

**From:** Phil Koen <[REDACTED]>

**Sent:** Friday, April 30, 2021 9:42 AM

**To:** Ron Dickel [REDACTED]; Kyle Park [REDACTED]; Matthew Hudes <[MHudes@losgatosca.gov](mailto:MHudes@losgatosca.gov)>; Rob Rennie <[RRennie@losgatosca.gov](mailto:RRennie@losgatosca.gov)>; [jvannada@losgatosca.gov](mailto:jvannada@losgatosca.gov) [REDACTED] Lee Fagot [REDACTED]

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**Subject:** Questions for Staff regarding FY 2022 operating budget

Hello Ron,

Could you please request the Staff to provide answers for the following questions:

1. On schedule C-23 the FY 21 adjusted budget included \$1,262,158 as operating revenue with the explanation that this amount was “previously expensed transfers were returned to be included in the General Fund”. The estimate for FY 21 reflects no funds resulting in a corresponding revenue shortfall of \$1.2m. Why did this not occur and where did the \$1.2m go if it wasn’t returned to the General Fund? Please also provide an explanation regarding the \$390,000 in pension trust revenue included in the FY 2022 budget. Why is this revenue?
2. On schedule C-23 the FY 21 adjusted budget shows \$30,407,640 as non- departmental revenue. The estimate for FY 2021 is now \$33,488,814. Please provide an explanation for the increase from FY 21 adjusted budget of \$30,407,640.
3. On schedule C-8 property tax revenues are shown for FY 20, FY 21, and FY 22. Could you please provide detail regarding the amount of ERAF funds included for each year? How was the ERAF funds forecasted for FY 2022? Additionally, please provide detail regarding the amount of RDA residual revenue for each year. What is the assumption regarding RDA residual revenue for FY 2022?
4. On schedule C-8, TOT revenue is estimated to be \$707,723 for FY 2021 with a 30% increase in FY 2022 to \$920,040. Other cities in the South Bay are projecting TOT receipts to experience a strong recovery, increasing as much as 80% (i.e. City of San Jose) from FY 2021 level. Last year the FY 2021 budget forecasted an increase from prior year, only to materially miss that forecast. Why should the Council have more confidence in the FY 2022 forecast? What steps have been taken to improve the forecasting capability this year? Is it possible that the forecast is overly conservative? Is there a range of outcomes that should be considered?
5. On schedule C-8 sales and use tax is projected to be \$7,135,131 for FY 2021 which is a decrease from FY 2020 actuals of \$7,531,425. What assumptions have been made regarding total FY Q4 2021 sales tax receipts? Additionally, please disclose the receipts from the County Pool sales tax arising from the Wayfair decision that were received in FY 2020 and are projected to be received in FY 2021 and FY 2022. It has been reported that in the first quarter FY 2021, the County Pool grew 42% year over year. This is an important source of funds for the Town. When you take into consideration the impact of Measure G, the growth in the County Pool and the strong recovery in Q4 FY 2021, the forecast for FY 2022 appears overly conservative. Any additional information that you can provide so the Council can get comfortable with the revenue budget would be helpful.
6. On schedule C-8 there is a line item for salary and benefits. Could you please separate the line item into two – one for salary and the other for all benefits. This would enable the reader to understand the historical trend.
7. There appears to be an increase in total salary expenditures budgeted for FY 2022. Please break down the increase into three categories - promotions, new hires, and all other salary adjustments. If you could do this for FY 2020, FY 2021 and FY 2022 that would be very helpful in understanding the growth in total salary expenditures.

Thank you.

Phil Koen

ADDENDUM