

Town of Los Gatos Finance Commission FY 2021/22 Budget Overview



The Operating Budget is developed into three primary sections:

- **Transmittal Letter**
- **Financial Summaries**
- **Department Level Budgets**

PANDEMIC FORECAST HISTORY

5 Year Forecast January 21, 2020	2020/21 Forecast (\$M)	2021/22 Forecast (\$M)	2022/23 Forecast (\$M)	2023/24 Forecast (\$M)	2024/25 Forecast (\$M)
Surplus/Deficit	\$0.5	\$1.7	\$1.6	\$2.3	\$3.1

5 Year Forecast May 19, 2020	2020/21 Forecast (\$M)	2021/22 Forecast (\$M)	2022/23 Forecast (\$M)	2023/24 Forecast (\$M)	2024/25 Forecast (\$M)
Surplus/Deficit	\$0.0	\$0.0	(\$0.6)	(\$0.1)	(\$0.7)

5 Year Forecast February 16, 2021	2020/21 Forecast (\$M)	2021/22 Forecast (\$M)	2022/23 Forecast (\$M)	2023/24 Forecast (\$M)	2024/25 Forecast (\$M)
Surplus/Deficit	(\$1.2)	(\$2.0)	(\$0.4)	\$0.0	\$0.2

5 Year Forecast April 19, 2021	2022/23 Forecast (\$M)	2023/24 Forecast (\$M)	2024/25 Forecast (\$M)	2025/26 Forecast (\$M)	2026/27 Forecast (\$M)
Surplus/Deficit	(\$1.3)	(\$0.8)	(\$0.8)	\$0.1	\$0.5

	Revenues	Expenses
Total General Fund	\$47.3 Million	\$47.3 Million

- Revenues include projected receipt of \$2,844,315 in ARPA funds.
- ARPA related expenditures include \$341,452 of one-time Council approved rent forgiveness and \$1,562,536 of one-time lost revenue replacement

BUDGET HIGHLIGHTS

- Proposed Budget is largely funded by the General Fund (73.9%).
- No significant new programming
- Maintains existing service and staffing levels
- Provides for limited necessary infrastructure improvements
- Council's primary goals and strategic priorities are programmed

PROPOSED ALLOCATIONS

- **\$1,903,988** from the American Recovery Act (ARPA) to balance the budget and provide previously approved rent forgiveness to non-profit organizations, increase grants for semi-permanent parklets, and assist with Conditional Use Permit costs to facilitate economic recovery. The unallocated ARPA funds are recommended to be placed in a new ARPA Reserve. This creates flexibility for the Town Council to determine the most appropriate use of the funds based on the eligibility criteria contained in the Act.
- **\$550,000** from the General Fund Capital/Special Projects Reserve to fund to the proposed Capital Improvement Program.
- **\$23,346** from the General Fund Capital/Special Projects Reserve to the Budget Stabilization and Catastrophic Reserves to maintain the required 25% funding level of the proposed Operating Budget consistent with the General Fund Reserve Policy.
- **\$1.2 million** from Winchester property sale remain in the Surplus Property Reserve as additional contingency to maintain service levels if economic impacts continue to have a negative impact on the Town's primary revenue sources.

Type of Revenue	Base Line Estimate	FY 2021/22 Budget	FY 2022/23 Forecast	FY 2023/24 Forecast	FY 2024/25 Forecast	FY 2025/26 Forecast
Property Tax/VLF Backfill	Current baseline set by SCC Assessor Office January 2020 report.	3%	3%	3%	3%	3%
North 40 Property Sales	Starting in FY 2021/22	North 40 Phase 1 Sales	3%	3%	3%	3%
ERAF	Current baseline set by SCC Assessor Office March 2021 report	SCCA recommend 50% of FY 2020/21 anticipated proceeds	\$400K	\$400K	\$400K	\$400K
Sales Tax	MuniServices 3/19/2021	MuniServices 3/19/2021 Optimistic Estimates	MuniServices 3/19/2021 Most Likely Estimates	MuniServices 3/19/2021 Most Likely Estimates	MuniServices 3/19/2021 Most Likely Estimates	MuniServices 3/19/2021 Most Likely Estimates
Sales Tax - Measure G	MuniServices 3/19/2021	MuniServices 3/19/2021 Most Likely Estimates	MuniServices 3/19/2021 Most Likely Estimates	MuniServices 3/19/2021 Most Likely Estimates	MuniServices 3/19/2021 Most Likely Estimates	MuniServices 3/19/2021 Most Likely Estimates
Franchise Fee	Current baseline set by FY 2020/21 Year End Estimates	3%	3%	3%	3%	3%
Transient Occupancy Tax	Current baseline set by FY 2020/21 Year End Estimates	20%	10%	10%	5%	5%

PRIMARY REVENUE ASSUMPTIONS

PRIMARY EXPENSE ASSUMPTIONS

Type of Expenditure	FY 2021/22 Budget	FY 2022/23 Forecast	FY 2023/24 Forecast	FY 2024/25 Forecast	FY 2025/26 Forecast	FY 2026/27 Forecast
Salaries*	0%	0%	0%	0%	0%	0%
Benefit - Medical**	7%	7%	7%	7%	7%	7%
Operating Expenditures***	Varies	3%	3%	3%	3%	3%

*Salary increases are based on actual step increases and approved Memoranda of Understanding with the bargaining units.

** Benefit increase estimates are provided by CalPERS/Public Employees' Medical and Hospital Care Act (PEMHCA)

*** Based on historical trends.

- Salaries budgeted at actual salary plus a one-step increase
- 68% of workforce already at top step or one step below top step
- 0.5% increase in salaries compared to prior year adjusted budget and a 9.8% increase from the FY 2019/20 actuals.
- As of mid-April, 9 vacant positions and actively recruiting for 8

PRIMARY EXPENSE ASSUMPTIONS

- Forecast anticipates increases in the Town's pension obligations and salaries related to merit increases, employee promotions, and benefits costs attributed to increased CalPERS and medical benefits rates.
- Forecast lowers assumed rate of return to 6.6% over the course of the forecast based on CalPERS Risk Mitigation Strategy.
- Maintains staffing at current levels.
- Identifies Department expenditure reductions that would not degrade service levels.

Primary Revenues	2018/19 Actuals	2020/21 Estimated	2021/22 Proposed
COVID Impacts			
Sales Tax	\$8.0	\$6.2	\$7.2
TOT	\$2.7	\$0.7	\$0.9
Business License	\$1.5	\$1.3	\$1.3
Fines & Forfeitures	\$0.5	\$0.1	\$0.2
Totals	\$12.7	\$8.3	\$9.6

- \$4.4 million reduction from 2018/19 actuals to 2020/21 Estimates
- \$3.1 million reduction from 2018/19 actuals to 2021/2022 Proposed

ARRPA

The Capital Budget is developed into three primary sections:

- **Transmittal Letter**
- **Financial Summaries**
- **Detailed Capital Projects**

Only Two New Projects are Proposed:

- **Oak Meadow Bandstand**
- **Library Battery Power Supply**