



**TOWN OF LOS GATOS  
FINANCE COMMISSION MEETING AGENDA  
MAY 9, 2022  
TELECONFERENCE  
5:00 PM**

*Ron Dickel, Chair  
Kyle Park, Vice Chair  
Stacey Dell, Commissioner  
Loreen Huddleston, Commissioner  
Rick Tinsley, Commissioner  
Rob Rennie, Mayor  
Matthew Hudes, Council Member*

**IMPORTANT NOTICE**

This meeting is being conducted utilizing teleconferencing and electronic means consistent with Government Code Section 54953, as Amended by Assembly Bill 361, in response to the state of emergency relating to COVID-19 and enabling teleconferencing accommodations by suspending or waiving specified provisions in the Ralph M. Brown Act (Government Code § 54950 et seq.). Consistent with AB 361 and Town of Los Gatos Resolution 2021-044, this meeting will not be physically open to the public and the Council will be teleconferencing from remote locations. Members of the public can only participate in the meeting by joining the Zoom webinar (log in information provided below).

**PARTICIPATION**

To provide oral comments in real-time during the meeting:

- **Zoom webinar.** Join from a PC, Mac, iPad, iPhone or Android device: Please click this URL to join: <https://losgatosca.gov.zoom.us/j/86805787823?pwd=cTNvclovaHlSaENSd3hlc1lOVFArdz09>. Passcode: 830667. You can also type in 836 3222 2051 in the “Join a Meeting” page on the Zoom website at <https://zoom.us/join>.
- **Join by telephone.** Dial: USA 877 336 1829 US Toll-free or 636-651-0002 US Toll. Conference code: 986172.

During the meeting:

- When the Chair announces the item for which you wish to speak, click the “raise hand” feature in Zoom. If you are participating by phone on the Zoom app, press \*9 on your telephone keypad to raise your hand. If you are participating by calling in, press #2 on your telephone keypad to raise your hand.
- When called to speak, you will be asked to provide your full name and your town/city of residence. This identifying information is optional and not a requirement for participation. Please limit your comments to three (3) minutes, or such other time as the Mayor may decide, consistent with the time limit for speakers at a Council meeting. If you wish to speak to an item or items on the Consent Calendar, please state which item number(s) you are commenting on at the beginning of your time.

If you are unable to participate in real-time, you may email to [PublicComment@losgatosca.gov](mailto:PublicComment@losgatosca.gov) the subject line “Finance Commission Public Comment Item #\_\_” (insert the item number relevant to your comment) or “Finance Commission Verbal Communications – Non-Agenda Item.” Comments received by 11:00 a.m. the day of the meeting will be reviewed and distributed before the meeting. All comments received will become part of the record.

**TOWN OF LOS GATOS**  
**FINANCE COMMISSION MEETING AGENDA**  
**MAY 9, 2022**  
**TELECONFERENCE**  
**5:00 P.M.**

**RULES OF DECORUM AND CIVILITY**

To conduct the business of the community in an effective and efficient manner, please follow the meeting guidelines set forth in the Town Code and State law.

The Town does not tolerate disruptive conduct, which includes but is not limited to:

- addressing the Planning Commission without first being recognized;
- interrupting speakers, Planning Commissioners, or Town staff;
- continuing to speak after the allotted time has expired;
- failing to relinquish the microphone when directed to do so;
- repetitiously addressing the same subject.

Town Policy does not allow speakers to cede their commenting time to another speaker. Disruption of the meeting may result in a violation of Penal Code Section 403.

**REMOTE LOCATION PARTICIPANTS** *The following Commission Members are listed to permit them to appear electronically or telephonically at the Finance Commission meeting: CHAIR RON DICKEL, VICE CHAIR KYLE PARK, COMMISSIONER STACEY DELL, COMMISSIONER LOREEN HUDDLESTON, COMMISSIONER RICK TINSLEY, MAYOR ROB RENNIE, AND COUNCIL MEMBER MATTHEW HUDES. All votes during the teleconferencing session will be conducted by roll call vote.*

**MEETING CALL TO ORDER**

**ROLL CALL**

**CONSENT ITEMS** *(Items appearing on the Consent Items are considered routine Town business and may be approved by one motion. Any member of the Commission may request to have an item removed from the Consent Items for comment and action. Members of the public may provide input on any or multiple Consent Item(s) when the Chair asks for public comments on the Consent Items. If you wish to comment, please follow the Participation Instructions contained on Page 1 of this agenda. If an item is removed, the Chair has the sole discretion to determine when the item will be heard.)*

- [1.](#) Approve Minutes of the May 2, 2022 Special Finance Commission Meeting.
- [2.](#) Receive the Third Quarter Investment Report (January through March 2022) for Fiscal Year 2021/22.

**VERBAL COMMUNICATIONS** *(Members of the public are welcome to address the Finance Commission on any matter that is not listed on the agenda. To ensure all agenda items are heard and unless additional time is authorized by the Chair, this portion of the agenda is limited to 30 minutes and no more than three (3) minutes per speaker. In the event additional speakers were not able to be heard during the initial Verbal Communications portion of the agenda, an additional Verbal Communications will be opened prior to adjournment.)*

**OTHER BUSINESS** *(Up to three minutes may be allotted to each speaker on any of the following items, pursuant to the Participation Instructions contained on page 1 of this agenda.)*

- [3.](#) Receive FY 2020/21 Federal Single Audit Report.
- [4.](#) Conclude Discussion of the Proposed Fiscal Year (FY) 2022/23 Operating and Capital Budgets, Including Commission Recommendations to the Town Council.

## **ADJOURNMENT**

***IN COMPLIANCE WITH THE AMERICANS WITH DISABILITIES ACT, IF YOU NEED SPECIAL ASSISTANCE TO PARTICIPATE IN THIS MEETING, PLEASE CONTACT THE CLERK DEPARTMENT AT (408) 354-6834. NOTIFICATION 48 HOURS BEFORE THE MEETING WILL ENABLE THE TOWN TO MAKE REASONABLE ARRANGEMENTS TO ENSURE ACCESSIBILITY TO THIS MEETING [28 CFR §35.102-35.104]***



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

MEETING DATE: 5/9/2022

ITEM NO: 1

Item 1.

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**DRAFT  
Minutes of the Finance Commission Special Meeting  
May 2, 2022**

The Finance Commission of the Town of Los Gatos conducted a special meeting utilizing teleconference and electronic means consistent with Government Code Section 54953, as Amended by Assembly Bill 361, in response to the state of emergency relating to COVID-19 and enabling teleconferencing accommodations by suspending or waiving specified provisions in the Ralph M. Brown Act (Government Code § 54950 et seq.) and Town of Los Gatos Resolution 2021-044 on Monday, May 2, 2022, at 5:00 p.m.

**MEETING CALLED TO ORDER AT 5:04 P.M.**

**ROLL CALL**

Present: Chair Ron Dickel, Vice Chair Kyle Park (joined at 5:06 p.m.), Commissioner Stacey Dell, Commissioner Loreen Huddleston, Commissioner Rick Tinsley, Mayor Rob Rennie, and Council Member Matthew Hudes. (All participating remotely.)

Staff Present: Town Manager Laurel Prevetti, Assistant Town Manager Arn Andrews, Finance Director Stephen Conway, Interim Parks and Public Works Director Timm Borden, and Finance and Budget Manager Gitta Ungvari.

**CONSENT ITEMS (TO BE ACTED UPON BY A SINGLE MOTION)**

1. Approve Minutes of the April 25, 2022 Special Finance Commission Meeting.

**MOTION:** Motion by Commissioner Huddleston to approve the consent item. **Seconded** by Commissioner Tinsley.

**VOTE:** Motion passed 4-0. Vice Chair Park was not currently in attendance.

**VERBAL COMMUNICATIONS**

- None

Closed Public Comment.

PAGE 2 OF 3

SUBJECT: Draft Minutes of the Finance Commission Special Meeting of May 2, 2022

DATE: May 4, 2022

## **OTHER BUSINESS**

### **2. Receive the Results of a Community Survey.**

Arn Andrews, Assistant Town Manager, presented the staff report and staff responded to Commissioners' questions.

Opened Public Comment.

None.

Closed Public Comment

### **3. Continue Discussion of the Proposed Fiscal Year (FY) 2022/23 Operating and Capital Budgets, Including Responses to Commissioner Questions.**

Arn Andrews, Assistant Town Manager, presented the staff report. Staff addressed Commissioners' questions.

Opened Public Comment.

Ami Davis (Executive Director, NUMU)

- Commented that the attendance at the museum was 4,000 participants prior the pandemic.

Closed Public Comment

Chair Dickel reopened Public Comment.

Catherine Somers (Executive Director, Chamber of Commerce)

- Commented that the Chamber has not yet spent all of the destination marketing grant due to the challenges related hotel promotion during the omicron variant, website technical issues, and ownership changes of the hotels.

Closed Public Comment.

Commissioners discussed the item and staff addressed Commissioners' questions regarding capital spending, internal service funds, and prior questions raised by the Commissioners and the public. For the next meeting, Commissioners requested information on the level of the Town commitment as percentage of the anticipated grant proceeds for all grant funded capital projects. Commissioners will send any additional questions to staff before the next meeting.

PAGE 3 OF 3

SUBJECT: Draft Minutes of the Finance Commission Special Meeting of May 2, 2022

DATE: May 4, 2022

**ADJOURNMENT:**

The meeting adjourned at 7:12 p.m.

This is to certify that the foregoing is a true and correct copy of the minutes of the May 2, 2022 meeting as approved by the Finance Commission.

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Gitta Ungvari, Finance and Budget Manager



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

MEETING DATE: 05/09/2022

ITEM NO: 2

Item 2.

DATE: May 5, 2022  
TO: Finance Commission  
FROM: Laurel Prevetti, Town Manager  
SUBJECT: Receive the Third Quarter Investment Report (January through March 2022) for Fiscal Year 2021/22

**RECOMMENDATION:**

Receive the Third Quarter Investment Report (January through March 2022) for Fiscal Year (FY) 2021/22.

**DISCUSSION:**

As of March 31, 2022, the Town's weighted portfolio yield was 1.16% which trended approximately 79 basis points above the Local Agency Investment Fund (LAIF) yield of 0.37%. This favorable yield differential to LAIF was primarily due to the LAIF portfolio's lower weighted average maturity (WAM) of 310 days versus the Town's longer WAM of 470 days. The Town's weighted average rate of return of 1.16% at the close of the third quarter in 2022 was 27 basis points lower when compared to the third quarter return of 1.43% in 2021.

In the third quarter of FY 2021/22, LAIF yields climbed from 23 basis points (0.23%) to 37 basis points (0.365%) through the end of March 2022. Staff in coordination with the Town's investment advisor primarily replaced maturing investments in shorter to medium term maturities in the two- to three-year maturity range. These investments capture current yields that exceed the rates expected to be earned in the State Local Agency Investment Fund (LAIF) pool during that same time period. The State LAIF pool typically lags the market when current market yields are either increasing or decreasing.

Interest rates rose across the board during the quarter. The rise in short term rates was influenced by the Federal Reserve implementing its first Federal Funds rate hike since 2018. The Feds quarterly "dot plot" continues to illustrate multiple rate hikes in the coming year.

**PREPARED BY:** Stephen Conway  
Finance Director

Reviewed by: Town Manager and Assistant Town Manager

PAGE 2 OF 2

SUBJECT: Receive the Third Quarter Investment Report (January through March 2022) for  
Fiscal Year 2021/22

DATE: May 5, 2022

DISCUSSION (continued):

The median projection rose to seven rate hikes this year, up from four in the December 2021 meeting. In addition, the Consumer Price Index (CPI) recorded another multi-decade high in line with expectations at 7.9% year on year.

CONCLUSION:

Staff recommends that the Finance Commission receive the Third Quarter Investment Report (January through March 2022) for Fiscal Year 2021/22.

Attachment:

1. Third Quarter Investment Report for FY 2021/22 (January through March 2022)



**Town of Los Gatos**  
**Summary Investment Information**  
**March 31, 2022**

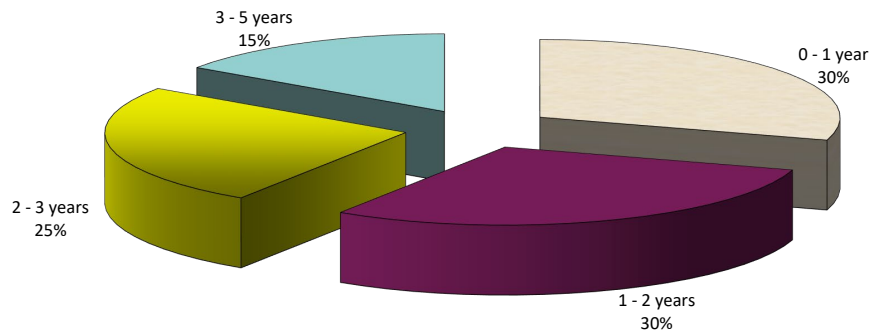
**Weighted Average YTM Portfolio Yield:** **1.16%** **Weighted Average Maturity (days)** **470**

|                          | <u><b>This Month</b></u> | <u><b>Last Month</b></u> | <u><b>One year ago</b></u> |
|--------------------------|--------------------------|--------------------------|----------------------------|
| <b>Portfolio Balance</b> | \$71,616,902             | \$71,083,516             | \$63,051,470               |

**Benchmarks/ References:**

|                              |       |       |       |
|------------------------------|-------|-------|-------|
| Town's Average Yield         | 1.16% | 1.17% | 1.43% |
| LAIF Yield for month         | 0.37% | 0.28% | 0.36% |
| 3 mo. Treasury               | 0.51% | 0.32% | 0.02% |
| 6 mo. Treasury               | 1.03% | 0.66% | 0.04% |
| 2 yr. Treasury               | 2.34% | 1.44% | 0.16% |
| 5 yr. Treasury (most recent) | 2.46% | 1.72% | 0.94% |
| 10 Yr. Treasury              | 2.34% | 1.83% | 1.74% |

**Portfolio Maturity Profile**

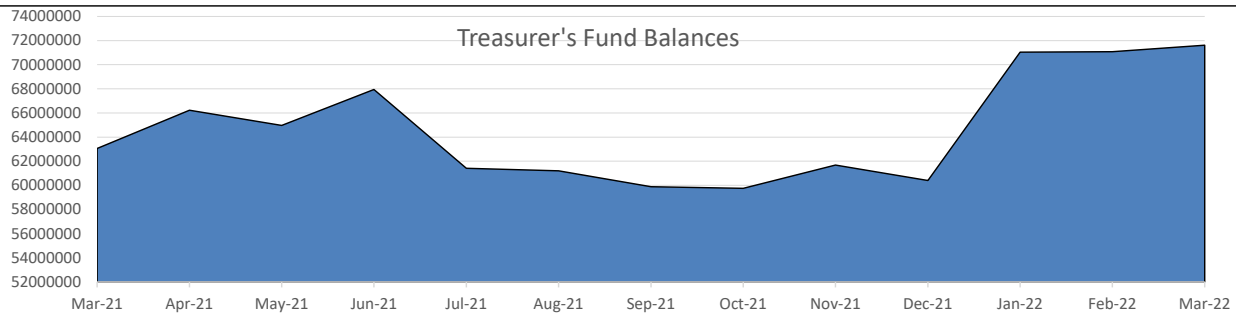
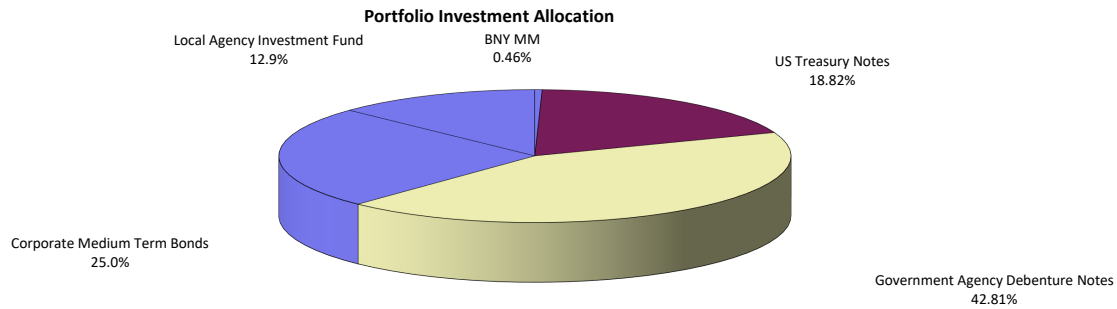


**Compliance:** The Town's investments are in compliance with the Town's investment policy dated September 21, 2021 and also in compliance with the requirements of Section 53601 of the California State Code. Based on the information available, the Town has sufficient funds to meet the cash demands for the next six months.

**Town of Los Gatos**  
**Portfolio Allocation & Treasurer's Fund Balances**  
**March 31, 2022**

|   | <u>Month</u>           | <u>YTD</u>             |
|---|------------------------|------------------------|
| Fund Balances - Beginning of Month/Period | \$71,083,516.26        | \$67,951,235.09        |
| Receipts                                  | 4,246,952.04           | 53,115,796.21          |
| Disbursements                             | <u>(3,713,566.56)</u>  | <u>(49,450,129.56)</u> |
| Fund Balances - End of Month/Period       | <u>\$71,616,901.74</u> | <u>\$71,616,901.74</u> |

| <u>Portfolio Allocation:</u>       | <u>% of Portfolio</u>           | <u>Max. % Or \$ Allowed Per State Law or Policy</u> |
|------------------------------------|---------------------------------|---|
| BNY MM                             | \$247,510.43<br>0.46%           | 20% of Town Portfolio                               |
| US Treasury Notes                  | \$10,046,915.87<br>18.82%       | No Max. on US Treasuries                            |
| Government Agency Debenture Notes  | \$22,858,340.87<br>42.81%       | No Max. on Non-Mortgage Backed                      |
| Corporate Medium Term Bonds        | \$13,340,489.68<br>24.99%       | 30% of Town Portfolio                               |
| Local Agency Investment Fund       | \$6,900,032.98<br>12.92%        | \$75 M per State Law                                |
| Subtotal - Investments             | <u>53,393,289.83</u><br>100.00% |   |
| Reconciled Demand Deposit Balances | <u>18,223,611.91</u>            |   |
| Total Treasurer's Fund             | <u>\$71,616,901.74</u>          |   |



**Town of Los Gatos**  
**Non-Treasury Restricted Fund Balances**  
**March 31, 2022**

|   | <u>Beginning<br/>Balance</u> | <u>MAR 22<br/>Deposits<br/>Realized Gain/Adj.</u> | <u>MAR 22<br/>Interest/<br/>Earnings</u> | <u>MAR 22<br/>Withdrawals</u> | <u>Ending<br/>Balance</u> |        |
|---|------------------------------|---|--|-------------------------------|---------------------------|--------|
| Non-Treasury Funds:                               |                              |   |  |                               |                           |        |
| Cert. of Participation 2002 Series A Reserve Fund | 686,324.26                   |   | \$ 5.32                                  |                               | \$ 686,329.58             | Note 1 |
| Cert. Of Participation 2010 Ser A Lease Pymt Fund | 0.65                         |   |  |                               | \$ 0.65                   | Note 1 |
| Cert. of Participation 2002 Lease Payment Fund    | 0.16                         |   |  |                               | \$ 0.16                   | Note 1 |
| Cert. of Participation 2010 Series Reserve Fund   | 1,277,137.83                 |   | 10.65                                    |                               | 1,277,148.48              | Note 2 |
| Total Restricted Funds:                           | <u>\$ 1,963,462.90</u>       | <u>\$ -</u>                                       | <u>\$ 15.97</u>                          | <u>\$ -</u>                   | <u>\$ 1,963,478.87</u>    |        |
| CEPPT IRS Section 115 Trust                       | 0.00                         | 0.00  | 0.00                                     | 0.00                          | 0.00                      |        |
| Grand Total COP's and CEPPT Trust                 | <u>\$ 1,963,462.90</u>       | <u>\$ -</u>                                       | <u>\$ 15.97</u>                          | <u>\$ -</u>                   | <u>\$ 1,963,478.87</u>    |        |

These accounts are not part of the Treasurer's fund balances reported elsewhere in this report, as they are for separate and distinct entities.

**Note 1:** The three original funds for the Certificates of Participation 2002 Series A consist of construction funds which will be expended over the next few years, reserve funds which will guarantee the payment of lease payments, and a third fund for the disbursement of lease payments and initial delivery costs.

**Note 2:** The 2010 COP Funds are all for the Library construction, reserves to guarantee lease payments, and a lease payment fund for the life of the COP issue. The COI fund was closed in September 2010.

**Note 3:** The CEPPT Section IRS Section 115 Trust was established as an irrevocable trust dedicated to accumulate resources to fund the Town's unfunded liabilities related to pension and other p

**Town of Los Gatos  
Statement of Interest Earned  
March 31, 2022**

Interest by Month

|                |                     |
|----------------|---------------------|
| July 2021      | \$57,076.80         |
| August 2021    | 56,600.18           |
| September 2021 | 54,523.00           |
| October 2021   | 54,951.68           |
| November 2021  | 51,445.84           |
| December 2021  | 55,030.55           |
| January 2022   | 51,909.39           |
| February 2022  | 46,264.19           |
| March 2022     | 50,912.58           |
| April 2022     |                     |
| May 2022       |                     |
| June 2022      |                     |
|                | <hr/>               |
|                | <u>\$478,714.21</u> |

# Town of Los Gatos Investment Schedule March 2021

Item 2.

| Institution                | CUSIP #     | Security              | Deposit Date | Par Value        | Original Cost    | Market Value     | Purchased Interest | Maturity Date or Call Date | Yield to Maturity or Call | Interest Received to Date | Interest Earned Prior Yrs. | Interest Earned Current FY | Days to Maturity |
|----------------------------|-------------|-----------------------|--------------|------------------|------------------|------------------|--------------------|----------------------------|---------------------------|---------------------------|----------------------------|----------------------------|------------------|
| Treasury                   | 91282CAP6   | US Treasury Note      | 6/30/2021    | 1,000,000.00     | 995,390.63       | 979,843.75       |                    | 10/15/2023                 | 0.33%                     | \$ 365.44                 | \$ -                       | \$ 2,447.28                | 563              |
| Toyota Motor Credit        | 89236THA6_1 | Corporate Bond        | 04/12/21     | 500,000.00       | 510,580.00       | 498,257.41       |                    | 8/25/2023                  | 0.45%                     | \$ 5,868.75               | \$ 494.69                  | \$ 1,715.77                | 512              |
| Toyota Motor Credit        | 89236THA6   | Corporate Bond        | 1/11/2022    | 1,100,000.00     | 1,107,315.00     | 1,594,423.71     |                    | 8/25/2023                  | 0.94%                     | \$ 1,815.00               | \$ -                       | \$ 2,236.30                | 512              |
| US Treasury                | 91282CDD0   | US Treasury Note      | 1/13/2022    | 1,100,000.00     | 1,090,675.78     | 1,081,265.63     | 843.23             | 10/31/2023                 | 0.85%                     | \$ (843.23)               | \$ -                       | \$ 1,964.66                | 579              |
| US Treasury                | 91282CCN9   | US Treasury Note      | 1/13/2022    | 1,200,000.00     | 1,188,375.00     | 1,180,265.63     |                    | 7/31/2023                  | 0.75%                     | \$ 73.37                  | \$ -                       | \$ 1,903.54                | 487              |
| FFCB                       | 3133EKMx1   | Gov. Agency Debenture | 8/2/2019     | 1,000,000.00     | 1,014,400.00     | 1,096,166.30     |                    | 2/23/2024                  | 1.90%                     | \$ 62,625.83              | \$ 36,611.80               | \$ 14,371.97               | 694              |
| FFCB                       | 3133EMBE1   | Gov. Agency Debenture | 10/8/2020    | 1,600,000.00     | 1,598,000.00     | 1,563,154.94     |                    | 3/28/2024                  | 0.34%                     | \$ 7,053.34               | \$ 3,903.24                | \$ 4,035.81                | 728              |
| FFCB                       | 3133EMCQ3   | Gov. Agency Debenture | 10/16/2020   | 2,000,000.00     | 1,998,000.00     | 1,966,334.48     |                    | 10/13/2024                 | 0.31%                     | \$ 5,553.33               | \$ 4,295.55                | \$ 4,579.69                | 927              |
| BankAmerica Corp           | 06051GHC6   | Corporate Bond        | 10/9/2020    | 1,300,000.00     | 1,366,287.00     | 1,311,553.58     |                    | 12/20/2023                 | 0.66%                     | \$ 46,753.92              | \$ 13,250.31               | \$ 13,752.22               | 629              |
| IBM                        | 459200HG9   | Corporate Bond        | 8/8/2019     | 1,000,000.00     | 995,010.00       | 1,003,587.34     |                    | 8/1/2022                   | 2.05%                     | \$ 46,510.42              | \$ 38,718.82               | \$ 15,330.86               | 123              |
| IBM                        | 459200JY8   | Corporate Bond        | 3/25/2021    | 1,000,000.00     | 1,071,040.00     | 1,022,776.50     |                    | 5/15/2024                  | 0.71%                     | \$ 19,166.67              | \$ 1,964.86                | \$ 5,550.23                | 776              |
| US Treasury                | 912828R28   | US Treasury Note      | 7/2/2019     | 500,000.00       | 497,246.09       | 502,460.94       |                    | 4/30/2023                  | 1.77%                     | \$ 18,921.54              | \$ 17,663.79               | \$ 6,639.07                | 395              |
| Freddie Mac                | 3137EAE5    | Gov. Agency Debenture | 7/19/2019    | 2,000,000.00     | 2,072,358.00     | 2,038,331.88     |                    | 6/19/2023                  | 1.79%                     | \$ 132,916.67             | \$ 71,285.65               | \$ 27,432.96               | 445              |
| FFCB                       | 3133EKFV0   | Gov. Agency Debenture | 7/22/2019    | 1,000,000.00     | 999,630.00       | 1,010,005.98     |                    | 1/17/2023                  | 1.89%                     | \$ 46,614.58              | \$ 36,626.98               | \$ 14,154.86               | 292              |
| Treasury                   | 912828L57   | US Treasury Note      | 7/22/2019    | 1,200,000.00     | 1,197,988.40     | 1,206,843.74     |                    | 9/30/2022                  | 2.09%                     | \$ 56,516.39              | \$ 42,014.96               | \$ 16,237.09               | 183              |
| US Treasury                | 91282CDA6   | Gov. Agency Debenture | 1/31/2022    | 1,100,000.00     | 1,085,222.44     | 1,080,964.84     |                    | 9/30/2023                  | 1.07%                     | \$ 445.74                 | \$ -                       | \$ 1,880.89                | 548              |
| US Treasury                | 91282CAW1   | Gov. Agency Debenture | 7/15/2021    | 1,200,000.00     | 1,199,437.50     | 1,176,703.13     |                    | 11/15/2023                 | 0.27%                     | \$ 1,002.72               | \$ -                       | \$ 2,299.56                | 594              |
| American Honda             | 02665WCZ2   | Corporate Bond        | 11/27/2019   | 1,000,000.00     | 1,012,410.01     | 1,008,880.48     |                    | 6/27/2024                  | 2.12%                     | \$ 60,733.34              | \$ 33,895.56               | \$ 15,985.17               | 819              |
| JP Morgan Chase            | 46625HJE1   | Gov. Agency Debenture | 2/11/2020    | 900,000.00       | 934,587.00       | 910,896.00       |                    | 9/23/2022                  | 1.74%                     | \$ 61,912.50              | \$ 22,179.72               | \$ 12,034.14               | 176              |
| Honeywell Int'l.           | 438516BW5   | Corporate Bond        | 11/20/2019   | 1,000,000.00     | 1,014,660.00     | 1,012,762.63     |                    | 7/15/2024                  | 1.64%                     | \$ 50,983.33              | \$ 31,978.44               | \$ 14,901.52               | 837              |
| Caterpillar Financial Serv | 14913QZV0   | Corporate Bond        | 2/23/2021    | 1,000,000.00     | 1,077,370.00     | 1,021,369.97     |                    | 5/17/2024                  | 0.44%                     | \$ 20,900.00              | \$ 1,582.27                | \$ 3,413.71                | 778              |
| FNMA                       | 3135G0V75   | Gov. Agency Debenture | 10/17/2019   | 1,100,000.00     | 1,105,833.30     | 1,103,488.08     |                    | 7/2/2024                   | 1.63%                     | \$ 42,831.25              | \$ 30,694.63               | \$ 13,521.43               | 824              |
| US Bancorp                 | 91159HHV5   | Corporate Bond        | 12/24/2019   | 1,000,000.00     | 1,049,040.00     | 1,027,502.37     |                    | 1/5/2024                   | 2.12%                     | \$ 71,343.75              | \$ 32,781.93               | \$ 16,213.44               | 645              |
| FHLB                       | 3133834G3   | Gov. Agency Debenture | 3/11/2021    | 1,400,000.00     | 1,460,522.00     | 1,414,604.58     |                    | 6/9/2023                   | 0.19%                     | \$ 22,147.22              | \$ 854.65                  | \$ 2,109.67                | 435              |
| FFCB                       | 3133EKAQ7   | Gov. Agency Debenture | 10/21/2019   | 1,000,000.00     | 1,019,780.00     | 1,012,164.65     |                    | 9/10/2024                  | 1.66%                     | \$ 49,631.11              | \$ 28,373.17               | \$ 12,579.69               | 894              |
| PNC Financial              | 69349LAM0   | Corporate Bond        | 2/7/2022     | 1,000,000.00     | 1,034,736.67     | 1,023,920.81     | 1,266.67           | 6/25/2023                  | 1.49%                     | \$ (1,266.67)             | \$ -                       | \$ 1,822.63                | 451              |
| FHLB                       | 313379Q69   | Gov. Agency Debenture | 7/22/2019    | 1,000,000.00     | 1,006,960.00     | 1,004,595.59     |                    | 6/10/2022                  | 1.87%                     | \$ 50,645.83              | \$ 36,595.58               | \$ 14,142.72               | 71               |
| FNMA                       | 3135G0V59   | Gov. Agency Debenture | 11/27/2019   | 1,540,000.00     | 1,562,924.44     | 1,543,699.03     |                    | 4/12/2022                  | 1.61%                     | \$ 64,968.75              | \$ 39,792.92               | \$ 18,766.37               | 12               |
| JP Morgan Chase            | 46625HJT8   | Corporate Bond        | 9/23/2019    | 1,400,000.00     | 1,485,414.00     | 1,450,661.02     |                    | 2/1/2024                   | 2.39%                     | \$ 127,788.89             | \$ 61,355.87               | \$ 26,024.01               | 672              |
| American Honda             | 02665WDH1   | Corporate Bond        | 2/14/2020    | 600,000.00       | 603,756.00       | 602,848.69       |                    | 5/10/2023                  | 1.75%                     | \$ 22,295.00              | \$ 14,494.97               | \$ 7,911.60                | 405              |
| Treasury                   | 912828V23   | US Treasury Note      | 11/29/2021   | 1,000,000.00     | 1,032,933.04     | 1,014,609.38     |                    | 12/31/2023                 | 0.66%                     | \$ 1,956.52               | \$ -                       | \$ 2,247.80                | 640              |
| Treasury                   | 91282CBE0_2 | Gov. Agency Debenture | 10/7/2021    | 1,000,000.00     | 994,768.98       | 975,429.69       |                    | 1/15/2024                  | 0.36%                     | \$ 339.67                 | \$ -                       | \$ 1,702.24                | 655              |
| FHLB                       | 3130ALH98   | Gov. Agency Debenture | 2/26/2021    | 1,000,000.00     | 997,610.00       | 979,086.51       |                    | 2/26/2024                  | 0.33%                     | \$ 2,500.00               | \$ 1,119.96                | \$ 2,474.76                | 697              |
| Treasury                   | 912828M80   | US Treasury Note      | 7/22/2019    | 1,000,000.00     | 1,006,175.23     | 1,007,812.50     |                    | 11/30/2022                 | 1.81%                     | \$ 47,158.47              | \$ 35,281.07               | \$ 13,634.71               | 244              |
| Treasury                   | 912828U57   | US Treasury Note      | 7/31/2019    | 1,000,000.00     | 1,011,875.00     | 1,012,109.38     |                    | 11/30/2023                 | 1.84%                     | \$ 49,583.33              | \$ 35,502.32               | \$ 13,896.62               | 609              |
| Treasury                   | 912828X70   | US Treasury Note      | 12/30/2019   | 1,000,000.00     | 1,010,589.29     | 1,010,195.31     |                    | 4/30/2024                  | 1.75%                     | \$ 40,703.30              | \$ 29,364.36               | \$ 14,682.18               | 761              |
| Treasury                   | 912828XT2   | US Treasury Note      | 10/31/2019   | 1,000,000.00     | 1,015,667.41     | 1,010,351.56     |                    | 5/31/2024                  | 1.64%                     | \$ 41,639.34              | \$ 27,624.64               | \$ 12,449.26               | 792              |
| American Honda             | 02665WCQ2   | Corporate Bond        | 9/14/2021    | 950,000.00       | 1,012,871.00     | 977,180.37       |                    | 10/10/2023                 | 0.41%                     | \$ 2,487.15               | \$ -                       | \$ 2,214.95                | 558              |
| FFCB                       | 3133EJ3Q0   | Gov. Agency Debenture | 8/28/2019    | 1,500,000.00     | 1,587,503.75     | 1,539,235.82     |                    | 12/21/2023                 | 2.12%                     | \$ 99,786.46              | \$ 42,086.02               | \$ 17,160.07               | 630              |
| Freddie Mac                | 3133EKK72   | Gov. Agency Debenture | 6/24/2021    | 1,550,000.00     | 1,573,188.00     | 1,570,685.77     |                    | 2/8/2023                   | 1.82%                     | \$ 100,168.75             | \$ 57,521.06               | \$ 21,385.03               | 314              |
| Treasury                   | 91282CBE0   | Gov. Agency Debenture | 9/15/2021    | 650,000.00       | 647,615.46       | 634,029.30       |                    | 1/15/2024                  | 0.28%                     | \$ 269.37                 | \$ -                       | \$ 989.88                  | 655              |
| Subtotal                   |             |                       |              | \$ 45,390,000.00 | \$ 46,245,746.42 | \$ 46,181,059.27 | \$ 2,109.90        |                            |                           | \$ 1,482,867.14           | \$ 829,909.76              | \$ 398,796.36              |                  |
| BNY MM                     |             | Money Market          |              |                  | 247,510.43       | 247,510.43       |                    |                            | 0.00%                     |                           |                            |                            | 1                |
| LAIF                       |             | State Investment Pool |              |                  | 6,900,032.98     | 6,900,032.98     |                    |                            | 0.37%                     |                           |                            | 16,541.07                  | 1                |
|                            |             |                       |              |                  | \$53,393,289.83  | \$53,328,602.68  |                    |                            |                           | \$ 1,482,867.14           | \$ 829,909.76              | \$ 415,337.43              |                  |

| Matured Assets                |           |                       |           |              |              |  |  |            |       |              |              |              |  |
|-------------------------------|-----------|-----------------------|-----------|--------------|--------------|--|--|------------|-------|--------------|--------------|--------------|--|
| US Treasury                   | 912828Y20 | Gov. Agency Debenture | 1/31/2020 | 1,000,000.00 | 1,016,601.56 |  |  | 7/15/2021  | 1.47% | \$ 38,221.16 | \$ 20,977.00 | \$ 609.80    |  |
| Wells Fargo                   | 94988J6A0 | Corporate Bond        | 6/24/2020 | 1,350,000.00 | 1,370,749.50 |  |  | 9/9/2021   | 0.80% | \$ 46,023.53 | \$ 10,139.92 | \$ 1,940.52  |  |
| FNMA                          | 3135G0Q89 | Gov. Agency Debenture | 2/10/2020 | 1,000,000.00 | 998,702.00   |  |  | 10/7/2021  | 1.38% | \$ 22,802.08 | \$ 20,147.24 | \$ 3,941.85  |  |
| FHLB                          | 3130AABG2 | US Treasury Note      | 4/15/2019 | 1,000,000.00 | 988,250.00   |  |  | 11/29/2021 | 2.34% | \$ 49,166.67 | \$ 51,343.12 | \$ 9,670.58  |  |
| Toyota Motor Credit           | 89236TDP7 | Corporate Bond        | 05/20/19  | 1,100,000.00 | 1,102,596.00 |  |  | 1/11/2022  | 2.50% | \$ 75,551.67 | \$ 58,418.45 | \$ 14,755.96 |  |
| Freddie Mac                   | 3137EADB2 | Gov. Agency Debenture | 1/17/2020 | 2,100,000.00 | 2,132,039.70 |  |  | 1/13/2022  | 2.12% | \$ 99,195.84 | \$ 49,063.54 | \$ 18,236.83 |  |
| American Express Credit Corp. | 0258M0EG0 | Corporate Bond        | 4/5/2021  | 1,000,000.00 | 1,020,330.00 |  |  | 1/31/2022  | 0.46% | \$ 24,600.00 | \$ 553.07    | \$ 1,382.68  |  |
| PNC Financial                 | 693476BN2 | Corporate Bond        | 8/15/2019 | 1,000,000.00 | 1,029,280.00 |  |  | 2/6/2022   | 2.12% | \$ 84,608.33 | \$ 39,793.76 | \$ 12,838.57 |  |

Total Investments "Matured" \$ 63,376.78

Total Interest FY 20\_21 Matured and Current \$ 478,714.21

| Maturity Profile |  | Amount                 |
|------------------|--|------------------------|
| 0-1 year         |  | \$16,424,006.48        |
| 1-2 years        |  | \$25,045,933.34        |
| 2-3 years        |  | \$11,923,350.01        |
| 3-5 years        |  | \$ -                   |
|                  |  | <u>\$53,393,289.83</u> |

## Market to Cost Position Report

| Institution | Amortized Cost         |
|-------------|------------------------|
| BNY Assets  | \$46,245,746.42        |
| BNY MM      | 247,510.43             |
| LAIF        | 6,900,032.98           |
|             | <u>\$53,393,289.83</u> |

**Town of Los Gatos**  
**Summary Investment Information**  
**February 28, 2022**

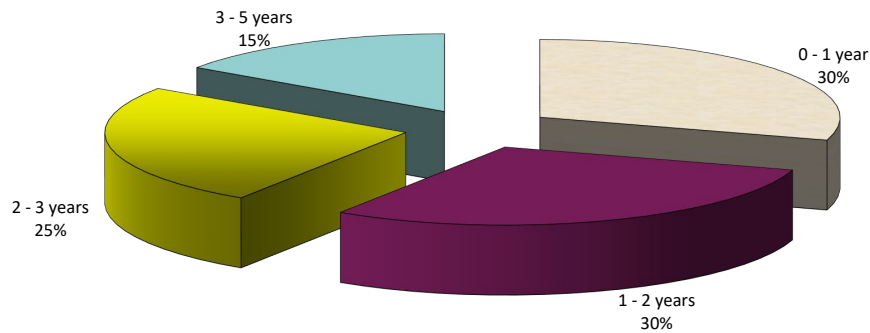
**Weighted Average YTM Portfolio Yield:** **1.17%** **Weighted Average Maturity (days)** **497**

|                          | <u>This Month</u> | <u>Last Month</u> | <u>One year ago</u> |
|--------------------------|-------------------|-------------------|---------------------|
| <b>Portfolio Balance</b> | \$71,083,516      | \$71,031,906      | \$62,768,611        |

**Benchmarks/ References:**

|                              |       |       |       |
|------------------------------|-------|-------|-------|
| Town's Average Yield         | 1.17% | 1.17% | 1.53% |
| LAIF Yield for month         | 0.28% | 0.23% | 0.41% |
| 3 mo. Treasury               | 0.32% | 0.19% | 0.04% |
| 6 mo. Treasury               | 0.66% | 0.47% | 0.05% |
| 2 yr. Treasury               | 1.44% | 1.18% | 0.13% |
| 5 yr. Treasury (most recent) | 1.72% | 1.61% | 0.73% |
| 10 Yr. Treasury              | 1.83% | 1.78% | 1.41% |

**Portfolio Maturity Profile**

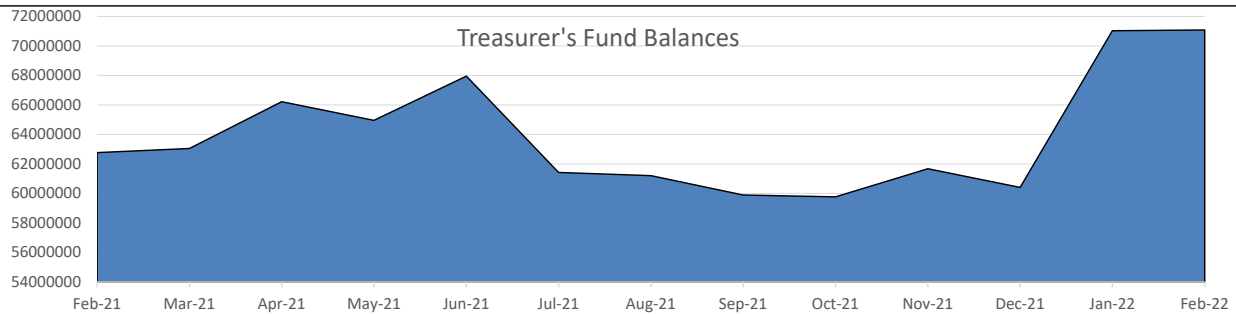
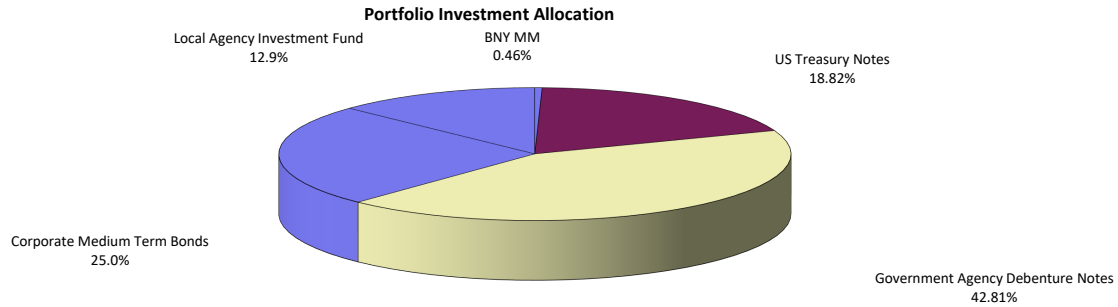


**Compliance:** The Town's investments are in compliance with the Town's investment policy dated September 21, 2021 and also in compliance with the requirements of Section 53601 of the California State Code. Based on the information available, the Town has sufficient funds to meet the cash demands for the next six months.

**Town of Los Gatos**  
**Portfolio Allocation & Treasurer's Fund Balances**  
**February 28, 2022**

|   | <u>Month</u>           | <u>YTD</u>             |
|---|------------------------|------------------------|
| Fund Balances - Beginning of Month/Period | \$71,031,906.28        | \$67,951,235.09        |
| Receipts                                  | 3,372,897.85           | 53,115,796.21          |
| Disbursements                             | <u>(3,321,287.87)</u>  | <u>(49,450,129.56)</u> |
| Fund Balances - End of Month/Period       | <u>\$71,083,516.26</u> | <u>\$71,616,901.74</u> |

| <u>Portfolio Allocation:</u>       | <u>% of Portfolio</u>  | <u>Max. % Or \$ Allowed Per State Law or Policy</u> |
|------------------------------------|------------------------|---|
| BNY MM                             | \$247,510.43           | 0.46%   |
| US Treasury Notes                  | \$10,046,915.87        | 18.82%  |
| Government Agency Debenture Notes  | \$22,858,340.87        | 42.81%  |
| Corporate Medium Term Bonds        | \$13,340,489.68        | 24.99%  |
| Local Agency Investment Fund       | \$6,900,032.98         | 12.92%  |
| Subtotal - Investments             | <u>53,393,289.83</u>   | 100.00%   |
| Reconciled Demand Deposit Balances | <u>17,690,226.43</u>   |   |
| Total Treasurer's Fund             | <u>\$71,083,516.26</u> |   |



**Town of Los Gatos**  
**Non-Treasury Restricted Fund Balances**  
**February 28, 2022**

|   | <u>Beginning<br/>Balance</u> | <u>FEB 22<br/>Deposits<br/>Realized Gain/Adj.</u> | <u>FEB 22<br/>Interest/<br/>Earnings</u> | <u>FEB 22<br/>Withdrawals</u> | <u>Ending<br/>Balance</u> |        |
|---|------------------------------|---|--|-------------------------------|---------------------------|--------|
| Non-Treasury Funds:                               |                              |   |  |                               |                           |        |
| Cert. of Participation 2002 Series A Reserve Fund | 686,318.37                   |   | \$ 5.89                                  |                               | \$ 686,324.26             | Note 1 |
| Cert. Of Participation 2010 Ser A Lease Pymt Fund | 152,362.76                   |   | 0.39                                     | 152,362.50                    | \$ 0.65                   | Note 1 |
| Cert. of Participation 2002 Lease Payment Fund    | 131,462.50                   |   | 0.16                                     | 131,462.50                    | \$ 0.16                   | Note 1 |
| Cert. of Participation 2010 Series Reserve Fund   | 1,277,126.98                 |   | 10.85                                    |                               | 1,277,137.83              | Note 2 |
| Total Restricted Funds:                           | <u>\$ 2,247,270.61</u>       | <u>\$ -</u>                                       | <u>\$ 17.29</u>                          | <u>\$ 283,825.00</u>          | <u>\$ 1,963,462.90</u>    |        |
| CEPPT IRS Section 115 Trust                       | 0.00                         | 0.00  | 0.00                                     | 0.00                          | 0.00                      |        |
| Grand Total COP's and CEPPT Trust                 | <u>\$ 2,247,270.61</u>       | <u>\$ -</u>                                       | <u>\$ 17.29</u>                          | <u>\$ 283,825.00</u>          | <u>\$ 1,963,462.90</u>    |        |

These accounts are not part of the Treasurer's fund balances reported elsewhere in this report, as they are for separate and distinct entities.

**Note 1:** The three original funds for the Certificates of Participation 2002 Series A consist of construction funds which will be expended over the next few years, reserve funds which will guarantee the payment of lease payments, and a third fund for the disbursement of lease payments and initial delivery costs.

**Note 2:** The 2010 COP Funds are all for the Library construction, reserves to guarantee lease payments, and a lease payment fund for the life of the COP issue. The COI fund was closed in September 2010.

**Note 3:** The CEPPT Section IRS Section 115 Trust was established as an irrevocable trust dedicated to accumulate resources to fund the Town's unfunded liabilities related to pension and other p



**Town of Los Gatos  
Statement of Interest Earned  
February 28, 2022**

Interest by Month

|                |                     |
|----------------|---------------------|
| July 2021      | \$57,076.80         |
| August 2021    | 56,600.18           |
| September 2021 | 54,523.00           |
| October 2021   | 54,951.68           |
| November 2021  | 51,445.84           |
| December 2021  | 55,030.55           |
| January 2022   | 51,909.39           |
| February 2022  | 46,264.19           |
| March 2022     |                     |
| April 20202    |                     |
| May 2022       |                     |
| June 2022      |                     |
|                | <hr/>               |
|                | <u>\$427,801.63</u> |

# Town of Los Gatos Investment Schedule March 2021

Item 2.

| Institution                | CUSIP #     | Security              | Deposit Date | Par Value        | Original Cost    | Market Value     | Purchased Interest | Maturity Date or Call Date | Yield to Maturity or Call | Interest Received to Date | Interest Earned Prior Yrs. | Interest Earned Current FY | Days to Maturity |
|----------------------------|-------------|-----------------------|--------------|------------------|------------------|------------------|--------------------|----------------------------|---------------------------|---------------------------|----------------------------|----------------------------|------------------|
| Treasury                   | 91282CAP6   | US Treasury Note      | 6/30/2021    | 1,000,000.00     | 995,390.63       | 979,843.75       |                    | 10/15/2023                 | 0.33%                     | \$ 365.44                 | \$ -                       | \$ 2,170.40                | 594              |
| Toyota Motor Credit        | 89236THA6_1 | Corporate Bond        | 04/12/21     | 500,000.00       | 510,580.00       | 498,257.41       |                    | 8/25/2023                  | 0.45%                     | \$ 5,868.75               | \$ 494.69                  | \$ 1,521.65                | 543              |
| Toyota Motor Credit        | 89236THA6   | Corporate Bond        | 1/11/2022    | 1,100,000.00     | 1,107,315.00     | 1,594,423.71     |                    | 8/25/2023                  | 0.94%                     | \$ 1,815.00               | \$ -                       | \$ 1,358.77                | 543              |
| US Treasury                | 91282CDD0   | US Treasury Note      | 1/13/2022    | 1,100,000.00     | 1,090,675.78     | 1,081,265.63     | 843.23             | 10/31/2023                 | 0.85%                     | \$ (843.23)               | \$ -                       | \$ 1,173.70                | 610              |
| US Treasury                | 91282CCN9   | US Treasury Note      | 1/13/2022    | 1,200,000.00     | 1,188,375.00     | 1,180,265.63     |                    | 7/31/2023                  | 0.75%                     | \$ 73.37                  | \$ -                       | \$ 1,137.18                | 518              |
| FFCB                       | 3133EKMx1   | Gov. Agency Debenture | 8/2/2019     | 1,000,000.00     | 1,014,400.00     | 1,096,166.30     |                    | 2/23/2024                  | 1.90%                     | \$ 62,625.83              | \$ 36,611.80               | \$ 12,745.94               | 725              |
| FFCB                       | 3133EMBE1   | Gov. Agency Debenture | 10/8/2020    | 1,600,000.00     | 1,598,000.00     | 1,563,154.94     |                    | 3/28/2024                  | 0.34%                     | \$ 4,653.34               | \$ 3,903.24                | \$ 3,579.20                | 759              |
| FFCB                       | 3133EMCQ3   | Gov. Agency Debenture | 10/16/2020   | 2,000,000.00     | 1,998,000.00     | 1,966,334.48     |                    | 10/13/2024                 | 0.31%                     | \$ 5,553.33               | \$ 4,295.55                | \$ 4,061.55                | 958              |
| BankAmerica Corp           | 06051GHC6   | Corporate Bond        | 10/9/2020    | 1,300,000.00     | 1,366,287.00     | 1,311,553.58     |                    | 12/20/2023                 | 0.66%                     | \$ 46,753.92              | \$ 13,250.31               | \$ 12,196.31               | 660              |
| IBM                        | 459200HG9   | Corporate Bond        | 8/8/2019     | 1,000,000.00     | 995,010.00       | 1,003,587.34     |                    | 8/1/2022                   | 2.05%                     | \$ 46,510.42              | \$ 38,718.82               | \$ 13,596.35               | 154              |
| IBM                        | 459200JY8   | Corporate Bond        | 3/25/2021    | 1,000,000.00     | 1,071,040.00     | 1,022,776.50     |                    | 5/15/2024                  | 0.71%                     | \$ 19,166.67              | \$ 1,964.86                | \$ 4,922.28                | 807              |
| US Treasury                | 912828R28   | US Treasury Note      | 7/2/2019     | 500,000.00       | 497,246.09       | 502,460.94       |                    | 4/30/2023                  | 1.77%                     | \$ 18,921.54              | \$ 17,663.79               | \$ 5,887.93                | 426              |
| Freddie Mac                | 3137EAE5    | Gov. Agency Debenture | 7/19/2019    | 2,000,000.00     | 2,072,358.00     | 2,038,331.88     |                    | 6/19/2023                  | 1.79%                     | \$ 132,916.67             | \$ 71,285.65               | \$ 24,329.23               | 476              |
| FFCB                       | 3133EKFV0   | Gov. Agency Debenture | 7/22/2019    | 1,000,000.00     | 999,630.00       | 1,010,005.98     |                    | 1/17/2023                  | 1.89%                     | \$ 46,614.58              | \$ 36,626.98               | \$ 12,553.39               | 323              |
| Treasury                   | 912828L57   | US Treasury Note      | 7/22/2019    | 1,200,000.00     | 1,197,988.40     | 1,206,843.74     |                    | 9/30/2022                  | 2.09%                     | \$ 46,016.39              | \$ 42,014.96               | \$ 14,400.05               | 214              |
| US Treasury                | 91282CDA6   | Gov. Agency Debenture | 1/31/2022    | 1,100,000.00     | 1,085,222.44     | 1,080,964.84     | 929.26             | 9/30/2023                  | 1.07%                     | \$ (929.26)               | \$ -                       | \$ 892.63                  | 579              |
| US Treasury                | 91282CAW1   | Gov. Agency Debenture | 7/15/2021    | 1,200,000.00     | 1,199,437.50     | 1,176,703.13     |                    | 11/15/2023                 | 0.27%                     | \$ 1,002.72               | \$ -                       | \$ 2,024.32                | 625              |
| American Honda             | 02665WC22   | Corporate Bond        | 11/27/2019   | 1,000,000.00     | 1,012,410.01     | 1,008,880.48     |                    | 6/27/2024                  | 2.12%                     | \$ 60,733.34              | \$ 33,895.56               | \$ 14,176.63               | 850              |
| JP Morgan Chase            | 46625HJE1   | Gov. Agency Debenture | 2/11/2020    | 900,000.00       | 934,587.00       | 910,896.00       |                    | 9/23/2022                  | 1.74%                     | \$ 47,287.50              | \$ 22,179.72               | \$ 10,672.62               | 207              |
| Honeywell Int'l.           | 438516BW5   | Corporate Bond        | 11/20/2019   | 1,000,000.00     | 1,014,660.00     | 1,012,762.63     |                    | 7/15/2024                  | 1.64%                     | \$ 50,983.33              | \$ 31,978.44               | \$ 13,215.58               | 868              |
| Caterpillar Financial Serv | 14913QZV0   | Corporate Bond        | 2/23/2021    | 1,000,000.00     | 1,077,370.00     | 1,021,369.97     |                    | 5/17/2024                  | 0.44%                     | \$ 20,900.00              | \$ 1,582.27                | \$ 3,027.48                | 809              |
| FNMA                       | 3135G0V75   | Gov. Agency Debenture | 10/17/2019   | 1,100,000.00     | 1,105,833.30     | 1,103,488.08     |                    | 7/2/2024                   | 1.63%                     | \$ 42,831.25              | \$ 30,694.63               | \$ 11,991.63               | 855              |
| US Bancorp                 | 91159HHV5   | Corporate Bond        | 12/24/2019   | 1,000,000.00     | 1,049,040.00     | 1,027,502.37     |                    | 1/5/2024                   | 2.12%                     | \$ 71,343.75              | \$ 32,781.93               | \$ 14,379.08               | 676              |
| FHLB                       | 3133834G3   | Gov. Agency Debenture | 3/11/2021    | 1,400,000.00     | 1,460,522.00     | 1,414,604.58     |                    | 6/9/2023                   | 0.19%                     | \$ 22,147.22              | \$ 854.65                  | \$ 1,870.99                | 466              |
| FFCB                       | 3133EKAQ7   | Gov. Agency Debenture | 10/21/2019   | 1,000,000.00     | 1,019,780.00     | 1,012,164.65     |                    | 9/10/2024                  | 1.66%                     | \$ 39,231.11              | \$ 28,373.17               | \$ 11,156.44               | 925              |
| PNC Financial              | 69349LAM0   | Corporate Bond        | 2/7/2022     | 1,000,000.00     | 1,034,736.67     | 1,023,920.81     | 1,266.67           | 6/25/2023                  | 1.49%                     | \$ (1,266.67)             | \$ -                       | \$ 736.06                  | 482              |
| FHLB                       | 313379Q69   | Gov. Agency Debenture | 7/22/2019    | 1,000,000.00     | 1,006,960.00     | 1,004,595.59     |                    | 6/10/2022                  | 1.87%                     | \$ 50,645.83              | \$ 36,595.58               | \$ 12,542.63               | 102              |
| FNMA                       | 3135G0V59   | Gov. Agency Debenture | 11/27/2019   | 1,540,000.00     | 1,562,924.44     | 1,543,699.03     |                    | 4/12/2022                  | 1.61%                     | \$ 64,968.75              | \$ 39,792.92               | \$ 16,643.17               | 43               |
| JP Morgan Chase            | 46625HJT8   | Corporate Bond        | 9/23/2019    | 1,400,000.00     | 1,485,414.00     | 1,450,661.02     |                    | 2/1/2024                   | 2.39%                     | \$ 127,788.89             | \$ 61,355.87               | \$ 23,079.68               | 703              |
| American Honda             | 02665WDH1   | Corporate Bond        | 2/14/2020    | 600,000.00       | 603,756.00       | 602,848.69       |                    | 5/10/2023                  | 1.75%                     | \$ 22,295.00              | \$ 14,494.97               | \$ 7,016.49                | 436              |
| Treasury                   | 912828V23   | US Treasury Note      | 11/29/2021   | 1,000,000.00     | 1,032,933.04     | 1,014,609.38     |                    | 12/31/2023                 | 0.66%                     | \$ 1,956.52               | \$ -                       | \$ 1,676.64                | 671              |
| Treasury                   | 91282CBE0_2 | Gov. Agency Debenture | 10/7/2021    | 1,000,000.00     | 994,768.98       | 975,429.69       |                    | 1/15/2024                  | 0.36%                     | \$ 339.67                 | \$ -                       | \$ 1,400.70                | 686              |
| FHLB                       | 3130ALH98   | Gov. Agency Debenture | 2/26/2021    | 1,000,000.00     | 997,610.00       | 979,086.51       |                    | 2/26/2024                  | 0.33%                     | \$ 2,500.00               | \$ 1,119.96                | \$ 2,194.77                | 728              |
| Treasury                   | 912828M80   | US Treasury Note      | 7/22/2019    | 1,000,000.00     | 1,006,175.23     | 1,007,812.50     |                    | 11/30/2022                 | 1.81%                     | \$ 47,158.47              | \$ 35,281.07               | \$ 12,092.10               | 275              |
| Treasury                   | 912828U57   | US Treasury Note      | 7/31/2019    | 1,000,000.00     | 1,011,875.00     | 1,012,109.38     |                    | 11/30/2023                 | 1.84%                     | \$ 49,583.33              | \$ 35,502.32               | \$ 12,324.38               | 640              |
| Treasury                   | 912828X70   | US Treasury Note      | 12/30/2019   | 1,000,000.00     | 1,010,589.29     | 1,010,195.31     |                    | 4/30/2024                  | 1.75%                     | \$ 40,703.30              | \$ 29,364.36               | \$ 13,021.06               | 792              |
| Treasury                   | 912828XT2   | US Treasury Note      | 10/31/2019   | 1,000,000.00     | 1,015,667.41     | 1,010,351.56     |                    | 5/31/2024                  | 1.64%                     | \$ 41,639.34              | \$ 27,624.64               | \$ 11,040.77               | 823              |
| American Honda             | 02665WCQ2   | Corporate Bond        | 9/14/2021    | 950,000.00       | 1,012,871.00     | 977,180.37       |                    | 10/10/2023                 | 0.41%                     | \$ 2,487.15               | \$ -                       | \$ 1,868.16                | 589              |
| FFCB                       | 3133EJ3Q0   | Gov. Agency Debenture | 8/28/2019    | 1,500,000.00     | 1,587,503.75     | 1,539,235.82     |                    | 12/21/2023                 | 2.12%                     | \$ 99,786.46              | \$ 42,086.02               | \$ 15,218.60               | 661              |
| Freddie Mac                | 3133EKK72   | Gov. Agency Debenture | 6/24/2021    | 1,550,000.00     | 1,573,188.00     | 1,570,685.77     |                    | 2/8/2023                   | 1.82%                     | \$ 100,168.75             | \$ 57,521.06               | \$ 18,965.56               | 345              |
| Treasury                   | 91282CBE0   | Gov. Agency Debenture | 9/15/2021    | 650,000.00       | 647,615.46       | 634,029.30       |                    | 1/15/2024                  | 0.28%                     | \$ 269.37                 | \$ -                       | \$ 834.11                  | 686              |
| Subtotal                   |             |                       |              | \$ 45,390,000.00 | \$ 46,245,746.42 | \$ 46,181,059.27 | \$ 3,039.16        |                            |                           | \$ 1,443,567.14           | \$ 829,909.76              | \$ 349,696.20              |                  |
| BNY MM                     |             | Money Market          |              |                  | 247,510.43       | 247,510.43       |                    |                            | 0.00%                     |                           |                            |                            | 1                |
| LAIF                       |             | State Investment Pool |              |                  | 6,900,032.98     | 6,900,032.98     |                    |                            | 0.28%                     |                           |                            | 14,728.65                  | 1                |
|                            |             |                       |              | \$ 53,393,289.83 | \$ 53,328,602.68 |                  |                    |                            |                           | \$ 1,443,567.14           | \$ 829,909.76              | \$ 364,424.85              |                  |

| Matured Assets                |           |                       |           |              |              |  |  |            |       |              |              |              |  |
|-------------------------------|-----------|-----------------------|-----------|--------------|--------------|--|--|------------|-------|--------------|--------------|--------------|--|
| US Treasury                   | 912828Y20 | Gov. Agency Debenture | 1/31/2020 | 1,000,000.00 | 1,016,601.56 |  |  | 7/15/2021  | 1.47% | \$ 38,221.16 | \$ 20,977.00 | \$ 609.80    |  |
| Wells Fargo                   | 94988J6A0 | Corporate Bond        | 6/24/2020 | 1,350,000.00 | 1,370,749.50 |  |  | 9/9/2021   | 0.80% | \$ 32,468.18 | \$ 10,139.92 | \$ 1,940.52  |  |
| FNMA                          | 3135G0Q89 | Gov. Agency Debenture | 2/10/2020 | 1,000,000.00 | 998,702.00   |  |  | 10/7/2021  | 1.38% | \$ 22,802.08 | \$ 20,147.24 | \$ 3,941.85  |  |
| FHLB                          | 3130AABG2 | US Treasury Note      | 4/15/2019 | 1,000,000.00 | 988,250.00   |  |  | 11/29/2021 | 2.34% | \$ 49,166.67 | \$ 51,343.12 | \$ 9,670.58  |  |
| Toyota Motor Credit           | 89236TDP7 | Corporate Bond        | 05/20/19  | 1,100,000.00 | 1,102,596.00 |  |  | 1/11/2022  | 2.50% | \$ 75,551.67 | \$ 58,418.45 | \$ 14,755.96 |  |
| Freddie Mac                   | 3137EADB2 | Gov. Agency Debenture | 1/17/2020 | 2,100,000.00 | 2,132,039.70 |  |  | 1/13/2022  | 2.12% | \$ 99,195.84 | \$ 49,063.54 | \$ 18,236.83 |  |
| American Express Credit Corp. | 0258M0EG0 | Corporate Bond        | 4/5/2021  | 1,000,000.00 | 1,020,330.00 |  |  | 1/31/2022  | 0.46% | \$ 11,100.00 | \$ 553.07    | \$ 1,382.68  |  |
| PNC Financial                 | 693476BN2 | Corporate Bond        | 8/15/2019 | 1,000,000.00 | 1,029,280.00 |  |  | 2/6/2022   | 2.12% | \$ 68,108.33 | \$ 39,793.76 | \$ 12,838.57 |  |

Total Investments "Matured" \$ 63,376.78

Total Interest FY 20\_21 Matured and Current \$ 427,801.63

| Maturity Profile |           |  |      | Amount          |
|------------------|-----------|--|------|-----------------|
|                  | 0-1 year  |  |      | \$16,424,006.48 |
|                  | 1-2 years |  |      | \$23,033,923.34 |
|                  | 2-3 years |  |      | \$13,935,360.01 |
|                  | 3-5 years |  | \$ - | \$53,393,289.83 |

## Market to Cost Position Report

| Institution | Amortized Cost  |
|-------------|-----------------|
| BNY Assets  | \$46,245,746.42 |
| BNY MM      | 247,510.43      |
| LAIF        | 6,900,032.98    |
|             | \$53,393,289.83 |

**Town of Los Gatos**  
**Summary Investment Information**  
**January 31, 2022**

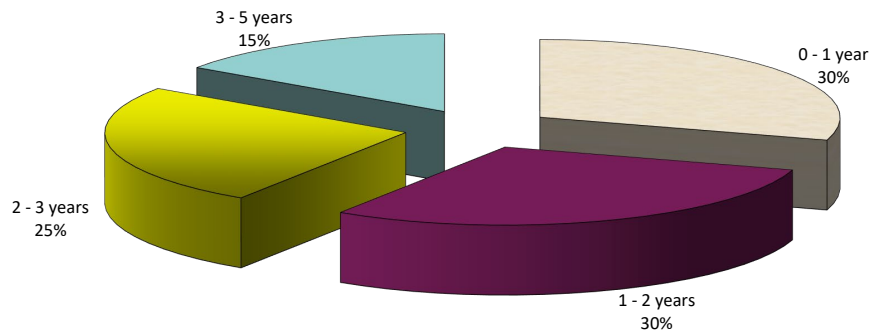
**Weighted Average YTM Portfolio Yield:** **1.17%** **Weighted Average Maturity (days)** **511**

|                          | <u><b>This Month</b></u> | <u><b>Last Month</b></u> | <u><b>One year ago</b></u> |
|--------------------------|--------------------------|--------------------------|----------------------------|
| <b>Portfolio Balance</b> | \$71,031,906             | \$60,407,357             | \$64,003,778               |

**Benchmarks/ References:**

|                              |       |       |       |
|------------------------------|-------|-------|-------|
| Town's Average Yield         | 1.17% | 1.20% | 1.62% |
| LAIF Yield for month         | 0.23% | 0.21% | 0.46% |
| 3 mo. Treasury               | 0.19% | 0.06% | 0.06% |
| 6 mo. Treasury               | 0.47% | 0.19% | 0.07% |
| 2 yr. Treasury               | 1.18% | 0.74% | 0.11% |
| 5 yr. Treasury (most recent) | 1.61% | 1.27% | 0.42% |
| 10 Yr. Treasury              | 1.78% | 1.51% | 1.07% |

**Portfolio Maturity Profile**

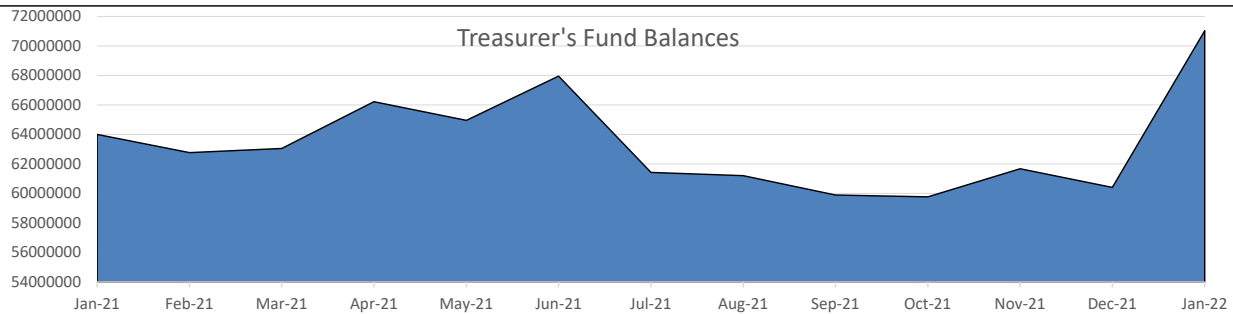
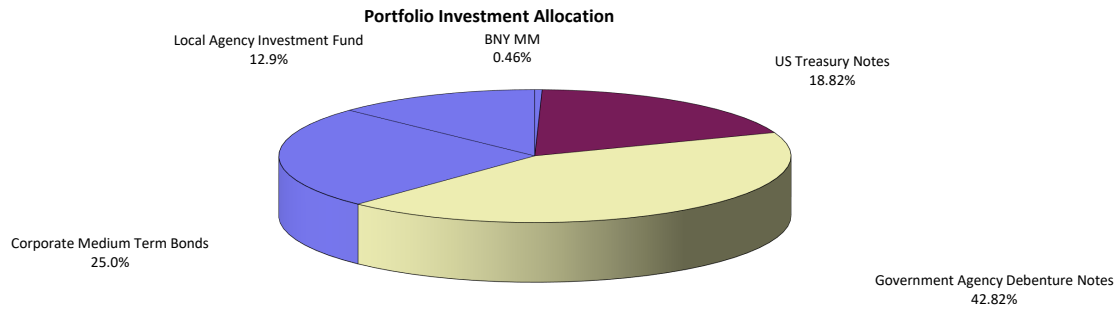


**Compliance:** The Town's investments are in compliance with the Town's investment policy dated September 21, 2021 and also in compliance with the requirements of Section 53601 of the California State Code. Based on the information available, the Town has sufficient funds to meet the cash demands for the next six months.

**Town of Los Gatos**  
**Portfolio Allocation & Treasurer's Fund Balances**  
**January 31, 2022**

|   | <u>Month</u>           | <u>YTD</u>             |
|---|------------------------|------------------------|
| Fund Balances - Beginning of Month/Period | \$60,407,356.54        | \$67,951,235.09        |
| Receipts                                  | 13,835,794.34          | 45,495,946.32          |
| Disbursements                             | <u>(3,211,244.60)</u>  | <u>(42,415,275.13)</u> |
| Fund Balances - End of Month/Period       | <u>\$71,031,906.28</u> | <u>\$71,031,906.28</u> |

| <u>Portfolio Allocation:</u>       | <u>% of Portfolio</u>           | <u>Max. % Or \$ Allowed Per State Law or Policy</u> |
|------------------------------------|---------------------------------|---|
| BNY MM                             | \$247,510.43<br>0.46%           | 20% of Town Portfolio                               |
| US Treasury Notes                  | \$10,046,915.87<br>18.82%       | No Max. on US Treasuries                            |
| Government Agency Debenture Notes  | \$22,858,340.87<br>42.82%       | No Max. on Non-Mortgage Backed                      |
| Corporate Medium Term Bonds        | \$13,335,033.01<br>24.98%       | 30% of Town Portfolio                               |
| Local Agency Investment Fund       | \$6,900,032.98<br>12.92%        | \$75 M per State Law                                |
| Subtotal - Investments             | <u>53,387,833.16</u><br>100.00% |   |
| Reconciled Demand Deposit Balances | <u>17,644,073.12</u>            |   |
| Total Treasurer's Fund             | <u>\$71,031,906.28</u>          |   |



**Town of Los Gatos**  
**Non-Treasury Restricted Fund Balances**  
**January 31, 2022**

|   | <u>Beginning<br/>Balance</u> | <u>JAN 22<br/>Deposits<br/>Realized Gain/Adj.</u> | <u>JAN 22<br/>Interest/<br/>Earnings</u> | <u>JAN 22<br/>Withdrawals</u> | <u>Ending<br/>Balance</u> |        |
|---|------------------------------|---|--|-------------------------------|---------------------------|--------|
| Non-Treasury Funds:                               |                              |   |  |                               |                           |        |
| Cert. of Participation 2002 Series A Reserve Fund | 686,308.57                   |   | \$ 9.80                                  |                               | \$ 686,318.37             | Note 1 |
| Cert. Of Participation 2010 Ser A Lease Pymt Fund | 21,141.66                    | 131,220.84  | 0.26                                     |                               | \$ 152,362.76             | Note 1 |
| Cert. of Participation 2002 Lease Payment Fund    | 22.41                        | 131,440.09  |  |                               | \$ 131,462.50             | Note 1 |
| Cert. of Participation 2010 Series Reserve Fund   | <u>1,277,116.13</u>          |   | <u>10.85</u>                             |                               | <u>1,277,126.98</u>       | Note 2 |
| Total Restricted Funds:                           | <u>\$ 1,984,588.77</u>       | <u>\$ 262,660.93</u>                              | <u>\$ 20.91</u>                          | <u>\$ -</u>                   | <u>\$ 2,247,270.61</u>    |        |
| CEPPT IRS Section 115 Trust                       | <u>0.00</u>                  | <u>0.00</u>                                       | <u>0.00</u>                              | <u>0.00</u>                   | <u>0.00</u>               |        |
| Grand Total COP's and CEPPT Trust                 | <u>\$ 1,984,588.77</u>       | <u>\$ 262,660.93</u>                              | <u>\$ 20.91</u>                          | <u>\$ -</u>                   | <u>\$ 2,247,270.61</u>    |        |

These accounts are not part of the Treasurer's fund balances reported elsewhere in this report, as they are for separate and distinct entities.

**Note 1:** The three original funds for the Certificates of Participation 2002 Series A consist of construction funds which will be expended over the next few years, reserve funds which will guarantee the payment of lease payments, and a third fund for the disbursement of lease payments and initial delivery costs.

**Note 2:** The 2010 COP Funds are all for the Library construction, reserves to guarantee lease payments, and a lease payment fund for the life of the COP issue. The COI fund was closed in September 2010.

**Note 3:** The CEPPT Section IRS Section 115 Trust was established as an irrevocable trust dedicated to accumulate resources to fund the Town's unfunded liabilities related to pension and other p

**Town of Los Gatos  
Statement of Interest Earned  
January 31, 2022**

Interest by Month

|                |                     |
|----------------|---------------------|
| July 2021      | \$57,076.80         |
| August 2021    | 56,600.18           |
| September 2021 | 54,523.00           |
| October 2021   | 54,951.68           |
| November 2021  | 51,445.84           |
| December 2021  | 55,030.55           |
| January 2022   | 51,909.39           |
| February 2022  |                     |
| March 2022     |                     |
| April 20202    |                     |
| May 2022       |                     |
| June 2022      |                     |
|                | <hr/>               |
|                | <u>\$381,537.44</u> |

# Town of Los Gatos Investment Schedule March 2021

Item 2.

|                            |             |                       | Deposit    | Par              | Original         | Market           | Purchased   | Maturity          | Yield to         | Interest         | Interest          | Interest          | Days        |
|----------------------------|-------------|-----------------------|------------|------------------|------------------|------------------|-------------|-------------------|------------------|------------------|-------------------|-------------------|-------------|
| Institution                | CUSIP #     | Security              | Date       | Value            | Cost             | Value            | Interest    | Date or Call Date | Maturity or Call | Received to Date | Earned Prior Yrs. | Earned Current FY | to Maturity |
| Treasury                   | 91282CAP6   | US Treasury Note      | 6/30/2021  | 1,000,000.00     | 995,390.63       | 990,117.19       |             | 10/15/2023        | 0.33%            | \$ 365.44        | \$ -              | \$ 1,920.31       | 622         |
| Toyota Motor Credit        | 89236THA6_1 | Corporate Bond        | 04/12/21   | 500,000.00       | 510,580.00       | 504,471.98       |             | 8/25/2023         | 0.45%            | \$ 2,493.75      | \$ 494.69         | \$ 1,346.32       | 571         |
| Toyota Motor Credit        | 89236THA6   | Corporate Bond        | 1/11/2022  | 1,100,000.00     | 1,107,315.00     | 1,100,464.30     | 5,610.00    | 8/25/2023         | 0.94%            | \$ (5,610.00)    | \$ -              | \$ 566.15         | 571         |
| US Treasury                | 91282CDD0   | US Treasury Note      | 1/13/2022  | 1,100,000.00     | 1,090,675.78     | 2,101,362.80     | 843.23      | 10/31/2023        | 0.85%            | \$ (843.23)      | \$ -              | \$ 459.27         | 638         |
| US Treasury                | 91282CCN9   | US Treasury Note      | 1/13/2022  | 1,200,000.00     | 1,188,375.00     | 1,001,692.91     |             | 7/31/2023         | 0.75%            | \$ 73.37         | \$ -              | \$ 444.98         | 546         |
| FFCB                       | 3133EKMx1   | Gov. Agency Debenture | 8/2/2019   | 1,000,000.00     | 1,014,400.00     | 1,035,558.04     |             | 2/23/2024         | 1.90%            | \$ 51,475.83     | \$ 36,611.80      | \$ 11,277.27      | 759         |
| FFCB                       | 3133EMBE1   | Gov. Agency Debenture | 10/8/2020  | 1,600,000.00     | 1,598,000.00     | 1,582,070.85     |             | 3/28/2024         | 0.34%            | \$ 4,653.34      | \$ 3,903.24       | \$ 3,166.78       | 787         |
| FFCB                       | 3133EMCQ3   | Gov. Agency Debenture | 10/16/2020 | 2,000,000.00     | 1,998,000.00     | 1,985,575.98     |             | 10/13/2024        | 0.31%            | \$ 5,553.33      | \$ 4,295.55       | \$ 3,593.55       | 986         |
| BankAmerica Corp           | 06051GHC6   | Corporate Bond        | 10/9/2020  | 1,300,000.00     | 1,366,287.00     | 1,326,948.74     |             | 12/20/2023        | 0.66%            | \$ 46,753.92     | \$ 13,250.31      | \$ 10,790.97      | 688         |
| IBM                        | 459200HG9   | Corporate Bond        | 8/8/2019   | 1,000,000.00     | 995,010.00       | 1,008,423.55     |             | 8/1/2022          | 2.05%            | \$ 37,135.42     | \$ 38,718.82      | \$ 12,029.69      | 182         |
| IBM                        | 459200JY8   | Corporate Bond        | 3/25/2021  | 1,000,000.00     | 1,071,040.00     | 1,044,797.43     |             | 5/15/2024         | 0.71%            | \$ 19,166.67     | \$ 1,964.86       | \$ 4,355.10       | 835         |
| US Treasury                | 912828R28   | US Treasury Note      | 7/2/2019   | 500,000.00       | 497,246.09       | 507,226.56       |             | 4/30/2023         | 1.77%            | \$ 18,921.54     | \$ 17,663.79      | \$ 5,209.49       | 454         |
| Freddie Mac                | 3137EAE5    | Gov. Agency Debenture | 7/19/2019  | 2,000,000.00     | 2,072,358.00     | 2,062,924.68     |             | 6/19/2023         | 1.79%            | \$ 132,916.67    | \$ 71,285.65      | \$ 21,525.86      | 504         |
| FFCB                       | 3133EKFV0   | Gov. Agency Debenture | 7/22/2019  | 1,000,000.00     | 999,630.00       | 1,017,435.02     |             | 1/17/2023         | 1.89%            | \$ 46,614.58     | \$ 36,626.98      | \$ 11,106.91      | 351         |
| Treasury                   | 912828L57   | US Treasury Note      | 7/22/2019  | 1,200,000.00     | 1,197,988.40     | 1,212,796.87     |             | 9/30/2022         | 2.09%            | \$ 46,016.39     | \$ 42,014.96      | \$ 12,740.78      | 242         |
| US Treasury                | 91282CDA6   | Gov. Agency Debenture | 1/31/2022  | 1,100,000.00     | 1,085,222.44     | 0.00             | 929.26      | 9/30/2023         | 1.07%            | \$ (929.26)      | \$ -              | \$ -              | 607         |
| US Treasury                | 91282CAW1   | Gov. Agency Debenture | 7/15/2021  | 1,200,000.00     | 1,199,437.50     | 1,190,250.00     |             | 11/15/2023        | 0.27%            | \$ 1,002.72      | \$ -              | \$ 1,775.72       | 653         |
| American Honda             | 02665WCZ2   | Corporate Bond        | 11/27/2019 | 1,000,000.00     | 1,012,410.01     | 1,030,214.47     |             | 6/27/2024         | 2.12%            | \$ 48,733.34     | \$ 33,895.56      | \$ 12,543.11      | 878         |
| JP Morgan Chase            | 46625HJE1   | Gov. Agency Debenture | 2/11/2020  | 900,000.00       | 934,587.00       | 918,051.60       |             | 9/23/2022         | 1.74%            | \$ 47,287.50     | \$ 22,179.72      | \$ 9,442.85       | 236         |
| Honeywell Int'l.           | 438516BW5   | Corporate Bond        | 11/20/2019 | 1,000,000.00     | 1,014,660.00     | 1,033,527.98     |             | 7/15/2024         | 1.64%            | \$ 39,483.33     | \$ 31,978.44      | \$ 11,692.80      | 895         |
| Caterpillar Financial Serv | 14913QZV0   | Corporate Bond        | 2/23/2021  | 1,000,000.00     | 1,077,370.00     | 1,044,144.53     |             | 5/17/2024         | 0.44%            | \$ 20,900.00     | \$ 1,582.27       | \$ 2,678.64       | 837         |
| FNMA                       | 3135G0V75   | Gov. Agency Debenture | 10/17/2019 | 1,100,000.00     | 1,105,833.30     | 1,124,320.26     |             | 7/2/2024          | 1.63%            | \$ 42,831.25     | \$ 30,694.63      | \$ 10,609.88      | 883         |
| US Bancorp                 | 91159HHV5   | Corporate Bond        | 12/24/2019 | 1,000,000.00     | 1,049,040.00     | 1,048,424.92     |             | 1/5/2024          | 2.12%            | \$ 54,468.75     | \$ 32,781.93      | \$ 12,722.23      | 704         |
| FHLB                       | 3133834G3   | Gov. Agency Debenture | 3/11/2021  | 1,400,000.00     | 1,460,522.00     | 1,430,600.99     |             | 6/9/2023          | 0.19%            | \$ 22,147.22     | \$ 854.65         | \$ 1,655.40       | 494         |
| FFCB                       | 3133EKAQ7   | Gov. Agency Debenture | 10/21/2019 | 1,000,000.00     | 1,019,780.00     | 1,035,709.38     |             | 9/10/2024         | 1.66%            | \$ 39,231.11     | \$ 28,373.17      | \$ 9,870.92       | 953         |
| PNC Financial              | 693476BN2   | Corporate Bond        | 8/15/2019  | 1,000,000.00     | 1,029,280.00     | 1,002,759.81     |             | 2/6/2022          | 2.12%            | \$ 68,108.33     | \$ 39,793.76      | \$ 12,490.01      | 6           |
| FHLB                       | 313379Q69   | Gov. Agency Debenture | 7/22/2019  | 1,000,000.00     | 1,006,960.00     | 1,008,262.56     |             | 6/10/2022         | 1.87%            | \$ 50,645.83     | \$ 36,595.58      | \$ 11,097.39      | 130         |
| FNMA                       | 3135G0V59   | Gov. Agency Debenture | 11/27/2019 | 1,540,000.00     | 1,562,924.44     | 1,548,996.57     |             | 4/12/2022         | 1.61%            | \$ 64,968.75     | \$ 39,792.92      | \$ 14,725.44      | 71          |
| JP Morgan Chase            | 46625HJT8   | Corporate Bond        | 9/23/2019  | 1,400,000.00     | 1,485,414.00     | 1,482,316.18     |             | 2/1/2024          | 2.39%            | \$ 100,663.89    | \$ 61,355.87      | \$ 20,420.30      | 731         |
| American Honda             | 02665WDH1   | Corporate Bond        | 2/14/2020  | 600,000.00       | 603,756.00       | 609,512.21       |             | 5/10/2023         | 1.75%            | \$ 22,295.00     | \$ 14,494.97      | \$ 6,208.00       | 464         |
| Treasury                   | 912828V23   | US Treasury Note      | 11/29/2021 | 1,000,000.00     | 1,032,933.04     | 1,030,117.19     |             | 12/31/2023        | 0.66%            | \$ 1,956.52      | \$ -              | \$ 1,160.75       | 699         |
| Treasury                   | 91282CBE0_2 | Gov. Agency Debenture | 10/7/2021  | 1,000,000.00     | 994,768.98       | 987,539.06       |             | 1/15/2024         | 0.36%            | \$ 339.67        | \$ -              | \$ 1,128.34       | 714         |
| FHLB                       | 3130ALH98   | Gov. Agency Debenture | 2/26/2021  | 1,000,000.00     | 997,610.00       | 991,706.43       |             | 2/26/2024         | 0.33%            | \$ 1,119.96      | \$ 1,119.96       | \$ 1,941.87       | 756         |
| Treasury                   | 912828M80   | US Treasury Note      | 7/22/2019  | 1,000,000.00     | 1,006,175.23     | 1,014,492.19     |             | 11/30/2022        | 1.81%            | \$ 47,158.47     | \$ 35,281.07      | \$ 10,698.77      | 303         |
| Treasury                   | 912828U57   | US Treasury Note      | 7/31/2019  | 1,000,000.00     | 1,011,875.00     | 1,026,953.12     |             | 11/30/2023        | 1.84%            | \$ 49,583.33     | \$ 35,502.32      | \$ 10,904.28      | 668         |
| Treasury                   | 912828X70   | US Treasury Note      | 12/30/2019 | 1,000,000.00     | 1,010,589.29     | 1,027,304.69     |             | 4/30/2024         | 1.75%            | \$ 40,703.30     | \$ 29,364.36      | \$ 11,520.69      | 820         |
| Treasury                   | 912828XT2   | US Treasury Note      | 10/31/2019 | 1,000,000.00     | 1,015,667.41     | 1,027,656.25     |             | 5/31/2024         | 1.64%            | \$ 41,639.34     | \$ 27,624.64      | \$ 9,768.58       | 851         |
| American Honda             | 02665WCQ2   | Corporate Bond        | 9/14/2021  | 950,000.00       | 1,012,871.00     | 996,012.81       |             | 10/10/2023        | 0.41%            | \$ 2,487.15      | \$ -              | \$ 1,554.94       | 617         |
| FFCB                       | 3133EJ3Q0   | Gov. Agency Debenture | 8/28/2019  | 1,500,000.00     | 1,587,503.75     | 1,569,611.10     |             | 12/21/2023        | 2.12%            | \$ 99,786.46     | \$ 42,086.02      | \$ 13,465.02      | 689         |
| Freddie Mac                | 3133EKKT2   | Gov. Agency Debenture | 6/24/2019  | 1,550,000.00     | 1,573,188.00     | 1,584,563.17     |             | 2/8/2023          | 1.82%            | \$ 82,731.25     | \$ 57,521.06      | \$ 16,780.23      | 373         |
| Treasury                   | 91282CBE0   | Gov. Agency Debenture | 9/15/2021  | 650,000.00       | 647,615.46       | 641,900.39       |             | 1/15/2024         | 0.28%            | \$ 269.37        | \$ -              | \$ 693.42         | 714         |
| Subtotal                   |             |                       |            | \$ 45,390,000.00 | \$ 46,240,289.75 | \$ 45,886,814.76 | \$ 7,382.49 |                   |                  |                  |                   |                   |             |
|                            |             |                       |            |                  |                  |                  |             |                   |                  |                  |                   |                   |             |
| BNY MM                     |             | Money Market          |            |                  | 247,510.43       | 247,510.43       |             |                   | 0.00%            |                  |                   |                   | 1           |
| LAIF                       |             | State Investment Pool |            |                  | 6,900,032.98     | 6,900,032.98     |             |                   | 0.23%            |                  |                   | 12,916.19         | 1           |
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## Town of Los Gatos

## Insight ESG Ratings as of March 31, 2022

| Security Description                                      | Maturity Date | Par/Shares           | Moody Rating | S&P Rating | Insight ESG Rating | Environment | Social     | Governance |
|---|---------------|----------------------|--------------|------------|--------------------|-------------|------------|------------|
| IBM CORP 1.875% 01AUG2022                                 | 8/1/2022      | \$ 1,000,000         | A3           | A-         | 3                  | 1           | 3          | 4          |
| JPMORGAN CHASE & CO 3.25% 23SEP2022                       | 9/23/2022     | \$ 900,000           | A2           | A-         | 3                  | 1           | 3          | 4          |
| AMERICAN HONDA FINANCE 1.95% 10MAY2023                    | 5/10/2023     | \$ 600,000           | A3           | A-         | 3                  | 1           | 4          | 3          |
| PNC BANK NA 3.8% 25JUL2023 (CALLABLE 25JUN23)             | 7/25/2023     | \$ 1,000,000         | A2           | A          | 2                  | 2           | 3          | 2          |
| TOYOTA MOTOR CREDIT CORP 1.35% 25AUG2023                  | 8/25/2023     | \$ 1,600,000         | A1           | A+         | 3                  | 3           | 3          | 5          |
| AMERICAN HONDA FINANCE 3.625% 10OCT2023                   | 10/10/2023    | \$ 950,000           | A3           | A-         | 3                  | 1           | 4          | 3          |
| BANK OF AMERICA CORP 3.004% 20DEC2023 (CALLABLE 20DEC22)  | 12/20/2023    | \$ 1,300,000         | A2           | A-         | 3                  | 1           | 4          | 4          |
| JPMORGAN CHASE & CO 3.875% 01FEB2024                      | 2/1/2024      | \$ 1,400,000         | A2           | A-         | 3                  | 1           | 3          | 4          |
| US BANCORP 3.375% 05FEB2024 (CALLABLE 05JAN24)            | 2/5/2024      | \$ 1,000,000         | A2           | A+         | 4                  | 2           | 5          | 4          |
| IBM CORP 3.0% 15MAY2024                                   | 5/15/2024     | \$ 1,000,000         | A3           | A-         | 3                  | 1           | 3          | 4          |
| CATERPILLAR FIN SERVICES 2.85% 17MAY24                    | 5/17/2024     | \$ 1,000,000         | A2           | A          | 3                  | 3           | 3          | 4          |
| AMERICAN HONDA FINANCE 2.4% 27JUN2024                     | 6/27/2024     | \$ 1,000,000         | A3           | A-         | 3                  | 1           | 4          | 3          |
| HONEYWELL INTERNATIONAL 2.3% 15AUG2024 (CALLABLE 15JUL24) | 8/15/2024     | \$ 1,000,000         | A2           | A          | 4                  | 4           | 5          | 4          |
| <b>Total/Average</b>                                      |               | <b>\$ 13,750,000</b> |              |            | <b>3.0</b>         | <b>1.5</b>  | <b>3.5</b> | <b>3.7</b> |

\*ESG ratings are from 1 to 5, with 1 as the highest rating and 5 as the lowest. All ratings are weighted by industry rankings, based on the importance of the category within the individual industry.





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

MEETING DATE: 05/09/2022

ITEM NO: 3

Item 3.

DATE: May 5, 2022  
TO: Finance Commission  
FROM: Laurel Prevetti, Town Manager  
SUBJECT: Receive FY 2020/21 Federal Single Audit Report

**RECOMMENDATION:**

Staff recommends that the Finance Commission receives the Federal Single Audit Report for the fiscal year ended June 30, 2021 prepared by Badawi and Associates.

**DISCUSSION:**

Based on the Town's understanding of the initial guidance released April 22, 2020 regarding the Coronavirus Aid, Relief, and Economic Security (CARES) Act eligible uses, rent forgiveness support was classified as eligible under the Small Business Assistance category of expenditures. As such, the Town Council opted to assist certain Town lessees by forgiving their rent (a voluntary write-off of rents due to the Town) to support these entities during the height of the pandemic.

In performing the Single Audit for FY 2020/21, the Town's independent auditor Badawi and Associates concluded that the rent forgiveness to be "lost revenue" and thereby a "questioned cost" which under their interpretation of the federal guidelines would not be eligible for federal CARES Act reimbursement funding. Losses in revenues due to the pandemic such as a decline in sales taxes or property tax was not eligible under the federal rules. The questioned cost determination of rent forgiveness is identified as a material weakness in the Single Audit Report that requires corrective action by the Town.

Staff was aware that lost revenue was not eligible for federal funds but did not consider the voluntary rent forgiveness to be "lost revenue" under the initial federal guidelines promulgated at the height of the pandemic. In retrospect, for Single Audit purposes it appears

**PREPARED BY:** Stephen Conway  
Finance Director

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

PAGE 2 OF 2

SUBJECT: FY 2020/21 Single Audit

DATE: May 5, 2022

DISCUSSION (continued):

that the better solution would have been to have the lessees pay the full rent due to the Town. Upon receipt of the full rent, the Town could then have paid the lessees back in the form of a rental assistance grant which would have accomplished the same objective without raising a deliberation about whether the voluntary forgiveness of rent is an expense to the Town or a lost revenue under the federal guidelines.

If the federal government subsequently determines that this cost were to be disallowed, the Town has significant other qualifying expenditures in categories such as payroll for public safety that could be substituted for the small business rental assistance.

Attachments:

1. FY 2020/21 Single Audit

# Town of Los Gatos

Los Gatos, California

*Single Audit Reports*

*For the year ended June 30, 2021*



**Town of Los Gatos**  
**Single Audit Reports**  
**For the year ended June 30, 2021**

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| <b>Report on Compliance for Each Major Program and on Internal<br/>Control over Compliance Required by the Uniform Guidance and on the Schedule of<br/>Expenditures of Federal Awards .....</b>                          | <b>3</b> |
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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**INDEPENDENT AUDITOR'S REPORT**

To the Honorable Mayor and Members of the Town Council  
of the Town of Los Gatos  
Los Gatos, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparison for the General Fund of the Town of Los Gatos, California (Town), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated December 31, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and responses, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

To the Honorable Mayor and Members of the Town Council  
of the Town of Los Gatos  
Los Gatos, California  
Page 2

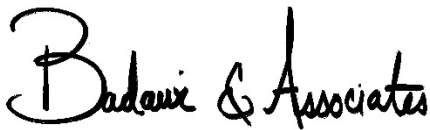
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Badawi & Associates, CPAs  
Berkeley, California  
December 31, 2021



**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE  
AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**INDEPENDENT AUDITOR'S REPORT**

To the Honorable Mayor and Members of the Town Council  
of the Town of Los Gatos  
Town of Los Gatos, California

**Report on Compliance for Each Major Federal Program**

We have audited the Town of Los Gatos, California (Town)'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town's major federal programs for the year ended June 30, 2021. The Town's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Town's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town's compliance.

To the Honorable Mayor and Members of the Town Council  
 of the Town of Los Gatos  
 Los Gatos, California  
 Page 2

***Basis for Qualified Opinion on CFDA 21.019 Coronavirus Relief Fund***

As described in the accompanying schedule of findings and questioned costs, the Town did not comply with requirements regarding CFDA 21.019 Coronavirus Relief Fund as described in finding numbers 2021-001 for Activities Allowed or Unallowed, and Allowable Costs and Cost Principles. Compliance with such requirements is necessary, in our opinion, for the Town to comply with the requirements applicable to that program.

***Qualified Opinion on CFDA 21.019 Coronavirus Relief Fund***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA 21.019 Coronavirus Relief Fund for the year ended June 30, 2021.

***Unmodified Opinion on Each of the Other Major Federal Programs***

In our opinion, the Town, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section the accompanying schedule of findings and questioned costs for the year ended June 30, 2021.

***Other Matters***

The Town's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**Report on Internal Control Over Compliance**

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.



To the Honorable Mayor and Members of the Town Council  
 of the Town of Los Gatos  
 Los Gatos, California  
 Page 3

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2021-001, that we consider to be a material weakness.

The Town's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

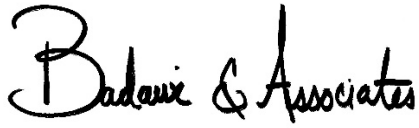
### **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 31, 2021, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other

To the Honorable Mayor and Members of the Town Council

of the Town of Los Gatos  
Los Gatos, California  
Page 4

additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

A handwritten signature in black ink that reads "Badawi & Associates". The signature is written in a cursive, flowing style.

Badawi & Associates, CPAs  
Berkeley, California  
April 25, 2022, except for the schedule of expenditures  
of federal awards, which is as of December 31, 2021

**Town of Los Gatos**  
**Schedule of Expenditures of Federal Awards**  
**For the year ended June 30, 2021**

| Grantor Agency and Grant Title                     | Federal<br>Catalog<br>Number | Pass-through<br>Number | Program<br>Expenditures |
|--|------------------------------|------------------------|-------------------------|
| <b>U.S. Department of Transportation:</b>          |                              |                        |                         |
| <i>Highway Planning and Construction Cluster</i>   |                              |                        |                         |
| <i>Passed through State of California</i>          |                              |                        |                         |
| Highway Planning and Construction                  | 20.205                       | HSIPL-5067(021)        | 120,220                 |
| Highway Planning and Construction                  | 20.205                       | CML-5067(022)          | 245,253                 |
| Subtotal Highway Planning and Construction Cluster |                              |                        | 365,473                 |
| <b>Total U.S. Department of Transportation</b>     |                              |                        | 365,473                 |
| <b>Department of Homeland Security:</b>            |                              |                        |                         |
| Emergency Management Performance Grants            | 97.042                       |                        | 2,365                   |
| <i>Passed through County of Santa Clara</i>        |                              |                        |                         |
| Fire Management Assistance Grant                   | 97.046                       | FM-5336-CA             | 12,627                  |
| <b>Total Department of Homeland Security</b>       |                              |                        | 14,992                  |
| <b>Department of Justice:</b>                      |                              |                        |                         |
| Bulletproof Vest Partnership Program               | 16.607                       |                        | 1,309                   |
| <b>Total Department of Justice</b>                 |                              |                        | 1,309                   |
| <b>Department of the Treasury:</b>                 |                              |                        |                         |
| Coronavirus State and Local Fiscal Recovery Funds  | 21.027                       |                        | 200,911                 |
| <i>Passed through State of California</i>          |                              |                        |                         |
| COVID19 - Coronavirus Relief Fund                  | 21.019                       | n/a                    | 388,181                 |
| <b>Total Department of the Treasury</b>            |                              |                        | 589,092                 |
| <b>Total Expenditures of Federal Awards</b>        |                              |                        | \$ 970,866              |

**Town of Los Gatos**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**For the year ended June 30, 2021**

---

**A. Reporting Entity**

The financial reporting entity consists of (a) the primary government, Town of Los Gatos, California (Town), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

**B. Basis of Accounting**

Funds received under the various grant programs have been recorded within the general, special revenue, and capital projects funds of the Town. The Town utilizes the modified accrual basis of accounting for the general, special revenue, and capital projects funds. Expenditures of federal awards reported on the Schedule of Expenditures of Federal Awards (Schedule) are recognized when incurred.

**C. Relationship of Schedule of Expenditures of Federal Awards to Financial Statements**

The accompanying Schedule presents the activity of all federal financial assistance programs of the Town. Federal financial assistance received directly from federal agencies as well as federal financial assistance passed through the State of California and the County of Santa Clara is included in the Schedule.

The Schedule was prepared only from the accounts of various grant programs and, therefore, does not present the financial position or results of operations of the Town.

**D. Pass-Through Entities' Identifying Number**

When federal awards were received from a pass-through entity, the Schedule shows, if available, the identifying number assigned by the pass-through entity. When no identifying number is shown, the Town determined that no identifying number is assigned for the program or the Town was unable to obtain an identifying number from the pass-through entity.

**E. Indirect Costs**

The Town did not elect to use the 10% de minimis indirect cost rate.

**Town of Los Gatos**  
**Schedule of Findings and Questioned Costs**  
**For the year ended June 30, 2021**

**Section I – Summary of Auditor’s Results**

**Financial Statements**

Types of auditors’ report issued on whether financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None noted

Any noncompliance material to the financial statements noted No

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified? Yes
- Significant deficiency(ies) identified? None noted

Type of auditor’s report issued on compliance for major programs Qualified

Any audit findings disclosed that are required to be reported in accordance with section 200.516(a) Yes

Identification of major programs:

| CFDA Number(s)  | Name of Federal Program or Cluster        | Expenditures      |
|---|---|-------------------|
| 20.205  | Highway Planning and Construction Cluster | \$ 365,473        |
| 21.019  | Coronavirus Relief Fund                   | \$ 388,181        |
| <b>Total Expenditures of All Major Federal Programs</b>   |   | <b>\$ 753,654</b> |
| <b>Total Expenditures of Federal Awards</b>               |   | <b>\$ 970,866</b> |
| <b>Percentage of Total Expenditures of Federal Awards</b> |   | <b>77.6%</b>      |

Dollar threshold used to distinguish between type A and type B program \$750,000

Auditee qualified as low-risk auditee under section 200.520? No

**Town of Los Gatos**  
**Schedule of Findings and Questioned Costs, Continued**  
**For the year ended June 30, 2021**

**Section II – Current Year Findings**

No financial statement findings were noted.

**Section III- Federal Award Findings and Questioned Costs**

**Finding: 2021-001**

|                        |                             |
|------------------------|-----------------------------|
| <b>Awarding Agency</b> | Department of the Treasury  |
| <b>Passed through</b>  | State of California (State) |
| <b>Program</b>         | Coronavirus Relief Fund     |
| <b>AFN#</b>            | 21.019                      |

**Criteria:**

Per 2 CFR section 225 App. A, Paragraph C.1.d, “to be allowable under Federal awards, costs must meet the following general criteria:

Conform to any limitations or exclusions set forth in these principles, Federal laws, terms and conditions of the Federal award, or other governing regulations as to types or amounts of cost items.”

**Condition:**

During our audit, we noted that per the Coronavirus Relief Fund (Fund) program guidance in the Federal Register dated January 15, 2021, revenue replacement is not a permissible use of Fund payments. On April 21, 2020, the Town Council approved a waiver of rent and utilities for a set of non-profit lessees. When preparing a listing of grant expenditures for reporting to the State, the Town chose to use their rent and utility waivers as a qualifying expenditure.

**Cause:**

The Town did not equate rental waivers and lost revenue replacement. The Town staff’s interpretation of lost revenue was understood to be unavoidable losses of revenue due to the pandemic.

**Questioned Costs:**

During our testing, we determined that \$73,054 of federal expenditures were not allowable costs or allowable activities with total questioned costs of \$94,998.

**Context and Effect:**

The Town was not in full compliance with neither the allowable costs and cost principles, nor the allowable activities compliance requirements of the program.

**Town of Los Gatos**  
**Schedule of Findings and Questioned Costs, Continued**  
**For the year ended June 30, 2021**

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**Section III- Federal Award Findings and Questioned Costs, Continued**

**Finding: 2021-001, Continued**

**Recommendation:**

We recommend the Town double-check for disallowed costs and activities when administering new grant programs.

**Management Response:**

The Town's independent auditor has opined that the Town's efforts to provide economic relief in the form of waivers of rent (rent forgiveness) to a number of non-profits and other entities should be considered as "lost revenue" and therefore disallowable because lost revenue is precluded as an expenditure for the CARES act. Based on the Town's understanding of the CARES act rent forgiveness support was classified as eligible under the Small business assistance category of expenditures. As such, the Town Council opted to assist these groups by forgiving their rent (a voluntary write-off of rents due to the Town) to support these entities during the height of the pandemic. If the Federal Government determines that this cost were to be disallowed, the Town has significant other qualifying expenditures in categories such as payroll for public safety that could be substituted for the small business rental assistance.

**Section IV – Prior Year Financial Statements Findings**

No financial statement findings were noted.

**Section V – Prior Year Findings and Questioned Costs – Major Federal Award Program Audit**

No findings or questioned costs were noted.



**TOWN OF LOS GATOS  
FINANCE COMMISSION REPORT**

MEETING DATE: 05/09/2022

Item 3.

ITEM NO: 3

DESK ITEM

---

DATE: May 5, 2022  
TO: Finance Commission  
FROM: Laurel Prevetti, Town Manager  
SUBJECT: Receive FY 2020/21 Federal Single Audit Report

RECOMMENDATION:

Attachment 2 contains public comment received from 11:01 a.m. May 6, 2022 to 11:00 a.m. May 9, 2022.

Attachment Previously Received with the Staff Report:

1. FY 2020/21 Single Audit

Attachment Received with this Desk Item:

2. Public Comment Received 11:01 a.m. May 6 to 11:00 a.m. May 9, 2022

PREPARED BY: Stephen Conway  
Finance Director

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

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**From:** Phil Koen

**Sent:** Monday, May 09, 2022 8:55 AM

**To:** Ron Dickel; Kyle Park

**Cc:** Town Manager <Manager@losgatosca.gov>; Arn Andrews <aandrews@losgatosca.gov>; Jak Van Nada; Rick Van Hoesen; David Weissman; Rob Rennie <RRennie@losgatosca.gov>; Matthew Hudes <MHudes@losgatosca.gov>; Shelley Neis <sneis@losgatosca.gov>

**Subject:** Staff memo and single audit - FC Agenda Item #3

Dear Chair Dickel and Vice Chair Park,

In reading the Staff Memo for agenda item #3 and the accompanying Single Audit Report, the auditors identified “certain deficiencies in internal control that we consider to be a material weakness and significant deficiencies”.

As a result the Town has received a “modified opinion” for the Federal Award CFDA 21.019 Coronavirus Relief Fund regarding compliance with the program. Essentially the Town failed to comply with the Federal requirements regarding the Coronavirus Relief Fund.

This is a significant development and requires more transparency. I would appreciate answers to the following questions.

1. Does the Staff agree and accept the auditor’s findings of “certain deficiencies in internal controls that are considered to be material weakness”? If not, why not?
2. What exactly were the deficiencies that were identified by the Auditor? The language suggests more than one deficiency.
- 3 If the Staff does agree with Auditor’s findings, what steps are being taken to correct the deficiencies so as to avoid a material weakness finding in the future? Does the Staff plan on testing for more internal weaknesses beyond the limited testing done?
4. What are the ramifications of having a modified opinion and finding of non-compliance with regard to the Coronavirus Relief Fund? Will this result in increased reporting requirements? Will this negatively impact the Town’s ability to receive any future State or Federal Grants for which the Town has applied?
5. The Auditors opinion is dated December 31, 2021. Why is this now only coming to light, essentially 5 months after the issuance auditors report? Was this previously disclosed to the Town Council? If so, when was it disclosed?

In closing, the LGCA had warned the Finance Commission about the importance of the Single Audit many months ago when there were ongoing discussions regarding the proper accounting for lost revenue. I am only pointing this out to reiterate the importance of having proper systems and controls in place to fully comply with the requirements of federal and state grants.

Thank you,

Phil Koen

LGCA



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

MEETING DATE: 05/09/2022

ITEM NO: 3

Item 3.

DATE: May 5, 2022  
TO: Finance Commission  
FROM: Laurel Prevetti, Town Manager  
SUBJECT: Receive FY 2020/21 Federal Single Audit Report

**RECOMMENDATION:**

Staff recommends that the Finance Commission receives the Federal Single Audit Report for the fiscal year ended June 30, 2021 prepared by Badawi and Associates.

**DISCUSSION:**

Based on the Town's understanding of the initial guidance released April 22, 2020 regarding the Coronavirus Aid, Relief, and Economic Security (CARES) Act eligible uses, rent forgiveness support was classified as eligible under the Small Business Assistance category of expenditures. As such, the Town Council opted to assist certain Town lessees by forgiving their rent (a voluntary write-off of rents due to the Town) to support these entities during the height of the pandemic.

In performing the Single Audit for FY 2020/21, the Town's independent auditor Badawi and Associates concluded that the rent forgiveness to be "lost revenue" and thereby a "questioned cost" which under their interpretation of the federal guidelines would not be eligible for federal CARES Act reimbursement funding. Losses in revenues due to the pandemic such as a decline in sales taxes or property tax was not eligible under the federal rules. The questioned cost determination of rent forgiveness is identified as a material weakness in the Single Audit Report that requires corrective action by the Town.

Staff was aware that lost revenue was not eligible for federal funds but did not consider the voluntary rent forgiveness to be "lost revenue" under the initial federal guidelines promulgated at the height of the pandemic. In retrospect, for Single Audit purposes it appears

**PREPARED BY:** Stephen Conway  
Finance Director

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

PAGE 2 OF 2

SUBJECT: FY 2020/21 Single Audit

DATE: May 5, 2022

DISCUSSION (continued):

that the better solution would have been to have the lessees pay the full rent due to the Town. Upon receipt of the full rent, the Town could then have paid the lessees back in the form of a rental assistance grant which would have accomplished the same objective without raising a deliberation about whether the voluntary forgiveness of rent is an expense to the Town or a lost revenue under the federal guidelines.

If the federal government subsequently determines that this cost were to be disallowed, the Town has significant other qualifying expenditures in categories such as payroll for public safety that could be substituted for the small business rental assistance.

Attachments:

1. FY 2020/21 Single Audit

# Town of Los Gatos

Los Gatos, California

*Single Audit Reports*

*For the year ended June 30, 2021*



**Town of Los Gatos**  
**Single Audit Reports**  
**For the year ended June 30, 2021**

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| <b>Report on Compliance for Each Major Program and on Internal<br/>Control over Compliance Required by the Uniform Guidance and on the Schedule of<br/>Expenditures of Federal Awards .....</b>                          | <b>3</b> |
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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**INDEPENDENT AUDITOR'S REPORT**

To the Honorable Mayor and Members of the Town Council  
of the Town of Los Gatos  
Los Gatos, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparison for the General Fund of the Town of Los Gatos, California (Town), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated December 31, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and responses, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

To the Honorable Mayor and Members of the Town Council  
of the Town of Los Gatos  
Los Gatos, California  
Page 2

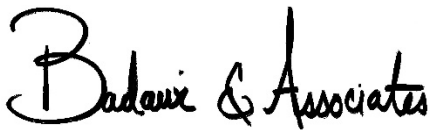
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Badawi & Associates, CPAs  
Berkeley, California  
December 31, 2021



**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE  
AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**INDEPENDENT AUDITOR'S REPORT**

To the Honorable Mayor and Members of the Town Council  
of the Town of Los Gatos  
Town of Los Gatos, California

**Report on Compliance for Each Major Federal Program**

We have audited the Town of Los Gatos, California (Town)'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town's major federal programs for the year ended June 30, 2021. The Town's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

**Our responsibility is to express an opinion** on compliance for each of the Town's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

**We believe that our audit provides a reasonable basis for our opinion** on compliance for each major federal program. However, our audit does not provide a legal determination of the Town's compliance.



To the Honorable Mayor and Members of the Town Council  
 of the Town of Los Gatos  
 Los Gatos, California  
 Page 2

### ***Basis for Qualified Opinion on CFDA 21.019 Coronavirus Relief Fund***

As described in the accompanying schedule of findings and questioned costs, the Town did not comply with requirements regarding CFDA 21.019 Coronavirus Relief Fund as described in finding numbers 2021-001 for Activities Allowed or Unallowed, and Allowable Costs and Cost Principles. Compliance with such requirements is necessary, in our opinion, for the Town to comply with the requirements applicable to that program.

### ***Qualified Opinion on CFDA 21.019 Coronavirus Relief Fund***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA 21.019 Coronavirus Relief Fund for the year ended June 30, 2021.

### ***Unmodified Opinion on Each of the Other Major Federal Programs***

In our opinion, the Town, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section the accompanying schedule of findings and questioned costs for the year ended June 30, 2021.

### ***Other Matters***

The Town's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### ***Report on Internal Control Over Compliance***

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

To the Honorable Mayor and Members of the Town Council  
 of the Town of Los Gatos  
 Los Gatos, California  
 Page 3

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. **We did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2021-001, that we consider to be a material weakness.**

The Town's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

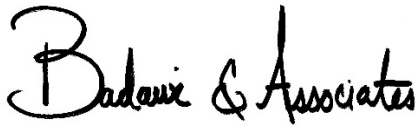
### **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. **We issued our report thereon dated December 31, 2021, which contained unmodified opinions on those financial statements.** Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other

To the Honorable Mayor and Members of the Town Council

of the Town of Los Gatos  
Los Gatos, California  
Page 4

additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

A handwritten signature in black ink that reads "Badawi & Associates". The signature is written in a cursive, flowing style.

Badawi & Associates, CPAs  
Berkeley, California  
April 25, 2022, except for the schedule of expenditures  
of federal awards, which is as of December 31, 2021

**Town of Los Gatos**  
**Schedule of Expenditures of Federal Awards**  
**For the year ended June 30, 2021**

| Grantor Agency and Grant Title                     | Federal<br>Catalog<br>Number | Pass-through<br>Number | Program<br>Expenditures |
|--|------------------------------|------------------------|-------------------------|
| <b>U.S. Department of Transportation:</b>          |                              |                        |                         |
| <i>Highway Planning and Construction Cluster</i>   |                              |                        |                         |
| <i>Passed through State of California</i>          |                              |                        |                         |
| Highway Planning and Construction                  | 20.205                       | HSIPL-5067(021)        | 120,220                 |
| Highway Planning and Construction                  | 20.205                       | CML-5067(022)          | 245,253                 |
| Subtotal Highway Planning and Construction Cluster |                              |                        | 365,473                 |
| <b>Total U.S. Department of Transportation</b>     |                              |                        | 365,473                 |
| <b>Department of Homeland Security:</b>            |                              |                        |                         |
| Emergency Management Performance Grants            | 97.042                       |                        | 2,365                   |
| <i>Passed through County of Santa Clara</i>        |                              |                        |                         |
| Fire Management Assistance Grant                   | 97.046                       | FM-5336-CA             | 12,627                  |
| <b>Total Department of Homeland Security</b>       |                              |                        | 14,992                  |
| <b>Department of Justice:</b>                      |                              |                        |                         |
| Bulletproof Vest Partnership Program               | 16.607                       |                        | 1,309                   |
| <b>Total Department of Justice</b>                 |                              |                        | 1,309                   |
| <b>Department of the Treasury:</b>                 |                              |                        |                         |
| Coronavirus State and Local Fiscal Recovery Funds  | 21.027                       |                        | 200,911                 |
| <i>Passed through State of California</i>          |                              |                        |                         |
| COVID19 - Coronavirus Relief Fund                  | 21.019                       | n/a                    | 388,181                 |
| <b>Total Department of the Treasury</b>            |                              |                        | 589,092                 |
| <b>Total Expenditures of Federal Awards</b>        |                              |                        | \$ 970,866              |

**Town of Los Gatos**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**For the year ended June 30, 2021**

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**A. Reporting Entity**

The financial reporting entity consists of (a) the primary government, Town of Los Gatos, California (Town), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

**B. Basis of Accounting**

Funds received under the various grant programs have been recorded within the general, special revenue, and capital projects funds of the Town. The Town utilizes the modified accrual basis of accounting for the general, special revenue, and capital projects funds. Expenditures of federal awards reported on the Schedule of Expenditures of Federal Awards (Schedule) are recognized when incurred.

**C. Relationship of Schedule of Expenditures of Federal Awards to Financial Statements**

The accompanying Schedule presents the activity of all federal financial assistance programs of the Town. Federal financial assistance received directly from federal agencies as well as federal financial assistance passed through the State of California and the County of Santa Clara is included in the Schedule.

The Schedule was prepared only from the accounts of various grant programs and, therefore, does not present the financial position or results of operations of the Town.

**D. Pass-Through Entities' Identifying Number**

When federal awards were received from a pass-through entity, the Schedule shows, if available, the identifying number assigned by the pass-through entity. When no identifying number is shown, the Town determined that no identifying number is assigned for the program or the Town was unable to obtain an identifying number from the pass-through entity.

**E. Indirect Costs**

The Town did not elect to use the 10% de minimis indirect cost rate.

**Town of Los Gatos**  
**Schedule of Findings and Questioned Costs**  
**For the year ended June 30, 2021**

**Section I – Summary of Auditor’s Results**

**Financial Statements**

Types of auditors’ report issued on whether financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None noted

Any noncompliance material to the financial statements noted No

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified? Yes
- Significant deficiency(ies) identified? None noted

Type of auditor’s report issued on compliance for major programs Qualified

Any audit findings disclosed that are required to be reported in accordance with section 200.516(a) Yes

Identification of major programs:

| CFDA Number(s)  | Name of Federal Program or Cluster        | Expenditures      |
|---|---|-------------------|
| 20.205  | Highway Planning and Construction Cluster | \$ 365,473        |
| 21.019  | Coronavirus Relief Fund                   | \$ 388,181        |
| <b>Total Expenditures of All Major Federal Programs</b>   |   | <b>\$ 753,654</b> |
| <b>Total Expenditures of Federal Awards</b>               |   | <b>\$ 970,866</b> |
| <b>Percentage of Total Expenditures of Federal Awards</b> |   | <b>77.6%</b>      |

Dollar threshold used to distinguish between type A and type B program \$750,000

Auditee qualified as low-risk auditee under section 200.520? No

**Town of Los Gatos**  
**Schedule of Findings and Questioned Costs, Continued**  
**For the year ended June 30, 2021**

**Section II - Current Year Findings**

No financial statement findings were noted.

**Section III- Federal Award Findings and Questioned Costs**

**Finding: 2021-001**

|                        |                             |
|------------------------|-----------------------------|
| <b>Awarding Agency</b> | Department of the Treasury  |
| <b>Passed through</b>  | State of California (State) |
| <b>Program</b>         | Coronavirus Relief Fund     |
| <b>AFN#</b>            | 21.019                      |

**Criteria:**

Per 2 CFR section 225 App. A, Paragraph C.1.d, "to be allowable under Federal awards, costs must meet the following general criteria:

Conform to any limitations or exclusions set forth in these principles, Federal laws, terms and conditions of the Federal award, or other governing regulations as to types or amounts of cost items."

**Condition:**

During our audit, we noted that per the Coronavirus Relief Fund (Fund) program guidance in the Federal Register dated January 15, 2021, revenue replacement is not a permissible use of Fund payments. On April 21, 2020, the Town Council approved a waiver of rent and utilities for a set of non-profit lessees. When preparing a listing of grant expenditures for reporting to the State, the Town chose to use their rent and utility waivers as a qualifying expenditure.

**Cause:**

The Town did not equate rental waivers and lost revenue replacement. The Town staff's interpretation of lost revenue was understood to be unavoidable losses of revenue due to the pandemic.

**Questioned Costs:**

During our testing, we determined that \$73,054 of federal expenditures were not allowable costs or allowable activities with total questioned costs of \$94,998.

**Context and Effect:**

The Town was not in full compliance with neither the allowable costs and cost principles, nor the allowable activities compliance requirements of the program.

**Town of Los Gatos**  
**Schedule of Findings and Questioned Costs, Continued**  
**For the year ended June 30, 2021**

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**Section III- Federal Award Findings and Questioned Costs, Continued**

**Finding: 2021-001, Continued**

**Recommendation:**

We recommend the Town double-check for disallowed costs and activities when administering new grant programs.

**Management Response:**

The Town's independent auditor has opined that the Town's efforts to provide economic relief in the form of waivers of rent (rent forgiveness) to a number of non-profits and other entities should be considered as "lost revenue" and therefore disallowable because lost revenue is precluded as an expenditure for the CARES act . Based on the Town's understanding of the CARES act rent forgiveness support was classified as eligible under the Small business assistance category of expenditures. As such, the Town Council opted to assist these groups by forgiving their rent (a voluntary write-off of rents due to the Town) to support these entities during the height of the pandemic. If the Federal Government determines that this cost were to be disallowed, the Town has significant other qualifying expenditures in categories such as payroll for public safety that could be substituted for the small business rental assistance.

**Section IV – Prior Year Financial Statements Findings**

No financial statement findings were noted.

**Section V – Prior Year Findings and Questioned Costs – Major Federal Award Program Audit**

No findings or questioned costs were noted.





**TOWN OF LOS GATOS  
FINANCE COMMISSION REPORT**

MEETING DATE: 05/09/2022

Item 4.

ITEM NO: 4

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DATE: May 5, 2022  
TO: Finance Commission  
FROM: Laurel Prevetti, Town Manager  
SUBJECT: Conclude Discussion of the Proposed Fiscal Year (FY) 2022/23 Operating and Capital Budgets, Including Commission Recommendations to the Town Council

**RECOMMENDATION:**

Conclude discussion of the Proposed FY 2022/23 Operating and Capital Budgets, including Commission recommendations to the Town Council.

**REMARKS**

Provided below is the information requested by the Commission at its May 2<sup>nd</sup> meeting. The Commissioner question is in **bold** type and the response is in regular type.

**Please provide information on the level of the Town commitments as percentage of the anticipated grant proceeds for all grant funded projects.**

As noted in the Financial Summary of the Capital Improvement Program (page B-8), 24% of the FY 2021/22 carryforward and FY 2022/23 budgeted projects are grant funded.

**PREPARED BY:** Stephen Conway  
Finance Director

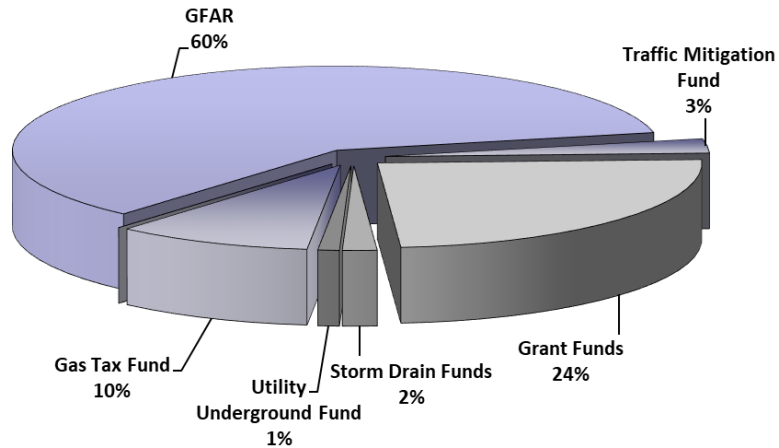
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Reviewed by: Town Manager and Assistant Town Manager

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SUBJECT: Discussion of Proposed Budgets, Including Commissioner Questions

DATE: May 5, 2022

REMARKS (continued):

| Budget by Fund              | Carryforward<br>&<br>FY 2022/23 |  | Fund %        |
|-----------------------------|---------------------------------|--|---------------|
|                             |                                 |  |               |
| GFAR                        | \$ 19,594,627                   |  | 60%           |
| Traffic Mitigation Fund     | 889,932                         |  | 3%            |
| Grant Funds                 | 7,964,459                       |  | 24%           |
| Storm Drain Funds           | 556,900                         |  | 2%            |
| Utility Underground Fund    | 347,576                         |  | 1%            |
| Gas Tax Fund                | 3,174,114                       |  | 10%           |
| <b>Total Budget by Fund</b> | <b>\$ 32,527,608</b>            |  | <b>100.0%</b> |

PAGE 3 OF 3

SUBJECT: Discussion of Proposed Budgets, Including Commissioner Questions

DATE: May 5, 2022

REMARKS (continued):

In addition, the table in Attachment 1 represents the individual grant funded projects including prior year expenditures and anticipated expenditures as presented in the FY 2022/23 – FY 2026/27 Capital Improvement Program. As noted, some project total cost and anticipated future grant and local match requirements are not known as of the date of this Report. The General Fund Appropriated Reserve (GFAR) represents the Town's contribution to a project. Traffic Mitigation and Storm Basin/Drain funds are collected from private development projects.

Attachment:

1. Attachment 1 – CIP Grant Funded Summary

| Current Grant Funded Projects per FY 2022/23 - FY 2026/27 CIP including Prior Year Spending | GFAR          | OTHER*        | GRANTS       | Total         | % Grant of Total Cost | % GFAR of Total | Notes   |
|---|---------------|---------------|--------------|---------------|-----------------------|-----------------|---|
| Street Repair and Resurfacing   | \$ 23,852,296 | \$ 19,676,374 | \$ 230,000   | \$ 43,758,670 | 0.5%                  | 54.5%           | Ongoing annual project, staff continues to pursue available grant funding when possible.  |
| Curb, Gutter & Sidewalk Maintenance   | \$ 9,296,748  | \$ -          | \$ 62,884    | \$ 9,359,632  | 0.7%                  | 99.3%           | Ongoing annual project, staff continues to pursue available grant funding when possible.  |
| ADA Transition  | \$ 150,000    | \$ -          | \$ 35,000    | \$ 185,000    | 18.9%                 | 81.1%           |   |
| Measure B Education & Encouragement   | \$ 60,000     | \$ -          | \$ 126,645   | \$ 186,645    | 67.9%                 | 32.1%           |   |
| Local Road Safety Plan  | \$ 28,000     | \$ -          | \$ 72,000    | \$ 100,000    | 72.0%                 | 28.0%           |   |
| Shannon Road Ped & Bikeway Improvements   | \$ 230,000    | \$ 119,204    | \$ 1,114,350 | \$ 1,463,554  | 76.1%                 | 15.7%           |   |
| Traffic Signal Modernization  | \$ -          | \$ 1,103,289  | \$ 1,519,662 | \$ 2,622,951  | 57.9%                 | 0.0%            |   |
| Bicycle and Pedestrian Improvements   | \$ 490,000    | \$ 75,000     | \$ 281,527   | \$ 846,527    | 33.3%                 | 57.9%           |   |
| Kennedy Sidewalk & Bike Lanes - LGB to Englewood  | \$ 59,460     | \$ -          | \$ 832,300   | \$ 891,760    | 93.3%                 | 6.7%            | Total anticipated construction cost not known yet . Future grants are likely with an anticipated local match of 20% to 30%.   |
| Hwy 17 Bicycle & Pedestrian Bridge-Design Ony   | \$ 1,468,524  | \$ 147,249    | \$ 2,841,529 | \$ 4,457,302  | 63.7%                 | 32.9%           | Design Phase only. Total anticipated cost \$25,000,000. Future grants are likely with an anticipated local match of 20% to 30%.   |
| Winchester Boulevard Complete Streets -Final Design Only                                    | \$ 743,250    | \$ -          | \$ 1,734,250 | \$ 2,477,500  | 70.0%                 | 30.0%           | Design Phase only. Total anticipated construction cost not known. The desing migh take 3 years to complete .Future grants are likely with an anticipated local match of 20% to 30%. |
| Winchester Class IV Bikeway   | \$ 688,554    | \$ -          | \$ 293,900   | \$ 982,454    | 29.9%                 | 70.1%           |   |
| Oak Meadow Bandstand Area Improvements  | \$ 90,000     | \$ -          | \$ 169,730   | \$ 259,730    | 65.3%                 | 34.7%           |   |
| Los Gatos Creek Trail to Highway 9 Trailhead Connector Project                              | \$ 1,298,967  | \$ -          | \$ 5,143,000 | \$ 6,441,967  | 79.8%                 | 20.2%           | \$3,351,000 of the anticipated FY 2022/23 grant proceeds of \$4.8 million is awarded and \$1,449,000 grant is anticipated.  |
| Charter Oaks Trail Improvements   | \$ 125,000    | \$ 350,000    | \$ 72,833    | \$ 547,833    | 13.3%                 | 22.8%           |   |
| Battery Power Supply - Library  | \$ 30,000     | \$ -          | \$ 513,000   | \$ 543,000    | 94.5%                 | 5.5%            |   |
| ADA Upgrade Public Restrooms - Adult Recreation Bldg.                                       | \$ 183,000    | \$ -          | \$ 130,861   | \$ 313,861    | 41.7%                 | 58.3%           |   |

\* Other sources include Gas Tax, Traffic Mitigation, Community Benefit, and Storm Basin funding