



**TOWN OF LOS GATOS
COUNCIL AGENDA REPORT**

MEETING DATE: 06/21/2022

ITEM NO: 16

DATE: June 15, 2022

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) 2022/23 Operating Budget and FY 2022/23 – 2026/27 Capital Improvement Program (CIP), New Appropriations, Additional Council Actions on May 17, 2022 and Revisions Related to Salary and Benefit Costs as Presented in the Labor Agreements Agenda Reports on June 7, 2022; American Rescue Plan Act Budget Adjustment, Minor Corrections, and Carry-Forward Appropriations.
- b. Adopt a Resolution Approving Commitment of Fund Balances under GASB 54.
- c. Approve FY 2021/22 Budget Adjustments:
 - 1) Major Revenue Adjustments to Match Year-End Estimated Revenues as Directed by the Town Council on May 17, 2022; and as Determined from Updated Information
 - i. Property Tax Revenue Increase in the Amount of \$582,609,
 - ii. Sales Tax Revenue Increase in the Amount of \$428,828 (\$361,806 in regular Sales Tax and \$67,022 in Measure G Sales Tax)
 - iii. Business License Tax Revenue Increase in the Amount of \$175,000,
 - iv. Transient Occupancy Tax Increases in the Amount of \$75,000, and
 - v. Recognize \$36,308 General Fund Salary Reimbursement for Capital Improvement Staff Work.
 - 2) Expenditure Increases to Reflect Past Actions:
 - i. In the Amount of \$300,000 to expense the \$300,000 available General Fund Pension/OPEB Reserve to the CEPPT Trust.
 - ii. In the Amount of \$136,308 General Fund Salary Reimbursement for Capital Improvement Staff Work.
 - 3) Approve American Rescue Plan Act Budget Adjustments.

PREPARED BY: Arn Andrews
Assistant Town Manager

Reviewed by: Town Manager and Interim Finance Director

RECOMMENDATION:

Operating and Capital Budgets

- a. Adopt a Resolution Approving the Town of Los Gatos Fiscal Year (FY) 2022/23 Operating Budget and FY 2022/23 – 2026/27 Capital Improvement Program (CIP), New Appropriations, additional Council Actions on May 17, 2022 and Revisions Related to Salary and Benefit Costs as Presented in the Labor Agreements Agenda Reports on June 7, 2022, American Rescue Plan Act (ARPA) Budget Adjustments, Minor Corrections, and Carry-Forward Appropriations
- b. Adopt a Resolution Approving Commitment of Fund Balances under GASB 54.
- c. Approve FY 2021/22 Budget Adjustments:
 - 1) Major Revenue Adjustments to Match Year-End Estimated Revenues as Directed by the Town Council on May 17, 2022; and as Determined from Updated Information
 - i. Property Tax revenue Increase in the Amount of \$582,609,
 - ii. Sales Tax Revenue Increase in the Amount of \$428,828 (\$361,806 in regular Sales Tax and \$67,022 in Measure G Sales Tax)
 - iii. Business License Tax Revenue Increase in the Amount of \$175,000,
 - iv. Transient Occupancy Tax Increases in the Amount of 75,000, and
 - v. Recognize \$36,308 General Fund Salary Reimbursement for Capital Improvement Staff Work.
 - 2) Expenditure Increases to Reflect Past Actions:
 - i. In the Amount of \$300,000 to expense the \$300,000 available General Fund Pension/OPEB Reserve to the CEPPT Trust.
 - ii. In the Amount of \$136,308 General Fund Salary Reimbursement for Capital Improvement Staff Work.
 - 3) Approve American Rescue Plan Act (ARPA) Budget Adjustments.

BACKGROUND:

On June 7, 2022, staff presented a report to the Town Council which included Resolutions for adoption of Operating and Capital budgets and approval of GASB 54 fund balances (Attachment 1). The budget adoption resolution included recommended changes from the May 17 budget meeting, revenue adjustments, capital transfers, carry-forward appropriations, and minor corrections. In addition, the budget resolution included expenditure adjustments associated with recent labor agreements and corresponding revenue adjustments. At the June 7th Town Council meeting, staff also recommended administrative American Rescue Plan Act (ARPA) budget adjustments to comport with final Treasury guidance and audit documentation.

Given that the recommended budget adjustments associated with the successful completion of labor agreements had not previously been reviewed by the Finance Commission, the Council voted to refer the item back to the Finance Commission and continue the item to June 21, 2022.

DISCUSSION:

On June 13, 2022, staff presented the Finance Commission with a budget update which included a summary of the terms and costing associated with the labor agreements. Staff also presented the recommended corresponding revenue adjustments to offset the additional salary and benefit expense. And lastly, staff provided a detailed discussion of the recommended ARPA administrative procedures. Attachments 2 through 4 are supplemental materials provided to the Finance Commission to facilitate the review of the budget.

The Finance Commission asked numerous questions of staff to understand the changes pertaining to the labor agreements. The Commission also requested an updated Five-Year Forecast to assist with the work ahead to evaluate potential cost savings and revenue enhancements. At the conclusion of the Finance Commission discussion, members voted unanimously to accept the staff's budget balancing approach to pay for the labor agreements, including use of Measure G funds and OPEB (utilizing the OPEB 115 Trust to fund budgeted retiree Pay Go healthcare expenses) as presented in the June 7, 2022 staff report to Council.

CONCLUSION:

Staff recommends approval of FY 2021/22 budget adjustments, adoption of a Resolution approving the Town of Los Gatos Fiscal Year (FY) 2022/23 Operating Budget and FY 2022/23 – 2026/27 Capital Improvement Program (CIP), approve American Rescue Plan Act Budget Adjustments for FY 2021/22 and 2022/23, 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 and the Finance Commission.

FISCAL IMPACT:

The fiscal impact is presented in summary form in the Financial Summaries chapter of the Proposed Operating and Capital Budget for FY 2022/23.

ENVIRONMENTAL ASSESSMENT:

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

Attachments:

1. June 7 2022 Council Staff Report and Resolutions
2. Labor Agreements
3. Labor Agreement Summary
4. FY 2020/21 and 2021/22 Budget Balancing Options
5. ARPA Administration