



**TOWN OF LOS GATOS
COUNCIL AGENDA REPORT**

MEETING DATE: 06/04/2024

DATE: May 30, 2023

TO: Mayor and Town Council

FROM: Laurel Prevetti, Town Manager

SUBJECT: Operating and Capital Budgets

- a. Adopt a Resolution Approving the Town of Los Gatos Fiscal Year (FY) 2024/25 Operating Budget and FY 2024/25– 2028/29 Capital Improvement Program (CIP), New Appropriations, Additional Council Actions on May 21, 2024; Minor Corrections, and Carry-Forward Appropriations;
- b. Adopt a Resolution Approving Commitment of Fund Balances under GASB 54;
- c. Approve FY 2023/24 Budget Adjustments and Reclassifications as listed in Attachment 3; and
- d. Authorize an Expenditure Budget Adjustment from IRS 115 Restricted Pension Trust to CalPERS up to the Amount Available in the Trust (the Estimated Balance Available is \$2,090,163).

RECOMMENDATION:

Operating and Capital Budgets

- a. Adopt a Resolution Approving the Town of Los Gatos Fiscal Year (FY) 2024/25 Operating Budget and FY 2024/25 – 2028/29 Capital Improvement Program (CIP), New Appropriations, Additional Council Actions on May 21, 2024; Minor Corrections, and Carry-Forward Appropriations (Attachment 1);
- b. Adopt a Resolution Approving Commitment of Fund Balances under GASB 54 (Attachment 2);
- c. Approve FY 2023/24 Budget Adjustments and Reclassifications as listed in Attachment 3; and
- d. Authorize an expenditure budget adjustment from IRS 115 Restricted Pension Trust to CalPERS up to the amount available in the Trust (the estimated balance available is \$2,090,163).

PREPARED BY: Gitta Ungvari
Finance Director

Reviewed by: Town Manager, Town Attorney, and Assistant Town Manager

BACKGROUND:

On April 21, 2024, the Proposed FY 2024/25 Operating and Capital Budgets were posted to the Town's website. Per Measure A, the Finance Commission received the Proposed Budgets 21 business days before May 21, 2024, which is the first meeting at which the Proposed Budgets were considered by the Town Council. The Finance Commission held three public meetings at which Commissioners discussed the Proposed Budgets and provided recommendations to the Town Council per Measures A and G.

On May 21 2024, the Town Council conducted public hearings to discuss the proposed FY 2024/25 Operating and Capital Summary Budget and Proposed FY 2024/25– 2028/29 Capital Improvement Program. The Town Council considered public testimony, discussed both documents, considered the Finance Commission recommendations, and directed staff to bring back the documents for final approval incorporating the Council recommendations.

DISCUSSION:

The draft resolution (Attachment 1) incorporates the budget direction provided by the Council at the May 21, 2024 budget hearing.

One of the Council actions directed a \$1,000,000 transfer from the Education Realignment General Fund (ERAF) Risk Reserve to the General Fund Pension/OPEB Reserve. Attachment 2 contains the resolution to formally move General Fund balances based on the Town Council General Fund Reserve Policy and additional Council direction consistent with Governmental Accounting Standards Board (GASB) 54.

In anticipation of the end of the 2023/24 fiscal year, the Council is being asked to make several revenue and expenditure budget adjustments as listed in Attachment 3. These adjustments recognize impacts that have changed since the Mid-Year Review in February.

The FY 2023/24 adopted budget assumed a 4.6% salary and benefit position vacancy savings for the fiscal year and that all vacant positions would be eventually filled through recruitment. Based on the most recent estimates, certain individual Departments/Programs that are fully staffed will not realize the 4.6% budgeted salary savings. Staff is requesting that Council approve salary and expenditure budget adjustments up to the amount of the projected 4.6% salary savings factor for individual Programs as needed based on year-end actual expenditures.

Staff is also requesting an expenditure budget increase to cover additional costs incurred due to protective leaves (e.g., workers compensation leaves). In addition, Attachment 3 lists the salary and benefit reclassification from the General Fund to the Capital Projects to recognize the utilization of temporary staff for capital projects.

DISCUSSION (continued):

Just prior to the Council's regular session, the Pension/OPEB Oversight Committee is considering the Finance Commission's recommendation to transfer the 115 Pension Restricted Trust current balance to CalPERS for an Additional Discretionary Payment toward the Town's unfunded pension liability. The estimated balance available in the IRS 115 Restricted Pension Trust is \$2,090,163. If the Oversight Committee decides to move forward with the Commission's recommendation, an additional budget adjustment is needed as noted under the Recommendation. The final amount will be determined at the time of the transfer based on the available balance.

CONCLUSION:

Staff recommends approval of FY 2023/24 budget adjustments, adoption of a Resolution approving the Town of Los Gatos Fiscal Year (FY) 2024/25 Operating Budget and FY 2024/25 – 2028/29 Capital Improvement Program (CIP), and adoption of a Resolution approving commitment of Fund Balances under GASB 54.

COORDINATION:

The preparation of the budget documents involved the participation of all Town Departments.

FISCAL IMPACT:

The fiscal impact is presented in summary form in the Financial Summaries chapter of the Proposed Operating and Capital Budget for FY 2024/25, resulting in a balanced budget for the next fiscal year.

ENVIRONMENTAL ASSESSMENT:

This is not a project defined under CEQA, and no further action is required.

Attachments:

1. Resolution of the Town Council Approving FY 2024/25 Operating Budget and FY 2024/25 – 2028/29 Capital Improvement Program (with Exhibit A)
2. Resolution of the Town Council of the Town of Los Gatos Approving Commitments of Fund Balance under GASB 54
3. FY 2023/24 Requested Budget Adjustments
4. Public Comments Received before Publishing the Staff Report