



**TOWN OF LOS GATOS  
FINANCE COMMISSION REPORT**

MEETING DATE: 09/12/2022

ITEM NO: 7

---

DATE: August 26, 2022  
TO: Finance Commission  
FROM: Laurel Prevetti, Town Manager  
SUBJECT: Review of the Town's Structural Deficit per Town Council Directive.

**RECOMMENDATION:**

Review of the Town's Structural Deficit per Town Council Directive.

**BACKGROUND:**

On May 17, 2022, the Town Council considered recommendations from the Finance Commission regarding the development of the Fiscal Year (FY) 2022/23 Proposed Operating and Capital budgets. Among the Finance Commission recommendations was the communication to Council that the Commission believes that a "Structural Financial Deficit" currently exists, for Council to acknowledge the Commission's finding and direct the Commission to work with Town management to confirm the actual amount of the deficits that the Town is facing and come back to the Council with suggestions/ideas on how we can fix the "Structural Financial Deficit" and fund capital projects. At the conclusion of the May 17<sup>th</sup> meeting, Town Council approved the Finance Commission recommendation including the following excerpt from the motion:

"...acknowledge Finance Commission finding and direct the Commission to work with Town management to confirm the actual amount of the deficit and request recommendations on how to cure the deficit."

**DISCUSSION:**

On August 8, 2022, the Finance Commission held initial discussions regarding the process and inputs for analyzing the projected deficits in the Five-Year Forecast (Attachment 1). Commissioners determined that the review of the forecast should consist of three primary components which include:

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

---

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

---

DISCUSSION (continued):

- Analysis of current and previous Forecasts – This will entail reviewing elements of previous adopted budgets versus final actual results. Of note, the Commission is seeking to develop a reasonable vacancy factor based on a five-year review of past vacancy savings (Attachment 2). The Commission also expressed an interest in staff developing a dataset of comparator agency metrics. Staff anticipates providing potential metrics/comparators at the October meeting.
- Development of potential cost containment/reduction packages – This will entail staff developing packages of potential expense reduction/containment strategies around varying service areas. Attachment 3 contains a recent staff report highlighting operational efficiencies achieved throughout the organization since the start of the pandemic.
- Align findings and any subsequent recommendations with the Town's established budget process (Attachment 4).

The Commission may find the recent staff presentation to Council on Police Department staffing and service delivery of interest (Attachment 5).

Attachments:

1. Five-Year Forecast
2. Vacancy Factor Analysis
3. August 16, 2022, Operational Efficiencies Staff Report
4. Town Budget Process
5. August 16, 2022, Police Department Staff Report