



TOWN OF LOS GATOS
FINANCE COMMISSION REPORT

MEETING DATE: 05/10/2021

ITEM NO: 2

DATE: May 5, 2021
 TO: Finance Commission
 FROM: Laurel Prevetti, Town Manager
 SUBJECT: Answers to Some of the Commissioner Questions and Comments Regarding the Proposed Operating and Capital Budgets

REMARKS

Provided below are some of the answers to the questions and comments from Commissioners regarding the Proposed Operating and Capital Budgets. Commissioner questions are in regular type and responses are in italics. Questions that are not addressed in this staff report will be discussed at the May 10, 2021 Finance Commission meeting.

Please provide the specifics of the 8 or 9 open requisitions (i.e., what Departments they are in, what the positions are, the salary ranges, and how long they have been open). Provide a financial analysis of how much it would save us if we delayed the hiring of these employees (or most of them) by 6 months. Use the middle of the salary ranges and average benefits as your assumptions.

Vacant Position	Department	Vacancy Date	Salary Range	Hourly Rate	Current Status	6 Mos. Salary/Benefits Cost
1 Communications Dispatcher	Police	Dec-20	TEA - 14	\$39.05 - \$50.41	New employee scheduled to start in May	\$ 76,902
2 Communications Dispatcher	Police	Jan-21	TEA - 14	\$39.05 - \$50.41	Background	\$ 76,902
3 Communications Dispatcher	Police	Mar-21	TEA - 14	\$39.05 - \$50.41	Background	\$ 76,902
4 Communications Dispatcher	Police	Apr-21	TEA - 14	\$39.05 - \$50.41	Recruitment in progress	\$ 76,902
5 Legal Administrative Assistant	Town Attorney	Jan-21	Conf - 02	\$33.43 - \$43.26	Dept Review of Applications	\$ 67,344
6 Parks & Maintenance Worker*	Parks & Public Works	Oct-20	AFSCME - 05	\$29.90 - \$38.17	Interviews Scheduling	\$ 59,794
7 Police Officer	Police	Dec-20	POA - 02-0710	\$48.90	New employee scheduled to start June - Police Officer Trainee	\$ 81,317
8 Police Officer	Police	Apr-21	POA - 02-0711	\$51.47 - 62.57	Final stages of background	\$ 133,224
* Recruitment Timeline Events:						
- Oral Board 12/8/20						
- Invited 6, 3 no show						
- 2 offers extended, both declined						
- Next Oral Board 5/13/21						

PREPARED BY: Arn Andrews
 Assistant Town manager

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

Please provide a revised salary and benefits table which includes the % changes for benefits as well as salary.

Combined GF & ISF Fund Salaries							
	2014_15	2015_16	2016_17	2017_18	2018_19	2019_20	
Salaries-Total	\$ 15,324,291	\$ 15,416,095	\$ 15,758,451	\$ 16,921,167	\$ 17,942,181	\$ 19,254,973	
Salaries-Temp	\$ 867,364	\$ 869,152	\$ 913,362	\$ 811,194	\$ 648,097	\$ 881,908	
Salaries-OT	\$ 436,917	\$ 415,372	\$ 545,427	\$ 583,001	\$ 707,046	\$ 708,955	
Benefits-Total	\$ 6,526,096	\$ 7,224,479	\$ 9,470,413	\$ 8,238,405	\$ 8,861,044	\$ 9,678,595	
Benefits-PERS	\$ 3,362,328	\$ 3,818,073	\$ 6,088,841	\$ 4,739,853	\$ 5,282,681	\$ 6,059,646	

Adjustments for Temporary & OT Salaries

Salaries	\$ 15,324,291	\$ 15,416,095	\$ 15,758,451	\$ 16,921,167	\$ 17,942,181	\$ 19,254,973	
Less:Temp Salaries	(867,364)	(869,152)	(913,362)	(811,194)	(648,097)	(881,908)	
OT Salaries	(436,917)	(415,372)	(545,427)	(583,001)	(707,046)	(708,955)	
	\$ 14,020,010	\$ 14,131,571	\$ 14,299,662	\$ 15,526,972	\$ 16,587,038	\$ 17,664,110	

Year Over Year % Change

Based Upon Actuals	Salaries	0.80%	1.19%	8.58%	6.83%	6.49%
	Benefits	10.70%	31.09%*	-13.01%	7.56%	9.23%

SALARY CHANGE ANALYSIS

Total Change FY 14/15 to FY 19/20	\$ 3,644,100
Total % Change	25.99%
Annual Change Unadjusted	5.20%

Total Change FY 14/15 to FY 19/20	\$ 3,644,100
Less One-Time Equity Adjustments	
FY 18/19 & 19/20 (salary only)	\$ (1,558,864)
Total Adjusted Change	\$ 2,085,236

Total Five Year % Change Adjusted	14.87%
Annual Change Adjusted For One-Time Equity Adj.	2.97%

BENEFITS CHANGE ANALYSIS

Total Change FY 14/15 to FY 19/20	\$ 3,152,499
Total % Change	48.31%
Annual Change Unadjusted	9.66%

Total Change FY 14/15 to FY 19/20	\$ 3,152,499
Less One-Time Equity Adjustments	
FY 18/19 & 19/20 (benefits only)	\$ (580,321)
Total Adjusted Change	\$ 2,572,178

Total Five Year % Change Adjusted	39.41%
Annual Change Adjusted For One-Time Equity Adj.	7.88%

* Benefits impacted by Implementation beginng in FY 2016/17 of annual calculated Pension Expense for Internal Service Funds as per provisions of GASB 68- (Accounting and Financial Reporting for Pensions)

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SUBJECT: Commissioner Questions and Comments

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While it is very useful to now see the historical Actual Op Ex it appears, we are still only showing "Funded" headcount which presumably means budget not actual. Can you please provide Actual historical headcount in the same format as C-45 and the other various departmental headcount charts?

Historical, actual headcount is not a metric that is currently being tracked. Instead, expenditures are controlled using the approved, funded headcount along with the negotiated salaries and benefits with an eye of meeting or exceeding the Council's current service objectives. The Town's current financial system does not have the functionality to provide point in time reporting, therefore, the attempt to recreate historical actual headcount would be burdensome and prone to inaccuracies.

On page C-8 GF Salaries and Benefits have risen \$2.4M/year on average for the past 3 years but are only projected to increase by \$855K in FY21/22 or 2.8%. Is this a realistic estimate? The response in the Staff Memo shows a table of BUDGET SAVINGS for Salary only which is a non sequitor and not relevant to the question. So to repeat, since ACTUAL GF Salary AND Benefits have risen \$2.4M/year for the past 3 years (as shown on Page C-8), why do we project ONLY a \$855K increase in the FY21/22 budget?

As previously discussed with the Commission, staff historically budgets salary increases previously approved by Council and the bargaining groups. The forecast only shows salary increases for employees who are not at the top of their step or at the top of their range and no cost of living assumption. In addition, the FY 2020/21 budget included "one-time non-PERSable bonuses" that did not raise employee base salaries. This action results in lower growth presented in FY 2021/22 as step increases budgeted would be calculated on the lower "base" salary that did not include the FY 20/21 bonus amounts. On Monday, the Commission will have an opportunity to recommend changes to both revenue and expense assumptions utilized in the development of the Proposed Operating Budget.

I quickly compared the salary detail schedule that was provided to the Finance Commission with the detail revenue and expenditure schedules for the General Fund and Internal Service Fund found in the FY 2022 Operating Plan Financial Summary. As you can see there is a material gap (approximately \$7m) in the total salary and benefit costs for FY 2019 and FY 2020 per the Financial Summary schedules and the detail schedule provided to the Finance Commission. Please note that starting in FY 2019 salary and benefit cost are not reported in the ISF. Can you please explain what cost is not reflected in the Financial Summary schedule that is contained in the detail schedule? Thank you.

Please note that the response to the second question above contains the correct FY 2019/20 Benefits-Total and Benefits PERS data.

As Salaries-Temp and Salaries-OT are included in "Salaries-Total" and Benefit-PERS is included in the "Benefits-Total" amount, staff has prepared an "Excerpt from Table" shown below to compare total salaries and benefits to the Proposed Budget pages C-8 and C-10 for FY 2017/18 through FY 2019/20.

Presented To Commission with Correction to FY 19/20 Benefits-Total & Benefits-PERS

Combined GF & ISF Fund Salaries

	2014_15	2015_16	2016_17	2017_18	2018_19	2019_20
Salaries-Total	\$ 15,324,291	\$ 15,416,095	\$ 15,758,451	\$ 16,921,167	\$ 17,942,181	\$ 19,254,973
Salaries-Temp	\$ 867,364	\$ 869,152	\$ 913,362	\$ 811,194	\$ 648,097	\$ 881,908
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Excerpt from Table:

Salaries-Total	\$ 15,324,291	\$ 15,416,095	\$ 15,758,451	\$ 16,921,167	\$ 17,942,181	\$ 19,254,973
Benefits-Total	\$ 6,526,096	\$ 7,224,479	\$ 9,470,413	\$ 8,238,405	\$ 8,861,044	\$ 9,678,595
Total Sal & Ben	\$ 21,850,387	\$ 22,640,574	\$ 25,228,864	\$ 25,159,572	\$ 26,803,225	\$ 28,933,568
Salaries & Benefits (Per Budget Schedules on Pages C-8 and C-10)				\$ 25,159,573	\$ 26,803,225	\$ 28,933,568