



**TOWN OF LOS GATOS
FINANCE COMMISSION AGENDA
OCTOBER 13, 2025
110 EAST MAIN STREET
TOWN COUNCIL CHAMBERS
5:30 PM**

*Linda Reiners, Chair
Ashby Monk, Vice Chair
Adam Fischer, Commissioner
Phil Koen, Commissioner
Joseph Rodgers, Commissioner
Matthew Hudes, Mayor
Rob Moore, Vice Mayor*

IMPORTANT NOTICE

This is a hybrid meeting and will be held in-person at the Town Council Chambers at 110 E. Main Street and virtually through Zoom Webinar (log-in information provided below). Members of the public may provide public comments for agenda items in-person or virtually through the Zoom Webinar by following the instructions listed below.

HOW TO PARTICIPATE

The public is welcome to provide oral comments in real-time during the meeting in three ways:

- **Zoom Webinar (Online):** Join from a PC, Mac, iPad, iPhone or Android device. Please click this URL to join: <https://losgatosca.gov.zoom.us/j/84834011781?pwd=rHVGvPbwjNaaM6U6ZB5AbaZUF1ToV9.1>
Passcode: 998589. You can also type in 848 3401 1781 in the “Join a Meeting” page on the Zoom website at zoom.us and use passcode 998589.
 - When the Mayor 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.
- **Telephone:** Please dial (855) 758-1310 for US Toll-free or (408) 961-3927 for US Toll. (Meeting ID: 848 3401 1781).
 - If you are participating by calling in, press #2 on your telephone keypad to raise your hand.
- **In-Person:** Please complete a “speaker’s card” located on the back of the chamber benches and return it to the Town Clerk before the meeting or when the Chair announces the item for which you wish to speak.

NOTES: (1) Comments will be limited to three (3) minutes or less at the Chair’s discretion.

(2) If you are unable to participate in real-time, you may email Clerk@losgatosca.gov the subject line “Public Comment Item #__” (insert the item number relevant to your comment). All comments received will become part of the record.

(3) Deadlines to submit written comments are:

- 11:00 a.m. the Thursday before the Commission meeting for inclusion in the agenda packet.
- 11:00 a.m. the Friday before the Commission meeting for inclusion in an addendum.
- 11:00 a.m. on the day of the Commission meeting for inclusion in a desk item.

CALL MEETING TO ORDER

ROLL CALL

APPROVE REMOTE PARTICIPATION *(This item is listed on the agenda in the event there is an emergency circumstance requiring a Commissioner to participate remotely under AB 2449 (Government Code 54953)).*

CONSENT ITEMS *(Items appearing on the Consent are considered routine Town business and may be approved by one motion. Members of the public may provide input on any Consent Item(s) when the Chair asks for public comment on the Consent Items.)*

1. Approve the Minutes of the September 8, 2025, Finance Commission Regular Meeting.

RECOMMENDATION:

Approve the Minutes of the September 8, 2025, Finance Commission Regular Meeting.

2. Receive the Monthly Financial and Investment Report for August 2025

RECOMMENDATION:

Receive the Monthly Financial and Investment Reports for August 2025.

VERBAL COMMUNICATIONS *(Members of the public are welcome to address the Commission on any matter that is not listed on the agenda and is within the subject matter jurisdiction of the Finance Commission. To ensure all agenda items are heard, this portion of the agenda is limited to 30 minutes. 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. Each speaker is limited to no more than three (3) minutes or such time as authorized by the Chair.)*

OTHER BUSINESS *(Up to three minutes may be allotted to each speaker on any of the following items.)*

3. Review the Status of the Enterprise Resource Planning (ERP) Software Update.

RECOMMENDATION:

Review the Status of the Enterprise Resource Planning (ERP) Software Update.

4. Review and Recommend Updates to the Town's General Fund Reserve Policy

RECOMMENDATION:

Review and recommend the Town's General Fund Reserve Policy for the Town Council's consideration, incorporating best practices in fiscal policy, reserve management, and financial transparency as approved in the September 8, 2025, Finance Commission meeting and additional description of the Unassigned Fund Balance (Attachment 1).

ADJOURNMENT

ADA NOTICE In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the Clerk's Office at (408) 354-6834. Notification at least two (2) business days prior to the meeting date will enable the Town to make reasonable arrangements to ensure accessibility to this meeting. [28 CFR §35.102-35.104]

Materials related to an item on this agenda submitted to the Commission after initial distribution of the agenda packets are available for public inspection in the Clerk's Office at Town Hall, 110 E. Main Street, Los Gatos and on Town's website at www.losgatosca.gov. Commission agendas and related materials can be viewed online at <https://losgatos-ca.municodemeetings.com/>.



**TOWN OF LOS GATOS
FINANCE COMMISSION
MINUTES**

MEETING DATE: 10/13/2025

ITEM NO: 1

Item 1.

**Minutes of the Finance Commission Regular Meeting
September 8, 2025**

The Finance Commission of the Town of Los Gatos conducted a regular meeting in person and via teleconference.

THE MEETING WAS CALLED TO ORDER AT 5:31 P.M.

ROLL CALL

Present: Chair Linda Reiners, Vice Chair Ashby Monk, Commissioner Adam Fischer, Commissioner Phil Koen, Commissioner Joe Rodgers, Mayor Matthew Hudes, and Vice Mayor Rob Moore (Arrived at 5:46 PM).

Town Staff Present: Town Manager, Chris Constantin; Finance Director, Gitta Ungvari; Town Clerk, Wendy Wood; and Finance and Accounting Manager, Eric Lemon.

PRESENTATION

- i. Receive a Presentation Related to Commissioners' Roles, Responsibilities, Meeting Procedures and Policies.

The Town Clerk, Wendy Wood, presented the item.

LIASON UPDATE - Verbal report on the status of the RFP for a Fiscal Condition Analysis, including a five year and long term forecast, fiscal impact analysis, and asset liability management study, as well as the timing of upcoming discussions by the Pension and OPEB Oversight Board and the Finance Commission regarding the pension and OPEB trusts.

The Finance Director, Gitta Ungvari, presented the update.

CONSENT ITEMS

1. Approve the Minutes of the August 11, 2025, Finance Commission Regular Meeting
2. Receive the Monthly Financial and Investment Report for July 2025
3. Receive the California Employer's Retiree Benefit Trust (CERBT) Strategy 1 Market Value Summary Report for the Period Ending June 30, 2025, and the Performance Report as of June 30, 2025
4. Receive the California Employer's Pension Prefunding Trust (CEPPT) Strategy Market Value Summary Report for the Period Ending June 30, 2025, and Performance as of June 30, 2025
5. Receive the CalPERS Actuarial Valuation Reports as of June 30, 2024

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SUBJECT: Draft Minutes of the Finance Commission Regular Meeting of September 8, 2025

DATE: October 8, 2025

Commissioner Koen pulled items 4 and 5.

There was no public comment.

MOTION: Motion by **Commissioner Monk** to approve the consent items 1 through 3.
Seconded by Commissioner Koen.

VOTE: Motion passed unanimously.

VERBAL COMMUNICATIONS

There was no public comment.

OTHER BUSINESS

6. Discuss Review and Recommend Updates to the Town's General Fund Reserve Policy

The Finance Director, Gitta Ungvari, opened the item for discussion.

The Commission discussed the item, asked questions, and provided input.

Staff addressed the Commissioners' questions.

There was no public comment.

The Town Manager summarized the recommendation, which is to approve the General Fund Policy with the recommended changes and amendments, and request that staff return to the commission with information in three areas:

1. Unassigned fund balance and determine whether a percentage or dollar target should be established based on research, best practice, experience, and other cities' activities.
2. How assigned fund balances get established, and to audit the current assigned fund balances.
3. Whether we need to have a committed fund balance for specific, significant, large-scale capital projects that would otherwise be classified in assigned fund balance.

MOTION: Motion by **Commissioner Koen** to approve the motion as summarized by the Town Manager. **Seconded by Commissioner Monk.**

VOTE: Motion passed unanimously.

SUBJECT: Draft Minutes of the Finance Commission Regular Meeting of September 8, 2025

DATE: October 8, 2025

PULLED CONSENT ITEMS

4. Receive the California Employer's Pension Prefunding Trust (CEPPT) Strategy Market Value Summary Report for the Period Ending June 30, 2025, and Performance as of June 30, 2025

Commissioner Koen opened the item for discussion

The commission discussed the item and provided comments

There was no public comment.

MOTION: Motion by Commissioner Koen to receive the report. Seconded by Commissioner Fischer.

VOTE: Motion passed unanimously.

5. Receive the CalPERS Actuarial Valuation Reports as of June 30, 2024

Commissioner Koen opened the item for discussion

The commission discussed the item and asked questions

Staff addressed the Commissioners' questions.

There was no public comment.

MOTION: Motion by Commissioner Koen to receive the CalPERS valuation report as of June 30, 2024. Seconded by Commissioner Fischer.

VOTE: Motion passed unanimously.

ADJOURNMENT:

The meeting adjourned at 7:19 p.m.

This is to certify that the foregoing is a true and correct copy of the minutes of the September 8, 2025, regular meeting as approved by the Finance Commission.

Eric Lemon, Finance and Accounting Manager



TOWN OF LOS GATOS
FINANCE COMMISSION REPORT

MEETING DATE: 10/13/2025

ITEM NO: 2

Item 2.

DATE: October 7, 2025
TO: Finance Commission
FROM: Chris Constantin, Town Manager
SUBJECT: **Receive the Monthly Financial and Investment Report for August 2025**

RECOMMENDATION: Receive the Monthly Financial and Investment Reports for August 2025.

FISCAL IMPACT:

There is no fiscal impact from the receipt of this report.

BACKGROUND:

California Government Code Section 41004 requires that the Town Treasurer submit to the Town Clerk and the legislative body a written report and accounting of all receipts, disbursements, and fund balances. The Finance Director assumes the Town Treasurer role. Attachment 1 contains the August 2025 monthly Financial and Investment Report, which fulfills this requirement.

The August 2025 Monthly Financial and Investment Report will be presented to the Town Council at its October 21, 2025, regular meeting.

DISCUSSION:

The August 2025 Monthly Financial and Investment Report includes a Fund Balance Schedule, representing estimated funding available for all funds at the beginning of the fiscal year and at the end of the respective month.

As operations fluctuate month to month, there are differences between balances in one month and balances in another. Such differences may be significant due to the type of activity in those

PREPARED BY: Eric Lemon
Finance and Accounting Manager

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

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SUBJECT: Monthly Financial and Investment Report for August 2025

DATE: October 7, 2025

months and the timing of any estimates used in the presentation, based on the information available. This is demonstrated by the attached August 31, 2025, fund balance report.

In the case that the differences are extraordinary and unanticipated, we will ensure we present more information to explain the differences.

The difference between the August 31, 2025, and July 31, 2025, estimated fund balances is due to normal day-to-day fluctuations in revenues and expenditures.

Please note that the amount in the Fund Schedule differs from the Portfolio Allocation and Treasurer's Cash Fund Balances Summary schedule because assets and liabilities are components of the Fund Balance.

As illustrated in the summary below, Ending Fund Balance = Cash + Assets - Liabilities, which represents the actual amount of funds available.

Reconciling Cash to Fund Balance - August 31, 2025		
Total Cash	\$	69,644,461
Plus: Assets	\$	20,735,799
Less: Liabilities	\$	(27,989,308)
Estimated Fund Balance	\$	62,390,952

As of August 31, 2025, the Town's financial position (Cash Plus Other Assets \$90.38M, Liabilities \$27.99, and Fund Equity \$62.39) remains strong, and the Town has sufficient funds to meet the cash demands for the next six months.

As of August 31, 2025, the Town's weighted portfolio yield for investments under management was 4.34%, which was 9 basis points above the Local Agency Investment Fund (LAIF) yield of 4.25% for the same reporting period. Currently, the LAIF portfolio's weighted average maturity (WAM) is 247 days versus the Town's longer WAM of 617 days. The Town's assets under management reflect the Town's selection of the 1-3 year benchmark investment strategy through the Town's investment advisor to lock in higher yields at the top of the interest rate cycle. The longer maturities are balanced with shorter-term yields available on investments held with the State's LAIF. The Town's weighted average rate of return on investments under management of 4.34% at the close of August decreased 5 basis points when compared to the July investment report.

Since August 2024, LAIF yields decreased from 458 basis points (4.58%) to 425 basis points (4.25%) through the end of August 2025. The State LAIF pool typically lags the market when current market yields are either increasing or decreasing.

During the first three quarters of 2025, the Federal Open Market Committee (FOMC) implemented a single adjustment to the federal funds rate at its meeting on September 17. The

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SUBJECT: Monthly Financial and Investment Report for August 2025

DATE: October 7, 2025

Committee lowered the target range by 25 basis points to 4.00%–4.25%, citing subdued economic growth in the first half of the year and signs of softening in the labor market. This adjustment aligns with the FOMC's objective to promote maximum employment and achieve a year-over-year inflation target of 2%.

The US economy added 73,000 new jobs in July, with services job gains still concentrated in healthcare. The unemployment rate increased to 4.2% from 4.1% while the participation rate fell from 62.3% to 62.2%. Elsewhere, the 4-week average of initial jobless claims rose from 221,000 to 228,000 over the month, albeit it may have been subject to residual seasonality. Continuing claims remained around cycle highs.

The Town's investments are in compliance with the Town's Investment Policy dated March 18, 2025, and are also in compliance with the requirements of Section 53600 et seq. 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.

CONCLUSION:

Receive the Monthly Financial and Investment Report for August 2025.

Attachments:

1. Financial and Investment Report (August 2025)

Town of Los Gatos
Summary Investment Information
August 31, 2025

Weighted Average YTM Portfolio Yield on Investments under Management

4.34%

Weighted Average Maturity (days)

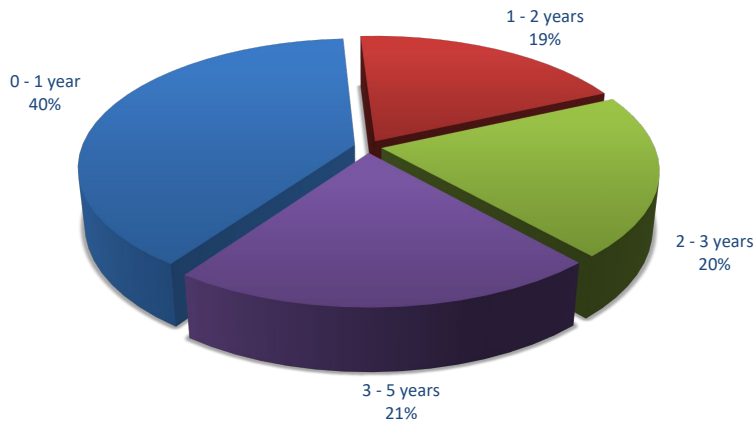
617

	This Month	Last Month	One year ago
Portfolio Allocation & Treasurer's Cash Balances	\$69,644,461	\$70,742,567	\$69,642,660
Managed Investments	\$52,058,138		
Local Agency Investment Fund	\$12,339,746		
Reconciled Demand Deposit Balances	\$5,246,576		
Portfolio Allocation & Treasurer's Cash Balances	<u>\$69,644,461</u>		

Benchmarks/ References:

Town's Average Yield	4.34%	4.39%	4.47%
LAIF Yield for month	4.25%	4.26%	4.58%
3 mo. Treasury	4.14%	4.34%	5.11%
6 mo. Treasury	3.96%	4.27%	4.86%
2 yr. Treasury	3.62%	3.96%	3.92%
5 yr. Treasury	3.70%	3.97%	3.70%
10 Yr. Treasury	4.23%	4.37%	3.90%

Portfolio Maturity Profile



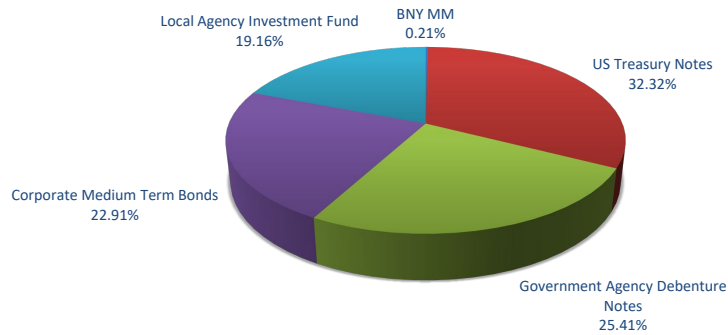
Compliance: The Town's investments are in compliance with the Town's investment policy dated March 18, 2025, and also in compliance with the requirements of Section 53600 at seq. of the California State Code. Based on the information available, the Town has sufficient funds to meet the cash demands for the next six months.

Town of Los Gatos
Portfolio Allocation & Treasurer's Cash Balances
August 31, 2025

	Month	YTD
Cash & Investment Balances - Beginning of Month/Period	\$ 70,742,567.26	\$ 81,558,113.19
Receipts	4,030,367.55	15,698,848.88
Disbursements	(5,128,474.20)	(27,612,501.46)
Cash & Investment Balances - End of Month/Period	<u>\$69,644,460.61</u>	<u>\$69,644,460.61</u>

Portfolio Allocation	Amount	% of Portfolio	Max. % or \$ Allowed per State Law or Policy
BNY MM	\$132,491.52	0.21%	20% of Town Portfolio
US Treasury Notes	\$20,812,257.84	32.32%	No Max. on US Treasuries
Government Agency Debenture Notes	\$16,361,904.41	25.41%	No Max. on Non-Mortgage Backed
Corporate Medium Term Bonds	\$14,751,484.50	22.91%	30% of Town Portfolio
Local Agency Investment Fund	\$12,339,746.03	19.16%	\$75 M per State Law
Subtotal - Investments	64,397,884.30	100.01%	
Reconciled Demand Deposit Balances	<u>5,246,576.31</u>		
Total Portfolio Allocation & Treasurer's Cash Balances	<u>\$69,644,460.61</u>		

Portfolio Investment Allocation



Treasurer's Fund Balances



Town of Los Gatos
Non-Treasury Restricted Fund Balances
August 31, 2025

	Beginning Balance	August 2025 Deposits Realized Gain/Adj.	August 2025 Interest/ Earnings	August 2025 Withdrawals	Ending Balance	
Non-Treasury Funds:						
Cert. of Participation 2002 Ser A Reserve Fund	\$ 699,392.74	\$ -	\$ 2,243.93	\$ 13,141.74	\$ 688,494.93	Note 1
Cert. of Participation 2010 Ser Lease Payment Fund	1,158,762.50	-	2,616.40	1,158,762.50	2,616.40	Note 2
Cert. of Participation 2002 Ser A Lease Payment Fund	583,924.93	13,141.74	1,109.98	583,875.00	14,301.65	Note 1
Cert. of Participation 2010 Ser Reserve Fund	1,281,709.28	-	4,479.09	-	1,286,188.37	Note 2
Total Restricted Funds:	<u>\$ 3,723,789.45</u>	<u>\$ 13,141.74</u>	<u>\$ 10,449.40</u>	<u>\$ 1,755,779.24</u>	<u>\$ 1,991,601.35</u>	
CEPPT IRS Section 115 Trust	3,091,128.87	-	56,463.32	-	\$ 3,147,592.19	Note 3
Grand Total COP's and CEPPT Trust	<u>\$ 6,814,918.32</u>	<u>\$ 13,141.74</u>	<u>\$ 66,912.72</u>	<u>\$ 1,755,779.24</u>	<u>\$ 5,139,193.54</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 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 post employment benefits.

Town of Los Gatos
Statement of Interest Earned
August 31, 2025

July 2025	\$	238,713.97
August 2025	\$	238,367.28
September 2025	\$	-
October 2025	\$	-
November 2025	\$	-
December 2025	\$	-
January 2026	\$	-
February 2026	\$	-
March 2026	\$	-
April 2026	\$	-
May 2026	\$	-
June 2026	\$	-
	\$	<u>477,081.25</u>

**Town of Los Gatos
Investment Schedule
August 31, 2025**

Institution	CUSIP #	Security	Coupon	Deposit Date	Par Value	Original Cost	Original Issue (Discount) Premium	Market Value	Market Value Above (Under) Cost	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				
Apple	037833DB3	Corporate Bond	2.90%	12/20/2022	1,300,000.00	1,228,591.00	(71,409.00)	1,279,200.00	50,609.00		6/21/2027	4.19%	\$ 83,987.22	\$ 135,426.07	\$ 9,096.88	659				
Home Depot	437076BM3	Corporate Bond	3.00%	8/4/2022	1,000,000.00	991,960.00	(8,040.00)	993,180.00	1,220.00		1/1/2026	3.04%	\$ 79,750.00	\$ 94,051.74	\$ 5,495.95	123				
FFCB	3133ZNSV8	Gov. Agency Debenture	4.13%	1/17/2023	236,000.00	239,174.20	3,174.20	236,856.68	(2,317.52)		1/11/2027	3.76%	\$ 24,175.25	\$ 21,918.24	\$ 1,518.36	498				
US Treasury	91282CBT7	US Treasury Note	0.75%	9/30/2022	800,000.00	712,565.18	(87,434.82)	785,384.00	72,818.82		3/31/2026	4.14%	\$ 15,000.00	\$ 85,193.12	\$ 5,260.93	212				
FFCB	3133ZNP95	Gov. Agency Debenture	4.25%	9/30/2022	900,000.00	909,939.60	939.60	899,883.00	(1,056.60)		9/30/2025	4.14%	\$ 95,625.00	\$ 104,352.97	\$ 6,444.11	30				
JP Morgan Chase	44625SHR1	Corporate Bond	3.20%	9/23/2022	500,000.00	474,660.00	(25,340.00)	496,235.00	21,575.00		3/15/2026	4.70%	\$ 43,644.44	\$ 64,505.94	\$ 3,955.85	196				
FHLB	3130AQPF6	Gov. Agency Debenture	1.25%	11/30/2022	1,300,000.00	1,260,559.40	(39,440.60)	1,258,361.00	97,801.60		12/21/2026	4.15%	\$ 41,572.92	\$ 130,709.25	\$ 8,593.82	477				
FHLB	3130APJH9	Gov. Agency Debenture	1.00%	1/17/2023	1,000,000.00	907,010.00	(92,990.00)	980,960.00	73,950.00		10/28/2026	4.17%	\$ 23,354.17	\$ 84,829.28	\$ 5,876.44	423				
FFCB	3133ZNSN6	Gov. Agency Debenture	4.00%	2/8/2023	1,700,000.00	1,700,000.00	0.00	1,711,152.00	4,420.00		1/6/2028	3.91%	\$ 163,955.56	\$ 159,363.33	\$ 11,317.90	858				
Freddie Mac	3137EAEX3	Gov. Agency Debenture	0.38%	5/1/2023	750,000.00	689,032.50	(60,967.50)	748,282.50	59,250.00		9/23/2025	3.97%	\$ 5,328.12	\$ 61,146.74	\$ 4,792.79	23				
American Honda	02665WED9	Corporate Bond	4.70%	5/11/2023	600,000.00	608,856.00	8,856.00	607,974.00	(882.00)		1/12/2028	4.34%	\$ 61,178.33	\$ 56,288.41	\$ 4,468.48	864				
US Treasury	91282CEF4	US Treasury Note	2.50%	6/9/2023	1,500,000.00	1,416,626.12	(83,373.88)	1,472,400.00	55,773.88		3/31/2027	4.09%	\$ 67,827.87	\$ 122,333.72	\$ 10,086.02	577				
US Treasury	91282CGA3	US Treasury Note	4.00%	6/20/2023	2,100,000.00	2,005,558.59	(94,441.41)	2,099,265.00	18,706.41		12/15/2025	4.40%	\$ 166,852.46	\$ 186,379.78	\$ 15,594.53	106				
Colgate-Palmolive	194162AB4	Corporate Bond	4.60%	7/14/2023	500,000.00	504,655.00	4,655.00	509,390.00	4,735.00		2/1/2028	4.37%	\$ 37,502.79	\$ 43,173.83	\$ 3,733.30	884				
FannieMae	3135GQOQ3	Gov. Agency Debenture	4.50%	7/14/2023	500,000.00	455,157.50	(44,843.00)	496,635.00	41,478.00		11/7/2025	4.63%	\$ 4,534.72	\$ 42,871.33	\$ 3,707.14	68				
FFCB	3133EPQC2	Gov. Agency Debenture	4.63%	7/17/2023	500,000.00	501,957.50	1,957.50	503,070.00	1,112.50		7/17/2026	4.48%	\$ 46,250.00	\$ 43,961.07	\$ 3,817.35	320				
FFCB	3133BPM6	Gov. Agency Debenture	4.13%	7/14/2023	600,000.00	596,220.00	(3,780.00)	604,638.00	8,418.00		8/23/2027	4.29%	\$ 52,181.25	\$ 50,424.13	\$ 4,360.25	722				
PNC Bank	69353RFJ2	Corporate Bond	3.25%	7/25/2023	1,000,000.00	921,490.00	(78,510.00)	984,110.00	62,620.00		12/23/2027	5.23%	\$ 64,729.17	\$ 97,247.67	\$ 8,540.16	844				
US Treasury	91282CFU0	US Treasury Note	4.13%	7/31/2023	1,300,000.00	1,290,660.00	(9,339.40)	1,313,299.00	22,638.40		10/31/2027	4.31%	\$ 93,843.75	\$ 107,052.11	\$ 9,481.76	791				
Toyota Motor Credit	89236TKL8	Corporate Bond	5.45%	8/25/2023	1,600,000.00	1,617,168.00	17,168.00	1,648,688.00	31,520.00		11/10/2027	5.16%	\$ 148,966.67	\$ 153,725.55	\$ 14,119.98	801				
US Treasury	912810FE3	US Treasury Note	5.50%	10/3/2023	1,200,000.00	1,238,207.14	38,207.14	1,264,824.00	26,616.86		8/15/2028	4.76%	\$ 123,211.96	\$ 101,335.84	\$ 9,878.65	1080				
PepsiCo Inc	713448DF2	Corporate Bond	2.85%	10/16/2023	1,000,000.00	947,570.00	(52,430.00)	993,480.00	45,910.00		11/24/2025	5.24%	\$ 52,883.33	\$ 91,065.84	\$ 9,062.73	85				
FFCB	3133EPUW3	Gov. Agency Debenture	4.75%	10/13/2023	1,000,000.00	994,338.00	(5,662.00)	1,008,420.00	14,082.00		9/1/2026	4.96%	\$ 65,708.33	\$ 84,828.57	\$ 8,401.55	366				
US Treasury	91282CEW7	US Treasury Note	3.25%	10/16/2023	1,000,000.00	950,039.06	(49,960.94)	992,850.00	42,810.94		6/30/2027	4.73%	\$ 55,461.96	\$ 78,477.53	\$ 7,809.96	668				
US Treasury	91282CEN7	US Treasury Note	2.75%	10/31/2023	1,300,000.00	1,214,336.39	(85,663.61)	1,280,448.00	66,111.61		4/30/2027	4.82%	\$ 53,625.00	\$ 100,336.49	\$ 10,231.68	607				
US Treasury	91282CC2H	US Treasury Note	1.25%	12/21/2023	900,000.00	798,647.55	(101,352.45)	843,750.00	45,102.45		6/30/2028	3.99%	\$ 17,180.71	\$ 51,319.84	\$ 5,712.44	1034				
FNMA	3135GQOQ2	Gov. Agency Debenture	1.88%	12/21/2023	900,000.00	845,676.00	(54,324.00)	881,010.00	35,334.00		9/24/2026	4.22%	\$ 21,234.38	\$ 55,770.03	\$ 6,207.80	389				
US Treasury	91282CFB2	US Treasury Note	2.75%	1/2/2024	1,000,000.00	960,354.91	(39,645.09)	983,400.00	23,045.09		7/31/2027	3.95%	\$ 43,417.12	\$ 57,605.73	\$ 6,553.31	699				
US Treasury	91282CHE4	US Treasury Note	3.63%	1/17/2024	1,800,000.00	1,775,185.72	(24,814.28)	1,801,188.00	26,002.28		5/31/2028	3.97%	\$ 89,317.63	\$ 102,986.91	\$ 12,047.52	1004				
JP Morgan Chase	44647PDF8	Corporate Bond	4.85%	2/1/2024	1,400,000.00	1,396,528.00	(3,472.00)	1,417,066.00	20,538.00		7/25/2027	4.93%	\$ 100,739.10	\$ 97,231.80	\$ 11,705.58	693				
US Bancorp	91159HFD8	Corporate Bond	4.55%	2/5/2024	1,000,000.00	989,200.00	(10,800.00)	1,006,700.00	17,500.00		7/22/2027	4.89%	\$ 66,577.67	\$ 68,041.60	\$ 8,255.54	690				
Treasury	91282CHB0	US Treasury Note	3.63%	2/23/2024	1,175,000.00	1,151,962.92	(23,037.08)	1,172,379.75	20,416.83		5/15/2026	4.56%	\$ 52,189.05	\$ 71,517.53	\$ 8,994.09	257				
FHLB	3130AXB31	Gov. Agency Debenture	4.88%	2/27/2024	1,000,060.00	1,003,060.00	3,060.00	1,004,640.00	1,580.00		3/13/2026	4.72%	\$ 51,729.17	\$ 63,303.13	\$ 8,026.16	194				
FFCB	3133EP5U5	Gov. Agency Debenture	4.13%	3/28/2024	1,700,000.00	1,687,981.00	(12,019.00)	1,724,803.00	36,822.00		3/20/2029	4.28%	\$ 68,566.67	\$ 91,219.09	\$ 12,321.53	1297				
US Treasury	9128285M8	US Treasury Note	3.13%	4/30/2024	1,200,000.00	1,182,662.14	(17,617.86)	1,182,660.00	58,827.86		11/15/2028	4.69%	\$ 39,045.34	\$ 63,313.82	\$ 9,214.69	1172				
Cisco Systems	17275RBR2	Corporate Bond	4.85%	5/15/2024	1,000,000.00	999,130.00	(870.00)	1,026,890.00	27,760.00		1/26/2029	4.87%	\$ 62,106.94	\$ 54,820.58	\$ 8,269.77	1244				
Home Depot	437076CW0	Corporate Bond	4.90%	5/17/2024	1,000,000.00	1,001,790.00	1,790.00	1,030,090.00	28,300.00		4/15/2029	4.86%	\$ 44,644.44	\$ 54,498.76	\$ 8,261.43	1323				
Treasury	91282CJR3	US Treasury Note	3.75%	5/31/2024	1,200,000.00	1,154,629.02	(45,370.98)	1,205,160.00	50,530.98		12/31/2028	4.68%	\$ 48,708.79	\$ 59,398.06	\$ 9,323.24	1218				
American Honda	02665WEY3	Corporate Bond	4.95%	6/27/2024	1,000,000.00	995,640.00	(4,360.00)	1,001,900.00	6,260.00		1/9/2026	5.25%	\$ 51,287.50	\$ 52,766.88	\$ 8,890.07	131				
FHLB	3130B1BT3	Gov. Agency Debenture	4.88%	7/2/2024	1,150,000.00	1,150,966.00	966.00	1,156,980.50	6,014.50		6/12/2026	4.82%	\$ 47,341.67	\$ 55,261.42	\$ 9,438.59	285				
Citibank	17325FBK3	Corporate Bond	4.84%	8/15/2024	1,250,000.00	1,263,062.50	13,062.50	1,280,812.50	17,750.00		7/6/2029	4.60%	\$ 58,963.12	\$ 50,520.38	\$ 9,819.01	1405				
FNMA	3135G05Y5	Gov. Agency Debenture	0.75%	9/10/2024	1,100,000.00	1,010,724.00	(89,276.00)	1,036,398.00	25,674.00		10/8/2027	3.56%	\$ 4,766.67	\$ 29,915.45	\$ 6,330.23	768				
US Treasury	91282CF13	US Treasury Note	3.88%	12/3/2024	1,100,000.00	1,088,144.31	(11,855.69)	1,109,493.00	21,348.69		9/30/2029	4.12%	\$ 13,817.99	\$ 25,813.46	\$ 7,657.58	1491				
FHLB	3130ATU72	Gov. Agency Debenture	4.50%	2/12/2025	505,000.00	508,253.21	3,253.21	519,150.10	10,896.89		12/1/2029	4.35%	\$ 7,701.25	\$ 8,337.70	\$ 3,745.92	1566				
FFCB	3133ER5X5	Gov. Agency Debenture	3.88%	3/12/2025	1,000,000.00	998,480.00	(1,520.00)	1,004,330.00	5,850.00	538.19	3/7/2028	3.93%	\$ (538.19)	\$ 11,831.34	\$ 6,668.57	919				
Treasury	91282CFJ9	US Treasury Note	4.88%	3/31/2025	1,100,000.00	1,130,167.75	30,167.75	1,141,338.00	11,170.25		10/31/2028	4.04%	\$ 4,444.06	\$ 11,273.90	\$ 7,681.12	1157				
State Street Corp	857477CD3	Corporate Bond	5.27%	4/30/2025	800,000.00	811,184.00	11,184.00	807,056.00	(4,128.00)		8/3/2026	4.04%	\$ 10,895.47	\$ 5,565.50	\$ 5,656.73	337				
Freddie Mac	3134HAW33	Gov. Agency Debenture	4.75%	4/30/2025	1,000,000.00	1,005,644.00	5,644.00	1,005,480.00	(1,640.00)		12/18/2029	4.23%	\$ 6,993.07	\$ 7,735.00	\$ 7,861.80	1570				
US Treasury	91282CNG2	US Treasury Note	4.00%	6/30/2025	660,000.00	665,184.24	5,184.24	668,949.60	3,765.36	2,163.92	5/31/2030	3.82%	\$ (2,163.92)	\$ -	\$ 4,305.42	1734				
US Treasury	91282CMG3	US Treasury Note	4.25%	8/4/2025	825,000.00	842,308.43	17,308.43	844,206.00	1,897.57	381.11	1/31/2030	3.74%	\$ (381.11)	\$ -	\$ 2,308.88	1614				
US Treasury	91282CA6	US Treasury Note	4.13%	8/25/2025	1,200,000.00	1,218,847.77	18,847.77	1,221,660.00	2,812.23	11,631.14	11/30/2029	3.72%	\$ (11,631.14)	\$ -	\$ 741.11	1552				
Subtotal					\$ 53,151,000.00	\$ 51,925,646.75	\$ (1,225,353.25)	\$ 53,246,475.63	\$ 1,320,828.88	\$ 14,714.36							\$ 2,568,103.72	\$ 3,451,046.46	\$ 381,644.73	
BNY MM						132,491.52		132,491.52	0.00			0.00%								1
LAIF						12,339,746.03		12,354,532.87	14,786.84			4.25%							87,427.10	1
						64,397,884.30		\$65,733,500.02	\$1,335,615.72	\$14,714.36							\$ 2,568,103.72	\$ 3,451,046.46	\$ 469,071.83	
Matured Assets																				
US Treasury	91282CAB7	US Treasury Note	0.25%	11/15/2023	675,000.00	623,900.39	(51,099.61)				7/31/2025	4.92%	\$ 2,884.34	\$ 51,302.62	\$ 2,681.92					
FHLB	3135G05X7	Gov. Agency Debenture	0.38%	6/10/2022	1,200,000.00	1,102,952.40	(97,047.60)				8/25/2025	3.04%	\$ 14,437.50	\$ 106,169.42	\$ 5,327.50					
Total Investments "Matured"															\$ 8,009.42					
Total Interest FY 24_25 Matured and Current																	\$ 477,081.25			
Maturity Profile																				
					Amount		Percent													
0-1 year					\$ 25,339,450.84		39%													
1-2 years					\$12,302,433.08		19%													
2-3 years					\$13,067,026.01		20%													
3-5 years					\$ 13,688,974.37		21%													
					\$64,397,884.30		100%													

Town of Los Gatos
Investment Transaction Detail
August 31, 2025

Date	Cusip/Id	Description	Transaction Type	Trade Date	Settlement Date	Par	Coupon	Maturity Date	Price	Principal	Interest	Transaction Total
8/4/2025	91282CMG3	USA TREASURY 4.25% 31JAN2030	PURCHASE	8/1/2025	8/4/2025	825,000.00	4.250%	1/31/2030	102.10	842,308.43	381.11	842,689.54
8/4/2025	857477CD3	STATE STREET CORP 5.272% 03AUG2026 (CALLABLE 03JUL26)	BOND INTEREST	8/3/2025	8/3/2025	800,000.00	5.272%	8/3/2026	-	-	21,088.00	21,088.00
8/4/2025	Cash-USD	Cash-USD	SHORT TERM INVESTMENT FUND INCOME	8/4/2025	8/4/2025	425.56	0.000%		100.00	-	-	425.56
8/6/2025	17325FBK3	CITIBANK NA 4.838% 06AUG2029 (CALLABLE 06JUL29)	BOND INTEREST	8/6/2025	8/6/2025	1,250,000.00	4.838%	8/6/2029	-	-	30,237.50	30,237.50
8/15/2025	912810FE3	USA TREASURY 5.5% 15AUG2028	BOND INTEREST	8/15/2025	8/15/2025	1,200,000.00	5.500%	8/15/2028	-	-	33,000.00	33,000.00
8/25/2025	91282CMA6	USA TREASURY 4.125% 30NOV2029	PURCHASE	8/22/2025	8/25/2025	1,200,000.00	4.125%	11/30/2029	101.57	1,218,847.77	11,631.14	1,230,478.91
8/25/2025	3133EPBM6	FEDERAL FARM CREDIT BANK 4.125% 23AUG2027	BOND INTEREST	8/23/2025	8/23/2025	600,000.00	4.125%	8/23/2027	-	-	12,375.00	12,375.00
8/25/2025	713448DF2	PEPSICO INC 2.85% 24FEB2026 (CALLABLE 24NOV25)	BOND INTEREST	8/24/2025	8/24/2025	1,000,000.00	2.850%	2/24/2026	-	-	14,250.00	14,250.00
8/25/2025	3135G05X7	FANNIE MAE 0.375% 25AUG2025	BOND INTEREST	8/25/2025	8/25/2025	1,200,000.00	0.000%	8/25/2025	-	-	2,250.00	2,250.00
8/25/2025	3135G05X7	FANNIE MAE 0.375% 25AUG2025	REDEMPTION	8/25/2025	8/25/2025	1,200,000.00	0.000%	8/25/2025	100.00	1,200,000.00	-	1,200,000.00
8/26/2025	17275RBR2	CISCO SYSTEMS INC 4.85% 26FEB2029 (CALLABLE 26JAN29)	BOND INTEREST	8/26/2025	8/26/2025	1,000,000.00	4.850%	2/26/2029	-	-	24,250.00	24,250.00

TOWN OF LOS GATOS, CA

Insight ESG ratings as of August 31, 2025

CUSIP	Security description	Maturity date	Par/Shares	Total market value (\$)	S&P rating	Moody's rating	Insight ESG rating	Environment	Social	Governance
02665WEY3	AMERICAN HONDA FINANCE 4.95% 09JAN2026	1/9/2026	1,000,000	1,009,081	A-	A3	3	3	4	3
02665WED9	AMERICAN HONDA FINANCE 4.7% 12JAN2028	1/12/2028	600,000	611,887	A-	A3	3	3	4	3
037833DB3	APPLE INC 2.9% 12SEP2027 (CALLABLE 12JUN27)	9/12/2027	1,300,000	1,297,043	AA+	Aaa	5	2	5	5
17275RBR2	CISCO SYSTEMS INC 4.85% 26FEB2029 (CALLABLE 26JAN29)	2/26/2029	1,000,000	1,027,775	AA-	A1	2	1	3	3
17325FBK3	CITIBANK NA 4.838% 06AUG2029 (CALLABLE 06JUL29)	8/6/2029	1,250,000	1,285,483	A+	Aa3	3	1	2	4
194162AR4	COLGATE-PALMOLIVE CO 4.6% 01MAR2028 (CALLABLE 01FEB28)	3/1/2028	500,000	521,037	A+	Aa3	3	3	3	3
437076CW0	HOME DEPOT INC 4.9% 15APR2029 (CALLABLE 15MAR29)	4/15/2029	1,000,000	1,048,881	A	A2	3	3	3	2
437076BM3	HOME DEPOT INC 3% 01APR2026 (CALLABLE 01JAN26)	4/1/2026	1,000,000	1,005,751	A	A2	3	3	3	2
46625HRS1	JPMORGAN CHASE & CO 3.2% 15JUN2026 (CALLABLE 15MAR26)	6/15/2026	500,000	499,656	A	A1	3	2	3	4
46647PDG8	JPMORGAN CHASE & CO 4.851% 25JUL2028 (CALLABLE 25JUL27)	7/25/2028	1,400,000	1,424,119	A	A1	3	2	3	4
713448DF2	PEPSICO INC 2.85% 24FEB2026 (CALLABLE 24NOV25)	2/24/2026	1,000,000	994,059	A+	A1	3	2	2	4
69353RFJ2	PNC BANK NA 3.25% 22JAN2028 (CALLABLE 23DEC27)	1/22/2028	1,000,000	987,861	A	A2	3	3	3	3
857477CD3	STATE STREET CORP 5.272% 03AUG2026 (CALLABLE 03JUL26)	8/3/2026	800,000	810,433	A	Aa3	2	1	2	2
89236TKL8	TOYOTA MOTOR CREDIT CORP 5.45% 10NOV2027	11/10/2027	1,600,000	1,675,270	A+	A1	3	1	2	5
91159HJF8	US BANCORP 4.548% 22JUL2028 (CALLABLE 22JUL27)	7/22/2028	1,000,000	1,011,819	A	A3	3	3	4	3
Total Corporate / weighted average			14,950,000	15,210,154			3	2	3	3

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

Fund Schedule

Item 2.

Fund Number	Fund Description	Prior Year Carryforward 7/1/2025*	Increase/ (Decrease) July	August 2025				Estimated Fund Balance 8/31/2025*
				Current Revenue	Current Expenditure	Transfer In	Transfer Out	
111	GENERAL FUND							
	Non-Spendable:							
	Loans Receivable	159,000	-	-	-	-	-	159,000
	Restricted Fund Balances:							
	Pension	2,188,659	-	-	-	-	-	2,188,659
	Land Held for Resale	344,338	-	-	-	-	-	344,338
	Committed Fund Balances:							
	Budget Stabilization	6,736,781	-	-	-	-	-	6,736,781
	Catastrophic	6,736,781	-	-	-	-	-	6,736,781
	Pension/OPEB	300,000	-	-	-	-	-	300,000
	Measure G District Sales Tax	590,581	-	-	-	-	-	590,581
	Assigned Fund Balances:							
	Open Space	410,000	-	-	-	-	-	410,000
	Sustainability	140,553	-	-	-	-	-	140,553
	Capital/Special Projects	8,651,059	-	-	-	-	-	8,651,059
	Carryover Encumbrances	85,861	-	-	-	-	-	85,861
	Compensated Absences	1,555,478	-	-	-	-	-	1,555,478
	ERAF Risk Reserve	1,430,054	-	-	-	-	-	1,430,054
	Market Fluctuations	1,712,246	-	-	-	-	-	1,712,246
	Council Priorities - Economic Recovery	20,684	-	-	-	-	-	20,684
	Unassigned Fund Balances:							
	Other Unassigned Fund Balance Reserve (Pre YE distribution)	4,605,391	(2,146,620)	2,888,216	(3,475,118)	-	-	1,871,869
	General Fund Total	35,667,466	(2,146,620)	2,888,216	(3,475,118)	-	-	32,933,944

* Interfund transfers and Council Priorities/Economic Recovery funding allocation to be performed as part of the fiscal year end closing entries.

Fund Schedule

Item 2.

Fund Number	Fund Description	Prior Year Carryforward 7/1/2025*	Increase/ (Decrease) July	August 2025				Estimated Fund Balance 8/31/2025*
				Current Revenue	Current Expenditure	Transfer In	Transfer Out	
	SPECIAL REVENUE							
211/212	CDBG	166,653	-	-	-	-	-	166,653
222	Urban Runoff (NPDES)	664,168	(13,416)	34,173	(10,640)	-	-	674,285
231-236	Landscape & Lighting Districts	193,606	908	-	(2,057)	-	-	192,457
251	Los Gatos Theatre	392,180	14,855	15,070	(7,120)	-	-	414,985
261-264,269	Library Trusts	559,745	(3,593)	70,230	(7,982)	-	-	618,400
	Special Revenue Total	1,976,352	(1,246)	119,473	(27,799)	-	-	2,066,780
	CAPITAL PROJECTS							
411	GFAR - General Fund Appropriated Reserve	17,289,616	130,845	89,953	(263,235)	-	-	17,247,179
412	Community Center Development	819,604	-	-	-	-	-	819,604
421	Grant Funded Projects	(1,730,651)	(283,230)	283,230	(292,361)	-	-	(2,023,012)
461-463	Storm Basin Projects	2,825,234	16,444	39,568	(18,291)	-	-	2,862,955
471	Traffic Mitigation Projects	676,482	-	-	-	-	-	676,482
472	Utility Undergrounding Projects	3,763,913	-	-	-	-	-	3,763,913
481	Gas Tax Projects	2,130,548	156,215	167,434	-	-	-	2,454,197
	Capital Projects Total	25,774,746	20,274	580,185	(573,887)	-	-	25,801,318
	INTERNAL SERVICE FUNDS							
611	Town General Liability	148,746	(1,466,790)	-	(2,595)	-	-	(1,320,639)
612	Workers Compensation	1,259,972	(458,963)	13,421	(57,137)	-	-	757,293
621	Information Technology	2,514,895	(227,658)	6,796	(113,655)	-	-	2,180,378
631	Vehicle & Equipment Replacement	3,890,428	-	-	-	-	-	3,890,428
633	Facility Maintenance	881,111	(17,429)	9,070	(132,126)	-	-	740,626
	Internal Service Funds Total	8,695,152	(2,170,840)	29,287	(305,513)	-	-	6,248,086
	Trust/Agency							
942	RDA Successor Agency	(2,916,323)	(1,742,724)	-	(129)	-	-	(4,659,176)
	Trust/Agency Fund Total	(2,916,323)	(1,742,724)	-	(129)	-	-	(4,659,176)
	Total Town	69,197,393	(6,041,156)	3,617,161	(4,382,446)	-	-	62,390,952

* Interfund transfers and Council Priorities/Economic Recovery funding allocation to be performed as part of the fiscal year end closing entries.

Deposit Accounts of Interest:

111-23541 General Plan Update deposit account balance \$482,196.38
 111-23521 BMP Housing deposit account balance \$3,723,190.79



TOWN OF LOS GATOS
FINANCE COMMISSION REPORT

MEETING DATE: 10/13/2025

ITEM NO: 3

Item 3.

DATE: October 7, 2025
TO: Finance Commission
FROM: Chris Constantin, Town Manager
SUBJECT: Review the Status of the Enterprise Resource Planning (ERP) Software Update

REMARKS:

Receive an update of the ERP systems implementation.

ATTACHMENT:

1. Presentation - Tyler ERP Update

PREPARED BY: Sai Kim
Chief Technology Officer

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



Enterprise ERP Update

Finance Commission
October 13, 2025

ERP Project Background

The Town of Los Gatos issued an RFP to replace its legacy ERP system, focusing on modernizing the Financial and HR operations through a unified enterprise platform.

RFP Issued: Solicited proposals from qualified vendors Workday, Oracle, Tyler Technologies, OpenGov, and CentralSquare

Only Respondent: Tyler Technologies

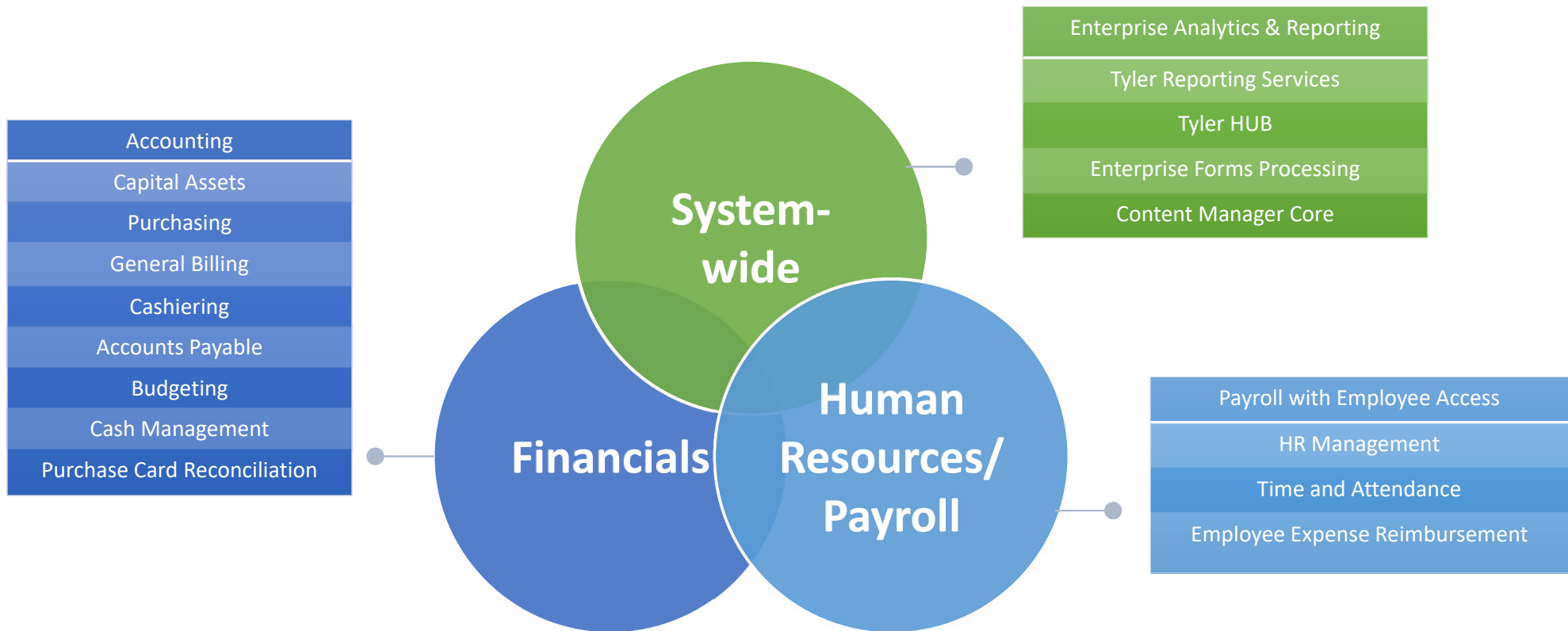
Council Approval: June 21, 2022

Official Go-Live: June 1, 2025.

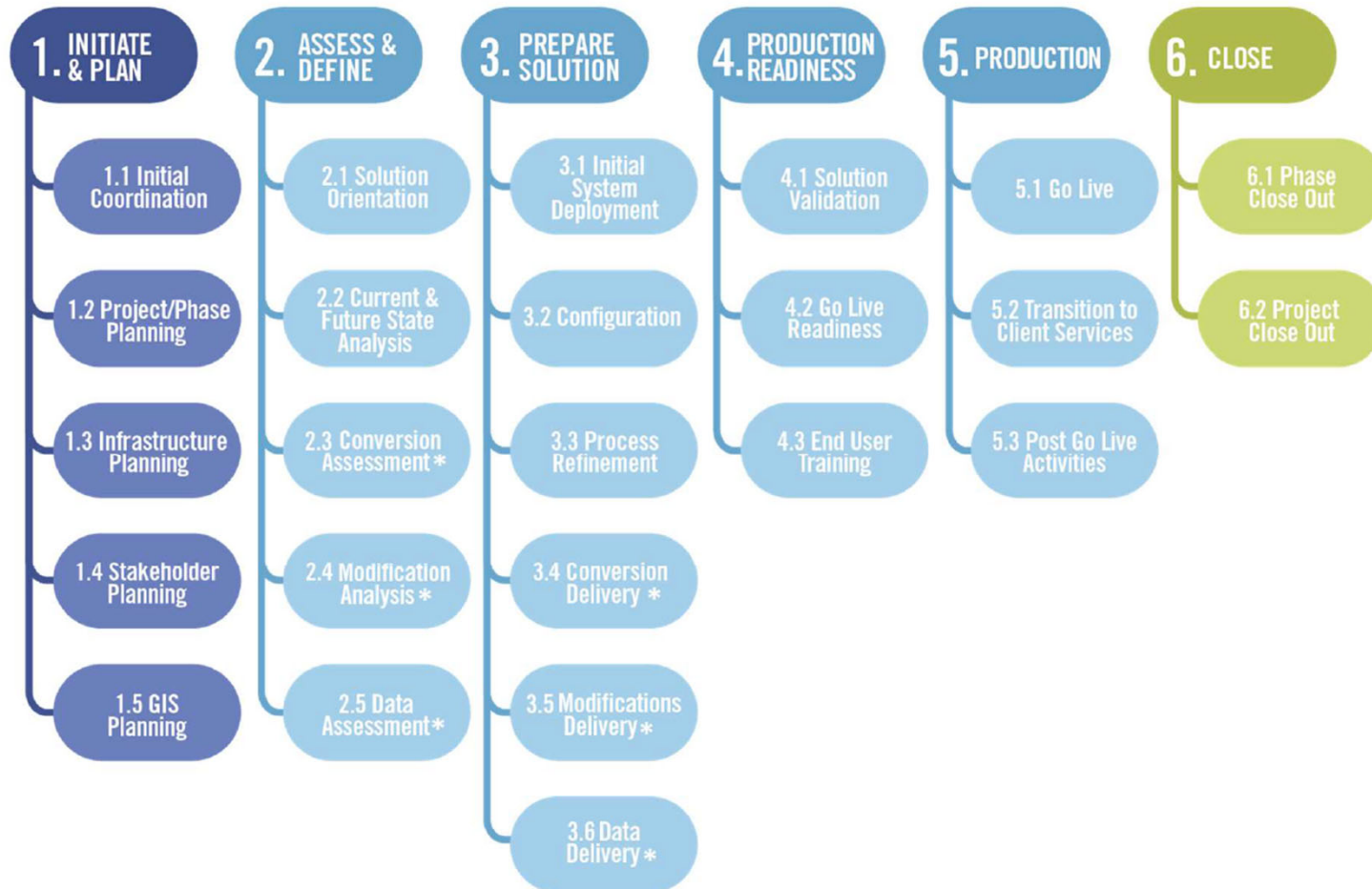
Project Objectives

- Consolidate information, link processes and functions, and eliminate manual paperwork in favor of a single system that integrates the Town's Financial, HR and Payroll systems through a single platform.
- Streamline business processes to take advantage of best practices through automation, integration, and enhanced workflows.
- Eliminate the need for redundant data entry.
- Provide a user-friendly and intuitive user interface to promote system use and productivity.
- Enhance reporting capabilities and access to data through inquiry and drilldown capabilities.

Tyler ERP Modules



Implementation Methodology



Financials – Status Overview

Completed	In Progress	Future Project Work
<ul style="list-style-type: none"> General Ledger Accounting Accounts Payable Cash Management Purchasing Cashiering General Billing Purchase Card Reconciliation 	<ul style="list-style-type: none"> Budgeting <ul style="list-style-type: none"> Current limitations due to FY 2025-26 Budget built in legacy system Budget monitoring reports Advanced Custom Reporting Enterprise Analytics & Executive Insights 	<ul style="list-style-type: none"> Position Control (7/1/2026) <ul style="list-style-type: none"> Next FY Budget built within Tyler allowing for full function of position control Capital Assets (12/31/2025) Vendor Access (12/31/2026) <ul style="list-style-type: none"> Invoices, Payments, W-9s Resident Access (12/31/2026) <ul style="list-style-type: none"> Misc. General Billing Town already utilizes third-party payment systems for Permits and Business License

Human Capital Management – Status Overview

Completed	In Progress	Future Project Work
<ul style="list-style-type: none">Employee Resource ManagementPayrollTime & AttendanceEmployee Access Portal<ul style="list-style-type: none">Paystubs, Benefits, W-2s	<ul style="list-style-type: none">Employee Expense Reimbursement	<ul style="list-style-type: none">Position Control (7/1/2026)Advanced Scheduling – PD and Library (12/31/2026)

Data Conversions

All Records Converted

- Vendor Master Records
- Customer Master Records
- Open Purchase Orders
- Open Miscellaneous Billing Invoices

5 Years of Historical Data

- General Ledger
- Accounts Payable Checks
- Accounts Payable Invoices
- Payroll Accumulators
- Payroll Check History
- Payroll Earnings & Deductions

Conclusion

- Staff focused on core functions implementation to maintain daily operational needs
- Tremendous time and effort by Finance, HR and IT Staff in the multiyear implementation
- All Town Staff patiently went through extensive training in learning new systems
- Continuous learning process for Staff as adjustments and refinements are made



TOWN OF LOS GATOS
FINANCE COMMISSION REPORT

MEETING DATE: 10/13/2025

ITEM NO: 4

Item 4.

DATE: September 22, 2025
TO: Finance Commission
FROM: Chris Constantin, Town Manager
SUBJECT: **Review and Recommend Updates to the Town's General Fund Reserve Policy**

RECOMMENDATION: Review and recommend the Town's General Fund Reserve Policy for the Town Council's consideration, incorporating best practices in fiscal policy, reserve management, and financial transparency as approved in the September 8, 2025, Finance Commission meeting and additional description of the Unassigned Fund Balance (Attachment 1).

FISCAL IMPACT:

There is no fiscal impact of reviewing and modifying the General Fund Reserve Policy.

BACKGROUND:

The Town of Los Gatos has historically maintained a strong General Fund reserve position, contributing to its fiscal stability and high credit ratings. The current General Fund Reserve Policy was last updated in 2021 and outlines a combined minimum reserve of 25% of General Fund ongoing operating expenditures, split evenly between a Catastrophic Reserve and a Budget Stabilization Reserve.

In light of evolving best practices and benchmarking against peer jurisdictions, staff prepared a revised policy to enhance clarity, structure, and long-term resilience. The Finance Commission discussed the General Fund Reserve Policy at its March 10 and September 8, 2025, meetings and recommended that the Town Council approve the recommended changes. (Attachment 2)

PREPARED BY: Gitta Ungvari
Finance Director

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

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DISCUSSION:

In addition, the Finance Commission requested staff to research the following three areas:

- How best practices, staff finance experience, and how other cities establish an unassigned fund balance reserve target based on a percentage or dollar target.
- How assigned funds are established and review current assigned fund balances in the General Fund to determine if they remain relevant.
- Evaluate the need to have a committed fund balance for specific large, multiyear capital projects that would otherwise be in assigned fund balances.

Set percentage or dollar target for Unassigned Fund Balance:

In governmental accounting, under GASB 54, the Unassigned Fund Balance represents the portion of the General Fund balance that has not been restricted, committed, or assigned to specific purposes. It provides the Town with the greatest degree of flexibility to respond to unexpected financial needs, manage cash flow timing, and maintain fiscal stability during periods of uncertainty.

Historically, the Government Finance Officers Association (GFOA) has recommended that general-purpose local governments maintain a minimum unrestricted fund balance in the General Fund equivalent to two months of regular operating revenues or expenditures, or approximately 16.7% of annual General Fund expenditures. It should be noted that the GFOA includes restricted funds that would otherwise be funded with unassigned fund balances (e.g., contingency reserves) as part of the calculation of the two-month target. This benchmark serves as a prudent minimum for ensuring liquidity and stability during routine fluctuations in revenues and expenditures.

While City Managers have responsibility for overall city operations, the City Managers rely heavily on the Finance Directors and finance practices to govern fund balance target decisions. To place this recommendation in context, staff reviewed General Fund Reserve policies across Santa Clara County jurisdictions. The following table summarizes each agency's reserve targets, structure, and notable practices.

Jurisdiction	Target(s) & Structure
Los Gatos (Town)	Combined minimum 25% of GF operating expenditures: 12.5% Catastrophic + 12.5% Stabilization
Santa Clara (City)	Budget Stabilization Reserve = 3 months (~25%) of GF budget; FY 24/25 minimum = 15%

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Jurisdiction	Target(s) & Structure
San José (City)	Aggregate goal = 10% of GF expenditures across Contingency, Stabilization, Catastrophic
Sunnyvale (City)	Budget Stabilization Fund \geq 15% of GF revenues
Mountain View (City)	General Fund Reserve = 20–25% of GF net expenditures
Palo Alto (City)	Budget Stabilization Reserve = 15–20% of GF expenses; separate Budget Uncertainty Reserve
Cupertino (City)	Economic Uncertainty Reserve at least 25%
Campbell (City)	Economic Fluctuations Reserve = 16.67%; Emergency Reserve = 10% of revenues; \$1M cash reserve
Milpitas (City)	Contingency Reserve \geq 16.67% of GF expenditures; Stabilization Reserve = 16.67%
Gilroy (City)	Minimum GF fund balance = 30%
Morgan Hill (City)	Minimum reserve threshold = 25% of GF expenditures
Los Altos (City)	References GFOA “two months” guidance; recent ACFR notes 20% GF reserve
Saratoga (City)	Current 6/30/2024 \$9.1 million GF Unassigned Fund Balance
Los Altos Hills (Town)	Emergency Contingency \geq \$1.25M; Operating Contingency \approx 1 year of personnel costs
Monte Sereno (City)	GF reserve at least 20% to 25% annual GF expenditures, \approx “nearly two years” of operating costs (practice)

While the GFOA's traditional guidance offers a sound baseline, the Association's 2023 report, *Rethinking Reserves*, recommends that local governments move beyond a fixed-percentage approach and adopt a risk-based, range-based strategy for setting reserve targets. The report emphasizes that the appropriate reserve level depends on a community's specific risk profile, including exposure to economic cycles, disaster vulnerability, and reliance on volatile revenue sources—rather than a uniform national standard. Interestingly, the GFOA is currently exploring

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the conversion of the best practice to an advisory, which eliminates explicit targets for reserve balances and puts in place a guidance-based advisory.

Under this modern framework, reserves are best understood not merely as a savings account but as a form of self-insurance, a financial tool for managing uncertainty and maintaining service continuity in the face of disruptions. The *Rethinking Reserves* approach encourages establishing a target range rather than a fixed point. The lower bound serves as a minimum to preserve fiscal stability, while the upper bound identifies a ceiling beyond which funds may be reallocated to other community priorities or one-time investments.

Applying these principles, the Town of Los Gatos currently maintains a combined minimum reserve of 25% of General Fund operating expenditures, which is divided equally between the Catastrophic Reserve (12.5%) and the Budget Stabilization Reserve (12.5%), and an Unassigned Fund Balance Reserve of \$4,000,000, representing approximately 6.35% of annual General Fund operating expenditures. Together, these reserves total roughly 31.35% of General Fund operating expenditures, placing the Town well above the GFOA baseline and within the upper range of comparable jurisdictions.

In light of the GFOA's *Rethinking Reserves* recommendations and the Town's already strong reserve position, staff recommend maintaining the existing Unassigned Fund Balance Reserve of \$4,000,000 as a flexible tool for cash flow management and minor contingencies, rather than establishing a fixed percentage target. A rigid percentage requirement for unassigned fund balance could unnecessarily limit the Town's ability to respond to needs or take advantage of short-term fiscal opportunities. For example, the Town has planned use for some of the unassigned fund balance to balance the 2025-26 budget.

Instead, staff recommend that the Town's General Fund Reserve Policy initially reflect a risk-informed reserve range approach that:

- Treats the Town's existing reserves collectively as a form of self-insurance against identified fiscal and operational risks;
- Expresses initial reserve goals as 25% of General Fund operating expenditures, reflecting current contingency and catastrophic reserves balances as a minimum but also accepting the establishment of the \$4,000,000 Unassigned Fund Balance;
- Upon funding the reserve levels pursuant to the Town's General Fund Reserve Policy, any remaining surplus of fiscal year revenues above expenditures shall be placed in the Unassigned Fund Balance; and
- Commits to periodic risk-based reassessment of the available Unassigned Fund Balance adequacy in light of changing fiscal, environmental, or operational conditions, including consideration of lifecycle capital assets which may not be identified and funded.

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This adaptive approach maintains the Town's longstanding commitment to prudent fiscal management while aligning with modern best practices in public finance, ensuring that Los Gatos remains well-positioned to navigate both anticipated and unforeseen financial challenges.

Together, these updates position the Town's reserve policy to balance prudence with adaptability, anchored in established GFOA best practices while responsive to the Town's specific risk environment. However, given the projected structural deficit, the Town needs to consider alternatives and not rely on current fund balances to address such deficits on an ongoing basis.

The following section reviews the Town's current assigned fund balances to ensure that they remain relevant and aligned with this updated framework for long-term financial resilience.

Review current assigned fund balances in the General Fund and determine if they remain relevant

Under the principles established by GASB Statement No. 54, assigned fund balances represent resources that the Town intends to use for specific purposes but that have not been formally committed by the Town Council. These balances provide flexibility to manage planned projects, address operational contingencies, and respond to emerging needs while preserving the Town's overall financial stability. Assignments are typically authorized by the Town Manager or Finance Director and ratified annually by the Town Council as part of the budget adoption or year-end closing process.

Consistent with the Government Finance Officers Association (GFOA) *Fund Balance Guidelines for the General Fund*, assigned fund balances serve as an important component of the Town's fiscal strategy by providing earmarked but adaptable funding sources. The GFOA emphasizes that governments should maintain clearly defined policies that establish how assigned resources are created, used, and replenished, and should periodically reassess the purpose of each assignment to ensure that it remains aligned with current community needs, risk exposure, and financial priorities. Additionally, the GFOA recommends that assigned or unrestricted fund balances be reserved primarily for one-time or nonrecurring expenditures, rather than ongoing operational costs, to promote long-term structural balance.

As of June 30, 2025, the Town's estimated Assigned Fund Balances in the General Fund, as adopted by the Town Council in the June 3, 2025, Fund Balance Resolution, are summarized on the next page:

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Reserve Name	Purpose	Estimated Balance (FY 2024–25)
Capital/Special Projects Reserve	Funds infrastructure and capital projects identified in the Town's five-year Capital Improvement Program (CIP) or other Council priorities.	\$1,506,449
Compensated Absences Reserve	Provides funding for 50% of all vested sick leave, vacation, and compensatory time, per the Town's General Fund Reserve Policy.	\$1,555,478
Carryover Encumbrances	Holds funds for approved purchase orders and contracts not finalized by fiscal year-end.	\$85,861
Sustainability Reserve	Established from the closure of the Solid Waste Management Fund in FY 2008–09, dedicated to conservation, recycling, and sustainability initiatives.	\$140,553
Market Fluctuation Reserve	Captures unrealized investment gains of \$10,000 or more per GASB 31, to manage volatility in investment income, per Town General Fund Reserve Policy.	\$1,712,246
Open Space Reserve	Set aside for the preservation of open space, trail connections, and protection of natural features and scenic areas.	\$410,000
ERAF Risk Reserve	Held 30% of anticipated ERAF proceeds pending litigation; excess balance moved to Unassigned Fund Balance during FY 2024–25.	\$0
Council Priorities – Economic Recovery	Temporary reserve established to support economic recovery efforts; fully expended in FY 2024–25.	\$0

Together, these assigned balances total approximately \$5.41 million, reflecting the Town's proactive approach to managing future financial commitments, existing obligations, and one-time initiatives.

In line with GFOA guidance, staff conducted a review of the assigned reserves to ensure they remain relevant and aligned with current Town goals. Two balances, the Sustainability Reserve (\$140,553) and the Open Space Reserve (\$410,000), have been identified as potential candidates for reassignment. These funds were originally designated for specific purposes that are no longer active or that may now be more effectively supported through ongoing programmatic funding or capital allocations.

Staff recommends that the Town Council consider these reserves during the 2026–27 Operating Budget process. Options include realigning the Sustainability Reserve with the Town's Environmental Services Program to fund energy efficiency and waste reduction initiatives, or

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reallocating the Open Space Reserve to supplement approved projects in the Town's Capital Improvement Program. Alternatively, both balances could be reassigned to the Unassigned Fund Balance, enhancing financial flexibility and liquidity to address future operational or strategic needs.

By maintaining clearly defined assigned reserves while periodically reviewing their purpose and funding levels, the Town ensures that resources are managed transparently and used efficiently. This approach aligns with GFOA best practices and demonstrates the Town's ongoing commitment to prudent fiscal management, accountability, and adaptability to changing conditions.

While assigned fund balances provide flexibility for planned or intended uses, committed fund balances represent a higher level of Council designation. Under GASB 54, committed funds are constrained by formal action of the Town Council, typically through resolution or ordinance, and cannot be reallocated without equivalent formal action. These reserves are designed to support major long-term obligations or specific risks identified by the governing body, such as disaster recovery, economic stabilization, or pension liabilities.

The following section outlines the Town's committed fund balance structure, including the Catastrophic Reserve, Budget Stabilization Reserve, and Pension/OPEB Reserve, and how each supports the Town's broader strategy of maintaining financial resilience and continuity of services.

Guideline for committed or assigned fund balance for Capital Projects

Under GASB Statement No. 54, governmental fund balance can be classified as committed (formal constraint by governing body) or assigned (reflecting intent by management or authorized officials). Because capital projects often involve long time horizons, cost uncertainties, and evolving priorities, placing large general fund dollars into a committed status prematurely can reduce flexibility and make adaptation harder in response to new opportunities. Consistent with prevailing practices among California municipalities and GFOA guidance, the Town will continue to classify these funds as assigned unless a project is fully authorized and construction-ready, where the Town may consider committing such funds.

Current Practice and Rationale

As of June 30, 2025, the Town maintains a Capital/Special Projects Reserve of \$1,506,449 as part of the assigned fund balances. This reserve is intended to support infrastructure or facility projects identified in the Town's five-year Capital Improvement Program (CIP) or other Council priorities. Rather than converting this into a committed balance, which would legally restrict its use absent further Council action, staff proposes to keep all capital project funding in the assigned category until specific projects satisfy stringent readiness criteria.

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Keeping capital funds in assigned status provides these benefits:

- **Flexibility to respond to changing priorities or shifting funding landscapes** – If a grant is withdrawn, a project is delayed, or urgent need arises elsewhere, the Town retains discretion to reallocate or reprioritize the funds, subject to Council oversight.
- **Avoids overcommitment risk** – Committing too early can lock the Town into certain paths before design, cost, or funding risks are fully vetted.
- **Simplicity in internal management and reporting** – The Town can treat the reserve as a pool or pipeline of capital funding, shifting to projects when ready, rather than needing to reclassify large sums repeatedly. This fits our new tiered structure for capital projects.
- **Consistency with GFOA's concept of reserves as buffers, not rigid lockboxes** – The GFOA guidance encourages managing fund balance designations in light of risk, volatility, and the unique financial structure of each government.

In a review of peer city reserve policies across California, staff did not locate solid examples in which municipalities routinely move general fund capital reserves into committed status as a default practice. Some jurisdictions do establish committed reserves for very specific risks (e.g. debt service, catastrophe, pension liabilities), but capital funding is more often left in flexible, assigned categories until fully scoped and funded.

These practices are consistent with GFOA's guidance that fund balance designations should be linked to a government's capital planning process, with the highest level of constraint applied only when a project has reached a committed and executable stage. Premature commitment can unnecessarily restrict flexibility, while delayed commitment can lead to uncertainty in funding availability or project delivery.

Conclusion

The revised policy incorporates Finance Commission feedback and GFOA guidance while retaining the Town's core reserve structure. It also formally establishes the General Fund Unassigned Fund Balance Reserve with the 2025–26 Adopted Budget, reflecting available resources that are not allocated for other uses and can support temporary revenue shortfalls or one-time expenditures. This Reserve is intended to represent available resources that are not allocated for other uses and can be used to address changes in the current year's net revenue. Changes may include net revenue that falls to the bottom line or additional expenditures that are not covered by revenue or transfers into the General Fund. In addition, staff recommends removing obsolete language related to the Almond Grove Reserve, as the Almond Grove Reserve is no longer in use. Staff recommends establishing a clear order for year-end surplus deposits. The recommended changes are redlined in Attachment 1.

Based on these follow-ups, staff is not recommending any additional changes to the General

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Fund Reserve Policy at this time. Staff recommends that the Finance Commission recommend Town Council approval of the General Fund Reserve Policy as redlined and unanimously approved by the Finance Commission at its September 2025 meeting.

Attachment:

1. General Fund Reserve Policy-Redlined and Blue Lined
2. General Fund Reserve Police – Redlined as recommended by the Finance Commission
3. Fund Balance Resolution June 3, 2025



TITLE: General Fund Reserve Policy

POLICY NUMBER: 4-03

EFFECTIVE DATE: 05/16/2011

PAGES: 6

ENABLING ACTIONS:

REVISED DATES: 02/21/2017;
05/15/2018; 06/04/2019, 09/21/2021,
3/18/2024

APPROVED:

PURPOSE

The purpose of this Policy is to establish a target minimum level of designated reserves in the General Fund to:

- Reduce the financial impacts associated with a disaster or catastrophic event;
- Respond to the challenges of a changing economic environment, including prolonged downturns in the local, state, or national economy; ~~and~~
- Demonstrate continued prudent fiscal management and creditworthiness; ~~and~~
- Define a replenishment plan and deposit hierarchy to maintain fiscal resilience.

BACKGROUND

The Town of Los Gatos has always maintained a high level of General Fund reserves, which has contributed to superior ratings by credit rating agencies; provided financial flexibility in economic downturns; contributed a source of investment income for General Fund operations; and assured financial coverage in the event of future emergencies.

General Fund operating expenditures refer to the recurring costs necessary to support the day-to-day delivery of public services. These include personnel costs such as salaries, wages, employee benefits, and pension contributions; contracted services like legal counsel, janitorial services, and IT support; and essential operational expenses such as utilities, office supplies, and insurance. They also encompass routine maintenance, minor repairs, and programmatic costs associated with departments like police, fire, parks and recreation, and community development. These expenditures are distinct from one-time or capital costs and are typically funded through general revenues such as property taxes, sales taxes, and service fees.

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GUIDING PRINCIPLES

Following sound financial practices and adhering to the Government Finance Officers of America (GFOA) recommendations, the Town’s designated reserves include reserves for known and unknown contingencies, which take into consideration the:

- Diversity of revenue base
- Volatility of revenue structure
- Changes in political environment
- Frequency of operating surpluses/deficits
- Cash flow management practices

Transparency & Review

The General Fund Reserve Policy is to be reviewed **periodically** by the Town Council as part of the annual operating budget review and adoption process. **Reserves are reported at the Monthly Financial and Investment Report.**

POLICY

The fund balance is the difference between the assets and liabilities reported in a governmental fund. Under current accounting standards, there are five separate components of fund balance, each of which identifies the extent to which the Town is bound to honor constraints on the specific purposes for which amounts can be spent.

Government Accounting Standards Board (GASB) 54 includes a prescribed hierarchy based on the extent to which a city is bound by constraints for the use of the funds reported in governmental funds. GASB 54 provides the classification as non-spendable, restricted, committed, assigned and unassigned based on the relative strength of the constraints that control how specific amounts can be spent. The following definitions are provided in GASB 54:

- **Non-spendable**
These funds are not available for expenditures based on legal or contractual requirements.
- **Restricted**
These funds are governed by externally enforceable restrictions.
- **Committed**
Fund balances in this category are limited by the government’s highest level of decision making (in this case the Town Council). Any changes of this designation must be done in the same manner that it was implemented.
- **Assigned**
For funds to be assigned, there must be an intended use which can be established by the Town Council or an official delegated by the council.
- **Unassigned**
This classification is the default for all funds that do not fit into the other categories.

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This, however, should not be a negative number for the General Fund. If it is, the assigned fund balance must be adjusted to offset the Unassigned Fund balance.

~~The following components are defined by Governmental Accounting Standards Board (GASB) Statement No. 54 and shall constitute the Town's Fund Balance:~~

- ~~• *Nonspendable Fund Balance* (inherently nonspendable)~~
- ~~• *Restricted Fund Balance* (externally enforceable limitations on use)~~
- ~~• *Committed Fund Balance* (self-imposed limitations on use)~~
- ~~• *Assigned Fund Balance* (limitation resulting from intended use)~~
- ~~• *Unassigned Fund Balance* (residual net resources)~~

The first two components listed above are not specifically addressed in this Policy due to the nature of their restrictions. The example of nonspendable fund balance is inventory. Restricted fund balance is either imposed by law or constrained by grantors, contributors, or laws or regulations of other governments. This Policy is focused on financial reporting of unrestricted fund balance, or the last three components listed above. These three components are further defined below.

The accounting policies of the Town consider restricted fund balance spent first when expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Similarly, when an expenditure is incurred for purposes for which amounts of the unrestricted classifications of fund balance could be used, the Town considers committed amounts to be reduced first, followed by assigned amounts and then unassigned amounts.

Committed Fund Balance

The Town Council, as the Town's highest level of decision-making authority, may commit fund balance for specific purposes pursuant to constraints imposed by formal action taken, such as an ordinance or resolution. These committed amounts cannot be used for any other purpose, unless the Town Council removes or changes the specific use through the same type of formal action taken to establish the commitment. The Town Council action to commit fund balance needs to occur within the fiscal reporting period; however, the amount can be determined subsequently at the final close of the fiscal year.

The Town currently sets aside funds into ~~three~~ ~~four~~ committed reserves to address unforeseen emergencies or disasters, significant changes in the economic environment, unfunded pension and Other Post-Employment Benefits (OPEB) obligations, and key infrastructure and capital projects. These include the Catastrophic Reserve, Budget Stabilization Reserve, ~~and Pension (OPEB) Reserve.~~ ~~and Almond Grove Street Projects Reserve.~~ ~~The Town Council can commit other reserves by resolution.~~

Catastrophic Reserve

Funds reserved under this category shall be used to mitigate costs associated with unforeseen emergencies, such as a disaster or catastrophic event. Should unforeseen and unavoidable events occur that require the expenditure of Town resources beyond those provided for in the annual budget, the Town Manager or designee shall have authority to approve Catastrophic Reserve appropriations. The Town Manager or designee shall then present to the Town Council a budget amendment confirming the nature of the emergency and authorizing the appropriation of reserve funds. **Reimbursements from the Federal Emergency Management Agency (FEMA) or other agencies shall be used to replenish the reserve.**

The Town currently commits to maintaining this reserve at a minimum of 12.5% of General Fund ongoing operating expenditures (minus one-time **and pass-through** expenditures).

Should a catastrophic disaster occur, the required reserve level should be adequate to meet the Town's immediate financial needs. For example, in the event of natural disaster, the Catastrophic Reserve would provide necessary coverage for basic operating expenses, including salary and benefits for safety and non-safety Town employees, while still meeting debt service obligations for approximately 60 days. This time frame would enable the Town to explore other available cash alternatives, including the use of internal service funds.

Budget Stabilization Reserve

Funds reserved under this category shall be used to mitigate annual revenue shortfalls **(actual revenues less than projected revenues)** due to changes in the economic environment and/or one-time uses that will result in future efficiencies and/or budgetary savings. Examples of "economic triggers" and one-time uses include, but are not limited to:

- An unplanned, major event such as a catastrophic disaster requiring expenditures which exceed the General Fund Catastrophic Reserve;
- Drop in projected/actual revenue of more than five percent in property or sales tax, or other economically sensitive revenues;
- Budgeted revenue taken over by another entity exceeding \$100,000;
- Loss of businesses considered to be significant **sales** tax generators;
- Reductions **or disruption** in projected/actual revenue **of more than five percent** due to actions by the state/federal government **which materially impact the Town's ability to fund current operations**;
- Workflow/technical system improvements to reduce ongoing, personnel costs and enhance customer service;
- One-time maintenance of service levels due to significant economic/budget constraints; and
- One-time transitional costs associated with organizational restructuring to secure long-term personnel cost savings.

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The Town currently commits to maintaining this reserve at a minimum of 12.5% of General Fund ongoing operating expenditures, including salaries and benefits (minus one-time ~~and pass-through~~ expenditures).

~~Should a loss of the Town's single highest source of sales tax revenue occur, the required reserve level should be adequate to meet the Town's immediate financial needs. For example, the reserve level in the Budget Stabilization Fund would provide for an approximate 3-year transition period, giving the Town adequate time to realign its operating costs with available resources, while minimizing service impacts.~~

Pension/OPEB Reserve

Funds reserved under this category shall be used to further mitigate costs associated with pension and OPEB unfunded obligations. These funds will be used as a funding source for potential additional discretionary payments to pay down unfunded pension and other post-employment obligations, or held in the reserve account to be used as a supplemental funding source for ~~unanticipated~~ increases to the annual pension and other post-employment costs resulting from future actuarial assumptions and investment market volatility, ~~which may impair the Town's ability to continue existing operations.~~

This Policy requires the Town to set aside additional annual discretionary payments (ADPs) to reduce the effective amortization period of the Town's pension unfunded actuarial liabilities from approximately 30 years to 20 years. To facilitate the implementation of this Policy, staff shall update the estimated unfunded amortization schedules in conjunction with the Town's and CalPERS actuaries. This process will coincide with the annual proposed budget process to determine the additional annual discretionary payment levels required to maintain the goal of lowering the amortization period from a 30-year to a 20-year amortization period for all prior year actuarial bases through ~~FY 18/19~~ 2018-19. The ADP ~~was is currently~~ projected at \$390,000 for ~~FY 2018/-19~~ 2018-19 (subject to annual updates provided by CalPERS actuaries). Per Council direction ADPs will either be allocated directly to CalPERS, the Town's Pension IRS 115 Trust Fund, or the OPEB_IRS 115 Trust Fund.

As part of the proposed budget for each forthcoming fiscal year, staff ~~shall~~ will strive to annually appropriate, to the extent possible, the amount of annual discretionary payments necessary to maintain the unfunded pension liability amortization shortening from 30 to 20 years.

In the event the annual amount required for additional discretionary payments is not available from operating revenues, the ADP shall be funded by a first lien on any one-time excess revenues above expenditures once other General Fund required reserve levels have been established at the appropriate levels as per the Town's General Fund Reserve Policy. If in any given year neither budgetary appropriations or a first lien on one-time excess revenues are sufficient to fund the annual ADP, that years ADP will be accrued to the following year until paid.

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4-03

Additionally, effective upon the close of fiscal year 2015~~/~~16 and thereafter, if sufficient General Fund year-end savings are available and targeted reserve levels of 25% (12.5% for Catastrophic Reserve and 12.5% for Budget Stabilization Reserve) of the next fiscal year's operating budget and the funding the following year's proposed budget ADP have been met, upon final close of the fiscal year, a minimum of \$300,000 annually shall be deposited into the Pension/OPEB Reserve fund. In addition, Council can assign additional amount deposited to the Pension/OPEB Reserve with a formal Council action from available year end savings.

~~Almond Grove Street Project Reserve~~

~~Funds reserved under this category shall be used to reconstruct the 10 streets identified in the Almond Grove Street Rehabilitation Project specification.~~

~~The Council awarded the bid in April 2017 allowing for \$2.9 million savings within the project. The Council reappropriated the use of the savings through the FY 2017/18 budget process. The Almond Grove Reserve should be reduced by the identified \$2.9 million savings. The Almond Grove Street Reserve balance will be reduced at each fiscal year end by the funds expended on the Almond Grove Street Rehabilitation Project during the fiscal year.~~

Assigned Fund Balance

Amounts that are constrained by the Town's intent to be used for specific purposes, but are neither restricted nor committed, should be reported as assigned fund balance. This Policy hereby delegates the authority to assign amounts to be used for specific purposes to the Town Manager, for the purpose of reporting to assign amounts in the annual financial statements, **with annual ratification by the Town Council**. A few examples of assigned fund balance follow.

- Encumbrances – material s and services on purchase order and contracts which are unperformed.
- Reappropriations – appropriated by the Council for specific projects or programs that were not completed and not encumbered by year end.
- GASB 31 Adjustments – \$10,000 or higher unrealized investment gains that have been recorded in the financial statements in accordance with GASB 31.

Capital~~and~~/Special Projects Reserve

Funds reserved under this category are designated for key infrastructure and capital/special projects as identified in the Town 5-year Capital Improvement Plan, as there is no ongoing funding source to support the Town's capital needs.

Unassigned Fund Balance

At the end of each fiscal year, the Finance Department reports on the audited year-end budgetary fiscal results. Should actual General Fund revenues exceed expenditures and

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encumbrances, a year-end operating surplus shall be reported. Any year-end surplus which results in the General Fund balance exceeding the level required by this Reserve Policy shall be available for allocation for the following, subject to Council approval:

- Offset projected future deficits
- Anticipated intergovernmental fiscal impacts
- One-time funding, non-recurring needs

This policy allows for Unassigned fund balances and places no specific restriction on their use. The unassigned fund balance is established at ~~goal is to maintain~~ \$4,000,000 with the FY 2025-26 budget process to cover needs and support ongoing operations during the upcoming fiscal year. Use of unassigned fund balances must be approved by the Town Council.

Upon funding any of the above reserve levels pursuant to this General Fund Reserve Policy, any remaining surplus of fiscal year revenues above expenditures shall be placed in the Unassigned Fund Balance. Upon closing the fiscal year, the Council can reassigned portion of the Unassigned Fund Balance for Town liabilities or initiatives.

~~Upon funding any of the above reserve levels pursuant to this General Fund Reserve Policy, any remaining surplus of fiscal year revenues above expenditures shall be placed in the Capital/ and Special Projects Reserve for appropriation within the Capital Improvement Program budget.~~

Surplus Allocation Hierarchy

After funding carryforwards and legally restricted uses, year-end surpluses shall be allocated in the following order:

1. Catastrophic Reserve
2. Budget Stabilization Reserve
3. Pension/OPEB Reserve
4. Unassigned Fund Balance
5. ~~Capital/Special Projects Reserve~~
6. Other Council-prioritized reserves

Replenishment of Unreserved Fund Balance

In keeping with the principles discussed in this Policy, when either fund is used, Town Council will develop a 1 to 5 year reserve replenishment plan to meet the minimum threshold of 25% of General Fund ongoing, operating expenditures, excluding one-time expenditures. Temporary exceptions to the minimum may be allowed for one fiscal year with an adopted restoration schedule.

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Item 4.

APPROVED AS TO FORM:

Gabrielle Whelan, Town Attorney


TITLE: General Fund Reserve Policy
POLICY NUMBER: 4-03
EFFECTIVE DATE: 05/16/2011
PAGES: 6
ENABLING ACTIONS:
REVISED DATES: 02/21/2017;
05/15/2018; 06/04/2019, 09/21/2021,
3/18/2024

APPROVED:

PURPOSE

The purpose of this Policy is to establish a target minimum level of designated reserves in the General Fund to:

- Reduce the financial impacts associated with a disaster or catastrophic event;
- Respond to the challenges of a changing economic environment, including prolonged downturns in the local, state, or national economy; ~~and~~
- Demonstrate continued prudent fiscal management and creditworthiness; ~~and~~
- Define a replenishment plan and deposit hierarchy to maintain fiscal resilience.

BACKGROUND

The Town of Los Gatos has always maintained a high level of General Fund reserves, which has contributed to superior ratings by credit rating agencies; provided financial flexibility in economic downturns; contributed a source of investment income for General Fund operations; and assured financial coverage in the event of future emergencies.

General Fund operating expenditures refer to the recurring costs necessary to support the day-to-day delivery of public services. These include personnel costs such as salaries, wages, employee benefits, and pension contributions; contracted services like legal counsel, janitorial services, and IT support; and essential operational expenses such as utilities, office supplies, and insurance. They also encompass routine maintenance, minor repairs, and programmatic costs associated with departments like police, fire, parks and recreation, and community development. These expenditures are distinct from one-time or capital costs and are typically funded through general revenues such as property taxes, sales taxes, and service fees.

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GUIDING PRINCIPLES

Following sound financial practices and adhering to the Government Finance Officers of America (GFOA) recommendations, the Town's designated reserves include reserves for known and unknown contingencies, which take into consideration the:

- Diversity of revenue base
- Volatility of revenue structure
- Changes in political environment
- Frequency of operating surpluses/deficits
- Cash flow management practices

Transparency & Review

The General Fund Reserve Policy is to be reviewed **periodically** by the Town Council as part of the annual operating budget review and adoption process. **Reserves are reported at the Monthly Financial and Investment Report.**

POLICY

The fund balance is the difference between the assets and liabilities reported in a governmental fund. Under current accounting standards, there are five separate components of fund balance, each of which identifies the extent to which the Town is bound to honor constraints on the specific purposes for which amounts can be spent.

Government Accounting Standards Board (GASB) 54 includes a prescribed hierarchy based on the extent to which a city is bound by constraints for the use of the funds reported in governmental funds. GASB 54 provides the classification as non-spendable, restricted, committed, assigned and unassigned based on the relative strength of the constraints that control how specific amounts can be spent. The following definitions are provided in GASB 54:

- **Non-spendable**
These funds are not available for expenditures based on legal or contractual requirements.
- **Restricted**
These funds are governed by externally enforceable restrictions.
- **Committed**
Fund balances in this category are limited by the government's highest level of decision making (in this case the Town Council). Any changes of this designation must be done in the same manner that it was implemented.
- **Assigned**
For funds to be assigned, there must be an intended use which can be established by the Town Council or an official delegated by the council.
- **Unassigned**
This classification is the default for all funds that do not fit into the other categories.

This, however, should not be a negative number for the General Fund. If it is, the assigned fund balance must be adjusted to offset the Unassigned Fund balance.

~~The following components are defined by Governmental Accounting Standards Board (GASB) Statement No. 54 and shall constitute the Town's Fund Balance:~~

- ~~• Nonspendable Fund Balance (inherently nonspendable)~~
- ~~• Restricted Fund Balance (externally enforceable limitations on use)~~
- ~~• Committed Fund Balance (self-imposed limitations on use)~~
- ~~• Assigned Fund Balance (limitation resulting from intended use)~~
- ~~• Unassigned Fund Balance (residual net resources)~~

The first two components listed above are not specifically addressed in this Policy due to the nature of their restrictions. The example of nonspendable fund balance is inventory. Restricted fund balance is either imposed by law or constrained by grantors, contributors, or laws or regulations of other governments. This Policy is focused on financial reporting of unrestricted fund balance, or the last three components listed above. These three components are further defined below.

The accounting policies of the Town consider restricted fund balance spent first when expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Similarly, when an expenditure is incurred for purposes for which amounts of the unrestricted classifications of fund balance could be used, the Town considers committed amounts to be reduced first, followed by assigned amounts and then unassigned amounts.

Committed Fund Balance

The Town Council, as the Town's highest level of decision-making authority, may commit fund balance for specific purposes pursuant to constraints imposed by formal action taken, such as an ordinance or resolution. These committed amounts cannot be used for any other purpose, unless the Town Council removes or changes the specific use through the same type of formal action taken to establish the commitment. The Town Council action to commit fund balance needs to occur within the fiscal reporting period; however, the amount can be determined subsequently at the final close of the fiscal year.

The Town currently sets aside funds into ~~three~~ ~~four~~ committed reserves to address unforeseen emergencies or disasters, significant changes in the economic environment, unfunded pension and Other Post-Employment Benefits (OPEB) obligations, and key infrastructure and capital projects. These include the Catastrophic Reserve, Budget Stabilization Reserve, ~~and Pension (OPEB) Reserve.~~ ~~and Almond Grove Street Projects Reserve.~~ ~~The Town Council can commit other reserves by resolution.~~

Catastrophic Reserve

Funds reserved under this category shall be used to mitigate costs associated with unforeseen emergencies, such as a disaster or catastrophic event. Should unforeseen and unavoidable events occur that require the expenditure of Town resources beyond those provided for in the annual budget, the Town Manager or designee shall have authority to approve Catastrophic Reserve appropriations. The Town Manager or designee shall then present to the Town Council a budget amendment confirming the nature of the emergency and authorizing the appropriation of reserve funds. **Reimbursements from the Federal Emergency Management Agency (FEMA) or other agencies shall be used to replenish the reserve.**

The Town currently commits to maintaining this reserve at a minimum of 12.5% of General Fund ongoing operating expenditures (minus one-time **and pass-through** expenditures).

Should a catastrophic disaster occur, the required reserve level should be adequate to meet the Town's immediate financial needs. For example, in the event of natural disaster, the Catastrophic Reserve would provide necessary coverage for basic operating expenses, including salary and benefits for safety and non-safety Town employees, while still meeting debt service obligations for approximately 60 days. This time frame would enable the Town to explore other available cash alternatives, including the use of internal service funds.

Budget Stabilization Reserve

Funds reserved under this category shall be used to mitigate annual revenue shortfalls **(actual revenues less than projected revenues)** due to changes in the economic environment and/or one-time uses that will result in future efficiencies and/or budgetary savings. Examples of "economic triggers" and one-time uses include, but are not limited to:

- An unplanned, major event such as a catastrophic disaster requiring expenditures which exceed the General Fund Catastrophic Reserve;
- Drop in projected/actual revenue of more than five percent in property or sales tax, or other economically sensitive revenues;
- Budgeted revenue taken over by another entity exceeding \$100,000;
- Loss of businesses considered to be significant **sales** tax generators;
- Reductions **or disruption** in projected/actual revenue **of more than five percent** due to actions by the state/federal government **which materially impact the Town's ability to fund current operations**;
- Workflow/technical system improvements to reduce ongoing, personnel costs and enhance customer service;
- One-time maintenance of service levels due to significant economic/budget constraints; and
- One-time transitional costs associated with organizational restructuring to secure long-term personnel cost savings.

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The Town currently commits to maintaining this reserve at a minimum of 12.5% of General Fund ongoing operating expenditures, including salaries and benefits (minus one-time ~~and pass-through~~ expenditures).

~~Should a loss of the Town's single highest source of sales tax revenue occur, the required reserve level should be adequate to meet the Town's immediate financial needs. For example, the reserve level in the Budget Stabilization Fund would provide for an approximate 3-year transition period, giving the Town adequate time to realign its operating costs with available resources, while minimizing service impacts.~~

Pension/OPEB Reserve

Funds reserved under this category shall be used to further mitigate costs associated with pension and OPEB unfunded obligations. These funds will be used as a funding source for potential additional discretionary payments to pay down unfunded pension and other post-employment obligations, or held in the reserve account to be used as a supplemental funding source for ~~unanticipated~~ increases to the annual pension and other post-employment costs resulting from future actuarial assumptions and investment market volatility, ~~which may impair the Town's ability to continue existing operations.~~

This Policy requires the Town to set aside additional annual discretionary payments (ADPs) to reduce the effective amortization period of the Town's pension unfunded actuarial liabilities from approximately 30 years to 20 years. To facilitate the implementation of this Policy, staff shall update the estimated unfunded amortization schedules in conjunction with the Town's and CalPERS actuaries. This process will coincide with the annual proposed budget process to determine the additional annual discretionary payment levels required to maintain the goal of lowering the amortization period from a 30-year to a 20-year amortization period for all prior year actuarial bases through ~~FY 18/19~~ 2018-19. The ADP ~~was is currently~~ projected at \$390,000 for ~~FY 2018/19~~ 2018-19 (subject to annual updates provided by CalPERS actuaries). Per Council direction ADPs will either be allocated directly to CalPERS, the Town's Pension IRS 115 Trust Fund, or the OPEB_IRS 115 Trust Fund.

As part of the proposed budget for each forthcoming fiscal year, staff ~~shall~~ will strive to annually appropriate, to the extent possible, the amount of annual discretionary payments necessary to maintain the unfunded pension liability amortization shortening from 30 to 20 years.

In the event the annual amount required for additional discretionary payments is not available from operating revenues, the ADP shall be funded by a first lien on any one-time excess revenues above expenditures once other General Fund required reserve levels have been established at the appropriate levels as per the Town's General Fund Reserve Policy. If in any given year neither budgetary appropriations or a first lien on one-time excess revenues are sufficient to fund the annual ADP, that years ADP will be accrued to the following year until paid.

Additionally, effective upon the close of fiscal year 2015~~/16~~ and thereafter, if sufficient General Fund year-end savings are available and targeted reserve levels of 25% (12.5% for Catastrophic Reserve and 12.5% for Budget Stabilization Reserve) of the next fiscal year's operating budget and the funding the following year's proposed budget ADP have been met, upon final close of the fiscal year, a minimum of \$300,000 annually shall be deposited into the Pension/OPEB Reserve fund. In addition, Council can assign additional amount deposited to the Pension/OPEB Reserve with a formal Council action from available year end savings.

~~Almond Grove Street Project Reserve~~

~~Funds reserved under this category shall be used to reconstruct the 10 streets identified in the Almond Grove Street Rehabilitation Project specification.~~

~~The Council awarded the bid in April 2017 allowing for \$2.9 million savings within the project. The Council reappropriated the use of the savings through the FY 2017/18 budget process. The Almond Grove Reserve should be reduced by the identified \$2.9 million savings. The Almond Grove Street Reserve balance will be reduced at each fiscal year end by the funds expended on the Almond Grove Street Rehabilitation Project during the fiscal year.~~

Assigned Fund Balance

Amounts that are constrained by the Town's intent to be used for specific purposes, but are neither restricted nor committed, should be reported as assigned fund balance. This Policy hereby delegates the authority to assign amounts to be used for specific purposes to the Town Manager, for the purpose of reporting to assign amounts in the annual financial statements, **with annual ratification by the Town Council**. A few examples of assigned fund balance follow.

- Encumbrances – material s and services on purchase order and contracts which are unperformed.
- Reappropriations – appropriated by the Council for specific projects or programs that were not completed and not encumbered by year end.
- GASB 31 Adjustments – \$10,000 or higher unrealized investment gains that have been recorded in the financial statements in accordance with GASB 31.

Capital~~and~~/Special Projects Reserve

Funds reserved under this category are designated for key infrastructure and capital/special projects as identified in the Town 5-year Capital Improvement Plan, as there is no ongoing funding source to support the Town's capital needs.

Unassigned Fund Balance

At the end of each fiscal year, the Finance Department reports on the audited year-end budgetary fiscal results. Should actual General Fund revenues exceed expenditures and

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encumbrances, a year-end operating surplus shall be reported. Any year-end surplus which results in the General Fund balance exceeding the level required by this Reserve Policy shall be available for allocation for the following, subject to Council approval:

- Offset projected future deficits
- Anticipated intergovernmental fiscal impacts
- One-time funding, non-recurring needs

This policy allows for Unassigned fund balances and places no specific restriction on their use. The unassigned fund balance goal is to maintain \$4,000,000 to cover needs and support ongoing operations during the upcoming fiscal year. Use of unassigned fund balances must be approved by the Town Council.

~~Upon funding any of the above reserve levels pursuant to this General Fund Reserve Policy, any remaining surplus of fiscal year revenues above expenditures shall be placed in the Capital/ and Special Projects Reserve for appropriation within the Capital Improvement Program budget.~~

Surplus Allocation Hierarchy

After funding carryforwards and legally restricted uses, year-end surpluses shall be allocated in the following order:

1. Catastrophic Reserve
2. Budget Stabilization Reserve
3. Pension/OPEB Reserve
4. Unassigned Fund Balance
5. Capital/Special Projects Reserve
6. Other Council-prioritized reserves

Replenishment of Unreserved Fund Balance

In keeping with the principles discussed in this Policy, when either fund is used, Town Council will develop a 1 to 5 year reserve replenishment plan to meet the minimum threshold of 25% of General Fund ongoing, operating expenditures, excluding one-time expenditures. Temporary exceptions to the minimum may be allowed for one fiscal year with an adopted restoration schedule.

APPROVED AS TO FORM:

Gabrielle Whelan, Town Attorney

RESOLUTION 2025-030**RESOLUTION OF THE TOWN COUNCIL OF THE TOWN OF LOS GATOS
APPROVING COMMITMENTS OF FUND BALANCE UNDER GASB 54**

WHEREAS, the Governmental Accounting Standards Board (GASB) has issued its Statement No. 54, Fund Balance and Governmental Fund Type Definitions with the intent of improving financial reporting by providing fund balance categories that will be more easily understood and to improve the comparability of governmental fund financial statements; and

WHEREAS, GASB 54 provides that the Town Council of the Town of Los Gatos classify governmental fund balances as restricted, assigned, or committed fund balances; and

WHEREAS GASB 54 provides that restricted reserves are funds that are restricted for externally imposed constraints such as legal contracts or state law, assigned amounts are constrained by the Town's intent to use them for specific purposes, and committed amounts are dedicated for specific purposes under constraints and formal action taken by the Town Council and these committed amounts cannot be used for any other purposes unless the Town Council of the Town of Los Gatos removes or changes the specific use through the same formal action to establish the commitment; and

WHEREAS, there exists a Restricted General Fund Pension Reserve in the form of an IRS 115 Pension Trust; and

WHEREAS, there exists a balance of \$2,878,659 as of June 30, 2025 in the restricted Pension Reserve; and

WHEREAS, the Town Council of the Town of Los Gatos has established a General Fund Reserve Policy providing for minimum fund balance dollar target amounts for Budget Stabilization and Catastrophic Reserve fund balances and outlines policies and procedures for use and restoration of these balances; and

ATTACHMENT 3

WHEREAS, there exists an assigned General Fund Compensated Absences Reserve allocated to fund 50% of all vested hours of sick leave, compensation, and vacation time with the actual reserve amount to be determined at the close of FY 2024-25; and

WHEREAS, there exists an assigned Capital/Special Projects Reserve to fund key infrastructure and capital/special projects as identified in the Town's five-year Capital Improvement Plan, and/or other Council priorities; and

WHEREAS, there exists an assigned authorized Carry Forward Reserve for materials and services on approved purchase order and contracts which were issued but not finalized or fulfilled as of the end of the fiscal year but for which funds will be carried forward to the following fiscal year. Actual reserve balance will be established at the close of FY 2024-25; and

WHEREAS, in June 2016, the Town Council established the committed Pension/OPEB Reserve to provide funding toward pension and Other Post-Employment Benefits (OPEB) unfunded obligations by placing discretionary amounts to the reserve with formal Council action and transferring available year-end surpluses based on the General Fund Reserve Policy; and

WHEREAS, there is an anticipated excess balance of \$1,000,000 as of June 30, 2025 in the assigned OPEB/Pension Reserve, and

WHEREAS, The Town Council established the assigned Sustainability Reserve in FY 2008-09 by closing the Solid Waste Management fund and placing the initial residual balance dedicated for conservation, recycling, and sustainability; and

WHEREAS, there exists an excess balance of \$140,553 as of June 30, 2025 in the assigned Sustainability Reserve; and

WHEREAS, there exists an assigned Market Fluctuation Reserve that represents fund balance amounts for unrealized investment gains that have been recorded as investment income in the financial statements in accordance with the requirements of GASB 31, actual reserve balance will be established at the close of FY 2025-26; and

WHEREAS, there exists an assigned Measure G 2018 District Sales Tax Reserve to track receipt and use of the 1/8 cent district tax funds collected by the Town; and

WHEREAS, the Town Council has determined the use of Measure G accumulated and future proceeds to be 50% for operating expenditures and 50% for capital purposes until the end of FY 2024-25; and

WHEREAS, the Town Council has determined the use of 100% of the Measure G estimated proceeds from FY 2025-26 will go towards operating expenditures; and

WHEREAS, the Town Council will determine the use of Measure G beyond FY 2026-27 after the completion of the external review of the Five-Year Forecast and a comprehensive Fiscal Impact Analysis, and

WHEREAS, the committed residual balance of \$590,581 that was set aside for operating purposes in FY 2020-21 was programmed to be used for operating expenses in FY 2024-25 if needed; and

WHEREAS, the portion of the committed residual balance of \$590,581 not used for operating expenses in FY 2024-25, will be placed in the Unassigned Fund Balance, and

WHEREAS, with the adoption of the Fiscal Year 2023-24 Budget, an assigned Education Realignment Augmentation Fund (ERAF) Risk Reserve has been established, reserving the 30% of the anticipated ERAF proceeds from FY 2022-23 until a lawsuit between the State and the School Districts concludes; and

WHEREAS, an excess balance of the ERAF RISK Reserve will be moved to the Unassigned Fund Balance during FY 2024-25, and

WHEREAS, there exists an excess balance of \$4,000,000 as of June 30, 2025 in the Unassigned Fund Balance, moving available funds from the available Capital/Special Projects Reserve, and

WHEREAS, the FY 2025-26 budget anticipates using \$905,060 of the General Fund Unassigned Fund Balance to balance the budget; and

WHEREAS, there exists an excess balance of \$3,094,940 as of June 30, 2026 in the Unassigned Fund Balance, final balances will be determined at the close of the FY 2025-26 fiscal year, and

WHEREAS, the Town Council established the assigned Open Space reserve in the FY 1998-99 to be used for the preservation of open space, connection of open space trails, the definition of the southern boundary of the Town with passive open space, and protection of unique natural features; and

WHEREAS, there exists an excess balance of \$410,000 as of June 30, 2025 in the assigned Open Space Reserve; and

NOW, THEREFORE, THE TOWN COUNCIL OF THE TOWN OF LOS GATOS DOES HEREBY RESOLVE that the following estimated Pension, Budget Stabilization, Catastrophic, Pension/OPEB, Capital/Special Projects, Compensated Absences; Measure G District Sales Tax, Surplus Property Revenue, Market Fluctuations, Sustainability, Open Space, and Unassigned Fund Balance as of June 30, 2025 and as of June 30, 2026 as restricted, assigned, unassigned or formally committed as follows:

	Actual General Fund Reserves June 30, 2024	FY 2024-25 Budget, GF Reserve Policy, and this Resolution Approved Increase	FY 2024-25 Budget, GF Reserve Policy, and this Resolution Approved (Decrease)	Estimated General Fund Reserves June 30, 2025	FY 2025-26 Budget Resolution Approved Increase	FY 2025-26 Budget Resolution Approved (Decrease)	Estimated General Fund Reserves June 30, 2026
Restricted Fund Balances							
Pension	\$ 2,188,659	\$ 690,000	\$ -	\$ 2,878,659	\$ 390,000	\$ -	\$ 3,268,659
Property Held for Resale	344,338	-	(344,338)	-	-	-	-
Nonspendable							
Rehab Loan Reserve (Nonspendable)	159,000	-	-	159,000	\$ -	\$ -	\$ 159,000
Committed Fund Balances							
Budget Stabilization	6,736,781	\$ 1,133,858	-	7,870,639	-	-	7,870,639
Catastrophic	6,736,781	\$ 1,133,858	-	7,870,639	-	-	7,870,639
Pension/OPEB	300,000	1,000,000	(300,000)	1,000,000	-	-	1,000,000
Measure G District Sale Tax - Operating	590,581		(590,581)	-	-	-	-
Assigned Fund Balances							
Capital/Special Projects	8,651,056	-	(7,144,607)	1,506,449	-	-	1,506,449
Compensated Absences	1,555,478	-	-	1,555,478	-	-	1,555,478
Open Space	410,000	-	-	410,000	-	-	410,000
Sustainability	140,553	-	-	140,553	-	-	140,553
Market Fluctuations	1,712,246	-	-	1,712,246	-	-	1,712,246
Carryover Encumbrances	85,861	-	-	85,861	-	-	85,861
Council Priorities - Economic Recovery	20,684	-	(20,684)	-	-	-	-
ERAF Risk Reserve	1,430,054	-	(1,430,054)	-	-	-	-
Unassigned Fund Balance	-	4,000,000	-	4,000,000	-	(905,060)	3,094,940

PASSED AND ADOPTED at a regular meeting of the Town Council of the Town of Los Gatos held on the 3rd day of June 2025 by the following vote:

COUNCIL MEMBERS:

AYES: Maria Ristow, Rob Rennie, Rob Moore, Mary Badame, Mayor Matthew Hudes

NAYS: None

ABSENT: None


ABSTAIN: None

SIGNED:



MAYOR OF THE TOWN OF LOS GATOS
LOS GATOS, CALIFORNIA

ATTEST:



TOWN CLERK OF THE TOWN OF LOS GATOS
LOS GATOS, CALIFORNIA