
Subject: public comment re: Budget

From: Toni Blackstock <toniblackstock@gmail.com>

Sent: Sunday, January 19, 2020 8:42 AM

To: Council <Council@losgatosca.gov>

Subject: Budget

In your budget considerations please include an increase in the Library Budget. The increase in use of the Library has been wonderful since Ryan Baker was hired. There are many programs - especially Children's Programs - that are bringing new Town residents to the Civic Center. With more hours and staff in this wonderful community center the Town will encourage these newcomers to hopefully learn about and participate in more local activities. We need the younger generation to get involved!!

Toni Blackstock
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Subject:

Council Meeting 1-21-20 Item 12

From: "jvannada@gmail.com" <jvannada@gmail.com>

Date: January 20, 2020 at 11:17:17 AM PST

To: Laurel Prevetti <LPrevetti@losgatosca.gov>

Subject: Council Meeting 1-21-20 Item 12

Good Morning Laurel and Council,

I am aware of other requests of Council for changes to the way the town does it's accounting. I agree with the two of which I am aware. Therefore, my suggestions are simple and limited to these two.

1. I would like to see the town change from a "budget to budget" comparison as a performance measure. There is nothing on the internet nor in GASB nor FASB that I can find that endorses "budget to budget" as a way to measure business performance.

We have previously addressed that should a business or government entity use this method to evaluate their performance, the performance measure will only give you a rough idea of how you budgeted; not how you actually performed. The budget number is somewhat arbitrary whereas, "actual" is, **actual**.

The Council, as the managing entity for this town cannot measure performance when comparing an arbitrary guess to itself. You have to compare: "how did our budget compare to how we actually performed?" Without this, I

am afraid that our performance measures will be useless as a management tool

2. The Finance Committee, to work as a team with the staff, should be allowed to have input on the future Finance Committee agenda's.

Thank you,

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Jak VanNada -

Los Gatos Community Alliance

Facts Matter; Transparency Matters; Honesty Matters

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Subject: FW: Discussion of Five Year Forecast - Agenda Item #12
Attachments: Effective Budgeting of Salary and Wages.pdf; ATT00001.htm; FY 2019 GF Budget vs Actual results - 2019 CAFR.pdf; ATT00002.htm

From: Phil Koen <pkoen@monteropartners.com>
Sent: Monday, January 20, 2020 11:46 AM
To: Marcia Jensen <MJensen@losgatosca.gov>; BSpector <BSpector@losgatosca.gov>; Marico Sayoc <MSayoc@losgatosca.gov>; Rob Rennie <RRennie@losgatosca.gov>
Cc: Laurel Prevetti <LPrevetti@losgatosca.gov>; jvannada@gmail.com <jvannada@gmail.com>
Subject: Discussion of Five Year Forecast - Agenda Item #12

Dear Honorable Mayor and Council Members,

Below are some questions which might be helpful to the Council as you consider the 5 year forecast. Let me once again suggest that having the Finance Committee actively involved and assisting the Council in understanding the "Town's financial story" would only strengthen this process.

Here are some questions you may wish to reflect upon and if appropriate ask the Staff:

- Why does the Town build a 5 year forecast using a format which presents expenses by natural expense category (such as salary, benefits, utilities, etc) as opposed to the format presented in the CAFR where expenses are presented by government activity (such as public safety, general government, etc.)? If the 5 year forecast used the CAFR format, Council could compare historical actuals by government activity to the projections. The 5 year forecast format that is being used does not present any historical information. Only a budget vs budget view is presented. Furthermore the 5 year format is not used in the CAFR and therefore it is impossible to track audited numbers with this format. Why not adopt the CAFR format to develop a 5 year forecast? I have attached the relevant page from the 2019 CAFR which compares the original adopted budget to actuals. This in itself is enlightening.
- Why does the 5 year forecast not show the "beginning" and "ending" General Fund Balance for each forecast year? How does the Council know the impact on the General Fund Balance over the 5 year period?
- Why does the format not show an "excess/(deficit) of operating revenues over operating expenditures" as shown in the CAFR format? The format that is presented makes it difficult to determine if the forecast period is "balanced" by drawing down general fund reserves as opposed to having operating revenues exceeding operating expenditures (i.e. structurally balanced).
- How does the Council know that the 5 year forecast will deliver the priorities the Council established at the January 14 meeting? How are the strategic priorities outcomes linked to the 5 year forecast?
- Why does the 5 year forecast assume no salary increases starting in FY 2021/22? Salary expense is the Town's single largest expense and not including any increase will overstate the forecasted "surplus". The future pension contributions provided by CALPERS, which are in the forecast, were built using an assumed 3% per year salary increase. If CALPERS includes a 3% salary increase in determining the future pension contributions, shouldn't the same assumption be used in projecting salaries over the 5 year forecast?
- Why do "total expenditures and allocations" increase at a faster rate in a "lower growth" scenario versus the "base case" scenario? Is this a reasonable assumption?
- In computing the \$4,010,185 which Staff is suggesting is available to the Council to reassign from the Capital/Special Project Reserve, why aren't projected future surpluses which would be added to the Capital/Special Project Reserve according to the existing reserve policy be included in the calculation? The base case forecast is projecting a cumulative surplus of \$9.3m over the five year period which exceeds the annual

transfer of \$550k per year by \$6.7m. This would suggest that all of the future annual transfers can be safely covered by future surpluses thus allowing the Council to reassign up to \$6.8m (the \$4.0m plus \$2.8M) to other critical needs such as making an additional discretionary payment to CALPERS.

Lastly, I want to endorse the thoughtful comments made by Terry Duryea in his letter to Council. The GFOA has published (which is attached) a best practices guide entitled "Effective budgeting of salary and wages". The Town does not follow this best practice. The first sentence from this guide states – "Given the funding constraints governments are facing, accurate expenditure projections are more important than ever". If there was one specific direction I would suggest that the Council give to Staff, it would be to produce accurate salary expenditure projections.

Thank you for considering these questions,

Phil Koen