



**TOWN OF LOS GATOS  
COUNCIL AGENDA REPORT**

MEETING DATE: 01/28/2021

ITEM NO: 1

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DATE: January 22, 2021  
TO: Mayor and Town Council and Finance Commission  
FROM: Laurel Prevetti, Town Manager  
SUBJECT: Joint Council and Finance Commission Orientation

**BACKGROUND:**

On November 3, 2020, voters of Los Gatos approved the Measure A ballot initiative establishing a new Finance Commission and disbanding both the Finance Committee and Sales Tax Oversight Committee (see Attachment 1).

**DISCUSSION:**

The Town of Los Gatos produces many comprehensive documents and reports throughout the year; with, the Town's Annual Operating Budget and the Comprehensive Annual Financial Report (CAFR) being among the most important documents to understand the Town's finances.

In addition, prior to the adoption of the new Finance Commission, the Town adopted a new Finance Committee governance structure in 2017 which included three non-voting members of the public and two voting Councilmembers. Over the years, the prior Committee researched and advised on a multitude of financial areas which can provide useful insights into the Town's finances.

To assist Committee members in preparing for this initial meeting and subsequent meetings, staff has assembled a list of reference materials and resources the Commission and Council may find useful. It is not required that the Council and Finance Commission read all of the materials contained in the links prior to the Study Session. These are being provided in this Report to provide a single summary of these resources.

The summary includes links to the most recent Comprehensive Annual Financial Report, Proposed Operating Budget/Capital Improvement Plan, Five-year Forecast, Actuarial Reports,

**PREPARED BY:** Arn Andrews  
Assistant Town Manager

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Reviewed by: Town Manager, Town Attorney, and Finance Director

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DISCUSSION (continued):

and other relevant reports. In addition, many of these items can be located at a single location at the Town's Financial Transparency webpage <https://www.losgatosca.gov/2565/Financial-Transparency>.

Five-Year Forecast & Budget Assumptions

On January 21, 2020, the Town Council received the Five-Year Forecast and budget assumptions for development of the FY 2020/21 Operating and Capital Budgets. Please refer to the Council Meeting for 1/21/2020 and Agenda Item #12 at the following link.

<https://meetings.municode.com/PublishPage/index?cid=LOSGATOS&ppid=a7cef0f9-a4a2-40e7-a6e3-056a78898413&p=1>

Operating and Capital Improvement Budgets

In June 2020 the Town Council adopted the FY 2020/21 Operating and Capital Budget, the FY 2020/21-FY 2024/25 Capital Improvement Plan, and expenditure and revenue adjustments for FY 2019/20. The final Budget included an updated Five-Year Forecast that reflected the COVID-19 pandemic and some of its economic consequences.

<https://www.losgatosca.gov/DocumentCenter/View/24515/Budget-Item-Council-Meeting-May-19-2020-700-PM>

Comprehensive Annual Financial Report

On December 15, 2020, the Town Council received the CAFR for the Fiscal Year ended June 30, 2020 and adopted a resolution confirming June 30, 2020 fund balances.

<https://www.losgatosca.gov/DocumentCenter/View/26586/FY-201920-CAFR?bidId=>

Actuarial Reports

Actuarial valuations are performed each year for the Town's pension plans and every other year for the Retiree Healthcare Plan. The CalPERS actuaries provide the pension valuations and the Town retains the services of Bartel and Associates to analyze the respective assets and liabilities of the Retiree Healthcare Plan. Provided below are links to the most recent valuations.

<https://www.losgatosca.gov/1861/CalPERS-and-OPEB-Actuarial-Valuation-Rep>

DISCUSSION (continued):

In addition to Bartel and Associates performing the Healthcare valuations starting in 2018, the Town contracted with Bartel to provide an expanded review and analysis of the CalPERS valuation reports. The review of the 2019 valuation is expected to be presented at the March Finance Commission meeting.

Pension Obligation Reduction Strategies

Since 2019, the Finance Committee in conjunction with the Town Council Pension and OPEB Oversight Committee started reviewing Additional Discretionary Payment (ADPs) strategies to reduce the Town's unfunded pension obligations. Following are staff reports detailing the ADP discussions and ultimate strategy.

September 3, 2019 – Please refer to the Council Meeting for 9/3/2019 and Agenda Item #4 in the link below.

<https://meetings.municode.com/PublishPage/index?cid=LOSGATOS&ppid=a7cef0f9-a4a2-40e7-a6e3-056a78898413&p=1>

March 3, 2020 - Please refer to the Town Pension and OPEB Oversight Trust Meeting for 3/3/2020 and Agenda Item #2 in the link provided below.

<https://meetings.municode.com/PublishPage/index?cid=LOSGATOS&ppid=aeaa9fb1-945d-471d-90e6-a6733cd280fd&p=0>

April 21, 2020 - Please refer to the Town Pension and OPEB Oversight Trust Meeting for 4/21/2020 and Agenda Item #2 in the link provided below.

<https://meetings.municode.com/PublishPage/index?cid=LOSGATOS&ppid=aeaa9fb1-945d-471d-90e6-a6733cd280fd&p=0>

August 4, 2020 - Please refer to the Town Pension and OPEB Oversight Trust Meeting for 8/4/2020 and Agenda Item #5 in the link provided below.

<https://meetings.municode.com/PublishPage/index?cid=LOSGATOS&ppid=aeaa9fb1-945d-471d-90e6-a6733cd280fd&p=0>

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DISCUSSION (continued):

In addition to the aforementioned amortization base payoff strategy, the Council adopted an enhanced amortization payment schedule from a 30-year amortization cycle to a 20-year payoff. Please refer to the link below.

<http://weblink.losgatosca.gov/Weblink/0/doc/895230/Page1.aspx>

Catastrophic/Budget Stabilization and Internal Service Fund Review

The Town Council received a detailed independent analysis of its Catastrophic and Budget Stabilization General Fund Reserve Policies, resulting in no changes to the existing Policy.

<http://weblink.losgatosca.gov/Weblink/0/doc/1082779/Page1.aspx>

In addition, the Finance Committee and Town Council received reviews of both Town wide fund level cash positions and Town Internal Service Funds. The review resulted in the recommendation to close both the Vehicle Maintenance and Stores Internal Service Funds. The closure resulted in the residual balance of approximately \$1.0 million being available for reallocation in the FY 2019/20 Operating Budget.

[https://legistarweb-production.s3.amazonaws.com/uploads/attachment/pdf/283767/Staff\\_Report.pdf](https://legistarweb-production.s3.amazonaws.com/uploads/attachment/pdf/283767/Staff_Report.pdf)

Revenue Enhancements

The Town Council has also sought to enhance revenues through successful ballot initiatives for both the Transient Occupancy Tax (TOT) and Sales Tax.

August 2, 2016 – Please refer to the Council Meeting of 8/2/2016 and Agenda Item #9 at the link provided below.

<http://weblink.losgatosca.gov/Weblink/Browse.aspx?startid=275983>

March 6, 2018 - Please refer to the Council Meeting of 8/2/2016 and the Power Point presentation of Agenda Item #9 at the link provided below.

<http://weblink.losgatosca.gov/Weblink/Browse.aspx?startid=275983>

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CONCLUSION AND NEXT STEPS:

At Thursday's Study Session, the Council and Finance Commission will have an opportunity to learn more about the Town Finance Team and Consultant Support; Finance Commission, Town Council, and Town Manager Roles and Responsibilities; Finance Commission Ordinance Overview; Finance Commission Tentative Work Plan; Financial Stewardship to Date; and Town Budget Overview.

Attachment:

1. Ordinance 2314 – Establish a Finance Commission