



**TOWN OF LOS GATOS**  
**FINANCE COMMISSION REPORT**

MEETING DATE: 12/09/2024

ITEM NO: 6

DESK ITEM

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DATE: December 9, 2024  
TO: Finance Commission  
FROM: Chris Constantin, Town Manager  
SUBJECT: Consider and Discuss the Draft Annual Comprehensive Financial Report (ACFR) for the Fiscal Year (FY) 2023/24, and Make Recommendations to the Town Council

**REMARKS:**

Attachment 3 contains the Town Manager's Responses to Commissioners' additional questions and comments received after publication of the Staff Report and before 11:00 a.m. on Monday, December 9, 2024.

**Attachments previously received with the Staff Report:**

1. Redlined Draft FY 2023/24 Annual Comprehensive Financial Report
2. Town Manager's Responses to Commissioners' Questions and Comments

**Attachment distributed with this Desk Item:**

3. Town Manager's Responses to the Additional Commissioners' Questions and Comments

**PREPARED BY:** Gitta Ungvari  
Finance Director

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

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## Comments and questions on the FY 2023/24 Draft Annual Comprehensive Financial Report

The following are additional comments, questions, and recommendations made by members of the Finance Commission. In accordance with Section 2.50.225 (a)(3), the Finance Commission is to review the [Annual Comprehensive Financial Report] and the Town Manager is to respond in writing regarding their rationale for accepting or rejecting each comment and recommendation. The following responses as well as the changes proposed in Attachment 1 represent the Town Manager's written response.

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39. The footnote on page 23 should also disclose the amount of the garbage franchise fee for FY 2022/23 since the schedule shows FY 2022/23. This will help the reader understand the full impact of the change in reporting year over year.

**Partially Added.** See footnote on pages 23 and 29. Additional redlined changes are proposed below for the final ACFR.

“(1) Starting with the March 2024 services, Garbage Franchise Fees are categorized as encroachment fees under Charges for Services. The total amount classified in Charges for Services in FY 2023/24 was \$765,900. **The garbage Franchise Fees were \$2,051,335 in FY 2022/23 and \$1,493,184 in FY 2023/24.**”

40. On page 38, there is a comment sales tax is expected to stagnate or decline. How does this square with the sales tax analysis prepared by outside consultants in evaluating the fiscal impact of the household growth in the adopted the 2040 General Plan (source: Land Use Alternatives Report – December 2019)? The 2040 General Plan EIR studied a potential increase of 3,738 household units (8,971 people) by 2040 which represents a 27% increase from 13,637 units in 2021. Until a proper fiscal impact analysis is prepared, I am unsure the Town has a good understanding of the longer-term fiscal impact on revenues, operating expenditures and capital requirements stemming from the anticipated growth. Shouldn't there be a discussion of this point?

**Not added.** The current sales tax forecast is based on the existing businesses and market environment. Historical data demonstrated flattening sales tax collection. When the longer-term fiscal analysis is available, staff will update the sales forecast.

41. On page 45, setting aside the broader discussion of the General Fund Reserve Policy, why isn't the Market Fluctuation reserve fund balance classified as a non-spendable fund balance?

**Not Added.** Staff cursorily reviewed the item and will continue to research the classification. For the FY 2023/24 ACFR, the market fluctuation reserve is kept as assigned consistent with the resolution approved by the Council before June 30, 2024. Please refer to Question # 18 in Attachment 2.