



TOWN OF LOS GATOS
FINANCE COMMISSION REPORT

MEETING DATE: 12/11/2023

ITEM NO: 9

DATE: December 8, 2023
TO: Finance Commission
FROM: Laurel Prevetti, Town Manager
SUBJECT: Conclude Recommendation to the Town Council Regarding the Draft Annual Comprehensive Financial Report (ACFR) for the Preceding Fiscal Year

RECOMMENDATION:

Conclude recommendation to the Town Council regarding the Draft Annual Comprehensive Financial Report (ACFR) for the preceding Fiscal Year

BACKGROUND:

With the passage of Measure A, the Finance Commission has been tasked with several mandated duties as described in the provisions of the adopted Ordinance. Section 2.50.225. – Duties states that:

(a) The Finance Commission shall:

(3) Review the Town Manager's draft Annual Comprehensive Financial Report (ACFR) for the preceding fiscal year and provide written comments and recommendations to the Town Manager.

(A) The Town Manager shall respond in writing to the Finance Commission providing his or her rationale for accepting or rejecting each of the Finance Commission's comments and recommendations prior to presenting the ACFR to the Town Council for formal consideration.

(B) The Town Manager may not present the ACFR to the Town Council for formal consideration unless or until he or she considers and responds in writing to all of the Finance Commission's comments and recommendations.

PREPARED BY: Gitta Ungvari
Finance Director

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

DISCUSSION:

On November 27, 2023, the Draft FY 2022/23 Annual Comprehensive Financial Report (ACFR) was posted to the Town's website and the link was provided to the Finance Commission.

Finance Commissioners had an opportunity to submit written questions to staff. All of the questions and comments received from the Commissioners before 11:00 a.m. on December 4th were submitted as an Addendum and Desk Item for the December 4th Special Finance Commission meeting.

At the Finance Commission special meeting on December 4, 2023, the Town's independent auditor and staff addressed the Commissioners' questions and comments. The Finance Commission began to formulate its comments and recommendations to the Town Council. The Commission had a consensus on shortening and streamlining the Management Discussion and Analysis (MD&A).

Staff requested Commissioners to provide any additional comments to Finance Director Gitta Ungvari (gungvari@losgatosca.gov) by closing of the business day on December 6, 2023. One set of additional comments were received (Attachment 1).

The redlined draft ACFR (Attachment 2) includes corrections of typos, clarifying language, additional details in schedules, summary presentation, graphs, and elimination of text based on Commissioners' comments. The redlined ACFR balances requests for more information with brevity. Staff will update the Table of Contents after the document is finalized.

The Town Manager's responses to Commissioners' questions and comments are included Attachment 3. The questions and comments are organized by the following categories:

- General comments;
- Suggestions for modifying the presentation and correcting typographical errors;
- Requests for additional information regarding Town Finances; and
- Additional detailed questions and comments.

While Commissioners wanted a more simplified presentation, there were additional questions raised regarding Town finances. In particular, there was an interest to normalize the data and the auditor suggested that a separate document would be more appropriate than the ACFR. Detailed information regarding Town Finances, Pension and Other Post-Employment Benefits, Financial Policies, and the Forecast is available in the Town's Adopted Budget and other Town reports.

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SUBJECT: Review Draft FY 2022/23 ACFR

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CONCLUSION AND NEXT STEPS:

At the conclusion of the regular Finance Commission meeting on December 11th, the Finance Commission is expected to provide the Town Manager with its final comments and recommendations to be transmitted to the Town Council for its December 19, 2023 meeting.

In addition, staff recommends that Finance Commission include in its 2024 workplan a discussion of the format and level of detail in the Management Discussion and Analysis (MD&A) to further improve the presentation for next ACFR. Given other time sensitive items coming to the Commission, staff suggests the March 2024 meeting.

Attachments:

1. Commissioners Communications after the December 4th Special Meeting and before 11:00 a.m. on December 8, 2023
2. Redlined Draft FY 2022/23 Annual Comprehensive Financial Report
3. Town Manager's Responses to Commissioners' Questions and Comments