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**Subject:** FW: Follow up to Investment Report discussed at the FC meeting  
**Attachments:** Pages from FY-202122-ACFR - (5).pdf; July investment report.pdf

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**From:** Phil Koen  
**Sent:** Friday, January 13, 2023 3:09 PM  
**To:** Gitta Ungvari <[GUngvari@losgatosca.gov](mailto:GUngvari@losgatosca.gov)>  
**Cc:** Arn Andrews <[aandrews@losgatosca.gov](mailto:aandrews@losgatosca.gov)>;  
**Subject:** Follow up to Investment Report discussed at the FC meeting

EXTERNAL SENDER

Hello Gitta,

It was great to see you on the FC meeting call this past Tuesday. I appreciate your patience in answering my questions. There is a lot to absorb, and I only learn by asking questions. I'll try to keep them to a minimum going forward.

I would like to circle back to the investment report. I have attached a page from the July Investment Report which shows a "beginning funds balances" totaling \$72,886,942. I have also attached a portion of footnote #2 from the ACFR which shows the total cash and investments held by the Town and Fiduciary Funds totaling \$74,096,537. Can you explain the source of the \$72,886,942 shown on the Investment Report?

Also, could you clarify the description "Fund Balances" on the investment report. What does that exactly mean? As far as I can tell this is not the total of all fund balances for the Town. According to the ACFR, the total fund balance for all Governmental Funds was \$50,862,138 and the fund balance for all Proprietary Funds was \$8,240,282. That would mean the total fund balances for the Town was \$59,102,420, leaving an unexplained gap of \$13,784,522.

I think it is important that we use terminology which is accurate to avoid any confusion for members of the TC and the public. My concern here is the term "funds balances" as used on the Investment report really means the total of all financial assets being invested. Could you please clarify what the term "funds balances" as used on the investment report means.

All the best,

Phil Koen

**TOWN OF LOS GATOS, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

The following table summarizes the Town's policy related to maturities and concentration of investments:

Investment Type	Maximum Maturity	Maximum Portfolio Percentage
US Treasury Obligations	5 years	None
US Agency Obligations	5 years	None
Bankers Acceptances	180 days	30%
Commercial Paper	270 days	25%
Medium Term Notes	5 years	30%
Collateralized CD's	5 years	30%
CA LAIF	NA	\$65 million
Money Market Funds	NA	20%

The following is a summary of the Town's Cash and Investments (stated at fair value) as of June 30, 2022:

Description	Available for Operations	Restricted	Total	Concentration of Credit Risk	Rating	Input Level	Time to Mature (Years)	Weighted Average Maturity
US Treasury Securities	\$ 15,212,639	\$ -	\$ 15,212,639	29.29%	n/a	2	0-3	1.35
Government Agencies	15,995,919	-	15,995,919	30.79%	n/a	2	0-4	1.52
Corporate Bonds	13,664,652	-	13,664,652	26.31%	A3	2	0-3	1.33
Market Mutual Funds	253,599	-	253,599	0.49%	Not Rated	2	n/a	n/a
LAIF	6,816,565	-	6,816,565	13.12%	Not Rated	n/a	n/a	n/a
Total Investments	51,943,374	-	51,943,374	100.00%				
Cash Deposits with Banks	19,349,009	2,094,363	21,443,372					
Money Market Accounts	17,391	-	17,391					
Pension Trust	-	690,000	690,000					
Cash on Hand at Town	2,400	-	2,400					
Total Cash and Investments	\$ 71,312,174	\$ 2,784,363	\$ 74,096,537					

Cash and investments are classified in the financial statements as shown below, based on whether or not their use is restricted by Town debt or Agency agreements.

Description	Total Town	Fiduciary Funds	Totals
Cash and Investments Available for Operations	\$ 69,392,044	\$ 1,920,130	\$ 71,312,174
Restricted Cash and Investments	819,929	1,964,434	2,784,363
Total Cash and Investments	\$ 70,211,973	\$ 3,884,564	\$ 74,096,537

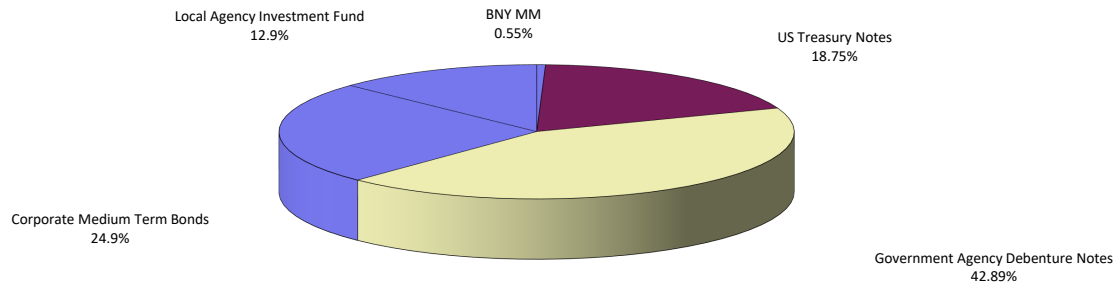
$$70,211,973 + 1,920,130 = 72,132,103$$

**Town of Los Gatos**  
**Portfolio Allocation & Treasurer's Fund Balances**  
**July 31, 2022**

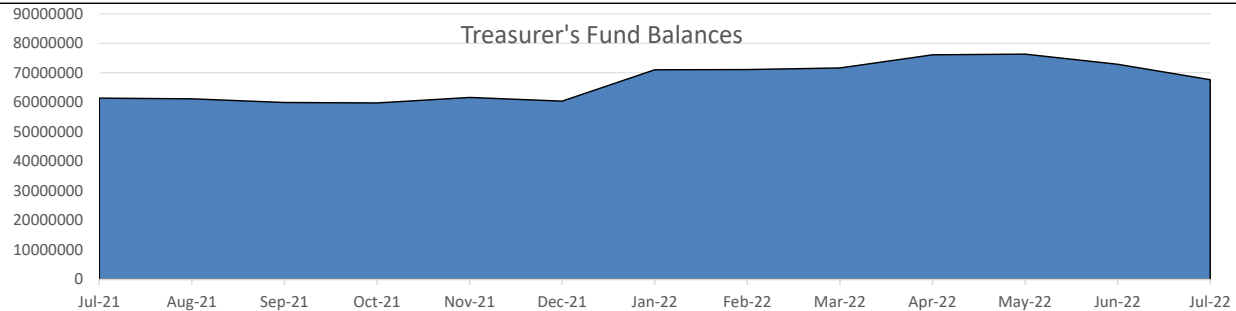
	Month	YTD
<b>Fund Balances - Beginning of Month/Period</b>	\$72,886,942.83	<b>\$72,886,942.83</b>
Receipts	6,045,229.86	6,045,229.86
Disbursements	(11,248,320.72)	(11,248,320.72)
Fund Balances - End of Month/Period	<u>\$67,683,851.97</u>	<u>\$67,683,851.97</u>

<u>Portfolio Allocation:</u>		% of Portfolio	<u>Max. % Or \$ Allowed Per State Law or Policy</u>
BNY MM	\$292,775.99	0.55%	20% of Town Portfolio
US Treasury Notes	\$10,046,915.87	18.75%	No Max. on US Treasuries
Government Agency Debenture Notes	\$22,975,336.40	42.89%	No Max. on Non-Mortgage Backed
Corporate Medium Term Bonds	\$13,339,223.01	24.90%	30% of Town Portfolio
Local Agency Investment Fund	<u>\$6,918,398.79</u>	<u>12.91%</u>	<u>\$75 M per State Law</u>
Subtotal - Investments	53,572,650.06	100.00%	
Reconciled Demand Deposit Balances	<u>14,111,201.91</u>		
<b>Total Treasurer's Fund</b>	<u><b>\$67,683,851.97</b></u>		

**Portfolio Investment Allocation**



**Treasurer's Fund Balances**



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**Subject:** FW: Mid-Year Update Review Request  
**Attachments:** Mid Year revie- General Fund Budget vs Actual.pdf; FY 23 General Fund and Capital Fund - Budget.pdf

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**From:** Phil Koen  
**Sent:** Thursday, January 19, 2023 10:21 PM  
**To:** Laurel Prevetti <[LPrevetti@losgatosca.gov](mailto:LPrevetti@losgatosca.gov)>  
**Cc:** Gitta Ungvari <[GUngvari@losgatosca.gov](mailto:GUngvari@losgatosca.gov)>; Arn Andrews <[aandrews@losgatosca.gov](mailto:aandrews@losgatosca.gov)>; Rick Tinsley  
**Subject:** Mid-Year Update Review Request

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**EXTERNAL SENDER**

Hello Laurel,

Please find attached two schedules – the first is the mid-year budget vs actual schedule used last year for the budget update discussion in February and the other schedules are the general fund and capital project fund budgets found in the FY 23 budget book.

I would request that the Staff prepare 1 additional schedule for the mid-year budget review which will show FY 22 actuals, FY 23 year to date actuals, a most probable FY 23 year forecast and the adopted FY 23 Budget and variances using the same revenue and expense classifications found in the budget book. This will provide insight into budget vs actual variances for revenue and expense categories (such as salaries and operating expenditure) that were used in preparing the FY 23 budget and the 5-year forecast. Since 67% of the general fund expenditures comprise salary and benefits, being able to gain insight as to how those expenses are tracking would be valuable. This type of analysis has never been presented at a mid-year review.

Additionally, using in the budget book format will highlight the change in fund balances as opposed to the sources and uses format which does not show the impact on fund balances. This will quickly show whether the Town is structurally balanced and will provide the reader with a better understanding of the Town's evolving financial condition.

The information to populate this one additional schedule should not require much effort and the benefits would be significant. I realize you are concerned about staff workload, but I believe this report is well worth the minimal extra effort to prepare it.

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

Phil Koen

GENERAL FUND  
SUMMARY OF REVENUES AND EXPENDITURES

Q1+Q2  
actuals

Q2

Q3

var  
a-b

	FY 2020/21 Actuals	FY 2020/21 Q2	Q2% of FY 2019/20 Actuals	Q2% of FY 2020/21 Adjusted Budget	FY 2021/22 Q2	FY 2021/22 Adjusted Budget	FY 2021/22 Estimated YE Including Mid-Year Proposed
<b>Revenues</b>							
Property Tax	\$ 15,826,162	\$ 5,481,928	34.6%	36.3%	\$ 5,761,081	\$ 15,881,866	\$ 15,401,391
VLF Backfill Property Tax	4,052,672	-	0.0%	0.0%	-	4,154,320	4,229,462
Sales & Use Tax	6,794,218	2,429,968	35.8%	29.7%	2,143,460	7,213,540	7,069,045
Measure G Sales & Use Tax	1,139,386	383,684	33.7%	42.8%	412,881	964,319	1,173,733
Franchise Fees	2,499,463	807,883	32.3%	37.3%	968,181	2,597,630	2,503,560
Transient Occupancy Tax	1,044,820	399,620	38.2%	77.4%	711,861	920,040	1,400,000
Business License Tax	1,386,943	224,388	16.2%	13.4%	167,942	1,250,000	1,250,000
Licenses & Permits	2,999,711	1,494,487	49.8%	82.5%	2,180,000	2,641,779	3,065,997
Intergovernmental	1,573,697	818,352	52.0%	9.5%	370,615	3,881,836	1,130,125
Town Services	4,835,962	3,691,233	76.3%	100.5%	3,854,415	3,834,579	4,152,549
Fines & Forfeitures	103,467	31,638	30.6%	58.4%	118,809	203,450	218,120
Interest	876,460	(1,485,278)	-169.5%	-15.4%	(85,001)	551,233	551,233
GASB 31 to Market	(780,399)	517,744	-66.3%	114.7%	(126,168)	(110,000)	(110,000)
Use of Property	36,372	-	0.0%	-	-	-	-
Miscellaneous Other	335,906	1,367,206	407.0%	24.4%	153,036	626,631	964,163
Park Construction Tax	14,921	-	-	-	7,680	7,000	8,280
Debt Service - Entry Eliminated for ACFR	1,908,494	-	0.0%	0.0%	-	1,899,850	1,899,850
ARPA Income Replacement - Entry Eliminated for ACFR	79,176	-	-	-	-	-	-
Proceeds for Sales of Assets	1,201,369	-	0.0%	-	-	-	-
Fund Transfer In	652,056	104,659	16.1%	16.5%	104,659	633,352	633,352
<b>Total Revenues &amp; Transfers In</b>	<b>\$ 46,580,856</b>	<b>\$ 16,267,512</b>	<b>35%</b>	<b>36%</b>	<b>\$ 16,743,451</b>	<b>\$ 47,151,425</b>	<b>\$ 45,540,860</b>
<b>Use of Other Funding Sources:</b>							
Use of Reserves - Capital/Special Projects - Capital	\$ 3,401,479	\$ -	0.0%	0.0%	\$ -	\$ 550,000	\$ 550,000
Use of Reserves - Capital/Special Projects - Other	-	-	-	-	-	\$ 250,596	\$ 250,596
Use of Reserve - Pension/OPEB	\$ 4,532,500	-	-	-	-	-	-
Use of Reserve - Accumulated Measure G	-	-	-	-	-	590,581	590,581
Use of Reserves - Surplus Property	-	-	-	-	-	1,200,000	1,200,000
Use of ARPA - Income Replacement	-	-	-	-	-	-	1,444,021
Use of ARPA - Community Grants	-	-	-	-	-	550,000	-
<b>Total Other Funding Sources</b>	<b>\$ 7,933,979</b>	<b>\$ -</b>	<b>0%</b>	<b>0%</b>	<b>\$ -</b>	<b>\$ 3,141,177</b>	<b>\$ 4,035,198</b>
<b>Total Revenues and Use of Reserves</b>	<b>\$ 54,514,835</b>	<b>\$ 16,267,512</b>	<b>30%</b>	<b>33%</b>	<b>\$ 16,743,451</b>	<b>\$ 50,292,602</b>	<b>\$ 49,576,058</b>
<b>Expenditures</b>							
Town Council	\$ 192,280	\$ 99,787	51.9%	45.2%	91,800	\$ 202,891	\$ 193,559
Attorney	537,296	311,520	58.0%	33.8%	226,341	669,733	554,137
Administrative Services	4,667,995	2,467,813	52.9%	45.3%	2,584,905	5,701,385	5,501,110
Non- Departmental	8,642,563	4,437,554	51.3%	32.0%	1,159,874	3,628,466	4,046,008
Community Development	4,994,391	2,589,502	51.8%	63.4%	3,460,301	5,461,716	5,094,473
Police	16,570,836	9,041,998	54.6%	47.6%	8,266,574	17,376,333	17,289,979
Parks & Public Works	8,175,987	4,185,306	51.2%	46.7%	4,020,953	8,605,418	8,332,422
Library	2,828,873	1,445,899	51.1%	44.4%	1,356,415	3,053,708	2,886,606
Capital Outlay	2,365	-	-	-	-	-	-
<b>Total Department Expenditures</b>	<b>\$ 46,612,586</b>	<b>\$ 24,579,379</b>	<b>53%</b>	<b>47%</b>	<b>\$ 21,167,163</b>	<b>\$ 44,699,650</b>	<b>\$ 43,898,294</b>
Debt Service - Entry Eliminated for ACFR	\$ 1,908,494	\$ -	0.0%	0.0%	\$ -	\$ 1,899,850	\$ 1,899,850
ARPA Income Replacement - Entry Eliminated for ACFR	\$ 79,176	-	-	-	-	-	-
Transfers Out	3,401,479	-	0.0%	0.0%	-	2,801,047	2,801,047
<b>Total Additional Non-Departmental Expenditures</b>	<b>\$ 5,389,149</b>	<b>\$ -</b>	<b>0%</b>	<b>0%</b>	<b>\$ -</b>	<b>\$ 4,700,897</b>	<b>\$ 4,700,897</b>
<b>Total Operating Expenditures</b>	<b>\$ 52,001,735</b>	<b>\$ 24,579,379</b>	<b>47%</b>	<b>43%</b>	<b>\$ 21,167,163</b>	<b>\$ 49,400,547</b>	<b>\$ 48,599,191</b>
Allocate to Budget Stabilization/Catastrophis Reserve	65,764	-	-	-	-	-	-
Allocate to Compensated Absences	110,509	-	-	-	-	-	-
Allocate to Surplus Property Reserve	1,200,000	-	-	-	-	-	-
Allocate to Sale of Property Reserve	5,302	-	-	-	-	-	-
Allocate to Pension/OPEB Reserve	300,000	-	-	-	-	-	-
Allocate to Measure G - Capital	-	-	-	-	-	482,160	586,867
Allocate to Restricted Pension Trust	-	-	-	-	-	390,000	390,000
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ 831,525</b>	<b>\$ (8,311,867) *</b>			<b>\$ (4,423,712) *</b>	<b>\$ 19,895</b>	<b>\$ -</b>

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\*FY 2020/21 and FY 2021/22 Q2 Net Operating Revenues are negative because some revenues budgeted for the entire fiscal year are received in the third or fourth quarters and fund expended in the first or second quarters.

\*\* FY 2021/22 General Fund Budget included the ARPA revenue receipt, now the ARPA revenue is budgeted in a Special Revenue Fund.

**TOTAL TOWN**  
**REVENUES AND EXPENDITURES**

**GENERAL FUND**

	GENERAL FUND				
	2018/19	2019/20	2020/21	2021/22	2022/23
	Actuals	Actuals	Actuals	Estimated	Adopted
<b>REVENUES</b>					
Property Tax	\$ 13,636,099	\$ 14,454,513	\$ 15,826,162	\$ 15,908,858	\$ 16,551,544
VLF Backfill	3,685,247	3,875,914	4,052,672	4,229,462	4,356,350
Sales & Use Tax	7,930,021	6,535,034	6,794,218	7,497,873	7,934,189
Measure G - District Sales Tax	228,131	996,391	1,139,386	1,173,733	1,240,755
Franchise Fees	2,475,916	2,495,792	2,499,463	2,435,800	2,493,870
Transient Occupancy Tax	2,692,043	1,869,685	1,044,820	1,475,000	1,642,460
Other Taxes	1,526,894	1,357,080	1,386,943	1,425,000	1,387,500
Licenses & Permits	3,059,894	2,696,457	2,999,711	3,065,997	2,757,029
Intergovernmental	945,191	1,104,075	1,573,697	1,130,125	1,051,814
Town Services	4,648,904	4,447,213	4,835,962	4,295,407	4,235,261
Internal Svc Reimbursement	-	-	-	-	-
Fines & Forfeitures	510,266	271,117	103,467	218,120	201,750
Interest	1,682,347	2,266,134	96,061	441,233	432,947
Other Sources	6,093,211	1,381,187	2,217,072	1,140,853	3,287,749
Debt Service Reimbursement	1,909,073	1,905,024	1,908,494	1,899,850	1,893,713
Transfers In	1,578,911	599,669	1,833,218	633,352	538,536
<b>TOTAL REVENUES</b>	<b>\$ 52,602,148</b>	<b>\$ 46,255,285</b>	<b>\$ 48,311,346</b>	<b>\$ 46,970,663</b>	<b>\$ 50,005,467</b>
<b>EXPENDITURES</b>					
Salaries & Benefits	\$ 26,803,225	\$ 28,933,568	\$ 30,297,504	\$ 30,160,568	\$ 35,472,825
Operating Expenditures	11,955,327	13,397,031	14,276,602	9,849,151	9,318,742
Grants & Awards	248,533	274,249	298,303	800,000	241,000
Fixed Assets	38,307	138,384	2,365	-	-
Interest	-	-	52,011	-	-
Internal Service Charges	2,527,470	2,188,211	2,314,305	2,619,672	2,711,652
Capital Projects	-	-	-	-	-
Capital Acquisitions	-	-	-	-	-
Debt Service	1,909,073	1,905,024	1,908,494	1,899,850	1,893,713
Transfers Out	2,785,220	8,053,847	4,582,641	3,423,211	3,006,978
<b>TOTAL EXPENDITURES</b>	<b>\$ 46,267,155</b>	<b>\$ 54,890,314</b>	<b>\$ 53,732,225</b>	<b>\$ 48,752,452</b>	<b>\$ 52,644,910</b>
<b>Net Increase (Decrease)</b>	<b>6,334,993</b>	<b>(8,635,029)</b>	<b>(5,420,879)</b>	<b>(1,781,789)</b>	<b>(2,639,443)</b>
<b>Beginning Fund Balance</b>	<b>31,635,533</b>	<b>37,970,526</b>	<b>29,335,497</b>	<b>23,914,618</b>	<b>22,132,829</b>
<b>Ending Fund Balance</b>	<b>\$ 37,970,526</b>	<b>\$ 29,335,497</b>	<b>\$ 23,914,618</b>	<b>\$ 22,132,829</b>	<b>\$ 19,493,386</b>

\* Year End Fund Balance represents General Fund 111 (Long Term Compensated Absences were accounted in Fund 961 prior to FY 2018/19, Pension Trust Fund 731 was incorporated in FY 2018/19).

**TOTAL TOWN**  
**REVENUES AND EXPENDITURES**

**CAPITAL PROJECT FUNDS**

	2018/19 Actuals	2019/20 Actuals	2020/21 Actuals	2021/22 Estimated	2022/23 Adopted
<b>REVENUES</b>					
Property Tax	\$ -	\$ -	\$ -	\$ -	\$ -
VLF Backfill	-	-	-	-	-
Sales & Use Tax	-	-	-	-	-
Franchise Fees	-	-	-	-	-
Transient Occupancy Tax	-	-	-	-	-
Other Taxes	28,390	34,437	67,146	34,562	30,000
Licenses & Permits	844,064	1,153,364	1,340,530	764,465	1,074,300
Intergovernmental	1,641,511	3,161,010	1,818,494	3,153,295	7,789,892
Town Services	52,094	223,318	34,417	306,210	-
Internal Srvc Reimbursement	-	-	-	-	-
Fines & Forfeitures	-	-	-	-	-
Interest	127,251	158,756	122,705	35,801	36,405
Other Sources	784,085	325,607	2,239,342	1,198,207	3,016,000
CIP Proj Reimbursement	-	-	-	-	-
SCC RPTTF Reimbursement	-	-	-	-	-
Transfers In	2,685,220	8,325,591	3,401,479	3,421,424	3,706,978
<b>TOTAL REVENUES</b>	<b>\$ 6,162,615</b>	<b>\$ 13,382,083</b>	<b>\$ 9,024,113</b>	<b>\$ 8,913,964</b>	<b>\$ 15,653,575</b>
<b>EXPENDITURES</b>					
Salaries & Benefits	\$ -	\$ -	\$ 31,085	\$ -	\$ -
Operating Expenditures	-	-	496	-	-
Grants & Awards	-	-	-	-	-
Fixed Assets	-	-	-	-	-
Interest	-	-	-	-	-
Internal Service Charges	-	-	-	-	-
Capital Projects	8,987,510	7,907,339	5,833,758	11,847,615	15,447,668
Capital Acquisitions	-	-	-	-	-
Debt Service	-	-	-	-	-
Transfers Out	533,616	569,952	533,616	533,616	533,616
<b>TOTAL EXPENDITURES</b>	<b>\$ 9,521,126</b>	<b>\$ 8,477,291</b>	<b>\$ 6,398,955</b>	<b>\$ 12,381,231</b>	<b>\$ 15,981,284</b>
<b>Net Increase (Decrease)</b>	<b>(3,358,511)</b>	<b>4,904,792</b>	<b>2,625,158</b>	<b>(3,467,267)</b>	<b>(327,709)</b>
<b>Beginning Fund Balance</b>	<b>18,488,574</b>	<b>15,130,063</b>	<b>20,034,855</b>	<b>22,660,013</b>	<b>19,192,746</b>
<b>Ending Fund Balance</b>	<b>\$ 15,130,063</b>	<b>\$ 20,034,855</b>	<b>\$ 22,660,013</b>	<b>\$ 19,192,746</b>	<b>\$ 18,865,037</b>

## Wendy Wood

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**Subject:** FW: Pre meeting to review mid year review information

From: Phil Koen  
Sent: Monday, January 30, 2023 3:08 PM  
To: Gitta Ungvari <GUngvari@losgatosca.gov>  
Cc: Laurel Prevetti <LPrevetti@losgatosca.gov>; Rick Tinsley  
Subject: Re: Pre meeting to review mid year review information

[EXTERNAL SENDER]

Gitta,

Thank you for the quick reply. Understand completely. How about 9am on the 10th?

Also can you confirm you will be able to prepare the additional schedules I requested for the mid-year review?

Thanks.

Phil

Sent from my iPhone

On Jan 30, 2023, at 5:37 PM, Gitta Ungvari <GUngvari@losgatosca.gov> wrote:

Hello Phil,

Our team is working on the February 13th Finance Commission Agenda items. We are publishing the items late Thursday afternoon. We can meet on Friday the 10th of February. I am available on Friday from 9 a.m. to 10:45 a.m. or between noon and 3 p.m.

Let me know what time would work for you to schedule an hour meeting.

Thanks,

Gitta

-----Original Message-----

From: Phil Koen  
Sent: Sunday, January 29, 2023 6:03 PM  
To: Gitta Ungvari <GUngvari@losgatosca.gov>  
Cc: Laurel Prevetti <LPrevetti@losgatosca.gov>; Rick Tinsley  
Subject: Pre meeting to review mid year review information

[EXTERNAL SENDER]

Hello Gitta,



I was hoping we could meet on Thursday afternoon Feb 9 to review the FC package with a particular focus on the mid year financial information. I think it would be helpful to jointly review the material in advance of the meeting and address any potential questions. That will make the meeting more efficient.

I have asked Rick to join us, but his schedule may not allow him to join. I'll let him wade in on this. I think we can cover everything in about an hour.

Please let me know if Thursday afternoon would be convenient for you and the best time to meet.

Thank you.

Phil Koen

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**Subject:** FW: Pages from FY-202122-ACFR - ARPA Discussion for mid year review  
**Attachments:** Pages from FY-202122-ACFR - (11)(1).pdf

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**From:** Phil Koen  
**Sent:** Tuesday, January 31, 2023 11:46 PM  
**To:** Gitta Ungvari <[GUngvari@losgatosca.gov](mailto:GUngvari@losgatosca.gov)>  
**Cc:** Laurel Prevetti <[LPrevetti@losgatosca.gov](mailto:LPrevetti@losgatosca.gov)>; Rick Tinsley  
**Subject:** Pages from FY-202122-ACFR - ARPA Discussion for mid year review

[EXTERNAL SENDER]

Gitta,

As part of the mid-year review I would respectfully request that we review the use of the \$3,413,961 ARPA funds recognized as revenue in FY22 and the \$3,614,872 recognized as revenue in FY 23. My concern is there is a perception that the Town is on the razor edge and does not have any discretionary funds available for very worthy projects. It is important that the Town provide a complete accounting of the “uses” of the ARPA funds received so there is complete transparency and agreement on how these funds were actually deployed.

Regarding the \$3,413,961 in FY 22 revenue, based on the audited financials all of the ARPA revenue was recorded in the other non-major ARPA fund and then transferred to the General Fund. There were no expenses recorded in the ARPA fund, so the entire \$3,413,961 was transferred. You can see this in the attached schedules.

In a prior update given to the FC, the plan was to use \$1,433,000 of the FY22 ARPA revenue for various expenditures such as destination marketing, k rails, promenades, enhanced senior services, grants and parklets. It appears all of these expenditure were made from the General Fund, not the ARPA Fund, and are an element of the \$43.3m in total general fund expenditures for FY 22.

In addition the plan was to “backfill” \$369,124 in general fund revenue for the “loss” of rental revenue from rental waivers. The backfill and the incremental expenditures noted above, total \$1,802,124 in “uses” earmarked for the FY 22 ARPA funds.

In trying to understand the flow of the \$3,413,161, while acknowledging money is fungible, the financial statements show growth in all general fund tax revenues was more than sufficient to fund all of the earmarked expenditures AND all of the rent waivers. Total tax revenues alone exceeded the adopted plan by \$2,381,516. That means none of the \$3,413,161 in ARPA funds were used as planned. In fact, the General Fund reported a surplus of \$3,290,895 in excess revenues over expenditures (note there was no ARPA funds in the General Fund revenues), even after absorbing the planned \$1,802,124 in additional uses of funds.

This operating surplus combined with the transfer in of the \$3,413,961 in ARPA funds and additional transfers in from other funds of \$633,353 combined to create a gross surplus in the General Fund, before transfers out, of \$7,338,208. Again, \$3,413,961 was directly attributable to ARPA.

It is at this point we lose all traceability for the ARPA funds. All we know is \$4,358,188 was transferred out of the General Fund, leaving \$2,980,020 of the \$7,338,208 in the General Fund balance. This balance was then allocated across

a number of general fund balance reserve accounts. Was some of this ARPA funds? We don't know since the ARPA footnote does not provide the reader with any insight.

Regarding the \$4,358,188 that was transferred out, we have no idea if any or all of that was the ARPA funds. Since money is fungible, we could just declare that the entire \$3,413,961 was included in that transfer out. That would make it simpler in tracing the funds.

If we make that assumption, that means all \$3,413,188 is still available since it is in the GAFR ending fund balance of \$14,240,753.

In addition to the FY 22 ARPA revenues, the Town has received \$3,614,872 in FY 23. These funds were received in July 2022 and recorded in the ARPA fund as revenue. And like FY 22, most likely no expenses were recorded in the ARPA fund, with all of the funds ultimately being transferred into the General Fund.

As part of the mid-year update it would be helpful to provide an analysis of the use of the FY 23 funds. If FY 23 is like FY 22, the General Fund Tax revenues will most likely be stronger than the adopted plan and therefore no ARPA funds will be necessary to "backfill" rental waivers or planned revenue shortfalls. The revenue over achievement combined with the savings from open positions that could be as much as \$2m, suggest the General Fund will experience another year where revenues exceed expenditures. That means that no ARPA funds would be necessary to balance the F23 general fund.

Given the above, It is entirely possible that the full \$7m in ARPA funds is still available to the TC for allocation. We need to confirm this.

Let's work together to develop the analysis to show what happened in FY 22 and the most likely outcome for FY 23 to the ARPA funds. I am concerned that without better clarity, the Town will miss an opportunity to help many worthy programs.

Thank you,

Phil



# TOWN OF LOS GATOS

## CALIFORNIA



## Annual Comprehensive Financial Report

### For the Fiscal Year ended June 30, 2022



of \$1,156,412, increasing beginning fund balance and net position by \$0.7 million. See Note 4 for additional information.

- The Town received the first tranche payment of \$3,614,872 from the American Rescue Plan Act (ARPA) grant on July 13, 2021. For FY 2020/21, \$200K of ARPA proceeds was recognized as revenue to reimburse the Town for qualifying expenditures under the provisions of the Act including boosting economic recovery and providing rent forgiveness and direct grants to non-profit and social welfare organizations. For FY 2021/22, the Town recognized \$3.4 million in ARPA revenues related to recovery of revenue loss. 7 8
- Despite the ongoing economic impacts resulting from the nationwide pandemic, the Town's economically sensitive major revenues of property tax, sales tax, and business license tax were able to record gains from amounts reported the prior fiscal year. Property taxes collected increased \$1.3 million, sales taxes increased \$0.6 million, while business license tax increased by a modest \$94K from amounts collected the prior year.
- The economic impacts related to the pandemic and initial travel restrictions continued into FY 2021/22. FY 2021/22 Transient Occupancy Tax (TOT) revenue collection increased by \$840K compared to the level collected in FY 2020/21. However, the current year proceeds of \$1.9 million is still \$0.8 million lower than FY 2019/20 level of TOT collection.
- Total expenses as reported in the Statement of Activities increased \$2.2 million from the prior year. The increase primarily was driven by a one-time \$6.9 million State pass-through grant payment in General Government for wildfire protection. Excluding the one-time payment, total expenses actually decreased from the prior year by \$4.7 million primarily due to the \$3.1 million calculated pension expense credit, salary and benefit savings, and other miscellaneous operational savings. As previously noted, the pension expense credit was mostly from actual investment earnings in excess of estimated assumed investment earnings and additional discretionary payments in excess of contractually required contributions.
- The cost of all governmental activities as presented in the Statement of Activities this year was \$52.7 million. The Town's governmental program revenues were \$41.2 million including charges for services of \$12.8 million, operating grants and contributions of \$6.2 million, and capital grants and contributions of \$22.2 million. After taking governmental program revenues into consideration, the net amount of taxpayer supported governmental activities was \$11.5 million. The Town paid for the remaining "public benefit" portion of governmental activities from total taxes and general revenues of \$35.7 million. This \$11.5 million in net cost of governmental activities is net of the \$12.2 million Los Gatos Theatre contribution that occurred during FY 2021/22. Excluding the theatre contribution, the net cost of governmental activities would be \$23.7 million which represents an approximate 32% decrease from the prior fiscal year (\$35.1 million). The decrease reflects reduced costs related to the pension credit and increased governmental grant revenues from the prior year.
- At the end of FY 2021/22, the General Fund balance was \$26,896,789 compared to \$23,914,618 in the prior year. The ending fund balance of \$26,896,789 represents approximately 62% of General Fund expenditures for the current fiscal year excluding

**TOWN OF LOS GATOS, CALIFORNIA**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

	General	Appropriated Reserves	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Property Taxes	\$ 21,129,082	\$ -	\$ 38,640	\$ 21,167,722
Sales Taxes	8,483,673	-	-	8,483,673
Other Taxes	1,909,816	-	66,382	1,976,198
Licenses & Permits	5,096,318	420,055	538,667	6,055,040
Intergovernmental	1,263,352	9,400,918	4,828,712	15,492,982
Charges for Services	5,460,613	1,464,746	-	6,925,359
Fines and Forfeitures	319,170	-	-	319,170
Franchise Fees	2,822,515	-	-	2,822,515
Developer Fees	1,200,000	535,571	-	1,735,571
Interest	(1,404,527)	34,805	90,739	(1,278,983)
Use of Property	32,400	93,001	19,500	144,901
Other	311,040	-	38,105	349,145
Total Revenues	46,623,452	11,949,096	5,620,745	64,193,293
<b>EXPENDITURES</b>				
Current:				
General Government	9,053,968	6,900,000	-	15,953,968
Public Safety	16,451,190	-	-	16,451,190
Parks and Public Works	8,605,457	-	33,671	8,639,128
Community Development	6,313,511	-	-	6,313,511
Library Services	2,752,397	-	74,813	2,827,210
Sanitation and Other	-	-	194,969	194,969
Capital Outlay	-	9,570,780	907,890	10,478,670
Debt service:				
Principal	156,034	-	-	156,034
Total Expenditures	43,332,557	16,470,780	1,211,343	61,014,680
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	3,290,895	(4,521,684)	4,409,402	3,178,613
<b>OTHER FINANCING SOURCES (USES)</b>				
Gain from sale of assets	2,151	-	-	2,151
Transfers in	4,047,313	4,074,141	32,853	8,154,307
Transfers (out)	(4,358,188)	(427,616)	(3,524,881)	(8,310,685)
Total Other Financing Sources (Uses)	(308,724)	3,646,525	(3,492,028)	(154,227)
<b>NET CHANGES IN FUND BALANCES</b>	2,982,171	(875,159)	917,374	3,024,386
<b>BEGINNING FUND BALANCES</b>	23,914,618	15,115,912	8,807,222	47,837,752
<b>ENDING FUND BALANCES</b>	\$ 26,896,789	\$ 14,240,753	\$ 9,724,596	\$ 50,862,138

ARPA  
3,413,961

ARPA  
3,413,961

The notes to the financial statements are an integral part of this statement.

**TOWN OF LOS GATOS, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

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- d. Partnerships for the conversion of existing residential developments dedicated to affordable housing
- e. Grants to the Santa Clara County Housing Trust for the development of affordable housing.

During the fiscal year ended June 30, 2012, the rights and obligations resulting from this cooperative agreement were transferred to the Successor Agency Trust Fund as a part of the Town's dissolution of its Redevelopment Agency.

**NOTE 15 - COVID-19 PANDEMIC PROGRAMS**

On March 11, 2021, the American Rescue Plan Act (ARPA) was signed into law by President Biden. The \$1.9 trillion package (the Act) provided financial aid to families, governments, businesses, schools, nonprofits and others impacted by the COVID19 public health crisis. Of the \$1.9 trillion, \$350 billion is being directed toward state and local governments. All 19,000 municipal governments are entitled to a direct, noncompetitive federal formula grant from the U.S. Treasury Department. The portion allocated to cities, towns, and villages totals \$65.1 billion of which \$19.5 billion is obligated toward cities with less than 50,000 residents. The Act will allocate \$7,229,744 to the Town over a two-year period. The first tranche payment of \$3,614,862 was received on July 13, 2021, and the second payment no earlier than 12 months after the first payment.

Section 603. CORONAVIRUS LOCAL FISCAL RECOVERY FUND of the Act identified four eligible uses for funding, as follows:

- A. Respond to the public health emergency with respect to the Coronavirus Disease 2019 (COVID-19) or its negative economic impacts, including assistance to households, small businesses, and nonprofits, or aid to impacted industries such as tourism, travel, and hospitality;
- B. Respond to workers performing essential work during the COVID-19 public health emergency by providing premium pay to eligible workers of the metropolitan city, nonentitlement unit of local government, or county that are performing such essential work, or by providing grants to eligible employers that have eligible workers who perform essential work;
- C. Provide government services to the extent of the reduction in revenue of such metropolitan city, nonentitlement unit of local government, or county due to the COVID-19 public health emergency relative to revenues collected in the most recent full fiscal year of the metropolitan city, nonentitlement unit of local government, or county prior to the emergency; or
- D. Make necessary investments in water, sewer, or broadband infrastructure.

During the fiscal year ended June 30, 2022, the Town recognized \$3,413,961 as operating grant revenue in the ARPA special revenue fund and transferred \$3,413,961 to other funds, reimbursing the Town for qualifying expenditures under the provisions of the Act. For FY 2020/21, the Town recognized the initial \$200K of ARPA proceeds as revenue to reimburse the Town for qualifying expenses.

TOWN OF LOS GATOS  
BUDGETED NONMAJOR FUNDS  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL (GAAP)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	ARPA			LG Theatre		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other taxes	-	-	-	-	-	-
License and permits	-	-	-	-	-	-
Intergovernmental	3,413,961	3,413,961	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Use of property	-	-	-	-	19,500	19,500
Other	-	-	-	-	-	-
Total Revenues	3,413,961	3,413,961	-	-	19,500	19,500
<b>EXPENDITURES</b>						
Current:						
Parks and public works	-	-	-	-	-	-
Library services	-	-	-	-	-	-
Sanitation and other	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Total Expenditures	-	-	-	-	-	-
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	3,413,961	3,413,961	-	-	19,500	19,500
<b>OTHER FINANCING SOURCES (USES)</b>						
Operating transfers in	-	-	-	-	-	-
Operating transfers (out)	(3,413,961)	(3,413,961)	-	-	-	-
Total Other Financing Sources (Uses)	(3,413,961)	(3,413,961)	-	-	-	-
<b>CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>	<u>19,500</u>	<u>\$ 19,500</u>
<b>BEGINNING FUND BALANCE</b>		<u>-</u>			<u>-</u>	
<b>ENDING FUND BALANCE</b>		<u>\$ -</u>			<u>\$ 19,500</u>	

(Continued)



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**Subject:** FW: Pages from FY-202122-ACFR - ARPA Discussion for mid year review

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**From:** Phil Koen

**Sent:** Thursday, February 2, 2023 7:25 AM

**To:** Gitta Ungvari <[GUngvari@losgatosca.gov](mailto:GUngvari@losgatosca.gov)>

**Cc:** Laurel Prevetti <[LPrevetti@losgatosca.gov](mailto:LPrevetti@losgatosca.gov)>; Rick Tinsley

**Subject:** Re: Pages from FY-202122-ACFR - ARPA Discussion for mid year review

[EXTERNAL SENDER]

Terrific. Let's review that when we get together.

It is very reasonable to claim that all \$7m is still available since the GF ran a very strong operating surplus in FY 22. Understanding how the capital was deployed is really important. We all need to be on the same page so we can make a recommendation to the TC.

Thanks!

Phil

Sent from my iPhone

On Feb 2, 2023, at 3:46 PM, Gitta Ungvari <[GUngvari@losgatosca.gov](mailto:GUngvari@losgatosca.gov)> wrote:

Phil,

Thanks for your email. The Finance Team is already incorporating a recap of the Council Direction regarding ARPA proceeds spending in the mid-year budget review report.

Gitta

---

**From:** Phil Koen

**Sent:** Tuesday, January 31, 2023 11:46 PM

**To:** Gitta Ungvari <[GUngvari@losgatosca.gov](mailto:GUngvari@losgatosca.gov)>

**Cc:** Laurel Prevetti <[LPrevetti@losgatosca.gov](mailto:LPrevetti@losgatosca.gov)>; Rick Tinsley

**Subject:** Pages from FY-202122-ACFR - ARPA Discussion for mid year review

[EXTERNAL SENDER]

Gitta,

As part of the mid-year review I would respectfully request that we review the use of the \$3,413,961 ARPA funds recognized as revenue in FY22 and the \$3,614,872 recognized as revenue in FY 23. My concern is there is a perception that the Town is on the razor edge and does not have any discretionary funds available for very worthy projects. It is

important that the Town provide a complete accounting of the “uses” of the ARPA funds received so there is complete transparency and agreement on how these funds were actually deployed.

Regarding the \$3,413,961 in FY 22 revenue, based on the audited financials all of the ARPA revenue was recorded in the other non-major ARPA fund and then transferred to the General Fund. There were no expenses recorded in the ARPA fund, so the entire \$3,413,961 was transferred. You can see this in the attached schedules.

In a prior update given to the FC, the plan was to use \$1,433,000 of the FY22 ARPA revenue for various expenditures such as destination marketing, k rails, promenades, enhanced senior services, grants and parklets. It appears all of these expenditure were made from the General Fund, not the ARPA Fund, and are an element of the \$43.3m in total general fund expenditures for FY 22.

In addition the plan was to “backfill” \$369,124 in general fund revenue for the “loss” of rental revenue from rental waivers. The backfill and the incremental expenditures noted above, total \$1,802,124 in “uses” earmarked for the FY 22 ARPA funds.

In trying to understand the flow of the \$3,413,161, while acknowledging money is fungible, the financial statements show growth in all general fund tax revenues was more than sufficient to fund all of the earmarked expenditures AND all of the rent waivers. Total tax revenues alone exceeded the adopted plan by \$2,381,516. That means none of the \$3,413,161 in ARPA funds were used as planned. In fact, the General Fund reported a surplus of \$3,290,895 in excess revenues over expenditures (note there was no ARPA funds in the General Fund revenues), even after absorbing the planned \$1,802,124 in additional uses of funds.

This operating surplus combined with the transfer in of the \$3,413,961 in ARPA funds and additional transfers in from other funds of \$633,353 combined to create a gross surplus in the General Fund, before transfers out, of \$7,338,208. Again, \$3,413,961 was directly attributable to ARPA.

It is at this point we lose all traceability for the ARPA funds. All we know is \$4,358,188 was transferred out of the General Fund, leaving \$2,980,020 of the \$7,338,208 in the General Fund balance. This balance was then allocated across a number of general fund balance reserve accounts. Was some of this ARPA funds? We don’t know since the ARPA footnote does not provide the reader with any insight.

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In addition to the FY 22 ARPA revenues, the Town has received \$3,614,872 in FY 23. These funds were received in July 2022 and recorded in the ARPA fund as revenue. And like FY 22, most likely no expenses were recorded in the ARPA fund, with all of the funds ultimately being transferred into the General Fund.

As part of the mid-year update it would be helpful to provide an analysis of the use of the FY 23 funds. If FY 23 is like FY 22, the General Fund Tax revenues will most likely be stronger than the adopted plan and therefore no ARPA funds will be necessary to “backfill” rental waivers or planned revenue shortfalls. The revenue over achievement combined with the savings from open positions that could be as much as \$2m, suggest the General Fund will experience another year where revenues exceed expenditures. That means that no ARPA funds would be necessary to balance the F23 general fund.

Given the above, It is entirely possible that the full \$7m in ARPA funds is still available to the TC for allocation. We need to confirm this.

Let's work together to develop the analysis to show what happened in FY 22 and the most likely outcome for FY 23 to the ARPA funds. I am concerned that without better clarity, the Town will miss an opportunity to help many worthy programs.

Thank you,

Phil

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**Subject:** FW: ARPA Update.pdf  
**Attachments:** ARPA Update.pdf

---

**From:** Phil Koen  
**Sent:** Thursday, February 2, 2023 10:05 PM  
**To:** Gitta Ungvari <[GUngvari@losgatosca.gov](mailto:GUngvari@losgatosca.gov)>  
**Cc:** Laurel Prevetti <[LPrevetti@losgatosca.gov](mailto:LPrevetti@losgatosca.gov)>; Rick Tinsley  
**Subject:** ARPA Update.pdf

---

[EXTERNAL SENDER]

Hi Gitta,

I have attached the last update the FC received on the deployment of the ARPA funds.

Let's review what actually happened in FY 22 and discuss the plan for FY 23 taking into consideration our best thinking on most likely outcome for FY 23 operating surplus.

Greatly appreciate you walking me through this.

Phil

Sent from my iPhone



**TOWN OF LOS GATOS  
FINANCE COMMISSION**

MEETING DATE: 06/13/2022

Item 2.

DATE: June 8, 2022  
TO: Finance Commission  
FROM: Laurel Prevetti, Town Manager  
SUBJECT: Receive Update on American Rescue Plan Act Administration

RECOMMENDATION:

Receive update on American Rescue Plan Act (ARPA) administration.

BACKGROUND:

In accordance with ARPA, the Town was awarded an ARPA grant in the amount of \$7,229,744 paid to the Town in two separate payments, the first payment of \$3,618,872 was received in early July 2021 and the second payment of \$3,614,872 is expected to be received in early July 2022.

Based on initial guidance of eligible uses of ARPA funds the Town allocated these funds to various purposes to respond and support the impacts of the pandemic on Town residents, non-profits, the business community including the construction of downtown parklets, non-profit fee and rent waivers, enhanced senior services, promenades, and increased funding for Town infrastructure capital improvements, among other initiatives.

Since receipt of ARPA funds staff has been following the evolution of the federal guidelines for the use of ARPA funding as well as regularly participating in ARPA focused webinars presented by the US Department of the Treasury (Treasury) staff and the ARPA sub-group sponsored by the Government Finance Officers Association. During the initial ARPA implementation period Treasury received a tremendous number of inquiries from ARPA grant recipients on how best to comply with the complex and evolving federal regulations and guidance for calculating pandemic related revenue loss and complying with federal uniform guidance on eligible uses of ARPA funds. Treasury responded to this demand by revising its initial requirements in their

PREPARED BY: Stephen Conway  
Finance Director

Reviewed by: Town Manager and Assistant Town Manager

PAGE 2 OF 3

SUBJECT: Receive Update on American Rescue Plan Act (ARPA) Administration

DATE: June 8, 2022

BACKGROUND (continued):

Final Interim Rule to allow certain non-entitlement units (NEUs) like the Town of Los Gatos a simplified procedure for claiming and reporting revenue loss. To be eligible for the simplified claiming procedures, the NEU must receive a total ARPA award of less than \$10 million.

DISCUSSION:

Upon Treasury's release of the simplified reporting process for entities awarded less than \$10 million in ARPA funding and additional guidance received through staff review of federal compliance issues, staff recommends that the Town recognize the \$3.4 M of FY 2021/22 and the anticipated \$3.6M FY 2022/23 cash collections of ARPA revenues as qualified revenue loss under the Treasury provisions for use in providing government services. To further aid in compliance with federal uniform guidance and Single Audit requirements, staff is intending to claim the lost revenue for use in providing essential government services and intends to account for the use of ARPA revenue loss revenues for eligible public safety payroll costs for both FY 2021/22 and FY 2022/23.

The recommended action as illustrated in the below worksheet will allocate all ARPA "replacement" revenues to the General Fund which in turn will unencumber other General Fund operating revenues which were previously dedicated for public safety costs. The newly unencumbered General Fund revenues can then be allocated to the ARPA pandemic responses as identified, approved and allocated by Town Council since receipt of the \$7.2 million ARPA award.

AMERICAN RESCUE PLAN ACT (ARPA) SUMMARY WORKSHEET				
	FY 2020/21	FY 2021/22	FY 2022/23	GRAND
		BUDGET ADJ.		
	ACTUALS	ACTUAL/ESTIMATED	ESTIMATED	TOTAL
ARPA FUNDS REVENUE RECOGNIZED	\$ 200,911	\$ 3,413,961	\$ 3,614,872	\$ 7,229,744
GOV SERVICES (WAIVERS,CUP&ADA,DIRECT GRANTS)	200,911			200,911
REVENUE LOSS -GOV SERVICES (PUBLIC SAFETY)		3,413,961	3,614,872	7,028,833
	\$ 200,911	\$ 3,413,961	\$ 3,614,872	\$ 7,229,744
GENERAL FUND ARPA REPLACEMENT REVENUES AVAILABLE	200,911	3,413,961	3,614,872	7,229,744
LESS APPROVED USES TO BE BUDGETED:				
PARKLETS (DOWNTOWN IMPVTS PROJECT)		680,000	250,000	930,000
RENT WAIVERS	121,255	341,452	283,756	746,463
CUP/ADA FEE WAIVERS	19,656	27,672	27,672	75,000
DESTINATION MARKETING		55,000		55,000
K-RAILS (DOWNTOWN IMPVTS PROJECT)		68,000		68,000
PROMENADES		80,000	120,000	200,000
DIRECT GRANTS	60,000	50,000		110,000
ENHANCED SENIOR SERVICES		500,000		500,000
CAPITAL IMPROVEMENT PROGRAM SUPPORT TRANSFERS			2,900,000	2,900,000
REQUIRED FOR GF BALANCING OF OPERATING REV_EXP	-		1,645,281	1,645,281
TOTAL ALLOCATIONS OF GENERAL FUND ARPA REPLACEMENT REVENUES	\$ 200,911	\$ 1,802,124	\$ 5,226,709	\$ 7,229,744
GENERAL FUND ARPA REPLACEMENT REVENUE UNCOMMITTED	\$ -	\$ 1,611,837	\$ (1,611,837)	\$ -

PAGE 3 OF 3

SUBJECT: Receive Update on American Rescue Plan Act (ARPA) Administration

DATE: June 8, 2022

CONCLUSION:

The worksheet illustrates budget adjustments related to the necessary ARPA and General Fund revenue and expense adjustments and recaps the total ARPA grant award of \$7,229,744 and the Council directed uses approved or proposed through June 7, 2022. In addition, the worksheet provides the detail staff will use to adjust the ARPA and General Fund budgets to recognize the ARPA grant award for revenue loss to be used to reimburse public safety response. It will also be used to recognize and budget FY 2021/22 matching General Fund ARPA replacement revenues and expenditure budgets for use in supporting the ARPA objectives as approved/proposed and directed by Town Council since original receipt of the ARPA grant award.

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**Subject:** FW: Follow up to the FC meeting

---

**From:** Phil Koen

**Sent:** Monday, February 6, 2023 5:49 PM

**To:** Gitta Ungvari <[GUngvari@losgatosca.gov](mailto:GUngvari@losgatosca.gov)>

**Cc:** Laurel Prevetti <[LPrevetti@losgatosca.gov](mailto:LPrevetti@losgatosca.gov)>

**Subject:** FW: Follow up to the FC meeting

---

[EXTERNAL SENDER]

Hello Gitta,

I was going through my open item list and noticed that Arn had never responded to my email below. This was a follow up note for more information coming from the last FC meeting.

If you have time, it would be great if you could provide the information requested.

Phil

---

**From:** Phil Koen

**Sent:** Thursday, January 12, 2023 5:00 PM

**To:** Arn Andrews <[aandrews@losgatosca.gov](mailto:aandrews@losgatosca.gov)>

**Cc:**

**Subject:** Follow up to the FC meeting

Hello Arn,

Just a quick follow up note regarding information requests from the FC meeting last Tuesday evening. Staff was going to provide the FC with the gross amount of the market-to-market adjustment that was netted in the "net" investment income of \$(1,404,563).

Also, there were a couple of questions regarding the balance of the development deposits for General Plan Revenue (\$698,302 in revenue was recognized) and the balance of the development deposits for the Below Market Housing Program (\$1,200,000 in revenue was recognized). I am assuming that all these various development fee deposits are consolidated and reported in the \$6.8m deposits on the General Fund balance sheet. Is my understanding correct? How many different deposit accounts are consolidated into the \$6.8m?

I had one last question which I forgot to ask last. On page 35 of the transactions report, under the private purpose trust fund column there is a \$5,899,675 deduction. Could you provide some detail about this deduction?

Thank you.

Phil Koen



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**Subject:** FW: Meeting on Friday  
**Attachments:** Pages from FY-202122-ACFR - (12).pdf

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**From:** Phil Koen  
**Sent:** Tuesday, February 7, 2023 11:19 AM  
**To:** Gitta Ungvari <[GUngvari@losgatosca.gov](mailto:GUngvari@losgatosca.gov)>  
**Cc:** Laurel Prevetti <[LPrevetti@losgatosca.gov](mailto:LPrevetti@losgatosca.gov)>; Rick Tinsley  
**Subject:** Meeting on Friday

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[EXTERNAL SENDER]

Hi Gitta,

I'm looking forward to our meeting on Friday. Since we only have 1 hour, we will need to be efficient with our time. I would propose the following agenda

- |  |         |
|--|---------|
| 1. Discuss the mid-year financial update | 30 mis  |
| 2. Review of \$7m in ARPA fund flows     | 15 mins |
| 3. Discussion of GAFR FY 22              | 10 mins |
| 4. Information request from Jan FC       | 5 mins  |

I have attached a schedule from the 2022 ACFR which shows the budget vs actual for the GAFR. I am interested in understanding the variance from the adopted budget for intergovernmental revenues and the capital outlay. I know that \$6.9m of intergovernmental revenue is the pass-through grant for wildfire which was not planned. What were the other \$1m in revenues that were recorded as revenue that weren't in the original adopted budget? Also, what projects accounted for the \$4.1m more in capital outlay than was originally planned? That is a material increase and I do not know what caused that.

I am asking this so I have a better understanding of what might happen in FY 23 based on how FY 22 played out. Could we receive more intergovernmental revenues that weren't planned but are on the horizon? Could capital outlays be materially different from the adopted FY 23 budget? These are the issues we should explore.

Thanks,

Phil

**TOWN OF LOS GATOS**  
**APPROPRIATED RESERVES FUND**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (GAAP)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>				
Licenses & permits	160,000	160,000	420,055	260,055
Intergovernmental	1,691,069	16,912,649	9,400,918	(7,511,731)
Charges for services	755,676	2,693,556	1,464,746	(1,228,810)
Developer fees	20,000	20,000	535,571	515,571
Interest	-	-	34,805	34,805
Use of Property	-	-	93,001	93,001
Total Revenues	2,626,745	19,786,205	11,949,096	(7,837,109)
<b>EXPENDITURES</b>				
Current:				
General government	-	7,000,000	6,900,000	100,000
Capital outlay	5,414,872	10,894,632	9,570,780	1,323,852
Total Expenditures	5,414,872	17,894,632	16,470,780	1,423,852
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(2,788,127)	1,891,573	(4,521,684)	(6,413,257)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	2,841,047	3,584,047	4,074,141	490,094
Transfers (out)	(427,616)	(427,616)	(427,616)	-
Total Other Financing Sources (Uses)	2,413,431	3,156,431	3,646,525	490,094
<b>CHANGE IN FUND BALANCE</b>	\$ (374,696)	\$ 5,048,004	(875,159)	\$ (5,923,163)
<b>BEGINNING FUND BALANCE</b>			15,115,912	
<b>ENDING FUND BALANCE</b>			\$ 14,240,753	