

From: Phil Koen

Sent: Thursday, April 21, 2022 1:03 PM

To: Arn Andrews <aandrews@losgatosca.gov>

Cc: jvannada; Ron Dickel; Kyle Park; Town Manager <Manager@losgatosca.gov>

Subject: FY 2023 Capital Plan Questions

Hello Arn,

I quickly reviewed the draft FY 2023 Capital Plan and had a few questions that perhaps you could answer.

1. The ending GFAR Balance is increasing by approximately \$800 - \$900K per year. This results in the June 30, 2027 GRAR balance growing to \$4.5m. Why not program additional capital projects so 100% of the annual capital revenue sources are fully programmed? There certainly appears to be unmet capital needs which could be addressed by the unspent revenue. For example there is no spending programmed for roadside fuel reduction beyond FY 22. Why was the capital plan programmed not to spend all capital sources each year?
2. The capital plan has programmed \$1.2m to upgrade the Town's ERP software. \$700k of funding is coming from a transfer from the Internal Services IT Fund which has a projected FY 23 ending balance of \$1.8m. Why not fund the entire \$1.2m program from the Internal Services IT Fund? The Internal Services IT Fund has capacity to do this and would allow the Town to reprogram \$500k to other pressing capital needs. Additionally the fund balance for the Internal Services IT Fund has remained unchanged for years suggesting that a large portion of the balance is surplus.
3. The GFAR has \$1.9m programmed for a Streetscape/Economic recovery project. There does not appear to be a specific plan to spend these programmed funds. Why not remove these funds from the GFAR project list and record them as a committed reserve in the General Fund? This would "clean up" the GFAR project list by removing a project that does not have a council approved program spend and properly segregates these funds in a General Fund Committed Reserve that is controlled by the Town Council. By doing this, it is more transparent to the public that these funds exist (currently it is hidden from sight as a project in the GFAR) and the funds are committed for a future capital improvement project. The current treatment frankly makes no sense if the goal is to improve transparency.

Thank you.

Phil Koen

From: Phil Koen

Sent: Friday, April 22, 2022 9:30 AM

To: Arn Andrews <aandrews@losgatosca.gov>; Town Manager <Manager@losgatosca.gov>

Cc: Ron Dickel; Kyle Park

Subject: Quick question on estimate

Hello Arn and Laurel,

Could you provide a quick explanation for the variance between the adjusted budget and estimate for Streets & Signals and Gas Tax Streets and Signals. The variances combine for over \$3 m.

Thank you.

Phil Koen

DEPARTMENTAL EXPENDITURES By PROGRAM

	2018/19 Actuals	2019/20 Actuals	2020/21 Actuals	2021/22 Adjusted	2021/22 Estimated	2022/23 Adopted
Parks & Public Works						
5101 Administration	\$ 570,096	\$ 614,753	\$ 636,015	\$ 628,201	\$ 627,119	\$ 595,779
5201 Engineering Program Services	1,215,300	1,480,068	1,385,830	1,311,552	1,442,088	1,551,610
5202 Engineering Development Svcs	742,264	757,990	759,203	842,533	855,663	844,226
5203 Non-Point Source Fund	628,241	162,839	166,173	221,045	185,952	178,666
5301 Park Services	1,737,287	1,965,843	2,013,263	2,206,816	2,102,442	2,275,527
5302 Environmental Services	337,937	278,918	362,378	477,128	246,955	438,062
5401 Street & Signals	2,220,248	2,084,477	1,950,873	2,484,223	1,019,490	2,667,362
5402 Equipment Replacement	601,961	540,036	254,194	713,267	733,421	816,240
5403 Vehicle Maintenance	252,204	-	-	-	-	-
5404 Facilities Maintenance	1,011,905	1,161,003	1,160,152	1,223,193	1,234,999	1,240,344
5405 Property Damage	56,226	18,632	5,197	25,000	25,000	25,000
5406 Vehicle Maintenance Management	221,062	199,072	251,390	268,729	302,190	247,015
5407 Facilities Maintenance Management	305,042	316,130	333,628	393,171	356,929	401,319
5501 Lighting & Landscape Districts	27,266	54,572	53,958	95,279	33,143	95,642
5999 Pass Thru Accounts	564,170	452,157	481,981	140,000	140,000	140,000
8011 GFAR	7,552,806	5,567,263	4,743,911	20,507,902	6,272,006	6,082,937
8021 Grant Funded CIP Projects	379,494	484,403	698,512	7,869,300	4,126,407	4,967,041
8031 Storm Drain #1	-	-	-	200,000	-	-
8032 Storm Drain #2	-	-	-	200,000	13,400	-
8033 Storm Drain #3	29,700	11,000	611	259,447	25,848	-
8041 Traffic Mitigation	64,626	76,290	354,436	1,431,246	541,315	-
8042 Utility Undergrounding	-	49,000	24,626	348,003	427	-
8051 Gas Tax - Street & Signals	960,881	1,719,384	43,241	2,544,576	868,215	1,497,689
Total Parks & Public Works	\$ 19,478,716	\$ 17,993,830	\$ 15,679,572	\$ 44,390,611	\$ 21,153,009	\$ 24,064,459
Library						
7101 Administration	\$ 451,284	\$ 469,563	\$ 512,166	\$ 540,756	\$ 518,065	\$ 531,661
7201 Adult Services	548,199	544,326	643,929	688,224	701,284	840,163
7202 Children's Services	502,330	510,064	570,048	630,300	533,812	608,497
7204 Circulation Services	969,174	1,149,220	1,091,598	1,194,427	982,965	994,171
7801 Operating Grant	22,632	27,629	11,133	9,000	9,000	-
7301 Library Trust	69,029	72,637	17,895	70,000	70,000	95,000
7302 Clalles Ness Bequest Trust	21,048	-	-	20,755	-	20,755
7304 Betty McClendon Trust	-	-	609	700	700	1,000
7305 Barbara J Cassin Trust	-	9,989	611	2,500	2,500	4,500
Total Library	\$ 2,583,696	\$ 2,783,428	\$ 2,847,989	\$ 3,156,662	\$ 2,818,326	\$ 3,095,747
Successor Agency to the Los Gatos RDA						
9402 SA- Housing Trust Others	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
9403 SA- Admin Services	109,556	108,276	104,747	8,043	7,959	8,006
9404 SA- Debt to 2002 COP	1,346,321	1,342,984	1,347,180	1,347,110	1,347,010	1,347,236
9405 SA-Debt to 2010 COP	2,417,921	2,412,222	2,413,838	2,456,310	2,456,210	2,444,510
Total SA to the Los Gatos RDA	\$ 3,873,798	\$ 3,863,482	\$ 3,865,765	\$ 3,811,463	\$ 3,811,179	\$ 3,799,752
Total Operating Expenditures	\$ 61,235,570	\$ 63,330,976	\$ 63,431,568	\$ 91,595,903	\$ 66,776,840	\$ 71,106,750
Transfers Out	4,714,131	9,996,516	5,267,697	3,436,186	4,056,563	4,245,514
Total Expenditures by Department:	\$ 65,949,701	\$ 73,327,492	\$ 68,699,265	\$ 95,032,089	\$ 70,833,403	\$ 75,352,264

From: Phil Koen

Sent: Friday, April 22, 2022 10:07 AM

To: Town Manager <Manager@losgatosca.gov>; Arn Andrews <aandrews@losgatosca.gov>

Cc: Ron Dickel; Kyle Park; jvannada; Rick Van Hoesen; Rob Rennie <RRennie@losgatosca.gov>; Matthew Hudes <MHudes@losgatosca.gov>; Rick Tinsley; Stacey Dell; Shelley Neis <sneis@losgatosca.gov>

Subject: Additional disclosure around the FY 23 draft operating budget

Hello Laurel and Arn,

Attached please find additional information the public and the FC received last year regarding the FY 22 operating budget. It would be very helpful if the Staff provided the same information for this year's budget discussions. The additional disclosure will provide valuable insight into the planned increase in salary and benefit expenditures for FY 23 vs. historical trends.

Also, could you please disclose whether the FY 22 GF salary and benefit expense estimate includes an estimate of any POA "make whole" payment that might be required as a result of the salary negotiation. In prior years the Town has made the POA "whole" for the period of time from the expiration of the labor agreement and the date of the new agreement. I believe the POA has been working for 7 months without an agreement. The "make whole" payment could be material.

Lastly, could you provide a best case and worse case outcome for FY 23 regarding the salary increases under negotiation. It appears that the draft budget is based on a 2% increase. This seems very optimistic given the current inflationary environment and increases other neighboring jurisdictions have recently approved for their bargaining units. If the actual increase agreed to exceed the planned increase, the FY 23 budget is not "balanced" and will require incremental funding to "rebalance the budget".

While I appreciate the Town is in confidential negotiations with various labor groups, these discussions should not prevent the Town from having a transparent discussion regarding the most likely aggregate outcome given the potential FY 23 financial impact.

Thank you.

Phil Koen

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SUBJECT: Finance Commission Budget Recommendations to the Town Council per Measure A

DATE: May 11, 2021

DISCUSSION (continued):

Motion by Commissioner Rick Tinsley to recommend to Council the allocation of the \$1.2 million Surplus Property Reserve (Winchester property sale proceeds) to the Capital/Special Project Reserve for capital budgeting purposes as determined by the Town Council's priorities. **Seconded by Chair Ron Dickel.**

Motion passed unanimously

Motion by Commissioner Rick Tinsley to recommend to Council the allocation of the accumulated Measure G funds through June 30, 2020 in the Measure G Reserve (\$1.2 million) to the General Fund Appropriated Reserve (GFAR) for capital budgeting purposes as determined by the Town Council's priorities. **Seconded by Chair Ron Dickel.**

Motion passed 4 to 1, Commissioner Loreen Huddleston opposed.

Motion by Chair Ron Dickel to allocate 50% Measure G proceeds for capital purposes in FY 2020/21 and all periods after. **Seconded by Commissioner Stacey Dell.**

Motion passed 3 to 2, Commissioners Kyle Park and Rick Tinsley opposed.

Capital Improvement Plan Expenditure Recommendations

In addition to the recommended additional allocations to the Capital Program, the Commission believed that the continuation of the roadside vegetation management program was essential to be included in the workplan for FY 2021/22.

Motion by Chair Ron Dickel to add \$500k from the previously recommended additional allocations to the Capital Budget for continuation of the roadside vegetation management project. **Seconded by Commissioner Kyle Park.**

Motion passed unanimously.

Operating Budget Expense Recommendations

The Commission reviewed historical time series and other data provided by staff as it relates to the organization's base salary and benefit expenses. As previously mentioned, the Commission observed that higher percentage increases in the primary expenditures of Salary and Benefits relative to revenues is constraining other investments. The table on the following page illustrates the salary and benefit trends from FY 2014/15 through FY 2019/20 used by the Commission during their deliberations.

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SUBJECT: Finance Commission Budget Recommendations to the Town Council per Measure A

DATE: May 11, 2021

DISCUSSION (continued):

Combined GF & ISF Fund Salaries							
	2014_15	2015_16	2016_17	2017_18	2018_19	2019_20	
Salaries-Total	\$ 15,324,291	\$ 15,416,095	\$ 15,758,451	\$ 16,921,167	\$ 17,942,181	\$ 19,254,973	
Salaries-Temp	\$ 867,364	\$ 869,152	\$ 913,362	\$ 811,194	\$ 648,097	\$ 881,908	
Salaries-OT	\$ 436,917	\$ 415,372	\$ 545,427	\$ 583,001	\$ 707,046	\$ 708,955	
Benefits-Total	\$ 6,526,096	\$ 7,224,479	\$ 9,470,413	\$ 8,238,405	\$ 8,861,044	\$ 9,678,595	
Benefits-PERS	\$ 3,362,328	\$ 3,818,073	\$ 6,088,841	\$ 4,739,853	\$ 5,282,681	\$ 6,059,646	
Adjustments for Temporary & OT Salaries							
Salaries	\$ 15,324,291	\$ 15,416,095	\$ 15,758,451	\$ 16,921,167	\$ 17,942,181	\$ 19,254,973	
Less:Temp Salaries	(867,364)	(869,152)	(913,362)	(811,194)	(648,097)	(881,908)	
OT Salaries	(436,917)	(415,372)	(545,427)	(583,001)	(707,046)	(708,955)	
	\$ 14,020,010	\$ 14,131,571	\$ 14,299,662	\$ 15,526,972	\$ 16,587,038	\$ 17,664,110	
Year Over Year % Change							
Based Upon Actuals							
Salaries		0.80%	1.19%	8.58%	6.83%	6.49%	
Benefits		10.70%	31.09%*	-13.01%	7.56%	9.23%	
SALARY CHANGE ANALYSIS							
Total Change FY 14/15 to FY 19/20						\$ 3,644,100	
Total % Change							25.99%
Annual Change Unadjusted							5.20%
BENEFITS CHANGE ANALYSIS							
Total Change FY 14/15 to FY 19/20						\$ 3,152,499	
Total % Change							48.31%
Annual Change Unadjusted							9.66%
ADJUSTED ANALYSIS							
Total Change FY 14/15 to FY 19/20						\$ 3,644,100	
Less One-Time Equity Adjustments							
FY 18/19 & 19/20 (salary only)						\$ (1,558,864)	
Total Adjusted Change						\$ 2,085,236	
Total Five Year % Change Adjusted							14.87%
Annual Change Adjusted For One-Time Equity Adj.							2.97%
BENEFITS CHANGE ANALYSIS							
Total Change FY 14/15 to FY 19/20						\$ 3,152,499	
Total % Change							48.31%
Annual Change Unadjusted							9.66%
ADJUSTED ANALYSIS							
Total Change FY 14/15 to FY 19/20						\$ 3,152,499	
Less One-Time Equity Adjustments							
FY 18/19 & 19/20 (benefits only)						\$ (580,321)	
Total Adjusted Change						\$ 2,572,178	
Total Five Year % Change Adjusted							39.41%
Annual Change Adjusted For One-Time Equity Adj.							7.88%

* Benefits impacted by Implementation
beginning in FY 2016/17 of
annual calculated Pension Expense
for Internal Service Funds as
per provisions of GASB 68-
(Accounting and Financial Reporting
for Pensions)

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SUBJECT: Finance Commission Budget Recommendations to the Town Council per Measure A

DATE: May 11, 2021

DISCUSSION (continued):

In addition, the Commission received information from staff regarding current staffing vacancies and associated savings if unfilled for six months.

Vacant Position	Department	Vacancy Date	Salary Range	Hourly Rate	Current Status	6 Mos. Salary/Benefits Cost
1 Communications Dispatcher	Police	Dec-20	TEA - 14	\$39.05 - \$50.41	New employee scheduled to start in May	\$ 76,902
2 Communications Dispatcher	Police	Jan-21	TEA - 14	\$39.05 - \$50.41	Background	\$ 76,902
3 Communications Dispatcher	Police	Mar-21	TEA - 14	\$39.05 - \$50.41	Background	\$ 76,902
4 Communications Dispatcher	Police	Apr-21	TEA - 14	\$39.05 - \$50.41	Recruitment in progress	\$ 76,902
5 Legal Administrative Assistant	Town Attorney	Jan-21	Conf - 02	\$33.43 - \$43.26	Dept Review of Applications	\$ 67,344
6 Parks & Maintenance Worker*	Parks & Public Works	Oct-20	AFSCME - 05	\$29.90 - \$38.17	Interviews Scheduling	\$ 59,794
7 Police Officer	Police	Dec-20	POA - 02-0710	\$48.90	New employee scheduled to start June - Police Officer Trainee	\$ 81,317
8 Police Officer	Police	Apr-21	POA - 02-0711	\$51.47 - 62.57	Final stages of background	\$ 133,224
* Recruitment Timeline Events:						
- Oral Board 12/8/20						
- Invited 6, 3 no show						
- 2 offers extended, both declined						
- Next Oral Board 5/13/21						

The following recommendations are based on the Commission's desire to slow the growth in expenses in FY 2021/22 and reflect historic trends in expense assumptions in the Five-Year Forecast:

Motion by Commissioner Park to freeze budgeted FTE's at 145 for six months.

Seconded by Chair Ron Dickel.

Motion passed unanimously.

Motion by Chair Ron Dickel to use a 2% inflation factor for development of base salary expenses for FY 2021/22 and the remaining forecast period, without implying a particular outcome for negotiations with bargaining units. **Seconded by Stacey Dell.**

Motion passed unanimously.

In addition, the Commission recommended the inclusion of a destination marketing allocation into the budget to expedite the return of Transient Occupancy Tax revenues.

Motion by Chair Ron Dickel to allocate \$55K to destination marketing utilizing ARPA funds. **Seconded by Loreen Huddleston.**

Motion passed 4-0-1, Rick Tinsley abstained.

Operating Budget Balancing Recommendations

Based on the recommendation to divide Measure G proceeds evenly (50%/50%) between eligible Operating and Capital uses, the Commission recommended utilizing anticipated Other Post-Employment Benefit (OPEB) actuarial contributions as the budget balancing strategy for FY 2020/21 through the forecast period. This recommendation would replace the proposed use of Measure G allocations for eligible 100% Operating purposes.