

From: [Phil Koen](#)
To: [Gitta Ungvari](#)
Cc: [Laurel Prevetti](#)
Subject: Historical Headcount
Date: Thursday, January 18, 2024 11:26:24 PM
Attachments: [Historical headcount trend report.pdf](#)

[EXTERNAL SENDER]

Gitta,

I had sent this schedule to you a number of weeks ago asking about it. This report shows an “actual” headcount for FY 2001 through FY 2004 which differs from the trend graph that is always published in the budget book. Frankly I am not sure if the Actual number reported in the attached is truly the actual number of employees on board that year. Do you know?

I also am questioning if the trend graph which was included in the budget book is plotting the trend in “funded” FTE positions or Actual FTE that were on board for each year? I believe the trend line is “funded” positions (which is different from approved and also different from actual). Can you clarify for me?

This is important since the staff has claimed the Town has managed salary escalation through lower the maintenance of lower staffing levels. This would only be true if the trend report reflected actual FTE as opposed to funded.

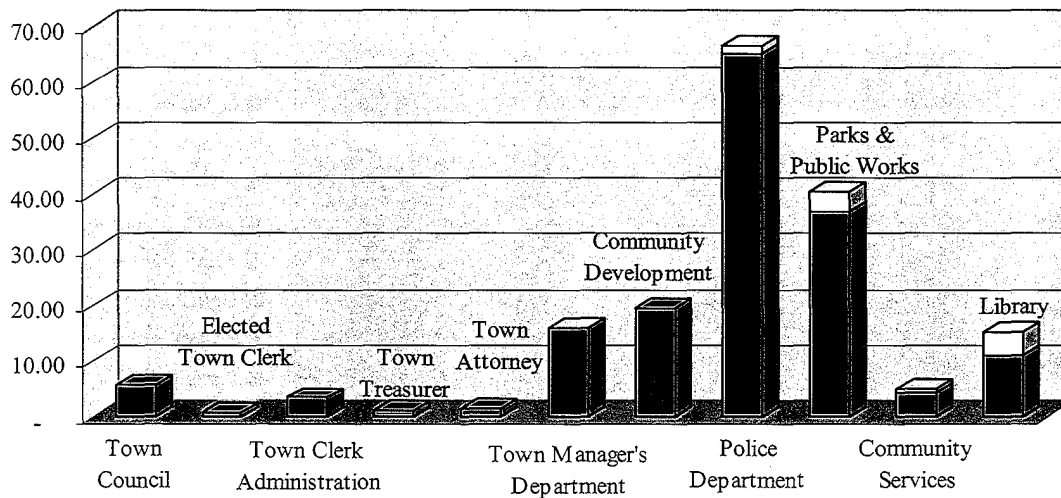
Thoughts?

Thanks,

Phil

SUMMARY of POSITIONS

Budgeted FTEs by Department



FY 2004/05 Budgeted FTEs by Department (Includes Converted Temporary Hours)

Departments	Authorized Positions	Funded Staff Positions	Temporary Staff Hours converted to FTEs	Total Budgeted Positions
Town Council	5.85	5.85	0.18	6.03
Office of the Town Clerk	1.00	1.00	-	1.00
Town Clerk Administration	4.00	3.50	-	3.50
Town Treasurer	1.25	1.25	-	1.25
Town Attorney	2.75	1.50	-	1.50
Town Manager's Department	18.45	16.05	0.18	16.23
Community Development	21.00	19.60	-	19.60
Police Department	73.00	65.30	1.25	66.55
Parks & Public Works	45.00	37.00	3.27	40.27
Community Services	5.45	4.45	0.80	5.25
Library	11.75	11.10	4.70	15.80
Total Positions	189.50	166.60	10.38	176.98

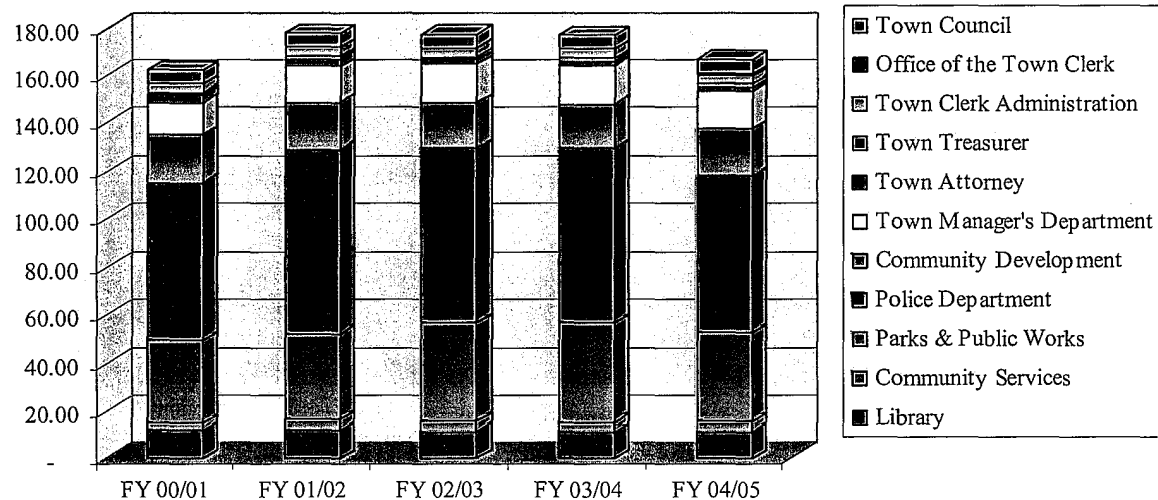
Town Manager's Department staffing numbers include: Town Manager's Office; Human Resources; Finance & Administrative Services; and Management Information Services.

Temporary positions result from seasonal, temporary, and part-time labor needs.

SUMMARY of POSITIONS

Funded FTEs by Department

Five Year Staffing Trend



Departments	FY 00/01 Actuals	FY 01/02 Actuals	FY 02/03 Actuals	FY 03/04 Actuals	FY 04/05 Proposed
Town Council	5.35	5.85	5.85	5.85	5.85
Office of the Town Clerk	-	-	-	-	1.00
Town Clerk Administration	4.00	4.00	4.00	4.00	3.50
Town Treasurer	1.25	1.25	1.25	1.25	1.25
Town Attorney	2.75	2.75	1.75	1.75	1.50
Town Manager's Department	13.50	15.20	16.30	16.30	16.05
Community Development	20.00	19.75	18.60	18.60	19.60
Police Department	66.00	77.00	73.00	73.00	65.30
Parks & Public Works	34.30	35.70	41.00	41.00	37.00
Community Services	3.25	4.70	4.45	4.45	4.45
Library	11.50	11.50	11.00	10.75	11.10
Total Budgeted FTEs	161.90	177.70	177.20	176.95	166.60

Note - FTEs represent Town staff positions funded in annual budgets. Numbers do not reflect temporary hours or the filled or unfilled status of the positions.

From: [Phil Koen](#)
To: [Gitta Ungvari](#); [Linda Reiners](#)
Subject: 5 year forecast
Date: Friday, January 19, 2024 12:29:58 PM

[EXTERNAL SENDER]

Gitta,

In thinking about how best to tackle the five-year forecast, I would like to suggest that we increase the visibility to the various revenue streams that need to be reviewed. One of the problems I see is the revenue streams shown in the past five-year forecast model are too high of a level and mask the underlying trends. Most of the revenue streams have unique drivers of growth that need to be understood and forecasted at that level.

Also, we should exclude from the total revenue all fund transfers in. As we discussed, all fund transfers, both in and out of the general fund need to be shown below operating revenues and expenditures. This is important so the reader understands if operating revenues are sufficient to cover operating expenditures. I think we agreed to adopt the format in the budget book but showing all transfers below the operating surplus/deficit line (just like how it is presented in the audited financials).

With that in mind I would suggest presenting the revenue forecast as broken out below:

Government Taxes

- >Secured and Unsecured Property Tax
- >ERAF
- >VLF
- >Sales use tax
- >Measure G (100% - show the ½ as a transfer out)
- >TOT
- >Franchises
- >Business License
- >Real Property Transfer
- >All other
- >>>>Total Government Taxes

Charges for Services

- >Police
- >Plan check
- >Eng Fees
- >all other
- >>>>>Total Charges for Services

License and Permits

- >Construction
- >Solid Waste
- >Utility Fee
- >Street Sweeping
- >All other
- >>>>>Total License and Permits

Intergovernmental

>State

>Federal

>>>>Total Intergovernmental

Fines and Forfeitures

Interest (cash only – do not include MTM adjustments)

Miscellaneous

Total General Fund Revenue

I know you have historical data for each of these line items. I took this break down from the transaction report. It is important that the 5-year forecast include at least three years of historical trends, so the reader has a basis to judge growth.

Hopefully, this is rather easy to incorporate into the spreadsheet. I feel strongly that this level of detail is required to truly understand the revenue forecast.

Let me know if you have any questions.

Phil

From: [Phil Koen](#)
To: [Gitta Ungvari](#)
Cc: [Linda Reiners](#); [Laurel Prevetti](#)
Subject: Reconciling the FY 23 ACFR Original Budget to the FY 23 Adopted Budget - revenue
Date: Saturday, January 20, 2024 12:28:17 PM

[EXTERNAL SENDER]

Gitta,

In preparing for the 5-year forecast review, it will be important to reconcile to the ACFR for historical purposes.

In reviewing the FY 2023 ACFR, the budget vs actual schedule for the General Fund shows a total revenue for the original budget of \$45,537,337. The adopted budget in the FY 23 budget book shows a total general fund revenue of \$50,005,467.

That is a difference of \$4,468,130. I can account for a portion of this difference, namely transfers in of \$538,536 and the debt service of \$1,893,713. However, that still leaves \$2,035,881 unidentified. That amount is material. What revenue items have been eliminated from the adopted budget of \$50,005,467 to get to the \$45,537,337 reported in the ACFR? Why were these revenue streams eliminated?

I intend for the FC to spend time making sure everyone understands how the 5-year plan has been constructed and how the 5-year plan agrees to the ACFR. There appears to be several reconciling items that make it difficult to bridge the

differences between the two.

If you could provide a reconciliation walking us from the \$50,005,467 to the \$45,537,337, that would be very helpful. Please let me know if you have any questions.

Phil

From: [Phil Koen](#)
To: [Gitta Ungvari](#)
Cc: [Linda Reiners](#)
Subject: 5 year revenue forecast
Date: Sunday, January 21, 2024 11:05:57 AM
Attachments: [5 year Forecast - PJK.xlsx](#)

[EXTERNAL SENDER]

Gitta,

Attached please find a GF revenue forecast that I have prepared based on historical numbers. The historical numbers agree to the ACFR.

Please note the historical GF revenues do not include any ARPA money. All ARPA funds were reported as revenue in a separate ARPA fund. It is important that we agree on the accounting treatment of the ARPA grant. I sent you a separate email on the accounting for ARPA last week. If you have a different viewpoint, please let me know so we can resolve this issue once and for all.

There are individual forecasts for property taxes, sales tax, TOT, franchise, and business license tax. I have agreed these back to historical documents published by the Town, the ACFR and the State Transaction Report. I believe the historical numbers are correct.

Functional revenues are a roll up of many different General Fund revenue items including federal, state and county grants, charges for Town services, fines and forfeitures, development

fees to name just a few. I grouped these into one line item to be able to better understand the historical growth rate at an aggregate level. Again, the historical number ties back to General Fund Total Revenue as reported in the ACFR and the State Transaction Report.

The historical numbers show that property taxes have grown over the prior 6 years at a 7.5% CAGR. Total GF revenues have grown at a 4.6% CAGR.

Based on this, I assumed growth rates for each revenue stream based on history. The rates are reasonable compared to historical rates. The forecast period reflects a 4% CAGR for total revenue vs the 6-year historical 4.6% CAGR. That feels right down the middle of the fairway.

I then compared the total forecasted revenues for the period FY 24 – FY 28 to the last 5-year plan published by the Town. I adjusted the Town's revenue forecast by deducting the \$1.9m debt service and \$.5m fund transfer in, which are not elements of General Fund revenue as reported in the ACFR. These elements were not in my forecast.

The analysis indicates that over the forecast period, the town's forecast projects a total of \$32m less in total general fund revenue. Obviously, that is a material difference and if correct would indicate no need for raising taxes.

In advance of the FC, I would like to work with you to make sure there are no disagreements over the historical numbers and the methodology I have used. I intend to apply the same methodology to operating expenses to determine if any gap exists there as well. But first I wanted to lock down the revenue analysis.

Any chance Linda and I could discuss this with you next week? I want to be out in front of this issue since this analysis is materially different from what the Town has published. As I mentioned it is OK if we have different viewpoints. The FC's commission charter is to function as an advisory body and provide important guidance. We must be independent and that may mean occasionally we have a different view. The important point is that we all understand the basis for the different view and be clear in our communication to the Town Council.

Thank you,

Phil

Revenue	act FY 2017	act FY 2018	act FY 2019	act FY 2020	act FY 2021	act FY 2022	act FY 2023	6 yr CAGR	proj FY 2024	proj FY 2025	proj FY 2026	proj FY 2027	proj FY 2028	5 YR CAGR
Property Tax	14.7	15.9	17.3	18.4	19.9	21.1	22.7	7.5%	23.9	25.3	26.7	28.1	29.7	5.5%
Sales Tax	9.2	7.6	8.2	7.5	7.9	8.5	8.8	-0.7%	9.1	9.3	9.6	9.9	10.2	3.0%
TOT	2.3	2.6	2.7	1.9	1	1.9	2.2	-0.7%	2.3	2.3	2.4	2.5	2.6	3.0%
Franchise	2.4	2.5	2.5	2.5	2.5	2.8	3.1	4.4%	3.2	3.2	3.3	3.4	3.4	2.0%
Business License	1.7	1.7	1.5	1.4	1.4	1.5	2.4	5.9%	2.4	2.5	2.5	2.6	2.6	2.0%
>>Total Tax Revenue	30.3	30.3	32.2	31.7	32.7	35.8	39.2	4.4%	40.9	42.7	44.5	46.5	48.5	4.4%
Use of Money	0.1	0.2	1.7	2.3	0.1	-1.4	0.8		1.0	1.0	1.0	1.0	1.0	
Functional Revenue	8.3	10	9.7	8.7	9.9	12.2	10.6	4.2%	10.9	11.2	11.6	11.9	12.3	3.0%
Total General Fund Revenue	38.7	40.5	43.6	42.7	42.7	46.6	50.6	4.6%	52.8	54.9	57.1	59.4	61.8	4.0%
Town's 5 Year revenue forecast									52.2	51.3	52.8	54.2	55.5	1.5%
Less:														
>Debt Service									1.9	1.9	1.9	1.9	1.9	
>Transfers In									0.5	0.5	0.5	0.5	0.5	
Adjusted revenue forecast									49.8	48.9	50.4	51.8	53.1	1.6%
Difference									3.0	6.0	6.7	7.6	8.7	
cumulative difference									3.0	9.0	15.7	23.3	32.0	

From: [Phil Koen](#)
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Cc: [Linda Reiners](#)
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Thank you,

Phil

From: [Phil Koen](#)
To: [Gitta Ungvari](#); [Laurel Prevetti](#)
Cc: [Linda Reiners](#); [Mary Badame](#)
Subject: Long term forecast assumptions
Date: Friday, January 26, 2024 10:50:07 PM
Attachments: [Memo-7-Year-Forecast---SECOND-UPDATE-06-20-23.pdf](#)

[EXTERNAL SENDER]

Gitta,

I am looking forward to scheduling a meeting on February 6 so Linda and I could discuss the 5 year revenue model that I forwarded to you. The purpose of the meeting is to see where Staff's views are aligned with the model and where they diverge.

As back ground information I have attached the latest long range revenue projection the City of Campbell prepared for their TC. This was done June 2023 so it is fairly current. I think it is very constructive.

As you can see they have estimated a steady growth rate between 6 - 7% for property taxes. This is slightly higher than the assumption in the revenue model we sent to you and double the rate of the Town's latest 5 year plan. A higher growth rate assumption materially changes the Town's 5 year forecast.

In addition Campbell has conservatively estimated a 2 -3% growth in sales and use tax. This is in line with the assumption in my revenue model and consistent with the Town's assumption.

If you could provide me with a time that is convenient for you to meet with us on Feb 6th, I would be most appreciative.

Thank you,

Phil Koen

MEMORANDUM



City of Campbell

Finance Department

To: City Council

Date: June 20, 2023

From: Will Fuentes, Finance Director

Subject: Second Update of Seven-Year Financial Forecast

Staff has prepared a **second** update of the **Seven-Year Financial Forecast** for the General Fund, which shows four (4) years of historical actuals (FY 2019 to FY 2022), current year projected actuals (FY 2023), and seven (7) years of projected actuals through FY 2030. This update will provide a summary of staff's Seven-Year Financial Forecast, with the full detailed forecast to be published in its entirety on the City's website at <https://www.ci.campbell.ca.us/151/Budget>. Additionally, its main focus is the General Fund (101) since that is the City's primary discretionary fund to support daily operations. Please also note that while this is a better indication of estimated revenues and expenditures for FY 2024 and beyond, the forecast will continue to be updated in the future as actual expenditures and revenues are realized and additional information about future trends is made available. Thus, this forecast only represents a snapshot in time that can and will change.

Below in **Table 1**, Council will find a summary of projected General Fund revenues compared to expenditures during this time period as well as estimated surpluses or deficits. Please note though that this is only one possible future for the City based on the assumptions to be detailed below and future year trending based off of those assumptions. Should actions be taken to reduce expenditures beyond any measures taken to date, revenues increase through new or modified sources, or the economy grow more quickly or more slowly than expected, actual results could deviate from projected results, which are based upon best data as of today:

Table 1 – General Fund Revenues vs. Expenditures (Estimated) (June 20, 2023)

	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Revenues	69,261,824	69,103,200	71,492,800	74,761,800	78,048,300	81,491,200	85,116,200
Expenditures	69,110,503	69,025,400	71,248,800	73,561,400	75,631,200	77,896,200	77,751,300
Surplus/(Deficit)	151,321	77,800	244,000	1,200,400	2,417,100	3,595,000	7,364,900

For comparison purposes, **Table 2** below provides the same information from when staff last provided an update of the Seven-Year Financial Forecast to Council on June 6, 2022:

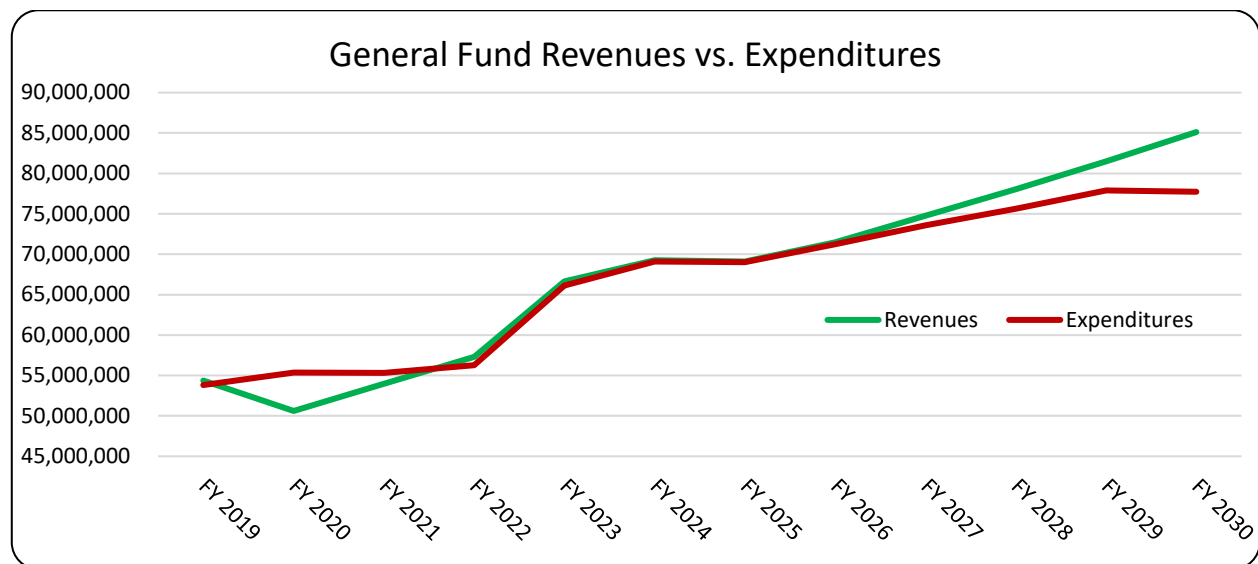
Table 2 – General Fund Revenues vs. Expenditures (Estimated) (June 6, 2023)

	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Revenues	68,841,824	69,257,700	71,651,900	74,925,600	78,217,000	81,665,000	85,295,300
Expenditures	68,628,003	69,635,600	71,597,400	73,920,600	76,001,300	78,277,400	78,160,700
Surplus/(Deficit)	213,821	(377,900)	54,500	1,005,000	2,215,700	3,387,600	7,134,600

As shown, at the time of the last update, staff had projected balanced General Fund operations in FY 2024, followed by a slight deficit in FY 2025 of \$377,900. While several new costs were added to FY 2024 since the June 6th Budget Introduction, staff also corrected out years of the forecast to remove any one-time expenses beyond FY 2024. As a result, all years of the forecast are now balanced. Please also note that the Seven-Year Financial Forecast assumes a measured use of American Rescue Plan Act (ARPA) funds in FY 2024 to support budgetary requests discussed in the City's Manager's Transmittal Letter as well as a small use to support a two-year limited-term Environmental Programs Specialist in FY 2025. The Environmental Programs Specialist will assist the City in preparing a Climate Action Plan in FY 2024 and FY 2025.

The financial information above is also visually presented in **Graph 1** below. In addition to a seven-year forecast, this graph also provides five-year historical look back:

Graph 1 – General Fund Revenues vs. Expenditures (Estimated and Historical)



Given the updated forecast, total General Fund reserves are estimated to return to their targeted levels by FY 2029 and be above their targeted levels in out years. The forecast could change should action regarding ongoing costs be taken, additional revenue sources be secured, or a quicker and larger than expected economic growth occur. A comparison to target levels set by Council Policy is shown in Graph 2 below:

Graph 2 – General Fund Reserves (Targeted vs Actual and Projected Actual)

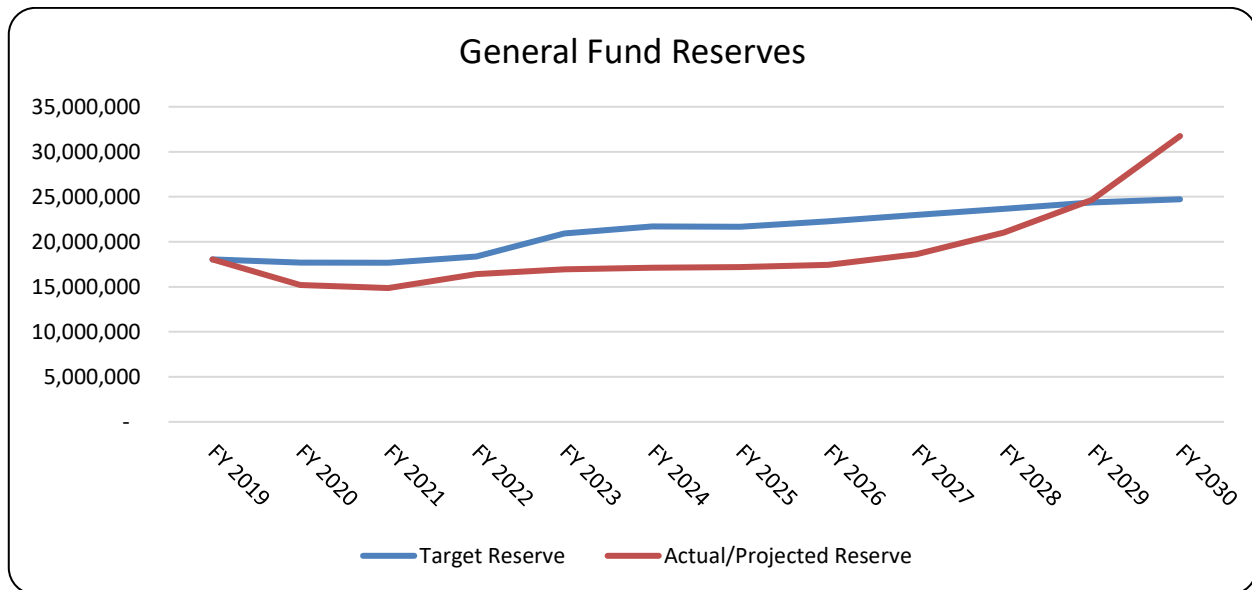


Table 3 below provides a summary of projected General Fund discretionary reserves over the seven-year forecast from FY 2024 to FY 2030 and considers potential surpluses and deficits identified above:

Table 3 – General Fund Discretionary Reserves (Estimated)

	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Econ. Fluct.	9,955,452	9,955,452	9,955,452	9,955,452	9,955,452	12,985,297	12,961,142
Emergency	3,901,462	3,979,262	4,223,262	5,423,662	7,840,762	8,149,120	8,511,620
Operating	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,256,798	8,026,555
PERS	2,252,000	2,252,000	2,252,000	2,252,000	2,252,000	2,252,000	2,252,000
Total	17,108,914	17,186,714	17,430,714	18,631,114	21,048,214	24,643,214	31,751,317
% of Expend.	25.0%	24.1%	23.5%	24.2%	26.4%	30.0%	39.1%

The following summarizes key assumption made for revenues and expenditures:

REVENUES

- Property Taxes** – Property tax is the General Fund’s largest revenue source and continues to be fueled by improving housing prices and strong sales activity. In fact, as of calendar year 2023 Q1, the average home price in Campbell was \$1.84 million and rose slightly from an average home price of \$1.83 million in calendar year 2022 Q4. Additionally on May 5, 2023, the Santa Clara County Assessor’s Office provided an update on FY 2023 property tax collections to date and projected 5.89% assessed value growth for Campbell in FY 2024. This has been factored into the Proposed FY 2024 Operating Budget and is up from a 5.62% growth estimate provided by the Assessor’s Office on February 10, 2023. Beyond FY 2024, staff estimates steady 6-7% growth which mirrors pre-COVID recessionary property tax growth levels. Property Tax estimates also include substantially higher Educational Revenue Augmentation Fund (ERAF) revenues which are paid by the State to the City through property tax and have been much higher than expected the past few years due to increasing property valuations.

- **Sales and Use Tax** - Sales tax is the General Fund's second largest revenue source and shows a decrease from FY 2023 to FY 2024 due to a large one-time back payment made by a top sales tax producer in FY 2023. While ongoing annual revenue from this sales tax producer will continue in FY 2024 and beyond, the one-time back payment will not. Sales Tax as a whole though, once the one-time adjustment is removed, is projected to remain relatively flat in FY 2024 when compared to FY 2023. Beyond FY 2024, staff conservatively estimates 2-3% growth per year. However, staff also notes that inflationary pressures and the possibility of a recession caused by rising interest rates provide headwinds to consumer and business spending and further economic growth.
- **Charges for Service** - As a whole in Charges for Service in the General Fund, staff is estimating an 18.6% increase in FY 2024 when compared to the year-end estimate for FY 2023; reflecting increased service demands. At \$5.91 million, this meets and exceeds pre-recessionary levels and proposed operational costs in departments such as Recreation and Community Services reflect this return to "normal". However, in future years, staff estimates more regular 3% growth.
- **Transient Occupancy Tax (TOT)** - Based on significant improvements in the travel and leisure industry, staff projects that Transient Occupancy Tax (TOT) will reach near pre-pandemic levels in FY 2024 and equal approximately \$4.50 million. However, prior to the pandemic, TOT was at \$4.80 million annually. In FY 2023, it is expected to reach \$3.65 million. Thereafter, staff estimates conservative 3% growth per year.

EXPENDITURES

- **Employee Costs** – Three-year labor agreements with all bargaining groups were agreed to in 2022 and run through 2025. Costs associated with agreements have been factored into the proposed budget, long-range forecast, and schedules as well as an 8% assumption for annual healthcare premium increases and other compensation special adjustments to bring certain positions to median.
- **Supplies and Services** – In the General Fund, there is a 6.5% increase to supplies and services costs in FY 2024 when compared to FY 2023 Year-End Estimates. After FY 2024, staff is estimating level 3% annual growth through FY 2030, consistent with normal and average inflationary growth levels.

And lastly, as mentioned previously, the detailed seven-year financial forecast will be published in its entirety on the City's [website](#) and will contain following items shown:

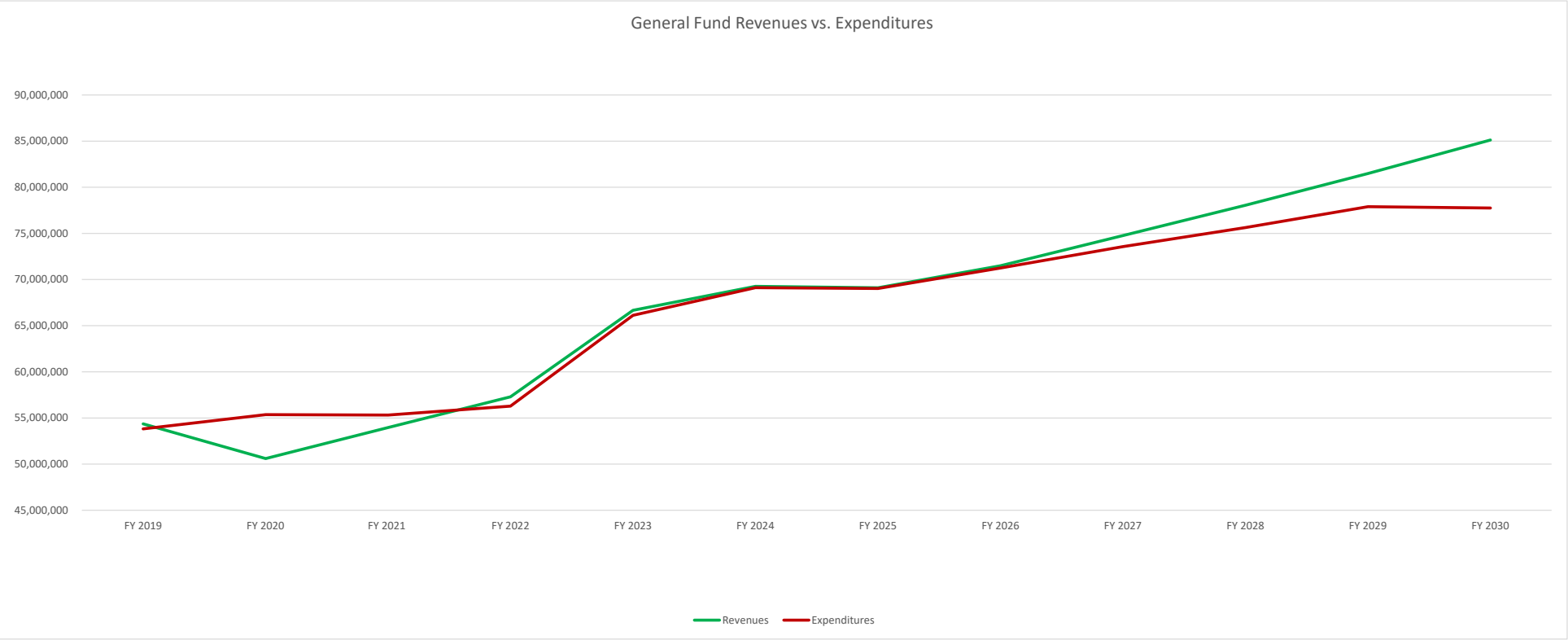
- Historical and Projected Revenues by Type
- Historical and Projected Expenditures by Type
- Historical and Projected Surpluses and Deficits
- Historical and Projected Draw Downs or Additions to General Fund Reserves
- Historical and Projected Comparisons of General Fund Reserves to City Policy

General Fund (101) Historical (5-years) and Forecasted (7-years) Revenues and Expenditures (SECOND UPDATE 06-20-23)

REVENUES BY TYPE	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
<u>Base Revenues</u>	<u>Actuals</u>	<u>Actuals</u>	<u>Actuals</u>	<u>Actuals</u>	<u>Estimated</u>	<u>Proposed</u>	<u>Estimated</u>	<u>Estimated</u>	<u>Estimated</u>	<u>Estimated</u>	<u>Estimated</u>	<u>Estimated</u>
Property Taxes	15,607,316	17,208,898	17,911,445	19,510,782	20,526,000	22,047,000	23,349,100	24,728,800	26,430,600	28,250,600	30,197,200	32,279,100
Sales & Use Taxes	15,684,222	13,493,745	14,478,163	16,419,362	18,221,459	17,699,289	18,138,600	18,682,800	19,243,300	19,820,600	20,415,200	21,027,700
Other Taxes	9,539,163	7,962,878	6,375,527	7,894,353	8,602,100	9,691,400	9,997,100	10,313,000	10,644,900	10,988,300	11,343,500	11,711,400
Licenses & Permits	2,062,086	2,481,986	2,963,368	3,742,394	4,173,500	4,290,300	4,419,100	4,551,700	4,688,100	4,828,800	4,973,700	5,122,800
Fines/Forfeits/Penalties	274,478	216,065	85,149	222,721	107,500	100,000	103,100	106,200	109,400	112,600	115,900	119,400
Investment & Other Interest Income	998,446	542,846	(8,137)	(317,035)	610,900	810,900	835,200	860,200	886,000	912,700	940,200	968,500
Intergovernmental Revenue	761,116	1,009,428	892,283	985,556	1,075,700	2,059,068	2,122,100	2,187,000	2,254,400	2,323,900	2,395,600	2,469,600
Charges For Services	5,037,369	3,917,007	3,327,691	4,843,230	4,980,430	5,907,545	6,175,900	6,133,000	6,466,100	6,659,600	6,843,300	7,032,300
Leases & Rentals	2,913,689	2,543,937	1,894,089	2,779,743	2,965,800	3,052,500	3,144,100	3,238,400	3,335,600	3,435,800	3,538,900	3,645,100
Miscellaneous Revenues	191,982	232,556	82,509	274,216	168,346	129,410	133,300	137,200	141,200	145,300	149,500	153,800
Other Revenues	-	22,646	79,962	77,059	84,600	87,000	89,600	92,300	95,100	98,000	100,900	103,900
OFS - Bonds & Loans	20	-	-	-	-	-	-	-	-	-	-	-
OFS - Operating Transfers	1,294,226	974,801	3,149,881	866,425	4,417,715	452,900	457,500	462,200	467,100	472,100	477,300	482,600
Sub-Total Base Revenues	54,364,113	50,606,793	51,231,930	57,298,806	65,934,050	66,327,312	68,964,700	71,492,800	74,761,800	78,048,300	81,491,200	85,116,200
Adjustments to Revenue												
CARES Act Funding	-	-	522,136	-	-	-	-	-	-	-	-	-
Transfer In from ARPA Fund	-	-	2,214,670	-	725,467	2,934,512	138,500	-	-	-	-	-
Sub-Total Revenue Adjustments	-	-	2,736,806	-	725,467	2,934,512	138,500	-	-	-	-	-
TOTAL REVENUES	54,364,113	50,606,793	53,968,736	57,298,806	66,659,517	69,261,824	69,103,200	71,492,800	74,761,800	78,048,300	81,491,200	85,116,200
EXPENDITURES BY TYPE	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
<u>Base Expenditures</u>	<u>Actuals</u>	<u>Actuals</u>	<u>Actuals</u>	<u>Actuals</u>	<u>Estimated</u>	<u>Proposed</u>	<u>Estimated</u>	<u>Estimated</u>	<u>Estimated</u>	<u>Estimated</u>	<u>Estimated</u>	<u>Estimated</u>
Salaries	18,977,226	19,012,655	18,818,409	19,402,509	21,538,754	23,537,505	24,244,500	24,972,200	25,721,400	26,493,400	27,288,200	27,288,200
Benefits	11,052,287	13,094,052	12,773,859	12,477,699	12,069,813	12,729,400	12,969,800	13,150,200	13,330,300	13,478,000	13,847,000	13,866,600
Supplies & Services	16,939,305	17,143,650	16,289,291	17,933,221	23,325,863	24,837,700	25,665,100	26,349,400	27,224,300	27,952,800	28,877,000	28,789,600
Other Charges	579,176	529,364	492,256	515,310	608,578	567,900	585,000	602,500	620,500	639,100	658,200	658,200
Rents & Leases	1,928,975	1,598,459	1,693,453	1,693,453	1,693,453	1,693,453	1,744,200	1,796,600	1,850,300	1,905,700	1,963,000	1,963,000
Capital Outlay	33,882	45,359	-	3,175	121,996	78,300	80,600	83,000	85,500	88,100	90,800	90,800
Operating Transfers	3,096,268	2,858,545	4,251,537	3,696,743	3,943,321	3,224,000	3,320,700	3,420,300	3,522,900	3,628,600	3,737,500	3,737,500
Capital Transfers	1,209,938	1,080,020	1,005,991	566,354	2,540,050	1,892,245	1,949,000	2,007,500	2,067,700	2,129,700	2,193,600	2,193,600
Sub-Total Base Expenditures	53,817,057	55,362,103	55,324,796	56,288,463	65,841,829	68,560,503	70,558,900	72,381,700	74,422,900	76,315,400	78,655,300	78,587,500
Adjustments to Expenditures												
One-Time Items Proposed for FY 2024	-	-	-	-	-	-	(3,172,600)	(3,267,800)	(3,365,800)	(3,466,800)	(3,570,800)	(3,677,900)
Recurring Costs back to General Fund fr ARPA	-	-	-	-	-	-	-	280,000	288,400	297,100	306,000	315,200
Full Year Costs of New Hires and Vacant Fills	-	-	-	-	-	-	615,100	633,600	652,600	672,200	692,400	713,200
Removal of Limited Term Environ Prog Spec.	-	-	-	-	-	-	-	(142,700)	(142,700)	(142,700)	(142,700)	(142,700)
Renewed Set Aside for CIPR: Target \$1.5M/yr	-	-	-	-	275,000	550,000	750,000	1,000,000	1,250,000	1,500,000	1,500,000	1,500,000
PERS UAAL Increases (Invest. Target) (Misc)	-	-	-	-	-	-	149,000	198,000	248,000	248,000	248,000	248,000
PERS UAAL Increases (Invest. Target) (Safety)	-	-	-	-	-	-	125,000	166,000	208,000	208,000	208,000	208,000
Sub-Total Expenditure Adjustments	-	-	-	-	275,000	550,000	(1,533,500)	(1,132,900)	(861,500)	(684,200)	(759,100)	(836,200)
TOTAL EXPENDITURES	53,817,057	55,362,103	55,324,796	56,288,463	66,116,829	69,110,503	69,025,400	71,248,800	73,561,400	75,631,200	77,896,200	77,751,300
SURPLUS/(DEFICIT)	547,055	(4,755,309)	(1,356,060)	1,010,342	542,688	151,321	77,800	244,000	1,200,400	2,417,100	3,595,000	7,364,900

General Fund (101) Historical (5-years) and Forecasted (7-years) Revenues and Expenditures (SECOND UPDATE 06-20-23)

Graph Data (Revenues vs. Expenditures)	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Revenues	54,364,113	50,606,793	53,968,736	57,298,806	66,659,517	69,261,824	69,103,200	71,492,800	74,761,800	78,048,300	81,491,200	85,116,200
Expenditures	53,817,057	55,362,103	55,324,796	56,288,463	66,116,829	69,110,503	69,025,400	71,248,800	73,561,400	75,631,200	77,896,200	77,751,300
Surplus/Deficit	547,055	(4,755,309)	(1,356,060)	1,010,342	542,688	151,321	77,800	244,000	1,200,400	2,417,100	3,595,000	7,364,900

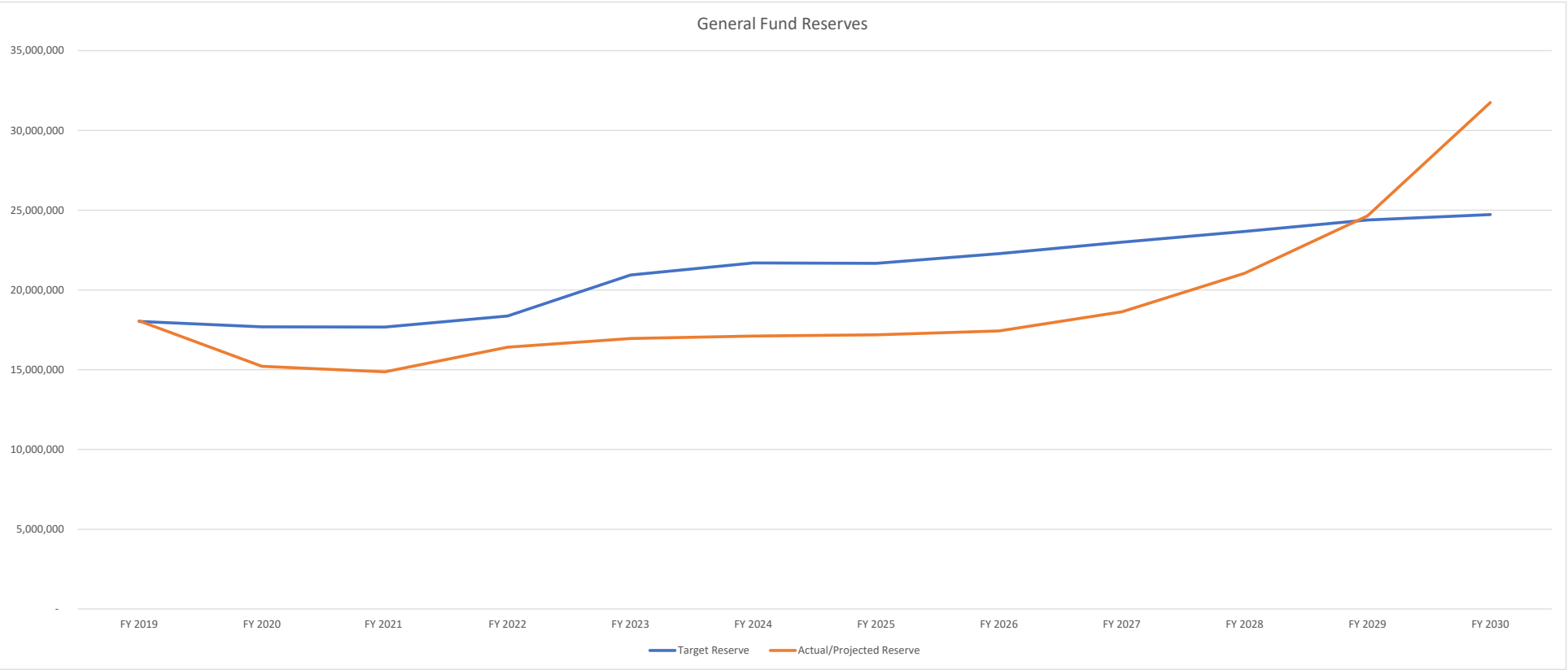


General Fund (101) Historical (5-years) and Forecasted (7-years) Revenues and Expenditures (SECOND UPDATE 06-20-23)

RESERVES												
<u>Targets (by Council Policy)</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
Economic Fluctuations (16.67% of Expend.)	9,192,787	9,373,782	9,028,076	9,383,287	11,021,675	11,520,721	11,506,534	11,877,175	12,262,685	12,607,721	12,985,297	12,961,142
Emergency (10% of Revenues)	5,586,316	5,060,679	5,396,874	5,729,881	6,665,952	6,926,182	6,910,320	7,149,280	7,476,180	7,804,830	8,149,120	8,511,620
Operating (\$1 million)	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
PERS (No established target)	2,252,000	2,252,000	2,252,000	2,252,000	2,252,000	2,252,000	2,252,000	2,252,000	2,252,000	2,252,000	2,252,000	2,252,000
Total Reserve Target	18,031,103	17,686,461	17,676,950	18,365,167	20,939,627	21,698,903	21,668,854	22,278,455	22,990,865	23,664,551	24,386,417	24,724,762
<u>Actual/Projected</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
Economic Fluctuations	9,192,787	9,373,782	9,028,076	9,955,452	9,955,452	9,955,452	9,955,452	9,955,452	9,955,452	9,955,452	12,985,297	12,961,142
Emergency	5,586,316	2,585,719	2,585,719	3,207,454	3,750,142	3,901,462	3,979,262	4,223,262	5,423,662	7,840,762	8,149,120	8,511,620
Operating	1,026,759	999,921	1,000,000	999,999	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,256,798	8,026,555
PERS	2,252,000	2,252,000	2,252,000	2,252,000	2,252,000	2,252,000	2,252,000	2,252,000	2,252,000	2,252,000	2,252,000	2,252,000
Total Reserve Actual/Projected	18,057,862	15,211,422	14,865,795	16,414,905	16,957,594	17,108,914	17,186,714	17,430,714	18,631,114	21,048,214	24,643,214	31,751,317
*Red denotes an actual or anticipated draw on a Reserve Fund												
% of Expenditures	33.6%	27.5%	26.9%	29.2%	25.6%	24.8%	24.9%	24.5%	25.3%	27.8%	31.6%	40.8%

General Fund (101) Historical (5-years) and Forecasted (7-years) Revenues and Expenditures (SECOND UPDATE 06-20-23)

Graph Data (Reserves)	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Target Reserve	18,031,103	17,686,461	17,676,950	18,365,167	20,939,627	21,698,903	21,668,854	22,278,455	22,990,865	23,664,551	24,386,417	24,724,762
Actual/Projected Reserve	18,057,862	15,211,422	14,865,795	16,414,905	16,957,594	17,108,914	17,186,714	17,430,714	18,631,114	21,048,214	24,643,214	31,751,317
Difference from Target	26,759	(2,475,039)	(2,811,155)	(1,950,262)	(3,982,033)	(4,589,989)	(4,482,140)	(4,847,741)	(4,359,751)	(2,616,337)	256,798	7,026,555



From: Phil Koen
To: Gitta Ungvari
Cc: Laurel Prevetti; Linda Reiners; Mary Badame
Subject: Re: Long term forecast assumptions
Date: Monday, January 29, 2024 9:50:59 PM
Attachments: [inlky-injection-inline-209906d63f31139b7bbda7129634cd80da.png](#)
[inlky-injection-inline-6643d488d348cf086bf9497caf9f6a.png](#)
[inlky-injection-inline-6643d488d348cf086bf9497caf9f6a.png](#)
[inlky-injection-inline-209906d63f31139b7bbda7129634cd80da.png](#)

[EXTERNAL SENDER]

Hello Gitta,

I must say 30 minutes is a very short amount of time given the importance of the topic and I'm not convinced it would be sufficient to adequately cover the subject.

The reason I am suggesting this discussion is to allow you an opportunity to review the revenue model and to probe my thinking. I thought you might find it instructive. The model is based off FY 23 actuals and reflects historical growth rates for the Town's GF major revenue elements. Additionally the historical growth rates were compared to growth rates other local jurisdictions have used in their long range forecasts.

When I compare the cumulative 5 year revenue projected by the model to the last 5 year plan prepared by the Town there is a \$30m delta - with mine projecting higher revenues. That's material and more than eliminates the operating deficits shown in the Town's forecast.

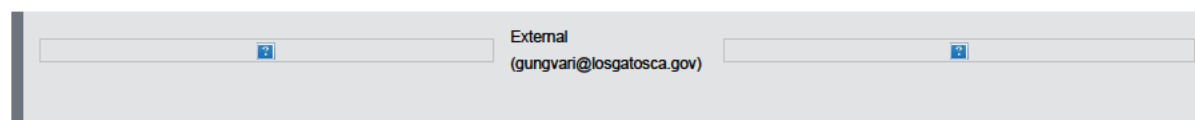
If you are that tight on time and don't believe meeting would be beneficial, I'm perfectly happy not meeting. Please reflect on the fact that one member of the TC has publicly stated the Town's prior 5 year forecast "is garbage". We need a 5 year forecast everyone can believe in. I was only trying to help.

Please let me know if you still wish to meet.

All the best,

Phil Koen

On Jan 29, 2024, at 6:39 PM, Gitta Ungvari <GUngvari@losgatosca.gov> wrote:



Good evening Chair,

I have a pretty packed schedule in order to get everything prepared for the mid-year report, forecast, 2/6 Council meeting, and 2/12 Finance Commission meeting, but would you be able to meet on 2/6 from 10:00 a.m. 10:30 a.m.? I apologize for my limited availability. While much of the discussion you are describing sounds like it should occur during the public meeting on 2/12, I am happy to hear your thoughts and would encourage you to share those thoughts during open session as well on 2/12.

Thanks,

Gitta

From: Phil Koen <pkoen@monteropartners.com>
Sent: Friday, January 26, 2024 10:50 PM
To: Gitta Ungvari <GUngvari@losgatosca.gov>; Laurel Prevetti <LPrevetti@losgatosca.gov>
Cc: Linda Reiners <lreiners59@gmail.com>; Mary Badame <MBadame@losgatosca.gov>
Subject: Long term forecast assumptions

[EXTERNAL SENDER]

Gitta,

I am looking forward to scheduling a meeting on February 6 so Linda and I could discuss the 5 year revenue model that I forwarded to you. The purpose of the meeting is to see where Staff's views are aligned with the model and where they diverge.

As back ground information I have attached the latest long range revenue projection the City of Campbell prepared for their TC. This was done June 2023 so it is fairly current. I think it is very constructive.

As you can see they have estimated a steady growth rate between 6 - 7% for property taxes. This is slightly higher than the assumption in the revenue model we sent to you and double the rate of the Town's latest 5 year plan. A higher growth rate assumption materially changes the Town's 5 year forecast.

In addition Campbell has conservatively estimated a 2 -3% growth in sales and use tax. This is in line with the assumption in my revenue model and consistent with the Town's assumption.

If you could provide me with a time that is convenient for you to meet with us on Feb 6th, I would be most appreciative.

Thank you,

Phil Koen

From: [Phil Koen](#)
To: [Gitta Ungvari](#)
Cc: [Linda Reiners](#); [Laurel Prevetti](#); [Mary Badame](#); [Wendy Wood](#)
Subject: 5 year forecast model format
Date: Friday, February 2, 2024 11:12:13 AM
Attachments: [5 Year forecast Model - FY 24-29.xlsx](#)

[EXTERNAL SENDER]

Hello Gitta,

I suspect you are in the process of finalizing the 5-year forecast and the mid-year update. As we discussed several weeks ago, the formats the Town has historically used to report the General Fund 5-year forecast, the mid-year update, the annual operating plan and ACFR actuals are all different. This makes it impossible to compare the various schedules and confuses the reader. We discussed the need to standardize the format so it is consistent from report to report and can be easily reconciled to the audited financial statements.

In addition to the format, there needs to be a consistent methodology for determining general fund excess (deficit) revenues over expenditures. This is critical to understanding the structural deficit issue. For some unknown reason, the various reports differ in what items are classified as operating revenues and operating expenditures. This is curious since the audited governmental funds financial statements are prepared according to GAAP using a modified accrual basis of accounting and the budget document also states the governmental fund budgets are prepared in accordance with GAAP using a modified accrual basis of accounting. Given that,

there should be no difference in how revenue, expenditure, and other financing sources are reported across all the reports. To be clear they need to be consistent and comply with the basis of accounting in the ACFR.

Additionally, when I review historical 5-year plans, it is apparent there needs to be more transparency to various revenue line items. Good examples are property taxes, Intergovernmental revenue, and charges of services. These revenue categories have lumpy revenue streams that unless there is more visibility can distort trend analysis. For example, the past couple of years material revenue has been included as a component of charges for town services related to the general plan. Another example is ERAF funds have been buried within property tax revenues and there is not sufficient visibility as to how that revenue stream has been forecasted vs historical ERAF revenue trends. As an overall statement, the amount of transparency needs to be increased.

To address this issue, I have prepared the attach 5-year forecast model format. It is not materially different from the format the Town has used, except for expanding several revenue categories to provide more transparency and assist in trend analysis. I have partially completed the model by populating actual results for total revenues, total operating expenditures, excess (deficit) of revenues over expenditures, other financing sources and the beginning and ending general

fund balances. All the historical numbers agree to the ACFR. I have also added some statistical data such as the number of FTE funded, and historical pension payments made to provide additional trend analysis.

One other point that it is extremely important to note is there are no ARPA revenue included in the historical General Fund revenue numbers since the model is only for the General Fund. All ARPA revenues were reported in a separate fund, the ARPA Fund, which was then consolidated into the statement of Total Governmental Funds. Since there were no ARPA expenditures recorded in the ARPA fund, the ARPA fund balance reflected the total ARPA revenue received that year. Annually the ARPA fund balance was then transferred out of the ARPA fund into the General Fund and was reported in the General Fund as a fund transfer in under the other financing sources (uses) category, which is not a revenue line item. It is important that the “go forward” model conforms to this accounting, or the reader will be totally confused. To be clear, no ARPA related money should be included in either the historical or forecasted total operating revenue line item.

I would appreciate you adopting the attached format when you present the 5-year model to the Finance Commission on February 12. All the data needed to populate the worksheet is available to you in your accounting system. It is just a matter of providing more detail on a limited number of revenue and

expenditure categories. This will make the Finance Commission's job of evaluating the reasonableness of the 5-year model much easier. Please view this as an official request to provide support as allowed under the Finance Commission's charter.

Please let me know if you have any questions on this. Thank you.

Phil Koen
Chair of the FC

Modified GAAP basis of accounting	actual	actual	actual	actual	actual	actual	FY 18 -23	Adopted	Estimate	Forecast	Forecast	Forecast	Forecast	Forecast	FY 23- 29
5 Year Financial Forecast FY 24 - 29	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	CAGR	FY 2024	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	CAGR
Operating Revenue (agrees to ACFR)															
Property Tax - Secured and Unsecured															
Excess ERAF															
Property Tax in lieu of VLF															
>> Total Property Tax															
Sales and Use Tax															
Measure G Sales and Use Tax															
>>Total Sales and Use Tax															
Franchise Fees															
Transient Occupancy Tax															
Business License Tax															
>>Total Fees and taxes															
Construction Permits															
Other License and Permits															
>>Total Licenses and Permts															
Intergovernmental - Federal															
Intergovernmental - State															
Intergovernmental - County															
>>Total Intergovernmental															
Special Police Department Service															
Plan Check Fees															
Engineering Fees															
General Plan Revenue Recognition															
Other Charges for current services															
>>Total Town Services															
Fines, Forfeitures and Penalties															
Investment Income															
Other rents, leases and concessions															
Mark to Market Adjustment															
>>Total Revenues from Uses of Money															
Development Impact Fees															
Other Revenues															
>>Total Other Revenues															
Total Operating Revenues (agrees to ACFR)	40,529	43,623	42,716	42,740	46,623	50,610									
Operating Expenditures															
Salaries															
Overtime															
Benefits - Pension															
Benefits - all other															
Retiree - Medical															
>>Total Salary and Benefits															
Operating Expenditures															
Grants and Awards															
Capital Outlay															
Internal Service Charges															
Interest															
Debt Service - Principal															
Total Operating Expenditures	37,014	37,994	44,270	46,613	43,333	44,891									
Excess (deficit) of Revenues over Expenditures	3,515	5,620	(1,554)	(3,873)	3,291	5,719									
Other Financing Sources (Uses)															
Gain from sale of assets	378	1,912	0	1,201	2	2									
Transfer In	539	1,579	600	652	4,047	4,153									
Transfer Out	(3,244)	(2,785)	(8,054)	(3,401)	(4,358)	(7,243)									
>>Total Other Financing Sources (Uses)	(2,327)	706	(7,454)	(1,548)	(309)	(3,088)									
Net Changes in Fund Balance	1,188	6,335	(9,008)	(5,421)	2,982	2,631									
Beginning Fund Balance	29,240	30,428	37,970	29,335	23,915	26,897									
Prior Period Adjustments		1,207	373												
Ending Fund Balance	30,428	37,970	29,335	23,915	26,897	29,528									
Additional Data															
Town FTE's - Funded	148	150	150	150	150	153								154	
Hourly Converted to FTE	12	10	11	11	11	11								10	
>>Total Staff	160	160	161	161	161	164								164	
Filled as of Year End						134								138	
% Filled						89.3%								90.2%	
Total Pension Plan Contributions (ACFR schedule)	4,620	5,374	10,711	12,013	6,544	7,096									
OPEB Contributions (ACFR schedule)	2,935	2,406	2,508	2,096	1,754	1,733									