



**TOWN OF LOS GATOS
COUNCIL AGENDA REPORT**

MEETING DATE: 02/18/2020

ITEM NO: 8

DATE: February 12, 2020
TO: Mayor and Town Council
FROM: Laurel Prevetti, Town Manager
SUBJECT: Staff recommends that the Town Council:
a. Receive the Fiscal Year (FY) 2019/20 Mid-Year Budget Performance Report - July 1, 2019 Through December 31, 2019; and
b. Authorize Budget Adjustments as Recommended in the Attached Budget Performance Report.

RECOMMENDATION:

Staff recommends that the Town Council:

- a. Receive the Fiscal Year (FY) 2019/20 Mid-Year Budget Performance Report – July 1, 2019 through December 31, 2019; and
- b. Authorize budget adjustments as recommended in the attached Budget Performance Report.

BACKGROUND:

The purposes of the Mid-Year Report (Attachment 1) are to provide the Town Council with a status of the adopted FY 2019/20 Operating Budget after the first six months and to describe the Town's proposed mid-year adjustments. 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 typically focus on the Town's General Fund.

DISCUSSION:

The attached FY 2019/20 Mid-Year Budget Report Performance Report (Attachment 1) covers the first six months of the fiscal year beginning July 1, 2019 and ending December 31, 2019.

PREPARED BY: Stephen Conway
Finance Director

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

DISCUSSION (continued):

Operating Revenue Trends and Proposed Mid-Year Adjustments

The current forecast expects increases in sales tax, property tax, and motor vehicle in lieu fees due to the continued strength of the local economy. The combined recommended mid-year revenue adjustments total a net increase of \$1.1 million. Specific revenue adjustments are shown beginning on page 13 of Attachment 1.

Operating Expenditure Trends and Proposed Mid-Year Adjustments

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, although unexpected costs can still occur. Should any budget adjustments be necessary to balance operating revenue and expenditures, staff will advise the Council accordingly. Recommended expenditure additions total \$0.1 million and include water utility costs, tree lighting services, and traffic signal updates (see Attachment 1).

General Fund Projected Year-End Excess of Revenues Over Expenditures as of June 30, 2020

Current fiscal year-end projections for FY 2019/20 reflect an anticipated \$1.1 million surplus of operating revenues over expenditures.

FY 2020/21 Budget Development Process

On January 14, 2019, the Town Council confirmed its ongoing priorities and expressed a desire to continue emphasizing the following if budgetarily feasible:

- Additional Discretionary Payments (ADPs) toward pension obligations
- Wildfire mitigation measures
- Implementation of the parking study
- Renewed sustainability efforts

As mentioned in that report, staff expects next year's budget to remain "status quo" with the continuation of the Town's current service levels in all Departments.

Based on the Town Council's identified Strategic Priorities and Council budget direction, staff has started budget development work, including an update of the Five-Year Financial Forecast, identification of critical Town needs, contractual obligations, unfunded mandates, potential adjustments to the User Fee Schedule, and other analyses. Staff is actively engaged in the

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SUBJECT: FY 2019/20 Mid-Year Budget Performance Report

DATE: February 12, 2020

DISCUSSION (continued):

2020/21 budget process with the primary focus of ensuring that the available Town resources are allocated to meet the priority service needs of the community. The Proposed FY 2020/21 budget will be presented to Council on May 19, 2020.

CONCLUSION:

The financial results from the prior fiscal year, coupled with the FY 2019/20 first and second quarter data, confirm that the mid-year financial results are stable. Staff recommends that the Town Council approve the proposed revenue and expenditure budget adjustments as described in Attachment 1.

ENVIRONMENTAL ASSESSMENT:

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

Attachments:

1. Budget Performance Report for the Six Months Ending December 31, 2019
2. Public Comments Received before Publishing the Staff Report