



TOWN OF LOS GATOS
FINANCE COMMISSION REPORT

MEETING DATE: 10/09/2023

ITEM NO: 7

DATE: September 29, 2023
TO: Finance Commission
FROM: Laurel Prevetti, Town Manager
SUBJECT: Receive Report on Town Council's Fiscal Year (FY) 2023/24 Budget Actions

RECOMMENDATION:

Staff recommends the Finance Commission receive a report on the Town Council's FY 2023/24 Budget actions

BACKGROUND:

On April 17, 2023, the Proposed FY 2023/24 Operating and Capital Budgets were posted to the Town's website. Per Measure A, the Finance Commission received the Proposed Budgets 21 business days before May 16, 2023, which was the first meeting at which the Proposed Budgets were considered by the Town Council. The Finance Commission held three public meetings at which Commissioners discussed the Proposed Budgets and provided recommendations to the Town Council per Measures A and G.

On May 16 2023, the Town Council conducted a public hearing to discuss the proposed FY 2023/24 Operating and Capital Summary Budget and Proposed FY 2023/24– 2027/28 Capital Improvement Program. The Town Council considered public testimony, discussed both documents, considered the Finance Commission recommendations, and directed staff to bring back the documents for final approval incorporating the Council recommendations. On June 6, 2023, the Council adopted the FY 2023/24 Operating and Capital Budgets.

DISCUSSION:

The Finance Commission (FC) made four recommendations. For each FC recommendation, Council actions is presented.

PREPARED BY: Gitta Ungvari
Finance Director

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

DISCUSSION 9 continued):

1. **FC Recommendation:** Recommend to Council to add a vacancy rate of 4.6% to the budget in order to more realistically forecast expected personnel expenses.

Council Actions: Council included a 4.6% vacancy factor in the Adopted Budget, directing that staff continue to hire for all vacant positions.

2. **FC Recommendation:** Recommend to Council to fully recognize the Educational Revenue Augmentation Fund (ERAF) for FY 2023/24.

Council Actions: Council fully recognized the ERAF for FY 2023/24. The Council programmed 70% of the estimated revenue and reserved 30% as the "at-risk" amount until the lawsuit between the State and the School Districts is resolved. When more detailed information is available from the County and if the duration of the lawsuit is prolonged, the Council recommended staff bring back to Finance Commission a discussion of how to best to manage the ERAF Risk Reserve by potentially investing in the Town IRS 115 Pension Trust.

3. **FC Recommendation:** Recommend to Council that staff include transparency and the ability to track variance from budget, Schedules C-9, C-10, C-14, C-26 should be adjusted to show the detail of the salaries and benefits broken out major categories such as Salary, Overtime, CalPERS Benefit, All Other Benefits, and OPEB Pay as you Go Benefits.

Council Actions: Council directed staff to include transparency and the ability to track variants from budget by adjusting schedules C-9, C-10, C-14, and C-26 to show the detail of the salaries and benefits broken out into major categories such as salary, overtime, CalPERS Benefits, all other benefits, and OPEB pay as you go benefits; and that staff shall include this as a separate standalone presentation of the requested information in the budget and redesign the requested table presentation for the FY 2024/25 Proposed Budget.

4. **FC Recommendation:** Recommend to Council that staff include a capital outlay budget which forecasts the annual capital outlay for each funded project over the 5-year planning horizon on pages B-5 and B-6 of the Capital Improvement Budget (CIP).

Council Actions: Council directed staff to include a capital outlay budget that forecasts the annual capital outlay for each funded project over the five-year planning horizon on pages B-5 and B-6 of the Capital Improvement Budget, and make best efforts to incorporate percent complete, Capital Projects timeline, and Gant charts in the CIP in the future.