



**TOWN OF LOS GATOS
FINANCE COMMISSION AGENDA
JUNE 13, 2022
TELECONFERENCE
5:00 PM**

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

IMPORTANT NOTICE

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

PARTICIPATION

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

- **Zoom webinar.** Join from a PC, Mac, iPad, iPhone or Android device: Please click this URL to join: <https://losgatosca.gov.zoom.us/j/89294638054?pwd=aE5jR09SdVdjRVJ4d0xSU0xjTnpNQTO9>. Passcode: 959187. You can also type in 892 9463 8054 in the “Join a Meeting” page on the Zoom website at <https://zoom.us/join>.
- **Join by Telephone.** Dial: USA 877 336 1829 US Toll-free or 636-651-0002 US Toll. Conference code: 986172.

During the meeting:

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

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

TOWN OF LOS GATOS
FINANCE COMMISSION AGENDA
JUNE 13, 2022
TELECONFERENCE
5:00 PM

RULES OF DECORUM AND CIVILITY

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

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

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

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

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

MEETING CALL TO ORDER

ROLL CALL

CONSENT ITEMS *(Items appearing on the Consent Items are considered routine Town business and may be approved by one motion. Any member of the Commission may request to have an item removed from the Consent Items for comment and action. Members of the public may provide input on any or multiple Consent Item(s) when the Chair asks for public comments on the Consent Items. If you wish to comment, please follow the Participation Instructions contained on Page 2 of this agenda. If an item is removed, the Chair has the sole discretion to determine when the item will be heard.)*

1. Approve Minutes of the May 9, 2022 Finance Commission Meeting.

VERBAL COMMUNICATIONS *(Members of the public are welcome to address the Town Council on any matter that is not listed on the agenda, pursuant to the Participation Instructions contained on page 2 of this agenda. To ensure all agenda items are heard and unless additional time is authorized by the Mayor, this portion of the agenda is limited to 30 minutes and no more than three (3) minutes per speaker. In the event additional speakers were not able to be heard during the initial Verbal Communications portion of the agenda, an additional Verbal Communications will be opened prior to adjournment.)*

OTHER BUSINESS *(Up to three minutes may be allotted to each speaker on any of the following items, pursuant to the Participation Instructions contained on page 2 of this agenda.)*

- [2.](#) Receive Budget Update and Report Out on Council Budget Actions, and Provide any Additional Recommendations to the Town Council
- [3.](#) Receive the Town of Los Gatos Business License Analysis and Ordinance Review and Recommend the Town Council Pursue a Ballot Measure to Modernize and Create a More Equitable Tax Structure
- [4.](#) Receive FY 2020/21 Federal Single Audit Corrective Action Plan
- [5.](#) Discussion and Potential Action on Commission Schedule

ADJOURNMENT



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

MEETING DATE: 5/9/2022

ITEM NO: 1

Item 1.

**DRAFT
Minutes of the Finance Commission Regular Meeting
May 9, 2022**

The Finance Commission of the Town of Los Gatos conducted a special meeting utilizing teleconference and electronic means consistent with Government Code Section 54953, as Amended by Assembly Bill 361, in response to the state of emergency relating to COVID-19 and enabling teleconferencing accommodations by suspending or waiving specified provisions in the Ralph M. Brown Act (Government Code § 54950 et seq.) and Town of Los Gatos Resolution 2021-044 on Monday, May 9, 2022, at 5:00 p.m.

MEETING CALLED TO ORDER AT 5:01 P.M.

ROLL CALL

Present: Chair Ron Dickel, Vice Chair Kyle Park (joined at 5:39 p.m.), Commissioner Stacey Dell, Commissioner Loreen Huddleston, Commissioner Rick Tinsley, Mayor Rob Rennie, and Council Member Matthew Hudes (all participating remotely).

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

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

1. Approve Minutes of the April 25, 2022 Special Finance Commission Meeting.
2. Receive the Third Quarter Investment Report (January through March 2022) for Fiscal Year 2021/22.

MOTION: Motion by Commissioner Dell to approve the consent items. **Seconded** by Commissioner Huddleston.

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

VERBAL COMMUNICATIONS

None.

PAGE 2 OF 3

SUBJECT: Draft Minutes of the Finance Commission Regular Meeting of May 9, 2022

DATE: June 8, 2022

OTHER BUSINESS

3. Receive FY 2020/21 Federal Single Audit Report.

Arn Andrews, Assistant Town Manager, presented the staff report.

Staff responded to Commissioners' questions.

Opened Public Comment.

None.

Closed Public Comment

Commissioners stressed the importance rectifying the issue and apprising Council of the finding.

4. Conclude Discussion of the Proposed Fiscal Year (FY) 2022/23 Operating and Capital Budgets, Including Commission Recommendations to the Town Council.

Arn Andrews, Assistant Town Manager, presented the staff report.

Staff addressed Commissioners' questions.

Opened Public Comment.

None.

Closed Public Comment

MOTION: **Motion** by **Chair Dickel** to recommend to Council the dissolution of the Workers Compensation and Self Insurance Internal Service Funds starting in FY 2022/23 with remaining balances being transferred to the General Fund. **Seconded** by **Commissioner Huddleston**.

VOTE: **Motion passed unanimously**

MOTION: **Motion** by **Commissioner Tinsley** to recommend to Council the allocation of \$3.77 million to the General Fund Appropriated Reserve (GFAR) for FY 2022/23. **Seconded** by **Chair Dickel**.

VOTE: **Motion passed unanimously**

SUBJECT: Draft Minutes of the Finance Commission Regular Meeting of May 9, 2022

DATE: June 8, 2022

Other Business Item #4 – continued

MOTION: **Motion by Chair Dickel** to recommend to Council the allocation of approximately \$3.7 million of unallocated ARPA funds to the GFAR for FY 2022/23. **Seconded** by **Vice Chair Park**.

VOTE: **Motion passed unanimously**

MOTION: **Motion by Vice Chair Park** to inform Council the Commission believes that a “Structural Financial Deficit” currently exists and for Council to acknowledge the Commission’s finding and direct the Commission to work with Town management to confirm the actual amount of the deficits that the Town is facing and come back to the Council with suggestions/ideas on how we can fix this “Structural Financial Deficit” and fund capital projects. **Seconded** by **Chair Dickel**.

VOTE: **Motion passed unanimously**

Staff will prepare the Commissioners’ recommendations for the Town Council review.

ADJOURNMENT:

The meeting adjourned at 6:40 p.m.

This is to certify that the foregoing is a true and correct copy of the minutes of the May 9, 2022 meeting as approved by the Finance Commission.

Gitta Ungvari, Finance and Budget Manager



TOWN OF LOS GATOS
FINANCE COMMISSION REPORT

MEETING DATE: 06/13/2022

ITEM NO: 2

Item 2.

DATE: June 8, 2022
TO: Finance Commission
FROM: Laurel Prevetti, Town Manager
SUBJECT: Receive Budget Update and Report Out on Council Budget Actions, and
Provide any Additional Recommendations to the Town Council

RECOMMENDATION:

Receive budget update and report out on Council budget actions, and provide any additional recommendations to the Town Council.

BACKGROUND:

On April 18, 2022, the Proposed FY 2022/23 Operating and Capital Budgets were posted to the Town's website. Per Measure A, the Finance Commission received the Proposed Budgets 21 business days before May 17, 2022, which is the first meeting at which the Proposed Budgets were considered by the Town Council. The Finance Commission held three public meetings at which Commissioners discussed the Proposed Budgets and provided recommendations to the Town Council per Measures A and G. On May 17, 2022, the Town Council conducted a public hearing on the proposed FY 2022/23 Operating and Capital Summary Budget and Proposed FY 2022/23 – 2026/27 Capital Improvement Program. The Town Council considered public testimony, discussed both documents, considered the Finance Commission recommendations, and directed staff to bring back the documents for final approval incorporating the Council recommendations.

On June 7, 2022, staff presented a report to the Town Council which included Resolutions for adoption of Operating and Capital budgets and approval of GASB 54 fund balances (Attachment 1). The budget adoption resolution included recommended changes from the May 17 budget meeting, revenue adjustments, capital transfers, carry-forward appropriations, and minor corrections. In addition, the budget resolution included expenditure adjustments associated with recent labor agreements and corresponding revenue adjustments.

PREPARED BY: Arn Andrews
Assistant Town Manager

Reviewed by: Town Manager and Finance Director

DISCUSSION:

Given that the recommended budget adjustments associated with labor had not previously been reviewed by the Finance Commission, the Council voted to refer the item back to the Finance Commission and continue the item to June 21, 2022.

Since the initial review by the Finance Commission and consideration of the Proposed Operating Budget on May 17, 2022, the Town successfully completed negotiations with all bargaining units (Attachment 2). A summary of the terms and costing associated with those agreements is included in Attachment 3. With the addition of the labor agreement expenditures, staff included recommended corresponding revenue adjustments per our obligation to present a balanced budget. After previously adopted budget balancing recommendations and other revenue adjustments, staff balanced the remaining approximate \$900,000 deficit associated with labor utilizing the OPEB 115 Trust to fund budgeted retiree Pay Go healthcare expenses. Utilization of the OPEB 115 Trust had previously been identified as a viable budget balancing strategy during the FY 2020/21 budget deliberations (Attachment 4).

At the June 7th Town Council meeting, staff also recommended administrative American Rescue Plan Act (ARPA) budget adjustments to comport with final Treasury guidance and audit documentation. A summary of the ARPA budget recommendation is included in Attachment 5.

CONCLUSION:

Receive budget update and report out on Council budget actions and provide any additional recommendations to the Town Council.

Attachments:

1. June 7 2022 Council Staff Report and Resolutions
2. Labor Agreements
3. Labor Agreement Summary
4. FY 2020/21 and 2021/22 Budget Balancing Options
5. ARPA Administration



**TOWN OF LOS GATOS
COUNCIL AGENDA REPORT**

MEETING DATE: 06/07/2022

ITEM NO: 11

Item 2.

DATE: June 2, 2022

TO: Mayor and Town Council

FROM: Laurel Prevetti, Town Manager

SUBJECT: Operating and Capital Budgets

- a. Adopt a Resolution Approving the Town of Los Gatos Fiscal Year (FY) 2022/23 Operating Budget and FY 2022/23 – 2026/27 Capital Improvement Program (CIP), New Appropriations, Additional Council Actions on May 17, 2022 and Revisions Related to Salary and Benefit Costs as Presented in the Labor Agreements Agenda Reports on June 7, 2022; American Rescue Plan Act Budget Adjustment, Minor Corrections, and Carry-Forward Appropriations
- b. Adopt a Resolution Approving Commitment of Fund Balances under GASB 54.
- c. Approve FY 2021/22 Budget Adjustments:
 - 1) Major Revenue Adjustments to Match Year-End Estimated Revenues as Directed by the Town Council on May 17, 2022; and as Determined from Updated Information
 - i. Property Tax revenue Increase in the Amount of \$582,609,
 - ii. Sales Tax Revenue Increase in the Amount of \$428,828 (\$361,806 in regular Sales Tax and \$67,022 in Measure G Sales Tax)
 - iii. Business License Tax Revenue Increase in the Amount of \$175,000,
 - iv. Transient Occupancy Tax Increases in the Amount of \$75,000, and
 - v. Recognize \$36,308 General Fund Salary Reimbursement for Capital Improvement Staff Work.
 - 2) Expenditure Increases to Reflect Past Actions:
 - i. In the Amount of \$300,000 to expense the \$300,000 available General Fund Pension/OPEB Reserve to the CEPPT Trust.
 - ii. In the Amount of \$36,308 General Fund Salary Reimbursement for Capital Improvement Staff Work.
 - 3) Approve American Rescue Plan Act Budget Adjustments.

PREPARED BY: Stephen Conway
Finance Director

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

SUBJECT: Operating and Capital Budgets

DATE: June 2, 2022

RECOMMENDATION:

Operating and Capital Budgets

- a. Adopt a Resolution Approving the Town of Los Gatos Fiscal Year (FY) 2022/23 Operating Budget and FY 2022/23 – 2026/27 Capital Improvement Program (CIP), New Appropriations, additional Council Actions on May 17, 2022 and Revisions Related to Salary and Benefit Costs as Presented in the Labor Agreements Agenda Reports on June 7, 2022, American Rescue Plan Act (ARPA) Budget Adjustments, Minor Corrections, and Carry-Forward Appropriations
- b. Adopt a Resolution Approving Commitment of Fund Balances under GASB 54.
- c. Approve FY 2021/22 Budget Adjustments:
 - 1) Major Revenue Adjustments to Match Year-End Estimated Revenues as Directed by the Town Council on May 17, 2022; and as Determined from Updated Information
 - i. Property Tax revenue Increase in the Amount of \$582,609,
 - ii. Sales Tax Revenue Increase in the Amount of \$428,828 (\$361,806 in regular Sales Tax and \$67,022 in Measure G Sales Tax)
 - iii. Business License Tax Revenue Increase in the Amount of \$175,000,
 - iv. Transient Occupancy Tax Increases in the Amount of 75,000, and
 - v. Recognize \$36,308 General Fund Salary Reimbursement for Capital Improvement Staff Work.
 - 2) Expenditure Increases to Reflect Past Actions:
 - i. In the Amount of \$300,000 to expense the \$300,000 available General Fund Pension/OPEB Reserve to the CEPPT Trust.
 - ii. In the Amount of \$36,308 General Fund Salary Reimbursement for Capital Improvement Staff Work.
 - 3) Approve American Rescue Plan Act (ARPA) Budget Adjustments

BACKGROUND:

On April 18, 2022, the Proposed FY 2022/23 Operating and Capital Budgets were posted to the Town's website. Per Measure A, the Finance Commission received the Proposed Budgets 21 business days before May 17, 2022, which is the first meeting at which the Proposed Budgets will be considered by the Town Council. The Finance Commission held three public meetings at which Commissioners discussed the Proposed Budgets and provided recommendations to the Town Council per Measures A and G. On May 17, 2022, the Town Council conducted public hearings to discuss the proposed FY 2022/23 Operating and Capital Summary Budget and Proposed FY 2022/23 – 2026/27 Capital Improvement Program. The Town Council considered public testimony, discussed both documents, considered the Finance Commission recommendations, and directed staff to bring back the documents for final approval incorporating the Council recommendations.

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SUBJECT: Operating and Capital Budgets

DATE: June 2, 2022

DISCUSSION:

The draft resolution (Attachment 1) incorporates the budget direction provided by the Council at the May 17, 2022 budget hearing and the expenditure adjustments associated with labor agreements and corresponding revenue adjustments. Since the adoption of the Proposed Operating Budget on May 17, 2022, the Town successfully completed negotiations with all bargaining units. In order to facilitate the terms of those agreements the Resolution provides additional funding in the amount of \$902,579 from the OPEB 115 Trust to fund retiree pay go medical payments directly and allocating the remaining residual Measure G balance of \$679,433 previously allocated to the General Fund.

In addition, Attachment 3 illustrates budget adjustments related to the necessary American Rescue Plan Act (ARPA) and General Fund revenue and expense adjustments and recaps the total ARPA grant award of \$7,229,744 and the Council directed uses approved or proposed through June 7, 2022. Upon Treasury's release of the simplified reporting process for entities awarded less than \$10 million in ARPA funding and additional guidance received through staff review of federal compliance issues, staff recommends that the Town recognize the \$3.4M of FY 2021/22 and the anticipated \$3.6M FY 2022/23 cash collections of ARPA revenues as qualified revenue loss under the Treasury provisions for use in providing essential government services. To further aid in compliance with federal uniform guidance and Single Audit requirements, staff is intending to claim the lost revenue for use in providing essential government services and eligible public safety payroll costs for both FY 2021/22 and FY 2022/23.

This recommended action will allocate all ARPA "replacement" revenues to the General Fund which in turn will unencumber other General Fund operating revenues which were previously dedicated for public safety costs. The newly unencumbered General Fund revenues can then be allocated to the ARPA pandemic responses as identified, approved and allocated by Town Council in Attachment 3.

Attachment 2 contains the resolution to formally move General Fund balances based on the Town Council General Fund Reserve Policy and additional Council direction consistent with General Accounting Standards Board (GASB) 54.

CONCLUSION:

Staff recommends approval of FY 2021/22 budget adjustments, adoption of a Resolution approving the Town of Los Gatos Fiscal Year (FY) 2022/23 Operating Budget and FY 2022/23 – 2026/27 Capital Improvement Program (CIP), approve American Rescue Plan Act Budget Adjustments for FY 201/22 and 2022/23, and adoption of a Resolution approving commitment of Fund Balances under GASB 54.

PAGE 4 OF 4

SUBJECT: Operating and Capital Budgets

DATE: June 2, 2022

COORDINATION:

The preparation of the budget documents involved the participation of all Town Departments.

FISCAL IMPACT:

The fiscal impact is presented in summary form in the Financial Summaries chapter of the Proposed Operating and Capital Budget for FY 2022/23.

ENVIRONMENTAL ASSESSMENT:

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

Attachments:

1. Resolution of the Town Council Approving FY 2022/23 Operating Budget and FY 2022/23 – 2026/27 Capital Improvement Program (with Exhibit A)
2. Resolution of the Town Council of the Town of Los Gatos Approving Commitments of Fund Balance under GASB 54
3. ARPA Worksheet

DRAFT RESOLUTION 2022-

RESOLUTION OF THE TOWN COUNCIL OF THE TOWN OF LOS GATOS APPROVING THE FISCAL YEAR (FY) 2022/23 OPERATING BUDGET AND FY 2022/23 – 2026/27 CAPITAL BUDGET; NEW APPROPRIATIONS; OTHER ADJUSTMENTS; AMERICAN RESCUE PLAN ACT RECOGNITION; EMPLOYEE COMPENSATION ITEMS CONSIDERED ON JUNE 7, 2022; MINOR CORRECTIONS; AND CARRY-FORWARD APPROPRIATIONS

WHEREAS, Section 2.30.295(b) of the Los Gatos Town Code requires the Town Manager to annually prepare and submit a budget to the Town Council and be responsible for its administration; and

WHEREAS, the Town Manager submitted to the Town Council and Finance Commission a Proposed Operating Budget for FY 2022/23 on April 18, 2022; and

WHEREAS, the Town Manager submitted to the Town Council and Finance Commission a Proposed Five-Year Capital Improvement Program for FY 2022/23 – 2026/27 on April 18, 2022; and

WHEREAS, the Town Council conducted a noticed public hearing on the Proposed Operating Budget and Capital Improvement Program on May 17, 2022; and

WHEREAS, per Measure A, the Town Council has considered and reviewed the Finance Commission written recommendations to the Town Council on the said proposed Budget and Capital Improvement Program during the public hearing on May 17, 2022; and

WHEREAS, per Measures G and A, the Town Council has considered and reviewed the Finance Commission written recommendations to the Town Council regarding the potential allocation of Measure G proceeds during its public hearing on May 17, 2022; and

WHEREAS, the Town Council previously allocated residual unallocated Measure G revenues for budget balancing and \$679,443 will be used to balance the FY 2022/23 budget; and

ATTACHMENT 1

WHEREAS, the Town Council has determined the use of Measure G proceeds in the remainder of the forecast (FY 2022/23 - FY 2026/27) to be 50% for operating expenditures and 50% for capital purposes; and

WHEREAS, the estimated FY 2022/23 business license tax revenue increased by \$100,000 based on current trends; and

WHEREAS, the Town Council has determined that to further balance the budget, the Town should reimburse \$902,579 from available Other Post-Employment Benefits (OPEB) 115 Trust assets for retiree pay-as-you go expenses in FY 2022/23.

WHEREAS, the Town Council has determined the use of American Rescue Plan Act (ARPA) for FY 2021/22 and FY 2022/23 as illustrated in Exhibit B entitled "ARPA Worksheet" including the allocation of \$2.9 Million in ARPA proceeds for capital purposes; and

WHEREAS, the Town Council has determined that a portion of the proceeds of the ARPA up to the amount of \$1,645,281 will be used for Revenue Replacement and balancing the FY 2022/23 budget; and

WHEREAS, on June 7, 2022, Town Council considered and reviewed the proposed Budget and Capital Improvement Program making final determinations.

NOW, THEREFORE, BE IT RESOLVED: that the Town Council hereby adopts as the Operating Budget for the Town of Los Gatos for the 2022/23 fiscal year as depicted in Exhibit A entitled "Total Town Revenues and Expenditures by Fund" including the first year (FY 2022/23) of the Town's Capital Improvement Program budget as contained in the Town's FY 2022/23 – 2026/27 Capital Improvement Program.

BE IT FURTHER RESOLVED, that the final adopted Budget documents include minor corrections and approved appropriations for unspent prior year allocations, and that they be carried forward from prior years in a Reserve for Encumbrances whereby within each fund there is an amount sufficient to cover approved outstanding encumbrances as of June 30, 2022.

PASSED AND ADOPTED at a regular meeting of the Town Council of the Town of Los Gatos, California, held on the 7th day of June, 2021 by the following vote:

COUNCIL MEMBERS:

AYES:

NAYS:

ABSENT:

ABSTAIN:

SIGNED:

MAYOR OF THE TOWN OF LOS GATOS
LOS GATOS, CALIFORNIA

DATE: _____

ATTEST:

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

DATE: _____

TOTAL TOWN REVENUES AND EXPENDITURES BY FUND

	2022/23 Proposed Budget	Estimated Budget Revision	2022/23 Recommended Budget
REVENUES			
General Fund	\$48,378,548	\$ 1,626,919 (1)	\$ 50,005,467
Special Revenue Funds	1,775,576	-	1,775,576
Internal Service Funds	4,125,957	-	4,125,957
Capital Project Funds (does not include carryforwards)	12,753,575	2,900,000 (2)	15,653,575
Successor Agency Funds	3,799,926	-	3,799,926
TOTAL REVENUES	\$70,833,582	\$ 4,526,919	\$ 75,360,501
OTHER FUNDING SOURCES			
Designated One-Time Use of General Fund Reserves	2,350,000	\$ 679,443	3,029,443 (3)
TOTAL TOWN REVENUES & OTHER FUNDING SOURCES	\$73,183,582	\$ 5,206,362	\$ 78,389,944
TOTAL TOWN EXPENDITURES, TRANSFERS OUT & CARRYFORWARD APPROPRIATION			
General Fund	\$50,338,548	\$ 2,306,362 (4)	\$ 52,644,910
Special Revenue Funds	1,705,178	12,246 (4)	1,717,424
Internal Service Funds	6,427,499	-	6,427,499
Capital Project Funds (does not include carryforwards)	13,081,287	2,900,000 (2)	15,981,287
Successor Agency Funds	3,799,752	125 (4)	3,799,877
TOTAL TOWN EXPENDITURE & OTHER FUNDING USES	\$75,352,264	\$ 5,218,733	\$ 80,570,997
GENERAL FUND SOURCE(USE) OF FUND BALANCES	\$ 390,000		\$ 390,000
OTHER FUNDS SOURCE(USE) OF FUND BALANCES	(2,558,682)		(2,571,053) (5)
TOTAL SOURCE(USE) OF FUND BALANCES	\$ (2,168,682)	\$ (12,371)	\$ (2,181,053)

(1) Additional General Fund Revenues

\$902,579 OPEB Trust Reimbursement for Retiree Medical

\$624,340 Additional ARPA Proceeds for Revenue Replacement

\$100,000 Additional Business License Tax

(2) Additional Transfer to Capital Projects (GFAR)

\$2,900,000 General Fund Reimbursement Revenues (ARPA)

(3) Designated One-Time Use of the General Fund Reserves during FY 2022/23

\$2,350,000 - Transfer to Capital Projects (GFAR)

\$679,443 - Measure G Residual for Operation

(4) General fund Expenditures

\$2,318,733 - Increases to Negotiated Salary Increases

(5) Other Funds Source (Use) represents planned one-time uses of Internal Service Funds, Special Revenue Funds, Trust Funds, and Capital Project Funds primary for infrastructure and equipment investment.

Numbers may differ between exhibits due to rounding.

EXHIBIT A

AMERICAN RESCUE PLAN ACT (ARPA) SUMMARY WORKSHEET

	FY 2020/21	FY 2021/22	FY 2022/23	GRAND
		BUDGET ADJ.		
	ACTUALS	ACTUAL/ESTIMATED	ESTIMATED	TOTAL
ARPA FUNDS REVENUE RECOGNIZED	\$ 200,911	\$ 3,413,961	\$ 3,614,872	\$ 7,229,744
GOV SERVICES (WAIVERS,CUP&ADA,DIRECT GRANTS)	200,911			200,911
REVENUE LOSS -GOV SERVICES (PUBLIC SAFETY)		3,413,961	3,614,872	7,028,833
	\$ 200,911	\$ 3,413,961	\$ 3,614,872	\$ 7,229,744
GENERAL FUND ARPA REPLACEMENT REVENUES AVAILABLE	200,911	3,413,961	3,614,872	7,229,744
LESS APPROVED USES TO BE BUDGETED:				
PARKLETS (DOWNTOWN IMPVTS PROJECT)		680,000	250,000	930,000
RENT WAIVERS	121,255	341,452	283,756	746,463
CUP/ADA FEE WAIVERS	19,656	27,672	27,672	75,000
DESTINATION MARKETING		55,000		55,000
K-RAILS (DOWNTOWN IMPVTS PROJECT)		68,000		68,000
PROMENADES		80,000	120,000	200,000
DIRECT GRANTS	60,000	50,000		110,000
ENHANCED SENIOR SERVICES		500,000		500,000
CAPITAL IMPROVEMENT PROGRAM SUPPORT TRANSFERS			2,900,000	2,900,000
REQUIRED FOR GF BALANCING OF OPERATING REV_EXP	-		1,645,281	1,645,281
TOTAL ALLOCATIONS OF GENERAL FUND ARPA REPLACEMENT REVENUES	\$ 200,911	\$ 1,802,124	\$ 5,226,709	\$ 7,229,744
GENERAL FUND ARPA REPLACEMENT REVENUE UNCOMMITTED	\$ -	\$ 1,611,837	\$ (1,611,837)	\$ -

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RESOLUTION 2022-**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 \$690,000 as of June 30, 2022 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

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 2021/22; and

ATTACHMENT 2

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 2021/22; 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, on November 6, 2018, the Town Council provided direction to establish an unassigned Surplus Property Revenue General Fund Reserve that any monies received from the sale of the property located on Winchester Boulevard and any monies received from the sale of future surplus property be placed in this reserve, and the provisions for the reserve specifically indicate that Council may, at its discretion, distribute those funds as it deems appropriate; 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, 2022 in the assigned Sustainability Reserve; and

WHEREAS, there exists an assigned Market Fluctuation Reserve that represent 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 in the amount of \$438,333, actual reserve balance will be established at the close of FY 2021/22; 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; and

WHEREAS, the residual balance of \$679,443 that was set aside for operating purposes in FY 2020/21 and/or FY 2021/22 should be used for operating expenses in FY 2022/23; and

WHEREAS, the \$2,350,000 transfer from the Capital/Special Project Reserve to the General Fund Appropriated Reserve provides funding to the five-year capital plan; and

WHEREAS, \$2,900,000 of ARPA General Fund Reimbursement Revenue will transfer from the Capital/Special Project Reserve provides funding for capital project; 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, 2022 in the assigned Open Space Reserve; and

WHEREAS, there exists a need for an assigned General Fund Reimbursement Revenue (ARPA) Reserve to collect the anticipated General Fund ARPA reimbursement proceeds less Council authorized use of these proceeds for pandemic response including economic recovery and business support, enhanced senior services, capital program augmentations, and other one-time uses, the estimated balance of which at June 30, 2022 balance is \$1,611,837, with the actual reserve balance being determined at the close of the FY 2021/22 fiscal year; and

WHEREAS, the General Fund Reimbursement Revenue (ARPA) Reserve is now established.

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 ARPA Reserves as of June 30, 2022 and as of June 30, 2023 as restricted, assigned, unassigned or formally committed as follows:

	Actual General Fund Reserves June 30, 2021	FY 2021/22 Budget, GF Reserve Policy, and this Resolution Approved Increase	FY 2021/22 Budget, GF Reserve Policy, and this Resolution Approved (Decrease)	Estimated General Fund Reserves June 30, 2022	FY 2022/23 Budget Resolution Approved Increase	FY 2022/23 Budget Resolution Approved (Decrease)	Estimated General Fund Reserves June 30, 2023
Restricted Fund Balances							
Pension	\$ -	\$ 690,000	\$ -	\$ 690,000	\$ 390,000	\$ -	\$ 1,080,000
Committed Fund Balances							
Budget Stabilization	5,460,485	\$ 531,081	-	5,991,566	-	-	5,991,566
Catastrophic	5,460,485	531,081	-	5,991,566	-	-	5,991,566
Pension/OPEB	300,000	-	(300,000)	-	-	-	-
Assigned Fund Balances							
Capital/Special Projects	6,965,356	329,258	(1,612,162)	5,682,452	-	(2,350,000)	3,332,452
Compensated Absences	1,649,917	-	-	1,649,917	-	-	1,649,917
Open Space	410,000	-	-	410,000	-	-	410,000
Sustainability	140,553	-	-	140,553	-	-	140,553
Market Fluctuations	438,333	-	-	438,333	-	-	438,333
Measure G District Sale Tax	1,730,490	-	(1,051,047)	679,443	-	(679,443)	-
Carryover Encumbrances	-	-	-	-	-	-	-
Surplus Property Revenue Reserve	1,200,000	-	(1,200,000)	-	-	-	-
GF Reimbursement Revenue (ARPA)	-	1,611,837	-	1,611,837	-	-	1,611,837
Rehab Loan Reserve (Nonspendable)	159,000	-	-	159,000	-	-	159,000

PASSED AND ADOPTED at a regular meeting of the Town Council of the Town of

Los Gatos held on the 7th day of June 2022 by the following vote:

COUNCIL MEMBERS:

AYES:

NAYS:

ABSENT:

ABSTAIN:

SIGNED:

MAYOR OF THE TOWN OF LOS GATOS
LOS GATOS, CALIFORNIA

DATE: _____

ATTEST:

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

DATE: _____

AMERICAN RESCUE PLAN ACT (ARPA) SUMMARY WORKSHEET

	FY 2020/21	FY 2021/22	FY 2022/23	GRAND
		BUDGET ADJ.		
	ACTUALS	ACTUAL/ESTIMATED	ESTIMATED	TOTAL
ARPA FUNDS REVENUE RECOGNIZED	\$ 200,911	\$ 3,413,961	\$ 3,614,872	\$ 7,229,744
GOV SERVICES (WAIVERS,CUP&ADA,DIRECT GRANTS)	200,911			200,911
REVENUE LOSS -GOV SERVICES (PUBLIC SAFETY)		3,413,961	3,614,872	7,028,833
	\$ 200,911	\$ 3,413,961	\$ 3,614,872	\$ 7,229,744
GENERAL FUND ARPA REPLACEMENT REVENUES AVAILABLE	200,911	3,413,961	3,614,872	7,229,744
LESS APPROVED USES TO BE BUDGETED:				
PARKLETS (DOWNTOWN IMPVTS PROJECT)		680,000	250,000	930,000
RENT WAIVERS	121,255	341,452	283,756	746,463
CUP/ADA FEE WAIVERS	19,656	27,672	27,672	75,000
DESTINATION MARKETING		55,000		55,000
K-RAILS (DOWNTOWN IMPVTS PROJECT)		68,000		68,000
PROMENADES		80,000	120,000	200,000
DIRECT GRANTS	60,000	50,000		110,000
ENHANCED SENIOR SERVICES		500,000		500,000
CAPITAL IMPROVEMENT PROGRAM SUPPORT TRANSFERS			2,900,000	2,900,000
REQUIRED FOR GF BALANCING OF OPERATING REV_EXP	-		1,645,281	1,645,281
TOTAL ALLOCATIONS OF GENERAL FUND ARPA REPLACEMENT REVENUES	\$ 200,911	\$ 1,802,124	\$ 5,226,709	\$ 7,229,744
GENERAL FUND ARPA REPLACEMENT REVENUE UNCOMMITTED	\$ -	\$ 1,611,837	\$ (1,611,837)	\$ -

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**TOWN OF LOS GATOS
COUNCIL AGENDA REPORT**

MEETING DATE: 06/07/2022

ITEM NO: 19

Item 2.

DATE: June 2, 2022
TO: Mayor and Town Council
FROM: Laurel Prevetti, Town Manager
SUBJECT: Approve a Labor Agreement Between the Town of Los Gatos and the Police Officers' Association and Authorize the Town Manager to Execute the Memorandum of Understanding

RECOMMENDATION:

Staff recommends that the Town Council approve a Labor Agreement Between the Town of Los Gatos and the Police Officers' Association (POA) and authorize the Town Manager to execute the Memorandum of Understanding (Attachment 1).

BACKGROUND:

In accordance with the Town's Employer-Employee Relations Resolution No. 1974-41, representatives of the Town and POA have met and conferred in good faith and within the scope of representation in an effort to reach agreement for a successor Memorandum of Understanding (MOU). The revised agreement will be distributed and posted on June 3, 2022 as an Addendum. The MOU is a labor agreement that identifies specific terms and conditions of employment applicable to the employees represented by that agreement.

DISCUSSION:

The Town's current agreement with POA expired on September 30, 2021. On June 11, 2021, the Town and POA began negotiating for a successor agreement. A tentative agreement for a three-year term was reached in May which POA membership ratified on May 11, 2022.

Major provisions of the agreement are:

1. **Term:** October 1, 2021 to June 30, 2024

PREPARED BY: Salina Flores
Human Resources Director

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

PAGE 2 OF 3

SUBJECT: Approve a Labor Agreement Between the Town of Los Gatos and the Police Officers' Association and Authorize the Town Manager to Execute the Memorandum of Understanding

DATE: June 2, 2022

DISCUSSION (continued):

2. Salary:

- a. Effective the first full pay period of July 2022 or the first full pay period after Council approval of the MOU, whichever is later, all employees shall receive a one-time non-pensionable lump sum payment of \$5,000.
 - b. Effective the first full pay period after Council approval of this MOU, or as soon as practical thereafter, the salary rate for all classifications shall be increased by 2% (effective June 12, 2022) (Attachment 1).
 - c. Effective the first full pay period in July 2022 (effective July 10, 2022), the salary rate for all classifications shall be increased by 5.25% (Attachment 2).
 - d. The parties agree that the combined 2022 increases represent a 3% cost of living adjustment, a market increase of 3.15% and an additional 1.1% to address the passage of time since October 2021.
 - e. Effective in the first full pay period of July 2023, the Town will provide a 3% cost of living increase.
3. **Pandemic Related Bonus:** Effective the first full pay period of July 2022, or the first full pay period after Council approval, whichever is later, all employees who worked for the Town in 2021, who are employed at the Town as of the last day of the pay period will receive a one-time, lump sum payment of \$2,500.
4. **Juneteenth Holiday:** Effective the first pay period of July 2022 or the first pay period after Council approval of the MOU, whichever is later, in recognition of Juneteenth, holiday in lieu pay will be increased by 0.4%. to total 4.4%. Effective the first pay period of July 2022 or the first pay period after Council approval of the MOU, whichever is later, employees will receive a one-time non-pensionable lump sum payment of \$1,000.00 for foregoing the Juneteenth holiday prior to 2023.

The Town and POA have also agreed to various MOU language updates. The red-lined MOU will be distributed and posted on Friday, June 3, 2022 as an Addendum. These updates clarify existing language, delete obsolete language, and ensure compliance related to the Town's contract for retirement and medical benefits provided under the California Public Employees' Retirement System (CalPERS) and the Public Employees' Medical and Hospital Care Act (PEMHCA).

CONCLUSION:

The POA agreement has been prepared within the parameters provided to Town's negotiators by the Town Council and has been ratified by the POA membership. It is recommended that the proposal be approved, and the Town Manager be authorized to execute the MOU.

PAGE 3 OF 3

SUBJECT: Approve a Labor Agreement Between the Town of Los Gatos and the Police Officers' Association and Authorize the Town Manager to Execute the Memorandum of Understanding

DATE: June 2, 2022

FISCAL IMPACT:

The anticipated FY 2022/23 impact for the 3.00% COLA (\$252,000), 3.15% market rate adjustment (\$265,000), and the 1.1% COLA (\$85,000) for a total 7.25% salary increase is \$602,000. The anticipated fiscal impact of a \$1,000 non-pensionable one-time payment, the one-time, lump sum pandemic related bonus payment of \$2,500, and the \$5,000 non-pensionable FY 2021/22 make whole payment in FY 2022/23 is \$289,000.

The total cost impact for FY 2022/23 will be absorbed in the Town's existing operating budget. Funding to support the FY 2023/24 ongoing cost each year will be incorporated into the proposed future year budgets for Council approval

ENVIRONMENTAL ASSESSMENT:

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

Attachments:

1. Salary Schedule for POA effective June 12, 2022
2. Salary Schedule for POA effective July 10, 2022

Town of Los Gatos POA Classifications
Salary Schedule for Fiscal Year 2021/22
Effective June 12, 2022
Adopted by Town Council June 7, 2022

Class Code	Classification Title	Range	Step	Hourly Rate
2520	Police Sergeant (Prior)	04-0721	1	\$66.43
	<i>Appointment before 03/01/2015</i>		2	\$69.75
			3	\$73.24
			4	\$76.90
			5	\$80.75

Class Code	Classification Title	Range	Step	Hourly Rate
2521	Police Sergeant (New)	05-0721	1	\$66.43
	<i>Appointment after 03/01/2015</i>		2	\$69.75
			3	\$73.24
			4	\$76.90

Class Code	Classification Title	Range	Step	Hourly Rate
7500	Police Corporal	03-0715	1	\$55.12
			2	\$57.88
			3	\$60.77
			4	\$63.81
			5	\$67.00

Class Code	Classification Title	Range	Step	Hourly Rate
7510	Police Officer	02-0711	1	\$52.50
			2	\$55.13
			3	\$57.89
			4	\$60.78
			5	\$63.82

Class Code	Classification Title	Range	Step	Hourly Rate
9519	Police Trainee *	01-0710	1	\$49.88
	<i>* 95% of Step 1 of Police Officer Classification (Provisional Employee with Misc PERS)</i>			

Reflects General Increase of 2%.

ATTACHMENT 1

Town of Los Gatos POA Classifications
Salary Schedule for Fiscal Year 2022/23
Effective July 10, 2022
Adopted by Town Council June 7, 2022

Class Code	Classification Title	Range	Step	Hourly Rate
2520	Police Sergeant (Prior)	04-0721	1	\$69.92
	<i>Appointment before 03/01/2015</i>		2	\$73.42
			3	\$77.09
			4	\$80.94
			5	\$84.99

Class Code	Classification Title	Range	Step	Hourly Rate
2521	Police Sergeant (New)	05-0721	1	\$69.92
	<i>Appointment after 03/01/2015</i>		2	\$73.42
			3	\$77.09
			4	\$80.94

Class Code	Classification Title	Range	Step	Hourly Rate
7500	Police Corporal	03-0715	1	\$58.01
			2	\$60.91
			3	\$63.96
			4	\$67.16
			5	\$70.52

Class Code	Classification Title	Range	Step	Hourly Rate
7510	Police Officer	02-0711	1	\$55.26
			2	\$58.02
			3	\$60.92
			4	\$63.97
			5	\$67.17

Class Code	Classification Title	Range	Step	Hourly Rate
9519	Police Trainee *	01-0710	1	\$52.50
	<i>* 95% of Step 1 of Police Officer Classification (Provisional Employee with Misc PERS)</i>			

Reflects General Increase of 5.25%.



**TOWN OF LOS GATOS
COUNCIL AGENDA REPORT**

MEETING DATE: 06/07/2022

Item 2.

ITEM NO: 19
ADDENDUM

DATE: June 3, 2022
TO: Mayor and Town Council
FROM: Laurel Prevetti, Town Manager
SUBJECT: Approve a Labor Agreement Between the Town of Los Gatos and the Police Officers' Association and Authorize the Town Manager to Execute the Memorandum of Understanding

REMARKS:

This Addendum transmits the draft Memorandum of Understanding (see Attachment 3).

Attachments Distributed with Staff Report:

1. Salary Schedule for POA effective June 12, 2022
2. Salary Schedule for POA effective July 10, 2022

Attachment Distributed with this Addendum:

3. Draft Memorandum of Understanding

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

TOWN OF LOS GATOS

AND

LOS GATOS POLICE OFFICERS' ASSOCIATION



MEMORANDUM OF UNDERSTANDING

October 1, 2021~~18~~ – ~~September~~ June 30, 2024~~1~~

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**MEMORANDUM OF UNDERSTANDING
BETWEEN
THE TOWN OF LOS GATOS
AND
THE LOS GATOS POLICE OFFICERS ASSOCIATION**

THIS AGREEMENT IS ENTERED INTO AS OF October 1, 2021~~18~~, BETWEEN THE TOWN OF LOS GATOS, HEREINAFTER REFERRED TO AS THE "TOWN", AND THE LOS GATOS POLICE OFFICERS ASSOCIATION, HEREINAFTER REFERRED TO AS "POA".

Pursuant to Town Resolution 1974-41 of the Town of Los Gatos and Section 3500 et. seq. of the Government Code, the duly authorized representatives of the Town and POA, having met and conferred in good faith concerning the issues of wages, hours, and terms and conditions of employment, as herein set forth, declare their agreement to the provisions of this Memorandum of Understanding.

FOR THE TOWN:

FOR POA:

Laurel Prevetti, Town Manager

~~Bill Hoyt~~ Bryan Paul, President Police Corporal

Arn Andrews, Assistant Town Manager

Kevin Elliott, Police Sergeant

~~Lisa Velasco~~ Salina Flores, Human Resources Director

Kevin Baughn, Police Officer

~~Donna Williamson~~ Lisa S. Charbonneau,
Liebert Cassidy Whitmore

John Alldredge, Police Officer

APPROVED AS TO FORM:

Peter Hoffmann, ~~Rains Lucia Stern St. Phalle~~
~~Silver, PC~~ Attorney for POA

~~Robert Schultz~~ Gabrielle Whelan
Town Attorney

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Salary Schedule Exhibit A

**Town of Los Gatos and Los Gatos Police Officers Association
Comprehensive Memorandum of Understanding
On Salaries, Fringe Benefits and Working Conditions**

Preamble

The authorized representatives of the Town of Los Gatos, hereinafter referred to as the "Town" and the authorized representatives of the Town of Los Gatos Police Officers Association hereinafter referred to as "Association" do jointly accept and agree to all the terms and conditions of employment set forth in this comprehensive memorandum of understanding pursuant to Town Resolution 1974-41 of the Town of Los Gatos.

This understanding shall apply to represented employees assigned to those classifications listed on Exhibit A when classifications are created which fall under the representation of POA, this understanding shall also apply.

The terms and conditions of employment set forth in this understanding have been discussed in good faith by the authorized representatives of the Town and the authorized representatives of the Police Officers Association. They agree to recommend acceptance by the employees of all terms and conditions set forth herein. Following said acceptance by the Association, authorized representatives of the Town agree to recommend to the Town Council that all terms and conditions set forth herein be approved by resolution. Upon adoption of said resolution, all terms and conditions so incorporated shall become effective without further action by either party.

Term

The term of this Memorandum of Understanding shall be three years, commencing on October 1, 20~~21~~¹⁸, and terminating on ~~September-June~~ June 30, 20~~21~~¹⁸.

Section 1. Employer-Employee Relations

The Association recognizes the existence of Town Resolution 1974-41, and its successor if any, during the term of this MOU. Recognition of any amendments to this resolution does not imply POA has agreed to the changes.

Section 2. Savings Clause

If any provision or the application of any provision of this agreement as implemented should be rendered or declared invalid by any court action or decree or by reasons of any preemptive legislation, the remaining sections of this agreement shall remain in full force and effect for the duration of this agreement

Section 3. Payroll Deduction

Any employee may sign and deliver to the Association an authorization for payroll deduction of membership dues. The Town agrees to remit to the Association all monies deducted accompanied by a list of workers for whom such deductions have been made and indicating any changes in personnel from the list previously furnished.

The Association shall certify in writing to the Town any changes in the amount of membership dues. The Town shall not be obligated to put into effect any new, changed, or discontinued deduction until the pay period commencing thirty (30) days or longer after such submission.

The Association shall indemnify and hold harmless the Town against any and all suits, claims, demands, and liabilities that may arise out of, or by reason of, any action or omission of the Town in complying with this Section.

Section 4. Non-Discrimination

The Town and Association agree that all provisions of this agreement shall be applied equally to all employees covered herein without favor or discrimination because of race, religious creed, color, sex (including pregnancy, childbirth, and related medical conditions), age (over 40), gender, gender identity, gender expression, sexual orientation, national origin, ancestry, political or religious affiliation, Association membership or activity on behalf of the Association, marital status, military or veteran status, or physical disability, mental disability, medical condition, or genetic information or any other basis prohibited by applicable federal, State or Town law. Association and Town support equal employment opportunity in hiring, and will support all State and Federal regulations regarding equal employment opportunity.

4.1 General Provision regarding Americans with Disabilities Act

- A. Because the ADA requires accommodations for individuals protected under the Act, the Association recognizes the Town's obligation to comply with all provisions of the ADA on a case-by-case basis.
- B. The Association recognizes that the Town has the legal obligation to meet with the individual employee to be accommodated before any adjustment is made in working conditions. The Association will be notified of these proposed accommodations.
- C. Any accommodation provided to an individual protected by the ADA shall not establish a past practice.

Section 5. Salary

5.1 Intent

It is the intent of the Town to maintain salaries and benefits at a level that attracts and retains quality employees. The parties agree that surveys of the wages and benefits of police officers performing comparable work for comparable agencies provide information useful in ensuring that the Town continues to meet this goal.

~~5.2 Effective 2018~~

~~Effective in the first full pay period of October 2018 the Town will provide a two and a half percent (2.5%) salary adjustment for all bargaining unit members.~~

~~5.3 Effective 2019~~

~~Effective in the first full pay period of October 2019 the Town will provide a two and one half percent (2.5%) salary increase for all bargaining unit members. Effective in the first full pay period of October 2019 bargaining unit members shall receive an additional increase of 1.5%.~~

~~5.4 Effective 2020~~

~~The parties agree to re-open on the subject of wages only.~~

~~5.5 Market Equity~~

~~Effective in the first full pay period in October 2018 market equity adjustments as follows:~~

~~Police Officer—5.0%~~

~~Corporal—5.0%~~

~~Sergeant—5.5%~~

5.2 Effective Upon Approval

Effective the first full pay period after Council approval of this MOU, or as soon as practical thereafter, the salary rate for all classifications shall be increased by two percent (2%).

5.3 Effective 2022

Effective the first full pay period in July 2022, the salary rate for all classifications shall be increased by five and one-quarter percent (5.25%).

The parties agree that the combined 2022 increases represent a ~~three percent (3%)~~ cost of living adjustment, a market increase of three and fifteen hundredths percent (3.15%), and an additional one and one tenths percent (1.1%) to address the passage of time since October 2021.

5.4 Effective 2023

Effective the first full pay period in July 2023, the salary rate for all classifications shall be increased by three percent (3%).

~~5.56 Salary Range~~

~~Effective October 1, 2014, the Sergeant rank became a 4-step range. Any new Sergeant appointed after that date is appointed to the 4-step range. Acting Sergeant pay will be paid at the top of the new range.~~

5.65 One-Time Lump Sum

Effective the first full pay period of July 2022 or the first full pay period after Council approval of the MOU, whichever is later, all employees shall receive a one-time non-pensionable lump sum payment of five thousand dollars (\$5,000).

5.76 Pandemic Related Bonus

Effective the first full pay period of July 2022 or the first full pay period after Council approval of the MOU, whichever is later, all employees who worked for the Town in 2021 who are employed at the Town ~~through as of the~~ last day of the pay period ~~the bonus is paid~~, will receive a one-time, non-pensionable lump sum payment of \$2,500.

Section 6. PERS Benefits

~~6.1 Town Contribution~~

~~Effective December 13, 1998, the Town ceased its participation in the Public Employee Retirement System "Employer Paid Member Contributions" (EPMC) provision. Concurrently, the Town began paying in salary to the employees covered by this memorandum of understanding the equivalent dollar amount of the former EPMC (9% of salary). These employees were then responsible for making their own member contributions. The POA acknowledged that implementation of this change had a cost impact to the Town which was equivalent to approximately 1.6% of total compensation.~~

~~Substantially concurrent with the adoption of the 1998-2000 memorandum of understanding, the Town Council adopted a Resolution materially the same as that recommended by the Public Employee Retirement System to implement the provisions of 414 (h) (2) of the Internal Revenue Code (IRC). The POA accepted the terms of this Resolution and acknowledged that the Resolution will apply to all current and future members of the POA during the term of this agreement.~~

The Town contracts with the California Public Employees' Retirement System (CalPERS or PERS) to provide Town employees with retirement benefits.

6.21 PERS 3% at 50 Retirement Option Classic Members

~~For employees that are not "New Members" as defined under Government Code section 7522.04(f), commonly referred to as "Classic Members," hired with reciprocity or CalPERS membership prior to 1/1/13 without a break in CalPERS service of six months or more or hired and enrolled in CalPERS membership prior to 9/15/12, the Town provides the Effective June 24, 2001, the Town amended its contract with the California Public Employees' Retirement System to include the 3% at 50 option for members of the bargaining unit. This retirement formula is applicable to employees hired prior to January 1, 2013 or Classic Members (as defined in the California Public Employees' Pension Reform Act of 2013 (PEPRA) and CalPERS guidance) hired on or after January 1, 2013 with reciprocity in the PERS retirement system.~~

The Town's contract with CalPERS for the 3% at 50 option also includes the following optional benefits:

- Single Highest Year
- 1959 Survivor Benefit Level 4
- Conversion of Unused Sick Leave to Service Credit

~~Effective October 1, 2019 or as soon as administratively feasible following that date, Classic Members will contribute 12.3% more towards PERS (3% more than required by statute) in accordance with the requirements of Government Code section 20516(a).~~

6.3 PERS 2.7% at 57 Retirement Option for New Member Employees Hired on or After January 1, 2013

For employees hired on or after January 1, 2013, who meet the definition of New Member under Government Code 7522.04(f), the Town ~~will provide~~ the 2.7% at 57 retirement benefit.

~~The Town's contract with CalPERS for the 2.7% at 57 option also includes the following optional benefits:~~

- ~~For employees hired on or after January 1, 2013 will use the 36-month final average compensation (Gov't Code 20037)-~~
- ~~1959 Survivor Benefit Level 4~~
- ~~Conversion of Unused Sick Leave to Service Credit~~

New Members ~~contribute toward CalPERS hired on or after January 1, 2013 shall pay~~ an amount that is equal to one half (1/2) the normal cost of ~~his/her~~his/her/their CalPERS pension as determined annually by CalPERS, or the current contribution rate of similarly situated employees, whichever is greater (Government Code 7522.30(c)).

~~Employees eligible for this retirement formulae retain the option of conversion of unused sick leave to service credit.~~

Section 7. Education Incentive Pay

7.1 Four-Year Degree Incentive Pay

~~Two and one-half percent (2.5%) of base salary shall be paid for any member who possesses a four-year degree. The Town shall pay two and one-half percent (2.5%) of base salary to any member who possesses a four-year degree that enhances their ability to do their job. Employees must submit proof of the four-year degree to Human Resources in order to be eligible for the payment.~~

7.2 ~~Grandfather Clause~~Two-Year Degree Incentive Pay

~~For employees hired prior to June 30, 2008, the Town shall pay two and one-half percent (2.5%) of base salary to any member who possesses a two-year degree or meets the minimum requirements to obtain an Associates of Arts Degree that enhances their ability to do their job. Employees must submit proof of the two-year degree or completion of the~~

minimum requirements to obtain an Associates of Arts Degree in a related field to Human Resources in order to be eligible for the payment. The incentive pay for a two-year degree does not stack with incentive pay for a four-year degree; the maximum education incentive pay any member may receive under this section 7 is two and one-half percent (2.5%) of base salary

~~7.2.1~~

~~For employees hired prior to January 1, 2008, who qualify to participate in the Town's Education Incentive program prior to July 1, 2008; served a minimum of fifteen years with the Town of Los Gatos; and possess an Associates of Arts Degree or meet the minimum requirements to obtain an Associates of Arts Degree in a related field, shall be eligible for an additional 2.5% increase in base salary effective the first full pay period following their fifteenth anniversary date from his/her hire date (members with a four year degree are not eligible for this benefit).~~

~~7.2.2~~

~~For employees who are in the process of being hired prior to January 1, 2008; who qualify to participate in the Town's Education Incentive program within six months of hire; served a minimum of fifteen years with the Town of Los Gatos; and possess an Associates of Arts Degree or meet the minimum requirements to obtain an Associates of Arts Degree in a related field, shall be eligible for an additional 2.5% increase in base salary effective the first full pay period following their fifteenth anniversary date from his/her hire date (members with a four year degree are not eligible for this benefit).~~

~~7.2.3~~

~~Eliminate Retention Incentive pay for ten and fifteen years for members hired after January 1, 2008.~~

7.3 Commencement of Educational Incentive Pay

Educational Incentive Pay is effective the first full pay period after the employee provides Human Resources with sufficient proof that the employee has obtained the requisite degree or education for Educational Incentive Pay.

7.4 Re-Opener

If the law changes on the education requirements for California police officers, the Town has the right to reopen this section 7.

Section 8. POST Certificate Pay

Qualified employees shall receive one of the following payment amounts in accordance with Exhibit A:

- A. Employees in their represented classifications who have been awarded an Intermediate POST Certificate: An additional 5% of base salary.
- B. Employees in their represented classifications who have been awarded an Advanced POST Certificate: An additional 2.5% of base salary for a total of 7.5%.

Section 9. Special Pays

Officers are limited to one special assignment pay or canine pay. Officers who qualify for bilingual pay may receive bilingual pay in addition to a special assignment pay or canine.

9.1 Special Assignment Pay

Town shall provide a 5% special assignment pay to Association represented personnel who are routinely and consistently assigned as follows:

9.1.1

Motorcycle Patrol Premium- for unit members who operate and/or patrol on motorcycle.

9.1.2

School Resource Officer Duty Pay – For unit members who are assigned to School Resource Officer duty.

9.1.3

Detective Division Premium- for unit members who are routinely assigned to a detective or investigative division.

9.1.4

Police Administrative Officer-for unit members who are assigned to police administration to provide support for the Police Chief and Command Staff in the operation of the Police Department.

Assignment for special pay purposes shall be done using Town Personnel Action Forms.

Association represented personnel removed from specialty positions on a temporary basis for departmental purposes and through no fault or request of their own shall continue to receive specialty pay for a maximum of 30 calendar days.

The parties agree that special assignment premiums are pensionable as determined by CalPERS.

9.2 Bilingual Pay

The Town will pay an additional 2.5% above base pay for employees who are routinely and consistently assigned to communicate in languages other than English. Bilingual pay will be for Spanish, Russian, Arabic, Chinese, Vietnamese and any other language designated by the Chief of Police. The Town will determine the qualifying criteria including the test and the application to the specific job assignment.

9.3 Canine Pay

Officers who are routinely and consistently assigned to handle, train and board a canine in accordance with this section are eligible for Canine Officer/Animal Premium. Officers assigned to the canine unit are required to care for, train, groom, feed, and bathe their assigned dog. The parties agree that two hours per week is a reasonable amount of time to care for the canine. The Town compensates Canine officers a total of five (5) hours per week for additional time spent caring for the canine. Two (2) hours of this additional time is outside of the regular shift. The remaining three (3) hours is provided as release time.

Call-back as defined in the MOU shall not apply for the purposes of caring for the dog. Compensation provided during the additional paid time and release time is mutually acknowledged to compensate for additional time required to care for, train, groom, feed, and bathe the assigned canine.

9.3.1 Canine Pay Premium

Compensation for the 2 hours outside of the regular shift is paid as a 5% premium on all hours worked.

9.3.2 Canine Release Time

Canine Officers on a 4-10 schedule shall be released in a paid capacity for 0.75 hours prior to the “normal” conclusion of each regularly scheduled shift (4 shifts per week equaling 3 hours per week) for the normal care of the canine, including but not limited to training, grooming, feeding, bathing, and routine veterinarian care.

Canine Officers on a 12-hour schedule shall be released in a paid capacity for 1.0 hours prior to the “normal” conclusion of each regularly scheduled shift (3 shifts per week equaling 3 hours per week) for the normal care of the canine, including but not limited to training, grooming, feeding, bathing, and routine veterinarian care.

In the event that a Canine Officer is not released in sufficient time prior to the conclusion of his or her shift, the officer will be paid for additional time after the end of shift to compensate them for 0.75 or 1.0 hours of Canine care time as appropriate. The Town recognizes that this may result in overtime.

9.3.3 Commute Time with Canine

Commute time with the canine shall not be considered working time. If there is an event requiring emergency veterinarian care, travel to the veterinarian will be compensable work time.

9.4 Field Training Officer Training Premium

In addition to the above special pays, officers assigned by the Chief of Police as Field Training Officers shall also receive the 5% incentive whenever providing training to a Department member for which a training observation report is required or when completing special assignments directly related to the Field Training Officer Program with prior approval of the Chief of Police. Attendance at FTO meetings, training provided at briefings, or other training provided in conjunction with the Department's annual Advanced Officer Training or other on-going general training to Department members does not qualify for the 5% incentive.

9.5 Trailing Canine Pay

Officers that personally own a certified and properly equipped Trailing Canine and have been identified as a Department Trailing Canine Handler will provide the Los Gatos-Monte Sereno Police Department with the use of the Trailing Canine when tracking, trailing and related canine services are required. Deployment of the Trailing Canine Team may be requested for location of missing persons, fugitive apprehension and evidence recovery. With the approval of the Chief of Police, the Trailing Canine Team may also be deployed to other jurisdictions. Trailing Canine Handlers are responsible for the maintenance and care of the canine, in addition to recurring in-service training, at no cost to the Town.

9.5.1 Trailing Canine Premium

Officers will receive a five percent (5%) specialty pay premium only during approved deployment and use of services and will submit an approved time sheet noting the specialty pay during the pay period in which the services were rendered. Special assignment premiums are pensionable as determined by CalPERS.

The Town will reimburse Officers up to, but not to exceed, \$150.00 per month premium for private pet insurance. Officers will submit receipts for payment on a quarterly basis to Finance — Accounts Payable for reimbursement. The Town will also reimburse Officers for insurance deductible payments up to \$250.00 per injury/illness incurred to canine while deployed for use on Town assignments.

9.5.2 Trailing Canine Training

Trailing Canine Handlers will maintain required recurring in-service training and associated records, within the scope of policies and procedures of the Los Gatos-Monte Sereno Police Department. Officers will be reimbursed for annual canine recertification course registration fees not to exceed \$800.00 per year. Officers are responsible for cost of travel, lodging, and per-diem related to the annual re-certification course.

Up to 40-hours of paid release time annually will be allowed to attend re-certification course. The approved re-certification course constitutes scheduled Department training for which the release time will be honored.

9.6 Posting for Special Assignments

Any opening for a special assignment shall be posted for a minimum of two weeks, unless extraordinary circumstances warrant otherwise.

Section 10. Acting Sergeant Pay

Police Officers working as acting supervisors shall be compensated at Step "4" of the Sergeant's rate of pay. Town shall periodically review the actual time use of acting supervisor designations in order to determine the necessity of additional permanent supervisory personnel.

Section 11. Reimbursement of Expenses

The Town shall pay claims for reimbursement within 30 days following the complete and accurate submission of claims as approved by the Finance Director.

Section 12. Tuition Reimbursement

Town will reimburse 100% of the cost of books, university/school fees (except parking) and tuition. Tuition and school fees shall be reimbursed up to the full-time rates of San Jose State University at applicable Undergraduate or Graduate rates per school term. The maximum reimbursement per employee per fiscal year is equivalent to two (2) semesters. The reimbursement shall be only for courses that are directly related to the employee's position as determined by the Town Manager, including general education courses that are generally related to attainment of a job-related degree or certification. General education courses not generally related to the employee's position will not be eligible for reimbursement. Reimbursement shall be taxed pursuant to the State and Federal Regulations.

Application for Tuition Reimbursement shall be made to the Town before the course begins. Prior to reimbursement of costs, all course work must be completed with a passing grade of "C" or equivalent when numerical score or pass/fail is given. Individuals requesting reimbursement must currently be employed by the Town to be eligible for reimbursement.

Any employee who terminates employment with the Town within one year from the completion of a class or classes, for which tuition reimbursement was paid, shall refund all tuition paid under this provision, unless required to attend by the appointing authority.

Section 13. Health and Welfare Benefits and Rate of Town Contribution

The Town contracts with CalPERS for the purpose of providing employees and their eligible dependents with medical insurance benefits. ~~During calendar year 2018, the Town will pay a maximum contribution of \$133 per month to CalPERS for each eligible active employee towards the purchase of medical insurance for those employees who enroll in and receive such insurance through the Town. Beginning January 1, 2019, t~~The Town's maximum monthly contribution for each eligible active employee shall be equal to the minimum employer contribution required under Public Employees' Medical and Hospital Care Act (PEMHCA), currently \$149 per month, as may be adjusted by CalPERS from year to year.

13.1 Cafeteria Plan

During the term of the MOU, the Town agrees to maintain a Cafeteria Plan, pursuant to Section 125 of the Internal Revenue Code, for the purpose of providing eligible active employees with access to various health and welfare benefits. Benefits available through the Cafeteria Plan include medical insurance, dental insurance, vision insurance and life insurance benefits.

13.2 Dental

Employees choosing this option instead of Cash-in-Lieu will be provided 100% of the Delta Dental DPO Plan premium less a \$15.00 employee contribution. If the premium cost of the dental plan exceeds the Town contribution, the employee shall pay through payroll deductions the difference between the monthly premium and the amount contributed by the Town. The Town will pay 100% of the premium for employees choosing to participate in the DeltaCare USA Plan.

13.3 Medical

The Town will provide active employees with a medical allowance equal to 100% of the cost of the Kaiser Bay Area Medical Insurance Program premium offered by the Public Employees' Retirement System Health Benefit Medical Program ~~at for the Employee Only~~ level of participation. ~~for all active employees.~~ For dependents, the Town will pay 90% of the difference between Kaiser Employee Only and Kaiser level of participation (Employee Plus One or Employee Family, depending on family status). If the employee chooses medical coverage under a program more expensive than Kaiser Bay Area, the employee will pay the difference between the Town-provided medical allowance and the cost of the more expensive program through payroll deduction.

The Town's contribution towards medical insurance set forth in Section 13 (the PEMHCA minimum) will be deducted from the amount of contribution provided by this Section.

13.4 Vision

The Town shall pay for employee-only coverage under the Town's Vision Service Plan (VSP). Employees may enroll eligible dependents at their own cost.

13.5 Cash-In-Lieu Plan

Employees have the option of choosing all available coverages or, upon providing proof of other medical coverage, may choose to opt out of the Town's coverage and be provided with cash-in-lieu.

Employees who choose to receive the cash-in-lieu must first show proof of alternative minimum essential medical coverage for the employee and employee's tax family (individuals for whom the employee expects to claim a personal exemption deduction). Individual coverage, and individual coverage from Covered California does not qualify as alternative minimum essential coverage under this section. Employees must provide reasonable evidence of alternative minimum essential coverage each plan year, during open enrollment. The Town will not make the cash payment if it knows or has reason to know that the employee or tax family does not have alternative minimum essential coverage. Any amount received in cash is taxable. Employees choosing to receive taxable cash will have the option of receiving it in two equal amounts in December and June, or the first two paychecks of each month (24 times a year).

- For employees hired before January 1, 2006, the Town contribution to the Cash-In-Lieu program will be equal to Nine Hundred and Twenty-two Dollars (\$922) per month.
- For employees hired after January 1, 2006, the Town contribution to the Cash-In-Lieu program will be Four Hundred Dollars (\$400) per month.

The parties agree to meet and confer at the Town's request on any changes that are within the mandatory scope of bargaining related to its Town sponsored Medical Insurance and Cash In-Lieu Plan that may be related to the compliance and implementation of the Affordable Care Act or the Fair Labor Standards Act as it relates to the regular rate of pay for overtime.

13.6 Supplemental Health and Welfare Benefits

- A. Life:** Coverage of \$50,000 plus \$50,000 accidental death: Town to pay for premium. Additional life insurance may be purchased by the employee equal to once or twice the employee's base salary, not to exceed \$200,000.
- B. Disability:** Short Term Disability Policy effective 8th calendar day; coverage of 60% of weekly earnings up to maximum of \$1,300/week for 13 weeks. Long Term Disability benefits begin on the 91st day of disability; coverage of 60% of monthly earnings up to a maximum of \$6,000/month.

C. Employee Assistance Program: Premiums shall be paid by the Town.

D. Unemployment Insurance: Premiums shall be paid by the Town to provide State coverage.

Section 14. Retiree Health

The Town provides retiree health benefits in accordance with the PEMHCA for employees who qualify as eligible PERS retirees who receive a PERS retirement allowance and are PEMHCA annuitants entitled to such benefits under the PEMHCA.

~~Beginning October 1, 2018, the Town will pay a maximum contribution of \$133 per month to CalPERS for each eligible annuitant towards the purchase of medical insurance. Beginning January 1, 2019, the Town's maximum monthly contribution for each eligible annuitant shall be equal to the minimum employer contribution required under the PEMHCA, currently \$149 per month, as may be adjusted by CalPERS from year to year. The provisions of PEMHCA will govern medical insurance coverage for annuitants.~~

14.1 ~~Retiree Health Health Reimbursement Account (HRA)~~ Benefit for Eligible Retirees Hired ~~On or before~~ Before October 1, 2018

An employee hired on or prior to October 1, 2018, or provided with a final offer confirmation of employment prior to ~~October 1, 2018~~ ratification and approval of the 2018-2021 Memorandum of Understanding is agreement, is eligible for Health Reimbursement Account (HRA) retiree health benefits in accordance with this Section.

14.1.12

The employee retired from the Town taking a service or disability retirement from CalPERS as a retiree receiving a PERS retirement allowance and is a PEMHCA annuitant; and,

14.1.23

The employee must actually draw a CalPERS pension within ninety (90) days of separation from the Town, provided the employee remains with the Town's health plan through COBRA.

14.41.3

The amount of the supplemental retiree health benefit allowance will be equal to 100% of the cost of the premium for Kaiser Bay Area Retiree Only and 90% of the difference between the Kaiser Employee Only and Kaiser level of participation (Employee Plus One or Employee Family, depending on family status) Bay Area Retiree Plus One level of participation. ~~For dependents, the Town will pay \$1,443.45 per month towards a Retiree Plus One plan and \$1,954.16 per month towards a Retiree Plus One or More plan, as of the 2022 plan year October 1, 2018.~~ This amount will increase by \$100.00 each year until it is equal to the active employee contribution.

14.51.4

The Town's contribution towards retiree health insurance set forth in Section 14 (the PEMHCA minimum) will be deducted from the amount of contribution provided by this Section (14.14).

14.61.5

Employees retiring on or after February 1, 2016 and upon becoming eligible for Medicare will cease to receive any retiree health benefit allowance under this Section (14.41) and will become eligible for Supplemental Medicare equal to the cost of Kaiser Senior Advantage Bay Area Medicare rates up to a maximum of 100% Retiree Only, 90% for Retiree Plus One or 90% for Retiree Plus One or More less the amount of the employee contribution provided under Section 14 (the PEMHCA minimum). This benefit is available to the eligible retired employee only after he or she has

reached the age of 65 and is Medicare eligible or as otherwise specified by law.

14.71.6

The benefits described by this Section (14.14.4) will be provided to annuitants through CalPERS by means of a Health Reimbursement Account (HRA).

14.82 Retiree Health Benefit for Eligible Retirees Hired After October 1, 2018

The parties agree to add the PORAC Trust option requiring bargaining unit employees to contribute at least \$100 per month subject to reaching mutual agreement on the language. The parties agree that administrative fees required by the PORAC trust shall be split 50/50 by the Town and the POA.

The Association will establish participation in a retiree medical plan administered by the PORAC Retiree Medical Trust (PORAC RMT). This agreement to participate will apply to every employee, represented by the Association, hired by the Town after October 1, 2018. The cost of establishing and maintaining the Trust shall be at no cost to the Town, including administrative fees. The Town is not a party to the Trust, aside from transferring funds, and has no obligations to the management, regulatory compliance or performance of the trust. In the event the Trust becomes insolvent or unable to pay, the Town has no financial obligation to the Trust or the contributing members of the Association.

The Town will transfer a monthly employee contribution of one hundred dollars (\$100.00) for each Association member deducted in fifty dollars (\$50.00) increments from the first two paychecks of each month (24 times per year). These contributions shall be on a pre-tax basis if permitted by law. As each member will contribute the same predetermined dollar amount, no member election forms designating the amount will be needed, allowed or requested; and there shall be no member election available to take the member contribution amount in cash, or to determine the member contribution amount. These contributions shall be included as salary for purpose of calculating retirement benefits as determined by the California Public Employees Retirement System (CalPERS).

The Town will comply with reasonable procedures set by the Trust Office with regard to reporting and depositing the required contributions set forth above, typically involving providing the Trust Office with the name, social security number and amount paid for each Association member. In the event that the reporting requirement of the Trust requires reporting beyond that which the Town typically provides, the Town may require the Association to pay for any costs related to programing or producing such reports. Prior to engaging in any activity that could result in such an expense, the Town will secure the Association's authorization

The Association agrees to defend, indemnify, and hold the Town harmless from any liabilities of any nature which may arise as a result of the operating of the PORAC RMT, except for the obligation of the Town to make and report the non-elective transfer of Association member contributions as described above.

The monies contributed to the Trust fund shall only be used for retiree health insurance premiums or health care expenses, as allowed by law. There shall be no Association member election/option available to take such amount in unrestricted cash.

The purpose of this Trust shall be to provide for retiree health care expense reimbursement benefits. The Trust shall be and remain separate and apart from any Town health insurance funding program, unless changed by mutual written agreement of the parties. The contributions set forth above, unless otherwise dictated by law or rules set forth by CalPERS, shall be included as salary for purpose of calculating pension benefits.

The Town hereby acknowledges receipt of the Trust Agreement governing the Trust. The Town will cooperate with the Trust in allowing a payroll audit only for the purpose of ascertaining if the proper amount of contributions have been made.

Section 15. Uniforms

The Town will provide a full set of uniforms and equipment (per Department Uniform Policy) to each new employee. The Town will replace authorized uniform items damaged in the performance of duty as approved by the Chief of Police.

~~Effective upon ratification and approval by the Council of this Agreement, t~~The Town will pay bargaining unit employees a uniform allowance of One Hundred Fifteen Dollars (\$115) per month (paid the first two pay periods of each month) for the repair, maintenance, and replacement of uniforms.

Section 16. Mileage Reimbursement

Employees using personal vehicles on official Town business shall be reimbursed at the mileage rate established by the I.R.S. Private vehicles used for Town business shall comply with the California Vehicle Code.

Mileage reimbursement requests must be submitted within 30 days of the date accrued.

Section 17. Payroll Periods

The Town and Association agree to the continuation of a biweekly payroll period. The following conditions are in effect:

- A. Employee pay shall not be withheld more than seven (7) calendar days from the end of the payroll period, however, a maximum of two days overtime may appear on the next payroll period if it is worked following the submittal of time sheets, or during a pay period with a Town holiday which requires early submittal of time sheets and early distribution (before Friday) of pay checks. This may also occur at the end of the fiscal or calendar year.
- B. The Town shall provide an optional electronic check deposit system for use by employees.

Section 18. Paychecks

Payroll deductions and accruals shall appear on all paychecks.

Section 19. Deferred Compensation

The Town shall continue to offer a program of deferred compensation to its members in the represented classifications. The Town makes no representation on the merit of the plan nor any of the investment products or instruments which may be offered by the plan. The responsibility for evaluating the options within the plan is the responsibility of the individual participant. The Town shall not be obligated to offer more than one Deferred Compensation carrier.

Section 20. Overtime

Overtime is time worked beyond any scheduled work shift.

All overtime worked shall be compensated at time and one-half. The employee may choose whether overtime ~~worked~~ shall be paid in cash or accumulated as Compensatory Time Off (CTO), subject to a maximum accumulated CTO of one hundred and forty (140) hours.

On or before the pay period which includes December 15 of each calendar year, an employee may make an irrevocable election to cash out up to 40 hours of CTO twice per year (paid at the regular rate of pay in whole hour increments) which will be earned in the following calendar year. In the first full pay period of June and December in the following year, the employee will receive cash for the amount of CTO the employee elected to cash out in the prior year. However, if the employee's CTO balance is less than the amount the employee elected to cash out (in the prior calendar year) the employee will receive cash for the amount of the CTO the employee has accrued at the time of the cash out.

Annual review of the impact of those changes will occur to determine if there is any adverse impact on scheduling.

For private duty contracts, officers may only receive pay.

Overtime is to be approved by a supervisor as soon as practical. Overtime payroll sheets are the responsibility of the employee to have approved and forwarded to the division commander by the appropriate payroll deadline.

Section 21. Duty Extension

Compensation is made for actual time worked and shall be computed in minimum quarter-hour blocks.

Personnel whose work hours would normally terminate within one hour or less from the time of the scheduled court, meeting, or training commencement will be compensated from the termination of their normal work hour through the termination of the scheduled event.

Duty extension is paid at time and one half.

Section 22. Call Back

Requests that personnel return to duty, attend mandatory meetings, court appearances and training classes are call backs and compensated at a 3 hour minimum or actual time, whichever is greater. Mandatory meetings where a minimum of two weeks' notice has been given are not a call back and will be compensated at a one (1) hour minimum or actual time worked whichever is greater.

Call backs for officers assigned to Watch I (midnight shift) who have worked the night before shall receive a minimum of 4 hours.

Personnel are considered on duty for the duration of a call back.

Court appearances-hearings-depositions: Required off duty attendance at judicial or administrative hearings is compensated at a 3-hour minimum (4 hours for midnight if shift worked the night before appearance), or actual time, whichever is greater. Should there be more than one appearance, including separate court locations, within the 3 or 4 hour time period, only one minimum will be granted.

Call back is paid at time and one half.

Section 23. Vacation Schedule

The following vacation schedule shall apply to all employees:

Months of Employment	Accrual Days Per Year	Accrual Hours Per Pay Period
0 to 36	10	3.08
37 to 60	15	4.62

61 to 120	20	6.46
121 to 180	23	7.08
181 months	25	7.70

Maximum accrual of vacation hours shall be 344 hours.

On or before the pay period which includes December 15 of each calendar year, an employee may make an irrevocable election to cash out up to 80 hours of vacation twice per year (in whole hour increments) which will be earned in the following calendar year. In the first full pay period of June and December in the following year, the employee will receive cash for the amount of vacation the employee irrevocably elected to cash out in the prior year. However, if the employee's vacation balance is less than the amount the employee elected to cash out (in the prior calendar year) the employee will receive cash for the amount of vacation the employee has accrued at the time of the cash out.

Section 24. Vacation and ~~Overtime-Compensatory Time Off~~ Cash-out

Employees who terminate from Town service shall have all accrued vacation and compensatory time off ~~overtime~~ cashed-out. This will terminate their status as an employee of the Town.

Section 24.5. Shift and Vacation Selection Procedures

Patrol shift selection and vacation bidding shall commence approximately ten weeks prior to shift change, unless circumstances require otherwise.

The Town agrees to continue efforts to transition to an online mechanism for shift and vacation selection.

Due to the Association's concerns regarding changes to the vacation selection procedure that arose due to sworn staffing shortages and its effect on officer access to vacation, the parties agree to meet to discuss shift and vacation selection procedures during the month of July 2022. Upon request by the Union, the parties will promptly meet and confer on the limited issue of the Department's vacation selection procedure. Any changes to the existing vacation selection procedure will be by mutual agreement.

Section 26. Holidays and Holiday Pay

The following holidays will be observed by non-uniform personnel:

- January 1.
- the third Monday in January.
- the third Monday in February.
- the last Monday in May.
- Juneteenth.
- July 4.
- the first Monday in September.
- Thanksgiving Day.
- the Friday following Thanksgiving Day.
- December 25.
- Four hours on December 24 and December 31
- Every day declared a Holiday by the Mayor as a result of a national holiday declared by the President or State Governor.

Holidays which fall on Saturday shall be observed on the Friday prior and holidays which fall on Sunday shall be observed on the following Monday.

Uniform personnel assigned to shift work (Patrol and Traffic) shall receive compensation in-lieu of holiday time off equal to eighty (80) hours of base pay annually. Employees shall have the option of taking Holiday leave off equal to eighty hours (80) or receive in-lieu compensation. If the employee selects to receive in-lieu compensation, forty (40) hours of holiday pay will be received in the last payroll of November and the second forty (40) hours will be received in the last payroll of May, and will be included on the regular check. In-lieu holiday pay shall cease whenever an employee is reassigned to other than shift work. The employee shall observe holidays as described above. In the event that an additional holiday is observed by the Town during the term of this agreement, the in-lieu compensation shall be increased by the additional hours holiday time made available to non-uniform personnel (the language of this paragraph becomes null and void effective January 1, 2019).

~~Effective beginning January 1, 2019, the parties agree to pay holidays for bargaining unit employees through Holiday In-Lieu pay of 4.0%.~~

~~Effective the first full pay period of July 2022 or the first full pay period after Council approval of the MOU, whichever is later, in recognition of Juneteenth, holiday in-lieu pay will be increased by 0.4%, to total 4.4%.~~

~~Effective the first full pay period of July 2022 or the first full pay period after Council approval of the MOU, whichever is later, employees will receive a one-time, non-pensionable lump sum payment of one thousand dollars (\$1,000) for foregoing the Juneteenth holiday prior to 2023.~~

Section 276. Personal Leave

Employees shall have the option of either taking personal leave off equal to twenty-four (24) hours of base pay annually, or receiving in-lieu compensation equal to same if the personal leave is not used by the end of November. Employees may use personal leave hours during the month of December; however, employees desiring to receive compensation for those hours shall do so in conjunction with the annual cash out in November.

Section 278. Sick Leave

Accumulation rate shall be 8 hours per month (3.70 hours per pay period) with a maximum accrual of 1180 hours. The Town may require association represented employees to provide a doctor statement of proof of illness for any use of sick leave beyond one working day.

Section 298. Sick Leave Cash-Out Program

298.1 Annual Sick Leave Cash-Out for Employees Hired Prior to October 1, 2018

On or before the pay period which includes December 15 of each calendar year, employees eligible to cash out under this section may make an irrevocable election to cash out up to 40 hours of their accumulated sick leave at 50% of current salary two times per year (in whole hour increments) which will be earned in the following calendar year. In the first full pay period of June and December in the following year, the employee will receive cash for the amount of sick leave the employee irrevocably elected to cash out in the prior year. However, if the employee's sick leave balance is less than the amount the employee elected to cash out (in the prior calendar year) the employee will receive cash for the amount of sick leave the employee has accrued at the time of the cash out.

298.2 Sick Leave Cash-Out Upon Termination for Employees Hired Prior to October 1, 2018

Employees who terminate employment with the Town for any reason other than retirement or disciplinary termination, may cash-out their accumulated sick leave as follows:

Months of Employment	
1-59 months	25%

60-119 months	37.5%
120 months or more	50%

In order to be eligible for the sick leave cash-out program, an employee must have a sick leave accrual balance of at least 200 hours at the time of termination.

298.3 Unused Sick Leave Upon Retirement

Upon retirement, eligible employees may choose from the following options:

1. Eligible employees may convert unused sick time to service credit in accordance with provisions established by CalPERS.

2. Sick Leave Cash Out for Employees Hired Prior to October 1, 2018

All eligible employees who retire with a sick leave accrual balance of at least 200 hours may elect to be paid in cash in accordance with the same provisions as Section 28.2 Sick Leave Cash-Out Upon Termination.

3. Sick Leave Conversion for Employees Hired Prior to January 1, 2009

All employees who retire with a sick leave accrual balance of at least 200 hours may convert 100% of this accumulated sick leave to a dollar equivalent at their hourly rate of pay at the time of retirement. This amount shall be held in an account. The employee's portion of the medical insurance premium payment will be withheld from their monthly retirement payment by PERS.

The Town agrees to pay the retiree quarterly in advance on the first pay period of January, April, July, and October of each year after retirement. The first payment will be pro-rated to the nearest quarter.

Retiree's (including dependents of the retiree) portion of medical payments will be paid from this account by the Town until all monies are depleted from the account.

This account will not accrue interest and will not be paid in cash to the retiree or any beneficiaries. The retirees shall be responsible for 100% of their share of future medical insurance premiums once the account is exhausted.

Section 3029. Military Leave

Military leave and benefits shall be granted in accordance with State and Federal Law, including the continuation of employee salary and benefits if applicable.

Generally, employees with more than one year service will receive up to thirty (30) calendar days of paid military leave annually while engaged in military duty ordered for purposes of active military training.

Section 319. Bereavement/Compassion Leave

Up to 40 hours available per occurrence – use limited to spouse, parent, grandparent, child, or sibling by blood or marriage. It is recognized that bereavement/compassion leave is separate from employee's accumulated sick leave, vacation or CTO.

Section 321. Leave Without Pay

Leave without pay shall be subject to approval of the Chief of Police and the Town Manager.

An employee who is on leave without pay shall not earn any employment benefits (including, but not limited to, such benefits as vacation leave, medical benefits, sick leave, retirement, credit for time employed or seniority entitlement of any kind) for the duration of such leave.

Vacation or sick leave or time worked shall not be used intermittently during an extended leave to interrupt a determination that an employee is on leave without pay.

The Town may, at its discretion, approve leave beyond the specific amount provided above.

Section 332. Accrual of Benefits

Benefits shall not accrue to employees on unauthorized leave, suspension without pay, or leave without pay.

Section 343. Workers' Compensation

Employees shall be provided benefits in compliance with State law.

Section 354. Jury Duty

Employee salary and benefits shall be continued during jury duty; employee turns over to the Town any compensation from the courts or other source of jury duty on regular work days.

Section 365. Outside Employment

Outside employment shall be subject to approval of the Chief of Police and the Town Manager, subject to the following limitations: no security work within Town limits; no use of Los Gatos uniform, badge, ID, or Los Gatos issued items; vacation or CTO to be used for court appearances resulting from private employment. Approval must be obtained prior to engaging in the outside employment and shall be renewed prior to July 1 of each year.

Section 376. Residency Requirement

There is no residency requirement for represented employees.

Section 387. Layoff Policy

Association recognizes the right of the Town to determine the resources to be made available to the police department. Although a reduction in force (layoff) is not anticipated, it is recognized that it is the sole right of the Town to determine when such reductions in force are necessary.

Reductions in force shall be by classification with the determination of affected employees by the Town based on seniority counted as total time employed by the Town. Affected employees shall be provided a minimum thirty (30) calendar days' notice of layoff.

Employees in the classification of Police Sergeant and designated for layoff shall have the right to return to positions previously held with the Town and represented by the Association.

Section 398. Vehicles

Town shall advise POA no later than sixty days prior to Town development of vehicle specifications for patrol vehicles. POA shall submit recommended specifications for vehicle purchase no later than thirty (30) days after receiving the notice from the Town.

Section ~~39~~40. Promotions

The Town and Association agree that it is in the best interest of both the Town and its employees to foster promotion of incumbent employees.

The Town and Association recognize the Town's sole right to determine the examination process for the selection of Town employees. Qualified employees who are invited to participate in the examination process shall be allowed up to two (2) hours of time-off from regularly scheduled work in order to participate in the examination process if the examination process is scheduled during the employee's normal work period.

To the best of its ability, the Town shall maintain a current promotional list for the positions of [Police Corporal and Police Sergeant](#).

[Any opening for Police Corporal or Police Sergeant positions shall be posted for a minimum of three weeks, unless extraordinary circumstances warrant otherwise.](#)

Section ~~41~~0. Probationary Period

The Town and the Association agree that all original appointments to the rank of Police Officer will include a probationary period of 18 months from date of hire to allow the department to fully evaluate the officer following the academy and FTO training.

Individuals hired as a lateral transfer must have a valid P.O.S.T. Basic Certificate at the time of hire and will be subject to a 12-month probationary period.

Any individual on an 18-month probationary period will be eligible to receive a step increase after 12 months.

All promotional appointments to the positions of Corporal and Sergeant shall be subject to satisfactory completion by the employee of a 12-month probationary period.

The Chief of Police may extend the probationary period of an employee for a period not to exceed an additional six (6) months.

Section ~~42~~1. Performance Evaluations

Performance evaluations shall take place at least every three (3) months for all probationary employees and shall take place at least annually thereafter on the anniversary of an employee's employment with the Town. Employees eligible for step increases shall receive their performance evaluation no later than fifteen (15) days prior to their employment anniversary date.

All performance evaluations shall be discussed with the employee prior to the evaluation being completed. Employees may sign their individual performance evaluations as evidence of discussion having taken place; employee signature does not necessarily imply agreement with the evaluation. If an employee chooses not to sign an evaluation, the supervisor will note that the employee has read the evaluation and chooses not to sign. An employee may attach separate written comments to [his/her/his/her/their](#) evaluation.

Section 423. Reinstatement

Subject to the approval of the Town Manager, a permanent employee who has resigned from employment with the Town may be reinstated within two (2) years of ~~his/her~~~~his/her/their~~ resignation to ~~his/her~~~~his/her/their~~ former position, if vacant. Upon reinstatement, the employee shall be considered as though ~~he/she~~~~they~~ had received an original appointment, unless other conditions are made a part of the reinstatement by the Town Manager.

Section 434. Re-Employment

The names of employees affected by layoff shall be placed on appropriate re-employment lists in the order of total continuous cumulative time served in paid status. Such names shall remain thereon for a period of eighteen (18) months unless such persons are sooner re-employed. When a re-employment list is to be used to fill vacancies, the Personnel Officer shall certify from the top of such list the number of names equal to the number of vacancies to be filled, and the appointing power shall appoint such persons to fill the vacancies.

Section 445. Grievance Procedures

Grievances shall be defined as alleged violations of this agreement or disputes regarding interpretations, application, or enforcement of this agreement to Town ordinances, resolutions, and written policies related to personnel policies and working conditions. Grievances shall not include disagreements, disputes, or activities regarding or pertaining to examinations for employment or promotion, disciplinary action, performance evaluations, and probationary terminations.

No act or activity which may be grievable may be considered for resolution unless a grievance is filed in accordance with the procedure contained herein within sixty (60) calendar days of the date the grievable activity occurred or the date the employee could reasonably have known such activity occurred. The provision for the sixty (60) days "statute of limitations" shall not apply to probationary employees.

The parties agree that all grievances will be processed in accordance with the following procedure:

Any employee who has a grievance shall first try to get it settled through discussion with ~~his/her~~~~his/her/their~~ immediate supervisor without undue delay. Every effort shall be made to find an acceptable solution at the lowest possible level of supervision. If after such discussion the employee does not believe the grievance has been satisfactorily resolved, ~~he/she~~~~they~~ may file a formal appeal in writing to the command officer responsible for supervision of the employee's immediate supervisor within ten (10) calendar days after receiving the informal decision of ~~his/her~~~~his/her/their~~ immediate supervisor. The command officer shall respond within ten (10) calendar days of the filing of the appeal.

If the employee does not believe the grievance has been satisfactorily resolved by the command officer, the employee may then file a formal appeal in writing to the Chief of Police within ten (10) calendar days after receiving the informal decision of the command officer. The Chief of Police shall render his written decision within ten (10) calendar days after receiving the appeal.

If after receipt of the written decision of the Chief of Police, the employee is still dissatisfied, ~~he/she~~~~they~~ may appeal the decision of the Chief to the Town Manager. Such appeal shall be made by filing a written appeal to the Town Manager within five (5) days after the receipt of the written decision of the Chief. The Town shall render a written decision within twenty (20) working days after the appeal is made.

If after receipt of the written decision of the Town Manager the employee is still dissatisfied, ~~he/she~~~~they~~ may appeal the decision of the Town Manager to the Personnel Board. Such appeal shall be made by filing a written appeal to the Chair of the Personnel Board within five (5) days after receipt of the written decision of the Town Manager.

The Personnel Board shall establish a hearing date within 30 days of receipt of the written appeal. The Personnel Board shall conduct a closed hearing giving opportunity for presentation by the employee or ~~his/her~~his/her/their representative and the Town Manager. The Personnel Board shall render a written decision within 30 days after the appeal is made. If after receipt of the written decision of the Personnel Board, the employee is still dissatisfied, ~~he/she/they~~ may appeal the decision of the Personnel Board to the Town Council. Such appeal shall be made by filing a written appeal with the Mayor. The Mayor shall schedule a closed hearing with the Town Council within 30 days after receipt of the appeal. At this hearing, the employee and the Town Manager may make presentations. The Town Council decision shall be final. The Town Council shall render a decision within 30 days after the hearing. An open hearing may be conducted by the Personnel Board or Town Council with mutual consent of the Town and person(s) filing the grievance.

The time limitations for filing and responding to grievances may be waived or extended by mutual agreement of the parties. If either party to the grievance so requests, an informal hearing shall be conducted at the Chief of Police or Town Manager appeal levels. Employees may be represented by counsel or other person at any stage in the grievance process.

Section 456. Attendance

Employees shall be in attendance at their work in accordance with the rules regarding hours of work, holidays and leave.

An employee whose absence is not authorized will not receive pay or benefits for the absent period and shall be subject to discipline. Failure on the part of an employee absent without leave to return to duty shall be grounds for discharge. It shall be the responsibility of an employee absent without leave to notify the department head of the reason the employee is absent and of the employee's availability for duty.

Section 476. Completeness of MOU

The Town and the Association acknowledge and agree to abide by the provisions of the Meyers-Milias-Brown Act.

Section 478. Association Notification or Communications

The Town and the ~~d~~Department will make every reasonable effort to keep the Association President informed on issues related to the working conditions of the Association members.

Section 49. Labor-Management Committee

As part of a continuing effort to promote healthy labor relations, the Department and the Association shall establish a Police Labor-Management Committee to meet on at least a quarterly basis to promote open communication and the sharing of information. It is the intent of the parties that the Chief or designee and the Association President or designee will attend these meetings.

Section 4850. Catastrophic Time Bank

If an employee is catastrophically ill or injured, or if the spouse or child of such employee becomes catastrophically ill or injured, the employee may request of the Town Manager that a catastrophic time bank be established. This request should be in writing. The catastrophic time bank will enable other employees to donate accrued CTO, holiday credits, or vacation credits to the requesting employee in accordance with departmental policies.

Specific procedures for the administration of the catastrophic time bank will be developed by the department.

~~Section 49. Reopener~~

~~If, for any reason, the Chief of Police decides it is in the best interest of the Department to discontinue the 4-10 Plan within the term of this agreement, the Town of Los Gatos agrees to reopen negotiations within 30 days on all provisions of the MOU.~~

Section 510. Me Too Clause

The Town shall not enter into an agreement with another bargaining unit, local union or management unit so that unit, local or bargaining unit can receive any compensation related to any salary or total compensation increase obtained by the POA.

~~Section 51. Update of Personnel Rules~~

~~The Town will be updating the Personnel Rules during the term of this agreement. The Town will provide notice and an opportunity to meet and negotiate any negotiable changes to the Personnel Rules. The parties agree to this process for this update.~~

Town of Los Gatos POA Classifications
Salary Schedule for Fiscal Year 2021/22
Effective June 12, 2022
Adopted by Town Council June 7, 2022

Class Code	Classification Title	Range	Step	Hourly Rate
2520	Police Sergeant (Prior)	04-0721	1	\$66.43
	<i>Appointment before 03/01/2015</i>		2	\$69.75
			3	\$73.24
			4	\$76.90
			5	\$80.75

Class Code	Classification Title	Range	Step	Hourly Rate
2521	Police Sergeant (New)	05-0721	1	\$66.43
	<i>Appointment after 03/01/2015</i>		2	\$69.75
			3	\$73.24
			4	\$76.90

Class Code	Classification Title	Range	Step	Hourly Rate
7500	Police Corporal	03-0715	1	\$55.12
			2	\$57.88
			3	\$60.77
			4	\$63.81
			5	\$67.00

Class Code	Classification Title	Range	Step	Hourly Rate
7510	Police Officer	02-0711	1	\$52.50
			2	\$55.13
			3	\$57.89
			4	\$60.78
			5	\$63.82

Class Code	Classification Title	Range	Step	Hourly Rate
9519	Police Trainee *	01-0710	1	\$49.88
	<i>* 95% of Step 1 of Police Officer Classification (Provisional Employee with Misc PERS)</i>			

Reflects General Increase of 2%.

ATTACHMENT 1

Town of Los Gatos POA Classifications
Salary Schedule for Fiscal Year 2022/23
Effective July 10, 2022
Adopted by Town Council June 7, 2022

Class Code	Classification Title	Range	Step	Hourly Rate
2520	Police Sergeant (Prior)	04-0721	1	\$69.92
	<i>Appointment before 03/01/2015</i>		2	\$73.42
			3	\$77.09
			4	\$80.94
			5	\$84.99

Class Code	Classification Title	Range	Step	Hourly Rate
2521	Police Sergeant (New)	05-0721	1	\$69.92
	<i>Appointment after 03/01/2015</i>		2	\$73.42
			3	\$77.09
			4	\$80.94

Class Code	Classification Title	Range	Step	Hourly Rate
7500	Police Corporal	03-0715	1	\$58.01
			2	\$60.91
			3	\$63.96
			4	\$67.16
			5	\$70.52

Class Code	Classification Title	Range	Step	Hourly Rate
7510	Police Officer	02-0711	1	\$55.26
			2	\$58.02
			3	\$60.92
			4	\$63.97
			5	\$67.17

Class Code	Classification Title	Range	Step	Hourly Rate
9519	Police Trainee *	01-0710	1	\$52.50
	<i>* 95% of Step 1 of Police Officer Classification (Provisional Employee with Misc PERS)</i>			

Reflects General Increase of 5.25%.



**TOWN OF LOS GATOS
COUNCIL AGENDA REPORT**

MEETING DATE: 06/07/2022

ITEM NO: 20

Item 2.

DATE: June 2, 2022
TO: Mayor and Town Council
FROM: Laurel Prevetti, Town Manager
SUBJECT: Approve a Labor Agreement Between the Town of Los Gatos and the Town Employees' Association and Authorize the Town Manager to Execute the Memorandum of Understanding

RECOMMENDATION:

Staff recommends that the Town Council approve a Labor Agreement Between the Town of Los Gatos and the Town Employees' Association (TEA) and Authorize the Town Manager to Execute the Memorandum of Understanding .

BACKGROUND:

In accordance with the Town's Employer-Employee Relations Resolution No. 1974-41, representatives of the Town and TEA have met and conferred in good faith and within the scope of representation in an effort to reach agreement for a successor Memorandum of Understanding (MOU). The revised agreement will be posted as an Addendum on June 3, 2022. The MOU is a labor agreement that identifies specific terms and conditions of employment applicable to the employees represented by that agreement.

DISCUSSION:

The Town's current MOU with TEA expires on June 30, 2022. In April 2022, the Town and TEA began negotiating for a successor agreement. A tentative agreement for a two-year term was reached in April and TEA membership ratified on June 2, 2022.

Major provisions of the agreement include and are not limited to:

1. **Term:** July 1, 2022 to June 30, 2024

PREPARED BY: Salina Flores
Human Resources Director

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

PAGE 2 OF 3

SUBJECT: Approve a Labor Agreement Between the Town of Los Gatos and the American Federation of State, County, and Municipal Employees and Authorize the Town Manager to Execute the Memorandum of Understanding

DATE: June 2, 2022

DISCUSSION (continued):

2. Salary:

- a. Effective the first full pay period of July 2022 (Effective July 10, 2022), or the first full pay period after Council approval, whichever is later, the Town will provide a 3% cost of living adjustment (COLA) and a 5% market increase for a total of 8%. The market increase is intended to bring TEA classifications to or near market median based on data in a compensation survey of the relevant labor market completed by outside consultant Bryce & Associates in April 2022 .
- b. Effective in the first full pay period of July 2023, the Town will provide a 3% cost of living salary increase.
3. **Pandemic Related Bonus:** Effective the first full pay period of July 2022, or the first full pay period after Council approval, whichever is later, all employees who worked for the Town in 2021, who are employed at the Town as of the last day of the pay period will receive a one-time, lump sum payment of \$2,500.00.
4. **Juneteenth Holiday:** Effective after Council approval of this MOU, June 19th (Juneteenth) shall be added to Section 29 of the MOU as an observed paid eight (8) hour holiday for employees represented by TEA.
5. **Market Adjustments:** On one occasion during the term of the MOU, upon request by the Union, the Parties agree to meet to discuss elements of future compensation surveys for TEA and ways to collaborate to obtain the best market data for TEA classifications. The parties agree this is not a reopener and any changes to the MOU on this issue would be by mutual agreement of the parties.
6. **Compensatory Time Off (CTO) for Non-Dispatchers:** Increase CTO accrual limit by twenty (20) hours to maximum of eight (80) hours.
7. **Bereavement Leave:** Add Stepchildren, foster children, stepparents/parents in law, and grandchildren.

The Town and TEA have also agreed to various MOU language updates. The red-lined MOU will be posted on Friday, June 3, 2022 as an Addendum. These updates clarify existing language, delete obsolete language, and ensure compliance related to the Town's contract for retirement and medical benefits provided under the California Public Employees' Retirement System (CalPERS) and the Public Employees' Medical and Hospital Care Act (PEMHCA).

CONCLUSION:

The TEA agreement has been prepared within the parameters provided to Town's negotiators by the Town Council and has been ratified by the TEA membership. It is recommended that the proposal be approved, and the Town Manager be authorized to execute the MOU.

PAGE 3 OF 3

SUBJECT: Approve a Labor Agreement Between the Town of Los Gatos and the American Federation of State, County, and Municipal Employees and Authorize the Town Manager to Execute the Memorandum of Understanding

DATE: June 2, 2022

FISCAL IMPACT:

The anticipated fiscal impact for the 3% salary increase (\$215,000) and 5% market increase (\$290,000) in FY 2022/23 is \$505,000. The anticipated fiscal impact of the \$1,000 non-pensionable one-time payment and the one-time, lump sum pandemic related bonus payment of \$2,500.00 in FY 2022/23 is \$210,000.

The total cost impact for FY 2022/23 will be absorbed in the Town's existing operating budget. Funding to support the FY 2023/24 ongoing cost each year will be incorporated into the proposed future year budgets for Council approval.

ENVIRONMENTAL ASSESSMENT:

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

Attachment:

1. Salary Schedule for TEA effective July 10, 2022

Town of Los Gatos TEA Classifications
Salary Schedule for Fiscal Year 2022/23
Effective July 10, 2022
Adopted by Town Council June 7, 2022

Item 2.

Class Code	Classification Title	Rate Type	Range TE1	Step 1	Step 2	Step 3	Step 4	Step 5	Step 6
4310	Account Technician	Hourly	08	\$36.88	\$38.72	\$40.66	\$42.69	\$44.82	\$47.64
3580	Administrative Assistant	Hourly	04	\$30.87	\$32.41	\$34.03	\$35.73	\$37.52	\$39.98
4620	Assistant Engineer	Hourly	25	\$49.12	\$51.58	\$54.16	\$56.87	\$59.71	\$63.28
4420	Assistant Planner	Hourly	12	\$42.71	\$44.85	\$47.09	\$49.44	\$51.91	\$55.09
4600	Associate Civil Engineer	Hourly	27	\$55.88	\$58.67	\$61.60	\$64.68	\$67.91	\$71.89
4661	Associate Engineering Technician	Hourly	14	\$43.02	\$45.17	\$47.43	\$49.80	\$52.29	\$55.48
4400	Associate Planner	Hourly	20	\$49.70	\$52.19	\$54.80	\$57.54	\$60.42	\$64.02
4410	Building Inspector	Hourly	24	\$47.82	\$50.21	\$52.72	\$55.36	\$58.13	\$61.62
4430	Code Compliance Officer	Hourly	10	\$42.76	\$44.90	\$47.15	\$49.51	\$51.99	\$55.17
4530	Communication Dispatcher	Hourly	17	\$45.31	\$47.58	\$49.96	\$52.46	\$55.08	\$58.41
4535	Communication Dispatcher Lead	Hourly	19	\$57.24	\$60.10	\$63.11	\$66.27	\$69.58	\$73.64
4540	Community Services Officer	Hourly	11	\$36.36	\$38.18	\$40.09	\$42.09	\$44.19	\$46.98
4615	Construction Project Manager	Hourly	26	\$53.61	\$56.29	\$59.10	\$62.06	\$65.16	\$69.00
4660	Engineering Technician	Hourly	13	\$39.05	\$41.00	\$43.05	\$45.20	\$47.46	\$50.41
4705	Environmental Programs Specialist	Hourly	08	\$36.88	\$38.72	\$40.66	\$42.69	\$44.82	\$47.64
4200	Events and Marketing Specialist	Hourly	06	\$32.53	\$34.16	\$35.87	\$37.66	\$39.54	\$42.10
3501	Executive Assistant	Hourly	08	\$36.88	\$38.72	\$40.66	\$42.69	\$44.82	\$47.64
4900	IT Systems Administrator	Hourly	23	\$53.24	\$55.90	\$58.70	\$61.64	\$64.72	\$68.54
4915	IT Technician	Hourly	07	\$39.91	\$41.91	\$44.01	\$46.21	\$48.52	\$51.53
4810	Librarian	Hourly	16	\$40.81	\$42.85	\$44.99	\$47.24	\$49.60	\$52.66
4830	Library Assistant	Hourly	03	\$30.13	\$31.64	\$33.22	\$34.88	\$36.62	\$39.03
4807	Library Customer Service Specialist	Hourly	01	\$28.23	\$29.64	\$31.12	\$32.68	\$34.31	\$36.61
4805	Library Customer Service Supervisor	Hourly	08	\$36.88	\$38.72	\$40.66	\$42.69	\$44.82	\$47.64
4825	Library Specialist	Hourly	06	\$32.53	\$34.16	\$35.87	\$37.66	\$39.54	\$42.10
4819	Library Tech Specialist	Hourly	15	\$39.55	\$41.53	\$43.61	\$45.79	\$48.08	\$51.06
3181	Office Assistant	Hourly	01	\$28.23	\$29.64	\$31.12	\$32.68	\$34.31	\$36.61
4640	Park Services Officer	Hourly	11	\$36.36	\$38.18	\$40.09	\$42.09	\$44.19	\$46.98
4560	Parking Control Officer	Hourly	01	\$28.23	\$29.64	\$31.12	\$32.68	\$34.31	\$36.61
4440	Permit Technician	Hourly	09	\$35.53	\$37.31	\$39.18	\$41.14	\$43.20	\$45.94

**Town of Los Gatos TEA Classifications
Salary Schedule for Fiscal Year 2022/23
Effective July 10, 2022
Adopted by Town Council June 7, 2022**

Item 2.

Class Code	Classification Title	Rate Type	Range TE1	Step 1	Step 2	Step 3	Step 4	Step 5	Step 6
4425	Planning Technician	Hourly	11	\$36.36	\$38.18	\$40.09	\$42.09	\$44.19	\$46.98
4550	Police Records Specialist	Hourly	05	\$31.60	\$33.18	\$34.84	\$36.58	\$38.41	\$40.91
4630	Public Works Inspector	Hourly	18	\$44.47	\$46.69	\$49.02	\$51.47	\$54.04	\$57.32
4450	Senior Building Inspector	Hourly	27	\$55.88	\$58.67	\$61.60	\$64.68	\$67.91	\$71.89
4525	Senior Communication Dispatcher	Hourly	29	\$50.76	\$53.30	\$55.97	\$58.77	\$61.71	\$65.38
4831	Senior Library Page	Hourly	02	\$19.85	\$20.84	\$21.88	\$22.97	\$24.12	\$25.91
4565	Senior Parking Control Officer	Hourly	11	\$36.36	\$38.18	\$40.09	\$42.09	\$44.19	\$46.98
4405	Senior Planner	Hourly	28	\$57.24	\$60.10	\$63.11	\$66.27	\$69.58	\$73.64
4610	Senior Public Works Inspector	Hourly	26	\$53.61	\$56.29	\$59.10	\$62.06	\$65.16	\$69.00
4662	Sr. Engineering Technician	Hourly	24	\$47.82	\$50.21	\$52.72	\$55.36	\$58.13	\$61.62

Reflects General Increase of 8%



**TOWN OF LOS GATOS
COUNCIL AGENDA REPORT**

MEETING DATE: 06/07/2022

Item 2.

ITEM NO: 20
ADDENDUM

DATE: June 3, 2022
TO: Mayor and Town Council
FROM: Laurel Prevetti, Town Manager
SUBJECT: Approve a Labor Agreement Between the Town of Los Gatos and the Town Employees' Association and Authorize the Town Manager to Execute the Memorandum of Understanding

REMARKS:

Attachment 2 contains the Memorandum of Understanding (redline).

Attachment Distributed with Staff Report:

1. Salary Schedule for TEA effective July 10, 2022

Attachment Distributed this Addendum:

2. Memorandum of Understanding (redline)

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

TOWN OF LOS GATOS

AND

LOS GATOS TOWN EMPLOYEES' ASSOCIATION



MEMORANDUM OF UNDERSTANDING

JULY 1, 2022 – JUNE 30, 202~~4~~1

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**MEMORANDUM OF UNDERSTANDING
BETWEEN
THE TOWN OF LOS GATOS
AND
THE TOWN EMPLOYEES' ASSOCIATION (T.E.A.)**

THIS AGREEMENT IS ENTERED INTO AS OF JULY 1, 2022~~18~~, BETWEEN THE TOWN OF LOS GATOS, HEREINAFTER REFERRED TO AS THE "TOWN", AND THE LOS GATOS "TOWN EMPLOYEES' ASSOCIATION", HEREINAFTER REFERRED TO AS "T.E.A."

Pursuant to Town Resolution 1974-41 of the Town of Los Gatos and Section 3500 et. seq. of the Government Code, the duly authorized representatives of the Town and T.E.A., having met and conferred in good faith concerning the issues of wages, hours, and terms and conditions of employment, as herein set forth, declare their agreement to the provisions of this Memorandum of Understanding.

FOR TOWN EMPLOYEES' ASSOCIATION:**TOWN OF LOS GATOS:**

Christine Crosson
Communications Dispatcher Lead

Laurel Prevetti
Town Manager

~~Judy Coughlin~~
~~Library Specialist~~Sean Mullin
Senior Planner

Arn Andrews
Assistant Town Manager

Daniel Keough~~Jennifer Armer~~

Librarian
Senior Planner

~~Lisa Velasco~~Salina Flores
Human Resources Director

Beca Muniz
~~Network Administrator~~IT Systems Administrator

~~Donna Williamson~~Lisa S. Charbonneau
Liebert Cassidy Whitmore

~~Mike Weisz~~
Associate Civil Engineer

APPROVED AS TO FORM:

~~Robert Schultz~~ Gabrielle Whelan
Town Attorney

Catherine Gildea
Librarian

Cheryl Schiele
Employee Representation Services, Inc.

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Appendix A – T.E.A. Salary Schedule

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**TOWN OF LOS GATOS
AND THE TOWN OF LOS GATOS EMPLOYEES' ASSOCIATION
MEMORANDUM OF UNDERSTANDING
ON SALARIES, FRINGE BENEFITS AND WORKING CONDITIONS**

Preamble

The authorized representatives of the Town of Los Gatos hereafter referred to as the "Town" and the authorized representatives of the Town of Los Gatos Employees' Association hereafter referred to as "T.E.A." do jointly accept and agree to all the terms and conditions of employment set forth in this Memorandum of Understanding pursuant to Town Resolution 1974-41 of the Town of Los Gatos and the Meyers-Milias-Brown Act, Section 3500 et. seq. of the Government Code.

This understanding shall apply to represented employees assigned to those classifications listed on Appendix A. When classifications are created which fall under the representation of T.E.A., this understanding shall also apply. This agreement supersedes all previous agreements between the Town and T.E.A.

The terms and conditions of employment set forth in this understanding have been discussed in good faith by the authorized representatives of the Town and the authorized representatives of the [employees-T.E.A](#). T.E.A. agrees to recommend acceptance by the employees of all terms and conditions set forth herein. Following said acceptance by T.E.A., authorized representatives of the Town agree to recommend to the Town Council that all terms and conditions set forth herein be approved by resolution. Upon adoption of said resolution, all terms and conditions so incorporated shall become effective without further action by either party.

Term

This Memorandum of Understanding shall commence on July 1, 2022 and terminate on June 30, 202~~41~~.

Goal

This Memorandum of Understanding (MOU) has been prepared in a spirit of cooperation between T.E.A. and the Town. The purpose of this MOU is to define all presently known issues concerning employment, foster a sense of [team-workteamwork](#) between T.E.A. and the Town, and create conditions under which the highest quality of public service is delivered.

Section 1. Scope of Representation

Employees represented by T.E.A. are those in permanent positions in the classifications listed in Appendix A.

If it should become necessary to reduce the hours of any employee whose classification is listed in Appendix A, such employee's representation by T.E.A. will not be affected. The Town agrees to notify T.E.A. before filling a vacated represented position with an hourly employee.

Section 2. Town Employer-Employee Relations

2.1 T.E.A. Rights

The Town recognizes the employees' right to join and participate in T.E.A. T.E.A. shall provide the Town with a list of T.E.A. officers and department representatives. T.E.A. shall distribute to all new unit employees materials furnished for such purposes by T.E.A.

Upon request of any employee represented by this Agreement, a T.E.A. representative shall be present during meetings involving the individual employee in disciplinary matters. Oral reprimands and performance evaluations are not included in the above. To the extent possible, disciplinary and grievance matters shall be considered during normal working hours and with pay.

T.E.A. representatives shall have access to its members, bulletin boards, and Town mail system on Town time.

During the term of the agreement, ~~as long as~~ if there is no disruption in work, up to five (5) T.E.A. members shall be allowed up to two (2) hours of release time off each month with pay for meeting and conferring, meeting and consulting, or the processing of grievances in accordance with the grievance procedure, Section 19 of this MOU. The T.E.A. President shall be allowed up to eight (8) hours for these same purposes. T.E.A. general membership meetings will continue to be held during lunch or after work. Town initiated meetings are not subject to release time limits. Such T.E.A. members shall first obtain permission from Department Directors before leaving their work or work locations.

2.2 Town Employer-Employee Relations Resolution

T.E.A. and the Town recognize the existing language in Town Resolution 1974-41, or its successor as it governs all aspects of labor relations in the Town. Any changes in Resolution 1974-41 which apply to T.E.A. will be made after meeting and consulting with T.E.A.

2.3 Employee Rights

The Town adopts, in principle, the following rights, duties and responsibilities of its employees:

2.3.1

Organize and select leaders and representatives.

2.3.2

Employee and Town actions shall be governed by the MOU, Personnel Rules and Town policies.

2.3.3

At T.E.A.'s request the Town Manager shall meet twice during the term of this Agreement with T.E.A. to discuss matters of employee interest.

2.3.4

Utilization of the Disciplinary Procedure (see Resolution 1974-41 or its successor, if any during the term of this MOU, and Ordinance No. 1593).

2.3.5

Right to request a review of [his/her/their](#) classification and receive a response to the request.

2.4 Management Rights

The rights of the Town include, but are not limited to the exclusive right to:

2.4.1

Determine the mission of its constituent departments, commissions and boards;

2.4.2

Set the standards of service;

2.4.3

Determine the procedures and standards of selection for employment and promotion;

2.4.4

Direct its employees;

2.4.5

Take disciplinary action in accordance with adopted disciplinary procedures, recognizing the employee's right to due process;

2.4.6

Relieve its employees from duty because of lack of work or for other legitimate reasons;

2.4.7

Maintain the efficiency of governmental operations;

2.4.8

Determine the methods, means and personnel by which government operations are to be conducted;

2.4.9

Determine the content of job classifications;

2.4.10

Take all necessary action to determine when an emergency exists and to carry out its mission in emergencies including the requirement that employees work overtime. Any question regarding the existence of an emergency is determined by the Town Manager, whose decision shall be final;

2.4.11

Exercise control over its organization and the technology of performing its work;

2.4.12

Refer any question regarding implementation or interpretation of the MOU to the Town Manager or the Human Resources Director for a determination.

Section 3. Comprehensiveness of Agreement**3.1**

The Town and T.E.A. agree that this Agreement represents all wages, hours, and working conditions subject to the meet and confer process and available to employees.

3.2

In the event that a local, State or Federal law significantly impacts the terms of this MOU, the Town will meet and consult with T.E.A. regarding its implementation. In some cases, this may occur after the law or rule has been adopted.

Section 4. Savings Clause

If any provision or the application of any provision of this Agreement as implemented should be rendered or declared invalid by any final court action or decree or by reasons of any preemptive legislation, the remaining sections of this Agreement shall remain in full force and effect for the duration of this Agreement.

Section 5. Association Membership

5.1

The Town recognizes the exclusive right of T.E.A. to represent members of the bargaining unit on all matters relating to employment conditions and employer-employee relations subject to an individual employee's right to self-representation as provided by Government Code Sections 3502 and 3503.

5.1.1 Check-Off

T.E.A. shall have the sole and exclusive right to have membership dues deducted from the pay of employees covered by this MOU.

The Town will deduct from the bi-weekly ~~pay-check~~paycheck and remit to T.E.A., the normal and regular T.E.A. membership dues. Every effort will be made to remit dues to T.E.A. within two (2) weeks of deduction from members' wages. T.E.A. agrees to indemnify, ~~defend~~defend, and hold the Town harmless against any claims made of any nature and against any suit instituted against the Town arising from the check-off for the dues, ~~insurance~~insurance, or benefit programs of T.E.A.

5.1.2 Maintenance of Membership

T.E.A. membership is not a mandatory condition of employment for any employee covered by this Agreement. However, any employee covered by this Agreement who is a T.E.A. member on or after the date this Agreement is ratified by the T.E.A. membership, shall continue to pay to T.E.A. those dues regularly charged members of T.E.A. in good standing while covered by this Agreement. Employees wishing to withdraw from T.E.A. membership may do so by giving written notice to T.E.A. during the thirty (30) days ~~immediately~~ prior to the expiration of this agreement.

Upon return from leaves of absence, the Town shall reinstate the payroll deduction of T.E.A. dues.

Enforcement of this Section shall be the responsibility of T.E.A., utilizing appropriate civil procedures. T.E.A. shall indemnify and hold the Town harmless from any and all claims, demands or suits, or any other action arising from this Section.

5.1.3 Disclosure and Reporting

T.E.A. shall provide financial documents to the Town as required by law.

5.1.4 Hold Harmless

T.E.A. shall promptly refund to the Town any amounts paid to T.E.A. in error under this Section. T.E.A. expressly agrees to indemnify and hold the Town, ~~it's~~sits officers, agents, and employees harmless from any and all claims, demands, costs (including any costs incurred by the Town in defense of a lawsuit) attorneys' fees, expenses, damages, or other monetary losses arising out of or in any way connected with the administration of Section 5. This hold harmless and Indemnity Agreement shall include but not be limited to legal actions of any sort or nature against the Town based upon or related to this Section, including but not limited to actions by employees or former employees.

5.1.5 Duty of Fair Representation

T.E.A. shall accord fair representation in all matters to all employees in the unit without regard to whether the ~~particular employee~~employee is a member of T.E.A. The duty of fair representation shall include but not be limited to all matters related to collective bargaining, contract administration and contractual grievance processing.

5.1.6 Change of Law

In the event there is a change of law whereby any provision contained herein becomes invalid, or for any reason any provision of this Section is rendered unlawful by any published Appellate Court Decision, this Section shall be amended to comply with the change or decision in question.

5.1.7 Non-Discrimination Against T.E.A. Activities

Town and T.E.A. agree not to discriminate against any employee for activity on behalf of, or for membership or lack thereof in T.E.A., provided however, such activity is conducted in accordance with this MOU. This shall not affect the right of the Town to discipline employees for cause in accordance with the Town Code and this MOU. It is understood that Town employees are accountable first and foremost for their duties of employment and T.E.A. activities are not to interfere with the carrying out of those obligations.

Section 6. Non-Discrimination

The Town and T.E.A. agree that all provisions of this Agreement shall be applied equally to all employees covered herein without favor or discrimination because of any protected class including but not limited to race, creed, color, ancestry, sex (sex, gender based pregnancy/childbirth), gender identity and expression, age (over 40), national origin, political or religious affiliation, military and veteran status, marital status, sexual orientation, medical condition or physical or mental disability or any other basis prohibited by applicable federal, State or Town law.

6.1

General Provision Regarding Americans with Disabilities Act (ADA).

6.1.1

Because the ADA requires accommodations for individuals protected under the Act, T.E.A. recognizes the Town's obligation to comply with all provisions of the ADA on a case-by-case basis.

6.1.2

T.E.A. recognizes that the Town has the legal obligation to meet with the individual employee to be accommodated through the interactive process before any adjustment is made in working conditions. T.E.A. will be notified of these proposed accommodations prior to implementation by the Town.

6.1.3

Any accommodation provided to an individual protected by the ADA shall not establish a past practice.

Section 7. Employment

7.1 Step Placement for New Hires

T.E.A. recognizes the sole right of the Town to determine the salary and wage rate for new hires.

7.2 Probationary Period

7.2.1

Probation for New Hires: The probationary period shall be twelve (12) months for all newly hired employees.

7.2.2

Probation for promoted employees: Promoted employees can be considered for satisfactory completion of the probationary period after twelve (12) or six (6) months at the discretion of the Department Director. Promoted probationary employees shall have all rights under this Agreement, full and complete access to the grievance procedure, including instances of suspension, ~~demotion~~demotion, and termination. Any permanent employee not satisfactorily completing the probationary period following a promotion will be reinstated to their previous classification in accordance with the Town Personnel Rules.

7.2.3

All probationary employees will be evaluated quarterly.

7.3 Performance Evaluations

The Town-authorized employee performance evaluation document and program shall be used for all employee evaluations.

7.3.1

It is intended that performance evaluations take place at least annually as follows:

- (a) For employees below top step: no later than 15 days prior to the anniversary date of the employee's date of hire or the date the employee entered their classification.
- (b) For employees at top step: between June 1st and October 1st of each year.

7.3.2

Employee evaluation forms shall include a section to be checked indicating whether an employee agrees or disagrees with [his/her/their](#) evaluation.

7.3.3

All performance evaluations shall be discussed with the employee prior to the evaluation being completed. Employees shall sign their individual performance evaluations as evidence of discussion having taken place; employee signature does not imply agreement with the evaluation. An employee may attach separate written comments to [his/her/their](#) evaluation.

7.3.4

If an employee does not receive an evaluation on the date it is due and the supervisor subsequently finds that the employee would have been entitled to a merit increase as of the anniversary date, the merit increase will become effective as of the first day of the pay period in which the anniversary date occurs.

7.3.5

The Town will make every attempt to see that performance evaluations are completed in a timely manner.

7.4 Pay and Classification System

7.4.1

Consideration for advancement from step-to-step within a range shall occur at intervals of one (1) year in length effective on each anniversary date. Each employee shall receive an annual performance evaluation. This evaluation will be the basis for step advancement. Such advancement to the next step shall be authorized if the supervisor and Department Director finds that the employee is satisfactorily performing the duties of their position as reflected on the annual evaluation form.

7.4.2

If the employee's performance is not satisfactory as determined by the supervisor's annual evaluation, the Department Director shall deny advancement to the next step. The Department Director has the option, at their discretion, based on a recommendation by the supervisor, to recognize improving performance by granting or denying a half-step increase in lieu of denying the advancement to the next step for unsatisfactory performance.

7.4.3

If the employee's performance is exceptional as determined by the annual evaluation of the supervisor on the performance evaluation form, the Department Director, with the approval of the Town Manager, has the discretion to grant a two-step or one-and-one-half step increase. It is intended that this be used sparingly so that it can be reserved to recognize the truly exceptional employee who is achieving journey-level status in their classification (i.e., fully capable of performing all duties of the position) and can perform at the same level as an employee with the years of experience required to achieve advancement to the new step if they had advanced one step each year.

7.5 Promotions

7.5.1

The Town and T.E.A. agree that it is in the best interest of both the Town and its employees to foster promotion of incumbent employees. The Town will consider the qualifications of incumbent personnel prior to determining whether an open or promotional examination shall be used to fill a vacancy in T.E.A. represented classifications.

7.5.2

The Town and T.E.A. recognize the Town's sole right to determine the method for the selection of Town employees through either an open or promotional examination process. If a determination is made by the Town that a promotional examination will be used to fill a vacant position, ~~any~~all qualified employees who participate in the examination process shall be allowed time off from regularly scheduled work ~~in order to~~to participate in the examination process if the examination process is scheduled during the employee's normal work period. There shall be no overtime paid for participation in the examination process.

7.6 Work Day/Week

7.6.1

The normal ~~work day~~workday is defined as no more than eight (8), nine (9), ten (10), eleven (11), or twelve (12) consecutive hours of work time, with a single lunch break. A normal ~~work day~~workday shall be followed by a minimum of ten (10) hours off.

7.6.2

The work week is defined as forty (40) hours of work during any consecutive seven (7) day period. A minimum of one (1) forty-eight (48) hour period without scheduled work shall be provided to each employee during any consecutive seven (7) day period with the exception that employees employed in the Town Library shall not be scheduled less than two (2) consecutive days off within a seven (7) day period more than thirteen (13) times in a calendar year.

7.6.3

Flex-time work schedules consistent with the definitions of normal ~~work day~~workday and normal work week may be assigned by the Town at its sole discretion. Flex scheduling is defined as an occasional adjustment to an employee's work schedule which does not alter the total number of hours scheduled to be worked per week, but simply alters the time of day those hours are worked. The Town shall provide no less than fourteen (14) calendar days' notice to affected employees regarding a change in regular work schedules. Flex-days shall be identified and approved by the Department Director and Town Manager as part of the approval of a flex-time work schedule as well as the designation of the forty-eight (48) hour period without scheduled work. (For holiday refer to 7.7.5.)

7.6.4

Employees may also make requests for temporary changes to their normal work schedule. In those cases, the employee's schedule may change with the approval of the employee's Department Director (e.g. an earlier start and end of shift or a change in the number of hours per day), so long as that change does not result in overtime liability to the Town.

7.6.5

The Town has the discretionary right to alter work schedules without notice during emergency situations.

7.7 Alternative Work Schedule

As an alternative to the normal schedule described in the above section, employees may be granted the option to participate in an Alternative Work Schedule under the following terms and conditions:

7.7.1

An Alternative Work Schedule (AWS) is defined as:

- (a) 9/80 Alternate Work Schedule: An employee schedule of nine separate work days for a total of 80 hours during a Town-designated fourteen-day pay period, for which the schedule includes working four 9-hour days and one 8-hour day in one week and working four 9-hour days in the other week. For payroll purposes, the work week will begin and end between 11:00 a.m. and at 1:00 p.m. on each alternating day off in the fourteen-day pay period.
- (b) 4/10 Alternate Work Schedule: An employee schedule of eight separate work days for a total of 80 hours during a Town-designated fourteen-day pay period, for which the schedule includes working four 10-hour days in one week and working four 10-hour days in the other week. For payroll purposes, the work week will begin and end at midnight Saturday.
- (c) 3/12 Alternative Work Schedule: An employee schedule of seven separate work days for a total of 80 hours during a Town-designated fourteen-day pay period, for which the schedule includes 3 twelve-hour days and 1 four-hour day in one week and 3 twelve-hour days and 1 four-hour day in the other week. For payroll purposes, each employee has a designated start and end time to begin and end their work week.

7.7.2

The Department Director, with the approval of the Town Manager, has the exclusive authority to designate positions eligible to participate in the AWS. The decision of the Department Director regarding designation of eligible positions is final and is not subject to any grievance procedure.

7.7.3

The Department Director and the Town Manager have the exclusive right to terminate the AWS for T.E.A represented employees, individually and/or collectively. The Town is in no way required to meet and confer with the T.E.A. prior to terminating the AWS and termination of the AWS is not subject to any grievance procedure. Participating employees will be provided written notification at least one (1) full pay period prior to termination of the AWS.

7.7.4

Employees who elect to participate in the AWS must receive authorization from their supervisor prior to working any regularly scheduled day off.

7.7.5

An employee assigned to an AWS may use accrued vacation time, accrued compensatory time off, floating holiday or personal leave to make up the difference between the provided eight (8) hours of holiday pay and the actual number of regularly scheduled working hours on a designated holiday. For example, if a holiday falls on a day the employee is scheduled to work nine (9) or ten (10) hours, ~~s/he~~the employee shall receive eight (8) hours of holiday pay and be required to use other accrued leaves to make up the extra one (1) or two (2) hours for that day to fulfill the regularly assigned schedule.

- (a) If a holiday occurs on a day that an employee is not scheduled to work, ~~s/he~~the employee shall receive eight (8) hours of floating holiday, which is not subject to cash-out.
- (b) An employee who elects to take a regularly scheduled AWS day off shall use accrued leave time (vacation time, accrued compensatory time off, floating holiday, or personal leave) for the number of hours they are regularly scheduled to work (nine (9) hours for 9/80 schedules and ten (10) hours for 4/10 schedules.)
- (c) There will be no change in the accrual schedule of maximum accrual level of any paid leaves.
- (d) Employees on an AWS will be provided 40 hours of Bereavement Leave, pursuant to the T.E.A. MOU.
- (e) A scheduled ~~work day~~workday will include an unpaid meal break of at least one-half hour.

- (f) T.E.A.-represented employees are integral to the success of the AWS and understand the ongoing need to meet the operational needs of the Town.

7.7.6

A participating employee may request that their AWS be discontinued by providing written notification to their supervisor at least one (1) full pay period in advance of the termination of the AWS. Changes to an employee's AWS will coincide with the beginning of a pay period.

7.8 Exempt Employees

7.8.1

"Exempt Employee" shall be defined as any executive, administrative, or professional employee as defined by Fair Labor Standards Act (FLSA) that are exempt from the provisions described in Section 11.3 (Overtime). Federal standards concerning exemptions from federal wage and hour laws shall be used as a guide in determining such exemptions.

7.8.2

Exempt Employees shall be designated by the Town.

7.8.3

Employees with the following job titles shall be designated Exempt Employees:

Senior Planner

7.8.4

Exempt Employees shall not be subject to the terms and conditions described in Sections 7.6 (Work Day/Week) and 7.7 (Alternative Work Schedule) or to any provisions of this MOU that are preempted by the Fair Labor Standards Act.

7.8.5

Notwithstanding this provision, exempt employees are eligible to work a flexible schedule including a 9/80 or 4/10 schedule subject to the approval of their supervisor.

7.8.6

The Fair Labor Standards Act (FLSA) allows exempt employees to track time on an hourly basis without disqualifying their exempt status. Therefore, exempt employees who work less than a minimum of 50% of their regularly scheduled hours in a given day shall utilize leave time for those hours not worked.

7.8.7

Exempt employees are expected to work whatever hours necessary in order to meet the performance expectations of their Supervisor or Department Head. With the express approval of the Department Head, employees may be permitted to flex their schedule within the same pay period when a ~~work day~~workday significantly exceeds normal working hours. Flex time is not to be considered compensatory time off. The Town shall not deduct from an exempt employee's accrued leave balances for infrequent partial day absences of less than 4 hours (other than this taken for FLSA intermittent leave purposes).

Section 8. Layoff Policy

8.1 Definitions

For the purposes of this section:

8.1.1

Layoff: Separation of employees from the active work force due to change in the duties, change in the organization or shortage of work or funds.

8.1.2

Temporary/Seasonal/Consultant Employee: An at-will non-benefitted employee who is hired on a temporary basis, usually not to exceed 180 days.

8.1.3

Hourly Employee: An at-will non-benefitted employee who works less than 20 hours per week and not more than 1,000 hours in a fiscal year.

8.1.4

Probationary Employee: Any employee tentatively appointed to a position who is continuing the testing process to determine [his/her/their](#) fitness for duty. Probationary employees are new employees of the Town or employees under probationary status because of promotion.

8.1.5

Regular Employee: Benefitted employees who successfully complete their probationary period and who regularly work a minimum of 20 to 40 hours per week.

8.1.6

Displaced Employee: A regular employee who is displaced by a more senior regular employee.

8.1.7

Service seniority: Consecutive time served (based upon number of hours worked) as a regular employee of the Town without the employee being reinstated as defined in the Town of Los Gatos Personnel Rules and Regulations, Section 10.6 "Reinstatement". Service seniority will not be earned for standby duty, overtime work, during periods of suspension without pay as a result of disciplinary action, or for non-medical leave without pay. Service Seniority for unpaid military leave will be considered in the manner prescribed by State and Federal law.

8.1.8

Classification Seniority: The length of time (based upon the number of hours worked) the employee has served as a regular employee in a classification including any time spent in a higher classification. Classification seniority will not be earned for standby duty, overtime work, during periods of suspension without pay as a result of disciplinary action, or for non-medical leave without pay. Classification Seniority for unpaid military leave will be considered in the manner prescribed by State and Federal law.

8.1.9

Higher classification: A job classification in the same classification series in which the maximum rate of pay is greater than the maximum rate of pay of the employee's current job classification.

8.2 Town - T.E.A. Cooperative Efforts**8.2.1**

When the Town determines that layoffs are imminent, it shall provide written notification to T.E.A. Further, in the spirit of cooperation, the Town or the T.E.A. may request a meeting to jointly discuss alternatives to layoff, including, but not limited to, attrition or a reduction in work hours. Every effort shall be made to fill any vacant position(s) in the Town with qualified laid-off employee(s).

8.2.2

Notwithstanding the effort to work cooperatively, the Town has the exclusive right to determine the methods, means, numbers and kinds of personnel by which services are to be provided. The Town's decision to make a reduction in force and/or layoff an employee(s) is not subject to the duty to meet and confer.

8.3 Order of Layoff & Procedure

8.3.1

Whenever it is determined that a layoff must occur within a job classification, the order of layoff shall be:

- (1) temporary/seasonal at-will
- (2) hourly at-will
- (3) probationary
- (4) regular employee

8.3.2

In each type of employment, the employee(s) with the least classification seniority in the affected job classification(s) shall be laid-off first.

8.3.3

In the event that two or more employees in a job classification have the same level of classification seniority, then the employee with the least service seniority with the Town shall be laid-off. If there is no distinction between the service seniority of two or more employees, then the employee with the lowest score on the eligibility list for the current classification shall be laid-off first.

8.4 Displacement Rights

8.4.1

An employee may displace any other employee in a lower classification which they previously occupied if they have more service seniority. For a job classification lower than that in which the employee holds regular status, seniority shall be calculated by adding: (1) classification seniority in higher classifications; (2) classification seniority in the job classification in which the employee previously worked, and (3) present time spent in the job classification in which the employee is currently working.

8.4.2

Employees who are designated for layoff or displacement may elect, in lieu of layoff or displacement, to be reassigned to a position in a lower classification. In order to displace an employee with less classification seniority, the employee noticed for layoff must have held regular status in the classification into which [he/she/they](#) is being reassigned. An employee who chooses to exercise their displacement rights must accept the salary, hours and working conditions of their new position. An employee will be allowed only one displacement.

8.4.3

An employee who exercises their displacement rights shall be paid in the new job classification the salary range step closest to the salary range step received immediately prior to displacement, providing there is no increase in salary. If the salary range step in the lower job classification is Step 5 or lower, future salary step adjustment opportunities shall be made in accordance with the Town's Personnel Rules. Time served in the job classification from which the displacement occurred shall count toward the interval required for consideration of salary step advancement.

8.4.4

If an employee with regular status is unable to displace an employee in a lower job classification in which [he/she/they](#) held a regular status, [he/she/they](#) shall be laid-off.

8.4.5

An employee may request layoff in lieu of the opportunity to displace by notifying the Human Resources Department in writing or email within ten (10) business days after receiving the Town's certified mailing of notice of layoff. If an employee requests layoff in lieu of displacement, [he/she/they](#) shall forfeit all recall rights except to a vacancy in the same classification from which the employee was laid-off. In this case, the employee shall be entitled to recall rights for a period of one (1) year from the effective date of the layoff.

8.4.6

A probationary employee who held regular status in [his/her/their](#) previous position, and is affected by a layoff or is displaced by an employee exercising [his/her/their](#) displacement rights, shall return to [his/her/their](#) former job classification where [he/she/they](#) held regular status. If a probationary employee does not have regular status in another job classification or has regular status in another job classification which no longer exists, [he/she/they](#) will be laid-off without any right of recall.

8.5 Seniority List

At least ten (10) business days prior to mailing a written notice of layoff, the Town shall provide a seniority list notice to affected employee(s) and the current President of the T.E.A. bargaining unit. The seniority list notice shall show the names, classification, classification seniority, service seniority, and the process for reporting discrepancies. The seniority list shall be deemed correct unless an employee or the T.E.A. notifies the Human Resources Director to the contrary in writing within ten (10) business days of the delivery and/or mailing of the seniority list.

8.6 Notification of Layoff

The Town shall send by certified mail, return receipt requested, written notice of layoff to all affected employee(s). Such notice shall be postmarked at least thirty (30) calendar days in advance of the effective date of layoff. The layoff notice shall be mailed to the employee's address currently on file in the Human Resources Department and shall be deemed appropriate notice. Any employee who is on a paid or unpaid leave shall be affected by the layoff in accordance with the provisions of this section and in the same manner as all other employees. With such notice, the employee shall be informed of the rights to which she/he is entitled and the procedure to be followed. A copy of the notice shall also be provided to the current President of T.E.A.

8.7 Re-Employment Following Layoff/Displacement

8.7.1

When a vacancy occurs in a job classification, the laid-off or displaced employee(s) eligible to return to that job classification shall be recalled in the inverse order of layoff. Employees with regular status who were laid-off or displaced are eligible to return to the job classification in which regular status is held, but shall have no recall rights to any job classification in which probationary status was held at the time of layoff or displacement.

8.7.2

Employee(s) shall be entitled to re-employment rights for a period of one (1) year from the effective date of layoff or displacement. To expedite re-employment, more than one (1) laid-off/displaced employee may be notified when an opening occurs. The laid-off/displaced employee(s) will be re-hired in inverse order of layoff. A laid-off/displaced employee shall be required to meet the qualifications of the classification to which [he/she/they](#) is recalled.

8.7.3

An employee who exercises their re-employment rights shall be paid the salary range step they received immediately prior to layoff/displacement. Future salary step adjustment opportunities shall be made in accordance with the Town's Personnel Rules. Time served in the job classification since the most recent step increase prior to when the layoff/displacement occurred, shall count toward the interval required for consideration of salary step advancement.

8.7.4

A laid-off/displaced employee shall lose their re-employment rights for: 1) resignation; 2) retirement; 3) failure to return to work when recalled by the Town; 4) when the Town has not recalled an employee to work for a period of one (1) year; or 5) termination for cause.

8.7.5 Laid-off Employees

The effective date of layoff shall be the employee's last day working at the Town. When a vacancy exists and employees are to be re-employed, notice of the opening(s) shall be sent by certified mail, return receipt requested, to the last known address on file in the Human Resources Department. It shall be incumbent upon the laid-off employee to advise the Human Resources Department in writing, via certified mail, return receipt requested, of any change in address. The laid-off employee shall have ten (10) business days, following the certified mailing to notify the Town in writing, via certified mail, return receipt requested, of their intent to return to work.

8.7.6

The laid-off employee shall have a reasonable period of time to return to work, not to exceed thirty (30) calendar days. If the laid-off employee fails to respond to the notice of re-employment within ten (10) business days, or fails to report to work within the reasonable time period as set forth above, [he/she/they](#) will forfeit all re-employment rights.

8.7.7 Displaced Employees

The effective date of displacement shall be the employee's last day of work in the classification from which [he/she/they](#) is displaced. When a vacancy exists and displaced employees are to be re-employed, notice of the opening(s) shall be sent by certified mail, return receipt requested, to the last known address on file in the Human Resources Department or by hand delivery. It shall be incumbent upon the displaced employee to advise the Human Resources Department in writing of any change in address. The displaced employee shall have five (5) business days, following receipt of certified mailing or hand delivery of notice, to advise the Town in writing of their intent to return to their former position. If the displaced employee fails to respond to the notice of re-employment to former position within five (5) business days of receipt of notice, [he/she/they](#) will forfeit all re-employment rights to [his/her/their](#) former position.

8.8 Fringe Benefits

Laid-off/displaced employees shall be paid accrued leaves and related benefits in accordance with this Memorandum of Understanding and applicable Town policies and rules. Employees being re-employed who received a sick leave pay off at the time of layoff/displacement, shall have the uncompensated portion of their sick leave balance restored; provided, however, that only those sick leave hours accrued after re-employment shall be applied to sick leave payoff or retiree medical related to a subsequent termination.

Section 9. Outside Employment

The Town and T.E.A. agree that outside employment of full time T.E.A.-represented employees shall be governed by California Government Code Sections 1125 -1128 and that the Town shall develop and apply regulations to assure compliance. Outside employment shall be reviewed and approved by the Department Director and Town Manager on an annual basis.

Section 10. Reclassification

T.E.A. recognizes the sole right of the Town to reclassify positions.

Section 11. Salary and Other Compensation

11.1 Equity Adjustments

[In previous contracts](#), the Town [has provided](#) equity adjustments for classifications that [were](#) still below market median after providing across-the-board [cost of living](#) increases. Eligible classifications received [a](#) market adjustment effective in the first full pay period of [the new contract term](#).

[Effective the first full pay period in July 2022, or the first full pay period after Council approval of this MOU, whichever is later, all classifications will receive an across-the-board market increase of five percent \(5.0%\), in addition to the cost of living increase described below in Section 11.3.](#)

11.2 Town Compensation Policies

Town and T.E.A. agree that ~~this Agreement has been negotiated to provide equity increases to bring positions that were below market median to the market median. Prior~~ contracts were negotiated consistent with ~~Town compensation policies. The~~the following specific Town compensation policies ~~are~~:

11.2.1

Total compensation to be utilized in the analysis of all Town compensation.

11.2.2

Marketplace consideration in establishing compensation.

11.2.3

Average or above-average total compensation for all Town classifications.

11.2.4

No reduction in individual employee total compensation levels.

11.2.5

On one occasion during the term of this MOU, upon request by the Union T.E.A., the Parties agree to meet to discuss elements of future compensation surveys for T.E.A. and ways to collaborate to obtain the best market data for T.E.A. classifications. The parties agree this is not a reopener and any changes to the MOU on this issue would be by mutual agreement of the parties.

11.3 Compensation

T.E.A. salaries are reflected in the salary schedules listed in Appendix A.

Effective the first full pay period in July 2022, or the first full pay period after Council approval of this MOU, whichever is later, the salary rate for all classifications shall be increased by a three percent (3%) cost of living adjustment (COLA).

Effective the first full pay period in July 2023, the salary rate for all classifications shall be increased by three percent (3%).

11.3.1 Contract Ratification Bonus

Effective the first full pay period in July 2022, or the first full pay period after Council approval of this MOU, whichever is later, all employees shall receive a one-time, non-pensionable lump sum payment of one thousand dollars (\$1,000).

11.3.2 Pandemic Related Bonus

Effective the first full pay period of July 2022 or the first full pay period after Council approval of the MOU, whichever is later, all employees who worked for the Town in 2021 who are employed at the Town as of last day the pay period will receive a one-time, lump sum payment of \$2,500.

11.4 Overtime

11.4.1

When necessary to perform essential work, a Department Director may require an employee to work at any time other than during regular working hours until such work is completed. Overtime is scheduled solely at the discretion of the Town.

11.4.2

An employee directed by [his/her/their](#) Department Director or the Town Manager to work in excess of forty (40) hours in a designated work week, shall be compensated at the rate of one and one-half times the employee's regular hourly rate. Hours charged to available paid leave, shall be counted as time worked for computation of overtime payments. Compensatory time cannot be used in the pay period in which it is earned. Compensatory time off shall not be regarded as hours worked for the purposes of overtime calculation.

11.4.3

The Department Director may permit an employee to take compensatory time in lieu of paid overtime. With Department Director approval, employees shall be permitted to accumulate compensatory time only to a maximum of eighty (80) hours. The maximum accumulated compensatory time for Communication Dispatchers only shall be one hundred (100) hours. When the maximum level of compensatory time is reached, overtime shall be paid.

11.4.4

The Town will attempt to avoid scheduling overtime that conflict with an employee's personal plans unless it cannot be avoided.

11.4.5

On or before the pay period which includes December 15 of each calendar year, an employee may make an irrevocable election to cash out up to 40 hours of CTO (in whole hour increments) which will be earned in the following calendar year at one and one half times (1.5) the employee's base rate of pay. On the pay day for the pay period which includes Thanksgiving in the following year, the employee will receive cash for the amount of CTO the employee irrevocably elected to cash out in the prior year. However, if the employee's CTO balance is less than the amount the employee elected to cash out (in the prior calendar year) the employee will receive cash for the amount of CTO the employee has accrued at the time of the cash out.

11.5 Call Back

11.5.1

A minimum of three (3) hours pay or its equivalent in compensatory time off, at the rate of time and one-half, shall be guaranteed for every employee, who, after leaving [his/her/their](#) place of duty, is required to return to duty without advance notice of at least fourteen (14) calendar days.

11.5.2

There will be a three (3) hour minimum at the call back overtime rate for Town commission/council meetings which begin (2) two hours or more than either the start of or end of the employee's regularly scheduled shift. At the employee's option but with Department Director's approval, employees may flex their schedule at the straight-time rate in-lieu of the call back provision of this paragraph.

11.6 Deferred Compensation

A Town program of deferred compensation shall be available to T.E.A. represented employees. The Town makes no representation on the merit of the plan or any of the investment products or instruments which may be offered by the plan. The responsibility for evaluating the investment options within the plan is the responsibility of the individual participant. The Town shall not be obligated to offer more than one Deferred Compensation carrier.

11.7 Out-of-Classification Pay

11.7.1

The Town and T.E.A. agree that it is the intent of Town management, whenever possible, to avoid working an employee out of classification for a prolonged period of time. Compensation for out-of-classification work shall be an additional 5% of the regular pay of the employee's permanent classification or the first step of the higher classification, whichever is greater. Out-of-Classification Pay applies only to actual time worked and does not apply to paid leaves.

11.7.2

Employees appointed to work out-of-class will receive out-of-classification pay beginning the first day of the out-of-classification assignment. Performance of duties as a vacation relief does not automatically qualify as out-of-classification.

11.7.3

For purposes of this section, an out-of-classification assignment is defined as the full time performance of the essential functions of an authorized, funded, permanent position in another classification by a qualified employee. "Essential functions" shall be as defined in the Essential Functions section of the appropriate job specification.

11.7.4

Any employee who believes they are working out-of-class may request a review of their classification.

11.7.5

Training programs mutually agreed to by the Town and T.E.A. which are designed to enhance and/or provide career development opportunities shall not be subject to this provision.

11.8 Tuition Reimbursement Program

11.8.1

The Town will reimburse T.E.A. employees up to \$3,000 per fiscal year toward the cost of books, university/school fees (except parking) and tuition.

11.8.2

The reimbursement shall be only for courses that are directly related to the employee's position as determined by the Town Manager, including general education courses that are generally related to attainment of a job-related degree or certification. General education courses not generally related to the employee's position will not be eligible for reimbursement. Reimbursement shall be taxed pursuant to State and Federal regulations.

11.8.3

Application for tuition reimbursement shall be made to the Town before the course begins. Prior to reimbursement of costs, all course work must be completed with a passing grade of "C" or equivalent when numerical score or pass/fail is given.

11.8.4

Any employee who terminates employment with the Town within one (1) year from the completion of a class or classes, for which tuition reimbursement was paid shall refund all tuition paid under this provision, unless required to attend by the appointing authority. This section shall not apply in cases involving disability, layoff, or death of the employee, or other unforeseen circumstances as approved by the Appointing Authority on a case-by-case basis.

11.9 Bilingual Incentive Pay

11.9.1

Employees filling classifications specifically requiring bilingual ability and passing the Town's certified examination shall be compensated at 2.5% above the normal compensation range for the regular classification.

11.9.2

The provision of bilingual pay will be evaluated annually in a manner prescribed by the Town, and continued or discontinued based on operational need. The decision as to whether bilingual pay will continue or be discontinued shall be made by the Town Manager, is final and is not subject to grievance or appeal. If bilingual pay is discontinued, the effective date shall be the beginning of the first full pay period in January.

11.10 Uniform Allowance

11.10.1

An initial uniform consisting of all items on the Town-approved list shall be supplied by the Town to new Park Services Officer and Town-designated Community Services Officer and Parking Control Officer employees; thereafter the Town shall provide incumbent Park Services Officer employees with a uniform allowance of \$500 per year and designated Community Service Officer and Parking Control Officer employees with a uniform allowance of \$400 per year to be paid in the payroll check during January of each year.

The Town shall provide the Building Inspectors and Code Compliance Officers with five (5) polo style shirts bearing an approved Town logo in a brand and color approved by the Town. The Building Inspectors and Code Compliance Officers shall wear the supplied shirts each day at work with pants such as khakis or appropriate jeans.

11.10.2

The uniform allowance will be prorated for new employees, except that new employees shall receive a minimum of one-half (1/2) of the year's uniform allowance if hired after July 1.

In the event that the Police Department requires Communication Dispatchers to wear a uniform, the parties agree to meet and confer over the impacts and effects of this decision.

11.10.3

T.E.A. recognizes the Town's right to specify uniform and demand that employees be in proper uniform at all times.

11.10.4

In the event that an employee who does not receive a uniform allowance damages his/her/their clothing in the performance of his/her/their duties, the employee may submit a claim for reimbursement to his/her/their Department Director for the repair/replacement of damaged articles to the Town.

11.11 POST Certificate

Effective beginning in the first full pay period following ratification and approval, Dispatchers who attain the Dispatcher Advanced POST certification shall be eligible for five percent (5%) POST certificate pay. This certificate pay shall be PERSable or not PERSable as determined by PERS.

Section 12. Payroll/Pay Checks

12.1 Payroll Periods

The Town and T.E.A. agree that a biweekly payroll period shall be utilized subject to the following conditions:

12.1.1

Employee pay shall not be withheld more than seven (7) calendar days following the end of the payroll period; however, overtime may appear on the next payroll period if it is worked following the submittal of time sheets, or during a pay period with a Town holiday which requires early submittal of time sheets and early distribution (before Friday) of pay checks.

12.1.2

All Town employees shall be compensated on a biweekly basis.

12.2 Pay Checks

- (a) The Town shall provide an optional direct deposit system for use by employees.

- (b) Every effort will be made to make pay checks available to employees as soon as checks are signed and ready for distribution.

Section 13. Holidays

13.1

The following shall be observed as eight (8) hour holidays for members of the unit:

January 1st (New Year's Day)
The 3rd Monday in January (Martin Luther King's Birthday)
The 3rd Monday in February (President's Day)
The last Monday in May (Memorial Day)
July 19 (Juneteenth)*
July 4th (Independence Day)
The first Monday in September (Labor Day)
Thanksgiving Day
The Friday following Thanksgiving Day
December 25th (Christmas Day)
Four (4) hours each on December 24 and 31

Every day declared a holiday by the President or Governor, subject to the Mayor also proclaiming the day as a holiday.

*The Juneteenth holiday will go into effect in calendar year 2023. In recognition of Juneteenth 2022, employees in all classifications except Communications Dispatchers and Park Services Officers will receive a one-time, non-pensionable \$500 lump sum payment in the first full pay period in July 2022, or the first full pay period after Council approval of this MOU, whichever is later.

13.2

Holidays which fall on Saturday shall be observed on the Friday prior, and holidays which fall on Sunday shall be observed on the following Monday.

13.3 Holiday Compensation

13.3.1

Employees will receive eight (8) hours of regular pay on a Town-recognized holiday. If the employee's scheduled day off occurs on a Town- recognized holiday, the employee will receive eight (8) hours of straight-time holiday pay. In lieu of receiving eight (8) hours of straight-time holiday pay, an employee may elect to receive eight (8) hours of floating holiday hours. This provision will apply to the Juneteenth holiday beginning in calendar year 2023.

13.3.2 Employees Assigned to Work on a Holiday

Employees who are required to work on a Town-recognized holiday will receive their regular salary, plus compensation of one and one-half (1.5) times their regular rate of pay. Employees shall have the option of accepting salary or compensatory time off. This provision will apply to the Juneteenth holiday beginning in calendar year 2023.

13.3.3 Communications Dispatchers and Park Services Officers

Effective the first full pay period of July 2022 or the first full pay period after Council approval of this MOU, whichever is later, Communications Dispatchers and Park Services Officers shall receive compensation in-lieu of holiday time off equal to four and six tenths percent (4.6%) of base salary.

Section 14. Insurance Programs

14.1 Life Insurance

Town to pay premiums on minimum coverage of \$50,000 Life and \$50,000 Accidental Death benefit. Additional life insurance may be purchased by the employee.

14.2 Disability Insurance

The Town will provide a Short Term Disability policy effective the 8th calendar day unless hospitalized; coverage of 60% of weekly earning up to maximum of \$1,300/week for 12 weeks. Long Term Disability benefits begin on the 91st day of disability; coverage of 60% of monthly earnings up to a maximum of \$6,000/month.

14.3 Workers' Compensation

Workers' Compensation benefits shall be provided in accordance with State and Federal law. Effective the 31st day of disability, the employee may elect to supplement the State mandated benefits with the Town's Short Term/Long Term Disability Insurance (STD/LTD). STD/LTD benefits will be reduced by the amount of periodic payments the employee is entitled to through Worker's Compensation.

14.4 Liability Insurance

The Town shall continue to maintain a public officials' liability insurance policy covering all Town employees in the execution of their official duties.

14.5 Employee Assistance Program

Premium shall be paid by the Town.

14.6 Unemployment Insurance

The Town will provide State mandated benefits as required by law.

Section 15. Family Medical Insurance and Cash In Lieu Plan

Employees may participate in either the Family Medical Insurance Plan or the Cash In Lieu Plan. Employees shall select either the Family Medical Insurance Plan or the Cash In Lieu Plan annually during the Town's open enrollment period, or at any other time permitted by the Public Employees' Medical and Hospital Care Act (PEMHCA), such as a qualifying event (e.g., birth of a child, marriage, spouse losing medical insurance, etc.).

15.1 Health and Welfare Benefits and Rate of Town Contribution

The Town contracts with CalPERS for the purpose of providing employees and their eligible dependents with medical insurance benefits. The Town's maximum monthly contribution for each eligible active employee shall be equal to the minimum employer contribution required under PEMHCA, currently \$149 per month, as may be adjusted by CalPERS from year to year.

15.2 Cafeteria Plan

During the term of the MOU, the Town agrees to maintain a Cafeteria Plan, pursuant to Section 125 of the Internal Revenue Code, for the purpose of providing eligible active employees with access to various health and welfare benefits. Benefits

available through the Cafeteria Plan include medical insurance, dental insurance, and vision insurance.

15.3 Town Contribution to Medical Insurance

The Town will provide active employees with a medical allowance equal to 100% of the cost of the “Employee Only” Kaiser ~~Bay Area~~Region 1 Medical Insurance Program premium offered by PEMHCA. For dependents, Town will pay 90% of the difference between Kaiser Employee Only and Kaiser level of participation (Employee ~~Plus & One~~ Dependent or Employee ~~& Two+ Dependents~~Family, depending on family status). If the employee chooses medical coverage under a program more expensive than Kaiser ~~Region 1 Bay Area~~, the employee will pay the difference between the Town-provided medical allowance and the cost of the more expensive program through payroll deduction.

The Town’s contribution towards medical insurance set forth in Section 15.1 (the PEMHCA minimum) will be deducted from the amount of contribution provided by this Section (15.3).

15.4 Dental Insurance

~~For~~ employees choosing this option in lieu of the cash in lieu plan, the Town will pay 100% of the Delta Dental ~~DPO-PPO~~ Plan premium less a \$15.00 employee contribution. If the premium cost of the dental plan exceeds the Town contribution, the employee shall pay through payroll deduction the difference between the monthly premium and the amount contributed by the Town. The Town will pay 100% of the premium for employees choosing to participate in the DeltaCare USA Plan.

15.5 Vision Insurance

Vision insurance is available through Vision Service Plan (VSP). Employees shall be enrolled in the Town’s vision care health plan. The Town shall pay for employee-only coverage. At their own cost, employees may enroll eligible dependents upon hire, during open enrollment and/or when a qualifying event occurs.

15.6 Cash In Lieu Plan

Employees have the option of choosing all available coverages or, upon providing proof of other medical coverage, may choose to opt out of the Town’s coverage and be provided with cash in lieu.

Employees who choose to receive the cash in lieu must first show proof of alternative minimum essential medical coverage for the employee and employee’s tax family (individuals for whom the employee expects to claim a personal exemption deduction). Individual coverage, and individual coverage from Covered California does not qualify as alternative minimum essential coverage under this section. Employees must provide reasonable evidence of alternative minimum essential coverage each plan year, during open enrollment. The Town will not make the cash payment if it knows or has reason to know that the employee or tax family does not have alternative minimum essential coverage. Any amount received in cash is taxable. Employees choosing to receive taxable cash will have the option of receiving it in two equal amounts in December and June, or the first two paychecks of each month (24 times a year).

15.6.1 Amounts

- (a) Employees hired prior to November 15, 2004 shall be provided cash in lieu of medical benefits in the amount of \$800 per month (\$9,600 annually).
- (b) Employees hired on November 15, 2004 or later shall be provided cash in lieu of medical benefits in the amount of \$400 per month (\$4,800 annually).

15.7 Retiree Health

The Town provides retiree health benefits in accordance with the PEMHCA for employees who qualify as eligible PERS retirees who receive a PERS retirement allowance and are PEMHCA annuitants entitled to such benefits under the PEMHCA.

The Town’s maximum monthly contribution for each eligible annuitant shall be equal to the minimum employer contribution required under the PEMHCA, currently \$149 per month, as may be adjusted by CalPERS from year to year. The provisions of PEMHCA will govern medical insurance coverage for annuitants.

15.8 ~~Health Reimbursement Account (HRA)~~ Retiree Health Benefit for Eligible Retirees Hired before August 22, 2018

An employee hired prior to August 22, 2018 ~~(this includes employees, or~~ provided with a final offer ~~and~~ confirmation of employment prior to ~~August 22, 2018)~~ ~~ratification and approval of this agreement~~, is eligible for HRA retiree health benefits in accordance with this Section.

15.8.1

The employee completed at least five years of continuous service with the Town; and

15.8.2

The employee retired from the Town taking a service or disability retirement from CalPERS as a retiree receiving a PERS retirement allowance and is a PEMHCA annuitant; and,

15.8.3

The employee must actually draw a CalPERS pension within ninety (90) days of separation from the Town, provided the employee remains with the Town's health plan through COBRA.

15.8.4

The amount of the supplemental retiree health benefit allowance will be equal to 100% of the cost of the premium for Kaiser ~~Bay Area~~ Region 1 Retiree Only ~~and 90% of the difference between the Kaiser Bay Area~~ Region 1 Retiree Only and Kaiser Bay Area Region 1 Retiree & Plus-One Dependent level of participation.. For the Retiree & Two Plus Dependents ~~One or More Plan,~~ the Town will pay \$1,947.16 per month, as of the 2022 plan year. This amount will increase by \$100.00 each year until it is equal to the active employee contribution. ~~dependents, the Town will pay \$1,443.45 per month towards a Retiree Plus One plan and \$1,547.16 per month towards a Retiree Plus One or More plan, as of August 22, 2018. This amount will increase by \$100.00 each year until it is equal to the active employee contribution.~~

15.8.5

The Town's contribution towards retiree health insurance set forth in Section 15.7 (the PEMHCA minimum) will be deducted from the amount of contribution provided by this Section (15.8.4).

15.8.6

Employees retiring on or after February 1, 2016 and upon becoming eligible for Medicare will cease to receive any retiree health benefit allowance under this Section (15.8.4) and will become eligible for Supplemental Medicare equal to the cost of Kaiser Senior Advantage ~~Bay Area~~ Region 1 Medicare rates up to a maximum of 100% Retiree Only, 90% for Retiree & Plus-One Dependent or 90% for Retiree & Two Plus One or More Dependents less the amount of the employee contribution provided under Section 15.7 (the PEMHCA minimum). This benefit is available to the eligible retired employee only after he or she has reached the age of 65 and is Medicare eligible or as otherwise specified by law.

15.8.7

The benefits described by this Section (15.8) will be provided to annuitants through CalPERS by means of a Health reimbursement Account (HRA).

Section 16. Public Employees' Retirement System (PERS)

16.1 Retirement Formulas

16.1.1

Effective December 16, 1992, the Town's contract with the Public Employees' Retirement System (PERS) provided the 2% at 55 retirement formula for eligible Miscellaneous Town employees (regular employees).

16.1.2 Tier 1

Effective July 1, 2008, the Town amended its contract with PERS to include a 2.5% at 55 PERS retirement benefit (Gov't Code 21354.4).

Employees in Tier 1 shall:

Contribute 8% towards the employee share of the PERS retirement benefit.

Use PERS single highest year compensation.

- Be eligible for PERS Fourth Level 1959 Survivor Benefits.

16.1.3 Tier 2

For employees hired on or after September 15, 2012, including employees hired after January 1, 2013 who do not meet the definition of "new member" under Gov't Code 7522.04(f) the Town will provide Tier 2 retirement benefits to include the 2% at 60 retirement benefit (Gov't Code 21353).

Employees in Tier 2 shall:

Contribute 7% towards the employee share of the PERS retirement benefit.

- Use PERS 36-month final average compensation.
- Be eligible for PERS Fourth Level of 1959 Survivor benefits.

16.1.4 Tier 3

For employees hired on or after January 1, 2013, who meet the definition of new member under Gov't Code 7522.04(f), the Town will provide Tier 3 benefits to include the 2% at 62 retirement benefit.

Employees in Tier 3 shall:

Contribute an amount that is equal to one half (1/2) the normal cost of ~~his/her~~his/her/their CalPERS pension, or the current contribution rate of similarly situated employees, whichever is greater (Gov't Code 7522.30(c)).

- Use the 36-month final average compensation (Gov't Code 20037).
- Be eligible for PERS Fourth Level of 1959 Survivor benefits.

16.2

The Town has adopted a Resolution materially the same as that recommended by the Public Employees' Retirement System to implement the provisions of 414 (h)(2) of the Internal Revenue Code (IRC). T.E.A. accepts the terms of this Resolution and acknowledges that this Resolution will apply to all current and future members of T.E.A.

Section 17. Benefits Accrual/Payment

There shall be no accrual or payment of benefits during unauthorized leave, suspension without pay, or leave without pay except as mandated by the state or federal law.

Section 18. Vacation and Leaves

18.1 Vacation Scheduling

All vacation scheduling is subject to the approval of the Town. Employees are required to request time off in advance. The earlier requests are submitted, the greater likelihood the request will be honored.

Every attempt will be made by the Town to honor pre-approved vacations. If a pre-approved vacation is canceled due to the scheduling needs of the Town, the Town will reimburse the employee for verified deposits for non-reimbursable reservations. All verifications must be submitted prior to the vacation formally being canceled.

18.2 Vacation Accrual

All employees hired by the Town and represented by T.E.A. during the term of this agreement shall accrue vacation hours as follows:

0 to 36 months	10 days per year (3.08 hours per pay period)
37 to 60 months	16 days per year (4.92 hours per pay period)
61 to 120 months	21 days per year (6.46 hours per pay period)
121 to 180 months	23 days per year (7.08 hours per pay period)
181 months & over	25 days per year (7.70 hours per pay period)

18.2.1

Maximum accrual shall be 310 hours. If an employee has reached the maximum accrual level, no more vacation will be accrued until the accrual level is reduced below the maximum amount.

18.2.2 Vacation Cash-Out

On or before the pay period which includes December 15 of each calendar year, an employee may make an irrevocable election to cash out up to one hundred and sixty (160) hours of accrued vacation (in whole hour increments) which will be earned in the following calendar year at the employee's base rate of pay. On the pay day for the pay period which includes Thanksgiving in the following year, the employee will receive cash for the amount of the vacation the employee irrevocably elected to cash out in the prior year. However, if the employee's vacation leave balance is less than the amount the employee elected to cash out in the prior calendar year the employee will receive cash for the amount of vacation leave the employee has accrued at the time of the cash out.

18.3 Sick Leave

Sick leave shall accumulate at the rate of eight (8) hours per month (3.70 hours per pay period); to a maximum of one-thousand (1,000) hours. The Town may require T.E.A. represented employees to provide a doctor's statement as proof of illness for any use of sick leave beyond one (1) working day.

18.4 Sick Leave Cash-Out Program

This program applies only to employees hired before August 22, 2018 or provided with a final offer confirmation of employment prior to ratification and approval of this agreement.

18.4.1

Employees who terminate employment with the Town, or once a year in the first payroll check of December, following compliance with this contract and the cash-out process for active employees may cash-out their accumulated sick leave as follows:

- 1 - 59 months of service at 25%
- 60 - 119 months of service at 37.5%
- 120 months or more of service at 50%

Cash out process for active employees: On or before the pay period which includes December 15 of each calendar year, an employee may make an irrevocable election to cash out sick leave in accordance with the above amounts and the requirements of section 18.4.2 below. Eligible cash out hours will be cashed out in whole hour increments which will be earned in the following calendar year at the employee's base rate of pay. In the first payroll check of December in the following year, the employee will receive cash for the amount of the eligible sick leave the employee irrevocably elected to cash out in the prior year. However, if the employee's sick leave balance is less than the amount the employee elected to cash out in the prior calendar year the employee will receive cash for the amount of sick leave the employee has accrued at the time of the cash out contingent upon compliance with 18.4.2.

18.4.2

In order to be eligible for the sick leave cash-out program, an employee must have a sick leave accrual balance of at least 150 hours after the annual cash-out. Employees working less than full-time shall have the 150 hour balance pro-rated, based on hours worked. Employees who terminate with a sick leave balance of at least 150 hours may cash-out their entire balance pursuant to the schedule above.

18.4.3

All employees hired prior to November 15, 2004 who retire may convert up to 100% of this accumulated sick leave to a dollar equivalent at their hourly rate of pay at the time of retirement. This amount shall be held in an account. The employee's portion of medical payment will be withheld from their monthly retirement payment by PERS. The Town agrees to pay the retiree quarterly on the first pay period of January, April, July, and October of each year after retirement. The first payment will be prorated to the nearest quarter. The retiree's portion of medical payments will be paid from this account by the Town until all monies are depleted from the account or the retiree dies, whichever occurs first.

18.4.4

This account will not accrue interest and will not be paid in cash to the retiree or any beneficiaries. The retiree shall be responsible for 100% of their share of future medical insurance payments once the account is exhausted.

18.5 Personal Leave

Twenty-four (24) hours will be available per calendar year. Personal leave may not be accumulated from year-to-year nor is it subject to cash-out at any time.

Exempt employees are eligible for an additional twenty-four (24) hours of personal leave for (a maximum of forty-eight (48) hours) each calendar year.

18.6 Medical/Maternity/FMLA/CFRA

The Town recognizes that State Government Code 12945 requires the recognition of maternity as a bona fide non-job-related disability with applicable leave benefits. The Town also recognizes State Government Code 12945.2 and Federal Government Code 29 regarding the Family and Medical Leave Act. The Town may, at its discretion, approve leave beyond the specific amount provided by the law.

18.7 Bereavement Leave

A maximum of forty (40) hours is available for death of each member of the immediate family. Immediate family is defined as parent, [step-parent](#), [parent in law](#), spouse/domestic partner, child, [step-child](#), [foster child](#), dependent, sibling, grandparent, [step-grandparent](#), and [grandchild](#).

18.8 Disaster Leave

Leave will be available for employees for disasters declared by Federal, State, County, or Town officials if those disasters affect all or a portion of the area within twenty (20) miles of Town Hall. Leave is subject to scheduling by the Town. Employees shall be allowed to charge time off to any accrued leaves.

18.9 Military Leave

Military leave and benefits shall be granted in accordance with State and Federal law, including the continuation of employee salary and benefits.

18.10 Jury Duty

Employee salary and benefits are to be continued during periods of Court-assigned jury duty. If an employee receives compensation from the Courts, the employee shall return to the Town all compensation received for jury duty, except mileage or travel related compensation.

18.11 Leave Without Pay

18.11.1

Leave without pay shall be subject to approval of the Department Director.

18.11.2

An employee who is on leave without pay for more than two (2) pay periods shall not earn any employment benefits (including, but not limited to such benefits as vacation leaves, medical benefits, sick leaves, retirement credits for time employed or seniority entitlement of any kind) for the duration of such leave. An employee who is on leave without pay for more than (2) pay periods will have the ability to continue medical, dental and vision coverage at their own expense in accordance with the Town's Administrative Policy on benefit retention.

18.11.3

Vacation, sick leave or time worked shall not be used intermittently during an extended leave to interrupt a determination that an employee is on leave with no pay. In accordance with State Government Code 12945 and 12945.2 and Federal Government Code 29, Section 26.01, 26.54, no employee on maternity or family leave will be disadvantaged with respect to seniority entitlement.

18.12 Leave Balances

18.12.1

Vacation, and compensatory time off will be paid ~~off~~ upon resignation, retirement, or dismissal at 100% value effective the last full work-day with the Town. This will terminate the employee's status as an employee of the Town. Sick leave shall be cashed out per Section 18.4.1.

18.12.2

In the event of an employee's death, accrued vacation and compensatory time leave balances shall be paid to the employee's estate. Sick leave shall be paid to the estate per Section 18.4.1.

18.13 Catastrophic Time Bank

If an employee, or an employee's spouse/domestic partner, or child becomes catastrophically ill or injured, the employee may request that a catastrophic time bank be established. If the employee is not capable, a Department Director, after consulting with and receiving approval from an employee's family member, may request that a catastrophic time bank be established. The request shall be in writing and shall be directed to the Human Resources Director. The bank will enable other employees to donate accrued CTO or vacation to the requesting employee. All donations must be made in writing on a form prescribed by the Town and shall be limited to no more than four (4) hours per donation, in one (1) hour increments. Time donated will be calculated at the donor's hourly rate of pay. Donations to an established catastrophic time bank are final and shall not be returned to the donor.

Section 19. Grievance Procedure

Grievances shall be defined as alleged violations of this Agreement or disputes regarding interpretations, application, or enforcement of this Agreement.

No act or activity which may be grievable may be considered for resolution unless a grievance is filed in accordance with the procedure contained herein within thirty (30) calendar days of the date the grievable activity occurred or the date the employee could reasonably have known such activity occurred.

19.1

The parties agree that all grievances will be processed in accordance with the following procedure:

Step 1

Any employee who has a grievance shall first try to get it settled informally through discussion with his/her/their immediate supervisor without undue delay. Every effort shall be made to find an acceptable solution at the lowest possible level of supervision. If the employee is not satisfied with the informal resolution, then a formal grievance must be filed within thirty (30) calendar days of the date the grievable activity occurred or the date the employee could reasonably have known such activity occurred.

Step 2

If, after such discussion the employee does not believe the grievance has been satisfactorily resolved, [he/she/they](#) may file a formal appeal in writing to [his/her/their](#) Department Director within ten (10) calendar days after receiving the informal decision of [his/her/their](#) immediate supervisor.

The Department Director receiving the formal appeal shall enter [his/her/their](#) written decision within ten (10) calendar days after receiving the appeal.

Step 3

If, after receipt of the written decision of the Department Director the employee is still dissatisfied, [he/she/they](#) may appeal the decision of the Department Director to the Town Manager. Such appeal shall be made by filing a written appeal to the Town Manager within fourteen (14) calendar days after receipt of the written decision of the Department Director. The Town Manager shall review the decision of the Department Director, and render [his/her/their](#) decision within thirty (30) calendar days after the appeal is made.

Step 4

If, after receipt of the written decision of the Town Manager the employee is still dissatisfied, [he/she/they](#) may appeal the decision of the Town Manager to the Personnel Board. Such appeal shall be made by filing a written appeal to the Chair of the Personnel Board within fourteen (14) calendar days after receipt of the written decision of the Town Manager.

The Personnel Board shall establish a hearing date within thirty (30) calendar days of receipt of the written appeal. The Personnel Board shall conduct a closed hearing giving opportunity for presentation by the employee or [his/her/their](#) representative and the Town Manager. The Personnel Board shall render a written decision within thirty (30) calendar days after the appeal is made. If, after receipt of the written decision of the Personnel Board, the employee is still dissatisfied, [he/she/they](#) may appeal the decision of the Personnel Board to the Town Council. Such appeal shall be made by filing a written appeal with the Mayor. The Mayor shall schedule a closed hearing with the Town Council within thirty (30) calendar days after receipt of the appeal. At this hearing, the employee and the Town Manager may make presentations. The Town Council decision shall be final. The Town Council shall render a decision within thirty (30) calendar days after the hearing. An open hearing may be conducted by the Personnel Board or Town Council with mutual consent of the Town and person(s) filing the grievance.

19.2

The time limitations for filing and responding to grievances may be waived or extended by written mutual agreement of the parties. If either party to the grievance so requests, an informal hearing shall be conducted at the Department Director or Town Manager appeal levels. Employees may be represented by counsel or other person at any stage in the grievance process.

19.3

If the employee does not receive a response from the supervisor or Department Director within the time limits specified in steps 1 and 2 above, the grievance will proceed for review to the next level in the grievance procedure.

Section 20. Miscellaneous Issues

20.1 Benefit Application

Employee benefits shall be prorated to a level equal to the regularly scheduled hours. For example, an employee working a regular schedule of 32 hours per week will earn 80% of the benefits provided to an employee working a regular schedule of 40 hours per week.

20.2 Personnel Rules

It is the Town's intent to make the Personnel Rules readily available. In this regard the Rules will be available on line and in the Town Clerk's Office.

20.3 Disciplinary Rules

In regard to Disciplinary Rules, refer to Sections 12 and 13 of the Town's Personnel Rules.

20.4 Mileage Reimbursement

Employees using personal vehicles on official Town business shall be reimbursed at the mileage rate established by the I.R.S. Private vehicles used for Town business shall comply with all applicable California Vehicle Code Sections commencing with Section 16430 through 16484 pertaining to "Insurance or Proof of Ability to Respond to Damages."

Section 21. Terms Specific to Communications Dispatcher

Training pay: Communication Dispatchers assigned to train and evaluate newly hired Communication Dispatchers will receive a premium pay of 5% for the actual hours worked while providing authorized training.

In addition, sections in the agreement specific to Communications Dispatchers include (1) Overtime section 11.4.3 and (2) Holiday Compensation section 13.3.3.

Section 22. Town Vehicles

Town vehicles are not to be taken home.

Section 23. Closure Days with Paid Leave Allowed

T.E.A. understands that the Town Manager, for budgetary constraints or for operational efficiency, may close all nonessential services and permit employees to use paid leaves. For example, the Town Manager may institute the closure of nonessential services between the Christmas and New Years' holidays. [The Town Manager shall provide at least six-months advance notice prior to making the decision to institute closure of non-essential services between the Christmas and New Years' holidays. However, nothing in this section shall restrict the Town Manager's right to make the decision to institute the closure of non-essential services between Christmas and New Year's with less notice where unforeseen circumstances occur.](#)

In regards to these closure days:

23.1

Employees performing essential services and scheduled to work on the Closure Days will receive straight-time pay for hours worked, unless the hours worked represent overtime (more than forty [40] hours per week).

23.2

At their election, employees who are not scheduled to work may utilize accrued paid vacation, compensatory time off, or personal leave to cover the closure hours. Leave must be requested in the manner provided in the MOU. Employees who use paid leave will accrue sick leave, vacation and CalPERS credit while on leave.

23.3

While employees have the option to utilize paid vacation, compensatory time off, or personal leave, they are also permitted to take leave without pay (LWOP). Employees who take LWOP will maintain their health, life and disability insurance, as well as any medical cash allocations. Employees who utilize LWOP will not accrue sick leave, vacation or CalPERS credit while on LWOP.

23.4

If an employee requests to work during the closure days due to hardship (e.g., the employee is out of leave and is financially unable to take time without pay), the Department Director will first try to assign the employee in their own department. If a suitable assignment is not available in the employee's own department, the Town Manager maintains the management right to place the employee in an alternative assignment for the closure period.

If an employee requests to work during the closure days the Department Director will approve the request to work in their regular assignment unless there is a concern about the safety of the employee that cannot be adequately addressed. However, the Town Manager maintains the management right to place the employee in an alternative assignment for the closure period.

23.5

The Town Manager maintains the management right to determine essential and nonessential services.

Section 24. Complete Agreement

The parties acknowledge that during the negotiations that resulted in this MOU, each had the unlimited right and opportunity to make proposals with regard to the terms and conditions of employment, and that the understandings and agreements contained in this MOU were arrived at after that full opportunity. This MOU may only be amended during its term by the parties' mutual agreement in writing unless compelled by State or Federal law. This MOU is intended to encompass all matters subject to meeting and conferring between the Town and T.E.A., and it supersedes and replaces any and all past practices, whether directly referred to or otherwise addressed in any way in this MOU.

Section 25. Successor MOU

The Town and T.E.A. agree that an initial meet and confer regarding the negotiations for a successor MOU shall take place no later than 120 days prior to the termination date of the current Memorandum of Understanding.

The Town will pay for training in interest-based bargaining for the negotiating teams and to provide a neutral third-party facilitator, mutually agreed to by the parties.

Town of Los Gatos TEA Classifications
Salary Schedule for Fiscal Year 2022/23
Effective July 10, 2022
Adopted by Town Council June 7, 2022

Item 2.

Class Code	Classification Title	Rate Type	Range TE1	Step 1	Step 2	Step 3	Step 4	Step 5	Step 6
4310	Account Technician	Hourly	08	\$36.88	\$38.72	\$40.66	\$42.69	\$44.82	\$47.64
3580	Administrative Assistant	Hourly	04	\$30.87	\$32.41	\$34.03	\$35.73	\$37.52	\$39.98
4620	Assistant Engineer	Hourly	25	\$49.12	\$51.58	\$54.16	\$56.87	\$59.71	\$63.28
4420	Assistant Planner	Hourly	12	\$42.71	\$44.85	\$47.09	\$49.44	\$51.91	\$55.09
4600	Associate Civil Engineer	Hourly	27	\$55.88	\$58.67	\$61.60	\$64.68	\$67.91	\$71.89
4661	Associate Engineering Technician	Hourly	14	\$43.02	\$45.17	\$47.43	\$49.80	\$52.29	\$55.48
4400	Associate Planner	Hourly	20	\$49.70	\$52.19	\$54.80	\$57.54	\$60.42	\$64.02
4410	Building Inspector	Hourly	24	\$47.82	\$50.21	\$52.72	\$55.36	\$58.13	\$61.62
4430	Code Compliance Officer	Hourly	10	\$42.76	\$44.90	\$47.15	\$49.51	\$51.99	\$55.17
4530	Communication Dispatcher	Hourly	17	\$45.31	\$47.58	\$49.96	\$52.46	\$55.08	\$58.41
4535	Communication Dispatcher Lead	Hourly	19	\$57.24	\$60.10	\$63.11	\$66.27	\$69.58	\$73.64
4540	Community Services Officer	Hourly	11	\$36.36	\$38.18	\$40.09	\$42.09	\$44.19	\$46.98
4615	Construction Project Manager	Hourly	26	\$53.61	\$56.29	\$59.10	\$62.06	\$65.16	\$69.00
4660	Engineering Technician	Hourly	13	\$39.05	\$41.00	\$43.05	\$45.20	\$47.46	\$50.41
4705	Environmental Programs Specialist	Hourly	08	\$36.88	\$38.72	\$40.66	\$42.69	\$44.82	\$47.64
4200	Events and Marketing Specialist	Hourly	06	\$32.53	\$34.16	\$35.87	\$37.66	\$39.54	\$42.10
3501	Executive Assistant	Hourly	08	\$36.88	\$38.72	\$40.66	\$42.69	\$44.82	\$47.64
4900	IT Systems Administrator	Hourly	23	\$53.24	\$55.90	\$58.70	\$61.64	\$64.72	\$68.54
4915	IT Technician	Hourly	07	\$39.91	\$41.91	\$44.01	\$46.21	\$48.52	\$51.53
4810	Librarian	Hourly	16	\$40.81	\$42.85	\$44.99	\$47.24	\$49.60	\$52.66
4830	Library Assistant	Hourly	03	\$30.13	\$31.64	\$33.22	\$34.88	\$36.62	\$39.03
4807	Library Customer Service Specialist	Hourly	01	\$28.23	\$29.64	\$31.12	\$32.68	\$34.31	\$36.61
4805	Library Customer Service Supervisor	Hourly	08	\$36.88	\$38.72	\$40.66	\$42.69	\$44.82	\$47.64
4825	Library Specialist	Hourly	06	\$32.53	\$34.16	\$35.87	\$37.66	\$39.54	\$42.10
4819	Library Tech Specialist	Hourly	15	\$39.55	\$41.53	\$43.61	\$45.79	\$48.08	\$51.06
3181	Office Assistant	Hourly	01	\$28.23	\$29.64	\$31.12	\$32.68	\$34.31	\$36.61
4640	Park Services Officer	Hourly	11	\$36.36	\$38.18	\$40.09	\$42.09	\$44.19	\$46.98
4560	Parking Control Officer	Hourly	01	\$28.23	\$29.64	\$31.12	\$32.68	\$34.31	\$36.61
4440	Permit Technician	Hourly	09	\$35.53	\$37.31	\$39.18	\$41.14	\$43.20	\$45.94

**Town of Los Gatos TEA Classifications
Salary Schedule for Fiscal Year 2022/23
Effective July 10, 2022
Adopted by Town Council June 7, 2022**

Item 2.

Class Code	Classification Title	Rate Type	Range TE1	Step 1	Step 2	Step 3	Step 4	Step 5	Step 6
4425	Planning Technician	Hourly	11	\$36.36	\$38.18	\$40.09	\$42.09	\$44.19	\$46.98
4550	Police Records Specialist	Hourly	05	\$31.60	\$33.18	\$34.84	\$36.58	\$38.41	\$40.91
4630	Public Works Inspector	Hourly	18	\$44.47	\$46.69	\$49.02	\$51.47	\$54.04	\$57.32
4450	Senior Building Inspector	Hourly	27	\$55.88	\$58.67	\$61.60	\$64.68	\$67.91	\$71.89
4525	Senior Communication Dispatcher	Hourly	29	\$50.76	\$53.30	\$55.97	\$58.77	\$61.71	\$65.38
4831	Senior Library Page	Hourly	02	\$19.85	\$20.84	\$21.88	\$22.97	\$24.12	\$25.91
4565	Senior Parking Control Officer	Hourly	11	\$36.36	\$38.18	\$40.09	\$42.09	\$44.19	\$46.98
4405	Senior Planner	Hourly	28	\$57.24	\$60.10	\$63.11	\$66.27	\$69.58	\$73.64
4610	Senior Public Works Inspector	Hourly	26	\$53.61	\$56.29	\$59.10	\$62.06	\$65.16	\$69.00
4662	Sr. Engineering Technician	Hourly	24	\$47.82	\$50.21	\$52.72	\$55.36	\$58.13	\$61.62

Reflects General Increase of 8%



**TOWN OF LOS GATOS
COUNCIL AGENDA REPORT**

MEETING DATE: 06/07/2022

ITEM NO: 21

Item 2.

DATE: June 2, 2022
TO: Mayor and Town Council
FROM: Laurel Prevetti, Town Manager
SUBJECT: Approve a Labor Agreement Between the Town of Los Gatos and the American Federation of State, County, and Municipal Employees and Authorize the Town Manager to Execute the Memorandum of Understanding

RECOMMENDATION:

Staff recommends that the Town Council approve a Labor Agreement between the Town of Los Gatos and the American Federation of State, County, and Municipal Employees (AFSCME) and authorize the Town Manager to execute the Memorandum of Understanding.

BACKGROUND:

In accordance with the Town's Employer-Employee Relations Resolution No. 1974-41, representatives of the Town and AFSCME have met and conferred in good faith and within the scope of representation in an effort to reach agreement for a successor Memorandum of Understanding (MOU). The revised agreement will be distributed and posted on June 3, 2022 as an Addendum to this report. The MOU is a labor agreement that identifies specific terms and conditions of employment applicable to the employees represented by that agreement.

DISCUSSION:

The Town's current MOU with AFSCME expires on June 30, 2022. In March 2022, the Town and AFSCME began negotiating for a successor agreement. A tentative agreement for a two-year term was reached in April and AFSCME membership ratified on April 29, 2022.

PREPARED BY: Salina Flores
Human Resources Director

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

PAGE 2 OF 3

SUBJECT: Approve a Labor Agreement Between the Town of Los Gatos and the American Federation of State, County, and Municipal Employees and Authorize the Town Manager to Execute the Memorandum of Understanding

DATE: June 2, 2022

DISCUSSION (continued):

Major provisions of the agreement include and are not limited to:

1. **Term:** July 1, 2022 to June 30, 2024
2. **Salary:**
 - a. Effective the first full pay period of July 2022 (effective July 10, 2022), or the first full pay period after Council approval, whichever is later, the Town will provide a 3% cost of living adjustment (COLA) and a 4.5% market increase for a total of 7.5%. The market increase is intended to bring AFSCME classifications to or near market median.
 - b. Effective in the first full pay period of July 2023, the Town will provide a 3% salary increase.
3. **Pandemic Related Bonus:** Effective the first full pay period of July 2022, or the first full pay period after Council approval, whichever is later, all employees who worked for the Town in 2021, who are employed at the Town as of the last day of the pay period will receive a one-time, lump sum payment of \$2,500.
4. **Juneteenth Holiday:** Effective after Council approval of this MOU, June 19th (Juneteenth) shall be added to Section 29 of the MOU as an observed paid eight (8) hour holiday for employees represented by AFSCME.
5. **Tuition Reimbursement:** The Town will reimburse AFSCME employees up to \$3,000 per fiscal year toward the cost of books, university/school fees (except parking) and tuition for courses directly related to the employee's position as determined by the Town Manager. Prior to reimbursement, all course work must be completed with a passing grade of "C" or equivalent

The Town and AFSCME have also agreed to various MOU language updates. The MOU will be distributed and posted on June 3, 2022 as an Addendum to this report. These updates clarify existing language, delete obsolete language, and ensure compliance related to the Town's contract for retirement and medical benefits provided under the California Public Employees' Retirement System (CalPERS) and the Public Employees' Medical and Hospital Care Act (PEMHCA).

CONCLUSION:

The AFSCME agreement has been prepared within the parameters provided to Town's negotiators by the Town Council and has been ratified by the AFSCME membership. It is recommended that the proposal be approved, and the Town Manager be authorized to execute the MOU.

PAGE 3 OF 3

SUBJECT: Approve a Labor Agreement Between the Town of Los Gatos and the American Federation of State, County, and Municipal Employees and Authorize the Town Manager to Execute the Memorandum of Understanding

DATE: June 2, 2022

FISCAL IMPACT:

The anticipated fiscal impact for the 3% cost of living increase (\$46,000) and, 4.5% market increase (\$133,000) in FY 2022/23 is \$179,000. The anticipated fiscal impact of \$1,000 non-pensionable one-time payment and the one-time, lump sum pandemic related bonus payment of \$2,500 in FY 2022/23 is \$38,500.

FISCAL IMPACT (continued):

The total cost impact for FY 2022/23 will be absorbed in the Town's existing operating budget. Funding to support the FY 2023/24 ongoing cost each year will be incorporated into the proposed future year budgets for Council approval.

ENVIRONMENTAL ASSESSMENT:

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

Attachment:

1. Salary Schedule for AFSCME effective July 10, 2022

Town of Los Gatos AFSCME Classifications
Salary Schedule for Fiscal Year 2022/23
Effective July 10, 2022
Adopted by Town Council June 7, 2022

Item 2.

Class Code	Classification Title	Rate Type	Range AF1	Step 1	Step 2	Step 3	Step 4	Step 5	Step 6
6619	Assistant Equipment Mechanic	Hourly	09	\$33.37	\$35.04	\$36.79	\$38.63	\$40.56	\$42.59
6620	Equipment Mechanic	Hourly	03	\$38.38	\$40.30	\$42.32	\$44.44	\$46.66	\$48.99
6618	Supervising Equipment Mechanic	Hourly	08	\$44.14	\$46.35	\$48.67	\$51.10	\$53.66	\$56.34
6670	Facility Technician	Hourly	02	\$35.71	\$37.50	\$39.38	\$41.35	\$43.42	\$45.59
6600	Lead Parks & Maintenance Worker	Hourly	07	\$40.75	\$42.79	\$44.93	\$47.18	\$49.54	\$52.02
6650	Parks & Maintenance Worker	Hourly	05	\$32.79	\$34.43	\$36.15	\$37.96	\$39.86	\$41.85
6660	Parks & Maintenance Worker Trainee	Hourly	04	\$26.78	\$28.12	\$29.53	\$31.01	\$32.56	\$34.19
6605	Senior Parks & Maintenance Worker	Hourly	06	\$35.68	\$37.46	\$39.33	\$41.30	\$43.37	\$45.54
6610	Town Arborist	Hourly	03	\$38.92	\$40.87	\$42.91	\$45.06	\$47.31	\$49.68

Reflects General Increase of 7.5%.



**TOWN OF LOS GATOS
COUNCIL AGENDA REPORT**

MEETING DATE: 06/07/2022

Item 2.

ITEM NO: 21
ADDENDUM

DATE: June 3, 2022
TO: Mayor and Town Council
FROM: Laurel Prevetti, Town Manager
SUBJECT: Approve a Labor Agreement Between the Town of Los Gatos and the American Federation of State, County, and Municipal Employees and Authorize the Town Manager to Execute the Memorandum of Understanding

REMARKS:

Attachment 3 contains the draft Memorandum of Understanding.

Attachment Distributed with the Staff Report:

1. Salary Schedule for AFSCME effective July 10, 2022

Attachment Distributed with this Addendum:

2. Memorandum of Understanding (redline)

PREPARED BY: Salina Flores
Human Resources Director

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

TOWN OF LOS GATOS

AND

**AMERICAN FEDERATION OF STATE, COUNTY AND MUNICIPAL EMPLOYEES
(AFSCME)**



MEMORANDUM OF UNDERSTANDING

JULY 1, 2022 - JUNE 30, 2024

ATTACHMENT 2

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**MEMORANDUM OF UNDERSTANDING
BETWEEN
THE TOWN OF LOS GATOS
AND
AMERICAN FEDERATION OF STATE, COUNTY AND MUNICIPAL EMPLOYEES (AFSCME)**

THIS AGREEMENT IS ENTERED INTO AS OF JULY 1, 2022, BETWEEN THE TOWN OF LOS GATOS, HEREINAFTER REFERRED TO AS THE "TOWN", AND THE LOS GATOS "AMERICAN FEDERATION OF STATE, COUNTY AND MUNICIPAL EMPLOYEES", HEREINAFTER REFERRED TO AS "AFSCME".

Pursuant to Town Resolution 1974-41 of the Town of Los Gatos and Section 3500 et. seq. of the Government Code, the duly authorized representatives of the Town and AFSCME, having met and conferred in good faith concerning the issues of wages, hours, and terms and conditions of employment, as herein set forth, declare their agreement to the provisions of this Memorandum of Understanding.

FOR AFSCME:

Carol McEwan
Business Agent

Sherrie Olsen
Parks & Maintenance Worker
AFSCME President

Thomas Lettiere
AFSCME Secretary Treasurer

TOWN OF LOS GATOS:

Laurel Prevetti
Town Manager

Arn Andrews
Assistant Town Manager

Salina Flores
Human Resources Director

Lisa S. Charbonneau
Liebert Cassidy Whitmore

APPROVED AS TO FORM:

Gabrielle Whelan
Town Attorney

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(to be updated with correct sections and page numbers after Town Council consideration)

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Appendix A – AFSCME Salary Schedule

**TOWN OF LOS GATOS
AMERICAN FEDERATION OF STATE, COUNTY AND MUNICIPAL EMPLOYEES
MEMORANDUM OF UNDERSTANDING
ON SALARIES, FRINGE BENEFITS AND WORKING CONDITIONS**

Section 1. Purpose

The Town and the Union agree that the purpose of this Memorandum of Understanding is to promote and provide harmonious relations, cooperation, and understanding between the Town and the employees represented by the Union; to provide an orderly and equitable means of resolving disputes that may arise concerning this Agreement; and to set forth the full agreements of the parties reached as a result of meeting and conferring in good faith regarding matters within the scope of representation pursuant to the State Government Code and the Town Employer-Employee Relations Resolution.

Section 2. Term

This Memorandum of Understanding shall commence on July 1, 2022 and terminate on June 30, 2024.

Section 3. Union Rights**3.1 Advance Notice**

Except in cases of emergency as provided in this subsection the Union, if affected, shall be given reasonable advance written notice, normally thirty (30) calendar days of any ordinance, policy resolution, rule or regulation directly relating to matters within the scope of representation proposed to be adopted or amended by the Town and shall be given the opportunity to meet and confer as required by the Meyers Milias Brown Act with the appropriate management representatives prior to adoption.

In cases of emergency when the foregoing procedure is not practical or in the best public interest, the Town may adopt or put into practice immediately such measures as are required. At the earliest practicable date thereafter the Union shall be provided with the notice described in the preceding paragraph and be given an opportunity to meet with the appropriate management representatives. The Union shall timely raise any issues arising under this subsection

3.2 No Discrimination

The Town and Union agree that neither will discriminate in any way against employees covered by this Agreement because of their membership and/or activities on behalf of the Union.

3.3 Stewards

The Town agrees to recognize two (2) duly appointed Union Stewards and two (2) duly appointed alternate Stewards for purposes of Union representation. The Union shall provide the Town with a list of those duly appointed individuals. The Steward or Union Officer shall distribute to all new unit employees material(s) furnished for such purpose by the Union.

3.4 Representation

Upon request of an employee covered by this Agreement, the Steward and/or Union representative shall be present during meetings which the employee reasonably anticipates will involve that individual employee in disciplinary matters. To the extent possible, disciplinary and grievance matters affecting employees shall be considered during normal working hours and with pay.

3.5 Access to Premises

The designated Union business representative, for performance of official duties, shall not be denied access to Town premises subject to that representative first advising Town management that he/she/they/they is on the premises and subject to not interfering with the work duties of Town employees. The Union will be allowed reasonable use of Town facilities with advance notice and approval from the Town for meetings in accordance with Town policies and procedures.

3.6 Bulletin Boards and Union Literature

The Union shall have the right to use the Corporation Yard Bulletin Board and employee mailboxes for posting and distribution of Union materials.

3.7 Release Time

As long as there is no disruption of work, the Town shall provide two (2) AFSCME-authorized union representatives with up to 20 hours of release time each year for the purpose of attending Union conventions, conferences and union-sponsored training programs. The use of release time will have no impact on accrual of paid leave, seniority, completion of probation and eligibility for health and welfare benefits, or pension benefits.

3.8 New Hire Information

The Town will notify the Union of the name, classification, unit and work location of all new hires into the positions in the classifications represented by AFSCME within the first full pay period of the new hire's starting date.

3.9 Orientation

An AFSCME Union representative will be allowed 15 minutes of release time for the purpose of providing new member information to individuals newly-hired into classifications represented by AFSCME.

Section 4. Savings Clause

If any provision or the application of any provision of this agreement as implemented should be rendered or declared invalid by any final court action or decree or by reasons of any preemptive legislation, the remaining sections of this agreement shall remain in full force and effect for the duration of this agreement.

Section 5. Union Dues

5.1 Certification

The Town shall withhold Union dues from employees' salary transmit such dues to the Union, provided the Union certifies in writing to the City that the Union has and will maintain each employee's voluntary authorization for such deductions.

5.2 Payroll Deduction

The Town shall not be obligated to put into effect any new, changed, or discontinued deduction until the pay period commencing thirty (30) days or longer after the Union certifies such new, changed or discontinued deduction.

5.3 Indemnification and Hold Harmless

The Union shall indemnify and hold harmless the Town against any and all suits, claims, demands, and liabilities that may arise out of, or by reason of, any action or omission of the Town in complying with this Section.

Section 6. Management Rights

The Union recognizes that the rights of the Town include, but are not limited to, the exclusive right to determine the mission of its constituent departments, commissions and boards; set the standards of service; determine the procedures and standards of selection for employment and promotion; direct its employees; take disciplinary action; relieve its employees from duty because of lack of work or other legitimate reasons; maintain the efficiency of governmental operations; determine the methods, means, and personnel by which government operations are to be conducted; determine the content of job classifications; take all necessary action to determine when an emergency exists and to carry out its mission in emergencies including the requirement that employees work overtime; and exercise complete control and discretion over its organization and the technology of performing its work.

Section 7. Town Employer-Employee Relations Resolution

The Union and the Town recognize the existing language in Town Resolution 1974-41 as it governs all aspects of labor relations in the Town. Any changes in Resolution 1974-41 which apply to AFSCME Local 101 will be made after meeting and conferring when required by the Meyers Milius Brown Act with the Union.

Section 8. Equal Employment Opportunity

The Union and Town support equal employment opportunity programs.

Section 9. Non-Discrimination

The Town and Union agree that all provisions of this Agreement shall be applied equally to all employees covered herein without favor or discrimination because of any protected class including but not limited to race, color, national origin, ancestry, religion, religious creed, physical disability, mental disability, medical condition, genetic information, marital status, sex, sexual orientation, gender, gender based pregnancy/childbirth, gender identity, gender expression, age (over 40), or political affiliation or any other basis prohibited by applicable Federal, State or Town law. The parties further agree that Section 9 and 9.1 shall not be subject to the Grievance Procedure provided in this Agreement.

9.1 General Provisions Regarding Americans with Disabilities Act

Because the ADA requires accommodations for individuals protected under the Act, the Union recognizes the Town's obligation to comply with all provisions of the ADA on a case by case basis.

9.1.1

The Union recognizes that the Town has the legal obligation to meet with the individual employee to be accommodated through the interactive process before any adjustment is made in working conditions. The Union will be notified of these proposed accommodations prior to implementation by the Town.

9.1.2

Any accommodation provided to an individual protected by the ADA shall not establish a past practice.

9.2 Non-Discrimination for Union Activity

The Town and Union agree that they, and each of them, shall not discriminate against any employee because of membership or lack of membership in the Union, or because of any authorized activity on behalf of the Union. The parties further agree that this Section 9.2 may be subject to the Grievance Procedure provided in this Agreement.

Section 10. Salary

10.1

Employees will receive pay adjustments as follows:

10.1.1

Effective the first full pay period in July 2022, or the first full pay period after Council approval of this MOU, whichever is later, the Town will provide a three percent (3%) cost of living adjustment (COLA) and a four and one half (4.5%) market increase, totaling a seven and one half percent (7.5%) salary adjustment for all bargaining unit members. The market increase is intended to bring AFSCME classifications to or near the market median based on data in a compensation survey of the relevant labor market completed by outside consultant Bryce & Associates in April 2022.

In addition, effective in the first full pay period of July 2022, or the first full pay period after Council approval of this MOU, whichever is later, bargaining unit employees shall receive a one-time (non-PERSable) payment of one thousand dollars (\$1000).

10.1.2

Effective the first full pay period of July 2023, the Town will provide a three percent (3%) salary increase for all bargaining unit members.

10.2 Pandemic Related Bonus

Effective the first full pay period of July 2022, or the first full pay period after Council approval of this MOU, whichever is later, the Town will provide a one-time, non-pensionable, lump sum payment of \$2,500 to all employees who worked for the Town in 2021 who are employed at the Town as of the last day of the pay period the payment is issued.

Section 11. Other Compensation**11.1 Out-of-Classification Pay**

Out-of-Classification pay is defined as employees who by written assignment perform the essential functions of a position with a higher salary classification than in which they are regularly employed shall receive higher compensation as set forth below. The Town and the Union agree that it is the intent of Town management, whenever possible, to avoid working an employee out of classification for a prolonged period of time.

An employee assigned to work out-of-classification shall be compensated from the first day of the out-of-classification assignment. Out-of-classification pay shall be a minimum of five percent (5%), above the employee's regular salary; or the lowest rate of the higher classification, whichever is greater.

Training programs mutually agreed to by the Town and the Union which are designed to enhance and/or provide career development opportunities shall not be subject to this provision.

Any employee who believes they are working out of classification may request a review of their classification.

11.2 Street-Sweeper Specialty Pay

Employees assigned to operate the street sweeper shall be paid a \$5 per hour differential above their base hourly rate. This special assignment pay shall be paid for actual time worked and does not apply to non-worked hours such as vacation, holidays, personal or sick leave.

In accordance with CalPERS regulations, this special assignment pay is reported as PERSable income for those employees who are assigned to operate the street sweeper on a routine and consistent basis. Thus, employees who operate the street sweeper on back-up basis shall be paid the premium in accordance with this agreement but the premium will not be reported as PERSable income.

The Department Director retains the right to determine street sweeper assignments in accordance with the needs of the department. Employees assigned to operate the street sweeper must meet the qualifications of the job and demonstrate proficiency to operate the equipment.

11.3 Class A Driver's License Pay and Tanker Endorsement Pay

Employees who maintain a valid California Commercial Class A Driver's License shall be paid \$30 per month.

Employees who maintain both a valid California Commercial Class A Driver's License and a Tanker Endorsement shall be paid \$75 per month.

11.4 Certificate Pay

Employees in the classifications of Parks and Maintenance Worker and Lead Parks and Maintenance Worker who possess a current Certified Pest Control Applicator Certificate shall receive \$50 per month in certificate pay. Employees in the classifications of Parks and Maintenance Worker and Lead Parks and Maintenance Worker who possess a current Backflow Tester Certification Certificate shall receive \$50 per month in certificate pay.

11.5 Cellphones

The Town's cellphone stipend program applies to AFSCME bargaining unit employees.

Section 12. Payroll Practices

12.1 Payroll Periods and Availability of Checks

Employees shall be compensated on a biweekly basis.

Employee pay shall not be withheld more than seven (7) days following end of payroll period; however, overtime may appear on the next payroll period if it is worked following the submittal of time sheets, or during a pay period with a Town holiday which requires early submittal of time sheets and early distribution (before Friday) of paychecks. This may also occur at the end of the fiscal and calendar year.

Every effort will be made to make paychecks available to employees as soon as checks are signed and ready for distribution.

12.2 Automatic Deposit

The Town shall provide an optional direct deposit system for use by employees.

12.3 Deduction and Accrual Information

Payroll deductions and leave balances shall appear on paychecks and be current to the latest payroll period.

Section 13. Retirement Benefits

The Town contracts with the California Public Employees' Retirement System (CalPERS or PERS) to provide Town employees with retirement benefits.

13.1 2.5% at 55 (Classic Tier One Retirement)

For employees hired with reciprocity or CalPERS membership prior to 1/1/13 without a break in CalPERS service of six months or more or hired and enrolled in CalPERS membership prior to 9/15/12, the Town provides the 2.5% at 55 PERS retirement benefit (Gov't Code 21354.4).

Employees in this tier shall contribute 8% towards the retirement benefit.

Employees in this tier are subject to the CalPERS Single Highest Year compensation formula (Gov't Code 20042).

13.2 2% at 60 (Classic Tier Two Retirement)

For employees hired and enrolled on or after 9/15/12 with reciprocity or membership prior to 1/1/13 without a break in CalPERS service of six months or more, the Town provides the 2% at 60 retirement benefit (Gov't Code 21353).

Employees in this tier shall contribute 7% towards the retirement benefit.

Employees in this tier are subject to the CalPERS 36-month final average compensation (Gov't Code 20037).

13.3 2% at 62 (Public Employees' Pension Reform Act of 2013 [PEPRA])

For employees hired on or after January 1, 2013, who meet the definition of new member under Gov't Code 7522.04(f), the Town provides the 2% at 62 retirement benefit.

For new members hired on or after January 1, 2013, the Town will use the 36-month final average compensation (Gov't Code 7522.32(a)).

New members hired on or after January 1, 2013 shall pay an amount that is equal to one half (1/2) the normal cost of his/her/their CalPERS pension, or the current contribution rate of similarly situated employees, whichever is greater. (Gov't Code 7522.30(c)).

13.4 EPMC, 414(h)(2) IRC

Effective June 24, 2001, the Town ceased its participation in the Public Employees' Retirement System "Employer Paid Member Contribution" (EPMC) provision. Concurrently, the Town began paying in salary to the employees covered by this MOU the equivalent dollar amount of the former EPMC (7% of salary).

The Town has adopted a Resolution materially the same as that recommended by the Public Employees' Retirement System to implement the provisions of 414 (h) (2) of the Internal Revenue Code (IRC). AFSCME accepts the terms of this Resolution and acknowledges that this Resolution will apply to all current and future members of AFSCME.

13.5 Military Service Purchase

The Town shall permit employees to purchase PERS credit for military service time.

13.6 Retiree Health Benefit for Eligible Retirees Hired on or after July 1, 2018

The Town provides retiree health benefits in accordance with the Public Employees' Medical and Hospital Care Act (PEMHCA) for employees who qualify as eligible PERS retirees who receive a PERS retirement allowance and are PEMHCA annuitants entitled to such benefits under the PEMCHA.

The Town's maximum monthly contribution for each eligible annuitant shall be equal to the minimum employer contribution required under the PEMHCA, currently \$149 per month, as may be adjusted by CalPERS from year to year. The provisions of the PEMHCA will govern medical insurance coverage for annuitants.

13.7 Retiree Health Benefit For Eligible Retirees Hired before July 1, 2018.

An employee hired prior to July 1, 2018 is eligible for Health Reimbursement Account (HRA) retiree health benefits in accordance with this Section.

13.7.1

The employee completed at least five years of continuous service with the Town; and

13.7.2

The employee retired from the Town taking a service or disability retirement from CalPERS as a retiree receiving a PERS retirement allowance and is a PEMHCA annuitant; and

13.7.3

The employee must actually draw a CalPERS pension within ninety (90) days of separation from the Town, provided the employee remains with the Town's health plan through COBRA.

13.7.4

The amount of the supplemental retiree health benefit allowance will be equal to 100% of the cost of the premium for Kaiser Bay Area Retiree Only and 90% of the difference between the Kaiser Bay Area Retiree Only Plus One levels of participation. The Town will pay up to \$1,947.16 per month as of the 2022 plan year. This amount will increase by \$100.00 each year until it is equal to the active employee contribution.

13.7.5

The Town's contribution towards retiree health insurance set forth in Section 13.6 (the PEMHCA minimum) will be deducted from the amount of contribution provided by this Section (13.7.)

13.7.6

Employees retiring on or after February 1, 2016 and upon becoming eligible for Medicare will cease to receive any retiree health benefit allowance under this Section (13.7) and will become eligible for Supplemental Medicare equal to the cost of Kaiser Senior Advantage Bay Area Medicare rates up to a maximum of 100% Retiree Only, 90% for Retiree Plus One or 90% for Retiree Plus One or More, less the amount of the employer contribution provided under section 13.6 above (the PEMHCA minimum). This benefit is available to the eligible retired employee only after he or she has reached the age of 65 and is Medicare eligible or as otherwise specified by law.

13.7.7

The benefits described by this Section (13.7) will be provided to annuitants through CalPERS by means of a Health Reimbursement Account (HRA).

13.7.8

Employees hired on and after July 1, 2018, who retire from the Town are not eligible to receive an HRA retiree health benefit allowance from the Town.

Section 14. Health and Welfare Benefits and Rate of Town Contribution

The Town contracts with CalPERS for the purpose of providing employees and their eligible dependents with medical insurance benefits. The Town's maximum monthly contribution for each eligible active employee shall be equal to the minimum employer contribution required under PEMHCA, currently \$149 per month, as may be adjusted by CalPERS from year to year.

14.1 Cafeteria Plan

During the term of the MOU, the Town agrees to maintain a Cafeteria Plan, pursuant to Section 125 of the Internal Revenue Code, for the purpose of providing eligible active employees with access to various health and welfare benefits. Benefits available through the Cafeteria Plan include medical insurance, dental insurance, vision insurance and life insurance benefits.

14.1.1 Dental

Employees choosing this option instead of Cash In Lieu will be provided 100% of the Delta Dental PPO Plan premium less a \$15.00 employee contribution. If the premium cost of the dental plan exceeds the Town contribution, the employee shall pay through payroll deduction the difference between the monthly premium and the amount contributed by the Town. The Town will pay 100% of the premium for employees choosing to participate in the DeltaCare USA Plan.

14.1.2 Medical

The Town will provide active employees with a medical allowance equal to 100% of the cost of Kaiser Bay Area Medical Insurance Program premium at the Employee Only level of participation, offered by the Public Employees' Retirement System Health Benefit Medical Program. For dependents, Town will pay 90% of the cost for dependents at the level of Kaiser Bay Area and employee will pay 10% of the dependent cost.

As such, Town will pay 90% of the difference between Kaiser Bay Area Employee Only and Kaiser level of participation (Employee Plus One or Employee Plus One/More, depending on family status.)

Example: Employee Only Premium is \$800; and Employee Plus One Premium is \$1,400

Employee Plus One Premium (\$1400) minus Employee Only Premium (\$800) = \$600

Town pays 90% of \$600 = \$540

Employee pays 10% of \$600 = \$60

If the employee chooses medical coverage under a program more expensive than Kaiser Bay Area, the employee will pay the difference between the Town-provided medical allowance and the cost of the more expensive program through payroll deduction.

The Town's contribution towards medical insurance set forth in Section 13.6 (the PEMHCA minimum) will be deducted from the amount of contribution provided by this Section (14).

14.1.3 Vision

The Town shall pay for employee-only coverage under the Town's Vision Service Plan (VSP). Employees may enroll eligible dependents at their own cost.

14.1.4 Cash In Lieu

Employees have the option of choosing all available coverages or, upon providing proof of other medical coverage, may choose to opt out of the Town's coverage and be provided with a cash allocation equal to Four Hundred Twenty Dollars (\$420) per month.

Employees who choose to receive the cash must first show proof of alternative minimum essential medical coverage for the employee and employee's tax family (individuals for whom the employee expects to claim a personal exemption deduction). Individual coverage, and individual coverage from Covered California does not qualify as alternative minimum essential coverage under this section. Employees must provide reasonable evidence of alternative minimum essential coverage each plan year, during open enrollment. The Town will not make the cash payment if it knows or has reason to know that the employee or tax family does not have alternative minimum essential coverage. Any amount received in cash is taxable. Employees choosing to receive taxable cash will have the option of receiving it in two equal amounts in December and June, or the first two paychecks of each month (24 times a year).

14.2 ACA Reopener

The union agrees at the Town's request, to meet and confer on any changes that are within the mandatory scope of bargaining related to the Town's sponsored Family Medical Insurance and Cash In Lieu benefits that may be related to the compliance and implementation of the Affordable Care Act (ACA).

14.3 Supplemental Health and Welfare Benefits

14.3.1 Life Insurance

Coverage of \$50,000 plus \$50,000 accidental death: Town to pay for premium. Additional life insurance may be purchased by the employee equal to one to five times the employee's base salary, not to exceed \$300,000. Dependent life insurance is available at the employee's cost.

14.3.2 Disability Insurance

Short Term Disability Policy effective 8th calendar day; coverage of 60% of weekly earnings up to maximum of \$1,300 per week for 12 weeks. Long Term Disability benefits begin on the 91st day of disability; coverage of 60% of monthly earnings up to a maximum of \$6,000/month.

14.3.3 Employee Assistance Program

Premiums shall be paid by the Town.

14.3.4 Unemployment Insurance

The Town will provide State-mandated benefits as required by law.

Section 15. Workers' Compensation

The Town and Union agree that employees who sustain illness or injury arising out of and in the course of their Town employment shall receive benefits equal to those mandated by the State of California, and the California Labor Code. Any difference between State mandated benefits and the individual's regular Town salary, if any, shall be charged to the employee's accrued sick leave balance. If sick leave is not available, other accrued leave balances shall be charged. If an employee does not have accrued leave balances, the employee shall receive only the State-mandated benefits.

The policies and procedures affecting the use of workers compensation will be developed and administered by the Town Personnel Officer in accordance with State law. There is a three day (calendar) waiting period to receive benefits, unless the employee is hospitalized or out for more than two weeks. In the event of a non-hospitalized on-the-job injury verified as such and eligible for worker's compensation disability payments, the Town will compensate employees for the first three day waiting period.

Section 16. Deferred Compensation

The Town shall continue to make a Deferred Compensation program available to employees. The Town makes no representation on the merit of the plan or any of the investment products or instruments which may be offered by the plan. The responsibility for evaluating the investment options within the plan is the responsibility of the individual participant. The Town shall not be obligated to offer more than one Deferred Compensation carrier.

Section 17. Uniforms

Uniform shirts shall be provided to employees at the expense of the Town and shall be required to be worn during working hours. The Town shall determine appropriate shirt colors. Employees shall wear denim jeans as part of their uniform. Employees shall purchase jeans at their own expense. Employees are to report to work in uniforms that are neat, clean, and in good repair. In the event an employee's uniform is damaged or in need of replacement as determined by the supervisor, the item may be replaced in advance of the annual schedule.

17.1 Uniform Items for All Employees

On an annual basis, the Town will supply each employee with seven (7) shirts, one standard rain jacket, rain pants, rain boots and cold-weather jackets. Cold weather jackets will be replaced if needed as determined by the employee's supervisor. Uniform items will be provided annually by November 1. Employees shall be responsible to launder uniform items.

17.1.1 Optional Shorts

Upon employee request and supervisor approval, the Town will furnish each employee up to (2) pairs of shorts per year. Employees are permitted to wear shorts only when shorts do not pose a safety hazard. The supervisor has the authority to determine when shorts are acceptable.

17.1.2 Optional Weather-Protective Headwear

Upon request by the employee, the Town will supply up to two (2) approved caps or hats per year. No other type of headwear is permitted to be worn during work hours.

17.2 Uniform Items for Mechanics

In addition to the items listed above, the Town will provide coveralls to each mechanic. The coveralls will be laundered by the Town.

Section 18. Safety Equipment

The Town shall retain the right to establish minimum safety and quality standards for safety equipment, clothing and steel-toed safety shoes to be used while performing assigned tasks. If an employee is at work without the required clothing or safety equipment, that employee will not be paid until s/he is at the worksite with the required clothing and safety equipment.

18.1 Steel-Toed Safety Shoes

On an annual basis, the Town will provide one pair of steel-toed safety shoes per employee. The steel-toed safety shoes must be worn at all times except for classroom training or administrative assignments. In the event an employee's safety shoes are damaged, worn, or unsafe as determined by the supervisor, the shoes may be replaced in advance of the annual schedule. The not-to-exceed amount will be \$350 for AFSCME employees. If the safety shoe selected by the employee is less than the amount provided by the Town, the employee may apply the difference toward shoelaces, socks, ergonomic insoles, or other safety-shoe related accessories at the time of purchase.

Section 19. Mileage

Employees using personal vehicles on official Town business shall be reimbursed at the mileage rate established by the I.R.S. Private vehicles used for Town business shall comply with the California Vehicle Code.

Section 20. Work Schedule

20.1 Standard Work Day

The standard workday shall be 8.5 consecutive hours including a 15-minute morning and a 15-minute afternoon work break, and a forty (40) minute lunch break, which shall include any wash-up time. The standard workday shall begin at 7:00 AM and end at 3:30 PM, the last ten (10) minutes of which shall be available for wash-up time. Minimum seventy-two (72) hours' notice will be provided by the Town for non-emergency changes in schedule.

20.2 Use of Town Vehicle

An employee whose lunch or break period begins at a work location other than the Corporation Yard may use the job site Town vehicle to go to lunch or obtain food. Travel time in connection with this privilege shall not extend the lunch period beyond the forty (40) minutes including wash-up time, nor extend a break period beyond fifteen (15) minutes.

20.3 Early Start Pay

Non-overtime work begun prior to 7:00 AM shall receive additional compensation of 5% above the employee's base hourly rate for the entire shift.

The Early Start premium will not apply if the employee's start time is adjusted at the request of the employee under a flexible work arrangement authorized by the department.

20.4 Work Week

The Town has no intention of changing existing work weeks at the present time.

The Town's decision to change existing work weeks will involve but not be limited to the following considerations:

- (a) Failure to meet the performance objectives of the work unit.
- (b) Change in service level.

Prior to a change in work week (except in the event of an emergency) the Town will give a minimum two weeks' notice to affected employees. Further, the Town agrees to meet in good faith to attempt to resolve any hardships caused by a change in work week.

20.5 4-10 Schedule for Vehicle Maintenance Shop

The Town agrees to maintain a 4/10 (4 day per week/10 hours per day) plan for the vehicle maintenance shop as long as Monday and Friday in each workweek can be covered by a mechanic. In addition, this program shall be evaluated quarterly to determine if productivity and coverage meet the Town's repair needs. This will determine if the program will continue.

20.6 Work Schedule and Holidays

Represented employees are entitled to eight (8) hours of paid time off in observation of each holiday listed in Section 29.

20.6.1 Hours Worked on an Observed Holiday

Employees assigned to work on an observed holiday shall be paid time-and-a-half for hours worked.

20.6.2 Hours Worked on the Actual Holiday

Employees assigned to work on an actual holiday that is different than the observed holiday shall be paid double time for the hours worked.

20.7 Flex Schedule

As an alternative to the normal schedule described in the above section, employees may be granted the option to participate in a Flex Schedule under the following terms and conditions:

The Department Director, with the approval of the Town Manager, has the exclusive authority to approve an employee's request for a flex schedule. The decision to implement or terminate a flex schedule is final and is not subject to meet and confer or any grievance procedure. Participating employees will be provided notification at least one (1) full pay period prior to termination of a flex schedule.

Employees on a flex schedule will receive no more than eight (8) hours of pay on a City observed holiday and will be required to use other accrued leaves or to re-arrange their schedule to maintain 80-hours of pay per pay period.

Section 21. Overtime

21.1 Scheduling

All overtime will be scheduled pursuant to the needs of the Town. Overtime shall be scheduled provided the individual is capable of performing the assignment. In the absence of volunteers, the Town shall assign overtime in rotation based on reverse seniority. Seniority for the purpose of this section is defined by total continuous service to the Town.

21.1.1

Overtime for work in progress shall be assigned to the employee(s) responsible for the assignment.

21.1.2

Overtime for special events shall be offered on a rotational basis in accordance with seniority.

21.2 Compensation

Overtime shall be compensated at the rate of time and one-half based upon either hours in excess of eight (8) per day or hours in excess of forty (40) per week. Overtime compensation shall be accumulated as Compensatory Time Off or be paid in cash at the employee's option, subject to the scheduling needs of the Town. If an employee elects to receive compensatory time off in lieu of overtime pay, for each hour of overtime work they will receive one and one-half hour of compensatory time credit.

21.3 Use of Compensatory Time Off

Use of compensatory time off will be at the Town's discretion based on scheduling needs. The Town shall, to the best of its ability and subject to scheduling needs of the Town, make every effort to accommodate employee requests for compensatory time off.

21.4 Compensatory Time Off Cap

The maximum accrued compensatory time accumulation shall be eighty (80) hours. When an employee has reached the eighty (80) hour maximum accrual of compensatory time off, all overtime must be paid in cash until the employee's compensatory time off bank is reduced below the maximum cap.

Section 22. Call Back

Call back overtime is defined as Town-required return to work after an employee has completed his/her/their normal work shift and before his/her/their next scheduled normal workday. An employee notified of call back overtime that is not contiguous to his/her/their shift less than 72 hours in advance will be paid at the call back rate. An employee called back to work shall be reimbursed for mileage.

22.1

A subsequent call-back shall be considered to be within the initial call-back if the employee is notified within the original three-hour period. If two hours and forty-five minutes of the original three-hour period expires before the employee is notified, then a new three-hour minimum shall go into effect. This section also applies to employees on stand-by duty as provided in Sec. 23.

22.2

When additional assistance is needed on a call-back event, supervisor approval is required to call back in more than one additional employee.

Section 23. Standby

23.1 Assignment and Scheduling

The Union recognizes the Town right to schedule standby assignments for employees at Town discretion. Standby assignments shall be made in order to provide services outside the regular work schedule. Standby shall be assigned for the months of November through March, with additional standby periods to be determined on an as-needed basis at the discretion of the Department Director.

Standby assignments shall be scheduled on a volunteer basis, using a list of all employees and offered by rotation based on seniority. Each rotation will last for seven (7) days. Seniority for the purpose of this section is defined as total continuous service to the Town. In the absence of volunteers, the Town shall schedule standby. To the best of its ability, the Town shall schedule standby assignments as far in advance as possible. The Union recognizes the need for standby provision of services and further recognizes that employee failure to respond when assigned standby duty may be cause for disciplinary action including termination.

23.2 Compensation

Standby assignments shall be compensated at the rate of four (4) hours straight time pay for every twenty-four (24) hours of assignment. Assignments of standby duty for more or less than twenty-four (24) hours shall be compensated on a pro-rated basis (4 hours for each 24 hours). Specific call out of employees on standby assignments shall be compensated at the regular overtime rate. Town shall provide a cell phone to employees or those employees electing to receive a stipend may use their own cellphone while on standby assignment.

23.3

For an employee on standby: Minimum call-back pay shall be three (3) hours at the overtime rate with such three-hour period defined beginning with the time of the initial call and concluding thirty (30) minutes after the employee calls in to the Police Department dispatcher that the assignment has been completed.

23.4

For an employee not on standby: Minimum call-back pay shall be four (4) hours at the overtime rate with such three-hour period defined beginning with the time of the initial call and concluding thirty (30) minutes after the employee calls in to the Police Department dispatcher that the assignment has been completed.

23.5 Eligibility

Employees who can respond within a reasonable time period (i.e., 40 minutes on average) shall be eligible for standby duty regardless of where they reside. The Department Director shall qualify employees for standby duty by ascertaining that travel to standby assignments can be accomplished safely.

An employee who meets the above requirement, and whose work would not normally involve assignment to standby duty, may volunteer for such duty and will be assigned to the list of volunteer employees from which standby duty is assigned, at such time as he/she/they has received the necessary training in standby duties and skills. It is the intent of the parties that employees be notified by the Department as soon as possible after the execution of this Agreement that new volunteers will be accepted for training together with information for potential volunteers. If there are volunteers, the Labor-Management Committee shall be convened to discuss implementation of the appropriate training at the earliest practicable date.

23.6 Stand-By Training

The Town will provide additional training in stand-by duties for newly hired employees. Duration of training shall be evaluated by the employee's supervisor during the first year.

Section 24. Emergency Work

If an emergency work situation (as defined by the Supervisor) does not permit an employee to take their meal period and/or breaks, the missed meal period and/or breaks will be credited as compensatory time at time-and-a-half.

Section 25. Work Furlough Program

25.1 Town Participation

AFSCME recognizes the right of the Town to participate in the Work Furlough Program coordinated by the County of Santa Clara. The purpose of the program is to provide public service for local government through a sentencing alternative program for individuals to perform clean-up and maintenance-type duties.

25.2 Responsibilities

25.2.1

A regular Town employee at the level of Maintenance Worker or higher will be responsible to oversee work related to the Work Furlough Program.

25.2.2

An hourly employee at the level of Maintenance Assistant or higher will be assigned to assist the regular Town employee as necessary, at the discretion of the Department Director or designee.

25.3 Assignment and Scheduling

25.3.1

AFSCME employees will be provided ten (10) calendar days' notice prior to a Work Furlough Program assignment except when a fill-in is necessary due to an emergency or unusual circumstance.

25.3.2

Work Furlough Program assignments shall be first made on a voluntary basis. In the absence of volunteers, the Town will assign employees with the least seniority from employees hired on or after July 1, 2007.

25.4 Compensation

Maintenance Workers will receive a 5% out-of-class premium for supervision duties when assigned to the Work Furlough Program. This premium will be applied to the entire shift and is in addition to any overtime compensation.

25.5 Evaluation

Work performed by Town employees related to the Work Furlough Program is subject to inclusion in the employees' annual review.

25.6 Liability

Town employees assigned to the Work Furlough Program are covered for liability purposes by the Town of Los Gatos while performing duties within the scope of his/her/their job.

Section 26. Vacation Schedule

The following vacation schedule shall apply to all employees:

0 to 36 months	10 days per year - 3.08 hours per pay period
37 to 60 months	16 days per year - 4.92 hours per pay period
61 to 120 months	21 days per year - 6.46 hours per pay period
121 to 180 months	23 days per year - 7.08 hours per pay period
181 months and over	25 days per year - 7.70 hours per pay period

Maximum accrual of vacation hours shall be 320 hours.

Section 27. Vacation Cash-Out

27.1

Employees who terminate from Town service shall have all accrued vacation leave and compensatory time cashed out effective the last full work-day with the Town. This will terminate the employee's status as an employee of the Town.

27.2

On or before the pay period which includes December 15 of each calendar year, an employee may make an irrevocable election to cash out up to eighty (80) hours of accrued vacation (in whole hour increments) earned in the following calendar year at the employee's base rate of pay. On the pay day for the pay period which includes Thanksgiving in the following year, the employee will receive cash for the amount of vacation the employee irrevocably elected to cash out in the prior year. However, if the employee's vacation leave balance is less than the amount the employee elected to cash out (in the prior calendar year) the employee will receive cash for the amount of leave the employee has accrued that year that is remaining at the time of the cash out.

27.3

All employees may apply vacation time cash-out to deferred compensation, so long as applicable law permits.

Section 28. Sick Leave

28.1 Accrual Rate

Accumulation rate shall be eight (8) hours per month (3.70 hours per pay period). Maximum accrual of sick leave hours shall be 1200 hours.

28.2 Sick Leave and Other Accrued Leaves

When an employee is absent for any of the purposes for which sick leave may be used, he/she/they may use other accrued leaves when sick leave has been exhausted, unless he/she/they has received a second consecutive written notice of counseling within an eighteen (18) month period regarding excessive or abusive use of sick leave with the exception of protected leave situations.

28.3 Sick Leave Cash-Out Program For Employees Hired Before July 1, 2018

Employees hired before July 1, 2018 who terminate employment with the Town for any reason other than retirement may cash out their accumulated sick leave as follows:

Months of Employment
1- 59 months at 25%
60 - 119 months at 37.5%
120 months or more at 50%

If an employee is terminated due to a layoff, the employee shall be eligible to cash out 100% of accrued sick leave at time of layoff. In order to be eligible for the terminating sick leave cash-out program, an employee must have a sick leave accrual balance of at least 150 hours at the time of termination. Employees who terminate employment with the Town after a prolonged period of illness or injury, may apply to the Town Manager for a waiver of the 150 hours requirement.

Employees hired on or after July 1, 2018 may not participate in the sick leave cash out program and are not eligible to cash out sick leave.

28.4 Sick Leave Conversion at Retirement to Town Trust

All employees hired prior to July 1, 2007 who retire may convert 100% of their accumulated sick leave to a dollar equivalent at their hourly rate of pay at the time of retirement. Employees hired after July 1, 2007 are not eligible for this Sick Leave Conversion option under this provision.

This amount shall be held in an account. The employee's portion of medical insurance premium payment will be withheld from their monthly retirement payment by PERS. The Town agrees to pay the retiree quarterly in advance on the first pay period of January, April, July, and October of each year after retirement. The first payment will be prorated to the nearest quarter. The retiree's portion of medical payments will be paid from this account by the Town until all monies are depleted from the account or the retiree dies, whichever occurs first.

This account will not accrue interest and will not be paid in cash to the retiree or any beneficiaries, except that upon the death of a retiree whose sick leave account has not been exhausted, the retiree's spousal survivor shall be paid the full cash value of the remaining sick leave in the retiree's account.

The retiree shall be responsible for 100% of their share of future medical insurance payments once the account is exhausted, exclusive of the PEMCHA minimum.

Section 29. Holidays

The following shall be observed as paid eight (8) hour holidays:

- January 1st (New Year's Day)
- 3rd Monday in January (Martin Luther King's Birthday)
- the 3rd Monday in February (President's Birthday)
- the last Monday in May (Memorial Day)
- Juneteenth*
- July 4th (Independence Day)
- the first Monday in September (Labor Day)
- Thanksgiving Day
- the Friday following Thanksgiving Day.
- December 25th (Christmas Day)
- four (4) hours each on December 24 and December 31.
- every day declared a holiday by the President or Governor, subject to the Mayor also proclaiming the day as a holiday.

Holidays which fall on Saturday shall be observed on the Friday prior, and holidays which fall on Sunday shall be observed on the following Monday.

*The Juneteenth holiday will go into effect in calendar year 2023. In recognition of Juneteenth 2022, all employees will receive a one-time, non-pensionable \$500 lump sum payment in the first full pay period in July 2022, or the first full pay period after Council approval of this MOU, whichever is later.

Section 30. Personal Leave

The employee shall be entitled to twenty-four (24) hours of personal leave per calendar year; such leave shall be non-cumulative with no cash value. Of the twenty-four (24) hours annually, the employee may take twelve (12) hours without prior notice and twelve (12) hours with prior notice. If an employee's use of Personal Leave without prior notice results in the Town having to change another employee's schedule without 72 hours' notice, the situation will be considered an emergency under Section 20 (Work Schedule) and will not result in penalty to the Town.

Section 31. Maternity Leave/Family Leave/Medical Leave

The Town recognizes State and Federal law regarding Maternity Leave and Family and Medical Leave. The Town will take action to inform employees of the current provisions of laws affecting these leaves. The Town may, at its discretion, approve leave beyond the specific amount provided above.

Section 32. Catastrophic Time Bank

If an employee, spouse or significant other, or child becomes catastrophically ill or injured, the employee may request in writing of the Town Manager that a catastrophic time bank be established. The bank will enable employees to donate accrued CTO or vacation to the requesting employee in accordance with Departmental policies to be developed.

Section 33. Bereavement Leave

A maximum of 40 hours of bereavement leave shall be provided to each employee for a death in his/her/their immediate family or the immediate family of their spouse/registered domestic partner. Immediate family for the purpose of this section includes spouse/registered domestic partner, parent, grandparent, child, or sibling.

Section 34. Military Leave

Military leave and benefits shall be granted in accordance with State and Federal Law, including the continuation of employee salary and benefits and employees will receive up to thirty (30) calendar days of pay.

Section 35. Personal Emergency Leave

Leave will be available for employees for disasters declared by Federal, State, County, or Town officials if those disasters affect all or a portion of the Town "urban service area". Leave is subject to scheduling by the Town. Employees shall be allowed to charge time off to accumulated Personal Leave, CTO, vacation hours, and sick leave hours (in that order). In the event of a Town emergency (e.g., flood, earthquake) employees are required to remain at work until released by their Supervisor.

Section 36. Jury Duty

An employee required to serve as a trial juror or an expert witness (expertise related to Town employment) shall have his/her/their salary and benefits continue; the employee shall turn over to the Town any compensation (other than travel related) from the courts or other source for jury duty.

Section 37. Leave Without Pay

Leave without pay shall be subject to approval of the Town Manager or designee.

An employee who is on leave without pay shall not earn any employment benefits (including, but not limited to such benefits as vacation sick leave, medical benefits, dental and other insurance benefits, retirement credits for time employed or seniority entitlements of any kind) for the duration of such leave. An employee who is on leave without pay will have the ability to continue all eligible COBRA benefits at their own expense in accordance with the Town's administrative policy on benefit retention.

Vacation, sick leave, or time worked shall not be used intermittently during an extended leave to interrupt a determination that an employee is on leave with no pay.

37.1 Voluntary Unpaid Time Off

Employee participation in this plan is contingent on the Town's agreement and understanding that employee participation cannot be interpreted as anything other than a temporary and limited good faith effort being made by the employee to do his/her/their part to help ease the Town's budget shortfall. This is not to be construed as a representation of employee commitment to a permanent program or an admission of any kind that the employee would not become harmed by such a plan becoming mandatory.

Employees may request voluntary unpaid time off under the following circumstances:

- A. No impact on accrual of paid leave, seniority, and completion of probation.
- B. No impact on benefit eligibility and Town contributions.
- C. Employees may cancel participation in the program at any time.

Section 38. Accrual of Benefits

There shall be no accrual of benefits during unauthorized leave, suspension, or leave without pay.

Section 39. Notice of Vacancies

Town job vacancies shall be posted on the Corporation Yard Bulletin Board for the duration of the recruitment period.

Section 40. Promotions

Subject to the needs of the Town, promotional examinations shall be used whenever possible to fill vacancies in the Town service.

Employees promoted to higher paying classifications shall receive a minimum five (5%) percent increase in salary or an amount which shall not exceed the highest step in the range of the higher classification.

Section 41. Probationary Period

The probationary period shall be twelve (12) months for all newly hired employees and six (6) months for employees receiving promotions. If at the end of a six month probationary period a promoted employee who has been routinely evaluated, trained and counseled is not meeting required performance standards, then the Town may extend the probationary period in three month increments, for a total maximum probationary period of 12 months.

An employee who is rejected during a promotional probation period shall have the right to return to his/her/their former classification, and the same right shall apply to an employee who is displaced as a result of such return, provided, however, that no such right shall apply - and no additional right shall be conferred hereby - to an employee who is serving his/her/their initial probationary period with the Town unit.

Section 42. Outside Employment

No full-time paid employee in the classified service shall hold any job other than employment by the Town without the written recommendation of his/her/their department manager and the written approval of the Town Manager. A copy of such approval shall be filed with the Personnel Officer. No employee, whether in the classified service or not, shall engage in other employment or activity which in any way involves a conflict with the interests of the Town or his/her/their responsibilities or duties as an employee.

Outside employment shall be reviewed and re-approved by the Department Director and Town Manager on a yearly basis.

Section 43. Attendance

Employees shall be in attendance at their work in accordance with the rules regarding hours of work, holidays and leaves.

An employee whose absence is not authorized will not receive pay or benefits for the absent period and shall be subject to discipline. Failure on the part of an employee absent without leave to return to duty shall be grounds for discharge. It shall be the responsibility of an employee absent without leave to notify the Department Director of the reason the employee is absent and of the employee's availability for duty.

Section 44. Personnel Files

Employees shall have the right to review materials in their individual personnel files in accordance with State law.

Section 45. Performance Evaluations

45.1 Evaluations

Performance evaluations shall take place at least every three (3) months for all probationary employees and shall take place at least annually thereafter on the anniversary of an employee's employment with the Town. Employees eligible for step increases shall receive their performance evaluation no later than fifteen (15) days prior to their employment anniversary date. Employee evaluation forms shall include a section with a box to be checked indicating whether an employee agrees or disagrees with his/her/their evaluation. Employees granted step increases shall receive those increases effective the closest pay period in which they are eligible.

All performance evaluations shall be discussed with the employee prior to the evaluation being completed. Employees shall sign their individual performance evaluations as evidence of discussion having taken place; employee signature does not necessarily imply agreement with the evaluation. An employee may attach separate written comments to his/her/their evaluation.

Performance evaluations shall be conducted annually from the employee's (1) date of hire, (2) date of last merit increase, or (3) date the employee entered his/her/their classification. The classification date shall supersede the hire date, and the date of the last merit increase shall supersede both the hire date and the classification date.

Performance evaluations shall be completed by an employee's immediate supervisor (i.e., PW Maintenance Supervisor or Parks Maintenance Supervisor). Written comments made by any other supervisor, superintendent or management personnel shall not change the numerical rating of the immediate supervisor.

The Town agrees to provide employees with a copy of both the initial and final versions of their quarterly and annual performance evaluations.

Sick leave usage shall not be directly evaluated on the performance evaluation. Performance categories that are affected by excessive or abusive use of sick leave shall be evaluated.

45.2 Counseling

In the event that a worker's performance or conduct appears to be unsatisfactory or needing improvement, informal verbal or written counseling shall be provided by the worker's immediate supervisor. Counseling should be separate from ongoing work site dialogue and should address performance or conduct which, if not improved, may eventually result in a negative evaluation or disciplinary action. Documentation of such counseling shall be given to the worker at the time of the counseling and will not be placed in a worker's personnel file. When the situation allows counseling, counseling shall be used prior to any unfavorable reports being issued. Counseling should normally take place between the worker and the immediate supervisor.

45.3 Unfavorable Reports On Performance Or Conduct

If upon such counseling a worker's performance or conduct does not improve and a negative evaluation or disciplinary action could result, the supervisor shall prepare a written report that includes specific suggestions for corrective action, if appropriate. A copy shall be given to the worker and a copy filed in his/her/their personnel file. Workers shall have the right to attach a written rebuttal to the report for inclusion in their personnel file.

Section 46. Seniority

Unpaid leaves of absence and breaks in continuous service shall not be credited to employee seniority.

Seniority will be a factor in determining vacation use.

Section 47. Layoff Policy

47.1 Definitions

As used in this Section, the following words and phrases shall be defined as follows:

47.1.1

Service Seniority shall be defined as the length of time an employee has served as a regular employee of the Town. Service seniority shall not be earned for standby duty, overtime work, during periods of suspension without pay as a result of disciplinary action, or for non-medical leave without pay. Service Seniority for unpaid military leave will be considered in the manner prescribed by State and Federal law.

47.1.2

Classification Seniority shall be defined as the length of time the employee has served as a regular employee in a classification including anytime spent in a higher classification. A higher classification shall mean a job classification with a higher salary range.

47.1.3

A lower class shall mean a job classification with a lower salary range.

47.2 Order of Layoff

When one or more employees in the same class are to be laid off for lack of work, purposes of economy, curtailment of positions or other reason, the order of layoff shall be as follows:

- (1) Temporary employees in the order to be determined by the appointing authority.
- (2) Probationary employees in the order to be determined by the appointing authority.
- (3) Permanent employees in inverse order of classification seniority.

47.3 Notice of Layoff

Employees subject to the provisions of this Section shall be given a minimum 30 calendar day notice in writing prior to the effective date of layoff. The Union shall receive concurrent notice, and upon written request within seven calendar days after the notice is given shall be afforded an opportunity to meet with the appropriate Town representatives to discuss the circumstances necessitating the layoff and any proposed alternatives to such layoff. Notwithstanding the effort to work cooperatively, the Town has the exclusive right to determine the methods, means, numbers and kinds of personnel by which by services are to be provided. The Town's decision to make a reduction in force or layoff an employee(s) is not subject to the duty to meet and confer.

47.4 Reassignment in Lieu of Layoff

In the event of layoff, any employee so affected may elect to:

- (1) Accept a position in a lower class in which the employee has attained permanent status, provided the employee is otherwise qualified and has more service seniority than other employee(s) in such lower class.
- (2) Accept a vacant position in a lower class for which the employee has the necessary education, experience, and training as determined by the Director of Human Resources or designee.
- (3) Any employee entitled to the options noted above, which involve assignment to a lower classification, may elect to be placed on layoff in lieu of accepting such assignment to the lower class. In the event the employee elects to be placed on layoff, such employee will only be recalled to the classification from which the employee elected to be placed on layoff.

Section 48. Layoff Reinstatement

48.1

The names of such persons who are laid off or who elect reassignment in lieu of layoff in accordance with the provisions of Section 47 of this Memorandum of Understanding shall be placed upon a Reinstatement Eligible List in inverse order of Service Seniority, i.e., the person with the greatest Service Seniority on the Reinstatement Eligible List for the classes affected shall be offered reinstatement when a vacancy exists in the affected class. Prior to reinstatement, an employee shall be required to meet the qualifications of the positions to which he/she/they is reinstated.

48.2

In the event an employee accepts reinstatement to a lower class to which the employee is entitled, such person's name shall remain on the Reinstatement Eligible List for reinstatement to higher class, provided such a person, except for lack of seniority, would have been otherwise entitled to such higher class at the time of the most recent layoff.

48.3

Any person who is reinstated to a class which is the highest class to which they would have been entitled at the time of the layoff shall have the employee's name removed from the Reinstatement Eligible List.

48.4

In the event a laid off employee cannot be contacted by the Town through usual and customary channels within 10 working days, such person's name shall be removed from the Reinstatement List, providing, however, that such person within the twenty-four month period specified herein may request that his/her/their name be returned to the Reinstatement Eligible List and such person's name may at the sole discretion of the Personnel Officer, or designee, be returned to the Reinstatement Eligible List. In this case, the decision of the Personnel Officer or designee shall be final and not subject to any grievance procedure contained herein.

48.5

In no event shall the names of any person laid off pursuant to the provisions of this Section remain on Reinstatement Eligible List for a period longer than twenty-four months from the effective date of such person's most recent layoff.

48.6

Upon reinstatement to any classification to which the employee is entitled pursuant to the provision of this Section, all benefits acquired by the employee prior to layoff shall also be reinstated. An employee shall not receive credit for time spent on layoff in computing time for any benefit entitlement.

48.7

A laid-off employee shall lose their reinstatement rights for: (1) failure to return to work within 30 days of notice of reinstatement; (2) retirement; and (3) termination for cause.

48.8

Laid-off/displaced employees shall be paid accrued leaves and related benefits in accordance with this Memorandum of Understanding and applicable Town policies and rules. Employees being re-employed who received a sick leave pay off at the time of layoff/displacement, shall have the uncompensated portion of their sick leave balance restored; provided, however, that only those sick leave hours accrued after re-employment shall be applied to sick leave payoff or retiree medical related to a subsequent termination.

Section 49. Contracting Out

No bargaining unit employees shall be laid off as a result of the Town entering into a contract with any outside party.

Section 50. Safety Committee

Union shall encourage its member's participation in the Town-wide Safety Committee.

Section 51. Safety

The Town shall continue to comply with all applicable State rules and regulations relative to safety. The Town and Union agree to maintain a joint committee to investigate and make recommendations on safety issues identified by the Union and the Town.

Section 52. Physical Examinations and Tests

The Town agrees to provide full cost reimbursement for physical examinations and job-related tests that may be required of employees as a condition of continued employment with the Town.

Section 53. Grievance Procedure

Grievances shall be defined as alleged violations of this agreement or disputes regarding interpretations, application, or enforcement of this agreement or Town ordinances, resolutions, and written policies related to personnel policies and working conditions. Grievances shall not include disagreements, disputes, or activities regarding or pertaining to examinations for employment or promotion, disciplinary action, performance evaluations, probationary terminations and items subject to meet and confer. Nothing in these definitions shall be construed to limit "permanent" employees from appealing decisions affecting their employment to the Town Personnel Board.

No act or activity which may be grievable may be considered for resolution unless a grievance is submitted in accordance with the procedure contained herein within thirty (30) calendar days of the date the grievable activity occurred or the date the grievant could reasonably have known such activity occurred. This statute of limitations shall not apply to probationary employees.

The parties agree that all grievances will be processed in accordance with the following procedure:

Step 1

Any employee who has a grievance shall first try to get it settled through discussion with his/her/their immediate supervisor without undue delay. Every effort shall be made to find an acceptable solution at the lowest possible level of supervision. If after such discussion the employee does not believe the grievance has been satisfactorily resolved, he/she/they may file a formal appeal in writing to his/her/their Department Director within ten (10) calendar days after receiving the informal decision of his/her/their immediate supervisor.

Step 2

The Department Director receiving the formal appeal shall render his/her/their written decision within ten (10) calendar days after receiving the appeal. If after receipt of the written decision of the Department Director the employee is still dissatisfied, he/she/they may appeal the decision of the Department Director to the Town Manager. Such appeal shall be made by filing a written appeal to the Town Manager within five (5) days after receipt of the written decision of the Department Director. The Town Manager shall review the decision of the Department Director and render a decision within twenty (20) working days after the appeal is made. The Town Manager's decision shall be final unless appealed to the Personnel Board by either the employee or the Department Director.

Step 3

The appealing party may file a written appeal of the decision, findings and conclusions of the Town Manager to the Personnel Board within ten (10) working days of the Town Manager's decision. Within sixty (60) calendar days of the filing of the appeal, the Personnel Board shall review the decision of the Town Manager and the appeal filed. The Personnel Board may ratify, modify or reverse the Town Manager's decision. The decision of the Personnel Board shall be final.

The time limitations for filing and responding to grievances may be waived or extended by mutual agreement of the parties. If either party to the grievance so requests, an informal hearing shall be conducted at the Department Director or Town Manager appeal levels. Employees may be represented by counsel, Union representative, Union steward or other person at any stage in the grievance process.

Section 54. Disciplinary Procedure

54.1 Suspension

Suspension shall be a temporary separation (without pay) from Town service without pay for disciplinary purposes. The Department Director, with notice to the Personnel Officer, may suspend an employee without pay for disciplinary purposes.

54.2 Reduction in Pay

Reduction in pay is a decrease in compensation paid to an employee for a fixed period of time for disciplinary purposes. The Department Director, with notice to the Personnel Officer, may impose a reduction in pay to an employee for disciplinary purposes.

54.3 Demotion

The Department Director, with notice to the Personnel Officer, may demote an employee whose performance of his/her/their required duties is below standard, or for other disciplinary purposes. Demotion may be made to vacant position, if approved by the Personnel Officer, in lieu of layoff. No employee shall be demoted to a position for which he/she/they does not possess the minimum qualifications. Written notice of the demotion shall be given by the Department Director to the employee no less than three (3) days prior to the effective date of the demotion, and a copy filled with the Personnel Officer within the same period.

54.4 Termination

The Department Director, with notice to the Personnel Officer, may terminate an employee whose performance of his/her/their required duties is below standard, or for other disciplinary purposes. Written notice of the termination shall be given by the Department Director to the employee no less than ten (10) days prior the effective date of the termination, and a copy filed with the Personnel Officer within the same period.

54.5 Grounds for Discipline

Employees may be disciplined for, including but not limited to, any of the following grounds for discipline:

1. Fraud in securing employment or making a false statement on an application for employment.
2. Incompetency, i.e. inability to comply with the minimum standard of an employee's position for a significant period of time.
3. Inefficiency or inexcusable neglect of duty, i.e., failure to perform duties required of an employee within his/her/their position.
4. Willful disobedience and insubordination, a willful failure to submit to duly appointed and acting supervision or to conform to duly established orders or directions of persons in a supervisory position.
5. Dishonesty, involving employment.
6. Being under the influence of alcohol or dangerous drugs or narcotics while on duty.
7. Excessive absenteeism.
8. In excusable absence without leave.
9. Abuse of sick leave, i.e., taking sick leave without a doctor's certificate when one is required, or misuse of sick leave.
10. The conviction of either a misdemeanor or a felony involving moral turpitude shall constitute grounds for dismissal of any employee. The record of conviction shall be conclusive evidence only of the fact that the conviction occurred. The Personnel Officer may inquire into the circumstances surrounding the commission of the crime in order to fix the degree of discipline, or the determination if such conviction is an offense involving moral turpitude. A plea or verdict of guilty, of a conviction showing a plea of nolo contendere made to charge a felony or any offense involving moral turpitude, is deemed to be a conviction within the meaning of this Section. The Personnel Officer may suspend or dismiss said employee when the time for appeal has elapsed or the judgment of the conviction has been affirmed on appeal, or when an order granting probation is made suspending the imposition of sentence, irrespective of a subsequent order under the provisions of Section 1203.4 of the Penal Code of the State of California allowing such person to withdraw his plea of guilty and enter a plea of not guilty, or setting aside a verdict of guilty, or dismissing the accusation or indictment.
11. Discourteous treatment of the public or other employees.
12. Improper or unauthorized use of agency property.
13. Refusal to subscribe to any oath or affirmation which is required by law in connection with agency employment.
14. Any willful act of conduct undertaken in bad faith, either during or outside of duty hours which is of such a nature that it causes discredit to the agency, the employee's department or division.
15. Inattention to duty, tardiness, indolence, carelessness or negligence in the care and handling of agency property.
16. Violation of the rules and regulations published by the employee's department.
17. Outside employment not specifically authorized by the appointing authority in accordance with Town procedures.
18. Acceptance from any source of a reward, gift, or other form of remuneration in addition to regular compensation to an employee for the performance of official duties in accordance with policy on Gifts, "Gratuities Or Rewards".
19. The refusal of any officer or employee of the agency to testify under oath before any Grand Jury having jurisdiction over any then pending cause of inquiry in which the investigation of government bribery or misconduct in agency office is involved shall constitute of itself sufficient ground for the immediate discharge of such officer or employee.
20. Willful violation of any of the provisions of the ordinances, resolutions or any rules, regulations or policies which may be prescribed by the agency.

21. Improper political activity. Example: Those campaigning for or espousing the election or non-election of any candidate in national, state, county or municipal elections while on duty and/or during working hours or in an agency uniform on or off duty; or the dissemination of political material of any kind while on duty and/or working hours or in uniform.

54.6 Procedures for Taking Disciplinary Action

Disciplinary action shall be taken in compliance with the following procedures:

54.6.1 Notice of Intent

Whenever the Department Director intends to suspend an employee, demote the employee, reduce employee pay, or dismiss the employee, the Department Director shall give the employee a written notice of discipline which sets forth the following:

- a. The disciplinary action intended;
- b. The specific charges upon which the action is based;
- c. A factual summary of the grounds upon which the charges are based;
- d. A copy of all written materials, reports, or documents upon which the discipline is based;
- e. Notice of the employee's right to respond to the charges either orally or in writing to the appropriate authority;
- f. The date, time and person before whom the employee may respond in no less than (3) working days;
- g. Notice that failure to respond at the time specified shall constitute a waiver of right to respond prior to final discipline being imposed.

54.6.2 Response by Employee

The employee shall have the right to respond to the Department Director orally or in writing. The employee shall have a right to be represented at any meeting set by the appropriate authority to hear the employee's response. Such meeting will only be permitted once and continued for no more than two days. In cases of suspensions for three (3) days or more, demotions, reductions in pay or dismissal, the employee's response will be considered before final action is taken.

54.6.3 Final Notice

After the response or the expiration of the employee's time to respond to the notice of intent, the appropriate authority shall: (1) dismiss the notice of intent and take no disciplinary action against the employee, (2) modify the intended disciplinary action, or (3) implement the intended disciplinary action. If discipline is to be issued, the appropriate authority shall prepare and serve upon the employee a final notice of disciplinary action. The final notice of disciplinary action shall include the following:

- a. The disciplinary action taken;
- b. The effect of the disciplinary action taken;
- c. Specific charges upon which the action is based;
- d. A factual summary of the grounds upon which the charges are based;
- e. The written materials, reports and documents upon which the disciplinary action is based;
- f. The employee's right to appeal if any.

54.6.4 Termination

The Department Director, with permission from the Personnel Officer, may terminate an employee immediately if it is found that the employee is guilty of gross misconduct.

54.7 Disciplinary Appeals Hearing Procedure

The appeal procedure described herein shall apply only to cases of disciplinary suspensions, reductions-in pay, demotions and dismissals affecting regular part-time and full-time classified service employees.

1. An employee has five (5) working days after receipt of the Final Notice of Discipline, to appeal the decision by filing a written request for an appeal hearing with the Personnel Officer.
2. If, within the five-day (5) appeal period, the employee involved does not file said appeal, unless good cause for the failure is shown, the action of the Department Head shall take effect as prescribed.
3. If, within the five-day (5) appeal period, the employee involved requests an appeal hearing by filing a written request with the Personnel Officer, the Personnel Officer shall submit the appeal to the Town Manager.

4. A time for an appeal hearing shall be established which shall not be less than twenty (20) working days, from the date of the filing of the appeal. All interest parties shall be notified in writing of the date, time, and place of the hearing at least ten (10) working days prior to the hearing.
5. All hearings shall be private; provided, however, that the appellant may request a hearing open to the public. Any request for an open hearing shall be submitted (5) days prior to the hearing date or the hearing will be closed.
6. Five (5) working days prior to the date set for the hearing each party shall serve upon the other party and submit to the Town Manager list of all witnesses and all exhibits to the Personnel Officer.
7. The employer's exhibits shall be designated by number. The employee's exhibits shall be designated by alphabetical letter. Neither party will be permitted to call during the hearing a witness not identified pursuant to this section nor use any exhibit not provided pursuant to this section unless that party can show that they could no reasonably have anticipated the prior need for such witness or exhibit.
8. The hearing will not be conducted in accordance with technical rules related to evidence and witnesses but hearings shall be conducted in a manner most conducive to determination of the truth. Any relevant evidence may be admitted if it is the type of evidence on which responsible persons are accustomed to rely in the conduct of serious affairs, regardless of the existence of any common law or statutory rules which might make improper the admission of such evidence over objection in civil actions. Hearsay evidence may be used for the purpose of supplementing or explain any direct evidence but shall not be sufficient in itself to support a finding unless it would be admissible over the objection in civil actions. The rules dealing with privileges shall be effective to the same extent that they are now or hereafter may be recognized in civil actions, and irrelevant and unduly repetitious evidence may be excluded. Decisions made by the Town Manager shall not be invalidated by any informality in the proceedings.
9. The Town Manager shall rule on the admission or exclusion of evidence.
10. Each party shall have these rights: To be represented by legal counsel or other person of his or her choice; to call and examine witnesses; to introduce evidence; to cross-examine opposing witnesses on any matter relevant to the issues; to impeach any witness regardless of which party first called him or her to testify; and to rebut the evidence against him/her. If the employee does not testify in his or her own behalf, he/she/they may be called and examined as if under cross-examination.
11. Oral evidence shall be taken only on oath or affirmation.
12. The hearing shall proceed in the following order, unless the Town Manager for special reason, otherwise directs:
13. The Town shall be permitted to make an opening statement.
14. The employee shall be permitted to make an opening statement.
15. The Town shall present its case in chief and offer evidence in support thereof.
16. The employee may then present his or her defense and offer his or her evidence in support thereof.
17. The parties may then, in order, respectively offer rebutting evidence only, unless the Town Manager for good reason, permits them to offer evidence upon their original case.
18. Closing arguments shall be permitted at the discretion of the Town Manager. If the Town Manager permits closing arguments, the party with the burden of proof shall have the right to close the hearing by making the last closing argument.
19. The Town Manager shall determine relevancy, weight, and credibility of testimony and evidence, and shall base its findings on the preponderance of evidence.
20. During the examination of a witness, all other witnesses, except the parties, shall be excluded from the hearing upon motion of either party.
21. No still photographs, moving pictures, or television pictures shall be taken in the hearing chamber during a hearing.
22. The Town Manager, prior to or during a hearing, may grant a continuance for any reason he/she/they believes to be important to his/her/their reaching a fair and proper decision.
23. The Town Manager shall render his/her/their findings and decision as soon after the conclusion of the hearing as possible, and in no event, later than ten (10) working days after conducting the hearing unless otherwise stipulated by the parties. The Town Manager's decision shall set forth the recommendations as to each of the charges and the reasons therefore.
24. The Town Manager may recommend the sustaining or rejecting of any or all of the charges filed against the employee. The Town Manager may recommend sustaining, rejecting, or modifying the disciplinary action invoked against the employee.
25. The Town Manager's proposed decision shall be filled with the charged employee and the Personnel Officer, and if the proposed decision is to reinstate, the decision shall set forth the recommended effective date the employee is to be reinstated, which may be any time on or after the date the disciplinary action went into effect. The decision of the Town Manager is final unless appealed to the Personnel Board.
26. Either party may appeal the Town Manager's decision by filing a written appeal with the Personnel Officer within ten (10) working days of the Town Manager's decision.

27. The party desiring to contest the decision of the Town Manager may request a transcript for review by the Personnel Board within ten (10) working days of the Town Manager's decision. If the appealing party requests a transcript, that party shall pay the cost of the transcript.
28. Within ten (10) working days of the filing of the appeal, the Personnel Board shall review the decision of the Town Manager, the appeal filed and the record. The Personnel Board shall review the decision of the Town Manager, the appeal filed and the record. The Personnel Board may ratify, modify or reverse the Town Manager's decision; the Personnel Board shall first obtain a transcript of the hearing. The decision of the Personnel Board shall be final.

Section 55. Unpaid Furloughs

AFSCME understands that the Town Manager has the unilateral authority to implement unpaid furloughs. Time will be tracked on timesheets and monitored to ensure that all employees meet the unpaid furlough requirement.

55.1

Town-wide Closures: The Town Manager will close Town services on designated days for which employees will take unpaid time. The closure schedule will be published for employees and the public in advance. In the event that the Town requires an employee to work on a designated furlough day, the employee shall not be furloughed on that day but shall take a different unpaid furlough day on a date mutually agreeable to the employee and his or her supervisor. Rescheduled furlough days must be pre-approved by a supervisor in advance and in accordance with standard operating and staffing requirements.

55.1.1

Rolling Furloughs: As an alternative to taking unpaid furlough on a Town-wide Closure day, employees may request to schedule unpaid furlough on a regularly scheduled workday. The request is subject to supervisory approval and subject to meeting operational needs. Furlough hours may be scheduled as a minimum of four (4) hours.

55.2

Supervisory Authority: The parties recognize the supervisor's authority to approve or deny paid or unpaid time off based upon the operational needs of the department. Time off will be granted in a manner that minimizes operational hardship.

55.3

Incomplete Furloughs: If an employee does not complete their unpaid furloughs by the last pay period of the fiscal year, the employee's accrued vacation hours will be forfeited for the balance of the unpaid furlough. The parties understand that furlough hours have no cash value.

55.4

Effect on Paychecks: To minimize fluctuations in paychecks, the furlough pay reduction will be taken in equal increments over the fiscal year, regardless of when the actual furlough day is taken.

55.5

No Limitation: The parties understand that paragraphs in this section are intended to provide a structure for unpaid furloughs and are not a limitation on the Town Manager's authority to implement unpaid furloughs.

Section 56. Closure Days with Paid Leave Allowed

AFSCME understands that the Town Manager, for budgetary constraints or for operational efficiency, may close all nonessential services and permit employees to use paid leaves. For example, the Town Manager may institute the closure of nonessential services between the Christmas and New Years' holidays. Where not in conflict with the provisions of Section 54 (Unpaid Furloughs), in regard to these closure days:

56. 1

Employees performing essential services and scheduled to work on the Closure Days will receive straight-time pay for hours worked up to forty per week, and overtime pay for hours worked in excess of forty per week.

56.2

At their election, employees who are not scheduled to work may utilize accrued paid vacation, compensatory time off, or personal leave to cover the Closure Days. Leave must be requested in the manner provided in the MOU. Employees who use paid leave will accrue sick leave, vacation and CalPERS credit while on leave.

56.3

While employees have the option to utilize paid vacation, compensatory time off, or personal leave, they are also permitted to take leave without pay (LWOP) to cover Closure Days. Employees who take LWOP will maintain their health, life and disability insurance, as well as any medical cash in lieu. Employees who utilize LWOP will not accrue sick leave, vacation or CalPERS credit while on LWOP.

56.4

If an employee requests to work during the closure days due to hardship (e.g., the employee is out of leave and is financially unable to take time without pay), the Department Director will first try to assign the employee in their own department. If a suitable assignment is not available in the employee's own department, the Town Manager maintains the management right to place the employee in an alternative assignment for the furlough period.

56.5

The Town Manager maintains the management right to determine essential and nonessential services.

57 Tuition Reimbursement Program**57.1**

The Town will reimburse employees up to \$3,000 per fiscal year toward the cost of books, university/school fees (except parking) and tuition.

57.2

The reimbursement shall be only for courses that are directly related to the employee's position as determined by the Town Manager, including general education courses that are generally related to attainment of a job-related degree or certification. General education courses not generally related to the employee's position will not be eligible for reimbursement. Reimbursement shall be taxed pursuant to State and Federal regulations.

57.3

Application for tuition reimbursement shall be made to the Town before the course begins. Prior to reimbursement of costs, all course work must be completed with a passing grade of "C" or equivalent when numerical score or pass/fail is given.

57.4

Any employee who terminates employment with the Town within one (1) year from the completion of a class or classes, for which tuition reimbursement was paid shall refund all tuition paid under this provision, unless required to attend by the appointing authority. This section shall not apply in cases involving disability, layoff, or death of the employee, or other unforeseen circumstances as approved by the Appointing Authority on a case-by-case basis.

Section 58. Comprehensiveness of Agreement

Town and Union agree that this agreement represents all salary, wages, and fringe benefits subject to negotiation and available to employees.

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AFSCME MOU Exhibit A

For Fiscal year 2022/2023 – 7.5% Increase Effective First Full Pay Period in July

Town of Los Gatos AFSCME Classifications
Salary Schedule for Fiscal Year 2022/23
Effective July 10, 2022
Adopted by Town Council June 7, 2022

Item 2.

Class Code	Classification Title	Rate Type	Range AF1	Step 1	Step 2	Step 3	Step 4	Step 5	Step 6
6619	Assistant Equipment Mechanic	Hourly	09	\$33.37	\$35.04	\$36.79	\$38.63	\$40.56	\$42.59
6620	Equipment Mechanic	Hourly	03	\$38.38	\$40.30	\$42.32	\$44.44	\$46.66	\$48.99
6618	Supervising Equipment Mechanic	Hourly	08	\$44.14	\$46.35	\$48.67	\$51.10	\$53.66	\$56.34
6670	Facility Technician	Hourly	02	\$35.71	\$37.50	\$39.38	\$41.35	\$43.42	\$45.59
6600	Lead Parks & Maintenance Worker	Hourly	07	\$40.75	\$42.79	\$44.93	\$47.18	\$49.54	\$52.02
6650	Parks & Maintenance Worker	Hourly	05	\$32.79	\$34.43	\$36.15	\$37.96	\$39.86	\$41.85
6660	Parks & Maintenance Worker Trainee	Hourly	04	\$26.78	\$28.12	\$29.53	\$31.01	\$32.56	\$34.19
6605	Senior Parks & Maintenance Worker	Hourly	06	\$35.68	\$37.46	\$39.33	\$41.30	\$43.37	\$45.54
6610	Town Arborist	Hourly	03	\$38.92	\$40.87	\$42.91	\$45.06	\$47.31	\$49.68

Reflects General Increase of 7.5%.



**TOWN OF LOS GATOS
COUNCIL AGENDA REPORT**

MEETING DATE: 06/07/2022

ITEM NO: 22

Item 2.

DATE: June 2, 2022
TO: Mayor and Town Council
FROM: Laurel Prevetti, Town Manager
SUBJECT: Approve Cost of Living Increases for Unrepresented Management, Confidential, and Temporary/Hourly Employees; One-Time Non-PERSable Bonuses for Confidential and Management; and a 5% Market Adjustment for Confidential and Temporary/Hourly Employees

RECOMMENDATION:

Approve cost of living increases for unrepresented Management, Confidential, and Temporary/Hourly Employees; one-time non-PERSable bonuses for Confidential and Management; and a 5% market adjustment for Confidential and Temporary/Hourly Employees.

BACKGROUND:

On June 7, 2022, Council will consider labor agreements with the Association of Federal, State, County and Municipal Employees (AFSCME), Town Employee's Association (TEA), and the Police Officers' Association (POA).

Unrepresented employees are those that are salaried Management, hourly Confidential, and Council Appointees'. Temporary/Hourly employees that work fewer than 20 hours per week are also in the unrepresented group and serve in an unbenefited capacity. All serve as at-will employees. Compensation and benefit changes for unrepresented employees are approved by Council and typically align with changes resulting from negotiations of successor agreements with the Town's represented bargaining groups to retain general parity with the exception of the Council Appointee positions of Town Manager and Town Attorney. Council Appointee compensation and benefit changes are determined directly by Council and are contained in individual Employment Agreements. Staff is not recommending a salary change for Council Appointee employees.

PREPARED BY: Salina Flores
Human Resources Director

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

PAGE 2 OF 2

SUBJECT: Unrepresented Management, Confidential, and Temporary/Hourly Employees

DATE: June 2, 2022

DISCUSSION:

The bargaining units settled with two-year agreements (see separate agenda items for each). Staff is recommending a 3% cost of living increase for FY 2022/23 and FY 2023/24 for unrepresented Management and Confidential employees and a one-time, non-PERSable bonus of \$2,500 for unrepresented Management and Confidential employees. In addition, Confidential employees would also receive a 5% market adjustment. A market adjustment for Management may be considered at a later date, once potential compaction issues have been analyzed.

Temporary/Hourly classification rates are generally benchmarked to the full-time counterpart positions and as such, staff is recommending a 3% cost of living increase for FY 2022/23 and FY 2023/24 and a 5% market adjustment. All parameters are effective with the first full pay period in July. These recommendations maintain parity with TEA.

CONCLUSION:

The recommendations contained in this report bring the unrepresented groups to general parity with the represented employees.

FISCAL IMPACT:

The anticipated fiscal impact for the 3.0% COLA increases in FY 2022/23 is \$65,000 for Confidential, \$216,000 for Management, and \$22,000 for Temporary classifications. The anticipated fiscal impact for FY 2022/23 market adjustments for Confidential is \$108,840 and \$37,000 for Temporary classifications. \$. In addition, the anticipated fiscal impact of onetime non-pensionable payments for Management and Confidential is \$108,500 for FY 2022/23. The total cost impact will be absorbed in the Town's existing operating budget.

ENVIRONMENTAL ASSESSMENT:

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

Attachments:

1. Salary Schedule for Management Effective July 10, 2022
2. Salary Schedule for Confidential Classifications Effective July 10, 2022
3. Salary Schedule for Temporary/Hourly Classifications Effective July 10, 2022

Town of Los Gatos Town Council and Management Classifications
Salary Schedule for Fiscal Year 2022/23
Effective July 10, 2022
Adopted by Town Council June 7, 2022

Item 2.

Class Code	Classification Title	Annual Salary Minimum	Annual Salary Maximum
2615	Assistant Parks & Public Works Director/Town Engineer	\$ 146,041	\$ 197,155
2110	Assistant Town Manager	\$ 173,596	\$ 234,355
2420	Chief Building Official	\$ 132,307	\$ 178,614
2400	Community Development Director	\$ 169,358	\$ 228,633
2180	Community Outreach Coordinator	\$ 91,353	\$ 123,326
2130	Economic Vitality Manager	\$ 125,930	\$ 170,005
2310	Finance and Budget Manager	\$ 132,307	\$ 178,614
2300	Finance Director	\$ 165,232	\$ 223,063
2200	Human Resources Director	\$ 153,434	\$ 207,136
2900	Information Technology Manager	\$ 132,307	\$ 178,614
2800	Library Director	\$ 153,434	\$ 207,136
2820	Library Division Manager	\$ 100,836	\$ 136,129
2600	Parks & Public Works Director	\$ 169,358	\$ 228,633
2645	Parks & Public Works Operations Manager	\$ 114,087	\$ 154,017
2630	Parks & Public Works Superintendent	\$ 132,307	\$ 178,614
2412	Planning Manager	\$ 132,307	\$ 178,614
2510	Police Captain	\$ 157,270	\$ 212,314
2500	Police Chief	\$ 177,936	\$ 240,213
2545	Police Records & Communication Manager	\$ 122,858	\$ 165,859
2140	Senior Administrative Analyst	\$ 98,376	\$ 132,808
2650	Senior Civil Engineer	\$ 125,930	\$ 170,005
2000	Town Attorney - Council Appointed (<i>Effective 9/19/21, Adopted by Town Council 11/16/21</i>)		\$ 249,900
2190	Town Clerk	\$ 132,307	\$ 178,614
2100	Town Manager - Council Appointed (<i>Effective 8/22/21, Adopted by Town Council 11/16/21</i>)		\$ 267,750
2655	Transportation & Mobility Manager	\$ 122,858	\$ 165,859
2905	Urban Forest Manager	\$ 114,087	\$ 154,017
1000	Town Council (<i>Effective 1/1/19 Pursuant to Ordinance Adopted by Town Council on 2/6/18</i>)	\$570 Stipend per month, for a total compensation of \$6,840 per year	

Management salaries reflect a spread of 35% to the top of the range.

Reflects a General Increase of 3%

ATTACHMENT 1

Town of Los Gatos Confidential Classifications
Salary Schedule for Fiscal Year 2022/23
Effective July 10, 2022
Adopted by Town Council June 7, 2022

Item 2.

Class Code	Classification Title	Rate Type	Range CF1	STEP 1	STEP 2	STEP 3	STEP 4	STEP 5	STEP 6
3300	Accountant/Finance Analyst	Hourly	07	\$47.14	\$49.50	\$51.98	\$54.58	\$57.31	\$60.76
3000	Administrative Analyst	Hourly	07	\$47.14	\$49.50	\$51.98	\$54.58	\$57.31	\$60.76
3518	Administrative Assistant	Hourly	09	\$32.41	\$34.03	\$35.73	\$37.52	\$39.40	\$41.95
3115	Administrative Technician	Hourly	04	\$40.65	\$42.68	\$44.81	\$47.05	\$49.40	\$52.45
3190	Deputy Clerk	Hourly	08	\$38.69	\$40.62	\$42.65	\$44.78	\$47.02	\$49.95
3500	Executive Assistant to Chief of Police	Hourly	03	\$38.69	\$40.62	\$42.65	\$44.78	\$47.02	\$49.95
3100	Executive Assistant to Town Manager	Hourly	05	\$40.65	\$42.68	\$44.81	\$47.05	\$49.40	\$52.45
3015	Human Resources Technician	Hourly	02	\$36.83	\$38.67	\$40.60	\$42.63	\$44.76	\$47.58
3200	Legal Administrative Assistant	Hourly	02	\$36.83	\$38.67	\$40.60	\$42.63	\$44.76	\$47.58
3180	Office Assistant	Hourly	01	\$29.65	\$31.13	\$32.69	\$34.32	\$36.04	\$38.42
3301	Payroll Technician	Hourly	06	\$40.65	\$42.68	\$44.81	\$47.05	\$49.40	\$52.45

Reflects General Increase of 8% and includes 5% Confidential Premium

Town of Los Gatos Temporary Classifications
Salary Schedule for Fiscal Year 2022/23
Effective July 10, 2022
Adopted by Town Council June 7, 2022

Item 2.

Class Code	Classification Title	Rate Type	Range	STEP 1	STEP 2	STEP 3	STEP 4	STEP 5	STEP 6
9305	Account Clerk Temp/Hourly	Hourly	TE2-04	\$26.75	\$28.09	\$29.49	\$30.96	\$32.51	\$34.14
9310	Account Technician Temp/Hourly	Hourly	TE2-10	\$32.14	\$33.75	\$35.44	\$37.21	\$39.07	\$41.02
9300	Accountant Temp/Hourly	Hourly	TE2-17	\$38.82	\$40.76	\$42.80	\$44.94	\$47.19	\$49.55
9010	Admin Analyst Temp/Hourly	Hourly	TE2-17	\$38.82	\$40.76	\$42.80	\$44.94	\$47.19	\$49.55
9100	Admin Specialist Temp/Hourly	Hourly	TE2-10	\$32.14	\$33.75	\$35.44	\$37.21	\$39.07	\$41.02
9580	Administrative Assistant Temp/Hourly	Hourly	TE2-05	\$29.22	\$30.68	\$32.21	\$33.82	\$35.51	\$37.29
9105	Administrative Secretary Temp/Hourly	Hourly	TE2-09	\$30.70	\$32.24	\$33.85	\$35.54	\$37.32	\$39.19
9656	Assistant Engineer Temp/Hourly	Hourly	TE2-23	\$43.99	\$46.19	\$48.50	\$50.93	\$53.48	\$56.15
9655	Associate Civil Engineer Temp/Hourly	Hourly	TE2-24	\$50.65	\$53.18	\$55.84	\$58.63	\$61.56	\$64.64
9400	Associate Planner Temp/Hourly	Hourly	TE2-22	\$43.82	\$46.01	\$48.31	\$50.73	\$53.27	\$55.93
9410	Building Inspector Temp/Hrly	Hourly	TE2-23	\$43.99	\$46.19	\$48.50	\$50.93	\$53.48	\$56.15
9112	Clerical Aide Temp/Hourly	Hourly	TE2-01	\$16.20	\$17.01	\$17.86	\$18.75	\$19.69	\$20.67
9430	Code Compliance Officer Temp/Hourly	Hourly	TE2-16	\$37.82	\$39.71	\$41.70	\$43.79	\$45.98	\$48.28
9530	Communication Dispatcher Temp/Hourly	Hourly	TE2-19						
9545	Crime Analyst Temp/Hourly	Hourly	TE2-18	\$39.29	\$41.25	\$43.31	\$45.48	\$47.75	\$50.14
9540	CSO Intern Temp/Hourly	Hourly	TE2-03	\$24.02	\$25.22	\$26.48	\$27.80	\$29.19	\$30.65
9532	CSO Temp/Hrly	Hourly	TE2-12	\$34.43	\$36.15	\$37.96	\$39.86	\$41.85	\$43.94
9190	Deputy Clerk Temp/Hourly	Hourly	TE2-04	\$26.75	\$28.09	\$29.49	\$30.96	\$32.51	\$34.14
9660	Engineering Technician Temp/Hourly	Hourly	TE2-13	\$35.31	\$37.08	\$38.93	\$40.88	\$42.92	\$45.07
9621	Equipment Mechanic Temp	Hourly	AF2-01	\$35.68	\$37.46	\$39.33	\$41.30	\$43.37	\$45.54
9720	Facility Attendant Temp/Hourly	Hourly	TE2-01	\$16.20	\$17.01	\$17.86	\$18.75	\$19.69	\$20.67
9109	Human Resources Specialist Temp/Hourly	Hourly	TE2-09	\$30.70	\$32.24	\$33.85	\$35.54	\$37.32	\$39.19
9041	Intern I Temp/Hourly	Hourly	TE2-02	\$18.80	\$19.74	\$20.73	\$21.77	\$22.86	\$24.00
9040	Intern II Temp/Hourly	Hourly	TE2-03	\$24.02	\$25.22	\$26.48	\$27.80	\$29.19	\$30.65
9200	IT Technician Temp/Hrly	Hourly	TE2-14	\$35.37	\$37.14	\$39.00	\$40.95	\$43.00	\$45.15
9605	Lead Parks & Maint Worker	Hourly	AF2-06	\$37.37	\$39.24	\$41.20	\$43.26	\$45.42	\$47.69
9015	Legal Assistant Temp/Hrly	Hourly	TE2-17	\$38.82	\$40.76	\$42.80	\$44.94	\$47.19	\$49.55
9810	Librarian Temp/Hourly	Hourly	TE2-15	\$37.44	\$39.31	\$41.28	\$43.34	\$45.51	\$47.79
9820	Library Assistant Temp/Hourly	Hourly	TE2-06	\$28.54	\$29.97	\$31.47	\$33.04	\$34.69	\$36.42

**Town of Los Gatos Temporary Classifications
Salary Schedule for Fiscal Year 2022/23
Effective July 10, 2022
Adopted by Town Council June 7, 2022**

Item 2.

Class Code	Classification Title	Rate Type	Range	STEP 1	STEP 2	STEP 3	STEP 4	STEP 5	STEP 6
9840	Library Clerk Temp/Hourly	Hourly	TE2-04	\$26.75	\$28.09	\$29.49	\$30.96	\$32.51	\$34.14
9850	Library Page Temp/Hourly	Hourly	TE2-01	\$16.20	\$17.01	\$17.86	\$18.75	\$19.69	\$20.67
9830	Library Teen Services Specialist	Hourly	TE2-03	\$24.02	\$25.22	\$26.48	\$27.80	\$29.19	\$30.65
9600	Maintenance Assistant	Hourly	AF2-02	\$17.96	\$18.86	\$19.80	\$20.79	\$21.83	\$22.92
9900	Network Administrator	Hourly	TE2-21	\$41.89	\$43.98	\$46.18	\$48.49	\$50.91	\$53.46
9180	Office Assistant Temp/Hourly	Hourly	TE2-04	\$26.75	\$28.09	\$29.49	\$30.96	\$32.51	\$34.14
9645	Park Service Officer Aide Temp/Hourly	Hourly	TE2-03	\$24.02	\$25.22	\$26.48	\$27.80	\$29.19	\$30.65
9640	Park Service Officer Temp/Hourly	Hourly	TE2-12	\$34.43	\$36.15	\$37.96	\$39.86	\$41.85	\$43.94
9560	Parking Control Officer Temp/Hourly	Hourly	TE2-04	\$26.75	\$28.09	\$29.49	\$30.96	\$32.51	\$34.14
9620	Parks & Main Worker Temp	Hourly	AF2-04	\$30.06	\$31.56	\$33.14	\$34.80	\$36.54	\$38.37
9630	Parks & Main Worker Trainee Temp	Hourly	AF2-03	\$24.57	\$25.80	\$27.09	\$28.44	\$29.86	\$31.35
9440	Permit Technician	Hourly	TE2-11	\$33.12	\$34.78	\$36.52	\$38.35	\$40.27	\$42.28
9590	Police Officer Reserve (Top Step of Officer)	Hourly	TE2-25						
9520	Police Officer Temp/Hourly	Hourly	TE2-25						
9550	Police Records Specialist Temp/Hourly	Hourly	TE2-08	\$29.94	\$31.44	\$33.01	\$34.66	\$36.39	\$38.21
9000	Project Manager	Hourly	Mgmt						\$115.56
9650	Public Works Inspector Temp/Hourly	Hourly	TE2-20	\$41.57	\$43.65	\$45.83	\$48.12	\$50.53	\$53.06
9670	Senior Electrician Temp/Hourly	Hourly	TE2-23	\$43.99	\$46.19	\$48.50	\$50.93	\$53.48	\$56.15
9831	Senior Library Page	Hourly	TE2-02	\$18.80	\$19.74	\$20.73	\$21.77	\$22.86	\$24.00
9725	Special Event Attendant	Hourly	TE2-07	\$17.96	\$18.86	\$19.80	\$20.79	\$21.83	\$22.92
9610	Ticket Booth Attendant	Hourly	AF2-05	\$16.20	\$17.01	\$17.86	\$18.75	\$19.69	\$20.67

Reflects General Increase of 8%



TOWN OF LOS GATOS
FINANCE COMMISSION REPORT

MEETING DATE: 06/13/2022

ITEM NO:

Item 2.

DATE: June 8, 2022
TO: Finance Commission
FROM: Laurel Prevetti, Town Manager
SUBJECT: Receive Update on Negotiated Labor Agreements

DISCUSSION:

On June 7, 2022, the Town Council approved Labor Agreements between the Town of Los Gatos and the Police Officers Association (POA), Town Employees' Association (TEA), and the American Federation of State, County, and Municipal Employees (AFSCME). In addition, the Town Council approved economic parameters for the Town's unrepresented employees in Management, Confidential, and Temporary classifications.

The following tables summarize the agreed upon terms and cumulative costing associated with the agreements:

Represented Groups

Economics	AFSCME	TEA	POA
Term	2 Years	2 Years	3 Years
1 st Year	3.0% COLA & \$1,000	3% COLA	3% COLA
2 nd Year	3.0% COLA	3% COLA	3% COLA
Market Adjustments	4.5%	5.0%	3.15%
Pandemic Pay	\$2,500	\$2,500	\$2,500
Juneteenth	Yes	Yes: 0.35%	Yes; 0.4% & \$1,000
Education Reimbursement	Additional \$1,500	n/a	n/a

PREPARED BY: Arn Andrews
Assistant Town Manager

Reviewed by: Town Manager and Finance Director

2021/22 Cleanup	n/a	n/a	1.1% and \$5,000
Contract Ratification	n/a	\$1,000	n/a

Unrepresented Groups

Economics	Confidential	Management	Temporary
1 st Year	3.0% COLA	3% COLA	3% COLA
2 nd Year	3.0% COLA	3% COLA	3% COLA
Market Adjustments	5.0%		5.0%
Pandemic Pay	\$2,500	\$2,500	
Juneteenth	Yes	Yes	Yes

Agreement Costing

Economics	COLA	Market Adjustments	One-time
POA	\$337,000	\$265,000	\$289,000
AFSCME	\$46,000	\$133,000	\$38,500
TEA	\$215,000	\$290,000	\$210,000
Confidential	\$65,000	\$108,840	\$38,500
Management	\$216,000		\$70,000
Temporary	\$22,000	\$37,000	
Totals	\$901,000	\$886,005	\$646,000

Budget Balancing Strategies	Pros	Cons
Use of either the Budget Stabilization or Catastrophic Reserves	<ul style="list-style-type: none"> Sufficient funding available in each reserve 	<ul style="list-style-type: none"> Funds are required to be replenished
Cancellation of the annual OPEB actuarial contribution funding	<ul style="list-style-type: none"> Legally viable \$600k in FY 20/21 and \$500k in FY 21/22 	<ul style="list-style-type: none"> Counter to past funding objectives Potential rating agency implications
Utilization of the OPEB IRS 115 Trust for annual Pay Go healthcare expenses	<ul style="list-style-type: none"> Legally viable \$1.3M in FY 20/21 and \$1.3M in FY 21/22 	<ul style="list-style-type: none"> Counter to past funding objectives
Cancel programmed GF GFAR contribution for FY 21/22	<ul style="list-style-type: none"> \$600k 	<ul style="list-style-type: none"> Counter to the Commissions CIP funding objective
ARPA	<ul style="list-style-type: none"> \$1.4M FY 20/21 and \$650k FY 21/22 	<ul style="list-style-type: none"> Depletes resources available for other ARPA eligible purposes



**TOWN OF LOS GATOS
FINANCE COMMISSION**

MEETING DATE: 06/13/2022

Item 2.

DATE: June 8, 2022
TO: Finance Commission
FROM: Laurel Prevetti, Town Manager
SUBJECT: Receive Update on American Rescue Plan Act Administration

RECOMMENDATION:

Receive update on American Rescue Plan Act (ARPA) administration.

BACKGROUND:

In accordance with ARPA, the Town was awarded an ARPA grant in the amount of \$7,229,744 paid to the Town in two separate payments, the first payment of \$3,618,872 was received in early July 2021 and the second payment of \$3,614,872 is expected to be received in early July 2022.

Based on initial guidance of eligible uses of ARPA funds the Town allocated these funds to various purposes to respond and support the impacts of the pandemic on Town residents, non-profits, the business community including the construction of downtown parklets, non-profit fee and rent waivers, enhanced senior services, promenades, and increased funding for Town infrastructure capital improvements, among other initiatives.

Since receipt of ARPA funds staff has been following the evolution of the federal guidelines for the use of ARPA funding as well as regularly participating in ARPA focused webinars presented by the US Department of the Treasury (Treasury) staff and the ARPA sub-group sponsored by the Government Finance Officers Association. During the initial ARPA implementation period Treasury received a tremendous number of inquiries from ARPA grant recipients on how best to comply with the complex and evolving federal regulations and guidance for calculating pandemic related revenue loss and complying with federal uniform guidance on eligible uses of ARPA funds. Treasury responded to this demand by revising its initial requirements in their

PREPARED BY: Stephen Conway
Finance Director

Reviewed by: Town Manager and Assistant Town Manager

PAGE 2 OF 3

SUBJECT: Receive Update on American Rescue Plan Act (ARPA) Administration

DATE: June 8, 2022

BACKGROUND (continued):

Final Interim Rule to allow certain non-entitlement units (NEUs) like the Town of Los Gatos a simplified procedure for claiming and reporting revenue loss. To be eligible for the simplified claiming procedures, the NEU must receive a total ARPA award of less than \$10 million.

DISCUSSION:

Upon Treasury's release of the simplified reporting process for entities awarded less than \$10 million in ARPA funding and additional guidance received through staff review of federal compliance issues, staff recommends that the Town recognize the \$3.4 M of FY 2021/22 and the anticipated \$3.6M FY 2022/23 cash collections of ARPA revenues as qualified revenue loss under the Treasury provisions for use in providing government services. To further aid in compliance with federal uniform guidance and Single Audit requirements, staff is intending to claim the lost revenue for use in providing essential government services and intends to account for the use of ARPA revenue loss revenues for eligible public safety payroll costs for both FY 2021/22 and FY 2022/23.

The recommended action as illustrated in the below worksheet will allocate all ARPA "replacement" revenues to the General Fund which in turn will unencumber other General Fund operating revenues which were previously dedicated for public safety costs. The newly unencumbered General Fund revenues can then be allocated to the ARPA pandemic responses as identified, approved and allocated by Town Council since receipt of the \$7.2 million ARPA award.

AMERICAN RESCUE PLAN ACT (ARPA) SUMMARY WORKSHEET				
	FY 2020/21	FY 2021/22	FY 2022/23	GRAND
		BUDGET ADJ.		
	ACTUALS	ACTUAL/ESTIMATED	ESTIMATED	TOTAL
ARPA FUNDS REVENUE RECOGNIZED	\$ 200,911	\$ 3,413,961	\$ 3,614,872	\$ 7,229,744
GOV SERVICES (WAIVERS,CUP&ADA,DIRECT GRANTS)	200,911			200,911
REVENUE LOSS -GOV SERVICES (PUBLIC SAFETY)		3,413,961	3,614,872	7,028,833
	\$ 200,911	\$ 3,413,961	\$ 3,614,872	\$ 7,229,744
GENERAL FUND ARPA REPLACEMENT REVENUES AVAILABLE	200,911	3,413,961	3,614,872	7,229,744
LESS APPROVED USES TO BE BUDGETED:				
PARKLETS (DOWNTOWN IMPVTS PROJECT)		680,000	250,000	930,000
RENT WAIVERS	121,255	341,452	283,756	746,463
CUP/ADA FEE WAIVERS	19,656	27,672	27,672	75,000
DESTINATION MARKETING		55,000		55,000
K-RAILS (DOWNTOWN IMPVTS PROJECT)		68,000		68,000
PROMENADES		80,000	120,000	200,000
DIRECT GRANTS	60,000	50,000		110,000
ENHANCED SENIOR SERVICES		500,000		500,000
CAPITAL IMPROVEMENT PROGRAM SUPPORT TRANSFERS			2,900,000	2,900,000
REQUIRED FOR GF BALANCING OF OPERATING REV_EXP	-		1,645,281	1,645,281
TOTAL ALLOCATIONS OF GENERAL FUND ARPA REPLACEMENT REVENUES	\$ 200,911	\$ 1,802,124	\$ 5,226,709	\$ 7,229,744
GENERAL FUND ARPA REPLACEMENT REVENUE UNCOMMITTED	\$ -	\$ 1,611,837	\$ (1,611,837)	\$ -

PAGE 3 OF 3

SUBJECT: Receive Update on American Rescue Plan Act (ARPA) Administration

DATE: June 8, 2022

CONCLUSION:

The worksheet illustrates budget adjustments related to the necessary ARPA and General Fund revenue and expense adjustments and recaps the total ARPA grant award of \$7,229,744 and the Council directed uses approved or proposed through June 7, 2022. In addition, the worksheet provides the detail staff will use to adjust the ARPA and General Fund budgets to recognize the ARPA grant award for revenue loss to be used to reimburse public safety response. It will also be used to recognize and budget FY 2021/22 matching General Fund ARPA replacement revenues and expenditure budgets for use in supporting the ARPA objectives as approved/proposed and directed by Town Council since original receipt of the ARPA grant award.



**TOWN OF LOS GATOS
FINANCE COMMISSION REPORT**

MEETING DATE: 06/13/2022

Item 2.

ITEM NO: 2
ADDENDUM

DATE: June 8, 2022
TO: Finance Commission
FROM: Laurel Prevetti, Town Manager
SUBJECT: Receive Budget Update and Report Out on Council Budget Actions, and
Provide any Additional Recommendations to the Town Council

REMARKS:

Attachment 6 contains public comments received 11:01 a.m. June 9 to 11:00 a.m. June 10, 2022.

Attachments previously received with the Staff Report:

1. June 7 2022 Council Staff Report and Resolutions
2. Labor Agreements
3. Labor Agreement Summary
4. FY 2020/21 and 2021/22 Budget Balancing Options
5. ARPA Administration

Attachment received with this Addendum:

6. Public Comment received 11:01 a.m. June 9 to 11:00 a.m. June 10, 2022

PREPARED BY: Arn Andrews
Assistant Town Manager

Reviewed by: Town Manager and Finance Director

From: Phil Koen

Sent: Thursday, June 09, 2022 7:53 PM

To: Ron Dickel; Kyle Park; Shelley Neis <sneis@losgatosca.gov>

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

Subject: Agenda Item # 1

EXTERNAL SENDER

Dear Chairman and Vice Chairman of the Finance Commission,

Attached is the LGCA letter of June 6 to the Mayor requesting specific information regarding the newly proposed FY 23 operating budget. I am again requesting schedules C-8 through C- 13 be updated and distributed to the public. Until this is done, it is impossible for the public to have a total and complete understanding of the proposed changes to the FY 23 operating budget and the ending fund balances as of June, 30 2023.

I would appreciate the Staff distributing these schedules as soon as possible.

Thank you,

Phil Koen

Sent from my iPhone

Begin forwarded message:

From: Phil Koen

Date: June 6, 2022 at 7:57:00 AM PDT

To: Rob Rennie <RRennie@losgatosca.gov>, Matthew Hudes <MHudes@losgatosca.gov>, Mary Badame <MBadame@losgatosca.gov>, mristow@losgatosca.gov, Marico Sayoc <MSayoc@losgatosca.gov>

Cc: Laurel Prevetti <LPrevetti@losgatosca.gov>, Arn Andrews <aandrews@losgatosca.gov>, Jak Van Nada; Rick Van Hoesen; David Weissman; Lee Fagot

Subject: Agenda Item #11

Dear Honorable Mayor and Member of Council

The Los Gatos Community Alliance is requesting that Agenda Item #11 be pulled from the consent calendar to allow for more discussion and increase public transparency.

Discussion Point 1

Schedules C-8 through C-13 (attached) present a detail view of all revenues and expenditures in the Town's FY 23 budget. These schedules present both a time trend view of revenues and expenditures as well as identifying for each year the net increase or decrease in fund balance. The Council Resolution adopting the operating budget references that the Town Manager submitted to the Finance Committee a "proposed" operating budget. The total budget now being proposed is materially different than the one considered by the Finance Committee. For example, the newly proposed FY 23 budget for total consolidated salary and benefit costs have

increased to \$35,700,583 which **represents a 23% increase from FY 22 estimated levels (eg \$29,019,556)**. We believe a 23% increase in salary and benefit expense over prior year's estimate is important for the Council and residents of the Town be aware of, since this have never been previously disclosed.

Additionally, the new proposed budget includes the use of an additional \$625K in ARPA funds as well as approximately a \$1m draw down of OPEB Trust assets to partially fund FY 23 retiree medical costs. This was never disclosed prior to the Staff Memo of this Friday.

Request

1. Please update schedules C-8 through C-13 so the Town Council and the public have complete transparency regarding the detail revenues and expenditure proposed for FY 23 for the General Fund, Special Revenue Funds, Internal Service Funds, Capital Project Funds, Successor Agency RDA Fund and Total All Funds. Additionally, these schedules will also make transparent the net increase or decrease in the funds balance projected for FY 23. Based on our analysis the total decrease in the general fund balance will be approximately \$5,210,496 which is 15% higher than was reported to the Finance Commission.
2. The schedule of "Total Town Revenues and Expenditures by Fund" attached to the budget resolution is not sufficiently transparent to allow member of the public to understand the detail revenues and expenditures and ending fund balances now being proposed. The Town had to prepared schedules C-8 through C-13 to create the summary schedule attached to the budget resolution, so very little work should be required to update these schedules. These schedules should be disclosed prior to the Council taken any action on the FY 23 budget.

Discussion Point 2

Agenda Item 11 also includes a resolution to approve commitments of fund Balance under GASB 54. Among other actions, the proposed resolution establishes an "assigned" General Fund Reserve totaling \$1,611,837 for the "General Fund Reimbursement Revenue (ARPA) Reserve.

Request

1. Under GASB 54 we believe the ARPA Reserve should be a "restricted reserve" because it meets the definition of a restricted reserve and the use of ARPA funds are restricted in accordance with Federal Law. The designation of restricted vs. committed vs assigned fund balances are extremely important and need to be correctly applied. We respectively request that the ARPA fund reserve comply by GASB 54 and be designated as a "restricted" reserve.

Thank you

Phil Koen
LGCA

TOTAL TOWN
REVENUES AND EXPENDITURES

GENERAL FUND

	2018/19 Actuals	2019/20 Actuals	2020/21 Actuals	2021/22 Estimated	2022/23 Proposed
REVENUES					
Property Tax	\$ 13,636,099	\$ 14,454,513	\$ 15,826,162	\$ 15,684,964	\$ 16,551,544
VLF Backfill	3,685,247	3,875,914	4,052,672	4,229,462	4,356,350
Sales & Use Tax	7,930,021	6,535,034	6,794,218	7,497,873	7,934,189
Measure G - District Sales Tax	228,131	996,391	1,139,386	1,173,733	1,240,755
Franchise Fees	2,475,916	2,495,792	2,499,463	2,435,800	2,493,870
Transient Occupancy Tax	2,692,043	1,869,685	1,044,820	1,400,000	1,642,460
Other Taxes	1,526,894	1,357,080	1,386,943	1,250,000	1,287,500
Licenses & Permits	3,059,894	2,696,457	2,999,711	3,065,997	2,757,029
Intergovernmental	945,191	1,104,075	1,573,697	1,130,125	1,051,814
Town Services	4,648,904	4,447,213	4,835,962	4,259,099	4,235,261
Internal Srvc Reimbursement	-	-	-	-	-
Fines & Forfeitures	510,266	271,117	103,467	218,120	201,750
Interest	1,682,347	2,266,134	96,061	441,233	432,947
Other Sources	6,093,211	1,381,187	2,217,072	1,140,853	1,760,830
Debt Service Reimbursement	1,909,073	1,905,024	1,908,494	1,899,850	1,893,713
Transfers In	1,578,911	599,669	1,833,218	633,352	538,536
TOTAL REVENUES	\$ 52,602,148	\$ 46,255,285	\$ 48,311,346	\$ 46,460,461	\$ 48,378,548
EXPENDITURES					
Salaries & Benefits	\$ 26,803,225	\$ 28,933,568	\$ 30,297,504	\$ 28,866,098	\$ 33,227,942
Operating Expenditures	11,955,327	13,397,031	14,276,602	9,849,151	9,318,742
Grants & Awards	248,533	274,249	298,303	800,000	241,000
Fixed Assets	38,307	138,384	2,365	-	-
Interest	-	-	52,011	-	-
Internal Service Charges	2,527,470	2,188,211	2,314,305	2,619,672	2,650,173
Capital Projects	-	-	-	-	-
Capital Acquisitions	-	-	-	-	-
Debt Service	1,909,073	1,905,024	1,908,494	1,899,850	1,893,713
Transfers Out	2,785,220	8,053,847	4,582,641	3,423,211	3,006,978
TOTAL EXPENDITURES	\$ 46,267,155	\$ 54,890,314	\$ 53,732,225	\$ 47,457,982	\$ 50,338,548
Net Increase (Decrease)	6,334,993	(8,635,029)	(5,420,879)	(997,521)	(1,960,000)
Beginning Fund Balance	31,635,533	37,970,526	29,335,497	23,914,618	22,917,097
Ending Fund Balance*	\$ 37,970,526	\$ 29,335,497	\$ 23,914,618	\$ 22,917,097	\$ 20,957,097

* Year End Fund Balance represents General Fund 111 (Long Term Compensated Absences were accounted in Fund 961 prior to FY 2018/19, Pension Trust Fund 731 was incorporated in FY 2018/19).

TOTAL TOWN
REVENUES AND EXPENDITURES

SPECIAL REVENUE FUNDS

	2018/19 Actuals	2019/20 Actuals	2020/21 Actuals	2021/22 Estimated	2022/23 Proposed
REVENUES					
Property Tax	\$ -	\$ 29	\$ 28	\$ -	\$ -
VLF Backfill	-	-	-	-	-
Sales & Use Tax	-	-	-	-	-
Measure G - District Sales Tax	-	-	-	-	-
Franchise Fees	-	-	-	-	-
Transient Occupancy Tax	-	-	-	-	-
Other Taxes	38,088	38,012	38,566	33,720	33,720
Licenses & Permits	236,451	231,323	231,323	231,323	359,950
Intergovernmental	-	-	200,911	1,220,000	1,304,696
Town Services	345,280	-	-	-	-
Internal Svc Reimbursement	-	-	-	-	-
Fines & Forfeitures	-	-	-	-	-
Interest	13,685	13,180	9,174	5,310	7,210
Other Sources	216,834	61,809	106,547	70,500	70,000
Debt Service Reimbursement	-	-	-	-	-
Transfers In	-	10,000	-	-	-
TOTAL REVENUES	\$ 850,338	\$ 354,353	\$ 586,549	\$ 1,560,853	\$ 1,775,576
EXPENDITURES					
Salaries & Benefits	\$ 143,545	\$ 134,311	\$ 135,625	\$ 151,804	\$ 152,207
Operating Expenditures	578,580	137,628	301,302	1,356,997	1,461,088
Grants & Awards	-	-	-	-	-
Fixed Assets	21,048	25,079	-	-	83,255
Interest	-	-	-	-	-
Internal Service Charges	2,410	3,019	3,229	3,494	3,709
Capital Projects	-	-	-	-	-
Capital Acquisitions	-	-	-	-	-
Debt Service	-	-	-	-	-
Transfers Out	4,920	4,920	4,920	4,920	4,920
TOTAL EXPENDITURES	\$ 750,503	\$ 304,957	\$ 445,076	\$ 1,517,215	\$ 1,705,179
Net Increase (Decrease)	99,835	49,396	141,473	43,638	70,397
Beginning Fund Balance	972,423	1,072,258	1,121,654	1,263,127	1,306,765
Ending Fund Balance	\$ 1,072,258	\$ 1,121,654	\$ 1,263,127	\$ 1,306,765	\$ 1,377,162

TOTAL TOWN
REVENUES AND EXPENDITURES

INTERNAL SERVICE FUNDS

	2018/19 Actuals	2019/20 Actuals	2020/21 Actuals	2021/22 Estimated	2022/23 Proposed
REVENUES					
Property Tax	\$ -	\$ -	\$ -	\$ -	\$ -
VLF Backfill	-	-	-	-	-
Sales & Use Tax	-	-	-	-	-
Franchise Fees	-	-	-	-	-
Transient Occupancy Tax	-	-	-	-	-
Other Taxes	28,390	34,437	67,146	40,000	40,000
Licenses & Permits	-	-	-	-	-
Intergovernmental	-	-	-	261,382	283,755
Town Services	148,284	115,314	147,121	115,000	85,000
Internal Srvc Reimbursement	3,529,840	3,094,669	3,235,094	3,480,926	3,687,202
Fines & Forfeitures	-	-	-	-	-
Interest	8	7	5	-	-
Other Sources	2,993,443	762,404	654,601	166,965	30,000
CIP Proj Reimbursement	-	-	-	-	-
Transfers In	450,000	1,061,256	33,000	1,787	-
TOTAL REVENUES	\$ 7,149,965	\$ 5,068,087	\$ 4,136,967	\$ 4,066,060	\$ 4,125,957
EXPENDITURES					
Salaries & Benefits	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Expenditures	3,544,783	3,779,285	3,803,452	4,841,564	4,915,264
Grants & Awards	-	-	-	-	-
Fixed Assets	601,961	644,366	307,272	729,416	812,235
Interest	-	-	-	-	-
Internal Service Charges	-	-	-	-	-
Capital Projects	-	-	-	-	-
Capital Acquisitions	-	-	-	-	-
Debt Service	-	-	-	-	-
Transfers Out	1,390,375	1,367,797	146,520	94,816	700,000
TOTAL EXPENDITURES	\$ 5,537,119	\$ 5,791,448	\$ 4,257,244	\$ 5,665,796	\$ 6,427,499
Net Increase (Decrease)	1,612,846	(723,361)	(120,277)	(1,599,736)	(2,301,542)
Beginning Fund Balance	6,841,594	8,454,440	7,731,079	7,610,802	6,011,066
Ending Fund Balance	\$ 8,454,440	\$ 7,731,079	\$ 7,610,802	\$ 6,011,066	\$ 3,709,524

TOTAL TOWN
REVENUES AND EXPENDITURES

CAPITAL PROJECT FUNDS

	2018/19 Actuals	2019/20 Actuals	2020/21 Actuals	2021/22 Estimated	2022/23 Proposed
REVENUES					
Property Tax	\$ -	\$ -	\$ -	\$ -	\$ -
VLF Backfill	-	-	-	-	-
Sales & Use Tax	-	-	-	-	-
Franchise Fees	-	-	-	-	-
Transient Occupancy Tax	-	-	-	-	-
Other Taxes	28,390	34,437	67,146	34,562	30,000
Licenses & Permits	844,064	1,153,364	1,340,530	764,465	1,074,300
Intergovernmental	1,641,511	3,161,010	1,818,494	3,153,295	7,789,892
Town Services	52,094	223,318	34,417	306,210	-
Internal Srvc Reimbursement	-	-	-	-	-
Fines & Forfeitures	-	-	-	-	-
Interest	127,251	158,756	122,705	35,801	36,405
Other Sources	784,085	325,607	2,239,342	1,198,207	116,000
CIP Proj Reimbursement	-	-	-	-	-
SCC RPTTF Reimbursement	-	-	-	-	-
Transfers In	2,685,220	8,325,591	3,401,479	3,421,424	3,706,978
TOTAL REVENUES	\$ 6,162,615	\$ 13,382,083	\$ 9,024,113	\$ 8,913,964	\$ 12,753,575
EXPENDITURES					
Salaries & Benefits	\$ -	\$ -	\$ 31,085	\$ -	\$ -
Operating Expenditures	-	-	496	-	-
Grants & Awards	-	-	-	-	-
Fixed Assets	-	-	-	-	-
Interest	-	-	-	-	-
Internal Service Charges	-	-	-	-	-
Capital Projects	8,987,510	7,907,339	5,833,758	11,847,615	12,547,670
Capital Acquisitions	-	-	-	-	-
Debt Service	-	-	-	-	-
Transfers Out	533,616	569,952	533,616	533,616	533,616
TOTAL EXPENDITURES	\$ 9,521,126	\$ 8,477,291	\$ 6,398,955	\$ 12,381,231	\$ 13,081,286
Net Increase (Decrease)	(3,358,511)	4,904,792	2,625,158	(3,467,267)	(327,711)
Beginning Fund Balance	18,488,574	15,130,063	20,034,855	22,660,013	19,192,746
Ending Fund Balance	\$ 15,130,063	\$ 20,034,855	\$ 22,660,013	\$ 19,192,746	\$ 18,865,035

TOTAL TOWN
REVENUES AND EXPENDITURES

SUCCESSOR AGENCY TO THE TOWN OF LOS GATOS RDA

	2018/19 Actuals	2019/20 Actuals	2020/21 Actuals	2021/22 Estimated	2022/23 Proposed
REVENUES					
Property Tax	\$ -	\$ -	\$ -	\$ -	\$ -
VLF Backfill	-	-	-	-	-
Sales & Use Tax	-	-	-	-	-
Franchise Fees	-	-	-	-	-
Transient Occupancy Tax	-	-	-	-	-
Other Taxes	-	-	-	-	-
Licenses & Permits	-	-	-	-	-
Intergovernmental	1,945,763	1,949,284	1,946,787	2,006,602	1,902,713
Town Services	-	-	-	-	-
Internal Srvc Reimbursement	-	-	-	-	-
Fines & Forfeitures	-	-	-	-	-
Interest	43,706	32,531	4,967	3,500	3,500
Other Sources	11,664	11,664	11,664	-	-
CIP Proj Reimbursement	1,909,073	1,905,024	1,908,494	1,999,850	1,893,713
SCC RPTTF Reimbursement	-	-	-	-	-
Transfers In	-	-	-	-	-
TOTAL REVENUES	\$ 3,910,206	\$ 3,898,503	\$ 3,871,912	\$ 4,009,952	\$ 3,799,926
EXPENDITURES					
Salaries & Benefits	\$ 1,555	\$ 1,654	\$ 1,674	\$ 1,654	\$ 1,701
Operating Expenditures	111,712	110,337	106,788	9,820	10,020
Grants & Awards	-	-	-	-	-
Fixed Assets	-	-	-	-	-
Interest	823,734	888,703	964,610	1,300,000	1,355,000
Internal Service Charges	9	5	5	5	5
Capital Projects	-	-	-	-	-
Capital Acquisitions	-	-	-	-	-
Debt Service	2,936,788	2,862,783	2,792,688	2,499,700	2,433,026
Transfers Out	-	-	-	-	-
TOTAL EXPENDITURES	\$ 3,873,798	\$ 3,863,482	\$ 3,865,765	\$ 3,811,179	\$ 3,799,752
Net Increase (Decrease)	36,408	35,021	6,147	198,773	174
Beginning Fund Balance	3,803,779	3,840,187	3,875,208	3,881,355	4,080,128
Ending Fund Balance	\$ 3,840,187	\$ 3,875,208	\$ 3,881,355	\$ 4,080,128	\$ 4,080,302

TOTAL TOWN
REVENUES AND EXPENDITURES

TOTAL ALL FUNDS

	2018/19	2019/20	2020/21	2021/22	2022/23
	Actuals	Actuals	Actuals	Estimated	Proposed
REVENUES					
Property Tax	\$ 13,636,099	\$ 14,454,542	\$ 15,826,190	\$ 15,684,964	\$ 16,551,544
VLF Backfill	3,685,247	3,875,914	4,052,672	4,229,462	4,356,350
Sales & Use Tax	7,930,021	6,535,034	6,794,218	7,497,873	7,934,189
Measure G - District Sales Tax	228,131	996,391	1,139,386	1,173,733	1,240,755
Franchise Fees	2,475,916	2,495,792	2,499,463	2,435,800	2,493,870
Transient Occupancy Tax	2,692,043	1,869,685	1,044,820	1,400,000	1,642,460
Other Taxes	1,621,762	1,463,966	1,559,801	1,358,282	1,391,220
Licenses & Permits	4,140,409	4,081,144	4,571,564	4,061,785	4,191,279
Intergovernmental	4,532,465	6,214,369	5,539,889	7,771,404	12,332,870
Town Services	5,194,562	4,785,845	5,017,500	4,680,309	4,320,261
Internal Srvs Reimbursement	3,529,840	3,094,669	3,235,094	3,480,926	3,687,202
Fines & Forfeitures	510,266	271,117	103,467	218,120	201,750
Interest	1,866,997	2,470,608	232,912	485,844	480,062
Other Sources	10,099,237	2,542,671	5,229,226	2,576,525	1,976,830
CIP Proj Reimbursement	3,818,146	3,810,048	3,816,988	3,899,700	3,787,426
SCC RPTTF Reimbursement	-	-	-	-	-
Transfers In	4,714,131	9,996,516	5,267,697	4,056,563	4,245,514
TOTAL REVENUES	\$ 70,675,272	\$ 68,958,311	\$ 65,930,887	\$ 65,011,290	\$ 70,833,582
EXPENDITURES					
Salaries & Benefits	\$ 26,948,325	\$ 29,069,533	\$ 30,465,888	\$ 29,019,556	\$ 33,381,850
Operating Expenditures	16,190,402	17,424,281	18,488,640	16,057,532	15,705,114
Grants & Awards	248,533	274,249	298,303	800,000	241,000
Fixed Assets	661,316	807,829	309,637	729,416	895,490
Interest	823,734	888,703	1,016,621	1,300,000	1,355,000
Internal Service Charges	2,529,889	2,191,235	2,317,539	2,623,171	2,653,887
Capital Projects	8,987,510	7,907,339	5,833,758	11,847,615	12,547,670
Capital Acquisitions	-	-	-	-	-
Debt Service	4,845,861	4,767,807	4,701,182	4,399,550	4,326,739
Transfers Out	4,714,131	9,996,516	5,267,697	4,056,563	4,245,514
TOTAL EXPENDITURES	\$ 65,949,701	\$ 73,327,492	\$ 68,699,265	\$ 70,833,403	\$ 75,352,264
Net Increase (Decrease)	4,725,571	(4,369,181)	(2,768,378)	(5,822,113)	(4,518,682)
Beginning Fund Balance	61,741,905	66,467,476	62,098,295	59,329,917	53,507,804
Ending Fund Balance	\$ 66,467,476	\$ 62,098,295	\$ 59,329,917	\$ 53,507,804	\$ 48,989,122

Note: Expenditures and Transfers Out may exceed Revenues due to the inclusion of planned and carry-forward capital projects and payments from General Fund reserves to the Town Pension and OPEB Trusts.

From: Phil Koen

Sent: Friday, June 10, 2022 8:48 AM

To: Ron Dickel; Kyle Park; Rob Rennie <RRennie@losgatosca.gov>; Matthew Hudes <MHudes@losgatosca.gov>; Shelley Neis <sneis@losgatosca.gov>

Cc: Laurel Prevetti <LPrevetti@losgatosca.gov>; Arn Andrews <aandrews@losgatosca.gov>; Jak Van Nada; Rick Van Hoesen; Lee Fagot; Catherine Somers <catherine@losgatoschamber.com>; Jim Foley

Subject: FY 23 Budget Structural Deficit Analysis - Agenda Item #2

EXTERNAL SENDER

Dear Members of the Finance Commission,

Attached please find the Los Gatos Community Alliance's attempt to compute the General Fund recurring structural deficit imbedded in the newly proposed FY 23 Operating Budget. A worksheet is attached that reflects how the deficit is computed. We have relied on the information provided by Staff in the meeting agenda package and previous budget packages. In advance, we apologize if there are any errors in the analysis. We have done our best to prepare an impartial and accurate analysis for the Finance Commission's consideration.

In summary, the proposed \$2.3m increase in General Fund salary and benefit expense, without any additional recurring revenues to fund this increase, has increased the total FY 23 General Fund recurring structural deficit to \$3.9m. This is an increase of 130% over the previously proposed General Fund operating budget. This is an alarming increase and will create additional financial stress for the Town going forward.

Furthermore, it is very discouraging that the magnitude of the recurring structural deficit has never been disclosed. This lack of transparency is unacceptable and needs to be addressed at a very fundamental level. LGCA cannot over emphasize the fundamental financial challenge the Town is facing given the magnitude of the recurring structural deficit. The Town simply cannot continue to rely on one time funding sources, such as ARPA funds, to fund recurring operating expenses for the Town. Furthermore, the Town cannot continue to increase recurring expenditures without identifying recurring funding sources to pay for these expenditures.

Unless the Town Council and the public is fully informed of the reality facing us, it will be impossible to develop sensible solutions. This is a call for action and not a criticism.

If there are any questions on the attached, please let us know and we will reply to the best of our knowledge.

Thank you.

Phil Koen
Los Gatos Community Alliance

Structural Deficit Analysis - General Fund FY 23 Operating Budget

General Fund	FY 22/23 Proposed Budget	FY 22/23 Recommended Budget	Change
Total Revenues	48,378,548	50,005,467	1,626,919
Less: Non-recurring revenues			
>>Debt Service Reimbursement	1,893,713	1,893,713	
>>OPEB Trust Reimbursements	0	902,579	
>>ARPA Proceeds	1,702,369	2,326,709	
>> Measure G Sales Tax - GFAR (1)	656,978	656,978	
Recurring Revenues	44,782,466	44,882,466	100,000
 Total Expenditures, Transfers out	 50,338,548	 52,644,910	 2,306,362
Less: Non-recurring expenditures			
>>Debt Service	1,893,713	1,893,713	
>>Transfers out	3,006,978	3,006,978	
Recurring Expenses	45,437,857	47,744,219	
 Structural Operating Surplus/(Deficit)	 (655,391)	 (2,861,753)	 (2,206,362)
 Plus: Normalized GAFR Transfer out (2)	 1,000,000	 1,000,000	
 Total Structural Deficit	 (1,655,391)	 (3,861,753)	 (2,206,362)

Notes

1. \$656,978 of Measure G Sales Tax is being deducted from revenues since Town Council has agreed to have a portion of these revenues dedicated to the GFAR. Schedule B-10 of the FY 23 CIP Budget shows \$656,978 as an operating transfer in from Measure G Sales Tax and therefore should be deducted from Total Revenues to reflect net revenue available for operating expenses

2. Normalized GAFR Transfer Out from the General Fund to the GFAR is assumed to be \$1,000,000 per year. This transfer amount in addition to the \$2.5m of other sources of revenue directly received by the GFAR will provide an estimated \$3.5m per year in dedicated GFAR funding.



**TOWN OF LOS GATOS
FINANCE COMMISSION REPORT**

MEETING DATE: 06/13/2022

Item 2.

ITEM NO: 2

DESK ITEM

DATE: June13, 2022
TO: Finance Commission
FROM: Laurel Prevetti, Town Manager
SUBJECT: Receive Budget Update and Report Out on Council Budget Actions, and
Provide any Additional Recommendations to the Town Council

REMARKS:

Attachment 7 contains public comments received 11:01 a.m. June 10 to 11:00 a.m. June 13, 2022.

Attachments previously received with the Staff Report:

1. June 7 2022 Council Staff Report and Resolutions
2. Labor Agreements
3. Labor Agreement Summary
4. FY 2020/21 and 2021/22 Budget Balancing Options
5. ARPA Administration

Attachment previously received with the Addendum:

6. Public Comment received 11:01 a.m. June 9 to 11:00 a.m. June 10, 2022

Attachment received with this Desk Item:

7. Public Comment received 11:01 a.m. June 10 to 11:00 a.m. June 13, 2022

PREPARED BY: Arn Andrews
Assistant Town Manager

Reviewed by: Town Manager and Finance Director

From: Phil Koen

Sent: Sunday, June 12, 2022 12:33 PM

To: Ron Dickel; Kyle Park; Matthew Hudes <MHudes@losgatosca.gov>; Rob Rennie <RRennie@losgatosca.gov>; Shelley Neis <sneis@losgatosca.gov>

Cc: Laurel Prevetti <LPrevetti@losgatosca.gov>; Arn Andrews <aandrews@losgatosca.gov>; Jak Van Nada; Rick Van Hoesen

Subject: Finance Commission Agenda Item #2 - Receive Budget Update

EXTERNAL SENDER

Dear Members of the Finance Commission,

Background

Attached is the Staff memo (attachment #5 for agenda item #2) dated June 8, 2022, which provides an update on the administration of the \$7,229,744 ARPA funds. The memo states the first ARPA tranche of \$3,614,872 was received during FY 22 and another ARPA tranche of \$3,614,872 will be received during FY 23.

Of the first tranche, \$200,911 was recorded as FY 21 revenue in Special Revenue Fund (#241) and the remaining \$3,413,961 recorded as FY 22 revenue in Fund #241. The last tranche of \$3,614,872 will be recorded as FY 23 revenue in the same fund. Page A-15 of the April 18, 2022 Budget Letter states "ARPA proceeds are accounted in the special revenue fund and revenues are recognized as eligible expenses occurred".

The worksheet also shows that of all funds received in FY 21 and FY 22, \$1,611,837 will still be on hand as of June 30, 2022. **That means a total of \$2,003,035 of the first \$3,614,872 tranche has been spent.**

The proposed resolution approving commitments of fund balance under GASB 54 recommends establishing an assigned (we believe this should be it should be restricted) fund balance as of June 30, 2022, of \$1,611,837 to properly segment these funds in the General Fund Reserve. That implies that \$3,614,872 ARPA funds has been transferred from the Special Revenue Fund - #241 to the General Fund. That is the only way that the General Fund would now be able to now record an increase in General Fund balance of \$1,611,837 as of June 30, 2022. We would request that Staff confirm our understanding.

Questions To Be Answered

The LGCA has questions regarding the administration of the ARPA funds that we are respectively requesting the Staff to provide answers. They are as follows:

1. Attached is Schedule C-14 from the FY 23 Operating Budget. This schedule shows total Town revenues by fund and includes all transfers in. Fund 241 – ARPA shows actual revenue of \$200,911 in FY 21 which corresponds to the ARPA worksheet. There is

another \$1,220,000 shown as estimated revenue in FY 22 and \$1,304,696 recorded as budgeted revenue in FY 23. These number do not agree with the ARPA worksheet which shows \$3,413,961 in actual FY 22 revenue (this money was received in July 2021) and \$3,614,872 in budgeted revenue in FY 23.

- Please explain the difference of \$2,193,961 (\$3,413,961 - \$1,220,000) in FY 22 revenue reported in the ARPA worksheet and schedule C-18. From the C-14 schedule it appears there is \$2,193,961 in unrecorded revenue for FY 22. We know this cannot be the case, but we have not been told how all funds received in FY 22 have been fully accounted. Please provide a complete explanation for the accounting for the \$3,413,961 revenue recognized in FY 22.
 - Please explain the proposed FY 23 budgeting for the second tranche of ARPA funds totaling \$3,614,872. There appears to be only \$1,304,696 in FY 23 revenue budgeted in Fund 241 leaving \$2,310,176 unaccounted. Please explain in what funds the \$3,614,872 in ARPA funds are budgeted to be received. We have also attached the schedule "Total Town Revenues and Expenditures by Fund" from the budget resolution. The initial proposed FY 23 budget also shows \$1,304,696 in ARPA funds as revenue in the Special Revenue Funds which is consistent with schedule C-14. How much of the \$3,614,872 budgeted to be received is being budgeted as revenue in the General Fund, Special Revenue Fund or other funds?
 - Please explain the budgeting process for \$2,900,000 in FY 23 ARPA receipts to be allocated to the GFAR as recommended by the Finance Commission.
2. The attached schedule's (Total Town Revenues and Expenditures by Fund) footnote 5 references \$2,571,053 of other fund uses. Please provide the detail of the one-time uses from each fund mentioned.

Lastly, we would again request Staff to provide the Finance Commission and the public **revised schedules C-8 through C-14 so everyone has complete visibility to the entire newly proposed budget rather than a one-line summary and the full magnitude of year over year change in ending fund balances is transparent.** Since these schedules are part of the final published budget, having the revised schedules available now for the Finance Commission to review at Monday's meeting is a reasonable request and is also good governance and will provide complete transparency.

Thank you.

Phil Koen



**TOWN OF LOS GATOS
FINANCE COMMISSION**

MEETING DATE: 06/13/2022

Item 2.

DATE: June 8, 2022
TO: Finance Commission
FROM: Laurel Prevetti, Town Manager
SUBJECT: Receive Update on American Rescue Plan Act Administration

RECOMMENDATION:

Receive update on American Rescue Plan Act (ARPA) administration.

BACKGROUND:

In accordance with ARPA, the Town was awarded an ARPA grant in the amount of \$7,229,744 paid to the Town in two separate payments, the first payment of \$3,618,872 was received in early July 2021 and the second payment of \$3,614,872 is expected to be received in early July 2022.

Based on initial guidance of eligible uses of ARPA funds the Town allocated these funds to various purposes to respond and support the impacts of the pandemic on Town residents, non-profits, the business community including the construction of downtown parklets, non-profit fee and rent waivers, enhanced senior services, promenades, and increased funding for Town infrastructure capital improvements, among other initiatives.

Since receipt of ARPA funds staff has been following the evolution of the federal guidelines for the use of ARPA funding as well as regularly participating in ARPA focused webinars presented by the US Department of the Treasury (Treasury) staff and the ARPA sub-group sponsored by the Government Finance Officers Association. During the initial ARPA implementation period Treasury received a tremendous number of inquiries from ARPA grant recipients on how best to comply with the complex and evolving federal regulations and guidance for calculating pandemic related revenue loss and complying with federal uniform guidance on eligible uses of ARPA funds. Treasury responded to this demand by revising its initial requirements in their

PREPARED BY: Stephen Conway
Finance Director

Reviewed by: Town Manager and Assistant Town Manager

PAGE 2 OF 3

SUBJECT: Receive Update on American Rescue Plan Act (ARPA) Administration

DATE: June 8, 2022

BACKGROUND (continued):

Final Interim Rule to allow certain non-entitlement units (NEUs) like the Town of Los Gatos a simplified procedure for claiming and reporting revenue loss. To be eligible for the simplified claiming procedures, the NEU must receive a total ARPA award of less than \$10 million.

DISCUSSION:

Upon Treasury's release of the simplified reporting process for entities awarded less than \$10 million in ARPA funding and additional guidance received through staff review of federal compliance issues, staff recommends that the Town recognize the \$3.4 M of FY 2021/22 and the anticipated \$3.6M FY 2022/23 cash collections of ARPA revenues as qualified revenue loss under the Treasury provisions for use in providing government services. To further aid in compliance with federal uniform guidance and Single Audit requirements, staff is intending to claim the lost revenue for use in providing essential government services and intends to account for the use of ARPA revenue loss revenues for eligible public safety payroll costs for both FY 2021/22 and FY 2022/23.

The recommended action as illustrated in the below worksheet will allocate all ARPA "replacement" revenues to the General Fund which in turn will unencumber other General Fund operating revenues which were previously dedicated for public safety costs. The newly unencumbered General Fund revenues can then be allocated to the ARPA pandemic responses as identified, approved and allocated by Town Council since receipt of the \$7.2 million ARPA award.

AMERICAN RESCUE PLAN ACT (ARPA) SUMMARY WORKSHEET				
	FY 2020/21	FY 2021/22	FY 2022/23	GRAND
		BUDGET ADJ.		
	ACTUALS	ACTUAL/ESTIMATED	ESTIMATED	TOTAL
ARPA FUNDS REVENUE RECOGNIZED	\$ 200,911	\$ 3,413,961	\$ 3,614,872	\$ 7,229,744
GOV SERVICES (WAIVERS,CUP&ADA,DIRECT GRANTS)	200,911			200,911
REVENUE LOSS -GOV SERVICES (PUBLIC SAFETY)		3,413,961	3,614,872	7,028,833
	\$ 200,911	\$ 3,413,961	\$ 3,614,872	\$ 7,229,744
GENERAL FUND ARPA REPLACEMENT REVENUES AVAILABLE	200,911	3,413,961	3,614,872	7,229,744
LESS APPROVED USES TO BE BUDGETED:				
PARKLETS (DOWNTOWN IMPVTS PROJECT)		680,000	250,000	930,000
RENT WAIVERS	121,255	341,452	283,756	746,463
CUP/ADA FEE WAIVERS	19,656	27,672	27,672	75,000
DESTINATION MARKETING		55,000		55,000
K-RAILS (DOWNTOWN IMPVTS PROJECT)		68,000		68,000
PROMENADES		80,000	120,000	200,000
DIRECT GRANTS	60,000	50,000		110,000
ENHANCED SENIOR SERVICES		500,000		500,000
CAPITAL IMPROVEMENT PROGRAM SUPPORT TRANSFERS			2,900,000	2,900,000
REQUIRED FOR GF BALANCING OF OPERATING REV_EXP	-		1,645,281	1,645,281
TOTAL ALLOCATIONS OF GENERAL FUND ARPA REPLACEMENT REVENUES	\$ 200,911	\$ 1,802,124	\$ 5,226,709	\$ 7,229,744
GENERAL FUND ARPA REPLACEMENT REVENUE UNCOMMITTED	\$ -	\$ 1,611,837	\$ (1,611,837)	\$ -

PAGE 3 OF 3

SUBJECT: Receive Update on American Rescue Plan Act (ARPA) Administration

DATE: June 8, 2022

CONCLUSION:

The worksheet illustrates budget adjustments related to the necessary ARPA and General Fund revenue and expense adjustments and recaps the total ARPA grant award of \$7,229,744 and the Council directed uses approved or proposed through June 7, 2022. In addition, the worksheet provides the detail staff will use to adjust the ARPA and General Fund budgets to recognize the ARPA grant award for revenue loss to be used to reimburse public safety response. It will also be used to recognize and budget FY 2021/22 matching General Fund ARPA replacement revenues and expenditure budgets for use in supporting the ARPA objectives as approved/proposed and directed by Town Council since original receipt of the ARPA grant award.

TOTAL TOWN REVENUES**BY FUND****(Includes Transfers In)**

Fund	Fund Name	2018/19 Actuals	2019/20 Actuals	2020/21 Actuals	2021/22 Adjusted	2021/22 Estimated	2022/23 Proposed	Change from PY
General Fund								
111	General Fund	\$ 52,602,148	\$ 46,255,285	\$ 48,311,347	\$ 48,711,416	\$ 46,460,461	\$ 48,378,548	-0.7%
Special Revenue Funds								
211	Housing Conservation Program	-	-	-	-	-	-	0.0%
212	Community Dev Block Grant	-	-	-	-	-	-	0.0%
222	Urban Run-Off Source Fund	716,352	241,323	299,478	231,323	231,323	359,950	55.6%
231	Blackwell Assessment District	3,389	3,389	3,336	3,210	3,210	3,210	0.0%
232	Kennedy Assessment District	10,912	10,926	10,768	10,605	10,605	10,605	0.0%
233	Gemini Assessment District	5,077	5,109	5,051	4,750	4,750	4,750	0.0%
234	Santa Rosa Assessment District	5,354	5,299	5,313	5,000	-	-	-100.0%
235	Vasona Assessment District	10,634	10,693	10,205	10,075	10,075	10,075	0.0%
236	Hillbrook Assessment District	6,272	6,187	6,310	6,040	6,040	6,040	0.0%
241	ARPA	-	-	200,911	1,220,000	1,220,000	1,304,696	6.9%
711	Library Trust	83,840	63,388	39,159	70,500	71,000	70,500	0.0%
713	Ness Bequest Trust	736	368	279	-	250	250	0.0%
714	Betty McClendon Trust	1,495	1,487	1,128	700	700	1,000	42.9%
716	Barbara J Cassin Trust	6,277	6,182	4,610	2,900	2,900	4,500	55.2%
Internal Service Funds								
611	Liability Self-Insurance	657,152	378,133	376,963	423,332	377,923	429,249	1.4%
612	Worker's Comp Self-Insurance	1,492,981	2,491,249	1,245,328	1,007,620	969,970	1,033,315	2.6%
621	Information Technology	1,223,741	881,936	973,254	914,018	940,839	714,309	-21.8%
622	Office Stores Fund	141,938	-	-	-	-	-	0.0%
631	Equipment Replacement	1,082,492	236,083	327,398	570,957	595,707	686,837	20.3%
632	Facilities Maintenance	764,407	-	-	-	-	-	0.0%
633	Vehicle Maintenance	1,787,255	1,080,686	1,214,024	1,181,297	1,181,621	1,262,247	6.9%
Capital Projects Funds								
411	GFAR	4,314,346	11,326,970	6,734,293	7,393,484	5,529,379	5,555,275	-24.9%
421	Grant Funded CIP Projects	257,968	396,335	342,973	7,922,549	1,136,360	5,437,041	-31.4%
461	Storm Drain #1	123,039	112,105	43,765	49,670	57,180	49,680	0.0%
462	Storm Drain #2	47,774	62,569	115,127	53,930	135,734	54,520	1.1%
463	Storm Drain #3	1,447	(1,955)	(868)	940	(765)	880	-6.4%
471	Traffic Mitigation	118,787	136,639	397,094	1,441,246	551,315	-	-100.0%
472	Construction Tax-Undergrounding	81,701	87,489	107,763	52,490	57,052	52,490	0.0%
481	Gas Tax	1,217,552	1,261,933	1,283,966	1,401,865	1,447,709	1,603,689	14.4%
Successor Agency to the Los Gatos RDA Fund								
942	SA - Recognized Obligation Retirement	3,910,206	3,898,503	3,871,912	3,912,200	4,009,952	3,799,926	-2.9%
TOTAL Fund Rev & Transfers In		\$ 70,675,272	\$ 68,958,311	\$ 65,930,887	\$ 76,602,117	\$ 65,011,290	\$ 70,833,582	-7.5%

TOTAL TOWN REVENUES AND EXPENDITURES BY FUND

	2022/23 Proposed Budget	Estimated Budget Revision	2022/23 Recommended Budget
REVENUES			
General Fund	\$48,378,548	\$ 1,626,919 (1)	\$ 50,005,467
Special Revenue Funds	1,775,576	-	1,775,576
Internal Service Funds	4,125,957	-	4,125,957
Capital Project Funds (does not include carryforwards)	12,753,575	2,900,000 (2)	15,653,575
Successor Agency Funds	3,799,926	-	3,799,926
TOTAL REVENUES	\$70,833,582	\$ 4,526,919	\$ 75,360,501
OTHER FUNDING SOURCES			
Designated One-Time Use of General Fund Reserves	2,350,000	\$ 679,443	3,029,443 (3)
TOTAL TOWN REVENUES & OTHER FUNDING SOURCES	\$73,183,582	\$ 5,206,362	\$ 78,389,944
TOTAL TOWN EXPENDITURES, TRANSFERS OUT & CARRYFORWARD APPROPRIATION			
General Fund	\$50,338,548	\$ 2,306,362 (4)	\$ 52,644,910
Special Revenue Funds	1,705,178	12,246 (4)	1,717,424
Internal Service Funds	6,427,499	-	6,427,499
Capital Project Funds (does not include carryforwards)	13,081,287	2,900,000 (2)	15,981,287
Successor Agency Funds	3,799,752	125 (4)	3,799,877
TOTAL TOWN EXPENDITURE & OTHER FUNDING USES	\$75,352,264	\$ 5,218,733	\$ 80,570,997
GENERAL FUND SOURCE(USE) OF FUND BALANCES	\$ 390,000		\$ 390,000
OTHER FUNDS SOURCE(USE) OF FUND BALANCES	(2,558,682)		(2,571,053) (5)
TOTAL SOURCE(USE) OF FUND BALANCES	\$ (2,168,682)	\$ (12,371)	\$ (2,181,053)

(1) Additional General Fund Revenues

\$902,579 OPEB Trust Reimbursement for Retiree Medical

\$624,340 Additional ARPA Proceeds for Revenue Replacement

\$100,000 Additional Business License Tax

(2) Additional Transfer to Capital Projects (GFAR)

\$2,900,000 General Fund Reimbursement Revenues (ARPA)

(3) Designated One-Time Use of the General Fund Reserves during FY 2022/23

\$2,350,000 - Transfer to Capital Projects (GFAR)

\$679,443 - Measure G Residual for Operation

(4) General fund Expenditures

\$2,318,733 - Increases to Negotiated Salary Increases

(5) Other Funds Source (Use) represents planned one-time uses of Internal Service Funds, Special Revenue Funds, Trust Funds, and Capital Project Funds primary for infrastructure and equipment investment.

Numbers may differ between exhibits due to rounding.

① ARPA

\$1,304,696

EXHIBIT A

From: Phil Koen

Sent: Monday, June 13, 2022 9:29 AM

To: Ron Dickel; Kyle Park; Matthew Hudes <MHudes@losgatosca.gov>; Rob Rennie <RRennie@losgatosca.gov>; Shelley Neis <sneis@losgatosca.gov>

Cc: Laurel Prevetti <LPrevetti@losgatosca.gov>; Arn Andrews <aandrews@losgatosca.gov>; Jak Van Nada; Lee Fagot; Catherine Somers <catherine@losgatoschamber.com>; Jim Foley

Subject: Agenda Item #2 - Resolution Approving Commitments to Fund Balance Under GASB 54

EXTERNAL SENDER

Dear Finance Committee Members,

The Los Gatos Community Alliance has additional questions regarding the draft resolution to Approve Commitments to Fund Balance under GASB 54. We have attached the resolution for ease of reference. We respectfully request answers to the following questions, so the public has full transparency and a better understanding of the proposed resolution.

1. Please explain why the proposed General Fund Reimbursement Revenue (ARPA) Reserve totaling \$1,611,837 is being proposed as an “assigned” reserve as opposed to a “restricted” or “committed” reserve. As discussed in the resolution, both a restricted and committed reserve require Town Council approval for use whereas an assigned reserve serves at the sole discretion of the Town Manager. Given the legal restrictions placed on the expenditure of ARPA funds and the importance of this one-time grant, it seems prudent to classify this proposed reserve as either a restricted or committed reserve under the sole control of the Town Council as opposed to an assigned reserve under the control of the Town Manager.
2. Please confirm that \$2,900,000 of ARPA General Fund Reimbursement Revenue “will transfer from Capital/Special Project Reserve”. If this is correct, please explain when \$2,900,000 of ARPA funds were received into the Capital/Special Project Reserve so they are now available for transfer out of the Capital/Special Project reserve?
3. In establishing the \$1,611,837 General Fund Reimbursement Revenue (ARPA) Reserve, the resolution states the purpose is to “collect the anticipated General Fund ARPA reimbursement proceeds **less** Council authorized use of these proceeds”. Please provide an analysis of the gross ARPA proceeds collected by the General Fund and the use of these proceeds during FY 22 which net to the \$1,611,837. Please disclose the revenue account and fund used to collect the ARPA proceeds during FY 22.
4. The schedule attached (reference Adjusted plan General Fund Balance) to the draft resolution shows a projected General Fund Reserves as of June 30, 2022, totaling \$23,444,667. We have also attached pages A-13 through A-15 from the FY 23 Operating Budget which discuss the General Fund Reserves. There are previously undisclosed material changes in the projected General Fund Reserve as of June 30, 2022, from what was projected in the FY 23 Operating Budget. We have captured the changes in the attached schedule labeled Comparison of Fund Balances. To frame the magnitude of the changes, if we add the newly created ARPA Reserve of \$1,611,837 to the \$22,917,098 General Fund Balance shown on A-13, the revised General Fund Balance as of June 30,

2022, would total \$24,528,935. However, the resolution schedule shows a projected fund balance of \$23,444,667 which is \$1,084,268 less than what would have been expected if there were no other changes. Please provide an explanation of the \$1,084,268 additional reduction from the projected General Fund Balance as presented in the resolution. Since these changes are FY 22 transactions, why are these changes being made now?

5. A quick review of the changes shows a material reduction in the projected Capital/Special Project reserve offset by increases in the Budget Stabilization and Catastrophic Reserves. Per Council policy changes in the Budget Stabilization and Catastrophic Reserves can only occur if there is a budget surplus for FY 22. Based on the increases, this implies there is a projected budget surplus of at least \$575,218 for FY 22. Could the Staff please provide an update on the projected budget surplus for FY 22.
6. The adjusted plan General Fund Balance schedule attached to the resolution shows \$1,611,837 as the balance of the General Fund Reimbursement Revenue (ARPA) reserve as of June 30, 2023. However, the ARPA Summary Worksheet schedule shows the entire reserve balance being used to balance the FY 23 operating budget which results in a zero balance as of June 30, 2023. Please confirm the estimated balance for the General Fund Reimbursement Revenue (ARPA) reserve as of June 30, 2023, is zero and not \$1,611,837. If this is correct, the projected ending general fund balance as of June 30, 2023, will be \$19,052,834.

Thank you for your assistance in getting these important questions answered. Before the Council votes on the proposed resolution, they and the public should have a complete understanding as to what is in the resolution.

Phil Koen
Los Gatos Community Alliance

	Actual General Fund Reserves June 30, 2021	FY 2021/22 Budget, GF Reserve Policy, and this Resolution Approved Increase	FY 2021/22 Budget, GF Reserve Policy, and this Resolution Approved (Decrease)	Estimated General Fund Reserves June 30, 2022	FY 2022/23 Budget Resolution Approved Increase	FY 2022/23 Budget Resolution Approved (Decrease)	Estimated General Fund Reserves June 30, 2023
Restricted Fund Balances							
Pension	\$ -	\$ 690,000	\$ -	\$ 690,000	\$ 390,000	\$ -	\$ 1,080,000
Committed Fund Balances							
Budget Stabilization	5,460,485	\$ 531,081	-	5,991,566	-	-	5,991,566
Catastrophic	5,460,485	531,081	-	5,991,566	-	-	5,991,566
Pension/OPEB	300,000	-	(300,000)	-	-	-	-
Assigned Fund Balances							
Capital/Special Projects	6,965,356	329,258	(1,612,162)	5,682,452	-	(2,350,000)	3,332,452
Compensated Absences	1,649,917	-	-	1,649,917	-	-	1,649,917
Open Space	410,000	-	-	410,000	-	-	410,000
Sustainability	140,553	-	-	140,553	-	-	140,553
Market Fluctuations	438,333	-	-	438,333	-	-	438,333
Measure G District Sale Tax	1,730,490	-	(1,051,047)	679,443	-	(679,443)	-
Carryover Encumbrances	-	-	-	-	-	-	-
Surplus Property Revenue Reserve	1,200,000	-	(1,200,000)	-	-	-	-
GF Reimbursement Revenue (ARPA)	-	1,611,837	-	1,611,837	-	-	1,611,837
Rehab Loan Reserve (Nonspendable)	159,000	-	-	159,000	-	-	159,000

PASSED AND ADOPTED at a regular meeting of the Town Council of the Town of

Los Gatos held on the 7th day of June 2022 by the following vote:

COUNCIL MEMBERS:

AYES:

NAYS:

ABSENT:

ABSTAIN:

23,444,667

SIGNED:

MAYOR OF THE TOWN OF LOS GATOS
LOS GATOS, CALIFORNIA

DATE: _____

ATTEST:

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

DATE: _____

RESOLUTION 2022-

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 \$690,000 as of June 30, 2022 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

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 2021/22; and

ATTACHMENT 2

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 2021/22; 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, on November 6, 2018, the Town Council provided direction to establish an unassigned Surplus Property Revenue General Fund Reserve that any monies received from the sale of the property located on Winchester Boulevard and any monies received from the sale of future surplus property be placed in this reserve, and the provisions for the reserve specifically indicate that Council may, at its discretion, distribute those funds as it deems appropriate; 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, 2022 in the assigned Sustainability Reserve; and

WHEREAS, there exists an assigned Market Fluctuation Reserve that represent 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 in the amount of \$438,333, actual reserve balance will be established at the close of FY 2021/22; 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; and

WHEREAS, the residual balance of \$679,443 that was set aside for operating purposes in FY 2020/21 and/or FY 2021/22 should be used for operating expenses in FY 2022/23; and

WHEREAS, the \$2,350,000 transfer from the Capital/Special Project Reserve to the General Fund Appropriated Reserve provides funding to the five-year capital plan; and

WHEREAS, \$2,900,000 of ARPA General Fund Reimbursement Revenue will transfer from the Capital/Special Project Reserve provides funding for capital project; 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, 2022 in the assigned Open Space Reserve; and

WHEREAS, there exists a need for an assigned General Fund Reimbursement Revenue (ARPA) Reserve to collect the anticipated General Fund ARPA reimbursement proceeds less Council authorized use of these proceeds for pandemic response including economic recovery and business support, enhanced senior services, capital program augmentations, and other one-time uses, the estimated balance of which at June 30, 2022 balance is \$1,611,837, with the actual reserve balance being determined at the close of the FY 2021/22 fiscal year; and

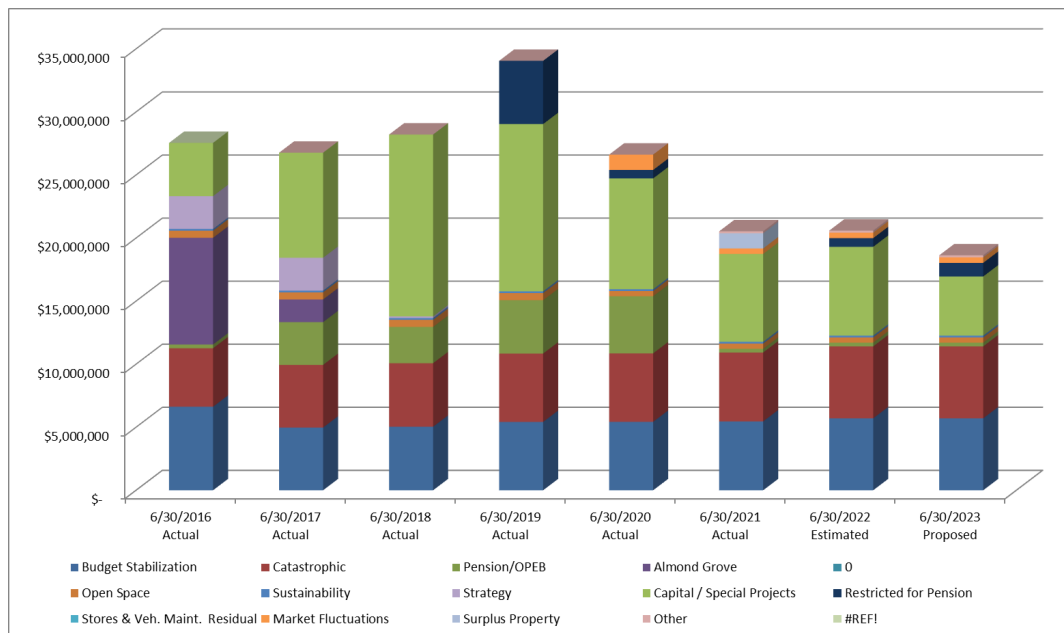
WHEREAS, the General Fund Reimbursement Revenue (ARPA) Reserve is now established.

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 ARPA Reserves as of June 30, 2022 and as of June 30, 2023 as restricted, assigned, unassigned or formally committed as follows:

Comparison of General Fund Balance	Revised Est General Fund Reserves	Schd A-13 General Fund Reserves	Change
General Fund Balance as of June 30, 2022			
Restricted for Pension	690,000	690,000	0
Committed to Budget Stabilization	5,991,566	5,703,957	287,609
Catastrophic	5,991,566	5,703,957	287,609
Pension/OPEB		300,000	(300,000)
Assigned to			
Open Space	410,000	410,000	0
Sustainability	140,553	140,553	0
Capital/Special Projects	5,682,452	7,041,938	(1,359,486)
Compensated Absences	1,649,917	1,649,917	0
Measure G Sales Tax	679,443	679,443	0
Market Fluctuations	438,333	438,333	0
Rehab Loan (nonspendable)	159,000	159,000	0
GF Reimbursement Revenue (ARPA)	1,611,837		1,611,837
Total General Fund Balance	23,444,667	22,917,098	527,569

GENERAL FUND RESERVES

The total General Fund Reserves are forecasted at a balance of approximately \$20.9 million as of June 30, 2023. Additional information on the estimated FY 2021/22 and FY 2022/23 year-end General Fund balances can be found in the Financial Summaries section. As indicated in the chart on the next page, the General Fund reserves are decreasing from prior years due primarily to previous programmed payments toward the Town's unfunded pension/OPEB obligations and transfers to the CIP program. Past transfers to the CIP program include \$7.0 million (FY 2016/17), \$2.4 million (FY 2017/18), \$2.4 million (FY 2018/19), \$5.7 million (FY 2019/20), \$3.4 million (FY 2020/21), and \$2.8 million (FY 2021/22). The proposed transfer in FY 2022/23 is \$2.4 million. Pension/OPEB transfers of note include the \$4.5 million California Public Employees Retirement System (CalPERS) side-fund payoff in June 2014 and a \$4.8 million additional discretionary payment (ADP) in FY 2019/20. In FY 2020/21, additional ADPS of \$3.6 million and \$2.1 million were transferred in July and April, respectively. \$10.5



General Fund Reserve	6/30/2016 Actual	6/30/2017 Actual	6/30/2018 Actual	6/30/2019 Actual	6/30/2020 Actual	6/30/2021 Actual	6/30/2022 Estimated	6/30/2023 Proposed
Restricted for:								
Pension				\$ 5,015,316	\$ 669,978	\$ -	\$ 690,000	\$ 1,080,000
Committed to:								
Budget Stabilization	\$ 6,621,808	\$ 4,969,847	\$ 5,037,243	\$ 5,419,222	\$ 5,427,603	\$ 5,460,485	\$ 5,703,957	\$ 5,703,957
Catastrophic	4,637,406	4,969,847	5,037,243	5,419,222	5,427,603	5,460,485	5,703,957	5,703,957
Pension/OPEB	300,000	3,388,913	2,878,913	4,232,500	4,532,500	300,000	300,000	300,000
Almond Grove	8,459,973	1,801,318	-	-	-	-	-	-
Assigned to:								
Open Space	562,000	562,000	562,000	562,000	410,000	410,000	410,000	410,000
Sustainability	140,553	140,553	140,553	140,553	140,553	140,553	140,553	140,553
Strategy	2,600,000	2,600,000	129,090	-	-	-	-	-
Capital / Special Projects	4,222,405	8,332,953	14,421,203	13,262,303	8,787,958	6,965,356	7,041,938	4,691,938
Authorized Carryforward	99,284	34,852	99,927	413,729	-	-	-	-
Compensated Absences		350,329	2,122,512	1,232,653	1,539,408	1,649,917	1,649,917	1,649,917
To Workers' Compensation				1,232,654				
Measure G District Sales Tax					1,181,162	1,730,490	679,443	679,443
Stores & Veh. Maint. Residual				1,040,375	-	-	-	-
Market Fluctuations					1,218,732	438,333	438,333	438,333
Surplus Property				-		1,200,000	-	-
Other						159,000	159,000	159,000
Total General Fund Reserve	\$ 27,643,429	\$ 27,150,612	\$ 30,428,684	\$ 37,970,527	\$ 29,335,497	\$ 23,914,619	\$ 22,917,098	\$ 20,957,098

Catastrophic and Budget Stabilization Reserves

As per the Town's General Fund Reserve Policy and reaffirmed by Council, the Catastrophic and Budget Stabilization Reserves are to be maintained at combined minimum funding level of 25% of General Fund ongoing operating expenditures. The funding requirement is equally divided between the Catastrophic Reserve (12.5%) and the Budget Stabilization Reserve (12.5%). Fund balance in these reserves is used to fund future fluctuations in the economy due to catastrophic events and mitigating cyclical changes in locally generated revenues from temporary downturns in the local economy. Staff recommends transferring \$486,944 from available prior year-end savings to meet the required 25% funding level, or \$11.4 million total for FY 2022/23.

Pension/OPEB Reserve

Committed fund balance in this reserve is used to fund pension and other post-employment benefits (OPEB) unfunded obligations. This reserve is primarily used to house additional discretionary payments budgeted for future allocation to CalPERS. The Town's Pension/OPEB Oversight Committee has determined that additional discretionary payments will be allocated directly to CalPERS.

With Council direction, upon the close of the fiscal year, the CalPERS/OPEB Reserve receives \$300,000 of the available year-end savings. In FY 2018/19, the Council modified the General Fund Reserve Policy to reduce the amortization period for prior pension amortization bases from 30 years to 20 years. Initial annual programming of \$390,000 was established subject to final adjustment based upon updated CalPERS actuarial valuations. The prior Council Finance Committee made recommendations for the allocation methodology for use of these funds for future Town Council/Oversight Committee consideration.

Capital/Special Projects

With Council direction, upon the close of the fiscal year, the Capital/Special Projects Reserve receives the Town's annual revenues above operating expenditures after funding all legally restricted reserves at their required levels. Fund balance is assigned for the acquisition and construction of capital facilities or special projects as determined by the Town Council. In FY 2022/23, the amount being allocated to the Capital Improvement Program is \$2.4 million. It is anticipated the Reserve will have approximately \$4.1 million as of June 30, 2023.

Compensated Absences Reserve

A reserve is maintained annually to fund 50% of all vested hours of vacation earnings. It is anticipated the reserve will have approximately \$1.6 million as of June 30, 2023.

Surplus Property Reserve

A reserve established for placing the proceeds from surplus property sales until further Town Council reallocation. It is anticipated the reserve will have approximately \$0.0 million as of June 30, 2023.

Measure G District Sales Tax Reserve

A reserve established tracking the receipt and the usage of the 1/8 cents District Tax funds collected by the Town. Pending Council direction on current unallocated reserve balance it is anticipated the reserve will have approximately \$0.0 million as of June 30, 2023.

Other

The Town has several other smaller reserves that have been classified as other. These reserves include an authorized carryforward, open space reserve which may be used to make selective open space acquisitions, and a sustainability reserve which will be used to fund projects that enhance the community environment. Please refer to the Financial Summaries section (C-1) for additional information.

American Rescue Plan Act (ARPA)

The ARPA proceeds are accounted in the special revenue fund and revenues are recognized as eligible expenses occurred.

KEY BUDGET ASSUMPTIONS

Revenues

The FY 2022/23 Budget incorporates the waning impacts of the COVID-19 pandemic and the subsequent economic disruption with the General Fund revenues (excluding debt payments, restricted pension trust activity, and fund transfers in) expected to increase by \$0.9 million to \$46.8 million (not including anticipated ARPA fund receipt) from prior year estimated revenues. Revenue projections for each category were based upon estimates provided to the Town by the Santa Clara County Assessor, the Town's sales tax consultant, and careful examination of revenue trends, patterns, and industry research.

The net increase from FY 2021/22 in overall revenues is mostly due to forecasted increases in some revenues such as property tax, sales tax, and transient occupancy tax. Licenses and permit revenues are expected to decrease in FY 2022/23 and then increase gradually over time. The sales tax projections include the voter approved one-eighth general purpose sales tax dedicated to the Town of Los Gatos. Revenue collection began in April 2019. Additional details regarding the assumptions used in the development of revenue estimates can be found in the Forecast Assumptions at the end of this section.

Expenditures - Staffing

The proposed Budget includes minor adjustments to staffing.

	FY 2021/22 Authorized/Funded Town Staff Position	FY 2022/23 Authorized/Funded Town Staff Position
Departments		
Town Council	0.50	0.50
Town Attorney	2.13	2.13
Administrative Services	20.18	20.18
Community Development	20.20	20.20
Police Department	60.00	60.00
Parks & Public Works	34.75	36.75
Library	12.50	13.50
Total Position	150.25	153.25
All Hourly Employee Staff Converted to FTE's	11.09	11.46
	161.34	164.71



TOWN OF LOS GATOS
FINANCE COMMISSION REPORT

MEETING DATE: 06/13/2022

ITEM NO: 3

Item 3.

DATE: June 9, 2022
TO: Finance Commission
FROM: Laurel Prevetti, Town Manager
SUBJECT: Receive the Town of Los Gatos Business License Analysis and Ordinance Review and Recommend the Town Council Pursue a Ballot Measure to Modernize and Create a More Equitable Tax Structure

RECOMMENDATION:

Receive the Town of Los Gatos Business License Analysis and Ordinance Review and recommend the Town Council pursue a ballot measure to modernize and create a more equitable tax structure.

BACKGROUND:

On September 13, 2021, the Town Finance Commission reviewed the Town's Business License Tax Program and recommended that the Town Council authorize the Town Manager to issue an Request For Proposal (RFP) for consultant services to evaluate and recommend modernization options for the Town's Business License Tax Program. On October 19, 2021, the Town Council received the Finance Commission recommendation (Attachment 1) and directed staff to engage a consultant to review the Town's 1991 Business Tax Ordinance and recommend options for updating the Ordinance.

On December 17, 2021, the Town issued an RFP for Business License Tax consulting services. The Town received a single response from HdL Companies (HdL) by the January 26, 2022, submission deadline. HdL was selected given their significant experience in business license review and analysis including having performed dozens of tax study and modernization programs in California.

PREPARED BY: Arn Andrews
Assistant Town Manager

Reviewed by: Town Manager and Finance Director

PAGE 2 OF 4

SUBJECT: Receive Business License Analysis and Ordinance Review

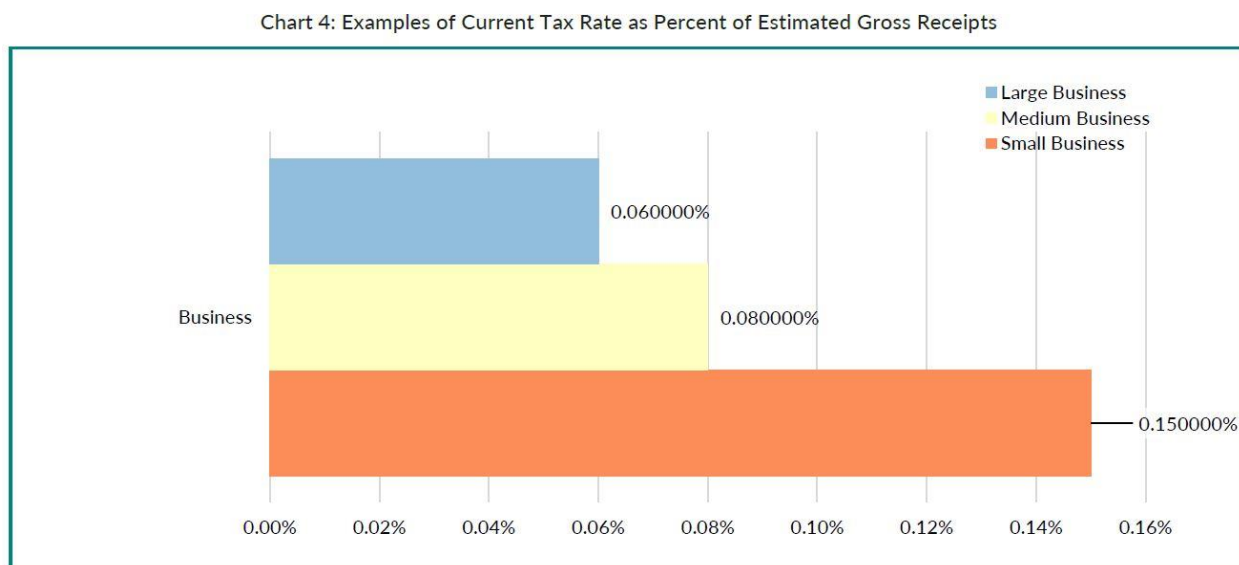
DATE: June 9, 2022

DISCUSSION:

HdL submitted their Business License Analysis and Ordinance Review to the Town on June 8, 2022 (Attachment 2). The report includes an executive summary, analysis of the Town's current business tax structure and comparative jurisdictions, options for modifying the Town's business tax rates and classifications, and appendix with administrative recommendations to simplify other elements of the Town's Ordinance.

Following is a summary of the major findings and recommendation of the report:

Having not been updated in over 30 years and currently utilizing a blend of flat fees and decreasing gross-receipts tax rates, the Town's existing structure is regressive in nature. This is illustrated in Chart 4 of the report.



Compared to other jurisdictions, the Town's total business tax revenue is relatively strong (Table 2 of the report) however as illustrated above the composition of those revenues is currently not equitable.

Given the results of the analysis, HdL has recommended that the Town move to a single-rate, gross-receipts model (Model 2 in the report). This model is simple to administer since everyone is charged the same rate. The "single rate" method of taxing on gross receipts provides an even distribution of the effective tax rate because all businesses subject to the tax will pay the same rate. Under this method, no cap is put in place, and therefore most of the revenues are received from the highest-grossing businesses. While the model does expand revenue, it does so by helping to decrease the effective tax rate on smaller businesses while asking larger

SUBJECT: Receive Business License Analysis and Ordinance Review

DATE: June 9, 2022

DISCUSSION (continued):

businesses to pay their fair share. The model also lowers the annual base rate to a uniform \$25, to provide some additional tax relief for smaller businesses. The following chart (Chart 9 in the report) illustrates the redistribution of effective tax rates among small, medium, and large business's utilizing two different single-rate scenarios.

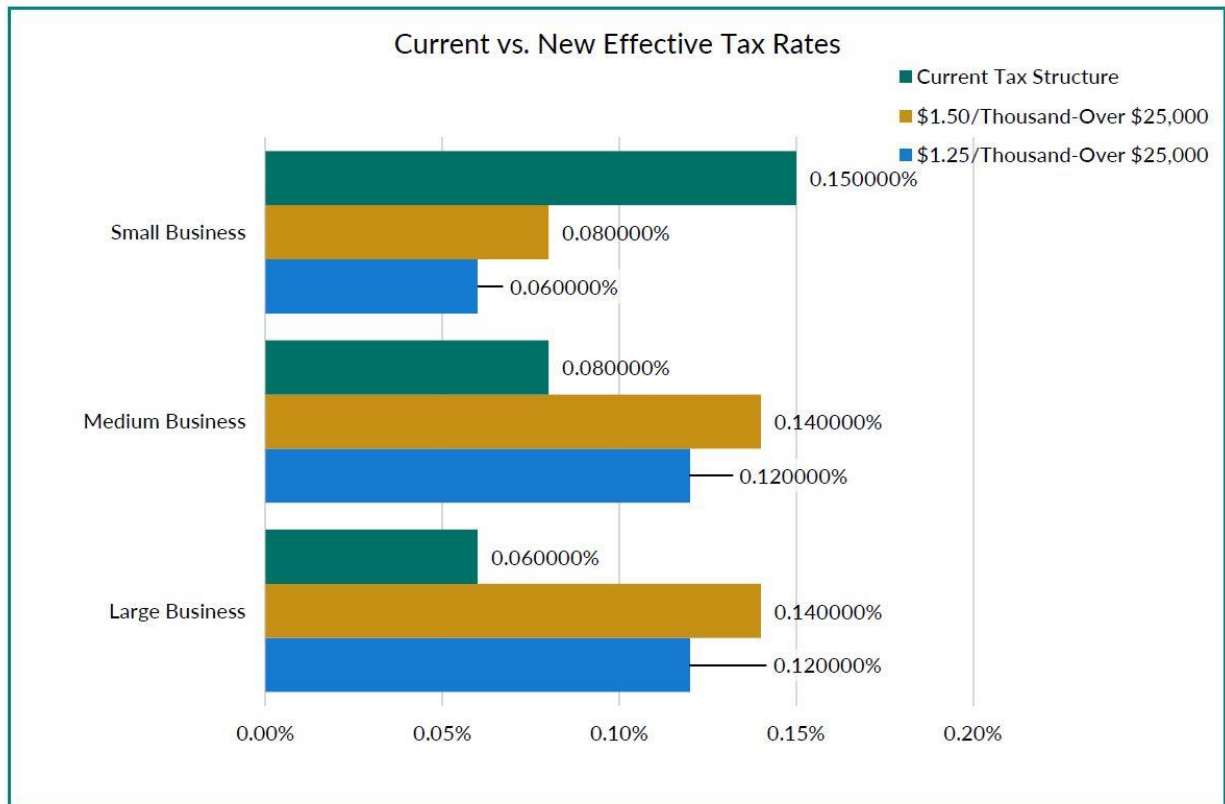


Table 8 from the report (below) illustrates the potential revenues from implementing a gross receipts tax (Model 2) with two single-rate options, \$1.25 per thousand and \$1.50 per thousand.

Number of Accts	Taxable Gross Receipts	Base Rate @ \$25 per Account	Tax Amount \$1.25/ thousand -Over \$25,000-	Tax Amount \$1.50/ thousand -Over \$25,000-
2,483	\$1.17 billion	\$62,075	\$1,382,939	\$1,659,527
TOTAL			\$1,445,014	\$1,721,602

PAGE 4 OF 4

SUBJECT: Receive Business License Analysis and Ordinance Review

DATE: June 9, 2022

CONCLUSION:

The Finance Commission should review the Town of Los Gatos Business License Analysis and Ordinance Review and recommend the Town Council pursue a ballot measure to modernize and create a more equitable tax structure.

Attachments:

1. October 19, 2021 Council staff report
2. HdL Business License Analysis and Ordinance Review
3. June 2, 2022 Chamber Letter



**TOWN OF LOS GATOS
COUNCIL AGENDA REPORT**

MEETING DATE: 10/19/2021

ITEM NO: 9

Item 3.

DATE: October 11, 2021
TO: Mayor and Town Council
FROM: Laurel Prevetti, Town Manager
SUBJECT: Receive the Town Finance Commission Recommendation and Authorize the Town Manager to Issue a Request for Proposals (RFP) for Consultant Services to Evaluate and Recommend Modernization Options for the Town's Business License Tax Program.

RECOMMENDATION:

Receive the Town Finance Commission recommendation and authorize the Town Manager to issue a RFP for consultant services to evaluate and recommend modernization options for the Town's Business License Tax Program.

BACKGROUND:

On September 13, 2021, the Town Finance Commission reviewed the Town's Business License Tax Program. The Town's Business Tax Ordinance was last adopted on June 3, 1991 (Attachment 1). The Town Business License Tax program is governed by Chapter 14 of the Los Gatos Town Code: [Los Gatos Town Code - Business Licenses](#). The Articles I through III of the business license chapter are enacted solely to raise revenue for municipal purposes and are not intended for regulation. The Town currently has 2,557 businesses in active pay status and another 2,577 registered on the books of which it is estimated that a third may still be active in Town. This Tax, which is charged to business owners, currently generates approximately \$1.4 million annually.

DISCUSSION:

Having not been updated in over 30 years, the current rate structure does not take into account shifts in business models and delivery over the decades. In addition, the current ordinance does not contemplate inflation adjustments or other predetermined structural rate changes, therefore leaving the rates unchanged for 30 years.

PREPARED BY: Arn Andrews
Assistant Town Manager

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

PAGE 2 OF 3

SUBJECT: Business Tax Modernization

DATE: October 11, 2021

DISCUSSION (continued):

The Town issues different types of business licenses based on the type of activity. The amount of business license tax paid by each business is also based on its business activity because the purpose of the tax is to cover municipal services and infrastructure utilized by the business, its employees, and customers. Fees for activities such as wholesales and manufacturing are charged on a sliding scale based on gross receipts, as is retail, with retail being capped at \$975. These gross receipt activities account for approximately 25% of annual business licenses, while the remaining 75% are flat fee businesses. While the Town Code list different license types, the most common ones are listed below with the appropriate business license tax and fees.

Typical Business License Taxes and Fees			
Business License Processing Fee (Annual)	\$40 at the Time of Establishment/ \$30 at Renewal - Located In Los Gatos \$20 - Not Located in Los Gatos		
Planning Fees - Businesses Located in Los Gatos (One-time)	\$161.20 Home Occupancy Permit - Home Based Businesses \$176.70 Change of Occupancy / \$262.20 Change of Use - Commercial Zoning		
State Mandated Fee (Annual)	\$4		
Type of Business License	Business License Tax - Without Penalty Minimum (Annual)	Business License Tax - Without Penalty Maximum (Annual)	Typical Businesses
Retail (Based on Gross Receipt)	\$75	\$975	Restaurant, Grocery Store , Gas Station, Hair Salon
Wholesale/Manufacturee/Wholesale/Ecommerce (Based on Gross Receipt)	\$150	Based on sliding scale \$4,837.50 for \$12,000,000 in gross receipt plus \$75 for each \$550,000 or fracntion therfor in excess of \$12,000,000	Netflix, Manufacturers
Professional/Semiprofessional (per employee)	\$200	\$200	Medical Doctor, Attorney, Tutor, Massage Therapist, Broker
Support Staff - Professional/Semiprofessional (per employee)	\$15	\$15	Real Estate Agent
Service (per business)	\$100	\$100	Gardeners, Repair Service, Hair Stylist, Janitorial service
Contractor (per business)	\$224	\$224	Licensed California State Contractor

Most cities in the Bay Area and throughout California have either updated their tax structure through local ballot measures or enacted a tax if they previously didn't have one. In California, all taxes imposed by local governments are classified as either general or special taxes and must be put before voters as a local ballot measure for approval. Recent examples of general business tax ballot measures include:

- Daly City – Measure BB 2018 (approved 80.64%)
- Mountain View – Measure P 2018 (approved 71.05%)
- Sausalito – Measure M 2018 (approved 65.42%)
- Berkley – Measure U1 2016 (approved 74.93%)
- Monterey – Measure H 2016 (approved 73.86%)
- San Jose – Measure G 2016 (approved 65.59%)
- Foster City – Measure U 2013 (approved 73.2%)
- Campbell – Measure M 2010 (approved 69.59%)

PAGE 3 OF 3

SUBJECT: Business Tax Modernization

DATE: October 11, 2021

CONCLUSION:

The Finance Commission has recommended that the Town Council consider pursuing the modernization of the Business license Tax schedule adopted in 1991. To better understand the Town's Business License Tax program, the Council should authorize the Town Manager to issue a RFP for the review and recommendation of modernization options for the program.

COORDINATION:

This staff report was coordinated with the Town manager, Town Attorney, and Director of Finance.

FISCAL IMPACT:

There is no cost associated with issuing the RFP. Based on the results of the RFP, staff will return to Council with budget recommendations based on the successful RFP response.

ENVIRONMENTAL ASSESSMENT:

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

Attachment:

1. 1991 Business Tax Ordinance

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ORDINANCE 1857**ORDINANCE OF THE TOWN OF LOS GATOS
AMENDING CHAPTER 15, ARTICLE II OF THE TOWN CODE**

THE TOWN COUNCIL OF THE TOWN OF LOS GATOS DOES HEREBY ORDAIN:

SECTION I

Article II of Chapter 15 of the Town Code is hereby repealed in its entirety.

SECTION II

Article II of Chapter 15 of the Town Code is hereby enacted to read as follows:

ARTICLE II**SCHEDULE****Section 15-27. Gross Receipts Tax**

Every person doing business in the Town, except those persons whose business is taxed under the terms of Section 15-28 shall pay an annual license tax based on the gross receipts of the business. The tax is levied according to one or both of the following schedules. When the business activities of one person, taxable under the provisions of this section, involve both retail and manufacturing, wholesaling or jobbing transactions, the total gross income is apportioned between the two schedules, according to its source.

Retailing

At Least	But Less Than	Tax
\$ 0	\$ 50,000	\$ 75.00
50,000	100,000	112.50
100,000	150,000	150.00
150,000	200,000	187.50
200,000	250,000	225.00
250,000	300,000	262.50
300,000	350,000	300.00
350,000	400,000	337.50
400,000	450,000	375.00
450,000	500,000	412.50
500,000	600,000	450.00
600,000	700,000	487.50
700,000	800,000	525.00
800,000	900,000	562.50
900,000	1,000,000	600.00
1,000,000	1,100,000	637.50
1,100,000	1,200,000	675.00
1,200,000	1,300,000	712.50
1,300,000	1,400,000	750.00
1,400,000	1,500,000	787.50
1,500,000	1,600,000	825.00
1,600,000	1,700,000	862.50
1,700,000	1,800,000	900.00
1,800,000	1,900,000	937.50
1,900,000	2,000,000	975.00
	(and above)	

Manufacturing, Wholesaling and Jobbing

At Least	But Less Than	Tax
\$ 0	\$ 200,000	\$ 150.00
200,000	300,000	187.50
300,000	400,000	262.50
400,000	500,000	337.50
500,000	600,000	450.00
600,000	800,000	562.50
800,000	1,000,000	675.00
1,000,000	1,200,000	787.50
1,200,000	1,400,000	900.00
1,400,000	1,600,000	1,012.50
1,600,000	1,800,000	1,125.00
1,800,000	2,000,000	1,237.50
2,000,000	2,500,000	1,350.00
2,500,000	3,000,000	1,462.50
3,000,000	3,500,000	1,575.00
3,500,000	4,000,000	1,687.50
4,000,000	4,500,000	1,800.00
4,500,000	5,000,000	1,912.50
5,000,000	5,500,000	2,025.00
5,500,000	6,000,000	2,137.50
6,000,000	6,500,000	2,250.00
6,500,000	7,000,000	2,362.50
7,000,000	7,500,000	2,175.00
7,500,000	8,000,000	2,587.50
8,000,000	8,500,000	2,700.00
8,500,000	9,000,000	2,812.50
9,000,000	9,500,000	2,925.00
9,500,000	10,000,000	3,037.50
10,000,000	10,500,000	4,500.00
10,500,000	11,000,000	4,612.50
11,000,000	11,500,000	4,725.00
11,500,000	12,000,000	4,837.50
12,000,000		4,837.50
		plus \$75.00
		for each \$550,000 or
		fraction thereof in
		excess of \$12,000,000

Section 15-28. License Taxes for Specified Businesses

Every person doing any of the kinds of business specified in the subdivisions of this Section 15-28 shall pay the business license tax specified in such subdivision. The fees are annual unless otherwise specified.

Sec. 15-28.02. Advertising Signs

Signposting and painting 420.00

Section 15-28.04. Amusements

Shows, concerts, et cetera (per day)	42.00
Circuses, menageries, et cetera:	
Less than 2,000 seating capacity	
First day	420.00
Each succeeding day	52.50
More than 2,000 seating capacity	
First day	630.00
Each succeeding day	105.00
Side shows (per day):	
Entrance fee not exceeding \$.10	21.00
Entrance fee exceeding \$.10	42.00
Circus procession or parade (each)	210.00
Carnivals (per day)	42.00
Ferris Wheels, merry-go-rounds, et cetera (per month)	210.00
Public dances (per dance)	21.00

Section 15-28.05. Apartment Rentals and Mobilehome Parks.

The term "apartment" includes all buildings or groups of buildings on the same premises, composed of a total of three or more dwelling units (per unit) 7.50

Section 15-28.06. Auctioneers 112.50

Section 15-28.08. Billiard and Pool Rooms (per table) 52.50

Section 15-28.10. Boardinghouses.

Boardinghouses licensed by the State or County as boardinghouses for pensioners, and who board pensioners exclusively, are exempt from the business license tax.

For first four boarders 21.00

For each person over four 4.50

Section 15-28.12. Cleaning and Dyeing Laundry Delivery.

Vehicles (annual, per vehicle) 168.00

The tax applies to those who have no fixed place of business in the Town.

Section 15-28.14. Contractors (annual).

A separate fee for each type of work activity, such as general engineering, building, plumbing, plastering, painting, masonry, termite, service, installation or other specialty, in addition to any sales or jobbing license fee 224.00

Section 15-28.15. Day Care Facilities.

Day Care Facilities provide day care for children under 18 years of age who are unrelated to the licensee.

Small Family Day Care Home - a facility providing day care for six (6) children or less. (Including resident children) No Fee

Large Family Day Care Home - a facility providing day care for 7 to 12 children (including resident children) No Fee

Nursery School - a facility providing day care for 13 or more children No Fee

Section 15-28.16. Hospitals, Rest Homes, Etc

Annual, or 140.00
Per bed, if that is larger 10.00

Section 15-28.18. Hotels and Motels (annual, per guest room) 7.50

Business activities other than renting rooms, conducted in connection with a hotel, are taxed separately.

Section 15-28.20. House Movers.

Annual license 105.00
Additional per structure moved 84.00

Section 15-28.22. Itinerant Photographers (annual) 210.00

Section 15-28.24. Itinerant Vendors (daily) 105.00

The words "itinerant vendor" mean any person, both principal and agent, who engages in a temporary and transient business in the Town selling goods, wares and merchandise with the intention of continuing such business in the town for a period of not more than ninety days, and who, for the purpose of carrying on such business, hires, leases or occupies any room, building or structure for the exhibition or sale of such goods, wares, or merchandise, or from which room, building or structure the sales shall be made or business solicited by means of samples or delivery from house to house. The person so engaged is not relieved from the provisions of this section by reason of associating temporarily with any local dealer, trader, merchant or auctioneer, or by conducting temporary or transient business in connection with, or as a part of, or in the name of any local dealer, trader, merchant or auctioneer. The provisions of this section do not apply to commercial travelers or selling agents selling their goods to dealers, whether selling for present or future deliveries, by sample or otherwise, nor to hawkers on the street, nor peddlers from vehicles, nor to persons selling fruit, vegetables, butter, eggs, or other fruit or ranch products.

Section 15-28.28. Junk Dealers (annual) 420.00

"Junk dealer" means any person who has a fixed place of business in the Town, and who engages in or carries on the business of buying or selling, either at wholesale or retail, any old rages, sacks, bottles, cans, papers, metals or other articles of junk.

Section 15-28.30. Junk Collectors (annual, per vehicle) 84.00

"Junk collector" means any person who has not fixed place of business in the Town and who engages in or carries on the business of collecting, buying or selling any old rags, sacks, bottles, cans, papers, metals or other articles of junk.

Section 15-28.36. Peddlers.

Peddlers of wares other than food, per person:

Daily 21.00

Peddlers of food, except lunch wagon operators:

Using a vehicle, per vehicle, annual 210.00
 Not using a vehicle, carrying wares by hand 42.00
 Lunch wagon operators (per vehicle, annual) 210.00

Peddlers engaged in the business of selling any personal property at a sale conducted by an organization exempt from the business license tax under the provisions of Section 15-5 of this chapter shall pay a license tax of seven dollars and fifty cents per day. This rule applies only when all fees, commissions or other remuneration of any kind paid by the peddler to the organization conducting, sponsoring or promoting the sale is devoted exclusively to the business license tax-exempt purposes of the organization and the organization has obtained prior approval from the Town Council to conduct the sale.

Daily 7.50

A "peddler" is every person not having a regularly established place of business in the Town who travels from place to place, or has a stand upon any public street, alley or other public place, doorway or any building, unenclosed or vacant lot, or parcel of land, who sells, offers for sale, any goods, wares or merchandise in his possession.

Section 15-28.38. Professional and Semiprofessional Occupations.

Per professional or semiprofessional person 200.00
 Additional per employee 15.00

Professional or semiprofessional business or service occupations include, but are not limited to, the following:

Accountant
 Advertising counsel
 Appraiser
 Architect
 Artist
 Assayer
 Attorney-at-law
 Auditor
 Bacteriologist
 Broker, stock or bond
 Chemist
 Chiropodist
 Chiropractor
 Dentist
 Designer or decorator

Detective or investigative personnel
 Draftsperson
 Drugless practitioner
 Electrologist
 Engineer: civil, mining, electrical, construction
 Engineer: structural, consulting, mechanical, hydraulic
 Engraver
 Feed, grain and fruit broker
 Geologist
 Illustrator or showcard writer
 Landscape architect
 Lapidary
 Lithographer
 Masseuse or masseur
 Oculist, optician or optometrist
 Osteopath
 Physician
 Real estate brokers
 Surgeon
 Surveyor
 Taxidermist
 Veterinarian
 X-ray, dental or medical laboratory

Section 15-28.40. Service Occupations 100.00

"Service occupations" means appliance, home furnishing or radio and television installation, maintenance and repair, janitorial and building maintenance, or landscape installation and maintenance.

Section 15-28.42. Shooting Galleries 105.00

Section 15-28.44. Solicitors (per business) 210.00

A "solicitor" is one who engages in the business of going from house to house, place to place or in or along the streets within the Town selling or taking orders for, or offering to sell or take orders for, goods, wares, merchandise, advertising or other things of value for future delivery, or for services to be performed in the future.

Section 15-28.46. Taxicabs.

Per business 150.00

Additional per taxi 22.50

Section 15-28.48. Theaters and Concert Halls 105.00

Section 15-28.50. Trucking (annual)

Persons other than peddlers who sell or deliver food or any other goods by means of a vehicle, and who have no fixed place of business in Town, per vehicle 140.00

Persons who make no more than two deliveries or sales per quarter are exempt from the foregoing tax. All other motor vehicle delivery business, whether the business operates on a regular route or between fixed termini or not:

For one vehicle	45.00
For each additional vehicle	22.50

Section 15-29. Credit for Businesses in Business Improvement Area

a. Any business located and operating within a parking and business improvement area established pursuant to Streets and Highways Code §§ 36500 et seq. shall receive a credit on the annual license tax as set forth in this section.

b. Each person doing any of the kinds of business specified in subdivisions 15-28.14, 15-28.16, 15-28.38, 15-28.40, and 15-28.50 shall receive a credit equal to 50% (one-half) of the annual business license tax.

c. Every person doing any other kind of business shall receive a credit equal to 33-1/3% (one-third) of the annual business license tax.

SECTION III

Any judicial action or proceeding to attack, review, set aside, void or annul this ordinance shall be commenced within 120 days after adoption of this ordinance.

SECTION IV

A. This ordinance shall take effect July 1, 1991. Within 15 days after this ordinance is adopted the Town Clerk shall cause it to be published once in a newspaper of general circulation published and circulated in the Town.

B. In establishing the effective date, the Town Council finds that this ordinance relates to taxes for the usual and current expenses of the Town within the meaning of Government Code Section 36937, and must be effective July 1, 1991, so that business license fees will be paid at higher rates commencing with the beginning of the 1991-92 fiscal year.

This ordinance was introduced at a regular meeting of the Town Council of the Town of Los Gatos on May 28, 1991 and adopted by the following vote as an ordinance of the Town of Los Gatos at a meeting of the Town Council of the Town of Los Gatos on June 3, 1991.

COUNCIL MEMBERS:

AYES: Joanne Benjamin, Randy Attaway, Eric D. Carlson, Steven Blanton

NAYS: None

ABSENT: Mayor Brent N. Ventura

ABSTAIN:

SIGNED:


VICE- MAYOR OF THE TOWN OF LOS GATOS
LOS GATOS, CALIFORNIA

ATTEST:


CLERK OF THE TOWN OF LOS GATOS
LOS GATOS, CALIFORNIA



Business License Analysis & Ordinance Review

Final

June 8, 2022

HdL[®] Companies

SUBMITTED BY
HdL Companies
120 S. State College Blvd., Ste 200
Brea, CA 92821
hdlcompanies.com

CONTACT
Eric Myers
T: (424) 228-8517 Ext. 1022
E: emyers@hdlcompanies.com

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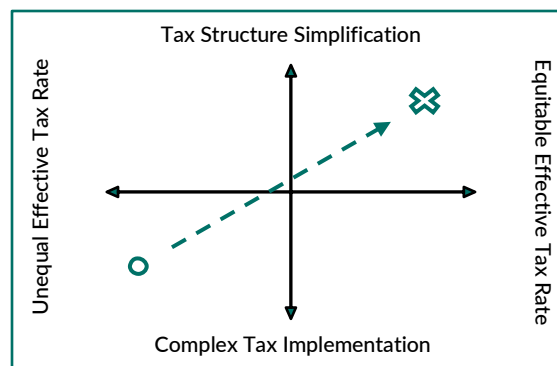
Executive Summary

Background

The Town of Los Gatos (Town) requires all businesses operating within the Town to obtain a business license and pay business license taxes. (Town's Municipal Code (Code) section 14.10.020). This revenue is locally controlled and funds essential services. The Town commissioned the HdL Companies ("HdL" or "we," "us," "our," or similar terms) to prepare this tax study to review the administrative efficiency of the current structures, to review options for improving the equity of the business license tax structure, if any, and to investigate the possibilities for additional revenue generation. In addition, the Town would like a flexible structure that can adapt to ongoing changes in the economy.

To put it another way, the models and recommendations in this study should be evaluated not only on whether they increase revenue but, ideally, also on whether they move the Town's business license structure up and to the right in the four quadrants presented below in Chart 1.

Chart 1: Key attributes of modern business tax structures



Recommendation

The Town's current structure, while capable of being improved, is already producing well when compared to similar jurisdictions. If the Town were to consider updating its tax structure, we recommend that the Town consider adopting a gross receipt tax structure like Model 2 on page 14. This model is similar to the Town's existing structure but it makes that structure simpler to administer, improves the equity, and could modestly increase revenue for the future.

Report Structure

We have divided this report into two major sections and an appendix.

Section 1 - Pages: 4 to 11

In the first section, we review the Town's current revenue and tax structures to describe the Town's current situation. Because the Town already uses some gross receipts, the Town is currently well-placed in comparison to similar jurisdictions. The Town has a concentration of professional services and rental revenue that make its economy different from many jurisdictions.

Section 2 - Pages: 12 - 20

In this section, we review three alternative tax structures. Model 1 is simple percentage increase applied to the existing tax structure. Models 2 and 3 estimate the impact of switching from the Town's current hybrid approach—some gross receipts and some flat fees—to a gross receipts-based approach. Ultimately, we recommend model 2 because of its simplicity and its modest increase in revenue without imposing too much of an increase on key economic sectors.

Appendix A

Appendix A discuss key items in the Town's current structure that could be administratively simplified. It also notes some areas for further review to help modernize the Town's tax structure.

SECTION 1 – Town of Los Gatos & Comparative Jurisdictions

Business Tax - Analysis

The Town currently has approximately 2,483 business that are paying their business license tax. Over the last five fiscal years, business license tax revenue has averaged approximately \$1.43 million per fiscal year. As you can see in Chart 2, the Town's business tax revenue peaked pre-pandemic and has yet to return to pre-pandemic levels. This is consistent with the slow recovery we are seeing statewide. (Please note that while FY 2022 is showing a decline, that may simply be from late reporting at the time the data was pulled.)

Chart 2: 5-year revenue trend

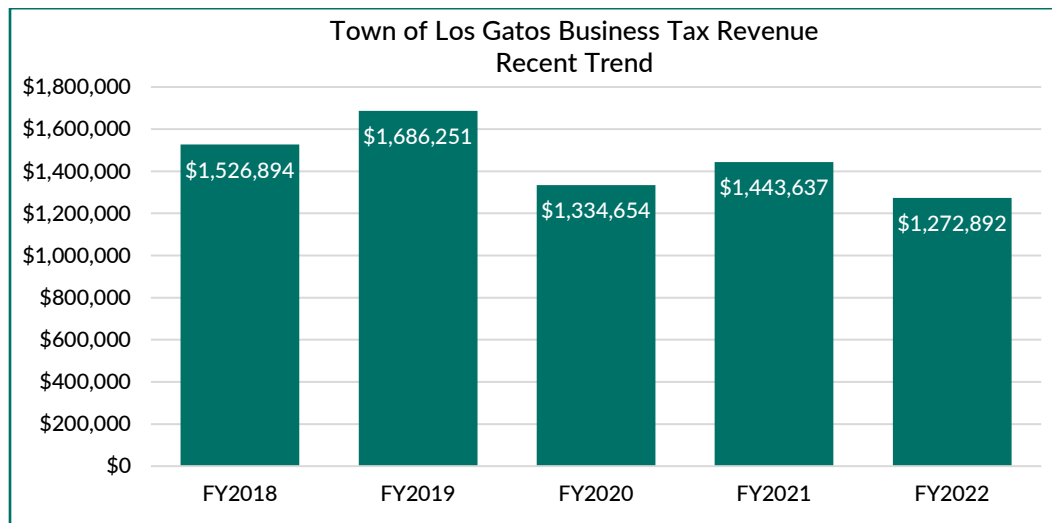
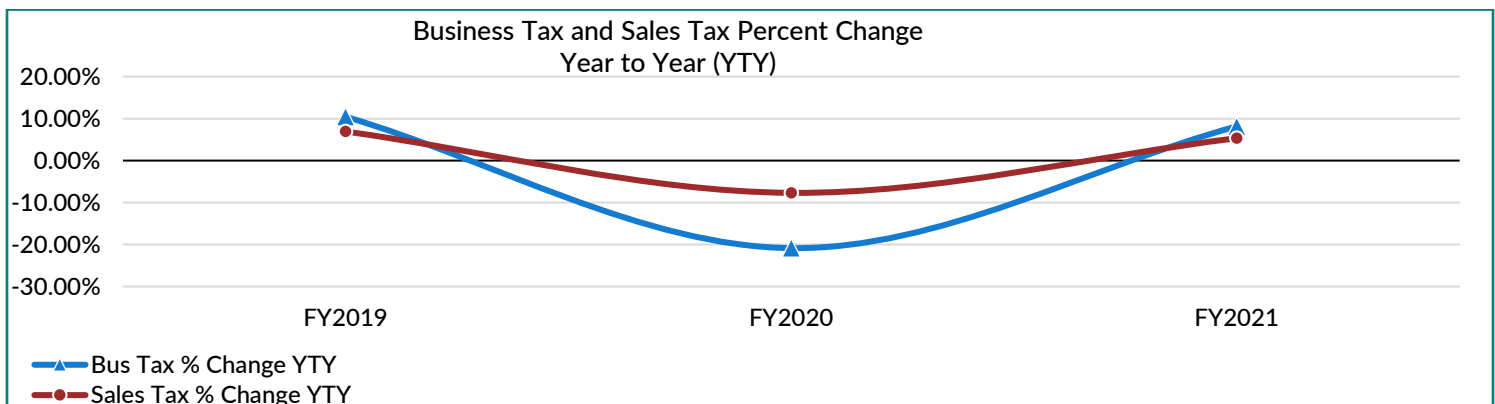


Chart 3, which compares the percentage change year-over-year in business tax revenue to the percentage change in sales tax, shows the impact of the pandemic on both sales tax and business license tax growth rates. The comparison is useful since it shows the varying impacts of economic changes on sales tax (goods sold at retail) and the business license tax (the broader economy, including services). As you can see, the impact of the recession on the Town's overall economy was deeper than it was on just the retail sector.

Chart 3: Comparing revenue growth against the broader economy



Business Tax - Equity of Contribution

The Town currently uses a combination of flat fees and gross-receipts to measure the tax on businesses.

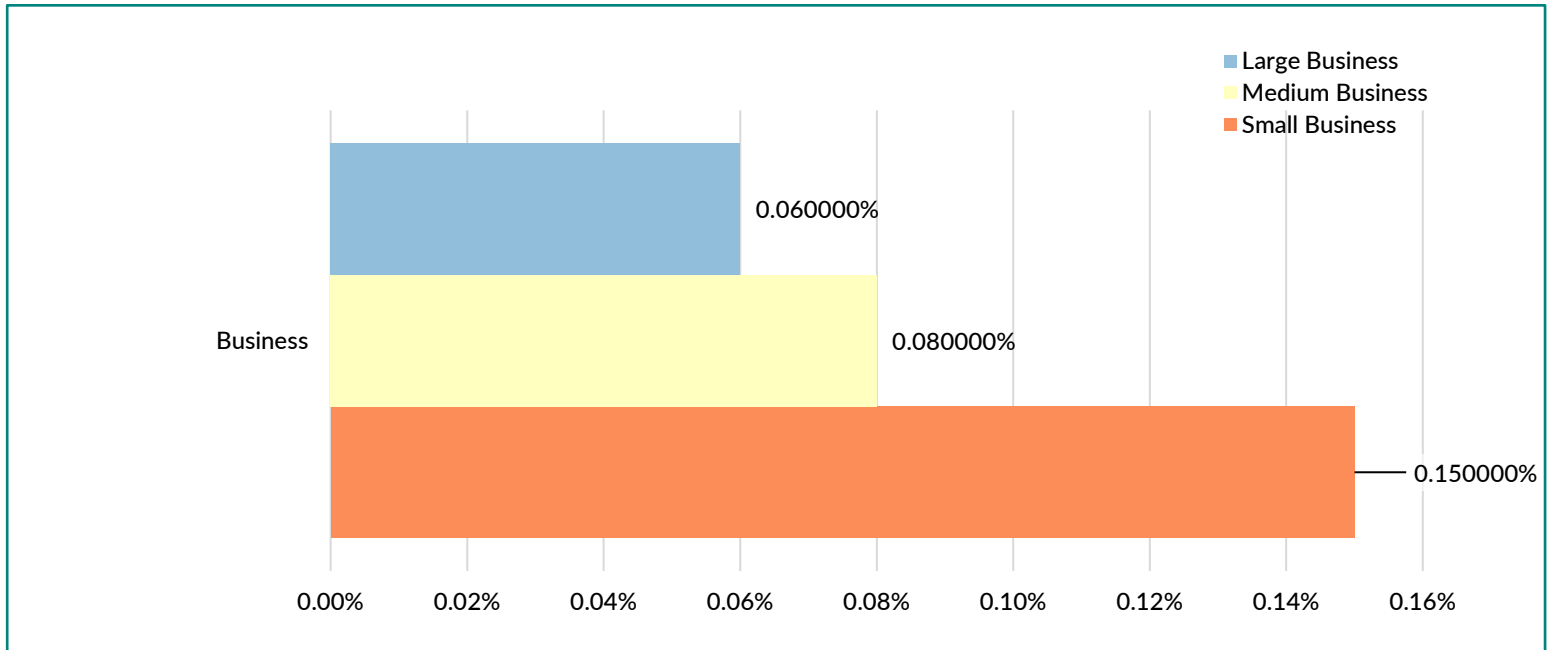
Table 1: Current Tax Structures

Business Category Type	Total Count	Primary Tax Type
CONTRACTOR	539	\$224 Flat Fee
GENERAL COMMERCE/RETAIL	644*	Tiered Gross-Receipts
RENTAL (COMMERCIAL & RESIDENTIAL)	227	\$7.50 per unit (over 3 dwelling units)
SERVICE	511	\$100 flat fee
PROFESSIONAL	562	\$200 per professional/\$15 per non-professional employee
TOTALS	2,483	

*Includes 342 businesses that did not have a classification in the data

As you can see in chart 4, given the Town's current use of flat fees and decreasing gross-receipts tax rates, the Town's current structure is regressive. For example, a general retail business grossing \$50,000 a year (the small business in the chart below) would pay \$75.00, which is an effective tax rate of 0.15%. That is not a bad tax rate. But a large business, grossing \$1 million in a year, will pay \$600 or 0.06%--less than half the effective tax rate of the small business. From a revenue perspective, this is perfectly reasonable given that larger business contributes more revenue overall. But it leaves something to be desired on the equity front since it imposes a higher effective tax rate on smaller businesses. Chart 4 below illustrates the current effective tax rates in the town using three hypothetical business.

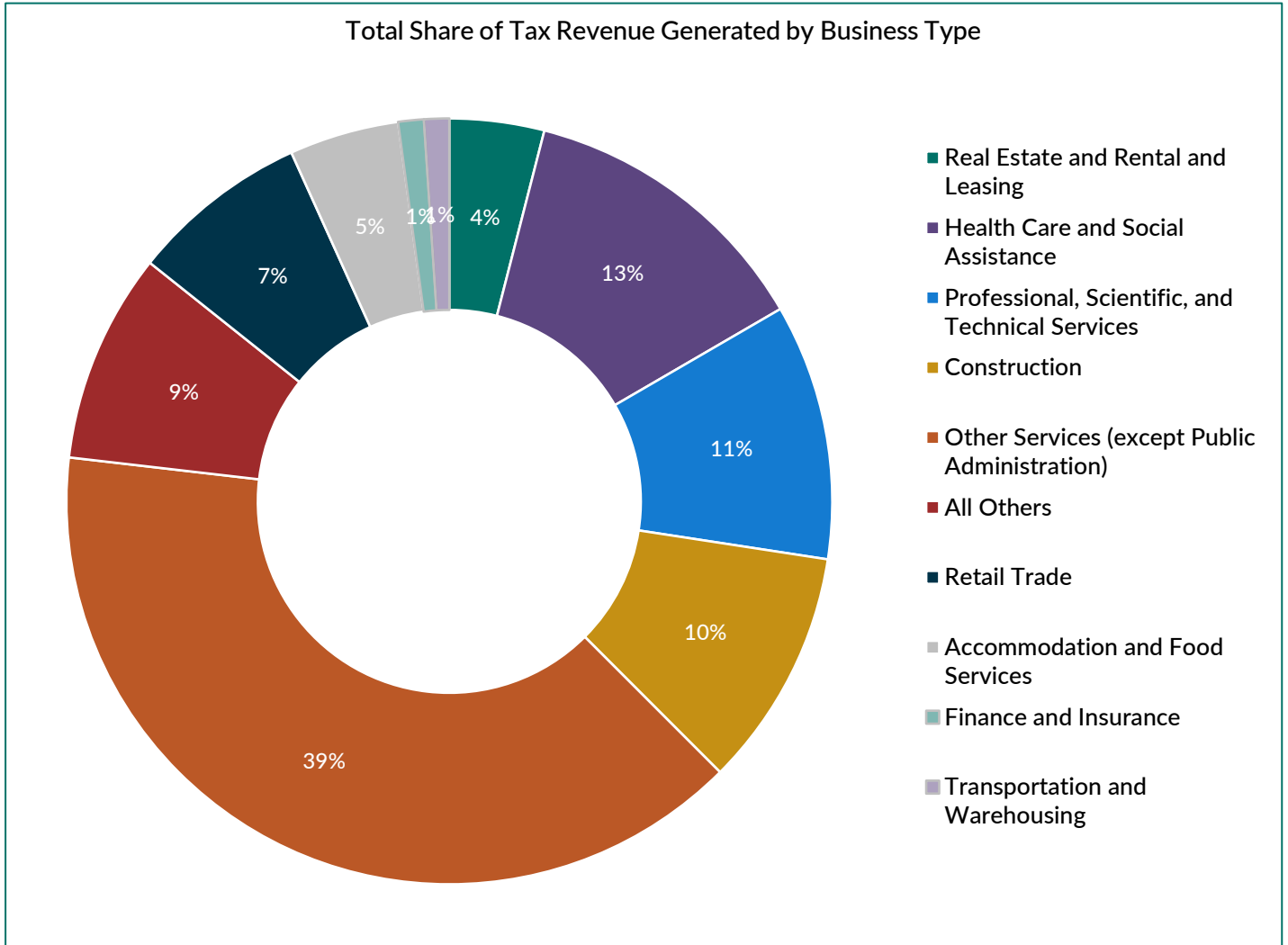
Chart 4: Examples of Current Tax Rate as Percent of Estimated Gross Receipts



Town of Los Gatos: Business Tax – Business Type Summary

As you can see below, the Town's economy, at least as reflected in its business tax revenue, is heavily concentrated in professional and other services. These business are fairly mobile and thus may be more sensitive to tax increases.

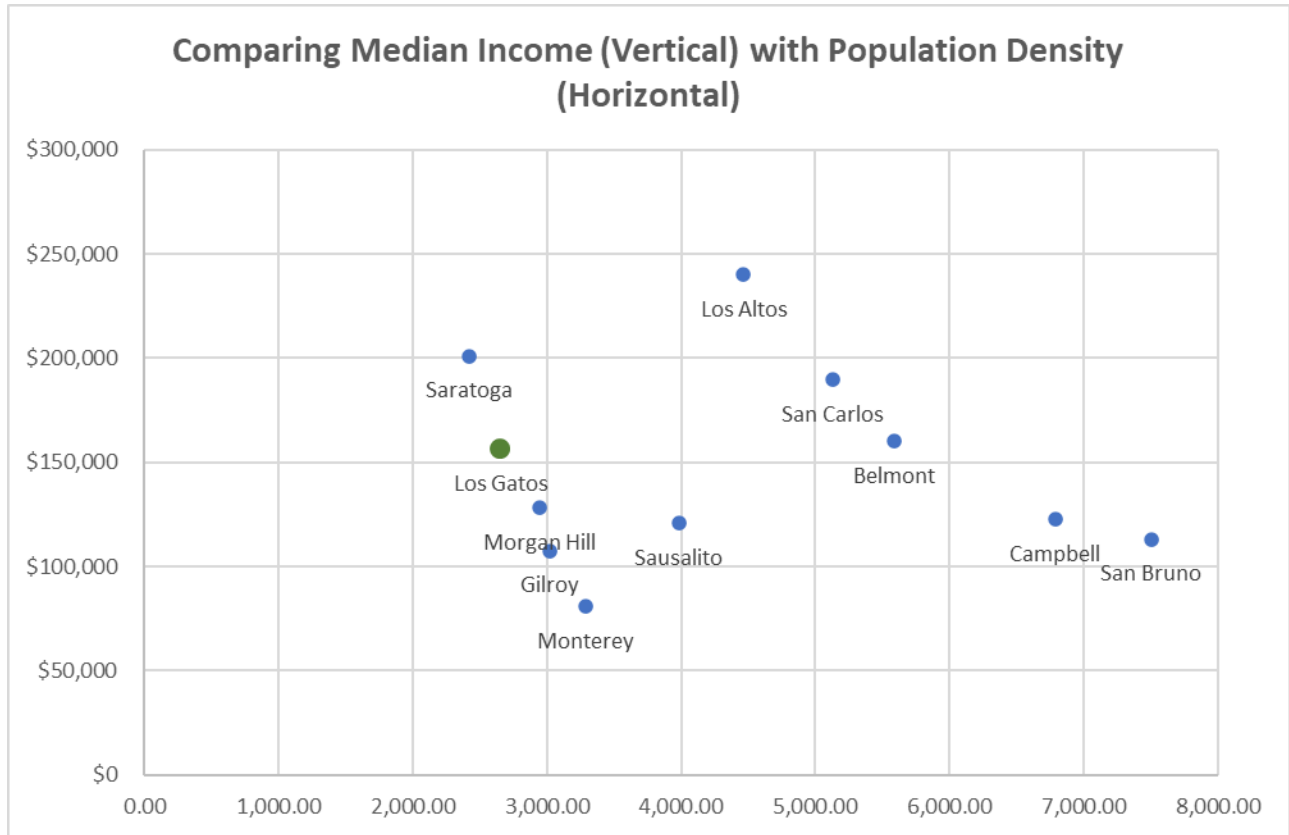
Pie Chart 1:



Town of Los Gatos: Comparison to Neighboring Cities

Below you can see the comparison jurisdictions that we chose to use in the study. They were chosen because they were: (1) in similar geographic regions, (2) were like the Town in median income, and (3) were relatively similar in population density.

Chart 5



The table below highlights population, the estimated number of licensed businesses, and estimated annual revenue for quick comparison. Below the table are some key graphics showing how the Town compares to other jurisdictions. For purposes of comparison, we use the fiscal year 18-19 data. We do so because that data is pre-COVID and so avoids the ‘noise’ in the data caused by the impact of the pandemic on the Town.

Continued on next page.

Comparison Cities Summary Table (Using FY 18-19 data)

Table 2: Comparison Data

Jurisdiction Name	Est. Square Miles	Est. Population	Est. Median Household Income	Est. Businesses in FY 18-19	Tax Type	Est. Revenue in FY 18-19
Gilroy	16.15	59,520	\$ 107,729.00	3,545	Gross Receipts (capped at \$2k)	\$ 693,758
Morgan Hill	12.88	45,483	\$ 128,373.00	3,341	Employee + Flat	\$ 246,007
Campbell	5.8	43,959	\$ 122,644.00	5,869	Employee	\$ 693,263
San Bruno	5.48	42,807	\$ 113,103.00	4,060	Gross Receipts	\$ 1,814,000
Los Gatos	11.08	33,529	\$ 156,270.00	2,483	Gross Receipts + Fixed Fee	\$ 1,686,251
Los Altos	6.49	31,625	\$ 240,094.00	3,807	Employee	\$ 540,262
Saratoga	12.38	31,051	\$ 201,046.00	3,742	Employee + Flat	\$ 377,106
Monterey	8.47	30,218	\$ 80,908.00	3,866	Gross Receipts	\$ 3,834,852
San Carlos	5.54	30,185	\$ 189,739.00	4,245	Employee + Flat	\$ 1,020,000
Belmont	4.62	26,941	\$ 160,046.00	3,074	Employee & Flat	\$ 880,000
Sausalito	1.77	7,269	\$ 120,920.00	2,285	Gross Receipts	\$ 631,060

As you can see in the above table, the Town's FY19 business tax revenues place it in the top three amongst this comparison group. One interesting comparison is between the Town and Saratoga. These are the two least densely populated jurisdiction in the study but the Town's business tax revenues are significantly higher than those for Saratoga. This is likely influenced by Saratoga's per employee structure. Another instructive comparison is with Belmont. Belmont has almost double the population density of the Town but given its current tax structure received 50% of the tax revenues that the Town did in FY19. This too is likely a function of the Employee and Flat-fee structure currently used in Belmont. Yet another interesting comparison may be with the City of Sausalito. While the City is quite a bit smaller, its per capita revenue is nearly twice that of the Town's and is more than that now given its implementation of a simplified gross receipts model a couple of years ago.

Chart 6: Est. Count of Businesses

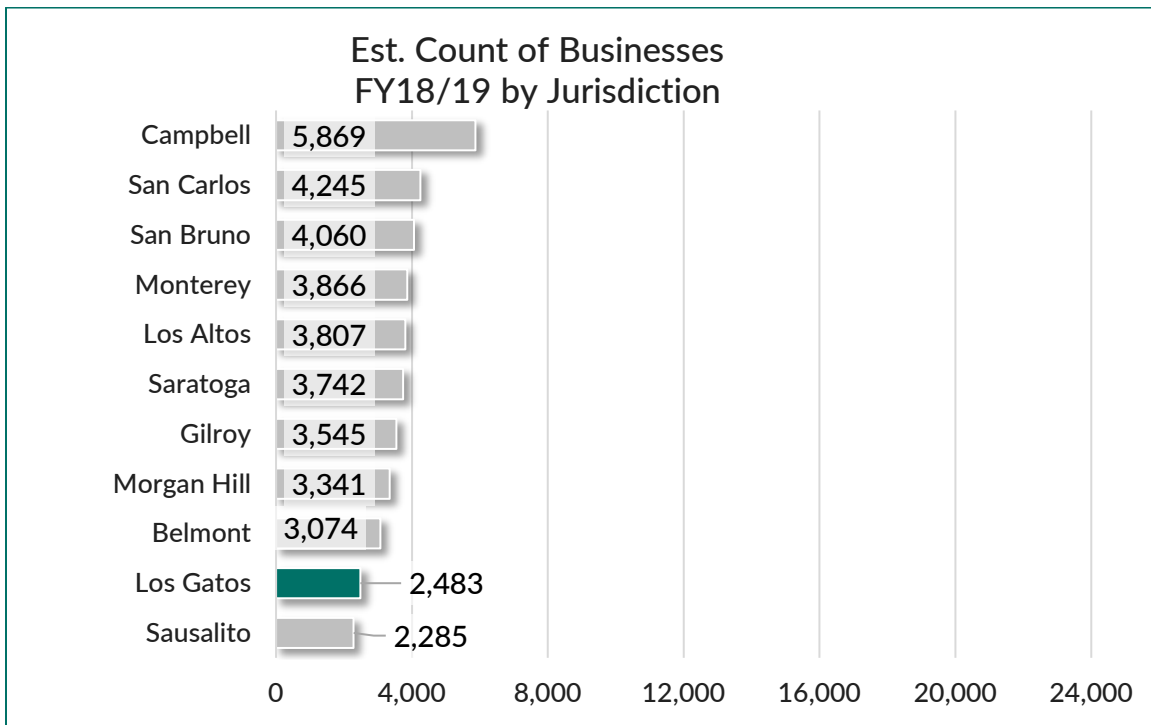


Chart 7: Business Tax Per Capita Comparison

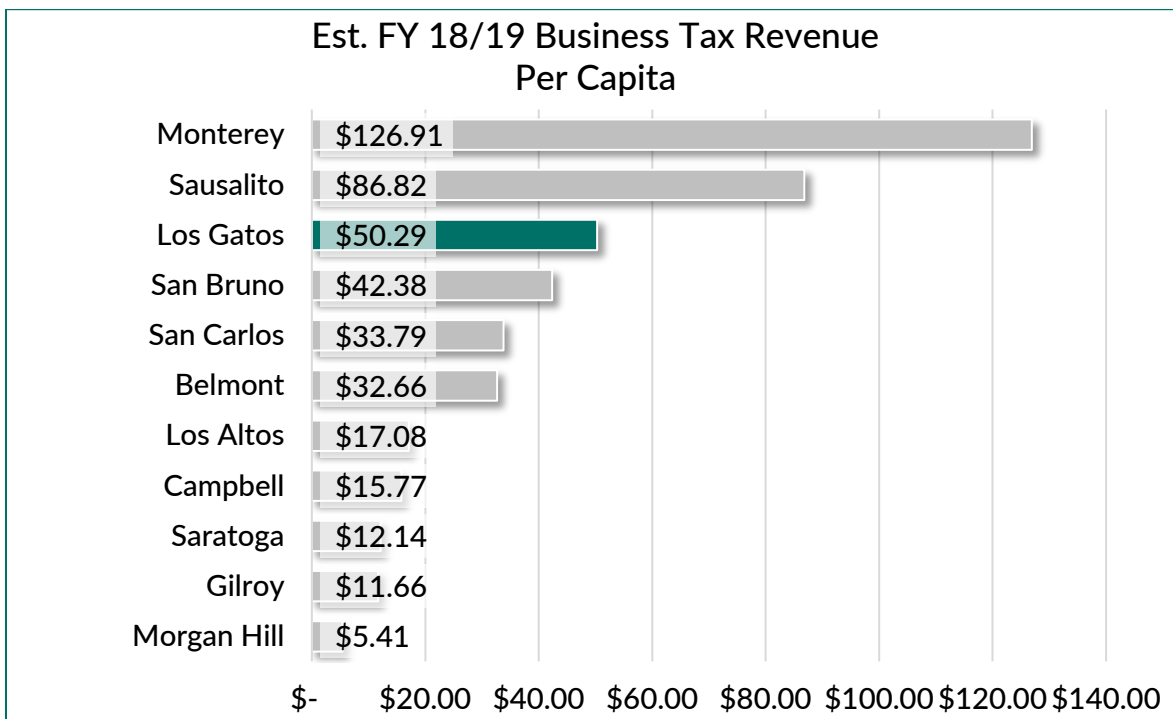
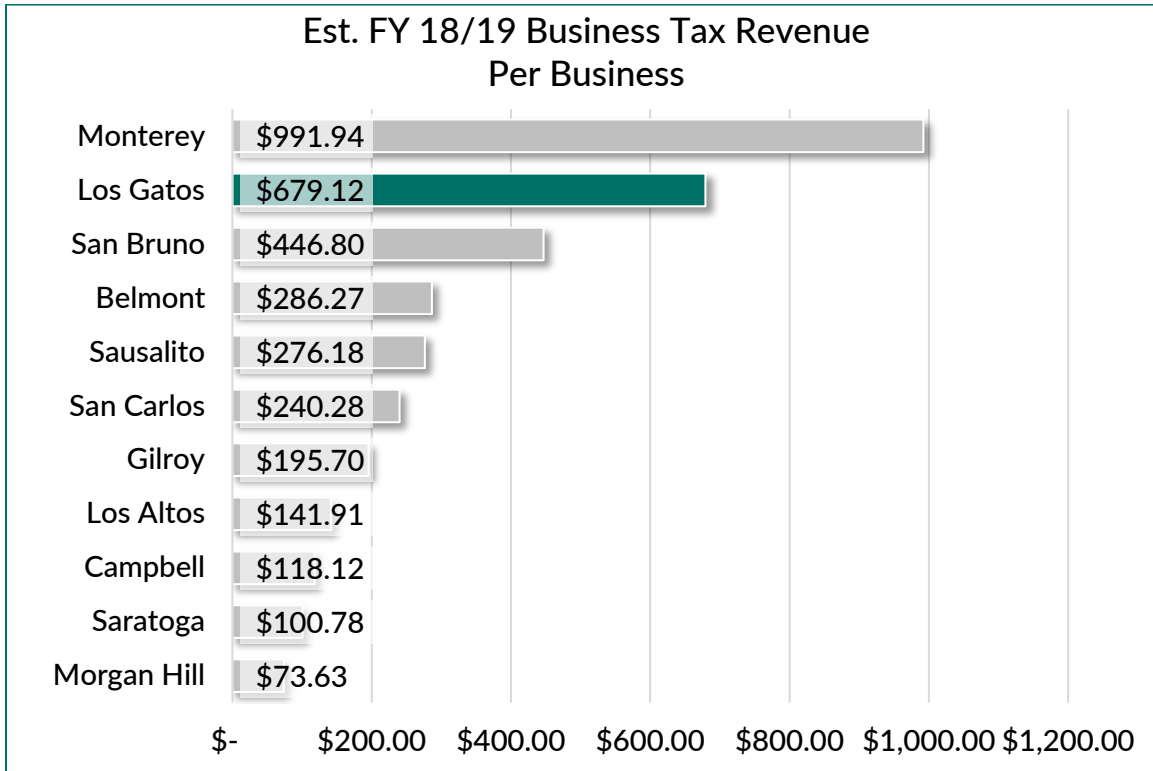


Chart 8: Business Tax per Business Comparison



Rate Comparison - Town of Los Gatos vs. Neighbors

Current Rate Comparison (Table 3)

Sample Business	Los Gatos	Belmont	San Carlos	San Bruno	Los Altos	Sausalito
Small Craft Business: 1 employee / <\$20,000	\$75.00	\$375.00	\$234.00	\$75.00	\$75.00	\$125.00
Restaurant: 3 Employees / \$150,000	\$150.00	\$443.00	\$234.00	\$162.50	\$75.00	\$150.00
Big Retailer: 275 Employees / \$19,000,000	\$975.00	\$9,691.00	\$10,024.00	\$7,750.00	\$2,765.00	\$19,000.00
Hotel / Rental Property: 50 Employees / \$1,500,000	\$375.00	\$341.00	\$2,424.00	\$1,205.00	\$305.00	\$1,500.00
Doctors Office: 20 Employees / \$2,000,000	\$2,150.00	\$3,750.00	\$1,304.00	\$1,480.00	\$980.00	\$6,000.00
Professional Firm: 15 Employees / \$1,100,000	\$1,520.00	\$2,659.00	\$1,009.00	\$985.00	\$735.00	\$3,300.00
Small Contractor: 1 Employee / \$75,000 (outside)	\$224.00	\$341.00	\$234.00	\$75.00	\$75.00	\$150.00
Contracting Firm: 3 Employees / \$225,000 (outside)	\$224.00	\$341.00	\$234.00	\$75.00	\$150.00	\$450.00

Sample Business	Los Gatos	Saratoga	Morgan Hill	Gilroy	Campbell	Monterey
Small Craft Business: 1 employee / <\$20,000	\$75.00	\$110.00	\$20.00	\$40.00	\$124.00	\$26.00
Restaurant: 3 Employees / \$150,000	\$150.00	\$130.00	\$43.00	\$120.00	\$124.00	\$213.50
Big Retailer: 275 Employees / \$19,000,000	\$975.00	\$200.00	\$3,035.00	\$2,000.00	\$572.00	\$28,488.50
Hotel / Rental Property: 50 Employees / \$1,500,000	\$375.00	\$200.00	\$165.00	\$360.00	\$321.00	\$3,585.00
Doctors Office: 20 Employees / \$2,000,000	\$2,150.00	\$200.00	\$640.00	\$100.00	\$400.00	\$2,988.50
Professional Firm: 15 Employees / \$1,100,000	\$1,520.00	\$200.00	\$450.00	\$100.00	\$400.00	\$1,638.50
Small Contractor: 1 Employee / \$75,000 (outside)	\$224.00	\$45.00	\$60.00	\$150.00	\$99.00	\$101.00
Contracting Firm: 3 Employees / \$225,000 (outside)	\$224.00	\$45.00	\$60.00	\$150.00	\$325.00	\$326.00

SECTION 2 – Category & Tax Analysis

The Town requested that HdL conduct an analysis of the current license structures and explore options for modifying the rates and categories. In Section 1, we summarized the current structure of the Town's business tax and compared the town to neighboring jurisdictions to give an idea of how the various tax structures and markets in nearby municipalities are creating different revenue outcomes.

In this section, we provide options for modifying the Town's business tax rates and classifications. Using the data compiled in section 1 of this report on current license revenues, we developed models to estimate potential fiscal impacts to the Town from the different models. You can find summary charts on pages 17-19 that provide a quick look at each proposed model's impact on the Town revenues and the business community.

License Classification and Rate Types

In what follows, we will use five basic categories of businesses. You have seen those categories earlier in Table 1. These are five basic structures that are common across municipalities. The definitions below are general and not meant to be the complete definitions that would appear in a municipal code.

General Commerce/Retail: These are retailers, wholesalers, hoteliers, restaurateurs, and manufacturers. All these businesses are likely to contribute to your tax base in other ways (i.e., property tax and sales tax) and often have lower profit margins.

Rental (Commercial & Residential): This category includes any business that leases, rents, or provides use of real property to another individual or entity for compensation. Examples include but are not limited to commercial leasing, residential rental, parcel leasing, etc.

Service: This is the offering of services that require minimal to no higher education training. This is also the default category for any business that is not specifically defined in one of the other five categories. Examples include but are not limited to hair stylists, gardeners, nail salons, etc.

Professional: These businesses offer services that require a rigorous amount of training through any type of higher education, or vocational institutions that exclusively certifies, complete obtainment of skills and the ability to offer such professional services. Examples include but are not limited to a doctors' office, a law office, a consulting firm, etc.

Contractors: These are persons or firms that are carrying on the business of a contractor, subcontractor, or builder particularly the construction or repair of any buildings. Examples include but are not limited to construction, plumbing, HVAC, etc.

Table 4: Approximate grouping of Town's Businesses by the proposed categories

Business Category Type	Total Count	Total Taxes
CONTRACTOR	539	\$ 128,316
GENERAL COMMERCE/RETAIL	644*	\$ 276,138
RENTAL (COMMERCIAL & RESIDENTIAL)	226	\$ 50,845
SERVICE	512	\$ 505,640
PROFESSIONAL	562	\$ 311,954
TOTALS	2,483	\$ 1,272,892

**Includes 342 businesses that did not have a classification in the data*

Model 1: Existing Categories with Simple Increases

The Town may elect to retain the existing structure while modifying the tax amounts for each category. Keeping the current structure in place would eliminate the need to create different categories and allow for a much simpler implementation for the Town and the business community. It would not avoid the need for an election since it would entail an increased tax rate. And it would not address any administrative complexity in the current workflows.

Table 5: Estimated revenue from a simple percentage increase

Number of Businesses	Est. FY2022 Revenue	20% Increase	40% Increase
2,483	\$ 1,272,892	\$1,527,470	\$1,782,048

Model 1 – Highlights and Impact Review

As indicated in the model above, a simple increase could keep the existing structures in place while yielding higher revenues to the Town. A 20%-40% increase across all sectors of industry is easy to implement but it does nothing to address equity. The drawback of model 1 is that the tax remains regressive. In fact, because it would increase the flat fees, it becomes more regressive. And, thus, does not really fit the Town's objectives.

Models 2 and 3: Gross Receipts Tax – Replace All Categories with Gross Receipts Tax

We now turn to consider two models that are variations on the theme of a gross-receipts-based tax.

Many California cities use some form of gross receipts tax structure. Many of those cities use a standard rate multiplier to determine the tax amount owed, setting the rate for each business category. For example, a city may choose to charge \$1 per thousand dollars of gross receipts ($0.001 \times \text{Gross}$) for a retail business while charging a rate of \$3.00 per thousand dollars of gross receipts ($0.003 \times \text{Gross}$) for service or professional businesses.

The benefits of gross receipts-based taxes are the equity of their effective tax rate, ease of calculation, and potential for capturing revenue from growth in the economy. The drawback is that it exposes Town revenues to the fluctuations of gross receipts in the economy.

Gross Receipts Tax – Estimates

Since we do not have information on gross receipts for the Town's current businesses, we used multiple assumptions in the options below, which are meant to provide an estimate of the possible impact and should not be relied upon for precise budgeting. The following information was used as a basis for the tax tables and models in the options below. Please note that in estimating the Total Gross Receipts, we have chosen to exclude a significant outlier that would skew the models.

Table 6: Key estimates used in the gross-receipts models

Number of Businesses	Total Business Taxable Gross Receipts (Est.)
2,483	\$1.17 billion

Model 2: Gross Receipts Tax – Single Gross Receipts Rate

Model 2 reflects the potential revenues from converting the Town tax to a single-rate, gross-receipts model. This model is simple to administer—everyone is charged the same rate—but it allows the Town to increase revenue. Model 2 also lowers the annual base rate to a uniform \$25, to provide some tax relief for smaller businesses.

Table 7: Model 2—Potential Tax Structure

Tax Basis	Tax Rate
Base Rate	\$25 Flat Rate (first \$25,000 Gross Receipts)
Gross Receipts Tax	+ \$1.50 per thousand dollars of Gross Receipts (0.0015 x Gross Receipts)

Model 2 Estimates Table

The table below indicates the potential revenues from implementing a gross receipts tax with two options, \$1.25 per thousand and \$1.50 per thousand. Information for the estimates comes from the data in the section above. Please note that this model and model three do not include the actual gross receipts. These models use estimated gross receipts based on the business classification. Although, this is generally useful, where, as here, the jurisdiction has taxpayers that far exceed the average, the model will be conservative.

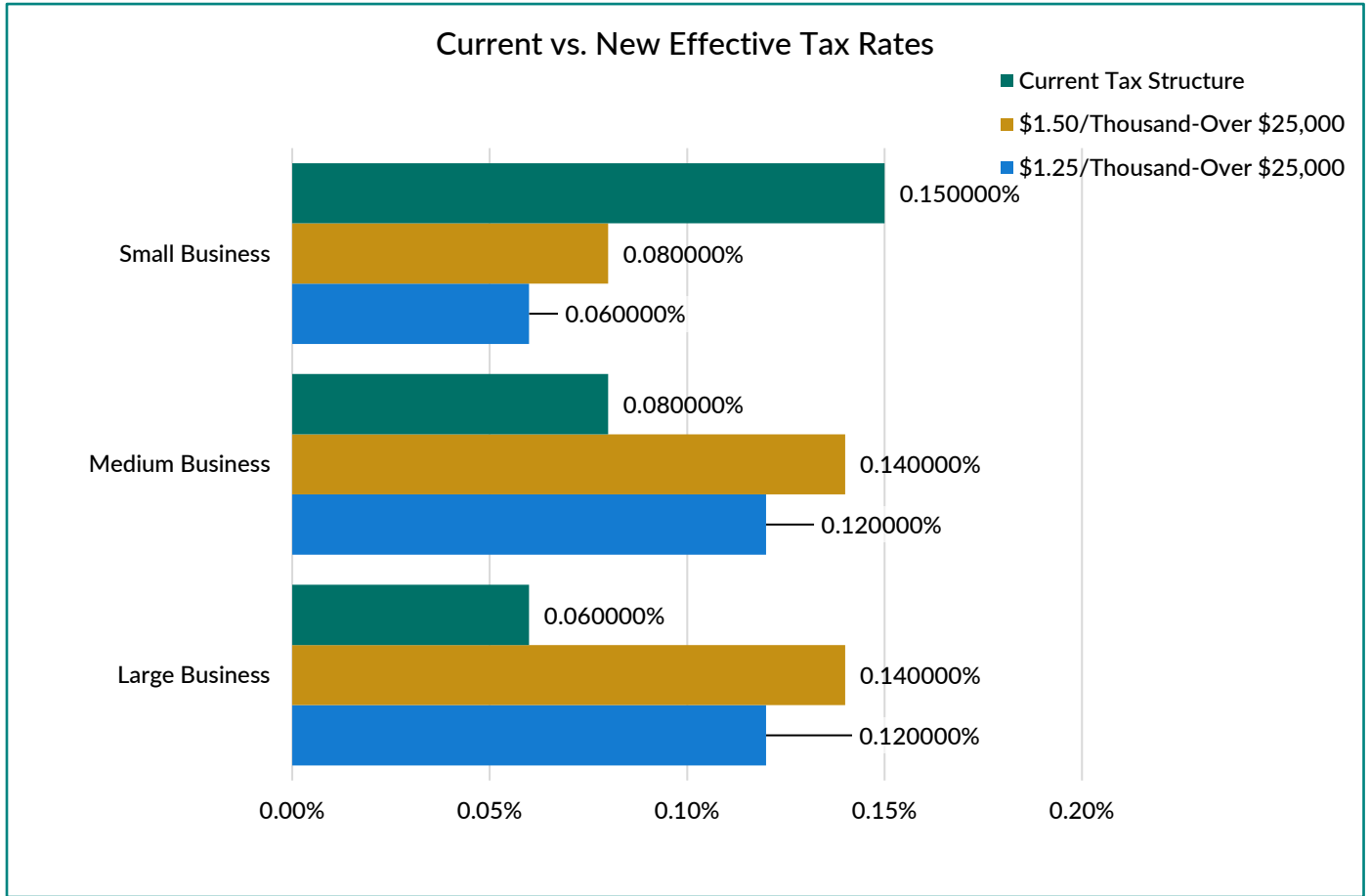
Table 8: Model 2 – Rough Estimates from a simple gross receipts structure

Number of Accts	Taxable Gross Receipts	Base Rate @ \$25 per Account	Tax Amount \$1.25/ thousand -Over \$25,000-	Tax Amount \$1.50/ thousand -Over \$25,000-
2,483	\$1.17 billion	\$62,075	\$1,382,939	\$1,659,527
		TOTAL	\$1,445,014	\$1,721,602

Model 2 – Highlights and Impact Review

The "single rate" method of taxing on gross receipts provides an even distribution of the effective tax rate because all businesses subject to the tax will pay the same rate. Under this method, no cap is put in place, and therefore most of the revenues are received from the highest-grossing businesses. Model 2 expands revenue while keeping the tax structure simple and easy to understand for businesses and helping to decrease the effective tax rate on smaller businesses while asking larger businesses to pay their fair share.

Chart 9: Estimated Effective Tax Rates Under A Simple Gross Receipt Model



Model 3: Gross Receipts Tax – Classification-Based Rates

Model 3, as indicated below, would create different rates for different business classifications. For example, the Town might choose to implement a rate for the retail/wholesale/miscellaneous business activities at a base rate of 0.001, recognizing the higher costs of goods sold and lower profit margins for these types of business as well as their contribution to other Town revenues such as sales tax. Conversely, the Town could consider implementing a higher rate for professionals due to the nature of their business model. This model affords the most flexibility for increasing revenues while accommodating certain business categories. Model 3 utilizes the same base rate as the previous model to resemble the base rate of neighboring cities.

Please note that for the Town of Los Gatos, given its more upscale nature and concentration of professional services, the additional burden placed on professional services in this model may be a serious constraint on how useful Model 3 if it were implemented.

Tax Structure and Estimated Revenue

The following table illustrates how gross receipts rates can vary by categories giving flexibility to the tax structure. The structure provided is just one example of how the Town might utilize a gross receipt model. Should the Town decide to use a gross receipts tax model, HdL will work with the staff to finalize a structure that best serves the Town's goals.

Table 9: Basic tax structure for classification-based gross receipts

Categories	Base Rate	Gross Receipts Tax Rate
CONTRACTOR	\$25 Flat Rate per Business (first \$25,000 in Gross)	0.002 X Gross
GENERAL COMMERCE/RETAIL		0.001 X Gross
RENTAL (COMMERCIAL & RESIDENTIAL)		0.003 X Gross
SERVICE		0.001 X Gross
PROFESSIONAL		0.003 X Gross

Table 10: Estimated revenue from classification-based gross receipts

Business Type	Number of Accts	Est. Taxable Gross Receipts	Base Rate \$25 per business	Total Est. Annual Gross Receipts Tax	Current Taxes
CONTRACTOR	539	\$ 130,595,970	\$ 13,475	\$ 234,241	\$ 128,316
GENERAL COMMERCE/RETAIL	644	\$ 513,460,273	\$ 16,100	\$505,910	\$ 276,138
RENTAL (COMMERCIAL & RESIDENTIAL)	226	\$ 58,682,658	\$ 5,650	\$159,097	\$ 50,845
SERVICE	512	\$ 112,360,600	\$ 12,775	\$ 199,171	\$ 505,640
PROFESSIONAL	562	\$ 353,067,423	\$ 14,050	\$1,017,052	\$ 311,954
	2,483	\$1.17 billion	\$62,075	\$ 2,116,177	
			TOTAL	\$ 2,178,252	\$ 1,272,892

Model 3 – Highlights and Impact Review

This option has the benefit of spreading the burden of an increase across multiple business types. But given the high number of professionals in the Town's economy there would be a significant increase in taxes paid by professional services. While they may be able to absorb the cost, they may also choose to relocate. The impact of such a loss should be considered when evaluating the Town's options. The Town has the option of modifying the rates and reassigning business types to different categories to account for concerns about impacts on different parts of the economy. The model above includes basic rate increases for standard categories but can be further expanded or contracted to accommodate a different method of the Town's choosing.

Proposed Rates Comparisons

Table 11: Comparing Gross-Receipt Models By Hypothetical Business Type

Sample Business	Town's Current Rates	Model 2 Gross Receipt \$1.50 / Thousand	Model 3 Gross Receipts \$1 - \$3 / Thousand
Small Craft Business: 1 Employee / <\$20,000	\$75	\$25	\$25
Nail Salon: 1 Employee/\$100,000	\$112.5	\$138	\$100
Tutor: 1 Employee/\$75,000	\$200	\$100	\$75
Restaurant: 3 Employees / \$150,000	\$150	\$213	\$150
Mid-size Restaurant: 15 Employees / \$2,000,000	\$975	\$2,988	\$2,000
Big Retailer: 275 Employees / \$19,000,000	\$975	\$28,488	\$19,000
Hotel / Rental Property: 50 Employees / \$1,500,000	\$375	\$2,238	\$1,500
Doctors Office: 10 Professional/ 10 Support / \$2,000,000	\$2,150	\$2,988	\$5,950
Doctor's Office: 1 Professional/1 Support/\$745,000	\$215	\$1,105	\$2,185
Doctor's Office: 20 Professionals /1 Support/\$2,000,000	\$4,015	\$2,988	\$5,950
Professional Firm: 15 Employees / \$1,100,000	\$1,520	\$1,638	\$3,250
Attorney: 1 Professional/\$300,000	\$200	\$438	\$850
Small Contractor: 1 Employee / \$75,000 (outside)	\$224	\$100	\$125
Contracting Firm: 3 Employees / \$225,000 (outside)	\$224	\$325	\$425
Ecommerce/Wholesale: 25 Employees/\$4,000,000	\$1,687.50	\$5,988	\$7,975
Estimated Totals	\$13,098	\$49,755	\$49,560

Chart 10: Average Revenue Yield Models By Business Category

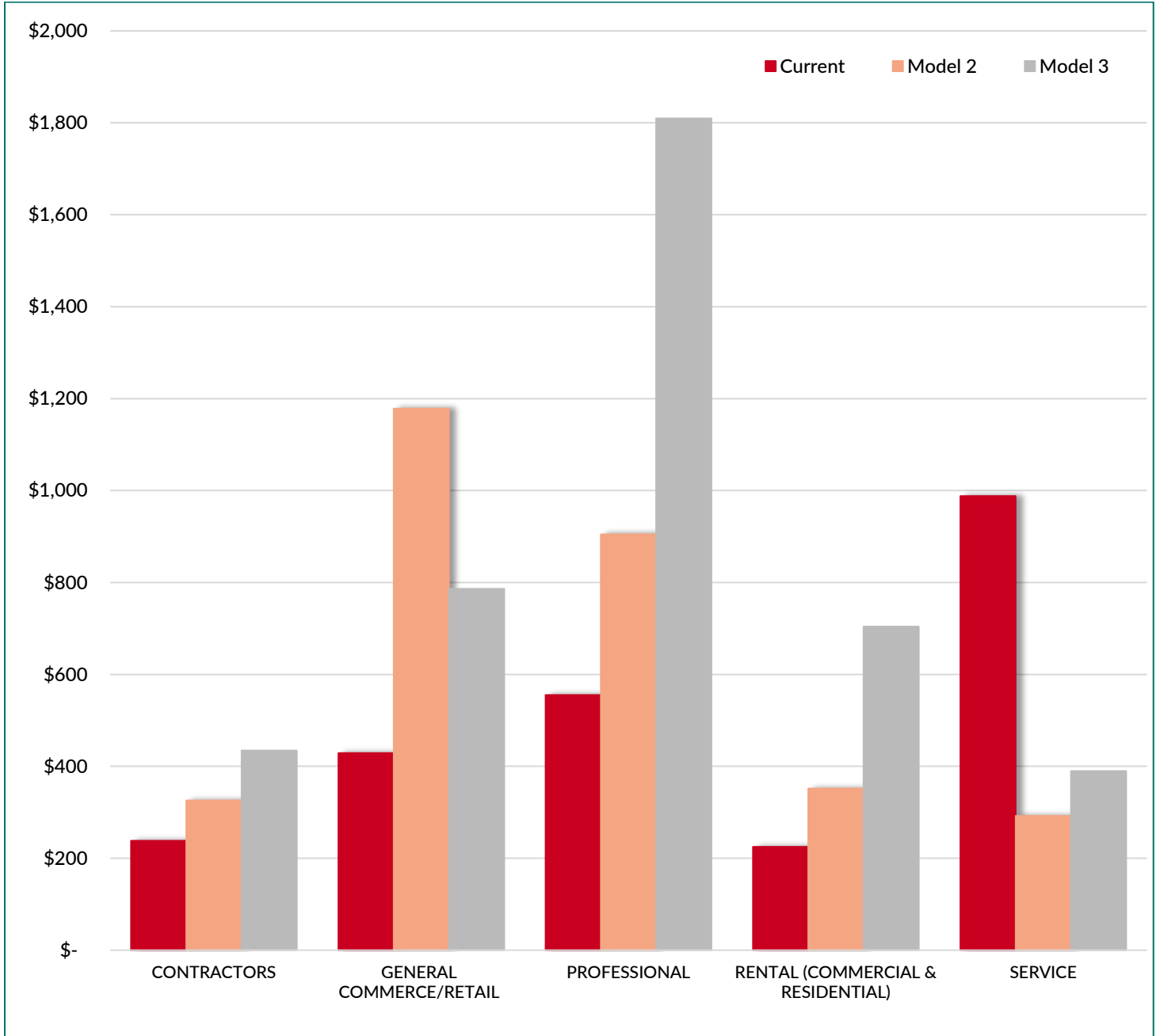
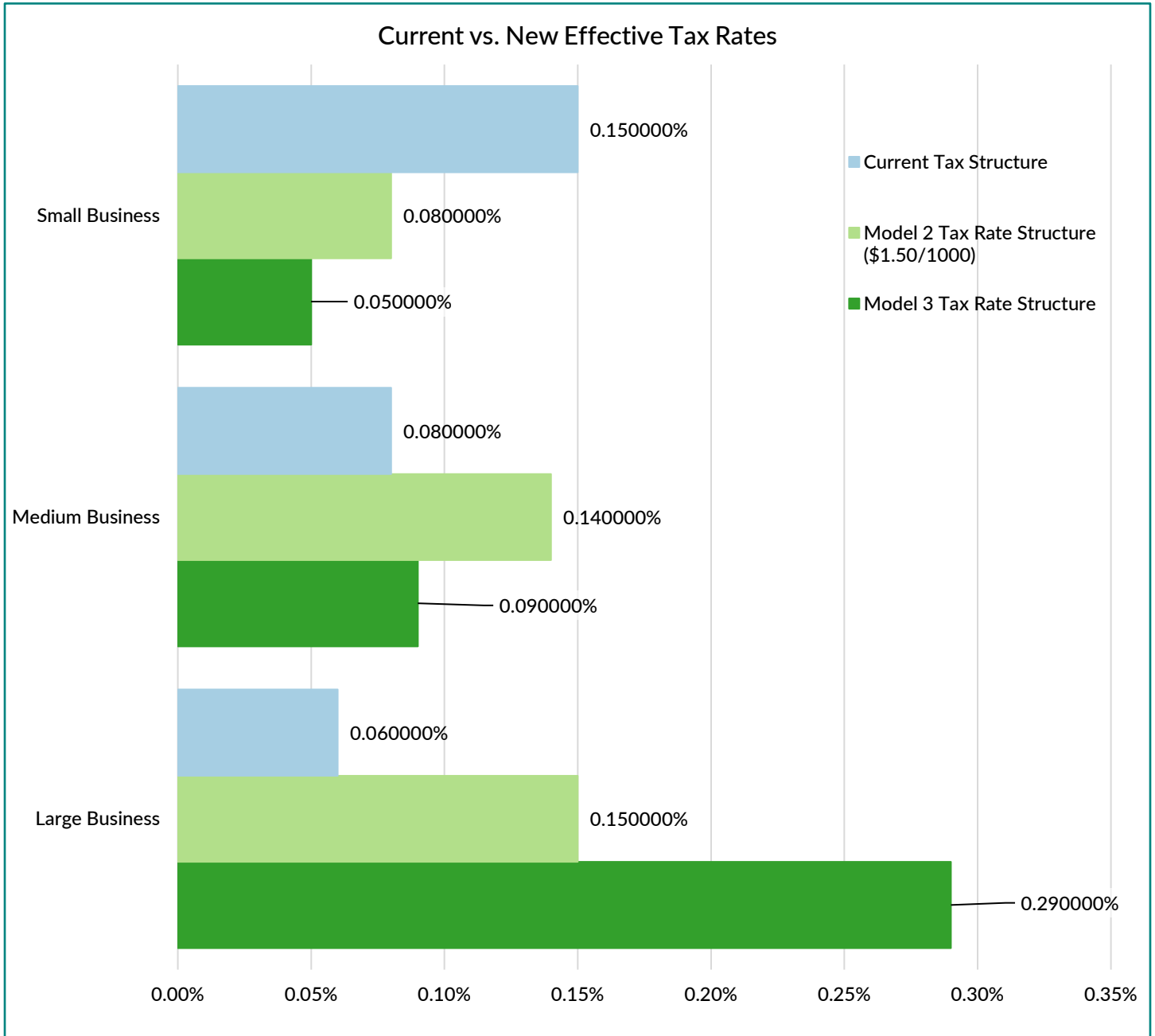


Chart 11: Equity of Models



Appendix A

Code Review

1. Code Section 14.10.10 Definitions

We recommend that the Town update the definition of “gross-receipts” to clarify that transfers from one entity or partner to another, are only excluded if the receiving partner (or entity) has a business license in the Town.

We also recommend that to deal with the rise of start-ups and ecommerce that the definition of “Gross Receipts” should include the cost of operations. For example, if a business is in start-up-mode and has \$10,000 in gross receipts but has significant venture capital backing and thus has a cost of operations of \$1,000,000, that business should use the cost of operations as its gross-receipts and pay the tax on that measure. While this change would add some complexity to the application and renewal process it improves the flexibility of the code for future changes in the economy.

2. Code Section 14.10.015 Statement of Purpose

We commend the Town for having a clear statement that the purpose of the business license is for revenue purposes. This clear statement can be vital in shaping administrative ease and avoiding potential legal issues with intertwining the revenue-based and regulatory measures.

3. Code Section 14.10.025 Branch Establishments

We recommend that this section be amended to add language clearly addressing what happens if two different business activities, having two different classifications, occur at the same location. Generally, municipalities either allow apportionment or require the higher of the two classifications to apply.

4. Code Section 14.10.03 Exemptions.

We commend the Town for the flexible definition of exemptions in subparagraph (a)(1). In that same spirit, the Town may want to consider combining the exemptions in subparagraphs(a)(2)-(4) with the clearer definition of a non-profit entity in subparagraph(a)(5).

Additionally, paragraph (b) contains a small business exemption. And section 14.20.125 contains one for contractors. We recommend consolidating the exemptions or at least placing them together here in this section. It will make it easier for your administrative staff and the community to find and apply the exemptions.

5. Code Sections 14.10.035, 14.10.040, and 14.10.045—Signature requirements

We recommend that you remove the signature requirement. It is of little value—you already have a provision indicating the statements are not binding against the Town—unless you want that ability to prosecute people for perjury. You may also consider removing any requirements for certification or sworn statements, etc., for the same reason. Both requirements can make it difficult to use online processing and thus can increase administrative complexity.

6. Code Section 14.10.040 True-up

Paragraph (b) gives the taxpayer until May 15th to file their true-up. Given that the same information is used for the true-up and the renewal, which is due in January, we recommend that you move the true-up to January to make it easier for your administrative staff and your taxpayers.

7. Code Section 14.10.055 Confidentiality

You may want to consider that your current language here prevents you from sharing information with internal departments. Additionally, it might be good to clarify that some form of aggregated reporting is allowed.

8. Code Sections 14.10.060, 14.10.065, and 14.10.115

In these sections, the Town requires approvals or administrative hearings to go immediately to the Council. We recommend that the code be changed to have the first approvals and hearings conducted by the Town Manager. This can preserve confidentiality for the taxpayer and provides another opportunity for resolution before bringing the matter before the Town Council.

9. Code Section 14.10.075 Delinquencies

It may be difficult to require that no license be issued if they are delinquent. This is particularly true since the purpose of the license is just signify payment of tax and not to authorize the conducting of a business. Put another way, to refuse payment for a current period when back periods are owed may expose the taxpayer to additional penalties. This may be the intent but, if not, the Town may want to consider the cost of this policy. Additionally, we recommend that you add language allowing the Town to recoup the cost of collection.

10. Code Section 14.10.095 Term

You may want to consider clarifying that licenses expire at the end of the duration (i.e. a calendar year and calendar month) and not just at the end of year as stated in this section.

11. Code Section 14.10.105 Transferability

We recommend that you not allow transfers. A change of address may require new zoning or other reviews. We recommend that you require a new application when a business relocates.

12. Code Section 14.10.110 Duplicate License Charges

We recommend that the Town remove the charge for a duplicate. It may make sense to charge it if the requests become excessive but generating a certificate with most modern systems is not sufficiently expensive to justify the overhead of tracking and charging this cost.

13. Code Section 14.10.125

We recommend that Town remove the duty to inspect and replace it with the right and the discretion to inspect. It is unlikely that the Town will inspect all businesses. The cost is too high and the benefits are too low. We also recommend that you add language clarifying that the Finance Director can designate someone else to do this function in their place.



June 2, 2022

Dear Mayor Rennie and Council Members,

The Los Gatos Visitor Center would like to pull the Visitor and Information Center Contract from the June 7 Consent Agenda.

The past few years the Visitor Center staff has been committed to building the Visitor and Information Center into Visit Los Gatos CA. Visit Los Gatos CA is the destination marketing arm for Los Gatos. This continuing commitment entails building and marketing the Visit Los Gatos CA brand through social media and the destination website in addition to the brick-and-mortar visitor and information center.

The money from our annual \$55K agreement plus the \$55K ARPA one-time emergency destination marketing funds have allowed us to build these foundations over the past year. In order to maintain, grow the brand and bring more visitors to Los Gatos, we are requesting an annual increase of \$33.5K to our existing agreement bringing the total to \$88.5K. (See Charts 1 & 2)

The Chamber fully understands the Town's current financial constraints and concern regarding a projected \$1,000,000 shortfall in TOT from 2018-2019. While the staff is still navigating the destination & digital marketing learning curve, studies have shown there is a direct positive impact on visitor spending per \$1 invested in sales and marketing. (See Chart 3). Increasing our brand awareness as a destination location has the added benefit increasing our hotel occupancy rate and in return a financial benefit for the Town. In other words, heads in beds increases TOT and sales tax revenue. (See Chart 4)

There are two questions Council should consider:

1. "Do you want Los Gatos to be a destination location?"
Visit Los Gatos CA plays a vital role in the development of Los Gatos as a destination location.
 - Boosts audience engagement and following. Followers have increased by 47.6% since the transition from Experience Los Gatos to Visit Los Gatos.
Experience Los Gatos (1999-6/7/21)-2706 Followers
Visit Los Gatos (6/8/21-Present)-5685 Followers
 - Increases brand awareness of Los Gatos as a destination by reaching potential visitors outside of Silicon Valley.
 - Represents and promotes ALL businesses in Los Gatos. Whereas the Chamber social media accounts & website promote members only, Visit Los Gatos CA levels the playing field for all businesses. It gives all businesses free marketing and advertising exposure.
 - Promotes non-business sectors of Los Gatos: parks, hiking, biking, and Town and community organizations' special events.
 - Establishes the Social media staff person as an influencer who drives our message to a target audience. Through the creation of targeted, engaging and quality content, our social media influencer has established themselves as an expert. They continue to build credibility and trust among our followers who in turn recommend the site and social media accounts to others.
2. How much longer can Los Gatos rely only on its residents to financially support the Town?
Tourism plays a critical role in funding the Town's budget and takes the tax burden off the residents.

As an example, in their destination business plan supplement for 2022, Newport Beach and Company, the Destination Marketing Organization (DMO) for Newport Beach, CA summarizes it as follows:

"By enticing visitors to stay in Newport Beach, the City of Newport Beach generates Transient-Occupancy Tax (TOT), its third-largest revenue source. This income to the city benefits residents, saving each household an average of \$1,139 in additional taxes every year, while maintaining the exceptional infrastructure and city services expected in Newport Beach. To keep the Newport Beach economy churning at the same levels and to keep thousands of local businesses open, each household would have to spend an additional \$43,922 more locally each year in Newport Beach, to make up for the economic benefits of tourism."

Source: https://newportbeachandco.com/wp-content/uploads/2021/05/DBP_2022.pdf

Visit California recently published its California's Visitor Economy Travel Forecast & Key Drivers for April 2022 with the follow major takeaways.

- Tourism spending in California grew to \$100.2 billion in 2021, 69% of the 2019 amount.
- Travel-related spending from Domestic visitors is expected to recover to 104% of 2019 levels in 2022, while international spending will only recover to 53%.
- Total travel-related spending in California is not expected to reach pre-coronavirus levels until 2023 and 28% above 2019 spending levels by the end of 2026.
- Overall, Leisure travel (person trips) could recover to 94% of 2019 volume in 2022, while Business-related travel will recover to 79%.
- International Inbound travel spending increased 3% in 2021, and is expected to reach \$15 billion, or 53% of 2019 spending in 2022.
- Travel-generated tax revenue increased to \$15.0 billion in 2021, an increase of 23.1% from the prior year. Compared to 2019, travel-generated tax revenue is down 25.4 percent.
- Visitors who stayed in a Hotel, Motel, or STVR spent \$52.4 billion in 2021, an increase of 44.0%. Visitors who stayed in a Private Home with friends and relatives spent \$17.0 billion in 2021, an increase of 136.1%.
- Direct travel-related spending in California grew to \$100.2 billion in 2021, a 46.3 percent increase from the previous year. Compared to the peak of 2019, travel spending was down 30.9 percent in 2021.
- Statewide hotel occupancy averaged 71.5% in April 2022, a 19.4% increase from 2021.

Note: San Francisco Bay Area occupancy averaged 67.1% in April 2022

- The state's average daily rate was \$188.95 per night, up 41.3% year over year and 12.3% vs. 2019.

Note: San Fran Bay Area average daily rate was \$186 per night

Source: <https://industry.visitcalifornia.com/research/economic-impact>

The short answer to all of this is, now more than ever, we must be competitive to increase our share of the domestic travel market. There is money to be had. Each additional visitor to Los Gatos will incrementally increase the Town's TOT and sales tax revenue. (Chart 5) (Chart 6)

The requested increase in the Visit Los Gatos CA budget is a short-term funding fix. The requested \$33.5K increase will fund social media outreach, further website enhancements, and inviting street pole banners.

Long-term funding strategies such as Tourism Improvement Districts (TID) combined with a percentage of TOT that puts the tax burden on the visitors and not the residents require further discussion. Municipalities across the state and country have invested in forming tax-funding mechanisms that support their destination marketing efforts. If this is a consideration perhaps Council can convene a work study session with stakeholders; Town staff, Chamber, Visit Los Gatos CA, Finance Commission, and hotel representatives to consider the direction going forward.

Thank you for your consideration in this matter.

Respectfully,

The Executive Director and Staff of Visit Los Gatos CA



**TOWN OF LOS GATOS
FINANCE COMMISSION REPORT**

MEETING DATE: 06/13/2022

ITEM NO: 4

Item 4.

DATE: June 9, 2022
TO: Finance Commission
FROM: Laurel Prevetti, Town Manager
SUBJECT: Receive FY 2020/21 Federal Single Audit Corrective Action Plan

RECOMMENDATION:

Staff recommends that the Finance Commission receive the revised Federal Single Audit Report Corrective Action Plan for the fiscal year ended June 30, 2021.

DISCUSSION:

On May 9, 2022, staff presented the Town's Federal Single Audit for FY 2020/21 Single Audit Report. Upon approval by Town Council, which is currently agendaized for June 21, 2022, the Single Audit will be filed electronically by the auditor with certification by Town staff. The due date for filing is September 30, 2022.

Accompanying the Single Audit Report is a required supplemental corrective action plan for federal agency review that must be submitted if the audit report had a finding. The affected Federal awarding agency or pass-through entity will review the report and if necessary, will follow up with Town staff on the acceptability of the Town's corrective action plan or any alternative actions it expects staff to implement.

Upon feedback received from the Finance Commission on the possibility of re-submitting the CARES Act claim using an alternative eligible cost to replace the waiver of rents, staff contacted the State Department of Finance. Upon staff's request, the Department of Finance allowed staff to correct, resubmit, and reallocate the questioned costs amount of \$94,988 from business support (rent waivers) to public safety payroll costs. Staff received written approval of the reallocation as corrected in the State's Corona Virus reporting worksheet on June 1, 2022.

PREPARED BY: Stephen Conway
Interim Finance Director

Reviewed by: Town Manager and Assistant Town Manager

PAGE 2 OF 2

SUBJECT: Receive FY 2020/21 Federal Single Audit Corrective Action Plan

DATE: June 9, 2022

DISCUSSION (continued):

The attached revised Corrective Action Plan was updated to include the re-submission of replaced public safety costs to be substituted for rent waivers as approved by the State Department of Finance. Staff and its independent auditor believe that the nature of the finding and the revised corrective action plan as proposed have a positive result for the Town and that no further action or adverse outcomes would be required by the Federal agency reviewing this report.

Attachments:

1. FY 2020-21 Single Audit
2. FY 2020-21 Corrective Action Plan

Town of Los Gatos

Los Gatos, California

Single Audit Reports

For the year ended June 30, 2021



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

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

INDEPENDENT AUDITOR'S REPORT

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

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

Internal Control Over Financial Reporting

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

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

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

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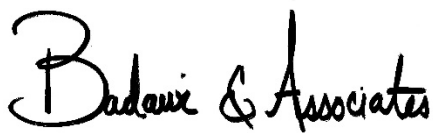
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

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



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



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

INDEPENDENT AUDITOR'S REPORT

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

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

To the Honorable Mayor and Members of the Town Council
of the Town of Los Gatos
Los Gatos, California
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Basis for Qualified Opinion on CFDA 21.019 Coronavirus Relief Fund

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

Qualified Opinion on CFDA 21.019 Coronavirus Relief Fund

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

Unmodified Opinion on Each of the Other Major Federal Programs

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

Other Matters

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

Report on Internal Control Over Compliance

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

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

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

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

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

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

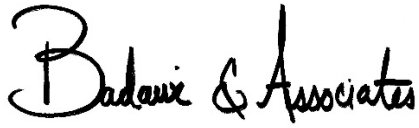
Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

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

To the Honorable Mayor and Members of the Town Council

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

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

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

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

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

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

A. Reporting Entity

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

B. Basis of Accounting

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

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

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

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

D. Pass-Through Entities' Identifying Number

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

E. Indirect Costs

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

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

Section I – Summary of Auditor’s Results

Financial Statements

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

Internal control over financial reporting:

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

Any noncompliance material to the financial statements noted No

Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs:

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

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

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

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

Section II – Current Year Findings

No financial statement findings were noted.

Section III- Federal Award Findings and Questioned Costs

Finding: 2021-001

Awarding Agency	Department of the Treasury
Passed through	State of California (State)
Program	Coronavirus Relief Fund
AFN#	21.019

Criteria:

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

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

Condition:

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

Cause:

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

Questioned Costs:

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

Context and Effect:

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

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

Section III- Federal Award Findings and Questioned Costs, Continued

Finding: 2021-001, Continued

Recommendation:

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

Management Response:

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

In response to the questioned finding on waivers of rent, staff received approval from the State of California Department of Finance to re-allocate the questioned costs amount of \$94,988 from business support (rent waivers) to public safety payroll. The department reviewed the Town's submittal and on June 1, 2022 the Town received the department's approval of the re-allocation as corrected in the State's Corona Virus Fund Reporting worksheet.

Section IV - Prior Year Financial Statements Findings

No financial statement findings were noted.

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

No findings or questioned costs were noted.



TOWN OF LOS GATOS CORRECTIVE ACTION PLAN

SINGLE AUDIT FOR THE YEAR ENDED JUNE 30, 2021 CORRECTIVE ACTION PLAN

FINANCIAL STATEMENT FINDINGS - CURRENT YEAR

Finding Reference Number: 2021-001 **General Fund Financial Position (Material Weakness)**

Name(s) of the contact person: Stephen Conway, Director of Finance

Corrective Action Plan: Based on the Town's understanding of the initial guidance released April 22, 2020 regarding CARES act eligible uses, rent forgiveness support was classified as eligible under the Small business assistance category of expenditures. As such, the Town Council opted to assist certain Town lessees by forgiving their rent (a voluntary write-off of rents due to the Town) to support these entities during the height of the pandemic.

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

In response to the questioned finding on waivers of rent, staff received approval from the State of California Department of Finance to re-allocate the questioned costs amount of \$94,988 from business support (rent waivers) to public safety payroll. The department reviewed the Town's submittal and on June 1, 2022 the Town received the department's approval of the re-allocation as corrected in the State's Corona Virus Fund Reporting worksheet.



TOWN OF LOS GATOS CORRECTIVE ACTION PLAN

Anticipated Completion Date:

Because of significant other CARES act qualifying expenditures that can be substituted for the questioned cost, effective immediately the Town of Los Gatos will refrain from claiming the Town Council approved expense write-offs of rental revenues due to the Town from lessees as an eligible use of Federal funds. This decision was made under the advice from the Town's independent auditor and staff's review of the updated discussion of eligible expenditures and eligibility of lost revenues as was recently released in the January 15, 2021 Federal Register Department of the Treasury Corona Relief Fund for States, Tribal Governments, and Certain Eligible Local Governments.



**TOWN OF LOS GATOS
FINANCE COMMISSION REPORT**

MEETING DATE: 06/13/2022

Item 4.

ITEM NO: 4

DESK ITEM

DATE: June 13, 2022
TO: Finance Commission
FROM: Laurel Prevetti, Town Manager
SUBJECT: Receive FY 2020/21 Federal Single Audit Corrective Action Plan

REMARKS:

Attachment 3 contains public comment received between 11:01 a.m. June 10 to 11:00 a.m. June 13, 2022. Staff reviewed the public comment and confirmed with the Town independent auditor, Badawi and Associates that the Letter on Internal Control dated December 31, 2021 reporting a material weakness in control over financial reporting was reported in error and the Town has received the attached corrected Single Audit Report from the Town's independent auditor (Attachment 4). The corrected Single Audit Report now states that the independent auditor did not identify any deficiencies in internal control that the auditor considered to be material weaknesses.

Attachments previously received with the Staff Report:

1. FY 2020-21 Single Audit
2. FY 2020-21 Corrective Action Plan

Attachment received with this Desk Item:

3. Public Comment received 11:01 a.m. June 10 to 11:00 a.m. June 13, 2022
4. FY 2020-21 Single Audit Corrected

PREPARED BY: Stephen Conway
Interim Finance Director

Reviewed by: Town Manager and Assistant Town Manager

From: Phil Koen

Sent: Friday, June 10, 2022 2:32 PM

To: Ron Dickel

Cc: Kyle Park; Rob Rennie <RRennie@losgatosca.gov>; Matthew Hudes <MHudes@losgatosca.gov>; Shelley Neis <sneis@losgatosca.gov>; Laurel Prevetti <LPrevetti@losgatosca.gov>; Arn Andrews <aandrews@losgatosca.gov>; Jak Van Nada; Rick Van Hoesen

Subject: Re: Agenda Item #4

EXTERNAL SENDER

Well We are politely requesting it to be discussed because the material weakness with regard to the financial statements was absolutely not discussed on May 7. We would like to know the specifics of this finding. Also the letter is very confusing.

And we respectfully want to know when the first letter was received by the Staff. Was it in the past month or was it around the time the letter was dated ie December 31, 2021.

This last point is important because if it was received after April 25, 2022 then the auditors did not disclose this material weakness at the time the audit verbal communications took place. This is a big issue. Surely you understand the significance of this issue. If needs to be day lighted.

It would be good to have Badawi on the call to discuss. This is our request.

Thank you.
Sent from my iPhone

On Jun 10, 2022, at 1:59 PM, Ron Dickel wrote:

Phil

The below letter was discussed at the Finance Commission meeting on May 9.

Thank you.

Ron

On Jun 10, 2022, at 11:45 AM, Phil Koen wrote:

Dear Finance Commission,

Agenda item #4 is to discuss the Federal Single Audit Corrective Action Plan.

However, in reviewing the material, the LGCA respectively points out that the Town **received two letters from Badawi and Associates** regarding material weakness and significant deficiencies in internal controls. The first letter, which is attached, is dated December 31, 2021 and addresses the audit of the financial statements of the governmental activities, each major fund and the budgetary comparison for the General Fund of the Town of Los Gatos. The letter states that Badawi identified certain deficiencies in internal control that they considered to be material weaknesses and significant deficiencies. A material weakness is a deficiency in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. This is why we are drawing the Finance Commission's attention to the first letter.

To the best of our knowledge, this letter was not presented to the Finance Commission at the time the Finance Commission reviewed the Town's financial statements. Furthermore, we do not believe the Finance Commission has ever discussed this letter. If Staff just received this letter, then there needs to be a discussion with Badawi regarding the importance of timely disclosure of such issues to the Finance Commission.

For sake of clarity, the second letter was dated April 25, 2022 and addresses compliance requirements for each major federal program as described in the OMB Compliance Supplement. During Badawi's review of internal controls over compliance with these types of requirements, they identified "certain deficiencies in internal control over compliance.....that we consider to be a material weakness".

The agenda item #4 is to address this second letter. However, even more important is the Finance Commission's attention to the first letter, which directly impacts the Town's financial statements.

Thank you.

Phil Koen
Los Gatos Community Alliance



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

INDEPENDENT AUDITOR'S REPORT

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

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

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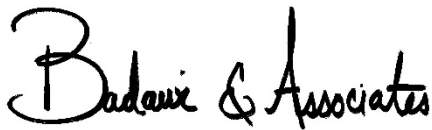
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Compliance and Other Matters

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

Purpose of this Report

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

Town of Los Gatos

Los Gatos, California

Single Audit Reports

For the year ended June 30, 2021



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

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

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

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

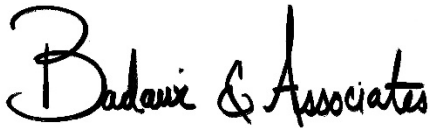
To the Honorable Mayor and Members of the Town Council
of the Town of Los Gatos
Los Gatos, California
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Compliance and Other Matters

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

Purpose of this Report

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

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

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



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

INDEPENDENT AUDITOR'S REPORT

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

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

To the Honorable Mayor and Members of the Town Council
of the Town of Los Gatos
Los Gatos, California
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Basis for Qualified Opinion on CFDA 21.019 Coronavirus Relief Fund

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

Qualified Opinion on CFDA 21.019 Coronavirus Relief Fund

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

Unmodified Opinion on Each of the Other Major Federal Programs

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

Other Matters

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

Report on Internal Control Over Compliance

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

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

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

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

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

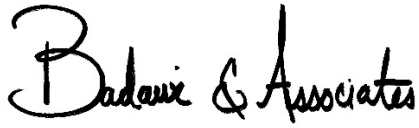
Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

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

To the Honorable Mayor and Members of the Town Council

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

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

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

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

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

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

A. Reporting Entity

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

B. Basis of Accounting

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

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

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

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

D. Pass-Through Entities' Identifying Number

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

E. Indirect Costs

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

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

Section I – Summary of Auditor’s Results

Financial Statements

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

Internal control over financial reporting:

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

Any noncompliance material to the financial statements noted No

Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs:

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

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

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

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

Section II – Current Year Findings

No financial statement findings were noted.

Section III- Federal Award Findings and Questioned Costs

Finding: 2021-001

Awarding Agency	Department of the Treasury
Passed through	State of California (State)
Program	Coronavirus Relief Fund
AFN#	21.019

Criteria:

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

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

Condition:

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

Cause:

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

Questioned Costs:

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

Context and Effect:

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

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

Section III- Federal Award Findings and Questioned Costs, Continued

Finding: 2021-001, Continued

Recommendation:

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

Management Response:

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

In response to the questioned finding on waivers of rent, staff received approval from the State of California Department of Finance to re-allocate the questioned costs amount of \$94,988 from business support (rent waivers) to public safety payroll. The department reviewed the Town's submittal and on June 1, 2022 the Town received the department's approval of the re-allocation as corrected in the State's Corona Virus Fund Reporting worksheet.

Section IV - Prior Year Financial Statements Findings

No financial statement findings were noted.

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

No findings or questioned costs were noted.



**TOWN OF LOS GATOS
FINANCE COMMISSION REPORT**

MEETING DATE: 06/13/2022

ITEM NO: 5

Item 5.

DATE: June 8, 2022
TO: Finance Commission
FROM: Laurel Prevetti, Town Manager
SUBJECT: Discussion and Potential Action on Commission Schedule

RECOMMENDATION:

Discussion and potential action on Commission schedule.

DISCUSSION:

The Finance Commission is currently scheduled to hold a regularly scheduled meeting on July 11, 2022. The Town Council and several Town Committees and Commissions typically recess during July. The Finance Commission should determine if it would like to maintain the July meeting date.

PREPARED BY: Arn Andrews
Assistant Town Manager

Reviewed by: Town Manager and Finance Director
