



TOWN OF LOS GATOS
FINANCE COMMISSION REPORT

MEETING DATE: 04/29/2023

ITEM NO: 2

DESK ITEM

DATE: April 25, 2023
TO: Finance Commission
FROM: Laurel Prevetti, Town Manager
SUBJECT: Review and Discuss the Proposed FY 2024/25 Operating and Capital Improvement Program (CIP) Budgets. Provide Preliminary Comments and Recommendations Regarding the Proposed Budgets Taken as a Whole.

REMARKS:

Attachment 3 contains commissioner comments received after 11:00 a.m. on Friday, April 26, 2024, and before 11:00 a.m. on Monday, April 29, 2024.

Attachments Previously Received with the Staff Report:

1. Commissioners Communication received before 11:00 a.m. on April 25, 2024
2. Corrections and clarifications to the Proposed FY 2024/25 Operating and Capital Budgets

Attachments Received with this Desk Item:

3. Commissioner's Communications received after 11:00 a.m. on Friday, April 26, 2024, and before 11:00 a.m. on Monday, April 29, 2024

PREPARED BY: Gitta Ungvari
Finance Director

Reviewed by: Town Manager and Town Attorney

From: [Phil Koen](#)
To: [Linda Reiners](#); [Andrew Howard](#); [Ashby Monk](#); [Joseph Rodgers](#); [Rob Rennie](#); [Matthew Hudes](#); [Mary Badame](#)
Cc: [Gitta Ungvari](#); [Laurel Prevetti](#); [Wendy Wood](#)
Subject: Agenda Item #2 - Discussion of the FY 25 Operating Plan
Date: Monday, April 29, 2024 8:43:00 AM
Attachments: [General Fund Expenditure Analysis - FY 22 - FY 29 - Updated FY 25 Plan.xlsx](#)
[Pages from FY-2024-2025-Proposed-Operating-Budget\(2\).pdf](#)

[EXTERNAL SENDER]

Dear FC Members,

I have attached a spreadsheet that reformats schedule C-8 (also attached) in the budget book to a format consistent with the ACFR (eliminates the \$1.9m debt) and shows the critical metric of excess (deficit) revenues over expenditures.

The far-right columns show the 5-year forecast that was presented to the FC in February 2024. It is shown only to be instructive as to how these numbers change from forecast to forecast. As you can see the original forecast for FY 25 projected a deficit of \$1.5m. The current forecast calls for breakeven of revenues over expenditures.

The presentation also includes the most recent FY 24 forecast as compared to the adopted FY 24 budget and the forecast presented to us in February 2024. There has been movement in both revenue and expenditures forecasts.

I look forward to discussing at the upcoming meeting.

Phil Koen

General Fund Model - FY 22 - FY 29	FY 22	FY 23	FY 24	FY 24	FY 24	FY 25	CAGR	FY 25	FY 26	FY 27	FY 28	FY 29	CAGR
Town's Base Case - no \$1.9 payment	Act	Act	adopted	Feb 12 Est	Est	Plan	FY 22 - 25		Feb 12 2024	5 Year Forecast			FY 23 - FY 29
Updated for FY 25 Plan													
Revenues													
Property Tax	21.1	22.7	22.6	23.9	23.9	25.2	3.0%	23.5	24.7	25.8	27.0	28.3	3.7%
Sales Tax	8.5	8.8	9.2	8.2	7.9	7.9	-1.2%	8.3	8.5	8.6	8.7	8.9	0.2%
TOT Tax	1.9	2.2	2.4	2.3	2.3	2.3	3.2%	2.3	2.4	2.5	2.5	2.6	2.8%
FranchiseTax	2.8	3.1	2.1	3.3	3.3	1.0	-15.8%	3.4	3.5	3.6	3.7	3.8	3.5%
Business License	1.5	2.4	2.4	2.4	2.4	2.4	8.1%	2.5	2.6	2.7	2.7	2.8	2.6%
>Total Tax Revenue	35.8	39.2	38.7	40.1	39.8	38.8	1.4%	40.0	41.7	43.2	44.6	46.4	2.9%
Use of Money	(1.4)	0.8	1.0	1.6	1.6	1.8		1.7	1.6	1.5	1.4	1.3	8.4%
Functional Revenue	12.2	10.6	8.4	10.2	10.0	11.7	-0.7%	8.4	8.6	8.9	9.0	9.2	-2.3%
other Sources			1.7	2.2	2.2	1.6		1.2	1.2	1.3	1.4	1.3	
Total Revenue - Agrees to ACFR	46.6	50.6	49.8	54.1	53.6	53.9	2.5%	51.3	53.1	54.9	56.4	58.2	2.4%
Expenditures													
Salaries and Benefits	20.1	21.9	23.2	22.7	23.2	24.2	3.1%	23.8	24.3	24.8	25.4	25.9	2.8%
4.6% Vacancy Savings			(1.7)			(1.8)		(1.8)	(1.8)	(1.9)	(1.9)	(2.0)	
Calpers Benefits	6.5	7.1	8.2	7.3	7.2	8.8	5.2%	9.0	9.1	9.7	10.3	11.2	7.9%
ADP to Calpers			0.4	0.7	0.7	0.4		0.4	0.4	0.4	0.4	0.4	
All other benefits	5.1	5.3	6.3	5.8	6.0	7.3	6.2%	7.4	7.7	8.0	8.2	8.4	8.0%
Operating Expenditures	8.2	6.9	9.6	11.7	11.7	10.0	3.4%	9.4	9.5	10.0	10.2	10.5	7.2%
Fixed Assets	0.0	0.3	0.0	0.0	0.1	0.1		0.0	0.0	0.0	0.0	0.0	
Grants and Award	0.6	0.6	0.8	0.9	0.7	0.3	-10.9%	0.4	0.3	0.3	0.3	0.3	-10.9%
Principal	0.2	0.2	0.2	0.2	0.2	0.2	0.0%	0.2	0.2	0.2	0.2	0.2	
Internal Service Charges	2.6	2.6	3.4	3.3	3.4	4.4	9.2%	4.0	4.2	4.4	4.6	4.8	10.8%
Total Expenditures - Agrees to ACFR	43.3	44.9	50.4	52.6	53.2	53.9	3.7%	52.8	53.9	55.9	57.7	59.7	4.9%
Excess (Deficit) Revenues over Expenditures	3.3	5.7	(0.6)	1.5	0.4	0.0		(1.5)	(0.8)	(1.0)	(1.3)	(1.5)	
Gain from asset sale	0.1	0.1	0.0	0.0	0.0	0.0							
Transfers - In	4.0	4.1	0.5	0.6	0.6	0.6		0.5	0.5	0.5	0.5	0.5	
Transfers - Out	4.4	7.2	1.6	1.6	2.1	1.1		1.1	1.1	1.1	1.1	1.1	
Net Changes in Fund Balance	3.0	2.7	(1.7)	0.5	(1.1)	(0.5)		(2.1)	(1.4)	(1.6)	(1.9)	(2.1)	
Beginning Fund Balance	23.9	26.9	29.6	29.6	29.6	28.5							
Ending Fund Balance	26.9	29.6	27.9	30.1	28.5	28.0							

TOTAL TOWN
REVENUES AND EXPENDITURES

GENERAL FUND

	2020/21 Actuals	2021/22 Actuals	2022/23 Actuals	2023/24 Estimated	2024/25 Proposed
REVENUES					
Property Tax	\$ 15,826,162	\$ 16,899,618	\$ 18,187,388	\$ 19,032,718	\$ 20,225,761
VLF Backfill	4,052,672	4,229,462	4,555,700	4,906,000	4,978,930
Sales & Use Tax	6,794,218	7,177,597	7,507,068	6,641,326	6,641,144
Measure G - District Sales Tax	1,139,386	1,306,076	1,299,409	1,239,743	1,244,373
Franchise Fees	2,499,463	2,822,515	3,074,624	3,308,703	1,041,330
Transient Occupancy Tax	1,044,820	1,895,064	2,228,190	2,264,484	2,332,419
Other Taxes	1,386,943	1,481,667	2,361,862	2,429,419	2,421,000
Licenses & Permits	2,999,711	4,839,489	3,300,910	3,274,517	5,457,564
Intergovernmental	1,573,697	1,263,352	1,553,397	1,347,999	1,425,439
Town Services	4,835,962	5,435,769	4,779,044	4,997,670	4,665,260
Internal Srvc Reimbursement	-	-	-	-	-
Fines & Forfeitures	103,467	319,170	416,951	367,700	315,200
Interest	96,061	(1,404,526)	605,789	1,567,130	1,764,425
Other Sources	2,217,072	5,649,767	6,147,143	2,274,146	1,450,903
Debt Service Reimbursement	1,908,494	1,899,850	1,893,713	1,894,550	1,902,300
Transfers In	1,833,218	633,352	538,536	564,910	562,411
TOTAL REVENUES	\$ 48,311,346	\$ 54,448,222	\$ 58,449,724	\$ 56,111,015	\$ 56,428,459
EXPENDITURES					
Salaries	\$ 19,330,626	\$ 18,847,234	\$ 20,424,953	\$ 21,920,110	\$ 21,846,952
Overtime	882,421	1,134,177	1,373,672	1,319,592	599,171
Benefits - Pension	6,374,119	6,531,958	7,091,215	7,204,503	8,786,402
Benefits - All Other	3,710,338	3,679,378	3,829,826	4,374,963	5,647,633
Retiree Medical	1,286,285	1,391,296	1,527,074	1,627,706	1,697,706
Operating Expenditures	12,990,317	12,860,383	12,990,242	12,417,968	10,482,558
Grants & Awards	298,303	606,449	625,427	719,081	275,000
Fixed Assets	2,365	-	300,000	121,678	65,000
Interest	52,011	156,034	156,034	156,034	156,034
Internal Service Charges	2,314,305	2,607,506	2,599,074	3,361,712	4,373,988
Capital Projects	-	-	-	-	-
Capital Acquisitions	-	-	-	-	-
Debt Service	1,908,494	1,899,850	1,893,713	1,894,550	1,902,300
Transfers Out	4,582,641	1,751,787	3,006,978	2,045,000	1,110,000
TOTAL EXPENDITURES	\$ 53,732,225	\$ 51,466,052	\$ 55,818,208	\$ 57,162,897	\$ 56,942,744
Net Increase (Decrease)	(5,420,879)	2,982,170	2,631,516	(1,051,882)	(514,285)
Beginning Fund Balance	29,335,497	23,914,618	26,896,788	29,528,304	28,476,422
Ending Fund Balance	\$ 23,914,618	\$ 26,896,788	\$ 29,528,304	\$ 28,476,422	\$ 27,962,137

* Year End Fund Balance represents General Fund 111 (including Long Term Compensated Absences Pension Trust Fund 731).