



**TOWN OF LOS GATOS  
FINANCE COMMISSION REPORT**

MEETING DATE: 05/03/2021

ITEM NO: 3

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DATE: April 29, 2021  
TO: Council Finance Commission  
FROM: Laurel Prevetti, Town Manager  
SUBJECT: Commissioner Questions and Comments Regarding the Proposed Operating and Capital Budgets

**REMARKS**

Provided below are the verbatim questions and comments from Commissioners received to date regarding the Proposed Operating and Capital Budgets for which staff is preparing to address at the May 3, 2021 Finance Commission meeting:

**Capital Funding and Spending**

One of the strategic priorities is to sell or lease certain town properties. What is being considered or could be considered?

The town receives rent for Tait and Forbes Mill properties. How much is this rent? How much does the town receive on rent on other properties?

Staff to comment on public comment to include \$250,000 in road fuel reduction in the current year capital plan.

The pilot school busing program was viewed as complete with the total cost of \$443,000. Was this all spent by the town, or were there fees received?

On page A7, in 2018/19, 1.9 mln was allocated to a Property Surplus Account. What is the current balance in this Account?

Is there a prioritized list of unfunded projects for the 2022 budget in case more money is found for capital?

**PREPARED BY:** Arn Andrews  
Assistant Town manager

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Reviewed by: Town Manager, Town Attorney, and Finance Director

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Is there a way to use more of our own staff time to do some of the work for the CIP projects (therefore getting them done using our annual staff budget vs the CIP)?

For critical and time sensitive items, such as dangerous buildup of vegetation in potentially hazardous fire zones that "staff/town" organize a volunteer brigade to help with the efforts? Has this ever been discussed?

#### **ARPA**

Staff comments on funding the \$50,000 destination marketing proposal by Chamber in order to help the hotels and retail in town.

#### **Operating Budget**

Salaries should be forecast in both the current year and future budget with the best information possible.

Based on recent historical salary increases, how much should salary increases be in 2022, and the five year forecast?

What is the recent 5 year history for open salaried positions? Based on this, how much would future salary forecasts be reduced for 2022 and the five year forecast?

Charge for police to Monte Sereno on pages D129 and D150. The annual amount is less than \$1 mln, which is about half of what would be received on a per capita basis and a policing budget of approximately \$17mln. Note that the charge does not include any fee for historical capital or any allocation of general administrative expenses. Please discuss.

On page A21, what is the amount of the anticipated property tax revenue from phase 2 of the North 40 sales?

On page A7, fines have gone down from \$900,000 in 2015/16 to \$300,000 in 2019/20. What was the policy change that led to this decline?

Can staff discuss some ideas where we could make some changes to what/how we are doing things today to save money, earn more money and/or even just do more with the same amount of money.

On Page A-23 CALPERS projects 7% growth in Med Benefit expense. How does this compare to past 5 years actual growth of med benefit expense?

On page A-28 Equipment replacement Fund - Are all expenditures from this ISF Capital Expenditures as described or are there also operating expenditures? Are we strict about

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limiting these funds to "non-recurring and capital projects" per the best practices listed on A-31?

On page C-8 GF Salaries and Benefits have risen \$2.4M/year on average for the past 3 years but are only projected to increase by \$855K in FY21/22 or 2.8%. Is this a realistic estimate?

On page C-8 What is the projected (or FYTD) unrealized investment loss (i.e. mark to market) for FY20/21? Shouldn't the "Market Fluctuation" reserve be decremented by the amount of this unrealized loss? It is projected as unchanged on A-14. I continue to have lots of questions about the exact operation of such a reserve. If there is no documented and objective policy for increasing and decreasing such a reserve based on unrealized losses and gains then is it not really a reserve, just a cookie jar. I didn't notice any description of this reserve in the binder - did I miss it?

On page C-10 Why do the Internal Service Funds not earn interest unlike all the others?

#### **Balance Sheet Information**

On page C3, the total of all town funds shows a decline of 4.8% during the 2021 fiscal year. While the general fund is balanced with one time items, the other funds show significant decreases. On a big picture basis, this would show that the town spent down almost 5% during the year. This decline is consistent with prior years as shown on C37.

Please comment on the 36% decline in the liability internal service fund and the 73% decline in the workers compensation funds on page C3. Why are not these two funds included in the General Fund for transparency purposes? Also, how are these items considered in the 2022 budget?

I did not see historical cash, investments and pension liabilities in any tables. Could you provide these amounts for the past 5 years including forecast for June 2021? Would like staff comments on general trends of these items.