

From: [Phil Koen](#)
To: [Ron Dickel](#); [Kyle Park](#); [REDACTED]
Cc: [Matthew Hudes](#); [Rob Rennie](#); [Laurel Prevetti](#); [Arn Andrews](#); [REDACTED]; [Lee Fagot](#)
Subject: Finance Commission Agenda Item #3
Date: Thursday, November 10, 2022 9:24:08 PM

EXTERNAL SENDER

Dear Finance Commission,

It would be very helpful if the Staff provided answers to the following questions:

1. Does the latest 5-year forecast include the **most likely** salary and benefit cost increases for the 5 -year forecast period? What would be the cumulative impact on the deficit position if the most likely salary and benefit cost increases were included in the forecast?
2. Please explain why it is relevant to compare today's headcount of 153 FTEs to the 180 FTEs in 2001, which be the way is 6 years before the first iPhone was introduced! The comparison seems totally irrelevant because technology has profoundly impacted productivity levels over the last 20 years, making a 23-year-old data point irrelevant and misleading. Please explain why it isn't more appropriate to compare the more recent headcount of 136 in FY 2013 to today's staffing level. If the Town could operate successfully at that level in 2013, why can't it operate at that level today? What service levels have increased as a result of the increase in staffing? Please explain.
3. What are Staff's recommendations regarding a pathway to close the \$1.5m deficit in FY 24? The Staff provides a list of potential cost reductions, but there are no recommendations. Shouldn't the Staff provide recommendations to the Finance Commission, which recommendations would then be discussed and evaluated by the Finance Commission?
4. How does Staff define "discretionary non-essential services and programs"? What parameters are used to identify such services and programs? If they are truly non-essential and totally discretionary, why not eliminate all of these costs? Please explain the cost/benefit of the Town incurring these costs when the Town is projected to run operating deficits.
5. Has Staff retained an independent consultant to prepare a wage and benefit comparison of the Town's costs for all management positions versus other jurisdictions of similar size and complexity? If not, wouldn't the Town want to benchmark current management salary and benefit costs to determine how competitive the Town was in attracting and retaining talent?

Thank you.

Phil Koen

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From: [Phil Koen](#)
To: [Ron Dickel](#); [Kyle Park](#); [Rick Tinsley](#)
Cc: [Laurel Prevetti](#); [Arn Andrews](#); [Matthew Hudes](#); [Rob Rennie](#); [REDACTED]; [Lee Fagot](#)
Subject: Pages from MEET-Packet-9242639fa2514535a48be577ab00b94f.pdf
Date: Friday, November 11, 2022 7:43:14 AM
Attachments: [Pages from MEET-Packet-9242639fa2514535a48be577ab00b94f.pdf](#)

EXTERNAL SENDER

Dear Finance Commission,

Perhaps Staff can explain the impact of the FMV being less than Cost. This wasn't discussed in the Staff memo. Will this impact the Town's General Fund Balance?

Thank you,

Phil Koen

Town of Los Gatos Investment Schedule September 2022

Item 2.

Institution	CUSIP #	Security	Deposit Date	Par Value	Original Cost	Market Value	Purchased Interest	Maturity Date or Call Date	Yield to Maturity or Call	Interest Received to Date	Interest Earned Prior Yrs.	Interest Earned Current FY	Days to Maturity
Treasury	91282CAP6	US Treasury Note	6/30/2021	1,000,000.00	995,390.63	957,890.62		10/15/2023	0.33%	\$ 990.44	\$ 3,260.06	\$ 821.71	380
Toyota Motor Credit	89236THA6_1	Corporate Bond	04/12/21	500,000.00	510,580.00	485,470.00		8/25/2023	0.45%	\$ 9,243.75	\$ 2,780.30	\$ 576.10	329
Toyota Motor Credit	89236THA6	Corporate Bond	1/11/2022	1,100,000.00	1,107,315.00	1,068,034.00		8/25/2023	0.94%	\$ 9,240.00	\$ 4,812.29	\$ 2,604.30	329
US Treasury	91282CDD0	US Treasury Note	1/13/2022	1,100,000.00	1,090,675.78	1,054,367.18		10/31/2023	0.85%	\$ 1,219.27	\$ 4,286.54	\$ 2,347.39	396
US Treasury	91282CCN9	US Treasury Note	1/13/2022	1,200,000.00	1,188,375.00	1,159,875.00		7/31/2023	0.75%	\$ 823.37	\$ 4,153.18	\$ 2,274.36	304
FFCB	3133EKMx1	Gov. Agency Debenture	8/2/2019	1,000,000.00	1,014,400.00	971,811.35		2/23/2024	1.90%	\$ 73,775.83	\$ 55,756.94	\$ 4,825.62	511
FFCB	3133EMBE1	Gov. Agency Debenture	10/8/2020	1,600,000.00	1,598,000.00	1,502,713.78		3/28/2024	0.34%	\$ 9,453.34	\$ 9,279.41	\$ 1,355.09	545
FFCB	3133EMCQ3	Gov. Agency Debenture	10/16/2020	2,000,000.00	1,998,000.00	1,912,674.66		10/13/2024	0.31%	\$ 8,353.33	\$ 10,396.24	\$ 1,537.71	744
BankAmerica Corp	06051GHC6	Corporate Bond	10/9/2020	1,300,000.00	1,366,287.00	1,293,097.70		12/20/2023	0.66%	\$ 66,279.92	\$ 31,569.88	\$ 4,617.53	446
Home Depot	437076BM3	Corporate Bond	8/4/2022	1,000,000.00	991,960.00	944,643.14	10,250.00	1/1/2026	3.04%	\$ (10,250.00)	\$ -	\$ 5,052.73	1189
Home Depot	912828ZW3	US Treasury Note	8/9/2022	350,000.00	322,096.88	314,138.67	95.11	6/30/2025	3.16%	\$ (95.11)	\$ -	\$ 1,498.67	1004
IBM	459200IY8	Corporate Bond	3/25/2021	1,000,000.00	1,071,040.00	972,680.13		5/15/2024	0.71%	\$ 34,166.67	\$ 9,358.41	\$ 1,863.58	593
US Treasury	912828R28	US Treasury Note	7/2/2019	500,000.00	497,246.09	493,046.88		4/30/2023	1.77%	\$ 22,984.04	\$ 26,507.80	\$ 2,229.18	212
Freddie Mac	3137EAEN5	Gov. Agency Debenture	7/19/2019	2,000,000.00	2,072,358.00	1,978,254.26		6/19/2023	1.79%	\$ 160,416.67	\$ 107,829.55	\$ 9,211.07	262
FFCB	3133EKFV0	Gov. Agency Debenture	7/22/2019	1,000,000.00	999,630.00	995,158.88		1/17/2023	1.89%	\$ 55,989.58	\$ 55,482.90	\$ 4,752.73	109
Treasury	91282CBT7	US Treasury Note	9/30/2022	800,000.00	712,565.18	710,343.75		3/31/2026	4.14%	\$ -	\$ -	\$ -	1278
FFCB	3133ENP95	Gov. Agency Debenture	9/30/2022	900,000.00	900,939.60	896,970.80		9/30/2025	4.14%	\$ -	\$ -	\$ -	1096
US Treasury	91282CDA6	Gov. Agency Debenture	1/31/2022	1,100,000.00	1,085,222.44	1,056,515.63		9/30/2023	1.07%	\$ 1,820.74	\$ 4,781.92	\$ 2,932.91	365
US Treasury	91282CAW1	Gov. Agency Debenture	7/15/2021	1,200,000.00	1,199,437.50	1,147,031.26		11/15/2023	0.27%	\$ 2,502.72	\$ 3,107.52	\$ 816.83	411
American Honda	02665WC22	Corporate Bond	11/27/2019	1,000,000.00	1,012,410.01	960,463.79		6/27/2024	2.12%	\$ 72,733.34	\$ 55,189.68	\$ 5,367.28	636
JP Morgan Chase	46625HRS1	Gov. Agency Debenture	9/23/2022	500,000.00	474,660.00	464,179.21	4,355.56	3/15/2026	4.70%	\$ (4,355.56)	\$ -	\$ 446.63	1262
Honeywell Int'l.	438516BW5	Corporate Bond	11/20/2019	1,000,000.00	1,014,660.00	959,787.36		7/15/2024	1.64%	\$ 62,483.33	\$ 51,828.99	\$ 5,003.43	654
Caterpillar Financial Serv	14913Q2V0	Corporate Bond	2/23/2021	1,000,000.00	1,077,370.00	973,305.92		5/17/2024	0.44%	\$ 35,150.00	\$ 6,129.72	\$ 1,146.21	595
FNMA	3135G0V75	Gov. Agency Debenture	10/17/2019	1,100,000.00	1,105,833.30	1,053,162.83		7/2/2024	1.63%	\$ 52,456.25	\$ 48,706.74	\$ 4,540.04	641
US Bancorp	91159HHV5	Corporate Bond	12/24/2019	1,000,000.00	1,049,040.00	982,792.66		1/5/2024	2.12%	\$ 88,218.75	\$ 54,380.13	\$ 5,443.93	462
FHLB	3133834G3	Gov. Agency Debenture	3/11/2021	1,400,000.00	1,460,522.00	1,379,349.69		6/9/2023	0.19%	\$ 37,022.22	\$ 3,664.98	\$ 708.36	252
FFCB	3133EKAQ7	Gov. Agency Debenture	10/21/2019	1,000,000.00	1,019,780.00	957,920.18		9/10/2024	1.66%	\$ 60,031.11	\$ 45,130.78	\$ 4,223.84	711
PNC Financial	69349LAM0	Corporate Bond	2/7/2022	1,000,000.00	1,033,470.00	994,488.14		6/25/2023	1.49%	\$ 17,733.33	\$ 5,372.34	\$ 3,456.33	268
FHLB	3135G0SX7	Gov. Agency Debenture	6/10/2022	1,200,000.00	1,102,952.40	1,072,980.47		8/25/2025	3.04%	\$ 937.50	\$ 1,902.68	\$ 8,752.32	1060
Treasury	912828ZL7	Gov. Agency Debenture	4/12/2022	1,700,000.00	1,583,927.57	1,539,894.53		4/30/2025	2.72%	\$ 316.99	\$ 9,611.14	\$ 11,192.72	943
JP Morgan Chase	46625HJT8	Corporate Bond	9/23/2019	1,400,000.00	1,485,414.00	1,383,451.22		2/1/2024	2.39%	\$ 154,913.89	\$ 96,022.89	\$ 8,737.99	489
American Honda	02665WDH1	Corporate Bond	2/14/2020	600,000.00	603,756.00	591,917.98		5/10/2023	1.75%	\$ 28,145.00	\$ 25,034.14	\$ 2,656.45	222
Treasury	912828V23	US Treasury Note	11/29/2021	1,000,000.00	1,032,933.04	975,390.62		12/31/2023	0.66%	\$ 13,206.52	\$ 3,924.44	\$ 1,695.07	457
Treasury	91282CBE0_2	Gov. Agency Debenture	10/7/2021	1,000,000.00	994,768.98	947,851.56		1/15/2024	0.36%	\$ 964.67	\$ 2,587.41	\$ 894.89	472
FHLB	3130ALH98	Gov. Agency Debenture	2/26/2021	1,000,000.00	997,610.00	941,164.91		2/26/2024	0.33%	\$ 3,750.00	\$ 4,416.63	\$ 830.94	514
Treasury	912828M80	US Treasury Note	7/22/2019	1,000,000.00	1,006,175.23	998,087.75		11/30/2022	1.81%	\$ 57,158.47	\$ 53,444.10	\$ 4,578.08	61
Treasury	912828U57	US Treasury Note	7/31/2019	1,000,000.00	1,011,875.00	975,781.25		11/30/2023	1.84%	\$ 60,208.33	\$ 54,014.24	\$ 4,666.02	426
Treasury	912828X70	US Treasury Note	12/30/2019	1,000,000.00	1,010,589.29	964,570.31		4/30/2024	1.75%	\$ 51,703.30	\$ 48,922.73	\$ 4,929.78	578
Treasury	912828XT2	US Treasury Note	10/31/2019	1,000,000.00	1,015,667.41	963,085.94		5/31/2024	1.64%	\$ 51,639.34	\$ 44,208.50	\$ 4,180.04	609
American Honda	02665WCQ2	Corporate Bond	9/14/2021	950,000.00	1,012,871.00	941,710.15		10/10/2023	0.41%	\$ 19,705.90	\$ 3,232.93	\$ 1,029.17	375
FFCB	3133EJ3Q0	Gov. Agency Debenture	8/28/2019	1,500,000.00	1,587,503.75	1,475,983.77		12/21/2023	2.12%	\$ 121,348.96	\$ 64,945.24	\$ 5,761.78	447
Freddie Mac	3133EKKT2	Gov. Agency Debenture	6/24/2019	1,550,000.00	1,573,188.00	1,543,058.90		2/8/2023	1.82%	\$ 117,606.25	\$ 86,008.42	\$ 7,180.38	131
Treasury	91282CBE0	Gov. Agency Debenture	9/15/2021	650,000.00	647,615.46	616,103.51		1/15/2024	0.28%	\$ 675.62	\$ 1,447.14	\$ 462.28	472
Subtotal				\$ 46,200,000.00	\$ 46,636,111.54	\$ 44,571,200.34	\$ 14,700.67			\$ 1,550,668.07	\$ 1,103,488.93	\$ 147,201.46	
BNY MM		Money Market			124,284.61	124,284.61			0.00%				1
LAIF		State Investment Pool			6,918,398.79	6,918,398.79			1.51%			23,540.77	1
					\$53,678,794.94	\$51,613,883.74				\$ 1,550,668.07	\$ 1,103,488.93	\$ 170,742.23	
Matured Assets													
IBM	459200HG9	Corporate Bond	8/8/2019	1,000,000.00	995,010.00			8/1/2022	2.05%	\$ 55,885.42	\$ 59,141.32	\$ 1,790.47	
JP Morgan Chase	46625HJE1	Gov. Agency Debenture	2/11/2020	900,000.00	934,587.00			9/23/2022	1.74%	\$ 76,537.50	\$ 38,210.60	\$ 3,733.22	
Treasury	912828L57	US Treasury Note	7/22/2019	1,200,000.00	1,197,988.40			9/30/2022	2.09%	\$ 67,016.39	\$ 63,644.66	\$ 5,451.87	

Total Investments "Matured"	\$ 10,975.56
Total Interest FY 22_23 Matured and Current	\$ 181,717.79

Maturity Profile	Amount
0-1 year	\$20,180,521.16
1-2 years	\$25,411,172.15
2-3 years	\$5,006,976.85
3-5 years	\$ 3,080,124.78
	\$53,678,794.94

Market to Cost Position Report

Institution	Amortized Cost
BNY Assets	\$46,636,111.54
BNY MM	124,284.61
LAIF	6,918,398.79
Totals:	\$53,678,794.94

From: [Phil Koen](#)
To: [Ron Dickel](#); [Kyle Park](#)
Cc: [Laurel Prevetti](#); [Arn Andrews](#); [Matthew Hudes](#); [Rob Rennie](#); [REDACTED]; [Lee Fagot](#);
[REDACTED]
Subject: Charging rent to not for profits using Town assets
Date: Friday, November 11, 2022 8:44:13 AM
Attachments: [Pages from MEET-Packet-9242639fa2514535a48be577ab00b94f\(1\).pdf](#)

EXTERNAL SENDER

Dear Finance Commission,

I am very surprised to see the Staff would include Town owned facilities which are used by community oriented not for profit organizations on a list of “discretionary non-essential services”.

First and foremost, each of these organizations which use Town owned assets, are critical to what defines the Town’s sense of community. As an example, the recently adopted 2040 General Plan describes NUMU as “a key cultural element of the Town since its founding in 1965”. The same can be said of the LGS Recreation and the Billy Jones Wildcat Railroad.

From a cultural point of view, the services these organization’s provide are just as essential as the library, which is heavily subsidized by the Town. This goes to my earlier email as to what criteria was used to determine “discretionary non-essential services”? Frankly it appears totally arbitrary.

My second point is not for profit organizations which are providing key cultural services should not be paying any money to “rent” Town owned assets. These assets are owned by the residents of the Town and should be used free of charge by those not for profit organizations that are providing critical services for the benefit of residents.

At the highest level it makes no sense for LGS Recreation or NUMU to transfer funds they earned either through service fees or charitable donations to pay “rent” when these funds are better retained by the respective organizations to invest in more services and programs for the community’s benefit.

By retaining these funds, a virtuous cycle is created where more programs and services are created which will drive even more community participation and more service fees. To have “rent” payments transferred to the Town when the Town is incapable of recycling these funds into high value services on par with LGS Recreation or NUMU makes no sense and diminishes the Town’s cultural value. Why is paying rent the right answer?

Lastly, the notion that there is a true market rate for the space occupied is questionable and largely irrelevant. Unless the Town has made a strategic decision to go into the commercial real estate leasing business and rent out all of the Town assets, including the library, to the highest bidder, it is inappropriate to view this space as a potential revenue stream since there isn’t any third party demand for this space.

It’s time to recognize that the structural deficit the Town is facing is largely do to the staffing

levels and wage and benefit costs the Town has taken on in the past 6 years. The Town has increased both the actual number of FTE's as well as the wage and benefit cost per FTE. The solution should start with a benchmarking the Town's cost structure against similar local jurisdictions to identify structural opportunities the Town could potentially address.

In closing, for the sake of full disclosure, our family has been a strong financial supporter of NUMU and we are very knowledgeable of NUMU's financial position.

Thank you.

Phil Koen

SUBJECT: Review of Five-Year Forecast

DATE: November 1, 2022

General Collections - \$171,200 Youth Collections - \$66,100 Reduce annual collection purchases.	
Annual Community Grant Program Each year the Town provides community grant funding to organizations that assist in projects that benefit residents. FY 2022/23 Adopted Budget includes \$151,000. Recurring Grants (Live Oak, WVCS, CASSY, Next Door) \$70,000 One-time Grants \$75,000 Innovation Grants \$6,000	Approx. \$151,000/yr – Ongoing
Chamber of Commerce Visitor Center The Chamber of Commerce receives \$55,000 annually for supporting a visitor information center.	Approx. \$55,000/yr – Ongoing
Town Facility Subsidized Leases Billy Jones Wildcat Railroad. Original contract through 2021 and currently under a 5-year option. The Town charges \$1 dollar/yr 208 Main Street LGS Recreation. Contract through 2029. Current subsidized rent \$218,325 versus market rate of \$485,172. 123 Main Street LGS Recreation. Lease month to month. Current subsidized rent \$40,431 versus market rate of \$265,669. 106 East Main Street NUMU. Contract thru 2024. Current subsidized rent \$25,000 versus market rate of \$429,782.	TBD
Approximate Totals for Programs Listed (doesn't include approximations for subsidized leases)	\$1,054,100