



**TOWN OF LOS GATOS
COUNCIL AGENDA REPORT**

MEETING DATE: 06/07/2022

ITEM NO: 11

DATE: June 2, 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 \$36,308 General Fund Salary Reimbursement for Capital Improvement Staff Work.
 - 3) Approve American Rescue Plan Act Budget Adjustments.

PREPARED BY: Stephen Conway
Finance Director

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

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 \$36,308 General Fund Salary Reimbursement for Capital Improvement Staff Work.
 - 3) Approve American Rescue Plan Act (ARPA) Budget Adjustments

BACKGROUND:

On April 18, 2022, the Proposed FY 2022/23 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 17, 2022, which is the first meeting at which the Proposed Budgets will be 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 17, 2022, the Town Council conducted public hearings to discuss the proposed FY 2022/23 Operating and Capital Summary Budget and Proposed FY 2022/23 – 2026/27 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 17, 2022 budget hearing and the expenditure adjustments associated with labor agreements and corresponding revenue adjustments. Since the adoption of the Proposed Operating Budget on May 17, 2022, the Town successfully completed negotiations with all bargaining units. In order to facilitate the terms of those agreements the Resolution provides additional funding in the amount of \$902,579 from the OPEB 115 Trust to fund retiree pay go medical payments directly and allocating the remaining residual Measure G balance of \$679,433 previously allocated to the General Fund.

In addition, Attachment 3 illustrates budget adjustments related to the necessary American Rescue Plan Act (ARPA) and General Fund revenue and expense adjustments and recaps the total ARPA grant award of \$7,229,744 and the Council directed uses approved or proposed through June 7, 2022. Upon Treasury's release of the simplified reporting process for entities awarded less than \$10 million in ARPA funding and additional guidance received through staff review of federal compliance issues, staff recommends that the Town recognize the \$3.4M of FY 2021/22 and the anticipated \$3.6M FY 2022/23 cash collections of ARPA revenues as qualified revenue loss under the Treasury provisions for use in providing essential government services. To further aid in compliance with federal uniform guidance and Single Audit requirements, staff is intending to claim the lost revenue for use in providing essential government services and eligible public safety payroll costs for both FY 2021/22 and FY 2022/23.

This recommended action will allocate all ARPA "replacement" revenues to the General Fund which in turn will unencumber other General Fund operating revenues which were previously dedicated for public safety costs. The newly unencumbered General Fund revenues can then be allocated to the ARPA pandemic responses as identified, approved and allocated by Town Council in Attachment 3.

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 General Accounting Standards Board (GASB) 54.

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 201/22 and 2022/23, and adoption of a Resolution approving commitment of Fund Balances under GASB 54.

PAGE 4 OF 4

SUBJECT: Operating and Capital Budgets

DATE: June 2, 2022

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 2022/23.

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 2022/23 Operating Budget and FY 2022/23 – 2026/27 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. ARPA Worksheet