow to meet its requirements and maintain critical services until the economic impacts of COVID-19 subside. Staff will continue to explore the conditions of the FEMA CDL program and return to Council at a later time if its use is needed and seems fiscally prudent.
- **Application to the Federal Reserve Municipal Liquidity Facility Program** – On April 9, 2020, the US Federal Reserve authorizes the use of \$2.3 trillion in loans to support the economy. \$500 billion of this was set aside as a Municipal Liquidity Facility program to help state and local governments manage cash flow stresses caused by COVID-19<sup>2</sup>. Details of this program are not yet fully available and may only be available to those jurisdictions with populations over one million. Staff will also explore its conditions and return to Council at a later time, if its use is needed, allowable, and seems fiscally prudent. However, like the CDL program, these funds need to be paid back and would restrict the City's future debt capacity until fully repaid.

#### FY 2020-21 Initial Estimated Revenue Impacts Due to COVID-19

A significant portion of the local, state and national economy have been partially or completely shut down due to shelter in place orders. It can be reasonably assumed that shelter in place orders will continue through the end of June 2020; the potential economic impacts of COVID-19 are fairly well, although not completely established for FY 2019-20. The economic impacts to FY 2019-20 have some level of certainty. The impacts to FY 2020-21 have much less certainty since no one can predict when shelter in place orders will finally be lifted, or whether the nation will see a re-emergence of COVID-19 in the future, or how quickly the local, state, and national economy will recover. With the strong state of the national economy and, more specifically, the state and local economy prior to the emergence of COVID-19, some leading economists are predicting a fairly quick economic recovery after the shelter in place orders have been lifted, and the country begins to return to normalcy. Other economists are predicting a recession that mirrors or is worse than the Great Recession of 2008 and has a slower recovery starting in Spring/Summer 2021. For the time being, and in order to provide initial estimated revenue impacts for FY 2020-21, staff is assuming that COVID-19 will

<sup>1</sup> FEMA CDL Program Fact Sheet - [https://www.fema.gov/media-library-data/1549377354379-306d5989736705cf2f921b802d01663e/What is Community Disaster Loan 2.4.19.pdf](https://www.fema.gov/media-library-data/1549377354379-306d5989736705cf2f921b802d01663e/What%20is%20Community%20Disaster%20Loan%202.4.19.pdf)

<sup>2</sup> Press Release Board of Governors of the Federal Reserve (April 9, 2020) - <https://www.federalreserve.gov/newsevents/pressreleases/monetary20200409a.htm>

push the economy into a recession that is at least as bad as the Great Recession of 2008; with a recovery starting in Spring/Summer 2021.

The Great Recession of 2008 started in September 2008 and negatively impacted the City's total General Fund revenues in FY 2008-09 by 3.66% and in FY 2009-10 by an additional 4.69%. The City began to experience a recovery in FY 2010-11. The following percentage decreases were seen in these two fiscal years in the following General Fund Revenue categories:

**Table 2 - General Fund Revenue Losses Due to 2008 Great Recession**

<u>Revenue Category</u>	<u>% Loss FY 2008-09</u>	<u>% Loss FY 2009-10</u>
Property Tax	6.73%	-1.36%
Sales Tax	-6.86%	-0.91%
Franchise Taxes	1.95%	-1.32%
Transient Occupancy Taxes	-20.50%	0.81%
Other Taxes	-33.24%	-10.87%
Licenses & Permits	-36.82%	-32.67%
Fines & Forfeitures	5.01%	9.64%
Investment Incomes	-17.53%	-62.39%
Intergovernmental Revenue	-20.72%	-0.55%
Charges for Service	1.52%	3.59%
Other Revenue	11.36%	-19.67%
Other Funding Sources	8.41%	11.62%
<b>TOTAL REVENUE LOSS</b>	<b>3.66%</b>	<b>4.69%</b>

*Note: % Losses are in comparison to the prior fiscal year*

As shown, property tax revenues were not initially impacted by the Great Recession but did decline over time with their recovery, not starting until FY 2011-12. The last recession was due to a housing bubble, and a potential recession from COVID-19 will not be due to a housing bubble. Sales tax, transient occupancy taxes, other taxes, licenses and permits, investment income, and intergovernmental revenue could negatively be impacted by COVID-19 in FY 2020-21. If using the 2008 Great Recession as a basis, this negative impact could be between **\$5.4 million to \$7.1 million** in FY 2020-21 when compared to staff's pre-COVID-19 General Fund revenue estimates. Nevertheless, these are only initial estimates, and much more data is necessary to determine the true economic impacts of COVID-19 in FY 2020-21. As more information is made available, staff will provide the Council with updates.

**FY 2020-21 Recommended Budget Approach and Strategies Due to COVID-19**

Since COVID-19 is a "Black Swan" economic event where the true impacts cannot be known with absolute certainty, staff recommends implementing the following budget approach and strategies for the FY 2020-21 Operating Budget and 2021-2025 Capital Improvement Plan (CIP) and requests Council feedback:

- **Establishment of a carryover budget except for known salary & benefit and contractual increases for necessary agreements** – Until the impacts of COVID-19 can be better known; staff recommends only appropriating enough funds in FY 2020-21 to maintain current services. No other requests to increase costs should be considered. Employee services costs account for 58% of the City's General Fund Adopted Budget in FY 2019-20, and no new personnel should be added unless they are either cost-neutral or generate net revenue. Additionally, while some of the City's contractual agreements have programmed cost escalators, staff will also review all contracts and determine whether or not some services could be performed by City staff within their current capacity.
- **Use of the General Fund Economic Fluctuations Reserve** - As of the fiscal year ending June 30, 2019, the City had \$9.19 million in its General Fund Economic Fluctuations Reserve. Per Section 20.V.C. of the Council Financial Policies, this reserve shall be maintained, with a target of two months (16.67%) of General Fund operating expenditures, to provide budget stabilization during an economic downturn that could otherwise result in significant reductions in service levels and/or organizational staffing. Economic conditions that could require the use of this reserve include, but are not limited to: material decreases in property or sales tax revenues due to economic downturns lasting at least a minimum period of six months; loss of businesses generating significant proportions of sales/use tax; reductions in revenue due to actions by state, federal, or other governmental agencies or legislation. This Reserve shall not be less than \$2 million. If the reserve balance falls below \$4 million, or the City's five-year financial projections indicate the reserve will fall below this minimum requirement at any time during this period, City staff shall present to Council, by the following year's budget adoption, a plan to return to the target amount within five years. Mitigation of unexpected and significant revenue losses due to a global pandemic and COVID-19 could be an appropriate use of this reserve account, and staff encourages Council to consider its use to maintain critical City services and cash flow requirements in FY 2020-21.
- **Scaling Back of the Capital Improvement Plan (CIP) in FY 2020-21 and limited use of the Capital Improvements Reserve (CIPR) for Capital Projects** – Due to the uncertainty of COVID-19 and the need for staff to focus their time on pressing operating issues, staff recommends only undertaking the most essential capital improvement projects in FY 2020-21 that are needed to preserve public safety and health or are part of a grant matching or other external requirements. The CIPR is funded by excess General Fund revenues, and staff recommends removing or deferring any projects funded by it, which are not deemed essential at this time and returning any remaining fund balance to the General Fund Emergency, Economic Fluctuations, or other reserve accounts as deemed necessary. As of the end of the fiscal year ending June 30, 2019, there was \$1.98 million in the CIPR account. Staff is currently in the process of determining how much of this could be freed up for General Fund operating



purposes and will return to Council at a future budget study session or City Council meeting with exact figures.

- ***Return to Council in Fall 2020 with a budget update and recommended corrective actions if necessary once the economic impacts of COVID-19 are more fully known*** – The full magnitude and duration of the economic impacts due to COVID-19 cannot be known at this time with absolute certainty. Thus, staff believes that it is too soon to recommend significant budget reductions, which could severely impact City service levels to the public, until such time that the ongoing impacts of COVID-19 can be better understood. The use of the strategies discussed above are appropriate and should allow the City to contain costs and meet cash flow requirements in FY 2020-21. However, so that reserve balances are not completely depleted and to ensure long-term financial stability and creditworthiness, staff will also return to Council in October 2020 or before to propose corrective budgetary actions if necessary. These actions may not be necessary if the economy recovers quickly after the shelter in place orders have been lifted. However, during upcoming budget study sessions with City Council, staff will discuss several scenarios for reduced revenue levels in FY 2020-21 and options to consider at various trigger points should revenue losses exceed certain dollar (\$) and/or percentage (%) thresholds. Staff is currently developing those thresholds and options for discussion and consideration.

While staff is not requesting formal Council direction at this time, it again requests feedback on the budget approach and strategies listed above.

#### *Potential State and Federal Aid for Local Governments*

The FEMA CDL Program and Federal Reserve Municipal Liquidity Facility Program discussed previously; staff is also exploring the following avenues for federal and state aid:

- ***FEMA Reimbursement under the Public Assistance Program (PAP)*** – This program can provide for reimbursement of certain direct eligible expenses as they relate to the City's response to COVID-19. Eligible expenses may include:
  - Any costs necessary to operate or equip our Emergency Operations Center (EOC) to respond to COVID-19
  - Disinfection of City facilities and disinfection of equipment and vehicles due to COVID-19
  - Contractual assistance on emergency management and control of immediate threats to public health and safety in response to COVID-19
  - Purchase and distribution of food, water, ice, medicine, and other consumable supplies, to include personal protective equipment (PPE) and hazardous material suits due to COVID-19
  - Transportation of supplies and persons to respond to COVID-19
  - Communications of general health and safety information to the public for COVID-19



- Reimbursement for state, tribe, territory and/or local government force account overtime costs (OT) due to COVID-19

While it may take several years for the City to receive any PAP funds from FEMA based on the timing and release of funds for previous disasters. FEMA has allocated \$468 million for California public agencies to respond to COVID-19, and staff will submit an initial reimbursement claim shortly. The total amount of that claim has not been determined at this time. Staff will continue to submit all allowable reimbursement claims to FEMA now and into the future due to COVID-19.

- **Coronavirus Aid, Relief, and Economic Security (CARES) Act** – The CARES Act is a \$2 trillion relief package that was signed into law on March 27, 2020. Its primary purpose is to support individuals and businesses affected by the COVID-19 pandemic and associated economic downturn. However, the CARES Act also contained a \$150 billion Coronavirus Relief Fund to provide for payments to State, Local, and Tribal governments navigating the impact of the COVID-19 outbreak. However, only jurisdictions with populations greater than 500,000 are eligible for this aid, and it is up to individual states to determine how aid is allocated to cities and counties under this threshold. The National League of Cities (NLC) is advocating for direct aid to jurisdictions with populations less than 500,000, either as part of the Coronavirus Relief Fund or part of additional appropriations, but no actions have been taken by Congress as of yet. At this time, staff will explore whether and how the State of California will allocate these funds to smaller jurisdictions, such as the City of Campbell. Nevertheless, the CARES Act also contains provisions for additional Community Development Block Grant (CDBG) funding as well as several other possible benefits to local cities. Staff will continue to explore all funding mechanisms under the CARES Act or future stimulus bills and return to Council to provide an update at a later time in the near future once more information is known.

#### Operating Budget and CIP Development Process

The City's fiscal year starts on July 1 and ends on June 30 every year. And no public agency within California may spend public funds without the legal authorization to do so. Thus, to continue services and projects, the City of Campbell must adopt its FY 2020-21 Operating Budget and CIP by June 30, 2020. While COVID-19 and the logistical issues of preparing a budget remotely under shelter in place orders have been challenging, the City Manager's Office and the Finance Department still plan to introduce an operating budget and CIP on June 2 and seek Council adoption on June 16. The manner in which staff gets there, though, has been modified to account for COVID-19 and is shown in **Attachment A – FY 2021 Budget Development Calendar**.

Please note the following key dates in blue which are either regular City Council meetings or study sessions in April, May, and June:

- April 21 – **Council Meeting**: Fiscal & Budgetary Update for COVID-19
- April 28 – **Study Session**: Strategic Priorities & Budget Solutions

- May 19 – **Council Meeting:** Adoption of Master Fee Schedule
- May 19 – **Council Meeting:** Introduction of Business License Ordinance
- May 22 – **Study Session:** Operating Budget & CIP
- June 2 - **Council Meeting:** Adoption of Business License Ordinance
- June 2 - **Council Meeting:** Introduction of Operating Budget, CIP, & Gann Limit
- June 16 - **Council Meeting:** Adoption of Operating Budget, CIP, & Gann Limit

The time of the April 28 study session is still being confirmed, but it will be a remote meeting. The time of the May 22 study session will be 10 a.m. to noon to discuss the CIP and 1 p.m. – 4 p.m. to discuss the Operating Budget (location to be determined). Please note that all dates and times are subject to change due to operational or other constraints caused by COVID-19. Staff will keep the City Council apprised should any budget dates and times need to be changed. However, as previously discussed, the City must adopt its FY 2020-21 Operating Budget and CIP by no later than June 30, 2020.

### FISCAL IMPACT

There are no fiscal impacts associated with this report. Staff will return to Council with additional budget strategies and a Proposed FY 2020-21 Operating Budget and 2021-2025 Capital Improvement Plan (CIP) over the next several months.

Prepared by:



Will Fuentes, Finance Director

Approved by:



Brian Loventhal, City Manager

### Attachment:

- FY 2021 Budget Development Calendar

# FY 2021 Budget Development Calendar



**2019**  
**DECEMBER**

S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31	1	2	3	4

**DECEMBER 2019**

<b>Dec 1 - Dec 20</b>	Development of Financial Forecasts by Finance
<b>Dec 1 - Dec 20</b>	Implementation of New Budget System by Finance
<b>Dec 1 - Dec 20</b>	Preparation of Budget Materials & Process by Finance
<b>Dec 23 - Jan 1</b>	Holiday Closure

**2020**  
**JANUARY**

S	M	T	W	T	F	S
29	30	31	1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	1

**2020**  
**FEBRUARY**

S	M	T	W	T	F	S
26	27	28	29	30	31	1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29

**JANUARY 2020**

<b>Jan 1</b>	Holiday Closure
<b>Jan 2 - Feb 11</b>	Development of Financial Forecasts by Finance
<b>Jan 2 - Feb 11</b>	Implementation of New Budget System by Finance
<b>Jan 2 - Feb 11</b>	Preparation of Budget Materials & Process by Finance
<b>Jan 20</b>	Martin Luther King Jr. Day

**2020**  
**MARCH**

S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31	1	2	3	4

**2020**  
**APRIL**

S	M	T	W	T	F	S
29	30	31	1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	1	2

**FEBRUARY 2020**

<b>Feb 12</b>	Finance Provides Budget Kickoff & Training
<b>Feb 17</b>	Presidents' Day
<b>Feb 19</b>	Personnel Requests Due to Finance & HR
<b>Feb 21</b>	CIP Requests Due to Finance & CMO
<b>Feb 28</b>	Operating Budget Requests Due to Finance

**2020**  
**MAY**

S	M	T	W	T	F	S
26	27	28	29	30	1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31	1	2	3	4	5	6

**2020**  
**JUNE**

S	M	T	W	T	F	S
31	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	1	2	3	4

**MARCH 2020**

<b>Mar 2 - 10</b>	CIP Committee Discusses Proposed Projects
<b>Mar 3</b>	Mid-Year FY 20 Budget Update & Amendments
<b>Mar 4</b>	Parks and Recreation Commission - Review Parks CIP
<b>Mar 12 - Apr 3</b>	Finance Revises Budget Process due to COVID-19
<b>Mar 12 - Apr 10</b>	Finance Reviews Economic Impacts of COVID-19

**APRIL 2020**

<b>Apr 10</b>	Revisions to FY 20 Revenue Projections for COVID-19
<b>Apr 17</b>	Revisions to FY 21 Operating Budget & CIP for COVID-19
<b>Apr 21</b>	Fiscal & Budgetary Update for COVID-19
<b>Apr 24</b>	Review & Finalize Prelim. Operating Budget & CIP w/CM
<b>Apr 28</b>	<b>Study Session</b> - Strategic Priorities & Budget Solutions

**MAY 2020**

<b>May 6</b>	City Clerk to Notice Public Hearing - Fee Schedule
<b>May 6</b>	City Clerk to Notice Public Hearing - Bus. License Ordinance
<b>May 15</b>	Submit Proposed Operating Budget & CIP to Council
<b>May 19</b>	Adoption - Master Fee Schedule ( <b>PUBLIC HEARING</b> )
<b>May 19</b>	Introduction - Bus. License Ordinance ( <b>PUBLIC HEARING</b> )
<b>May 20</b>	City Clerk to Notice Public Hearing - Budget Introduction
<b>May 20</b>	City Clerk to Notice Public Hearing - Bus. License Ordinance
<b>May 22</b>	<b>Study Session</b> - Operating Budget & CIP
<b>May 25</b>	Memorial Day
<b>May 26</b>	Planning Commission - CIP General Plan Conformance

**JUNE 2020**

<b>Jun 2</b>	Introduction - Operating Budget, CIP, & Gann Limit
<b>Jun 2</b>	Adoption - Bus. License Ordinance ( <b>PUBLIC HEARING</b> )
<b>Jun 3</b>	City Clerk to Notice Public Hearing - Budget Adoption
<b>Jun 16</b>	Adoption - Oper. Budget, CIP, & Gann ( <b>PUBLIC HEARING</b> )

**KEY:**

CITY HOLIDAY OR CLOSURE
CAPITAL IMPROVEMENT PROJECTS (CIP)
BUDGET DEADLINES FOR FINANCE
BUDGET DEADLINES FOR DEPARTMENTS
STUDY SESSION or COUNCIL MTG
COMMISSION OR COMMITTEE MTG

Attachment: FY 2021 Budget Development Calendar (Initial Fiscal and Budgetary Update: COVID-19)

**From:** steven rossi

**Sent:** Monday, May 4, 2020 2:52 PM

I agree with the Los Gatos Community Alliance concerns in their letter regarding 2020 wage increases for Los Gatos employees. This should be openly discussed and explained at town council meetings with feedback solicited from the public. It should require a public vote of the town council. The town employees do an excellent job for the residents, but the economic environment is too uncertain at this time. Sincerely, Steven B Rossi



**From:** Gerard Abraham  
**Sent:** Monday, May 04, 2020 5:35 PM

To whom it may concern,

After reading the proposal included in Item # 8 of the agenda of tomorrow's Council Meeting, regarding a salary increase of 1% and a 2% bonus for the Los Gatos staff, including the management, I want to express how shocked I am to see such a proposal at a time when most working folks and businesses are hurting financially ( and some physically) due to the Covid-19 pandemic.

I think that

-first of all, this item should be pulled from the Consent Items list and subject to review / discussion with the Los Gatos population at large, given how financially critical, possibly irresponsible and insensitive it seems to be.

-second of all, given the uncertain economic and financial future created by this pandemic, it seems to me that any compensation increase (be it salary or bonus) should be postponed to a later date when we have regained some visibility forward.

Having been an executive in several private enterprises and now on the board of directors of a couple of companies, I can hardly believe that the council members and the management of this town are not more concerned and more prudent about the future of our finances.

Even if we have the funds necessary to cover the proposed compensation increases, it seems quite premature to put them into effective implementation at this very time.

The summer will hopefully let us know more about which of our emergency funds will be required and to what extent.

Sincerely yours,  
Gerard A. Abraham  
+1 408 805 1423 (cell)

**From:** Lee Fagot

**Sent:** Monday, May 4, 2020 8:36 PM

Madam Mayor and Council members,

I was rather shocked to see this item on the consent calendar when there had been NO public hearings on what would be extraordinary salary increases, especially during this economic uncertainty that could last more than a year or two. Apparently, you held several recent closed sessions the last two months with "Nothing to report".

And, with the Budget not prepared for next year, with more than a full year of the current contract still in effect for our employees, and, if the Council did give direction to staff to take such action, then shame on you. This is disingenuous on so many levels.

The costs will be more than \$1million the first 12 months when you calculate how the raises in this item will move the other town employees for comparable increases ASAP, one year early compensation increases, the OPEB costs and then the additional Pension obligations linked to this package. And, to pay for this, what do you think the tax and fee shortfalls will be, along with other unplanned expenses, because of the COVID Virus impacting our Town's commerce. Please think this thru.

While I appreciate both the quality of our Town employees, and their dedication to our community, there are just too many financial uncertainties to warrant paying out money one year before we are scheduled to even discuss this. Going forward with this is both offensive in the way it was presented (or, actually, NOT presented) to citizens and not fiscally responsible without yet knowing COVID effect on our community for the coming years, possibly reducing income and increasing expenses.

***Vote no on Item 8***

Work with the Finance Committee to do analysis of how our Town's revenue stream will be impacted, where we can reduce costs, and then focus on a reasonable budget.

***Vote no on Item 8***

Respectfully,  
Lee Fagot  
845 Lilac Way  
LG 95032

**From:** Phil Koen

**Sent:** Tuesday, May 5, 2020 8:41:37 AM

Dear Honorable Mayor and Council Members,

In past years when the Council has considered approving any bargaining unit salary adjustment, the Staff report always showed the changes in the salary schedule by job classification. For some reason the package you received did not include this. I have attached the TEA salary schedule by classification for the period effective January 1, 2017 and the proposed schedule effective July 1, 2020.

I have randomly selected 10 positions out of the 37 and computed the percentage increase using the top step. As you can see the increases range from a low of 9.1% to a high of 18.5%.

To further inform you, the CPI – U index (CPI – All Urban Consumers) for San Francisco/Oakland/Hayward, which some bargaining units across the South Bay use to establish COLA increases was 271.626 for January, 2017 and increased to 299.690 by January, 2020. That represents a 10.3% increase.

This raises the very obvious question as to why is the Staff recommending salary increases that at the top end are 80% greater than the index?

Thank you.

Phil Koen

**APPENDIX A – 2**

Salary Schedule Effective January 1, 2017 (Reflects market adjustments)

Class Code	Classification Title	FLSA	Range TE1	Step 1	Step 2	Step 3	Step 4	Step 5	Step 6
4310	Account Technician	Non-Exempt	07	\$28.19	\$29.60	\$31.08	\$32.63	\$34.26	\$36.55
3580	Administrative Assistant	Non-Exempt	04	\$25.63	\$26.91	\$28.26	\$29.67	\$31.15	\$33.29
4620	Assistant Engineer	Non-Exempt	19	\$38.57	\$40.50	\$42.53	\$44.66	\$46.89	\$49.81
4420	Assistant Planner *	Non-Exempt	14	\$34.37	\$36.09	\$37.89	\$39.78	\$41.77	\$44.44
4600	Associate Civil Engineer	Non-Exempt	23	\$44.41	\$46.63	\$48.96	\$51.41	\$53.98	\$57.26
4400	Associate Planner *	Exempt	18	\$38.42	\$40.34	\$42.36	\$44.48	\$46.70	\$49.62
4410	Building Inspector	Non-Exempt	19	\$38.57	\$40.50	\$42.53	\$44.66	\$46.89	\$49.81
4430	Code Compliance Officer *	Non-Exempt	13	\$33.16	\$34.82	\$36.56	\$38.39	\$40.31	\$42.91
4530	Communication Dispatcher *	Non-Exempt	15	\$35.72	\$37.51	\$39.39	\$41.36	\$43.43	\$46.18
4535	Communication Dispatcher Lead *	Non-Exempt	21	\$39.92	\$41.92	\$44.02	\$46.22	\$48.53	\$51.54
4540	Community Services Officer	Non-Exempt	09	\$30.20	\$31.71	\$33.30	\$34.97	\$36.72	\$39.14
4615	Construction Project Manager	Non-Exempt	20	\$39.51	\$41.49	\$43.56	\$45.74	\$48.03	\$51.01
4440	Counter Technician	Non-Exempt	08	\$29.04	\$30.49	\$32.01	\$33.61	\$35.29	\$37.63
4660	Engineering Technician	Non-Exempt	10	\$30.96	\$32.51	\$34.14	\$35.85	\$37.64	\$40.10
3501	Executive Assistant	Non-Exempt	07	\$28.19	\$29.60	\$31.08	\$32.63	\$34.26	\$36.55
4915	IT Technician *	Non-Exempt	11	\$31.01	\$32.56	\$34.19	\$35.90	\$37.70	\$40.17
4810	Librarian	Non-Exempt	12	\$32.84	\$34.48	\$36.20	\$38.01	\$39.91	\$42.49
4830	Library Assistant	Non-Exempt	03	\$25.02	\$26.27	\$27.58	\$28.96	\$30.41	\$32.51
4807	Library Customer Service Specialist	Non-Exempt	02	\$23.45	\$24.62	\$25.85	\$27.14	\$28.50	\$30.51
4805	Library Customer Service Supervisor	Non-Exempt	07	\$28.19	\$29.60	\$31.08	\$32.63	\$34.26	\$36.55
4825	Library Specialist	Non-Exempt	06	\$26.91	\$28.26	\$29.67	\$31.15	\$32.71	\$34.93
4819	Library Tech Specialist	Non-Exempt	10	\$30.96	\$32.51	\$34.14	\$35.85	\$37.64	\$40.10
4900	Network Administrator	Non-Exempt	17	\$36.73	\$38.57	\$40.50	\$42.53	\$44.66	\$47.47
3181	Office Assistant	Non-Exempt	02	\$23.45	\$24.62	\$25.85	\$27.14	\$28.50	\$30.51
4640	Park Services Officer	Non-Exempt	09	\$30.20	\$31.71	\$33.30	\$34.97	\$36.72	\$39.14
4560	Parking Control Officer	Non-Exempt	02	\$23.45	\$24.62	\$25.85	\$27.14	\$28.50	\$30.51
4425	Planning Technician	Non-Exempt	09	\$30.20	\$31.71	\$33.30	\$34.97	\$36.72	\$39.14
4550	Police Records Specialist	Non-Exempt	05	\$26.25	\$27.56	\$28.94	\$30.39	\$31.91	\$34.09
4630	Public Works Inspector *	Non-Exempt	16	\$36.46	\$38.28	\$40.19	\$42.20	\$44.31	\$47.11
4450	Senior Building Inspector	Non-Exempt	23	\$44.41	\$46.63	\$48.96	\$51.41	\$53.98	\$57.26
4831	Senior Library Page	Non-Exempt	01	\$16.49	\$17.31	\$18.18	\$19.09	\$20.04	\$21.62
4405	Senior Planner *	Exempt	24	\$45.48	\$47.75	\$50.14	\$52.65	\$55.28	\$58.62
4610	Senior Public Works Inspector *	Non-Exempt	22	\$41.57	\$43.65	\$45.83	\$48.12	\$50.53	\$53.64

\* Classifications with market adjustments



**Town of Los Gatos TEA Classifications**  
**Salary Schedule for Fiscal Year 2020/21**  
**Effective July 1, 2020**  
**Adopted by Town Council May 5, 2020**

11/1/17

Δ%

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18.5

12.7

17.2

22.9

18.5

16.5

9.1

Class Code	Classification Title	Rate Type	Range TE1	Step 1	Step 2	Step 3	Step 4	Step 5	Step 6
4310	Account Technician	Hourly	08	\$33.48	\$35.16	\$36.92	\$38.77	\$40.71	\$43.33
3580	Administrative Assistant	Hourly	04	\$28.02	\$29.42	\$30.90	\$32.45	\$34.07	\$36.35
4620	Assistant Engineer	Hourly	25	\$44.59	\$46.82	\$49.17	\$51.63	\$54.21	\$57.50
4420	Assistant Planner	Hourly	12	\$38.77	\$40.71	\$42.75	\$44.89	\$47.14	\$50.08
4600	Associate Civil Engineer	Hourly	27	\$50.73	\$53.27	\$55.93	\$58.73	\$61.67	\$65.33
4661	Associate Engineering Technician	Hourly	14	\$39.05	\$41.00	\$43.05	\$45.20	\$47.46	\$50.41
4400	Associate Planner	Hourly	20	\$45.12	\$47.38	\$49.75	\$52.24	\$54.85	\$58.17
4410	Building Inspector	Hourly	24	\$43.41	\$45.58	\$47.86	\$50.26	\$52.77	\$55.99
4430	Code Compliance Officer	Hourly	10	\$38.81	\$40.75	\$42.79	\$44.93	\$47.18	\$50.12
4530	Communication Dispatcher	Hourly	14	\$39.05	\$41.00	\$43.05	\$45.20	\$47.46	\$50.41
4535	Communication Dispatcher Lead	Hourly	19	\$46.42	\$48.74	\$51.18	\$53.74	\$56.43	\$59.83
4540	Community Services Officer	Hourly	11	\$33.01	\$34.66	\$36.39	\$38.21	\$40.12	\$42.71
4615	Construction Project Manager	Hourly	26	\$48.67	\$51.11	\$53.67	\$56.35	\$59.17	\$62.71
4660	Engineering Technician	Hourly	13	\$35.45	\$37.23	\$39.09	\$41.05	\$43.10	\$45.84
4705	Environmental Programs Specialist	Hourly	08	\$33.48	\$35.16	\$36.92	\$38.77	\$40.71	\$43.33
4200	Events and Marketing Specialist	Hourly	06	\$29.53	\$31.01	\$32.56	\$34.19	\$35.90	\$38.28
3501	Executive Assistant	Hourly	08	\$33.48	\$35.16	\$36.92	\$38.77	\$40.71	\$43.33
4900	IT Systems Administrator	Hourly	23	\$48.33	\$50.75	\$53.29	\$55.95	\$58.75	\$62.27
4915	IT Technician	Hourly	07	\$36.23	\$38.04	\$39.94	\$41.94	\$44.04	\$46.82
4810	Librarian	Hourly	16	\$37.05	\$38.90	\$40.85	\$42.89	\$45.03	\$47.86
4830	Library Assistant	Hourly	03	\$27.35	\$28.72	\$30.16	\$31.67	\$33.25	\$35.49
4807	Library Customer Service Specialist	Hourly	01	\$25.63	\$26.92	\$28.27	\$29.68	\$31.16	\$33.30
4805	Library Customer Service Supervisor	Hourly	08	\$33.48	\$35.16	\$36.92	\$38.77	\$40.71	\$43.33
4825	Library Specialist	Hourly	06	\$29.53	\$31.01	\$32.56	\$34.19	\$35.90	\$38.28
4819	Library Tech Specialist	Hourly	15	\$35.90	\$37.70	\$39.59	\$41.57	\$43.65	\$46.41
3181	Office Assistant	Hourly	01	\$25.63	\$26.92	\$28.27	\$29.68	\$31.16	\$33.30
4640	Park Services Officer	Hourly	11	\$33.01	\$34.66	\$36.39	\$38.21	\$40.12	\$42.71
4560	Parking Control Officer	Hourly	01	\$25.63	\$26.92	\$28.27	\$29.68	\$31.16	\$33.30
4440	Permit Technician	Hourly	09	\$32.25	\$33.87	\$35.56	\$37.34	\$39.21	\$41.75

**Town of Los Gatos TEA Classifications  
 Salary Schedule for Fiscal Year 2020/21  
 Effective July 1, 2020  
 Adopted by Town Council May 5, 2020**

Class Code	Classification Title	Rate Type	Range TE1	Step 1	Step 2	Step 3	Step 4	Step 5	Step 6
4425	Planning Technician	Hourly	11	\$33.01	\$34.66	\$36.39	\$38.21	\$40.12	\$42.71
4550	Police Records Specialist	Hourly	05	\$28.69	\$30.13	\$31.64	\$33.22	\$34.88	\$37.20
4630	Public Works Inspector	Hourly	18	\$40.37	\$42.39	\$44.51	\$46.74	\$49.08	\$52.11
4450	Senior Building Inspector	Hourly	27	\$50.73	\$53.27	\$55.93	\$58.73	\$61.67	\$65.33
4831	Senior Library Page	Hourly	02	\$18.02	\$18.92	\$19.87	\$20.86	\$21.90	\$23.58
4405	Senior Planner	Hourly	28	\$51.96	\$54.56	\$57.29	\$60.16	\$63.17	\$66.91
4610	Senior Public Works Inspector	Hourly	26	\$48.67	\$51.11	\$53.67	\$56.35	\$59.17	\$62.71
4662	Sr. Engineering Technician	Hourly	24	\$43.41	\$45.58	\$47.86	\$50.26	\$52.77	\$55.99

14.0  
 14.4  
 16.9

**Reflects General Increase of 1%**

**From:** Gregg Kerlin

**Sent:** Tuesday, May 05, 2020 10:53 AM

While I generally would be in support of most any Town measure and the Council, I believe that financial responsible management is not something that shouldn't be taken lightly.

I agree with the Los Gatos Community Alliance that agenda item #8 be removed from the May 5th, 2020 consent calendar, and that any increases to the town budget of this magnitude be public and defended publicly. So beyond simply removing this item from the calendar, the Town should be allowing an independent public financial team monitor the financial behavior of the Town's budgetary process. This action by the Town staff only proves the need for independent review.

Gregg Kerlin  
Los Gatos Resident

Los Gatos Town Council Members,

We are very surprised to hear that the Town is considering raises and bonuses in a closed door session during a time where unemployment has spiked to 20% nationwide. Our family has been directly impacted by layoffs as have many others in Los Gatos. My understanding is that collective bargaining has established the wages and benefits through June 2021 so why would this be considered at this time? There will certainly be a lot of stores and businesses that will not return to the pre-Covid sales level. Please remove this from the consent agenda and cancel further discussion. However, if you do proceed, this must be an open forum for townspeople/voters to weigh in.

Thank you,  
Neil, Sue and Erin Maguire