



**TOWN OF LOS GATOS
COUNCIL AGENDA REPORT**

MEETING DATE: 02/16/2021

ITEM NO: 12

DATE: February 11, 2021
TO: Mayor and Town Council
FROM: Laurel Prevetti, Town Manager
SUBJECT: Mid-Year Budget Report - July 1 - December 31, 2020.
a. Receive FY 2020/21 Mid-Year Budget Report; and
b. Authorize Budget Adjustments as Recommended in the Mid-Year Budget Report.

RECOMMENDATION:

Mid-Year Budget Performance Report - July 1 - December 31, 2020.

- a. Receive FY 2020/21 Mid-Year Budget Report; and
- b. Authorize budget adjustments as recommended in the Mid-Year Budget Report.

REMARKS:

The purposes of the Mid-Year Report are to provide the Town Council with a status of the adopted Fiscal Year 2020/21 Operating Budget after the first six months and to make any adjustments to ensure the continuity of municipal services and operations for the remainder of the fiscal year. The Report is one of several periodic updates to the Town Council on the status of the current year's revenues and expenditures and the projected financial condition of all Town funds compared with the Adopted Operating Budget. The updates primarily focus on the Town's General Fund. The analysis and recommendations are contained in Attachment 1.

Highlights of the Mid-Year Budget Report include:

Financial Overview and Executive Summary (pages 1 through 5)

As discussed in this section, staff is projecting reductions in the key revenues of Property Tax, Sales Tax, Business License Tax, and Transient Occupancy Tax (TOT). In contrast to the revenue

PREPARED BY: Stephen Conway
Finance Director

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

REMARKS (continued):

projections, staff is estimating that there will be year-end operating expenditure savings. Staff anticipates savings attributable to reduced use of office supplies, travel restrictions, special event cancellations, and limited crossing guard services due to school closures. The net effect of these projected changes is a currently estimated \$1,232,566 deficit of revenues over expenditures at year end.

| | Revenues | Expenses | Variance FY 2020/21 Budget vs. FY 2020/21 Estimate |
|--------------------|---------------|-------------|---|
| Total General Fund | (\$2,603,789) | \$1,565,612 | (\$1,232,566) |

General Fund Revenue Analysis (pages 6 through 14)

The current forecast expects decreases in economically sensitive revenues such as sales tax, property tax, transient occupancy tax, business license tax due to the current pandemic environment. The combined recommended mid-year revenue adjustments total a net decrease of \$1.5 million. Specific revenue adjustments are shown beginning on page 24 of Attachment 1. While staff conducted a detailed analysis of all General Fund revenues and provided the expected year-end estimates, only major revenue sources are recommended for adjustment at this time.

General Fund Expenditure Analysis (pages 15 through 29)

General Fund expenditure totals are trending in accordance with the Adopted Budget, with total operational expenditures at the end of the second quarter at or about 46% of the Adopted Budget. With six months of data now available, staff expects that the next six months of expenditures will be within the Adopted Budget and anticipates \$1.6 million in savings. Recommended expenditure additions total \$0.1 million. Specific expenditure adjustments are shown beginning on page 24 of Attachment 1.

General Fund Financial Summaries and Estimates (pages 30 through 31)

This section introduces the *Schedule of General Fund Operating Revenues Versus Operating Expenditures* for the second quarter of FY 2020/21 which includes comparison information from the prior year.

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SUBJECT: Mid-Year Budget Performance Report – Six Months Ending December 31, 2021

DATE: February 11, 2021

REMARKS (continued):

Financial Summaries of Other Funds (pages 32 through 35)

This section provides financial summaries and presents data by governmental, proprietary and fiduciary fund types. For each, the fund information starts with a beginning fund balance, adds current year revenues, and subtracts current year expenditures, resulting in an ending fund balance.

CONCLUSION AND NEXT STEPS:

Staff is continuing to monitor all revenues and expenditures heading into the development of the Proposed Operating and Capital Budgets for FY 2021/2022. Should any additional budget adjustments be necessary to balance operating revenue and expenditures prior to the FY 2020/21 close, staff will advise the Council accordingly. The Draft FY 2021/22 Operating and Capital Budgets will be available in May with the budget hearing tentatively scheduled for May 18, 2021.

Staff recommends that the Town Council approve the proposed revenue and expenditure budget adjustments as described in Attachment 1. In addition, staff looks forward to answering the Town Council's questions and receiving direction for resolving the FY 2020/21 anticipated \$1.2 million deficit.

ENVIRONMENTAL ASSESSMENT:

This is not a project defined under CEQA, and no further action is required

Attachment:

1. Mid-Year Budget Report - July 1 - December 31, 2020.