



**TOWN OF LOS GATOS
FINANCE COMMISSION SPECIAL MEETING AGENDA
MARCH 09, 2021
110 EAST MAIN STREET
LOS GATOS, CA
5:00 PM**

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

**IMPORTANT NOTICE REGARDING THE MARCH 9, 2021
FINANCE COMMISSION SPECIAL MEETING**

This meeting is being conducted utilizing teleconferencing and electronic means consistent with State of California Executive Order N-29- 20 dated March 17, 2020, regarding the COVID- 19 pandemic. In accordance with Executive Order N-29- 20, the public may only view the meeting online and not in the Council Chamber.

PARTICIPATION

If you are interested in providing oral comments real-time during the meeting, you must join the Zoom webinar.

- Join from a PC, Mac, iPad, iPhone or Android device: click this link to join:
[https://losgatosca-
gov.zoom.us/j/87946799234?pwd=NzExU2NFUjBsNEM0bzRrbmFOQWdGZz09](https://losgatosca.gov.zoom.us/j/87946799234?pwd=NzExU2NFUjBsNEM0bzRrbmFOQWdGZz09)
Passcode: : 842271. You can also type in 87946799234 in the “Join a Meeting” page on the Zoom website at <https://zoom.us/join>.
- Join by Telephone: Dial: 877-336-1829 US Toll-free or USA 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, 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 Commission meeting.

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

**TOWN OF LOS GATOS
FINANCE COMMISSION SPECIAL MEETING AGENDA
MARCH 09, 2021
110 EAST MAIN STREET
LOS GATOS, CA
5:00 PM**

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

MEETING CALL TO ORDER

ROLL CALL

CONSENT ITEMS *(Items appearing on the Consent Items are considered routine and may be approved by one motion. Any member of the Finance Commission or public may request to have an item removed from the Consent Items for comment and action. A member of the public may request to pull an item from Consent by following the Participation Instructions contained on page 2 of this agenda. If an item is pulled, the Chair has the sole discretion to determine when the item will be heard. Unless there are separate discussions and/or actions requested by the Finance Commission, staff, or a member of the public, it is requested that items under the Consent Items be acted on simultaneously.)*

1. Approve Minutes of the February 8, 2021 Finance Commission Meeting.
2. Receive the State Controller Financial Transactions Report Submittal for 2020.
3. Receive the 2nd Quarter Investment Report and Investment Policy.

VERBAL COMMUNICATIONS *(Members of the public are welcome to address the Commission on any matter that is not listed on the agenda consistent with the Participation Instructions contained on Page 1 of this agenda. To ensure all agenda items are heard and unless additional time is authorized by the Chair, this portion of the agenda is limited to 30 minutes and no more than three (3) minutes per speaker. In the event additional speakers were not able to be heard during the initial Verbal Communications portion of the agenda, an additional Verbal Communications will be opened prior to adjournment.)*

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

4. Receive 2021/22 Commission Workplan and Discuss Upcoming April Meeting Content and Scheduling.
5. Receive Actuarial Presentation by Bartel and Associates.
6. Review Capital Improvement Plan and Funding.

ADJOURNMENT



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

MEETING DATE: 3/8/2021

ITEM NO: 1

Item 1.

**DRAFT
Minutes of the Finance Commission Meeting
February 8, 2021**

The Finance Commission of the Town of Los Gatos conducted a meeting via teleconference via COVID-10 Shelter in Place Guidelines on Monday, February 8, 2021, at 5:00 p.m.

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

ROLL CALL

Present: Commissioners Ron Dickel, Loreen Huddleston, Kyle Park, Rick Tinsley, Vice Mayor Rob Rennie, and Council Member Matthew Hudes. (All participating remotely.)

Absent: None

Staff Present: Town Manager Laurel Prevetti, Town Attorney Rob Schultz, Assistant Town Manager Arn Andrews, Finance Director Stephen Conway, and Finance and Budget Manager Gitta Ungvari.

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

None.

VERBAL COMMUNICATIONS

None.

OTHER BUSINESS

1. Appoint Finance Commission Chair and Vice Chair.

MOTION: Motion by Commissioner Rick Tinsley to nominate Ron Dickel as a Chair for the Finance Commission. **Seconded by Commissioner Kyle Park.**

VOTE: Motion passed unanimously.

MOTION: Motion by Commissioner Ron Dickel to nominate Kyle Park as a Vice Chair for the Finance Commission. **Seconded by Commissioner Rick Tinsley.**

VOTE: Motion passed unanimously.

PAGE 2 OF 3

SUBJECT: Draft Minutes of the Finance Commission Meeting of February 8, 2021

DATE: February 23, 2021

2. Adopt Resolution of the Finance Commission Establishing a Time and Place for Regular Meetings.

MOTION: Motion by Chair Ron Dickel to establish a regular Finance Commission meeting every second Monday of the month at 5 p.m. Meetings can be cancelled, or special meetings can be scheduled as needed. **Seconded by Commissioner Loreen Huddleston.**

VOTE: Motion passed unanimously.

3. Provide Advice to the Town Council Regarding Mid-Year Budget Options and Five-Year Forecast Scenarios

Arn Andrews presented the staff report. Commission members discussed the item and staff addressed Commission member questions.

The Finance Commission had a detailed discussion of each of the options to mitigate the FY 2020/21 anticipated budget shortfall. All Commissioners agreed that: (1) the Catastrophic and Budget Stabilization Reserves should not be considered at this time and should remain intact in the event the pandemic impacts become even greater in severity; and (2) both of the OPEB options were reasonable; however, the removal of assets from the OPEB IRS 115 Trust would be contrary to the long-standing practice of trying to prefund benefit obligations. After discussion, the Finance Commission recommended that the budget balancing options of Winchester property proceeds, OPEB Prefunding, and the utilization of OPEB IRS 115 Trust for Pay Go healthcare expenses be programmed in that order.

The Finance Commission also reviewed the base case revenue growth assumptions and the other elements of the initial Five-Year Forecast. There was considerable discussion about the amount of uncertainty that still exists due to the vagaries of continued COVID spread, variant mutations, vaccination supply, and public health mitigation responses. Two voting Commissioners felt the base case growth assumptions reflected reasonable conservatism. The two other voting Commissioners thought that while the base assumptions are potentially reasonable, they would continue to err on the side of additional conservatism.

Opened Public Comment.

None

Closed Public Comment.

PAGE 3 OF 3

SUBJECT: Draft Minutes of the Finance Commission Meeting of February 8, 2021

DATE: February 23, 2021

ADJOURNMENT:

The meeting adjourned at 7:10 p.m.

This is to certify that the foregoing is a true
and correct copy of the minutes of the
February 8, 2021 meeting as approved by the
Finance Commission.

Gitta Ungvari, Finance and Budget Manager



**TOWN OF LOS GATOS
FINANCE COMMISSION REPORT**

MEETING DATE: 03/08/2021

ITEM NO: 2

Item 2.

DATE: February 24, 2021
TO: Finance Commission
FROM: Laurel Prevetti, Town Manager
SUBJECT: Receive the State Controller Financial Transactions Report Submittal for 2020

RECOMMENDATION:

Receive the State Controller Financial Transactions Report submittal for 2020

BACKGROUND:

With the passage of Measure A, the Finance Commission has be tasked with several mandated duties as described in the provisions of the adopted Ordinance. Section 2.50.225. – Duties states that:

(a) The Finance Commission shall:

- (4) Review the Director of Finance's summary of the Town's financial report required by section 53891 of the California Government Code and prepared in accordance with section 2.50.010(c) of the Town Code. and provide written comments and recommendations to the Director of Finance prior to the publishing of the summary of the report.

California Government Code section 53891 requires financial transactions of each local agency to be submitted to the State Controller's Office (SCO) within seven months after the close of the fiscal year (February 1st). This State mandated report is referred to as the Cities "Financial Transactions Report" (FTR).

The FTR must contain underlying data from audited financial statements prepared in accordance with generally accepted accounting principles. The purpose of the FTR is to provide

PREPARED BY: Stephen Conway CPA
Director of Finance

Reviewed by: Town Manager and Town Attorney

PAGE 2 OF 2

SUBJECT: Receive State Controller 2020 FTR

DATE: February 24, 2021

BACKGROUND (continued):

financial and statistical data about California cities on as uniform a basis as possible. Following the completion and publication of the Comprehensive Annual Financial Report (CAFR), the underlying financial transactions included therein are translated into the format specified by the SCO and transmitted by the statutory annual deadline.

DISCUSSION:

Given that the Finance Commission held its first inaugural meeting on February 8, 2021, staff was required to submit the 2020 FTR without Finance Commission review for this reporting period (Attachments 1 and 2). In consultation with the Commission Chair, the Commission is being provided the submittal to understand the nature of the report and the data contained within it.

It should be noted that conforming with the language of Measure A may be challenging given that the State Controller has transitioned to online reporting for FTR submittals. Prior to next submittal, staff will seek options which align with the language in Measure A and the realities of the technical reporting requirements.

COORDINATION:

This item was coordinated with the Town Manager and Town Attorney.

FISCAL IMPACT:

None

ENVIRONMENTAL ASSESSMENT:

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

Attachments:

1. State Controller FTR 2020 Submission
2. FTR Supplement

City of Los Gatos
Cities Financial Transactions Report
General Information

Fiscal Year: 2020

Form #1

Members of the Governing Body

	First Name	M. I.	Last Name
Mayor	Marcia		Jensen
Member 1	Rob		Rennie
Member 2	Marico		Sayoc
Member 3	Barbara		Spector
Member 4	Vacant		Vacant
Member			

City Fiscal Officer

First Name	Stephen	M. I.		Last Name	Conway
Title	Finance Director	Telephone	(408) 354-6828		
Email	sconway@losgatosca.gov	Fax No.			

City Mailing Address

Street 1	110 E. Main Street	☐ Has Address Changed?
Street 2		
City	Los Gatos	State CA Zip 95030

Report Prepared By

Firm Name	Badawi and Associates, CPAs				
First Name	Ahmed	M. I.		Last Name	Badawi
Title	Partner	Telephone	(510) 768-8244		
Email	abadawi@b-acpa.com	Fax No.	(510) 768-8249		

1. Does the report contain data from audited financial statements? ☒ Yes ☐ No

2. Does this city have blended component unit(s) (BCU(s))? Refer to the Cities Financial Transactions Report (FTR) instructions for the definition of this term. If "Yes", answer questions 3 and 4.

☐ Yes ☒ No

3. Is financial data of the BCU(s) included in this city's financial statements or Comprehensive Annual Financial Report (CAFR)?

☐ Yes ☐ No

4. Is financial data of the BCU(s) included in this city's FTR? If "Yes", answer question 5. ☐ Yes ☐ No

5. Specify the name(s) of the BCU(s).

BCU

City of Los Gatos
Cities Financial Transactions Report
Internal Service Fund
Statement of Revenues, Expenses and Change in Fund Net Position

Fiscal Year: 2020

Form #3

R01. Internal Service Fund Name (Specify) (1 of 7) (Record Completed)

Building maintenance

Operating Revenues

R02. Charges for Services	847,384
R03. Other Operating Revenues	230,757
R04. Total Operating Revenues	\$1,078,141

Operating Expenses

R05. Personnel Services	
R06. Contractual Services	604
R07. Materials and Supplies	1,050,366
R08. General and Administrative Expenses	110,033
R09. Depreciation and Amortization Expenses	
R10. Other Operating Expenses	
R11. Total Operating Expenses	\$1,161,003
R12. Operating Income (Loss)	\$-82,862

Nonoperating Revenues

R13. Investment Earnings	
R14. Gain on Disposal of Capital Assets	
R15. Other Nonoperating Revenues	2,545
R16. Total Nonoperating Revenues	\$2,545

Nonoperating Expenses

R17. Interest Expense	
R18. Loss on Disposal of Capital Assets	
R19. Other Nonoperating Expenses	
R20. Total Nonoperating Expenses	0
R21. Income (Loss) Before Capital Contributions, Transfers, and Special and Extraordinary Items	\$-80,317

Capital Contributions

R22. Federal	
R23. State	
R24. Other Capital Contributions	
R25. Total Capital Contributions	\$0
R26. Transfers In	
R27. Transfers Out	-788,000

Special and Extraordinary Items

R27.5 Special Item	
R27.6 Extraordinary Item	
R27.7 Total Special and Extraordinary Items	\$0
R28. Change in Net Position	\$-868,317
R29. Net Position (Deficit), Beginning of Fiscal Year	\$970,786

R29. Adjustment

Item 2.

R31.	Reason for Adjustment	
R32.	Net Position (Deficit), End of Fiscal Year	\$102,469
	Net Position (Deficit)	
R33.	Net Investment in Capital Assets	
R34.	Restricted	
R35.	Unrestricted	102,469
R36.	Total Net Position (Deficit)	\$102,469

City of Los Gatos
Cities Financial Transactions Report
Internal Service Fund
Statement of Revenues, Expenses and Change in Fund Net Position

Fiscal Year: 2020

Form #3

R01. Internal Service Fund Name (Specify) (2 of 7) (Record Completed)

Equipment replacement ▼

Operating Revenues

R02. Charges for Services	199,095
R03. Other Operating Revenues	36,987
R04. Total Operating Revenues	\$236,082

Operating Expenses

R05. Personnel Services	
R06. Contractual Services	
R07. Materials and Supplies	540,036
R08. General and Administrative Expenses	
R09. Depreciation and Amortization Expenses	
R10. Other Operating Expenses	
R11. Total Operating Expenses	\$540,036
R12. Operating Income (Loss)	\$-303,954

Nonoperating Revenues

R13. Investment Earnings	
R14. Gain on Disposal of Capital Assets	
R15. Other Nonoperating Revenues	
R16. Total Nonoperating Revenues	\$0

Nonoperating Expenses

R17. Interest Expense	
R18. Loss on Disposal of Capital Assets	
R19. Other Nonoperating Expenses	
R20. Total Nonoperating Expenses	0
R21. Income (Loss) Before Capital Contributions, Transfers, and Special and Extraordinary Items	\$-303,954

Capital Contributions

R22. Federal	
R23. State	
R24. Other Capital Contributions	
R25. Total Capital Contributions	\$0
R26. Transfers In	
R27. Transfers Out	-579,797

Special and Extraordinary Items

R27.5 Special Item	
R27.6 Extraordinary Item	
R27.7 Total Special and Extraordinary Items	\$0
R28. Change in Net Position	\$-883,751
R29. Net Position (Deficit), Beginning of Fiscal Year	\$2,808,804

R29. Adjustment

Item 2.

R31.	Reason for Adjustment	
R32.	Net Position (Deficit), End of Fiscal Year	\$1,925,053
	Net Position (Deficit)	
R33.	Net Investment in Capital Assets	
R34.	Restricted	
R35.	Unrestricted	1,925,053
R36.	Total Net Position (Deficit)	\$1,925,053

City of Los Gatos
Cities Financial Transactions Report
Internal Service Fund
Statement of Revenues, Expenses and Change in Fund Net Position

Fiscal Year: 2020

Form #3

R01. Internal Service Fund Name (Specify) (3 of 7) (Record Completed)

Information Technology ▼

Operating Revenues

R02. Charges for Services

881,936

R03. Other Operating Revenues

R04. Total Operating Revenues

\$881,936

Operating Expenses

R05. Personnel Services

R06. Contractual Services

R07. Materials and Supplies

796,201

R08. General and Administrative Expenses

R09. Depreciation and Amortization Expenses

R10. Other Operating Expenses

R11. Total Operating Expenses

\$796,201

R12. Operating Income (Loss)

\$85,735

Nonoperating Revenues

R13. Investment Earnings

R14. Gain on Disposal of Capital Assets

R15. Other Nonoperating Revenues

R16. Total Nonoperating Revenues

\$0

Nonoperating Expenses

R17. Interest Expense

R18. Loss on Disposal of Capital Assets

R19. Other Nonoperating Expenses

R20. Total Nonoperating Expenses

0

R21. Income (Loss) Before Capital Contributions, Transfers, and Special
and Extraordinary Items

\$85,735

Capital Contributions

R22. Federal

R23. State

R24. Other Capital Contributions

R25. Total Capital Contributions

\$0

R26. Transfers In

R27. Transfers Out

Special and Extraordinary Items

R27.5 Special Item

R27.6 Extraordinary Item

R27.7 Total Special and Extraordinary Items

\$0

R28. Change in Net Position

\$85,735

R29. Net Position (Deficit), Beginning of Fiscal Year

\$2,518,468

R30. Adjustment

Item 2.

R31.	Reason for Adjustment	
R32.	Net Position (Deficit), End of Fiscal Year	\$2,604,203
	Net Position (Deficit)	
R33.	Net Investment in Capital Assets	
R34.	Restricted	
R35.	Unrestricted	2,604,203
R36.	Total Net Position (Deficit)	\$2,604,203

City of Los Gatos
Cities Financial Transactions Report
Internal Service Fund
Statement of Revenues, Expenses and Change in Fund Net Position

Fiscal Year: 2020

Form #3

R01. Internal Service Fund Name (Specify) (4 of 7) (Record Completed)

Self insurance

Operating Revenues

R02. Charges for Services

378,133

R03. Other Operating Revenues

R04. Total Operating Revenues

\$378,133

Operating Expenses

R05. Personnel Services

R06. Contractual Services

R07. Materials and Supplies

56,061

R08. General and Administrative Expenses

R09. Depreciation and Amortization Expenses

R10. Other Operating Expenses

344,762

R11. Total Operating Expenses

\$400,823

R12. Operating Income (Loss)

\$-22,690

Nonoperating Revenues

R13. Investment Earnings

R14. Gain on Disposal of Capital Assets

R15. Other Nonoperating Revenues

R16. Total Nonoperating Revenues

\$0

Nonoperating Expenses

R17. Interest Expense

R18. Loss on Disposal of Capital Assets

R19. Other Nonoperating Expenses

R20. Total Nonoperating Expenses

0

R21. Income (Loss) Before Capital Contributions, Transfers, and Special
and Extraordinary Items

\$-22,690

Capital Contributions

R22. Federal

R23. State

R24. Other Capital Contributions

R25. Total Capital Contributions

\$0

R26. Transfers In

R27. Transfers Out

Special and Extraordinary Items

R27.5 Special Item

R27.6 Extraordinary Item

R27.7 Total Special and Extraordinary Items

\$0

R28. Change in Net Position

\$-22,690

R29. Net Position (Deficit), Beginning of Fiscal Year

\$1,313,304

R29. Adjustment

Item 2.

R31.	Reason for Adjustment	
R32.	Net Position (Deficit), End of Fiscal Year	\$1,290,614
	Net Position (Deficit)	
R33.	Net Investment in Capital Assets	
R34.	Restricted	
R35.	Unrestricted	1,290,614
R36.	Total Net Position (Deficit)	\$1,290,614

City of Los Gatos
Cities Financial Transactions Report
Internal Service Fund
Statement of Revenues, Expenses and Change in Fund Net Position

Fiscal Year: 2020

Form #3

R01. Internal Service Fund Name (Specify) (5 of 7) (Record Completed)

Stores ▼

Operating Revenues

R02. Charges for Services

R03. Other Operating Revenues

R04. Total Operating Revenues

\$0

Operating Expenses

R05. Personnel Services

R06. Contractual Services

R07. Materials and Supplies

R08. General and Administrative Expenses

R09. Depreciation and Amortization Expenses

R10. Other Operating Expenses

R11. Total Operating Expenses

\$0

R12. Operating Income (Loss)

\$0

Nonoperating Revenues

R13. Investment Earnings

R14. Gain on Disposal of Capital Assets

R15. Other Nonoperating Revenues

R16. Total Nonoperating Revenues

\$0

Nonoperating Expenses

R17. Interest Expense

R18. Loss on Disposal of Capital Assets

R19. Other Nonoperating Expenses

R20. Total Nonoperating Expenses

0

R21. Income (Loss) Before Capital Contributions, Transfers, and Special
and Extraordinary Items

\$0

Capital Contributions

R22. Federal

R23. State

R24. Other Capital Contributions

R25. Total Capital Contributions

\$0

R26. Transfers In

R27. Transfers Out

Special and Extraordinary Items

R27.5 Special Item

R27.6 Extraordinary Item

R27.7 Total Special and Extraordinary Items

\$0

R28. Change in Net Position

\$0

R29. Net Position (Deficit), Beginning of Fiscal Year

\$0

R30. Adjustment

Item 2.

R31. Reason for Adjustment

R32. **Net Position (Deficit), End of Fiscal Year**

Net Position (Deficit)

R33. Net Investment in Capital Assets

R34. Restricted

R35. Unrestricted

R36. **Total Net Position (Deficit)**

City of Los Gatos
Cities Financial Transactions Report
Internal Service Fund
Statement of Revenues, Expenses and Change in Fund Net Position

Fiscal Year: 2020

Form #3

R01. Internal Service Fund Name (Specify) (6 of 7) (Record Completed)

Vehicle maintenance

Operating Revenues

R02. Charges for Services

R03. Other Operating Revenues

R04. Total Operating Revenues

\$0

Operating Expenses

R05. Personnel Services

R06. Contractual Services

R07. Materials and Supplies

R08. General and Administrative Expenses

R09. Depreciation and Amortization Expenses

R10. Other Operating Expenses

R11. Total Operating Expenses

\$0

R12. Operating Income (Loss)

\$0

Nonoperating Revenues

R13. Investment Earnings

R14. Gain on Disposal of Capital Assets

R15. Other Nonoperating Revenues

R16. Total Nonoperating Revenues

\$0

Nonoperating Expenses

R17. Interest Expense

R18. Loss on Disposal of Capital Assets

R19. Other Nonoperating Expenses

R20. Total Nonoperating Expenses

0

R21. Income (Loss) Before Capital Contributions, Transfers, and Special
and Extraordinary Items

\$0

Capital Contributions

R22. Federal

R23. State

R24. Other Capital Contributions

R25. Total Capital Contributions

\$0

R26. Transfers In

R27. Transfers Out

Special and Extraordinary Items

R27.5 Special Item

R27.6 Extraordinary Item

R27.7 Total Special and Extraordinary Items

\$0

R28. Change in Net Position

\$0

R29. Net Position (Deficit), Beginning of Fiscal Year

\$0

R30. Adjustment

Item 2.

R31. Reason for Adjustment

R32. **Net Position (Deficit), End of Fiscal Year**

Net Position (Deficit)

R33. Net Investment in Capital Assets

R34. Restricted

R35. Unrestricted

R36. **Total Net Position (Deficit)**

City of Los Gatos
Cities Financial Transactions Report
Internal Service Fund
Statement of Revenues, Expenses and Change in Fund Net Position

Fiscal Year: 2020

Form #3

R01. Internal Service Fund Name (Specify) (7 of 7) (Record Completed)

Workers Compensation

Operating Revenues

R02. Charges for Services	903,434
R03. Other Operating Revenues	526,552
R04. Total Operating Revenues	\$1,429,986

Operating Expenses

R05. Personnel Services	
R06. Contractual Services	
R07. Materials and Supplies	996,348
R08. General and Administrative Expenses	
R09. Depreciation and Amortization Expenses	
R10. Other Operating Expenses	529,241
R11. Total Operating Expenses	\$1,525,589
R12. Operating Income (Loss)	\$-95,603

Nonoperating Revenues

R13. Investment Earnings	7
R14. Gain on Disposal of Capital Assets	
R15. Other Nonoperating Revenues	
R16. Total Nonoperating Revenues	\$7

Nonoperating Expenses

R17. Interest Expense	
R18. Loss on Disposal of Capital Assets	
R19. Other Nonoperating Expenses	
R20. Total Nonoperating Expenses	0
R21. Income (Loss) Before Capital Contributions, Transfers, and Special and Extraordinary Items	\$-95,596

Capital Contributions

R22. Federal	
R23. State	
R24. Other Capital Contributions	
R25. Total Capital Contributions	\$0
R26. Transfers In	1,061,256
R27. Transfers Out	

Special and Extraordinary Items

R27.5 Special Item	
R27.6 Extraordinary Item	
R27.7 Total Special and Extraordinary Items	\$0
R28. Change in Net Position	\$965,660
R29. Net Position (Deficit), Beginning of Fiscal Year	\$843,081

R29. Adjustment

R31. Reason for Adjustment

R32. **Net Position (Deficit), End of Fiscal Year**

\$1,808,741

Net Position (Deficit)

R33. Net Investment in Capital Assets

R34. Restricted

114,213

R35. Unrestricted

1,694,528

R36. **Total Net Position (Deficit)**

\$1,808,741

City of Los Gatos
Cities Financial Transactions Report
Functional Revenue Details Report
Governmental Funds

Item 2.

Back to Form: Functional Revenue Details

Fiscal Year: 2020

Form #15

Functional Revenue Detail List:

Revenue Form	Functional Revenue	Expenditure Form	Expenditure Function	Amount
Taxes	Sale and Use Taxes	TransportationCommunityDevelopment	Streets/Highways/Storm Drains	44,853
			Sub Total:	\$44,853
SpecialBenefitAssessments	Lighting	GeneralGovernmentPublicSafety	Street Lighting	38,012
			Sub Total:	\$38,012
LicensesPermits	Construction Permits	TransportationCommunityDevelopment	Construction and Engineering Regulation	1,703,999
		TransportationCommunityDevelopment	Planning	335,530
			Sub Total:	\$2,039,529
FinesForfeituresRevenue	Investment Earnings	GeneralGovernmentPublicSafety	Management and Support	28,033
		TransportationCommunityDevelopment	Streets – Trees/Landscaping	3,592
		TransportationCommunityDevelopment	Streets/Highways/Storm Drains	158,756
			Sub Total:	\$190,381
FinesForfeituresRevenue	Other Fines	TransportationCommunityDevelopment	Construction and Engineering Regulation	9,600
		GeneralGovernmentPublicSafety	Police	31,266
			Sub Total:	\$40,866
FinesForfeituresRevenue	Rents and Concessions	HealthCultureLeisure	Parks and Recreation	-1,361
		GeneralGovernmentPublicSafety	Police	32,400
			Sub Total:	\$31,039
FinesForfeituresRevenue	Vehicle Code Fines	GeneralGovernmentPublicSafety	Police	221,810
			Sub Total:	\$221,810
IntergovernmentalState	Gasoline Tax	TransportationCommunityDevelopment	Streets/Highways/Storm Drains	1,249,696
			Sub Total:	\$1,249,696
IntergovernmentalState	Peace Officers Standards and Training	GeneralGovernmentPublicSafety	Police	40,384
			Sub Total:	\$40,384
IntergovernmentalState	Public Safety – Prop. 172	GeneralGovernmentPublicSafety	Police	400,096
			Sub Total:	\$400,096
ChargesforCurrentServices	Engineering Fees, Inspection and Other Charges	TransportationCommunityDevelopment	Construction and Engineering Regulation	1,017,749
		TransportationCommunityDevelopment	Streets – Trees/Landscaping	500
		TransportationCommunityDevelopment	Streets/Highways/Storm Drains	73,132
			Sub Total:	\$1,091,381
ChargesforCurrentServices	Library Fines and Fees	HealthCultureLeisure	Libraries	11,528
			Sub Total:	\$11,528
ChargesforCurrentServices	Parks and Recreation Fees	HealthCultureLeisure	Parks and Recreation	94,165
			Sub Total:	\$94,165
ChargesforCurrentServices	Plan Checking Fees	TransportationCommunityDevelopment	Construction and Engineering Regulation	540,095
		TransportationCommunityDevelopment	Planning	146,077
		TransportationCommunityDevelopment	Streets/Highways/Storm Drains	365,024
			Sub Total:	\$1,051,196

ChargesforCurrentServices	Special Police Department Services	GeneralGovernmentPublicSafety	Police	1,	Item 2.
				Sub Total:	\$1,156,485
ChargesforCurrentServices	Street, Sidewalk, and Curb Repairs Charges	TransportationCommunityDevelopment	Construction and Engineering Regulation		181,524
		TransportationCommunityDevelopment	Streets – Trees/Landscaping		51,460
				Sub Total:	\$232,984
MiscellaneousRevenues	Contributions from Nongovernmental Sources	TransportationCommunityDevelopment	Construction and Engineering Regulation		65,748
		HealthCultureLeisure	Libraries		26,244
				Sub Total:	\$91,992
MiscellaneousRevenues	Development Impact Fees	TransportationCommunityDevelopment	Construction and Engineering Regulation		10,830
		TransportationCommunityDevelopment	Planning		619,553
		TransportationCommunityDevelopment	Streets/Highways/Storm Drains		483,630
				Sub Total:	\$1,114,013
				Functional Revenue Total:	\$9,140,410
				Other Functional Revenue Total:	\$4,632,009
				Functional Revenue Grand Total:	\$13,772,419

City of Los Gatos
Cities Financial Transactions Report
Statement of General and Functional Revenues - Governmental Funds
Taxes

Item 2.

Fiscal Year: 2020

Form #16

	Functional Revenues A	General Revenues B	Total Revenues C
Taxes			
R01. Secured and Unsecured Property Taxes	12,477,497		12,477,497
R02. Supplemental Roll Secured and Unsecured Property Taxes	1,049,588		1,049,588
R03. Property Tax In-Lieu of Vehicle License Fees	3,875,914		3,875,914
R04. Voter-Approved Indebtedness Property Taxes			
R05. Supplemental Roll Voter-Approved Indebtedness Property Taxes			
R06. Property Taxes – Prior	40,181		40,181
R07. Supplemental Roll Property Taxes – Prior			
R08. Pass-through Property Taxes (ABX1 26)			
R09. Residual Property Taxes (ABX1 26)			
R11. Parcel Tax			
R12. Other Property Taxes	355,752		355,752
R13. Interest, Penalties, and Delinquent Taxes	12,286		12,286
R14. Sales and Use Taxes	44,853	7,531,425	7,576,278
R16. Transportation Taxes – Transit			
R17. Transportation Taxes – Nontransit			
R18. Transient Occupancy Taxes	1,869,685		1,869,685
R19. Franchises	2,495,792		2,495,792
R20. Business License Taxes	1,357,080		1,357,080
R21. Real Property Transfer Taxes	498,131		498,131
R22. Utility Users Taxes			
R23. Construction Development Taxes	42,089		42,089
Taxes – Other			
R24. Admission Tax			
R25. Parking Tax			
R27. Other Taxes – Other (Specify)			
R27a. Specify Functional Revenues	Select Expenditure Function	Functional Revenues	
Select ▼ Add			
R27b. Specify General Revenues	General Revenues		
Add			
	Functional Revenues A	General Revenues B	Total Revenues C
R28. Total Taxes	\$44,853	\$31,605,420	\$31,650,273

City of Los Gatos
Cities Financial Transactions Report
Statement of General and Functional Revenues - Governmental Funds
Special Benefit Assessments

Item 2.

Fiscal Year: 2020

Form #17

Special Benefit Assessments		Functional Revenues
R01.	Fire	
R02.	Paramedics	
R03.	Police	
R04.	Lighting	38,012
R05.	Other Special Benefit Assessments (Specify)	
R05a.	Specify Functional Revenues Select Expenditure Function	
Select Add		
R06.	Total Special Benefit Assessments	\$38,012

City of Los Gatos
Cities Financial Transactions Report
Statement of General and Functional Revenues - Governmental Funds
Licenses and Permits

Item 2.

Fiscal Year: 2020

Form #18

	Functional Revenues A	General Revenues B	Total Revenues C																								
Licenses and Permits																											
R01. Animal Licenses																											
R02. Bicycle Licenses																											
R03. Construction Permits	2,039,529		2,039,529																								
R04. Street and Curb Permits																											
R05. Other Licenses and Permits (Specify)	1,012,276		1,012,276																								
R05a.	Specify Functional Revenues	Select Expenditure Function	Functional Revenues																								
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 40%;">Title 24/ under utility fee/ solid waste fees</td> <td style="width: 20%;">Construction and Engineering Regulatic ▼</td> <td style="width: 20%; text-align: right;">224,281</td> <td style="width: 20%; text-align: center;">Delete</td> </tr> <tr> <td>Reservations and parking and tree removal</td> <td>Parks and Recreation ▼</td> <td style="text-align: right;">110,832</td> <td style="text-align: center;">Delete</td> </tr> <tr> <td>Miscellaneous fees (alarm firearm permits towing)</td> <td>Police ▼</td> <td style="text-align: right;">94,246</td> <td style="text-align: center;">Delete</td> </tr> <tr> <td>Street sweeping and storm drainage</td> <td>Streets/Highways/Storm Drains ▼</td> <td style="text-align: right;">582,917</td> <td style="text-align: center;">Delete</td> </tr> <tr> <td> </td> <td>Select ▼</td> <td> </td> <td style="text-align: center;">Add</td> </tr> <tr> <td colspan="2" style="text-align: right;">Total:</td> <td style="text-align: right;">1,012,276</td> <td></td> </tr> </table>				Title 24/ under utility fee/ solid waste fees	Construction and Engineering Regulatic ▼	224,281	Delete	Reservations and parking and tree removal	Parks and Recreation ▼	110,832	Delete	Miscellaneous fees (alarm firearm permits towing)	Police ▼	94,246	Delete	Street sweeping and storm drainage	Streets/Highways/Storm Drains ▼	582,917	Delete		Select ▼		Add	Total:		1,012,276	
Title 24/ under utility fee/ solid waste fees	Construction and Engineering Regulatic ▼	224,281	Delete																								
Reservations and parking and tree removal	Parks and Recreation ▼	110,832	Delete																								
Miscellaneous fees (alarm firearm permits towing)	Police ▼	94,246	Delete																								
Street sweeping and storm drainage	Streets/Highways/Storm Drains ▼	582,917	Delete																								
	Select ▼		Add																								
Total:		1,012,276																									
R05b.	Specify General Revenues	General Revenues																									
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 40%;"> </td> <td style="width: 20%;"> </td> <td style="width: 20%; text-align: center;">Add</td> <td style="width: 20%;"></td> </tr> </table>						Add																					
		Add																									
	Functional Revenues A	General Revenues B	Total Revenues C																								
R06. Total Licenses and Permits	\$3,051,805	\$0	\$3,051,805																								

City of Los Gatos
Cities Financial Transactions Report
Statement of General and Functional Revenues - Governmental Funds
Fines and Forfeitures and Revenue from Use of Money and Property

Fiscal Year: 2020

Form #19

	Functional Revenues A	General Revenues B	Total Revenues C
Fines and Forfeitures			
R01. Vehicle Code Fines	221,810		221,810
R02. Other Fines	40,866	2,050	42,916
R03. Forfeitures and Penalties			
R04. Total Fines and Forfeitures	\$262,676	\$2,050	\$264,726
Revenue from Use of Money and Property			
R05. Investment Earnings	190,381	2,238,102	2,428,483
R06. Rents and Concessions	31,039		31,039
R07. Royalties			
R08. Other Revenue from Use of Money and Property 1			
R09. Other Revenue from Use of Money and Property 2			
R10. Total Revenue from Use of Money and Property	\$221,420	\$2,238,102	\$2,459,522

City of Los Gatos
Cities Financial Transactions Report
Statement of General and Functional Revenues - Governmental Funds
Intergovernmental – State

Item 2.

Fiscal Year: 2020

Form #20

	Functional Revenues A	General Revenues B	Total Revenues C
Intergovernmental – State			
R01. Homeowners Property Tax Relief		45,604	45,604
R03. Gasoline Tax	1,249,696		1,249,696
R04. Peace Officers Standards and Training	40,384		40,384
R05. Off-Highway Motor Vehicle In-Lieu Fee			
R06. Other Intergovernmental – State 1			
R07. Other Intergovernmental – State 2			
State Grants – Other			
R08. Mandated Cost		23,537	23,537
R09. Public Safety – Prop. 172	400,096		400,096
R10. Public Safety – 2011			
R31. Other State Grants – Other (Specify)	622,151		622,151

R31a. **Specify Functional Revenues** **Select Expenditure Function** **Functional Revenues**

CalFire	Fire	5,384	Delete
Library Fund	Libraries	23,101	Delete
Abandoned Vehicles	Police	55,861	Delete
CVC	Police	61,541	Delete
SLESF	Police	228,562	Delete
AB939	Solid Waste	57,226	Delete
HSIP and MTC	Streets/Highways/Storm Drains	190,476	Delete
	Select		Add
Total:		622,151	

	Functional Revenues A	General Revenues B	Total Revenues C
R32. Total Intergovernmental – State	\$2,312,327	\$69,141	\$2,381,468

City of Los Gatos
Cities Financial Transactions Report
Statement of General and Functional Revenues - Governmental Funds
Intergovernmental – Federal, County, and Other Taxes In-Lieu

Fiscal Year: 2020

Form #21

	Functional Revenues A	General Revenues B	Total Revenues C
Intergovernmental – Federal			
R13. Community Development Block Grant			
R14. Workforce Investment Act (WIA)			
R15. Other Federal Grants (Specify)	134,304		134,304

R15a. **Specify Functional Revenues** **Select Expenditure Function** **Functional Revenues**

Office of Emergency Services	Parks and Recreation	12,290	Delete
CERT/EMPG Homeland Grants	Police	109,450	Delete
Dept of Justice	Police	3,464	Delete
Office of Emergency Services	Police	9,100	Delete
	Select		Add
Total:		134,304	

	Functional Revenues A	General Revenues B	Total Revenues C
R16. Total Intergovernmental – Federal	\$134,304		\$134,304
Intergovernmental – County			
R17. County Grants of State Gasoline Tax			
R18. Other County Grants			
R19. Total Intergovernmental – County	\$0		\$0
R20. Other Taxes In-Lieu			

City of Los Gatos
Cities Financial Transactions Report
Statement of General and Functional Revenues - Governmental Funds
Charges for Current Services

Go to Form: Functional Revenue Detail

Fiscal Year: 2020

Form #22

Functional Revenues

Charges for Current Services

R01. Zoning Fees and Subdivision Fees	
R04. Special Police Department Services	1,156,485
R06. Special Fire Department Services	
R07. Plan Checking Fees	1,051,196
R09. Animal Shelter Fees and Charges	
R10. Engineering Fees, Inspection and Other Charges	1,091,381
R11. Street, Sidewalk, and Curb Repairs Charges	232,984
R12. Weed and Lot Cleaning Charges	
R13. Sewer Service Charges	
R14. Sewer Connection Fees	
R15. Solid Waste Revenues	
R16. Sales of Refuse	
R17. First Aid and Ambulance Charges	
R20. Library Fines and Fees	11,528
R23. Parking Facility Charges	
R24. Parks and Recreation Fees	94,165
R25. Golf Course Fees	
R26. Water Service Charges	
R27. Water Connection Fees	
R28. Electric Revenues	
R29. Gas Revenues	
R30. Airport Revenues	
R31. Cemetery Revenues	
R32. Housing Revenues	
R33. Ports and Harbor Revenues	
R34. Hospital Revenues	
R35. Transit Revenues	
R36. Stadium Revenues	
R40. Quasi-External Transactions	
R41. Other Charges for Current Services (Specify)	794,345

R41a.

Specify Functional Revenues

Select Expenditure Function

housing fees	Housing	▼	500	Delete
mediation/arbitration and court appeal fees	Legislative	▼	63,635	Delete
Processing Fees	Management and Support	▼	136,494	Delete
General Plan revenue recognition	Planning	▼	493,249	Delete
school bus fares	Public Transit	▼	13,028	Delete
slurry seal and traffic mitigation fees	Streets/Highways/Storm Drains	▼	87,439	Delete

Select

▼

Add

Total: 794,345

Item 2.

R42. **Total Charges for Current Services** \$4,432,084

City of Los Gatos
Cities Financial Transactions Report
Statement of General and Functional Revenues - Governmental Funds
Miscellaneous Revenues and Grand Totals

Item 2.

Fiscal Year: 2020

Form #23

	Functional Revenues A	General Revenues B	Total Revenues C
Miscellaneous Revenues			
R01. Development Impact Fees	1,114,013		1,114,013
R04. Contributions from Nongovernmental Sources	91,992	27,675	119,667
R05. Other Miscellaneous Revenues (Specify)	2,068,933	120,775	2,189,708

R05a. **Specify Functional Revenues** **Select Expenditure Function** **Functional Revenues**

CIP recognition of revenues/ clean energy grant	Construction and Engineering Regulatio	112,369	Delete
misc revenues and bank-related fees	Management and Support	77,351	Delete
insurance claim/music in the park/benches	Parks and Recreation	62,541	Delete
Police task force and foundation amounts	Police	83,211	Delete
VTA Grants	Streets/Highways/Storm Drains	1,719,460	Delete
Street trees fees	Streets – Trees/Landscaping	14,001	Delete
	Select		Add
Total:		2,068,933	

R05b. **Specify General Revenues** **General Revenues**

Garbage JPA revenue	115,098	Delete
Misc revenues	5,677	Delete
		Add
Total:		120,775

	Functional Revenues A	General Revenues B	Total Revenues C
R10. Total Miscellaneous Revenues	\$3,274,938	\$148,450	\$3,423,388
R11. Grand Totals	\$13,772,419	\$34,063,163	\$47,835,582

City of Los Gatos
Cities Financial Transactions Report
Statement of Net Expenditures - Governmental Funds
General Government and Public Safety

Item 2.

Fiscal Year: 2020

Form #24

	Current Expenditures	Functional Revenues	Net Expenditures/(Excess Revenues)
	A	B	C
General Government			
R01. Legislative	1,137,935	63,635	1,074,300
R02. Management and Support	11,886,210	241,878	11,644,332
R10. Other General Government 1			
R11. Other General Government 2			
R12. Total General Government	\$13,024,145	\$305,513	\$12,718,632
Public Safety			
R13. Police	15,793,815	2,527,876	13,265,939
R24. Fire		5,384	-5,384
R25. Emergency Medical Service			
R26. Animal Regulation			
R27. Weed Abatement			
R28. Street Lighting		38,012	-38,012
R29. Disaster Preparedness			
R33. Other Public Safety 1			
R34. Other Public Safety 2			
R35. Total Public Safety	\$15,793,815	\$2,571,272	\$13,222,543

City of Los Gatos
Cities Financial Transactions Report
Statement of Net Expenditures - Governmental Funds
Transportation and Community Development

Item 2.

Go to Form: Functional Revenue Details

Fiscal Year: 2020

Form #25

	Current Expenditures	Functional Revenues	Net Expenditures/(Excess Revenues)
	A	B	C
Transportation			
R01. Streets/Highways/Storm Drains	3,819,126	4,955,383	-1,136,257
R02. Streets – Trees/Landscaping	29,493	69,553	-40,060
R03. Parking Facility			
R04. Public Transit		13,028	-13,028
R05. Airports			
R06. Ports and Harbor			
R07. Other Transportation 1			
R08. Other Transportation 2			
R09. Total Transportation	\$3,848,619	\$5,037,964	\$-1,189,345
Community Development			
R10. Planning	2,405,577	1,594,409	811,168
R11. Construction and Engineering Regulation	4,306,270	3,866,195	440,075
R12. Redevelopment			
R13. Housing		500	-500
R14. Employment			
R15. Community Promotion			
R16. Other Community Development 1			
R17. Other Community Development 2			
R18. Total Community Development	\$6,711,847	\$5,461,104	\$1,250,743

City of Los Gatos
Cities Financial Transactions Report
Statement of Net Expenditures - Governmental Funds
Health and Culture and Leisure

Item 2.

Fiscal Year: 2020

Form #26

	Current Expenditures	Functional Revenues	Net Expenditures/(Excess Revenues)
	A	B	C
Health			
R01. Physical and Mental Health			
R06. Hospitals and Sanitariums			
R07. Solid Waste	278,918	57,226	221,692
R08. Sewers			
R09. Cemeteries			
R17. Other Health 1			
R18. Other Health 2			
R19. Total Health	\$278,918	\$57,226	\$221,692
Culture and Leisure			
R20. Parks and Recreation	1,965,843	278,467	1,687,376
R21. Marina and Wharfs			
R22. Libraries	2,700,802	60,873	2,639,929
R23. Museums			
R24. Golf Courses			
R25. Sports Arenas and Stadiums			
R26. Community Centers and Auditoriums			
R27. Other Culture and Leisure 1			
R28. Other Culture and Leisure 2			
R29. Total Culture and Leisure	\$4,666,645	\$339,340	\$4,327,305

City of Los Gatos
 Cities Financial Transactions Report
 Statement of Net Expenditures - Governmental Funds
 Public Utilities and Other Expenditures

Item 2.

Fiscal Year: 2020

Form #27

	Current Expenditures	Functional Revenues	Net Expenditures/(Excess Revenues)
	A	B	C
Public Utilities			
R01. Water			
R02. Gas			
R03. Electric			
R04. Other Public Utilities 1			
R05. Other Public Utilities 2			
R06. Total Public Utilities	\$0	\$0	\$0
Other Expenditures			
R07. Other Expenditures 1			
R08. Other Expenditures 2			
R09. Total Other Expenditures	\$0	\$0	\$0

City of Los Gatos
Cities Financial Transactions Report
Statement of Net Expenditures - Governmental Funds
Debt Service, Capital Outlay, and Grand Totals

Go to Form: Functional Revenue Details

Fiscal Year: 2020

Form #2020

	Current Expenditures	Functional Revenues	Net Expenditures/(Excess Revenues)
	A	B	C
Debt Service			
R01. Principal Payments on Long-Term Debt			
R02. Interest Payments on Long-Term Debt			
R02.5 Lease Principal			
R03. Principal and Interest on Short-Term Notes and Warrants			
R04. Other Debt Service			
R05. Total Debt Service	\$0		\$0
Capital Outlay			
R06. General Government	386,181		386,181
R07. Public Safety	250,664		250,664
R08. Transportation	6,736,893		6,736,893
R09. Community Development	73,401		73,401
R10. Health			
R11. Culture and Leisure	242,126		242,126
R12. Public Utilities	172,707		172,707
R13. Other Expenditures			
R14. Total Capital Outlay	\$7,861,972		\$7,861,972
R15. Grand Totals	\$52,185,961	\$13,772,419	\$38,413,542

City of Los Gatos
Cities Financial Transactions Report
Governmental Funds
Major Object Classification

Item 2.

Fiscal Year: 2020

Form #29

Operating Expenditures

R01.	Salaries and Wages	19,363,273
R02.	Retirement Benefits	10,853,273
R03.	Other Employee Benefits	5,961,671
	Contract Services	
R04.	Private	4,444,303
R05.	Governmental Agencies	1,207,411
R06.	Materials and Supplies	779,727
R07.	Other Operating Expenditures	1,714,331
R08.	Total Operating Expenditures	\$44,323,989

Debt Service

R09.	Principal Payments on Long-Term Debt	
R10.	Interest Payments on Long-Term Debt	
R11.	Lease Principal	
R11.5	Principal and Interest on Short-Term Notes and Warrants	
R12.	Other Debt Service	
R13.	Total Debt Service	\$0

Capital Outlay

R14.	Land	
R15.	Buildings and Improvements	7,583,994
R16.	Equipment	277,978
R17.	Other Capital Outlay	
R18.	Total Capital Outlay	\$7,861,972
R19.	Grand Total Expenditures	\$52,185,961

Supplemental Data

Major Project Expenditures

R20.	Pursuant to Competitive Bidding	2,629,305
R21.	Other than Competitive Bidding	444,829
R22.	Total Major Project Expenditures	\$3,074,134

City of Los Gatos
Cities Financial Transactions Report
Other Financing Sources (Uses) and Change in Fund Balance - Governmental Funds

Item 2.

Form #30

Fiscal Year: 2020

R01. Excess (Deficiency) of Revenues Over (Under) Expenditures	-4,350,379
Other Financing Sources (Uses)	
R02. Long-Term Debt Proceeds	
R03. Other Long-Term Debt Proceeds	
R03.5 Lease Obligations Proceeds	
R03.6 Proceeds from Refinancing on Loans, Notes, and Other	
R03.7 Payments to Refinanced Loans, Notes, and Other	
R04. Refunding Bonds Proceeds	
R05. Premium on Bonds Issued	
R06. Discount on Bonds Issued	
R07. Payment to Refunded Bond Escrow Agent	
R08. Demand Bonds	
R09. Proceeds from Sale of Capital Assets	1,566
R10. Capital Leases	
R11. Insurance Recoveries	
R12. Transfers In	8,935,260
R13. Transfers Out	-8,628,719
R13.5 Other Financing Sources (Uses) – Other	
R14. Total Other Financing Sources (Uses)	\$308,107
Special and Extraordinary Items	
R15. Special Item	
R16. Extraordinary Item	
R17. Total Special and Extraordinary Items	\$0
R18. Net Change in Fund Balance	\$-4,042,272
R19. Fund Balance (Deficit), Beginning of Fiscal Year	\$53,634,826
R20. Adjustment	372,628
R21. Reason for Adjustment	removing compensated absences from governmen
R22. Fund Balance (Deficit), End of Fiscal Year	\$49,965,182

Note:

(R21) Reason for Adjustment: removing compensated absences from governmental funds

City of Los Gatos
Cities Financial Transactions Report
Statement of Changes in Fiduciary Net Position
Fiduciary Funds

Item 2.

Fiscal Year: 2020

Form #30.5

	Pension and Other Employee Benefit Trust	Investment Trust	Private- Purpose Trust
Additions			
Contributions			
R01. Employer			
R02. Plan Members			
R03. Private Contributions			
R04. Contributions to Pooled Investments			
R05. Other Contributions			61,809
R06. Total Contributions	\$0	\$0	\$61,809
Investment Income (Loss)			
R07. Net Appreciation (Depreciation) in Fair Value of Investments			
R08. Interest			53,652
R09. Dividends			
R10. Other Investment Income			1,905,024
R11. (Investment Expense)			
Securities Lending Income (Loss)			
R12. Securities Lending Income			
R13. (Securities Lending Expense)			
R14. Net Securities Lending Income (Loss)	\$0	\$0	\$0
R15. Net Investment Income (Loss)	\$0	\$0	\$1,958,676
R16. Receipts from Depositors			
R17. Other Additions			1,949,284
R18. Total Additions	\$0	\$0	\$3,969,769
Deductions			
R19. Benefit Payments			
R20. Refunds of Contributions			
R21. Administrative Expenses			
R22. Payments to and for Depositors			
R23. Distributions from Pooled Investments			
R24. Other Deductions			2,752,481
R25. Total Deductions	\$0	\$0	\$2,752,481
R26. Change in Net Position	\$0	\$0	\$1,217,288
R27. Net Position (Deficit), Beginning of Fiscal Year	\$0	\$0	\$-5,620,865
R28. Adjustment			
R29. Reason for Adjustment			
R30. Net Position (Deficit), End of Fiscal Year	\$0	\$0	\$-4,403,577

City of Los Gatos
Cities Financial Transactions Report
Debt Service Reconciliation

Item 2.

Go to Report: Debt Summary

Fiscal Year: 2020

Form #35

	Governmental Funds	Internal Service Fund	Enterprise Funds
Debt Payments from Debt Forms			
R01. Long-Term Debt			
R02. Other Long-Term Debt			
R03. Construction Financing			
R04. Lease Obligations			
R05. Total Debt Payments from Debt Forms	\$0	\$0	\$0
R06. Debt Service			
R07. Difference	\$0	\$0	\$0
R08. Reason for Difference			

City of Los Gatos
Cities Financial Transactions Report
Debt Summary

Item 2.

Fiscal Year: 2020

Summary Form #31-34

	Governmental Funds		Proprietary Funds	
	Principal Paid in CY	Interest Paid in CY	Internal Service Interest Paid in CY	Enterprise Interest Paid in CY
Long-Term Debt				
R01. Total Certificates of Participation				
R02. Total General Obligation Bonds				
R03. Total Pension Obligation Bonds				
R04. Total Revenue Bonds				
R05. Total Other Agency Debt				
R06. Total Long-Term Debt				
Other Long-Term Debt				
R07. Total Loans				
R08. Total Notes				
R09. Total Other - Leases (<10 years)				
R10. Total Other Long-Term Debt				
Construction Financing				
R11. Total Loans				
R12. Total Notes				
R13. Total Other				
R14. Total Construction Financing				
Lease Obligations				
R15. Total Contracts				
R16. Total Leases				
R17. Total Rent				
R18. Total Other				
R19. Total Lease Obligation				
R20. Total Debt Payments from Debt Forms				
Debt Service				
	Principal Payments	Interest Payments		
R21. Principal Payments on Long Term Debt				
R22. Interest Payments on Long-Term Debt				
R23. Lease Principal				
R24. Total				

Note: The debt service section (R21:R23) is used to reconcile with the following forms:

Form 28: Statement of Net Expenditures - Governmental Funds - Debt Service, Capital Outlay, and Grand Totals
(R01:R02.5)

Form 29: Major Object Classification - Governmental Funds (R09:R11)

City of Los Gatos
Cities Financial Transactions Report
Check List of Services Provided
Service

Item 2.

Fiscal Year: 2020

Form #36

Service

(Please see * below for codes to enter)

R01. Police	AB
R02. Fire	I
R03. Emergency Medical	J
R04. Street Lighting	J
R05. Public Transit	H
R06. Community Development - Planning	A
R07. Solid Waste	H
R08. Sewers	H
R09. Parks and Recreation	AF
R10. Libraries	A
R11. Water	J

*** Service Codes****A = Provided by Paid City Employees****B = Provided by City Volunteers****Provided wholly or in part through contract with:****Provided wholly or in part without contract with:****C = Another City****G = Another City****D = County****H = Special District or Other Public Agency****E = Private Sector****I = County****F = Special District or Other Public Agency****J = Private Sector****K = Service not provided within city**

	Number of Paid City Employees A	Number of Volunteers B	Total Number of Employees C
R12. Police Protection	60	263	323
R13. Police Officers	39	4	43
R14. Fire Protection			
R15. Fire Fighters			
R16. Emergency Medical			

City of Los Gatos
Cities Financial Transactions Report
Balance Sheet
Governmental Funds

Item 2.

Fiscal Year: 2020

Form #3

	General	Special Revenue	Debt Service	Capital Projects	Permanent	Total Governmental Funds
Assets						
R01. Cash and Investments	37,644,118	511,895		25,038,182		63,194,
R02. Investments						
R03. Accounts Receivable (net)	930,815	19,277		480,888		1,430,
R04. Taxes Receivable						
R05. Interest Receivable (net)	317,209					317,
R06. Lease Payments Receivable						
R07. Due from Other Funds						
R08. Due from Other Governments	1,414,965	58,684		81,958		1,555,
R09. Advances to Other Funds						
R10. Inventories	30,960					30,
R11. Prepaid Items						
R12. Loans, Notes, and Contracts Receivable	159,000	78,752				237,
R13. Other Assets 1						
R14. Other Assets 2						
R15. Other Assets 3						
R16. Total Assets	\$40,497,067	\$668,608	\$0	\$25,601,028	\$0	\$66,766,
R17. Deferred Outflows of Resources						
R18. Total Assets and Deferred Outflows of Resources	\$40,497,067	\$668,608	\$0	\$25,601,028	\$0	\$66,766,
Liabilities						
R19. Accounts Payable	957,782	4,181		2,561,695		3,523,
R20. Contracts and Retainage Payable						
R21. Interest Payable						
R22. Due to Other Funds						
R23. Due to Other Governments	37,969					37,
R24. Advances from Other Funds						
R25. Deposits and Advances	6,736,953					6,736,
R26. Loans and Notes Payable						
R27. Other Liabilities 1	1,696,044	4,734				1,700,
R28. Other Liabilities 2	1,732,822	64,855		2,798,786		4,596,
R29. Other Liabilities 3						
R30. Total Liabilities	\$11,161,570	\$73,770	\$0	\$5,360,481	\$0	\$16,595,
R31. Deferred Inflows of Resources				205,700		205,
R32. Total Liabilities and Deferred Inflows of Resources	\$11,161,570	\$73,770	\$0	\$5,566,181	\$0	\$16,801,
Fund Balances (Deficits)						
R33. Nonspendable						
R34. Restricted	669,978	190,250		6,257,756		7,117,
Committed	15,387,706					15,387,

R36. Assigned

13,277,813

404,588

13,777,091

Item 2.

R37. Unassigned

R38. Total Fund Balances (Deficits)

\$29,335,497

\$594,838

\$0

\$20,034,847

\$0

\$49,965,

R39. Total Liabilities, Deferred Inflows of Resources,
and Fund Balances (Deficits)

\$40,497,067

\$668,608

\$0

\$25,601,028

\$0

\$66,766,

City of Los Gatos
Cities Financial Transactions Report
Statement of Net Position
Proprietary Funds

Item 2.

Fiscal Year: 2020

Form #38

	Enterprise	Internal Service
Assets		
Current Assets		
Cash and Investments		
R01. Unrestricted		9,085,752
R02. Restricted		114,213
R03. Accounts Receivable (net)		28,553
R04. Taxes Receivable		
R05. Interest Receivable (net)		
R06. Due from Other Funds		
R07. Due from Other Governments		
R08. Inventories		
R09. Prepaid Items		
R10. Other Current Assets 1		
R11. Other Current Assets 2		
R12. Total Current Assets	\$0	\$9,228,518
Noncurrent Assets		
R13. Cash and Investments, Restricted		
R14. Investments		
R15. Loans, Notes, and Contracts Receivable		
Capital Assets		
R16. Land		
R17. Buildings and Improvements <i>(Report at cost.)</i>		
R18. Equipment <i>(Report at cost.)</i>		
R18.5 Infrastructure <i>(Report at cost.)</i>		
R19. Intangible Assets – Amortizable <i>(Report at cost.)</i>		
R20. Construction in Progress		
R21. Intangible Assets – Nonamortizable		
R22. Other Capital Assets <i>(Report at cost.)</i>		
R23. Less: Accumulated Depreciation/Amortization		
R23.5 Net Pension Asset		
R23.6 Net OPEB Asset		
R24. Other Noncurrent Assets 1		
R25. Other Noncurrent Assets 2		
R26. Total Noncurrent Assets	\$0	\$0
R27. Total Assets	\$0	\$9,228,518
Deferred Outflows of Resources		
R28. Related to Pensions		
R28.5 Related to OPEB		
Related to Debt Refunding		

R29.	Other Deferred Outflows of Resources		
R30.	Total Deferred Outflows of Resources	\$0	\$0
R31.	Total Assets and Deferred Outflows of Resources	\$0	\$9,228,518
Liabilities			
Current Liabilities			
R32.	Accounts Payable		249,027
R33.	Contracts and Retainage Payable		
R34.	Interest Payable		
R35.	Due to Other Funds		
R36.	Due to Other Governments		
R37.	Deposits and Advances		
R38.	Accrued Compensated Absences		
R39.	Long-Term Debt, Due Within One Year	0	0
R40.	Other Long-Term Liabilities, Due Within One Year		
R41.	Other Current Liabilities 1		
R42.	Other Current Liabilities 2		
R43.	Total Current Liabilities	\$0	\$249,027
Noncurrent Liabilities			
R44.	Deposits and Advances, Net of Current Portion		
R45.	Compensated Absences, Net of Current Portion		
R46.	General Obligation Bonds		
R47.	Revenue Bonds		
R48.	Certificates of Participation		
R49.	Other Bonds		
R50.	Loans (Other Long-Term Debt)		
R51.	Notes (Other Long-Term Debt)		
R52.	Other (Other Long-Term Debt)		
R53.	Construction Financing – Federal		
R54.	Construction Financing – State		
R55.	Lease Principal		
R56.	Net Pension Liability		
R57.	Net OPEB Liability		
R58.	Other Noncurrent Liabilities 1		1,248,411
R59.	Other Noncurrent Liabilities 2		
R60.	Total Noncurrent Liabilities	\$0	\$1,248,411
R61.	Total Liabilities	\$0	\$1,497,438
Deferred Inflows of Resources			
R62.	Related to Pensions		
R62.5	Related to OPEB		
R62.6	Related to Debt Refunding		
R63.	Other Deferred Inflows of Resources		
R64.	Total Deferred Inflows of Resources	\$0	\$0
R65.	Total Liabilities and Deferred Inflows of Resources	\$0	\$1,497,438
R66.	Total Net Position (Deficit)	\$0	\$7,731,080

Net Position (Deficit)*Item 2.*

R67.	Net Investment in Capital Assets		
R68.	Restricted		114,213
R69.	Unrestricted		7,616,867
R70.	Total Net Position (Deficit)	\$0	\$7,731,080
R71.	Total Liabilities, Deferred Inflows of Resources, and Net Position (Deficit)	\$0	\$9,228,518

City of Los Gatos
Cities Financial Transactions Report
Statement of Fiduciary Net Position
Fiduciary Funds

Item 2.

Fiscal Year: 2020

Form #39

	Pension and Other Employee Benefit Trust	Investment Trust	Private - Purpose Trust	Agency
Assets				
R01. Cash and Investments			4,331,126	
Investments, at Fair Value				
R02. Short-Term Investments				
R03. U.S. Government Obligations				
R04. Municipal Bonds				
R05. Domestic Corporate Bonds				
R06. International Bonds				
R07. Domestic Stocks				
R08. International Stocks				
R09. Real Estate				
R10. Private Equity				
R11. Hedge Funds				
R12. Other Investments				
R13. Total Investments	\$0	\$0	\$0	\$0
R14. Receivables (net)			8,750	
R15. Due from Other Governments				
R16. Other Assets 1			575,425	
R17. Other Assets 2			6,681,123	
R18. Other Assets 3				
R19. Total Assets	\$0	\$0	\$11,596,424	\$0
R20. Deferred Outflows of Resources				
R21. Total Assets and Deferred Outflows of Resources	\$0	\$0	\$11,596,424	
Liabilities				
R22. Accounts Payable			3,064	
R23. Deposits and Advances				
R24. Due to Other Governments			2	
R25. Other Liabilities 1			285,390	
R26. Other Liabilities 2			15,711,545	
R27. Other Liabilities 3				
R28. Total Liabilities	\$0	\$0	\$16,000,001	\$0
R29. Deferred Inflows of Resources				
R30. Total Liabilities and Deferred Inflows of Resources	\$0	\$0	\$16,000,001	
Net Position Held in Trust for				
R31. Pension and Other Employee Benefits				
Investment Trust				

R33. Private-Purpose Trust

R34. **Total Net Position Held in Trust**

		-4,403,577
\$0	\$0	\$-4,403,577

Item 2.

City of Los Gatos
Cities Financial Transactions Report
Noncurrent Assets, Deferred Outflows of Resources,
Noncurrent Liabilities, and Deferred Inflows of Resources
Governmental Funds

Item 2.

Fiscal Year: 2020

Form #40

		Noncurrent Assets/Deferred	Noncurrent Liabilities/Deferred
		Outflows of Resources	Inflows of Resources
Noncurrent Assets			
Capital Assets			
R01.	Land	20,294,810	
R02.	Buildings and Improvements <i>(Report at cost.)</i>	31,895,114	
R03.	Equipment <i>(Report at cost.)</i>	11,736,395	
R04.	Infrastructure <i>(Report at cost.)</i>	103,915,929	
R05.	Intangible Assets – Amortizable <i>(Report at cost.)</i>		
R06.	Construction in Progress	2,044,143	
R07.	Intangible Assets – Nonamortizable		
R08.	Other Capital Assets <i>(Report at cost.)</i>		
R09.	Less: Accumulated Depreciation/Amortization	-58,186,166	
R10	Net Pension Asset		
R11	Net OPEB Asset		
R12	Other Noncurrent Assets 1		
R13	Other Noncurrent Assets 2		
R14	Other Noncurrent Assets 3		
R15.	Total Noncurrent Assets	\$111,700,225	
Deferred Outflows of Resources			
R16	Related to Pensions	14,933,004	
R17	Related to OPEB	2,508,306	
R18	Related to Debt Refunding		
R19	Other Deferred Outflows of Resources		
R20.	Total Deferred Outflows of Resources	\$17,441,310	
R21.	Total Noncurrent Assets and Deferred Outflows of Resources	\$129,141,535	
Noncurrent Liabilities			
R22.	Deposits and Advances		
R23.	Compensated Absences		3,107,703
R24.	General Obligation Bonds		
R25.	Revenue Bonds		
R26.	Certificates of Participation		
R27.	Other Bonds		
R28.	Loans (Other Long-Term Debt)		
R29.	Notes (Other Long-Term Debt)		
R30.	Other (Other Long-Term Debt)		
R31.	Construction Financing – Federal		
R32.	Construction Financing – State		
	ase Principal		

R34. Net Pension Liability		57,230,935
R35. Net OPEB Liability		9,126,387
R36. Other Noncurrent Liabilities 1		
R37. Other Noncurrent Liabilities 2		
R38. Other Noncurrent Liabilities 3		
R39. Total Noncurrent Liabilities		\$69,465,025
Deferred Inflows of Resources		
R40 Related to Pensions		2,098,547
R41 Related to OPEB		628,894
R42 Related to Debt Refunding		
R43 Other Deferred Inflows of Resources		
R44. Total Deferred Inflows of Resources		\$2,727,441
R45. Total Noncurrent Liabilities and Deferred Inflows of Resources		\$72,192,466

City of Los Gatos
Cities Financial Transactions Report
Summary and Statistics

Item 2.

Fiscal Year: 2020

Form #41

Summary

	Governmental Funds	Proprietary Funds
R01. Revenues	47,835,582	4,006,830
R02. Expenditures/Expenses	52,185,961	4,423,652
R03. Excess (Deficiency) of Revenues Over (Under) Expenditures	\$-4,350,379	
R04. Income (Loss) Before Capital Contributions, Transfers, and Special and Extraordinary Items		\$-416,822
R05. Other Financing Sources (Uses)	308,107	
R06. Capital Contributions		
R07. Proprietary Fund Transfers In (Out)		-306,541
R08. Special and Extraordinary Items		
R09. Change in Fund Balance/Net Position	\$-4,042,272	\$-723,363
R10. Fund Balance/Net Position (Deficit), Beginning of Fiscal Year	\$53,634,826	\$8,454,443
R11. Adjustments (Specify)	372,628	0

R11a. Specify Governmental Fund Adjustments

Removed compensated absences short-term balance from the general fund	372,628	Delete
		Add
Total:	372,628	

R11b. Specify Proprietary Fund Adjustments

		Add
--	--	-----

R12. Fund Balance/Net Position (Deficit), End of Fiscal Year	\$49,965,182	\$7,731,080
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Statistics

R13. Current Transient Occupancy Tax Rate	10
R14. Effective Date of Current Transient Occupancy Tax Rate	02/03/1993
R15. Current Utility User Tax Rate	
R16. Appropriations Limit	43,050,108
R17. Total Annual Appropriations Subject to the Limit	30,447,571

City of Los Gatos
Cities Financial Transactions Report
Footnotes

Item 2.

Fiscal Year: 2020		
FORM DESC	FIELD NAME	FOOTNOTES
InternalServiceFund	(R03)OtherOperatingRevenues	(Building maintenance) Revenues from construction taxes, recreation district and rent/utility reimbursements from entities outside the primary government
InternalServiceFund	(R15)OtherNonoperatingRevenues	(Building maintenance) donation from Monte Serrano
InternalServiceFund	(R27)TransfersOut	(Building maintenance) Transfer to the capital projects fund to finance approved projects
InternalServiceFund	(R03)OtherOperatingRevenues	(Equipment replacement) Sale of property
InternalServiceFund	(R04)TotalOperatingRevenues	(Equipment replacement) Equipment replacement is funded when a project is approved. It was funded in FY2019, but not completed until FY2020.
InternalServiceFund	(R27)TransfersOut	(Equipment replacement) 55k to the general fund for reimbursing police department for paying for cameras and tasers. 525k to the capital projects fund for equipment construction
InternalServiceFund	(R04)TotalOperatingRevenues	(Information Technology) Many laptops purchased for remote working, plus IT services to go with the setup.
InternalServiceFund	(R11)TotalOperatingExpenses	(Information Technology) Many laptops purchased for remote working, plus IT services to go with the setup.
InternalServiceFund	(R10)OtherOperatingExpenses	(Self insurance) Insurance premiums and adjustments
InternalServiceFund	(R04)TotalOperatingRevenues	(Stores) This fund was closed in FY2019
InternalServiceFund	(R11)TotalOperatingExpenses	(Stores) This fund was closed in FY2019
InternalServiceFund	(R04)TotalOperatingRevenues	(Vehicle maintenance) This fund was closed in FY2019
InternalServiceFund	(R11)TotalOperatingExpenses	(Vehicle maintenance) This fund was closed in FY2019
InternalServiceFund	(R03)OtherOperatingRevenues	(Workers Compensation) Insurance reimbursements
InternalServiceFund	(R10)OtherOperatingExpenses	(Workers Compensation) Insurance premiums and claims adjustments
InternalServiceFund	(R11)TotalOperatingExpenses	(Workers Compensation) In FY2019, the claims adjustment was large and negative (\$420k). In FY2020, the claims adjustment was positive.
InternalServiceFund	(R26)TransfersIn	(Workers Compensation) Transfer from the General Fund to set aside worker's comp self-insurance funds.
Taxes	(R01)Gen-SecuredandUnsecuredPropertyTaxes	supplemental/unsecured was overstated by almost \$3 million in the prior year, which caused this line to be understated by the same amount.
Taxes	(R02)Gen-SupplementalRollSecuredandUnsecuredPropertyTaxes	supplemental/unsecured was overstated by almost \$3 million in the prior year
Taxes	(R12)Gen-OtherPropertyTaxes	election amounts, AB454, railroad taxes, MVLF in lieu
Taxes	(R18)Gen-TransientOccupancyTaxes	Caused by shelter-in-place and the pandemic
FinesForfeituresRevenue	(R01)Func-VehicleCodeFines	Due to pandemic and shelter in place
FinesForfeituresRevenue	(R02)Func-OtherFines	admin citations, false alarms, municipal court
FinesForfeituresRevenue	(R02)Gen-OtherFines	misc fines and penalties
FinesForfeituresRevenue	(R05)Func-InvestmentEarnings	Pension amounts in PARS were 236k in prior year, but the Town moved all the money to CalPERS in the beginning of the year, so the interest earned in the PARS fund was only 19k this fiscal year.
FinesForfeituresRevenue	(R05)Gen-InvestmentEarnings	Due to higher cash balances in governmental funds than the prior year and a larger GASB 31 adjustment in FY2020
ChargesforCurrentServices	(R11)StreetSidewalkandCurbRepairsCharges	Non-point source management now flows directly to JPA providing services instead of first through the Town.
MiscellaneousRevenues	(R01)Func-DevelopmentImpactFees	Timing of the start of large projects and staff time worked on them.
GeneralGovernmentPublicSafety	(R02)CurrExp-ManagementSupport	Due to paying CalPERS a large lump sum from PARS. This amount includes \$83,195 of COVID-19 related expenditures
GeneralGovernmentPublicSafety	(R13)CurrExp-Police	This amount includes \$18180 of COVID-19 related expenditures
TransportationCommunityDevelopment	(R11)CurrExp-ConstructionEngineeringRegulation	94,996 of this balance is COVID-19 related expenditures
HealthCultureLeisure	(R07)CurrExp-SolidWaste	Due to non-point source flowing directly to the JPA providing services instead of through the Town starting in FY2020
DebtServiceCapitalOutlayGrandTotals	(R06)CurrExp-GeneralGovernment	This amount was in Other expenditures last year
DebtServiceCapitalOutlayGrandTotals	(R07)CurrExp-PublicSafety	cameras and tasers and dispatching software
DebtServiceCapitalOutlayGrandTotals	(R09)CurrExp-CommunityDevelopment	Prior year project completed in FY2019. New project started in FY2020

DebtServiceCapitalOutlayGrandTotals	(R12)CurrExp-PublicUtilities	New project undergrounding utilities	Item 2.
MajorObjectClassification	(R03)OtherEmployeeBenefits	Health insurance, disability, unemployment, payroll taxes	
MajorObjectClassification	(R07)OtherOperatingExpenditures	Internal charges paid to ISFs.	
OtherFinancingSourcesChangeinFundBalance	(R09)ProceedsfromSaleofCapitalAssets	disposals of vehicles	
OtherFinancingSourcesChangeinFundBalance	(R12)TransfersIn	Mostly \$8 million transfer from General Fund to Capital Projects fund. Remainder is overhead reimbursements	
OtherFinancingSourcesChangeinFundBalance	(R13)TransfersOut	Mostly \$8 million transfer from General Fund to Capital Projects fund. Remainder is overhead reimbursements	
ChangesNetPositionFiduciaryFund	(R05)Pri-OtherContributions	gifts and bequests	
ChangesNetPositionFiduciaryFund	(R10)Pri-OtherInvestmentIncome	Lease revenue	
ChangesNetPositionFiduciaryFund	(R17)Pri-OtherAdditions	lease revenue	
ChangesNetPositionFiduciaryFund	(R24)Pri-OtherDeductions	library services, and RDA program expenses, depreciation and interest expense	
ChangesNetPositionFiduciaryFund	(R30)Pri-NetPosition(Deficit)EndofFiscalYear	Due to the RDA fund having a large bond outstanding.	
Service	(R01)Police	The Town has both salaried officers and volunteers	
BalanceSheetGovernmentalFunds	(R01)CapProj-CashInvestments	Due to large funding from general fund of \$8 million prior to corresponding project expenditures.	
BalanceSheetGovernmentalFunds	(R01)SpRev-CashInvestments	Cash remaining in the non-point source fund after the JPA switchover.	
BalanceSheetGovernmentalFunds	(R27)Gen-OtherLiabilities1	accrued payroll	
BalanceSheetGovernmentalFunds	(R27)SpRev-OtherLiabilities1	accrued payroll	
BalanceSheetGovernmentalFunds	(R28)CapProj-OtherLiabilities2	deferred revenues	
BalanceSheetGovernmentalFunds	(R28)Gen-OtherLiabilities2	deferred revenues	
BalanceSheetGovernmentalFunds	(R28)SpRev-OtherLiabilities2	deferred revenues	
BalanceSheetGovernmentalFunds	(R31)CapProj-DeferredInflowsofResources	unavailable revenues	
ProprietaryFunds	(R56)IntrnServ-NetPensionLiability	internal service funds do not have any employees charging time to them.	
ProprietaryFunds	(R57)IntrnServ-NetOPEBLiability	internal service funds do not have any employees charging time to them.	
ProprietaryFunds	(R58)IntrnServ-OtherNoncurrentLiabilities1	claims payable	
FiduciaryFunds	(R16)PriTrust-OtherAssets1	Loans receivable	
FiduciaryFunds	(R17)PriTrust-OtherAssets2	capital assets	
FiduciaryFunds	(R25)PriTrust-OtherLiabilities1	interest payable	
FiduciaryFunds	(R26)PriTrust-OtherLiabilities2	long-term debt (COPs) payable	
FiduciaryFunds	(R34)PriTrust-TotalNetPositionHeldinTrust	Due to COPs still owed by the RDA	
SummaryStatistics	(R16)AppropriationsLimit	Mistakenly used FY2020 on last year's report. It should have said \$41,317,775	

Total Footnote: 64

Supplement to the Annual Report of California Municipalities

City Name:	Town of Los Gatos
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Mark the appropriate box below to indicate the ending date of your agency's fiscal year. Report data for that period only.

☒ June 2020

☐ September 2020

Please complete the fillable PDF and submit to the following email,
ewd.local.finance@census.gov.

If you have any questions regarding this form please contact:

U.S. Bureau of the Census, Local Finance Statistics Branch, 1-800-242-4523

1. Reference: State Controller's Report – Please refer to your State Controller's Report to answer questions A-C.

Section A:

From the Statement of Net Expenditures – Governmental Funds – General Government and Public Safety – General Government – Indicate the current expenditures (Column A) you included in the 'Total General Government' field that relate to the financial administration (i.e. finance director, city auditor, treasurer; central accounting and purchasing services, budgeting, etc. -including related data processing) of your government, if any.

Column A – Current Expenditures:	E23	\$1,293,793
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Section B:

From the Statement of Net Expenditures – Governmental Funds –General Government and Public Safety – General Government –Indicate the current expenditures (Column A) you included in the 'Total General Government' field that relate to the city attorney and prosecution (exclude probation and parole), if any.

Column A – Current Expenditures:	E25	\$559,010
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Section C:

From the Statement of Net Expenditures – Governmental Funds – General Government and Public Safety – Public Safety (Police) – Indicate the current expenditures (Column A) you included in the 'Police' field that relate to the city attorney and prosecution (exclude probation and parole), if any.

Column A – Current Expenditures:	E25	\$0
---	------------	------------

2. Capital Outlays

Please fill out the amounts spent on capital outlays for the current fiscal year, split between construction and the purchase of land or equipment which is expected to last more than five years. Please fill in all of this year's capital outlays for your city below, regardless of what you may have already entered for capital outlays in the State Controller's Financial Transaction Report.

Line No.	Item Description	Amount – Omit cents			
		Census Code	Construction	Census Code	Purchase of Land and Equipment
1	Section A – Public Safety				
2	Police department/Crime prevention	F62		G62	249,072
3	Jail	F04		G04	
4	Emergency management	F89	140,394	G89	
5	Flood control	F59		G59	
6	Fire department	F24		G24	
7	Ambulance	F32		G32	
8	Building inspections	F66		G66	
9	Miscellaneous protective services	F66		G66	86,010
10	Animal control	F32		G32	
11	Other public safety	F89		G89	
12	Section B – Public Works				
13	Roads, bridges, sidewalks	F44	802,294	G44	290,964
14	Parking meter and off-street	F60	19,566	G60	
15	Street lighting	F44	186,931	G44	
16	Traffic control safety	F44		G44	
17	Snow removal	F44		G44	
18	Highway engineering	F44		G44	
19	Street cleaning	F81		G81	
20	Airport (if not an enterprise)	F01		G01	
21	Garbage (if not an enterprise)	F81		G81	
22	Other public works	F89		G89	
23	Section C – Health and Social Services				
24	Welfare assistance	F79		G79	
25	City hospital	F36		G36	
26	Health regulation and inspections	F32		G32	
27	Water, air, and mosquito control	F32		G32	
28	Community mental health	F32		G32	
29	Other health and social services	F79		G79	
30	Section D – Culture and Recreation				
31	Library services	F52		G52	
32	Museum, band, theater	F61		G61	
33	Parks	F61		G61	
34	Recreation	F61		G61	
35	Cemetery	F03		G03	
36	Community center, zoo marina, and auditorium	F61		G61	
37	Other culture and recreation	F61	14,500	G61	
38	Section E – Community and Economic Development				
39	Community beautification	F89		G89	
40	Economic development	F89		G89	
41	Housing and urban renewal	F50		G50	
42	Planning and zoning	F29		G29	
43	Other community and economic development	F89		G89	

2. Capital Outlays (continued)

Line No.	Item Description	Amount – Omit cents			
		Census Code	Construction	Census Code	Purchase of Land and Equipment
44	Section F – General Government				
45	Mayor, council and city manager	F29		G29	
46	Clerk, treasurer, financial administration	F23		G23	
47	Elections	F89		G89	
48	Legal services and city attorney	F25		G25	
49	City hall and general buildings	F31		G31	
50	Other general government	F89	201,746	G89	28,934
51	Section G – Business Type Activities				
52	Water	F91		G91	
53	Sewer and sewage disposal	F80		G80	
54	Electric	F92		G92	
55	Gas utility	F93		G93	
56	Parking	F60		G60	
57	Airport	F01		G01	
58	Landfill/Garbage	F81		G81	
59	Hospital	F36		G36	
60	Transit	F94		G94	
61	Cable TV, telephone, Internet	F03		G03	
62	Housing authority	F50		G50	
63	Storm water	F80		G80	
64	Other business types	F89		G89	

3. Intergovernmental Expenditures

Indicate the recipient agency, purpose, and the amount of intergovernmental payments over \$100,000 made by your government during the year.

Paid to:	Purpose:	Amount:
a. City of San Jose	Animal Control	230,501
b.		
c.		
d.		



**TOWN OF LOS GATOS
FINANCE COMMISSION REPORT**

MEETING DATE: 03/08/2021

ITEM NO: 3

Item 3.

DATE: February 25, 2021
TO: Finance Commission
FROM: Laurel Prevetti, Town Manager
SUBJECT: Receive the 2nd Quarter Investment Report and Investment Policy

RECOMMENDATION:

Receive the 2nd Quarter Investment Report and Investment Policy

BACKGROUND:

With the passage of Measure A, the Finance Commission has been tasked with several mandated duties as described in the provisions of the adopted Ordinance. Section 2.50.225. – Duties states that:

(a) The Finance Commission shall:

(8) Make recommendations to the Town Council about policies and programs:

(G) To monitor investment performance and make recommendations related to the Town's investment policy and performance.

The Town maintains an operating investment portfolio for excess funds prior to distribution. The State of California stipulates the parameters of which funds may be invested. Section 53600.5 of the California State Code stipulates that the objectives of any person investing public funds is to, first, safeguard principal; second, to meet the liquidity needs of the depositor; and lastly, to achieve a return or yield on the funds under its control.

The Town's Investment Policy (Attachment 1) is reflective of the California Government Codes broad requirement of preserving principal and maintaining liquidity before seeking yield. These provisions are intended to promote the use of reliable, diverse, and safe investment instruments to better ensure a prudently managed portfolio worthy of public trust.

PREPARED BY: Stephen Conway CPA
Director of Finance

Reviewed by: Town Manager and Town Attorney

PAGE 2 OF 2

SUBJECT: 2nd Quarter Investment Report

DATE: February 25, 2021

BACKGROUND (continued):

The vast majority of local agency portfolios are managed with a buy and hold investment strategy. Investments are purchased with the intent and capacity to hold them until maturity. This passive investment strategy is different from one in which securities are purchased with the intent to sell them before maturity at a profit or the use of leverage to enhance yield

DISCUSSION:

Given that the Finance Commission held its first inaugural meeting on February 8, 2021, staff had previously scheduled the 2nd Quarter Investment Report to be received by the Town Council on February 16, 2021 (Attachments 2). In consultation with the Commission Chair, the 2nd Quarter Investment Report and the Investment Policy are being provided to the Commission for its understanding of the nature of the Report and Policy. Going forward, every effort will be made for the Finance Commission to receive the quarterly reports prior to submittal to Council. In addition, both the Association of Public Treasurers of the United States and Canada and the Government Finance Officers Association have established policy standards that recommend investment policies be reviewed annually. Later in the calendar year, the Commission will have an opportunity to recommend potential changes to the Town's Investment Policy.

CONCLUSION:

Receive the 2nd Quarter Investment Report and Investment Policy

COORDINATION:

This item was coordinated with the Town Manager and Town Attorney

FISCAL IMPACT:

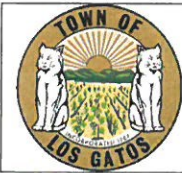
None

ENVIRONMENTAL ASSESSMENT:

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

Attachments:

1. Operating Portfolio Investment Policy
2. 2nd Quarter Investment Report



TOWN OF
LOS GATOS
CALIFORNIA

COUNCIL POLICY MANUAL

Small Town Service

Community Stewardship

Future Focus

TITLE: Investment Policy

POLICY NUMBER: 4-02

EFFECTIVE DATE: 11/1/16

PAGES: 8

ENABLING ACTIONS: 2016-063

**REVISED DATES: 5/16/17; 5/15/2019;
9/3/2019**

APPROVED:

PURPOSE

The Town of Los Gatos (the "Town"), incorporated in 1887, is located approximately 60 miles south of San Francisco, in the southwestern portion of Santa Clara County. The Town operates under the Council/Manager form of government. The Town Council is the legislative body for the Town. It has five members elected to serve staggered four year terms. The Town Manager is appointed by the Town Council.

The Town Council has adopted this Investment Policy in order to establish the investment scope, objectives, delegation of authority, standards of prudence, reporting requirements, internal controls, eligible investments and transactions, diversification requirements, risk tolerance, and safekeeping and custodial procedures for the investment of the funds of the Town. All Town funds will be invested in accordance with this Investment Policy and with applicable sections of the California Government Code.

This Investment Policy was originally adopted by the Town Council of the Town of Los Gatos November 1, 2016. Town Council adopted revisions replace any previous investment policy or investment procedures of the Town.

SCOPE

This Investment Policy applies to all of the Town's short-term operating funds. These funds are described in the Town's annual financial report and include, but are not limited to:

General Fund

Special Revenue Funds

Capital Project Funds

Debt Service Funds

Enterprise Fund

Internal Service Funds

Fiduciary Funds

Specifically excluded from this Investment Policy are amounts which are held by a trustee or fiscal agent and pledged as payment or security for bonds or other indebtedness, obligations under a lease, or obligations under certificates of participation. Such funds are invested in accordance with statutory provisions, ordinance, resolution, or indenture governing the issuance of the obligations. In addition, this Investment Policy is not applicable to the Town's Deferred Compensation Plan. These investments are directed by each employee participant in accordance with the rules of the Deferred Compensation Plan.

POLICY

OBJECTIVES

The Town's funds shall be invested in accordance with all applicable Town policies and codes, State statutes, and Federal regulations, and in a manner designed to accomplish the following objectives, which are listed in priority order:

1. Preservation of capital and protection of investment principal.
2. Maintenance of sufficient liquidity to meet anticipated cash flows.
3. Attainment of a market value rate of return.
4. Diversification to avoid incurring unreasonable market risks.

DELEGATION OF AUTHORITY

Management responsibility for the Town's investment program is delegated annually by the Town Manager to the Town Treasurer/Finance Director (the "Treasurer") pursuant to California Government Code Section 36510. The Treasurer may delegate the authority to conduct investment transactions and to manage the operation of the investment portfolio to other specifically authorized staff members. The Treasurer shall maintain a list of persons authorized to transact securities business for the Town. No person may engage in an investment transaction except as expressly provided under the terms of this Investment Policy.

The Treasurer shall develop written administrative procedures and internal controls, consistent with this Investment Policy, for the operation of the Town's investment program. Such procedures shall be designed to prevent losses arising from fraud, employee error, misrepresentation by third parties, or imprudent actions by employees.

The Town may engage the support services of outside investment advisors in regard to its investment program, so long as it can be demonstrated that these services produce a net financial advantage or necessary financial protection of the Town's financial resources.

PRUDENCE

The standard of prudence to be used for managing the Town's investments shall be California Government Code Section 53600.3, the prudent investor standard which states, "When

investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency.”

The Town's overall investment program shall be designed and managed with a degree of professionalism that is worthy of the public trust. The Town recognizes that no investment is totally without risk and that the investment activities of the Town are a matter of public record. Accordingly, the Town recognizes that occasional measured losses may occur in a diversified portfolio and shall be considered within the context of the overall portfolio's return, provided that adequate diversification has been implemented and that the sale of a security is in the best long-term interest of the Town.

The Treasurer and authorized investment personnel acting in accordance with written procedures and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided that the deviations from expectations are reported in a timely fashion to the Town Council and appropriate action is taken to control adverse developments.

ETHICS AND CONFLICTS OF INTEREST

Elected officials and Town employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program or could impair or create the appearance of an impairment of their ability to make impartial investment decisions. Elected officials and Town employees shall disclose to the Town Council any business interests they have in financial institutions that conduct business with the Town and they shall subordinate their personal investment transactions to those of the Town. In addition, the Town Manager and the Treasurer shall file a Statement of Economic Interests each year pursuant to California Government Code Section 87203 and regulations of the Fair Political Practices Commission.

SOCIALLY RESPONSIBLE INVESTING

In addition to and subordinate to the objectives set forth above, investment of funds should be guided by the following socially responsible investment goals when investing in corporate securities and depository institutions. Investments shall be made in compliance with the responsible investment goals to the extent that such investments achieve substantially equivalent safety, liquidity and yield compared to other investments permitted by state law.

(1) Environmental, Social Responsibility and Governance Concerns

Investments are encouraged in entities that support community well-being through safe and environmentally sound practices and fair labor practices. Investments are encouraged in entities that support equality of rights regardless of sex, race, age, disability or sexual orientation. All corporate securities within the portfolio will be monitored by an independent third-party who will provide the Town with an ESG (Environmental, Social Responsibility, and Governance) rating. The Town will prefer companies when appropriate that maintain a higher ESG rating as opposed to those companies that have a lower ESG Rating.

(2) Community Investments

Investments are encouraged in entities that promote community economic development, and investments are discouraged in entities that finance high-cost check-cashing and deferred deposit (payday-lending) businesses. Investments are encouraged in entities that have a demonstrated involvement in the development or rehabilitation of low-income affordable housing and have a demonstrated commitment to reducing predatory mortgage lending and increasing the responsible servicing of mortgage loans. Securities investments are encouraged in financial institutions that have a Community Reinvestment Act (CRA) rating of either Satisfactory or Outstanding, as well as financial institutions that are designated as a Community Development Financial Institution (CDFI) by the United States Treasury Department, or otherwise demonstrate commitment to community economic development.

AUTHORIZED SECURITIES AND TRANSACTIONS

All investments and deposits of the Town shall be made in accordance with California Government Code Sections 16429.1, 53600-53609 and 53630-53686, except that pursuant to California Government Code Section 5903(e), proceeds of bonds and any moneys set aside or pledged to secure payment of the bonds may be invested in securities or obligations described in the ordinance, resolution, indenture, agreement, or other instrument providing for the issuance of the bonds. Any revisions or extensions of these code sections will be assumed to be part of this Investment Policy immediately upon being enacted. However, in the event that amendments to these sections conflict with this Investment Policy and past Town investment practices, the Town may delay adherence to the new requirements when it is deemed in the best interest of the Town to do so. In such instances, after consultation with the Town's attorney, the Treasurer will present a recommended course of action to the Town Council for approval. All investment limits specified in the Policy are calculated at the time of investment.

The Town has further restricted the eligible types of securities and transactions as follows:

1. United States Treasury bills, notes, bonds, or certificates with a final maturity not exceeding five years from the date of trade settlement.
2. Federal Agency Obligations for which the faith and credit of the United States are pledged for the payment of principal and interest and which have a final maturity not exceeding five years from the date of trade settlement. There is no limit on the percentage of the

portfolio that can be invested in this category, however, no more than 20% of the town's total portfolio shall be invested in the combination of Government National Mortgage Association (GNMA), Federal National Mortgage Association (FNMA) and Federal Home Loan Mortgage Corporation (FHLMC) mortgage-backed securities.

3. Federal Instrumentality (government sponsored enterprise) debentures, discount notes, callable securities, step-up securities, and mortgage-backed securities (including FNMA and FHLMC) with a final maturity not exceeding five years from the date of trade settlement. There is no limit on the percentage of the portfolio that can be invested in this category, however, no more than 20% of the town's total portfolio shall be invested in the combination of GNMA, FNMA, and FHLMC mortgage-backed securities.
4. Prime Commercial Paper with a maturity not exceeding 270 days from the date of trade settlement with the highest ranking or of the highest letter and number rating as provided for by a nationally recognized statistical-rating organization (NRSRO). The entity that issues the commercial paper shall meet all of the following conditions in either sub-paragraph A. or sub-paragraph B. below:

A. The entity shall (1) be organized and operating in the United States as a general corporation, (2) have total assets in excess of five hundred million dollars (\$500,000,000) and (3) Have debt other than commercial paper, if any, that is rated "A" or higher by a NRSRO.

B. The entity shall (1) be organized within the United States as a special purpose corporation, trust, or limited liability company, (2) have program wide credit enhancements, including, but not limited to, over collateralization, letters of credit or surety bond and (3) have commercial paper that is rated "A-1" or higher, or the equivalent, by a NRSRO.

Purchases of eligible commercial paper shall not exceed:

- 10% of the outstanding commercial paper of any single corporate issuer,
- 5% of the Town's total portfolio in the commercial paper of any one issuer, and
- 25% of the Town's total portfolio.

5. Eligible Bankers Acceptances with a maturity not exceeding 180 days from the date of trade settlement, issued by a state or national bank with combined capital and surplus of at least \$250 million, whose deposits are insured by the FDIC, and whose senior long-term debt is rated at least A or the equivalent by a NRSRO at the time of purchase. No more than 5% of the Town's total portfolio shall be invested in banker's acceptances of any one issuer, and the aggregate investment in banker's acceptances shall not exceed 30% of the Town's total portfolio.

6. Medium Term Notes (Corporate Notes) issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States, with a final maturity not exceeding five years from the date of trade settlement and rated at least "A" or the equivalent by a NRSRO. No more than 5% of the Town's total portfolio shall be invested in the medium-term notes of any one issuer and the aggregate investment in medium term notes shall not exceed 30% of the Town's total portfolio.
7. Municipal & State Obligations:
- A. Municipal bonds including registered notes or bonds of any of the 50 states, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the 50 states.
 - B. In addition, bonds, notes, warrants, or other evidences of indebtedness of any local agency in California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, operated by the local agency, or by a department, board, agency, or authority of the local agency.

Municipal bonds must be rated at least "A" or the equivalent by a NRSRO with maturities not exceeding five years from the date of the trade settlement. No more than 5% of the Town's total portfolio shall be invested in "A" rated bonds or in the bonds of any one municipality. In addition, the aggregate investment in municipal bonds may not exceed 30% of the total portfolio.

8. Certificates of Deposit with a final maturity not exceeding five years from the date of trade settlement. The aggregate investment in certificates of deposit shall not exceed 30% of the Town's portfolio, and no more than 5% of the portfolio shall be held in any one deposit or allocated to any one issuer. Certificates of Deposit shall be issued by a nationally or state-chartered bank or a state or federal savings and loan association or by a state-licensed branch of a foreign bank or by a federally licensed branch of a foreign bank provided that the senior debt obligations of the issuing institution are rated at least "A" or the equivalent by a NRSRO.

Negotiable certificates of deposit issued by a nationally or state-chartered bank, or by a federally licensed or state-licensed branch of a foreign bank. Purchases of negotiable certificates of deposits are subject to the limitations of Section 53601(i), shall be fully insured by the FDIC with a corresponding FDIC certification number, and shall be delivered through the Depository Trust Company.

Non-Negotiable certificates of deposit issued by a nationally or state-chartered bank, or by a federally licensed or state-licensed branch of a foreign bank. Purchases of non-negotiable certificates of deposit are subject to the limitations of Sections 53601(n) and 53638 and shall be fully insured by the FDIC with a corresponding FDIC certification number.

Private sector entities may be used to place certificates of deposit subject to the limitations of Section 53601.8.

9. State of California's Local Agency Investment Fund (LAIF), pursuant to California Government Code Section 16429.1. The aggregate amount invested in LAIF shall not exceed the maximum allowed by the fund.
10. Money Market Funds registered under the Investment Company Act of 1940 that (1) are "no-load" (meaning no commission or fee shall be charged on purchases or sales of shares); (2) have a constant net asset value per share of \$1.00; (3) invest only in government securities, and (4) have a rating of at least AAA or the equivalent by at least two NRSROs. No more than 10% of the Town's total portfolio shall be invested in money market funds of any one issuer, and the aggregate investment in money market funds shall not exceed 20% of the Town's total portfolio.

Securities that have been downgraded to a level that is below the minimum ratings described herein may be sold or held at the Town's discretion. The portfolio will be brought back into compliance with Investment Policy guidelines as soon as is practical.

The foregoing list of authorized securities and transactions shall be strictly interpreted. Any deviation from it must be preapproved by resolution of the Town Council.

PORTFOLIO MATURITIES AND LIQUIDITY

To the extent possible, investments shall be matched with anticipated cash flow requirements and known future liabilities. The Town will not invest in securities maturing more than five years from the date of trade settlement, unless the Town Council has by resolution granted authority to make such an investment at least three months prior to the date of investment.

SELECTION OF BROKER/DEALERS

The Treasurer shall maintain a list of broker/dealers approved for investment purposes, and it shall be the policy of the Town to purchase securities only from those authorized firms. To be eligible, a firm must meet at least one of the following criteria:

- Be recognized as a Primary Dealer by the Federal Reserve Bank of New York or have a primary dealer within their holding company structure; or
- Report voluntarily to the Federal Reserve Bank of New York; or
- Qualify under Securities and Exchange Commission (SEC) Rule 15c3-1 (Uniform Net Capital Rule).

In addition, authorized broker/dealers must be licensed by the State of California as a broker/dealer as defined in Section 25004 of the California Corporations Code.

The Town may engage the services of investment advisory firms to assist in the management of the portfolio and investment advisors may utilize their own list of approved broker/dealers.

Such broker/dealers will comply with the selection criteria above and the list of approved firms shall be provided to the Town on an annual basis or upon request.

In the event that an external investment advisor is not used in the process of recommending a particular transaction in the Town's portfolio, authorized broker/dealers shall attest in writing that they have received and reviewed a copy of the this Investment Policy and shall be required to submit and annually update a Town approved Broker/Dealer Information request form, which includes the firm's most recent financial statements.

The Town may purchase commercial paper from direct issuers even though they are not on the approved broker/dealer list as long as they meet the criteria outlined in Item 4 of the Authorized Securities and Transactions section of this Investment Policy.

COMPETITIVE TRANSACTIONS

Each investment transaction shall be competitively transacted with authorized broker/dealers. At least three broker/dealers shall be contacted for each transaction and their bid and offering prices shall be recorded.

If the Town is offered a security for which there is no other readily available competitive offering, the Treasurer will document quotations for comparable or alternative securities.

SELECTION OF BANKS

The Treasurer shall maintain a list of banks and savings banks approved to provide banking services for the Town. To be eligible, a bank must be a member of the Federal Deposit Insurance Corporation, must qualify as a depository of public funds in the State of California as defined in California Government Code Section 53630.5 and shall secure deposits in excess of FDIC coverage in accordance with California Government Code Section 53652.

Authorized banks that accept deposits from the Town shall meet high standards with regard to liquidity, asset quality, profitability and capital adequacy. The Treasurer shall utilize a commercial bank rating service to perform credit analysis on banks seeking authorization. Banks that in the judgment of the Treasurer no longer offer adequate safety to the Town shall be removed from the Town's list of authorized banks.

SAFEKEEPING AND CUSTODY

The Treasurer shall select one or more financial institutions to provide safekeeping and custodial services for the Town. A Safekeeping Agreement shall be executed with each custodian bank prior to utilizing that bank's safekeeping services.

Custodian banks will be selected on the basis of their ability to provide services for the Town's account and the competitive pricing of their safekeeping related services.

The purchase and sale of securities and repurchase agreement transactions shall be settled on a delivery versus payment basis. All securities shall be perfected in the name of the Town. Sufficient evidence to title shall be consistent with modern investment, banking and commercial practices.

All investment securities, purchased by the Town, will be delivered by book entry and will be held in third-party safekeeping by a Town approved custodian bank or its Depository Trust Company (DTC) participant account.

All Fed wireable book entry securities owned by the Town shall be held in the Federal Reserve System in a customer account for the custodian bank which will name the Town as "customer."

All DTC eligible securities shall be held in the custodian bank's DTC participant account and the custodian bank shall provide evidence that the securities are held for the Town as "customer."

PORTFOLIO PERFORMANCE

The investment portfolio shall be designed to attain a market rate of return throughout budgetary and economic cycles, taking into account prevailing market conditions, risk constraints for eligible securities, and cash flow requirements. The performance of the Town's investments shall be compared to the average yield on the U.S. Treasury security that most closely corresponds to the portfolio's weighted average effective maturity. When comparing the performance of the Town's portfolio, its rate of return will be computed net of all fees and expenses.

REPORTING

No less than quarterly, the Treasurer shall prepare a report of the investment earnings and performance results of the Town's investment portfolio. The report shall be submitted to the Town Clerk within 45 days after the end of each quarter for inclusion as an agenda item at the next scheduled Town Council meeting. The report shall include the following information:

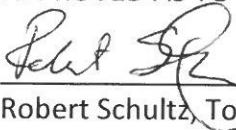
1. Investment type, issuer, date of maturity, par value and dollar amount invested in all securities, and investments and monies held by the Town;
2. A market value as of the date of the report (or the most recent valuation as to assets not valued monthly) and the source of the valuation;
3. Realized and unrealized gains or losses calculated by amortized cost and by fair value.
4. The weighted average maturity of the portfolio and a percentage breakdown of the total portfolio by maturity.
5. A description of the funds, investments and programs that are under the management of contracted parties;
6. A statement of compliance with this Investment Policy or an explanation for non-compliance; and

7. A statement of the ability to meet expenditure requirements for the next six months, and an explanation of why money will not be available if that is the case.

PROCEDURES

This Investment Policy shall be adopted by resolution of the Town Council. Annually the Town Manger shall present this Investment Policy to the Town Council for review to ensure its consistency with the Town's investment objectives, current law and economic trends. Any amendments to this Investment Policy shall be approved by the Town Council.

APPROVED AS TO FORM:



Robert Schultz, Town Attorney

Town of Los Gatos
Summary Investment Information
December 31, 2020

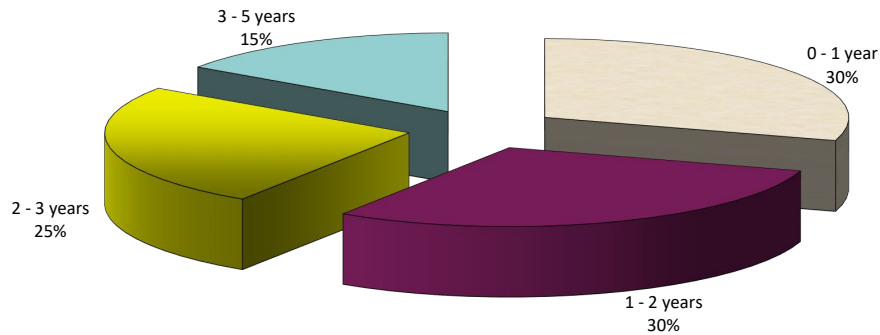
Weighted Average YTM Portfolio Yield: **1.62%** **Weighted Average Maturity (days)** **579**

	<u>This Month</u>	<u>Last Month</u>	<u>One year ago</u>
Portfolio Balance	\$61,118,129	\$60,767,876	\$63,890,429

Benchmarks/ References:

Town's Average Yield	1.62%	1.62%	1.93%
LAIF Yield for month	0.62%	0.62%	2.04%
3 mo. Treasury	0.09%	0.08%	1.55%
6 mo. Treasury	0.09%	0.09%	1.59%
2 yr. Treasury	0.12%	0.15%	1.57%
5 yr. Treasury (most recent)	0.36%	0.36%	1.69%
10 Yr. Treasury	0.92%	0.84%	1.69%

Portfolio Maturity Profile



Compliance: The Town's investments are in compliance with the Town's investment policy dated November 3, 2020 and also in compliance with the requirements of Section 53601 of the California State Code. Based on the information available, the Town has sufficient funds to meet the cash demands for the next six months.

Town of Los Gatos
Portfolio Allocation & Treasurer's Fund Balances
December 31, 2020

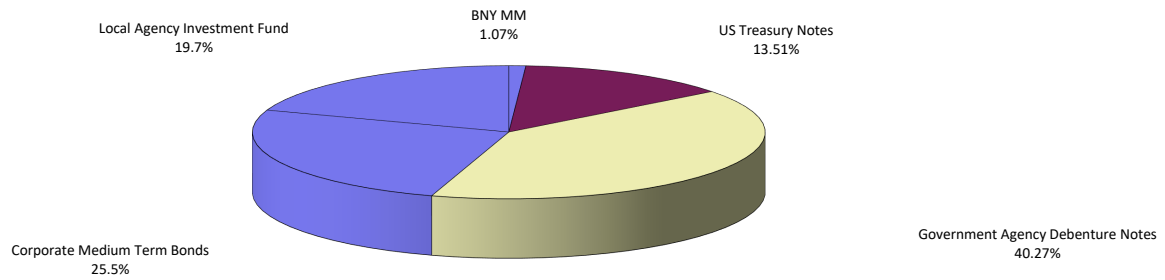
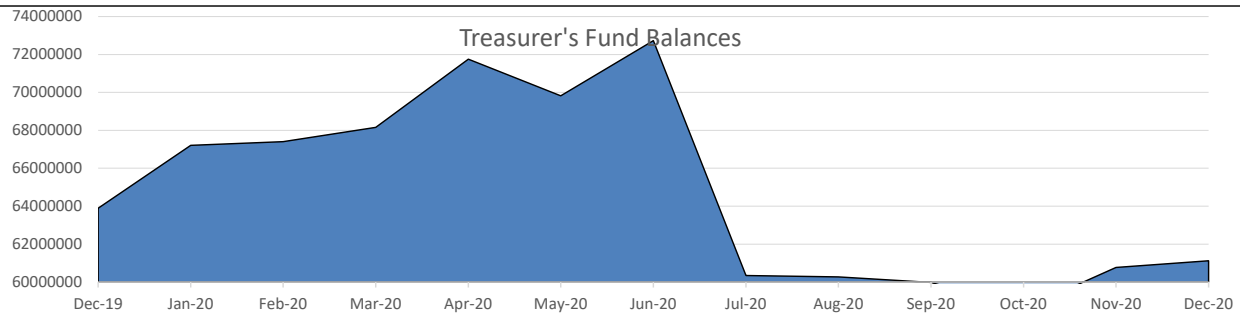
	Month	YTD
Fund Balances - Beginning of Month/Period	\$60,767,876.33	\$72,729,892.43
Receipts	4,443,212.25	23,200,580.25
Disbursements	(4,092,959.13)	(34,812,343.23)
Fund Balances - End of Month/Period	<u>\$61,118,129.45</u>	<u>\$61,118,129.45</u>

Portfolio Allocation:

% of Portfolio

Max. % Or \$ Allowed Per State Law or Policy

BNY MM	\$609,987.61	1.07%	20% of Town Portfolio
US Treasury Notes	\$7,723,416.42	13.51%	No Max. on US Treasuries
Government Agency Debenture Notes	\$23,022,651.75	40.27%	No Max. on Non-Mortgage Backed
Corporate Medium Term Bonds	\$14,578,812.51	25.50%	30% of Town Portfolio
Local Agency Investment Fund	\$11,233,653.52	19.65%	\$75 M per State Law
Subtotal - Investments	57,168,521.81	100.00%	
Reconciled Demand Deposit Balances	<u>3,949,607.64</u>		
Total Treasurer's Fund	<u>\$61,118,129.45</u>		

Portfolio Investment Allocation**Treasurer's Fund Balances**

Town of Los Gatos
Non-Treasury Restricted Fund Balances
December 31, 2020

	Beginning Balance	DEC 20 Deposits Realized Gain/Adj.	DEC 20 Interest/ Earnings	DEC 20 Withdrawals	Ending Balance	
Non-Treasury Funds:						
Cert. of Participation 2002 Series A Reserve Fund	\$ 686,251.00		\$ 5.70	\$ -	\$ 686,256.70	Note 1
Cert. Of Participation 2010 Ser A Lease Pymt Fund	6.13	0.00	0.00		\$ 6.13	Note 1
Cert. of Participation 2002 Lease Payment Fund	35.41	0.00	0.00		\$ 35.41	Note 1
Cert. of Participation 2010 Series Reserve Fund	1,298,120.67		10.75		1,298,131.42	Note 2
Total Restricted Funds:	<u>\$ 1,984,413.21</u>	<u>\$0.00</u>	<u>\$16.45</u>	<u>\$0.00</u>	<u>\$1,984,429.66</u>	
CEPPT IRS Section 115 Trust	700,431.21	0.00	8,376.12		708,807.33	
Grand Total COP's and CEPPT Trust	<u>\$ 2,684,844.42</u>	<u>\$ -</u>	<u>\$ 8,392.57</u>	<u>\$ -</u>	<u>\$ 2,693,236.99</u>	

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

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

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

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

**Town of Los Gatos
Statement of Interest Earned
December 31, 2020**

Interest by Month

July 2020	\$78,263.77
August 2020	78,263.76
September 2020	75,077.38
October 2020	71,634.00
November 2020	62,226.39
December 2020	64,300.60
January 2021	
February 2021	
March 2021	
April 2021	
May 2021	
June 2021	
	<u><u>\$429,765.90</u></u>

Town of Los Gatos Investment Schedule December 2020

Item 3.

			Deposit	Par	Original	Market	Purchased	Maturity	Yield to	Interest	Interest	Interest	Days	
Institution	CUSIP #	Security	Date	Value	Cost	Value	Interest	Date or Call Date	Maturity or Call	Received to Date	Earned Prior Yrs.	Earned Current FY	to Maturity	
Treasury	912828WR7	US Treasury Note	4/2/2019	1,000,000.00	995,625.00	1,009,921.88		6/30/2021	2.33%	\$ 37,099.45	\$ 28,917.32	\$ 11,694.04	181	
Toyota Motor Credit	89236TDP7	Corporate Bond	05/20/19	1,100,000.00	1,102,596.00	1,125,945.16		1/11/2022	2.50%	\$ 32,651.67	\$ 30,798.33	\$ 13,923.57	376	
Toyota Motor Credit	89236TCZ6	Corporate Bond	3/13/2020	500,000.00	504,440.00	502,109.61		4/8/2021	1.06%	\$ 5,409.72	\$ 1,599.24	\$ 2,699.63	98	
FFCB	3133EKMx1	Gov. Agency Debenture	8/2/2019	1,000,000.00	1,014,400.00	1,061,957.10		2/23/2024	1.90%	\$ 29,175.83	\$ 17,466.66	\$ 9,651.25	1149	
FFCB	3133EMBE1	Gov. Agency Debenture	10/8/2020	1,600,000.00	1,598,000.00	1,596,217.89	146.66	3/28/2024	0.34%	\$ (146.66)	\$ -	\$ 1,237.25	1183	
FFCB	3133EMCQ3	Gov. Agency Debenture	10/16/2020	2,000,000.00	1,998,000.00	2,000,344.78	46.67	10/13/2024	0.31%	\$ (46.67)	\$ -	\$ 1,270.28	1382	
BankAmerica Corp	06051GHC6	Corporate Bond	10/9/2020	1,300,000.00	1,366,287.00	1,368,263.00		12/20/2023	0.66%	\$ 1,731.27	\$ -	\$ 4,165.82	1084	
IBM	459200HG9	Corporate Bond	8/8/2019	1,000,000.00	995,010.00	1,027,705.72		8/1/2022	2.05%	\$ 18,385.42	\$ 18,296.32	\$ 10,295.18	578	
Oracle	68389XBL8	Corporate Bond	7/8/2019	1,000,000.00	1,008,880.00	1,051,497.87		7/15/2023	2.18%	\$ 28,466.67	\$ 21,374.17	\$ 10,985.61	926	
US Treasury	912828R28	US Treasury Note	7/2/2019	500,000.00	497,246.09	517,246.10		4/30/2023	1.77%	\$ 10,796.54	\$ 8,819.78	\$ 4,458.35	850	
American Express	0258M0EB1	Corporate Bond	2/11/2020	1,000,000.00	1,007,210.00	1,005,102.95		4/4/2021	1.66%	\$ 16,500.00	\$ 6,215.30	\$ 8,168.69	94	
Freddie Mac	3137EAE5	Gov. Agency Debenture	7/19/2019	2,000,000.00	2,072,358.00	2,126,342.52		6/19/2023	1.79%	\$ 77,916.67	\$ 34,741.74	\$ 18,422.13	900	
FFCB	3133EKFV0	Gov. Agency Debenture	7/22/2019	1,000,000.00	999,630.00	1,034,672.66		1/17/2023	1.89%	\$ 18,489.58	\$ 17,771.06	\$ 9,505.45	747	
Treasury	912828L57	US Treasury Note	7/22/2019	1,200,000.00	1,197,988.40	1,233,890.63		9/30/2022	2.09%	\$ 25,016.39	\$ 20,385.25	\$ 10,903.74	638	
Freddie Mac	3137EADB2	Gov. Agency Debenture	1/17/2020	2,100,000.00	2,132,039.70	2,148,552.00		1/13/2022	2.12%	\$ 24,383.34	\$ 15,274.50	\$ 17,033.38	378	
US Treasury	912828Y20	Gov. Agency Debenture	1/31/2020	1,000,000.00	1,016,601.56	1,013,281.25		7/15/2021	1.47%	\$ 11,971.16	\$ 6,138.62	\$ 7,480.17	196	
American Honda	02665WCZ2	Corporate Bond	11/27/2019	1,000,000.00	1,012,410.01	1,062,198.39		6/27/2024	2.12%	\$ 24,733.34	\$ 12,601.45	\$ 10,734.57	1274	
JP Morgan Chase	46625HJE1	Gov. Agency Debenture	2/11/2020	900,000.00	934,587.00	946,538.96		9/23/2022	1.74%	\$ 18,037.50	\$ 6,148.83	\$ 8,081.32	631	
Honeywell Int'l.	438516BW5	Corporate Bond	11/20/2019	1,000,000.00	1,014,660.00	1,065,627.06		7/15/2024	1.64%	\$ 16,483.33	\$ 12,127.88	\$ 10,006.86	1292	
Disney	254687CK0	Corporate Bond	3/4/2020	1,000,000.00	1,029,080.00	1,004,666.68		2/15/2021	1.39%	\$ 20,125.00	\$ 4,687.49	\$ 7,309.30	46	
FNMA	3135G0V75	Gov. Agency Debenture	10/17/2019	1,100,000.00	1,105,833.30	1,158,202.90		7/2/2024	1.63%	\$ 13,956.25	\$ 12,682.51	\$ 9,080.08	1279	
US Bancorp	91159HHV5	Corporate Bond	12/24/2019	1,000,000.00	1,049,040.00	1,088,633.13		1/5/2024	2.12%	\$ 20,718.75	\$ 11,183.73	\$ 10,887.86	1100	
FFCB	3133EKC53	Gov. Agency Debenture	3/21/2019	1,400,000.00	1,403,262.00	1,406,555.58		3/11/2021	2.43%	\$ 52,558.33	\$ 43,563.60	\$ 17,164.25	70	
FFCB	3133EKQA7	Gov. Agency Debenture	10/21/2019	1,000,000.00	1,019,780.00	1,065,751.87		9/10/2024	1.66%	\$ 18,431.11	\$ 11,615.55	\$ 8,447.67	1349	
PNC Financial	693476BN2	Corporate Bond	8/15/2019	1,000,000.00	1,029,280.00	1,032,866.61		2/6/2022	2.12%	\$ 35,108.33	\$ 18,589.78	\$ 10,689.13	402	
FHLB	313379Q69	Gov. Agency Debenture	7/22/2019	1,000,000.00	1,006,960.00	1,028,862.21		6/10/2022	1.87%	\$ 29,395.83	\$ 17,755.82	\$ 9,497.30	526	
FNMA	3135G0V59	Gov. Agency Debenture	11/27/2019	1,540,000.00	1,562,924.44	1,583,011.72		4/12/2022	1.61%	\$ 30,318.75	\$ 14,793.93	\$ 12,602.23	467	
JP Morgan Chase	46625HJT8	Corporate Bond	9/23/2019	1,400,000.00	1,485,414.00	1,540,609.98		2/1/2024	2.39%	\$ 46,413.89	\$ 26,688.85	\$ 17,475.98	1127	
American Honda	02665WDH1	Corporate Bond	2/14/2020	600,000.00	603,756.00	622,245.79		5/10/2023	1.75%	\$ 10,595.00	\$ 3,955.80	\$ 5,312.90	860	
FHLB	3130AABG2	US Treasury Note	4/15/2019	1,000,000.00	988,250.00	1,015,959.81		11/29/2021	2.34%	\$ 30,416.67	\$ 28,121.02	\$ 11,706.49	333	
FNMA	3135G0Q89	Gov. Agency Debenture	2/10/2020	1,000,000.00	998,702.00	1,009,541.20		10/7/2021	1.38%	\$ 9,052.08	\$ 5,614.15	\$ 7,326.27	280	
FNMA	3135G0J20	Gov. Agency Debenture	2/10/2020	1,000,000.00	998,882.00	1,001,843.40		2/26/2021	1.48%	\$ 7,486.11	\$ 5,724.31	\$ 7,470.02	57	
Treasury	912828M80	US Treasury Note	7/22/2019	1,000,000.00	1,006,175.23	1,035,820.31		11/30/2022	1.81%	\$ 27,158.47	\$ 17,118.04	\$ 9,156.16	699	
Treasury	912828U57	US Treasury Note	7/31/2019	1,000,000.00	1,011,875.00	1,057,304.69		11/30/2023	1.84%	\$ 28,333.33	\$ 16,990.40	\$ 9,332.04	1064	
Treasury	912828X70	US Treasury Note	12/30/2019	1,000,000.00	1,010,589.29	1,059,921.88		4/30/2024	1.75%	\$ 18,703.30	\$ 9,805.98	\$ 9,859.56	1216	
Treasury	912828XT2	US Treasury Note	10/31/2019	1,000,000.00	1,015,667.41	1,061,250.00		5/31/2024	1.64%	\$ 21,639.34	\$ 11,040.77	\$ 8,360.09	1247	
Wells Fargo	94988J6A0	Corporate Bond	6/24/2020	1,350,000.00	1,370,749.50	1,365,432.31		9/9/2021	0.80%	\$ 5,357.48	\$ 163.99	\$ 5,028.96	252	
FFCB	3133EJ3Q0	Gov. Agency Debenture	8/28/2019	1,500,000.00	1,587,503.75	1,616,413.07		12/21/2023	2.12%	\$ 56,661.46	\$ 19,226.80	\$ 11,523.55	1085	
Freddie Mac	3133EKKT2	Gov. Agency Debenture	6/24/2019	1,550,000.00	1,573,188.00	1,617,239.85		2/8/2023	1.82%	\$ 47,856.25	\$ 29,033.70	\$ 14,360.75	769	
Subtotal				\$	44,640,000.00	\$ 45,324,880.68	\$	46,269,548.52	\$	193.33	\$	927,340.28	\$ 567,032.64	\$ 373,307.87
BNY MM					609,987.61		609,987.61			0.00%				1
LAIF					11,233,653.52		11,233,653.52			0.62%			29,586.76	1
						\$57,168,521.81		\$58,113,189.65		\$	927,340.28	\$ 567,032.64	\$ 402,894.63	
Matured Assets														
FNMA	3133EHYM9	Gov. Agency Debenture	9/21/2017	1,300,000.00	1,295,866.00			9/14/2020	1.61%	\$ 58,120.83	\$ 57,964.67	\$ 4,348.78		
FFCB	3133ELVV3	Gov. Agency Debenture	4/8/2020	1,600,000.00	1,600,000.00			10/8/2020	0.93%	\$ 7,600.00	\$ 3,456.44	\$ 4,164.38		
FNMA	3136G0AW1	Gov. Agency Debenture	12/13/2017	2,000,000.00	2,017,900.00			10/16/2020	2.02%	\$ 133,558.33	\$ 103,715.85	\$ 12,044.42		
BankAmerica Corp	06051GGS2	Corporate Bond	4/30/2020	1,300,000.00	1,302,314.00			10/1/2020	1.21%	\$ 12,694.08	\$ 4,141.23	\$ 6,313.69		
Total Investments "Matured"												\$	26,871.27	
Total Interest FY 20_21 Matured and Current												\$	429,765.90	
Maturity Profile														
					Amount									
0-1 year					\$22,156,443.19									
1-2 years					\$10,967,560.77									
2-3 years					\$10,720,723.84									
3-5 years					\$ 13,323,794.01									
					\$57,168,521.81									
Market to Cost Position Report														
					Amortized									
Institution					Cost									
BNY Assets					\$45,324,880.68									
BNY MM					609,987.61									
LAIF					11,233,653.52									
Totals:					\$57,168,521.81									

**Town of Los Gatos
Summary Investment Information
November 30, 2020**

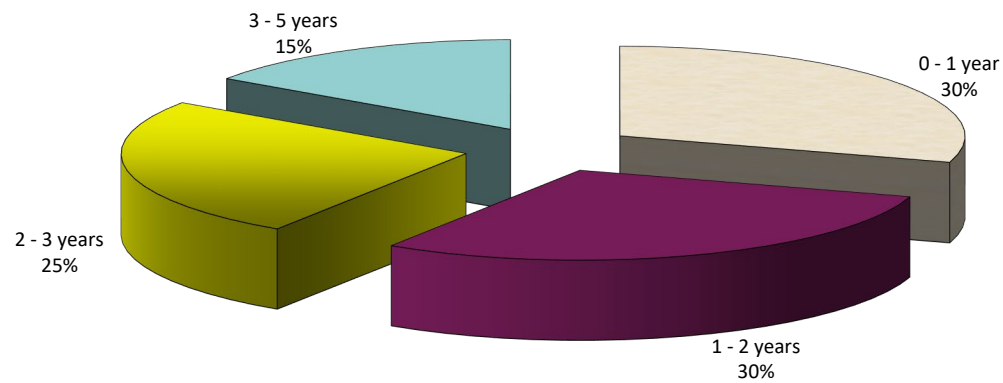
Weighted Average YTM Portfolio Yield: **1.62%** **Weighted Average Maturity (days)** **605**

	<u>This Month</u>	<u>Last Month</u>	<u>One year ago</u>
Portfolio Balance	\$60,767,876	\$58,591,198	\$62,538,890

Benchmarks/ References:

Town's Average Yield	1.62%	1.63%	1.91%
LAIF Yield for month	0.62%	0.62%	2.14%
3 mo. Treasury	0.08%	0.09%	2.33%
6 mo. Treasury	0.09%	0.10%	2.49%
2 yr. Treasury	0.15%	0.16%	2.87%
5 yr. Treasury (most recent)	0.36%	0.39%	2.98%
10 Yr. Treasury	0.84%	0.88%	3.14%

Portfolio Maturity Profile

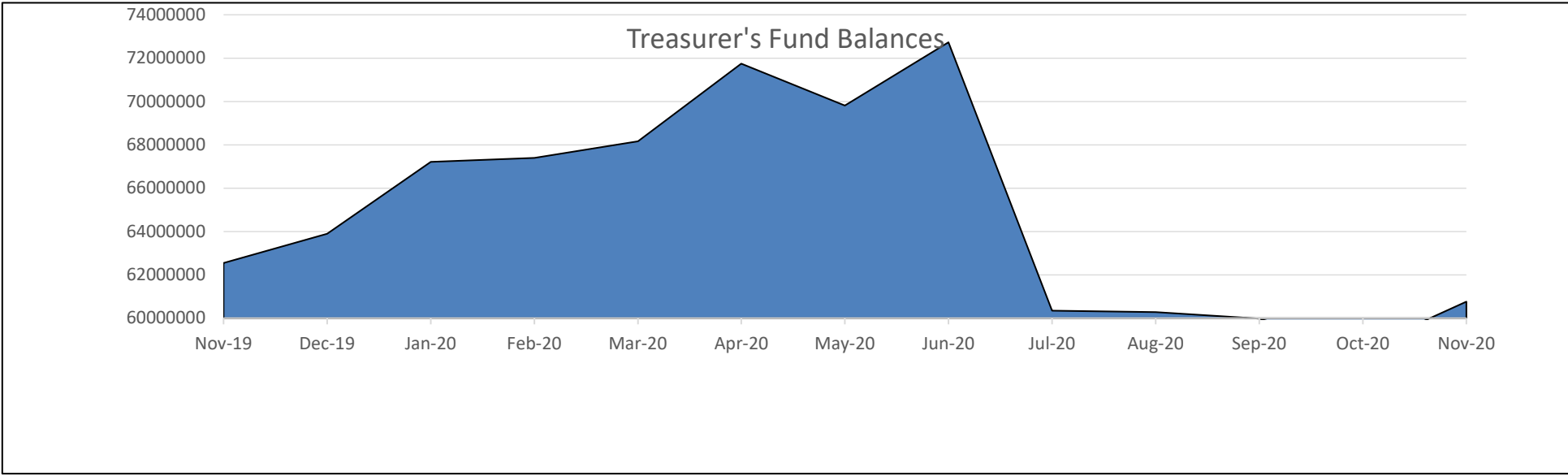
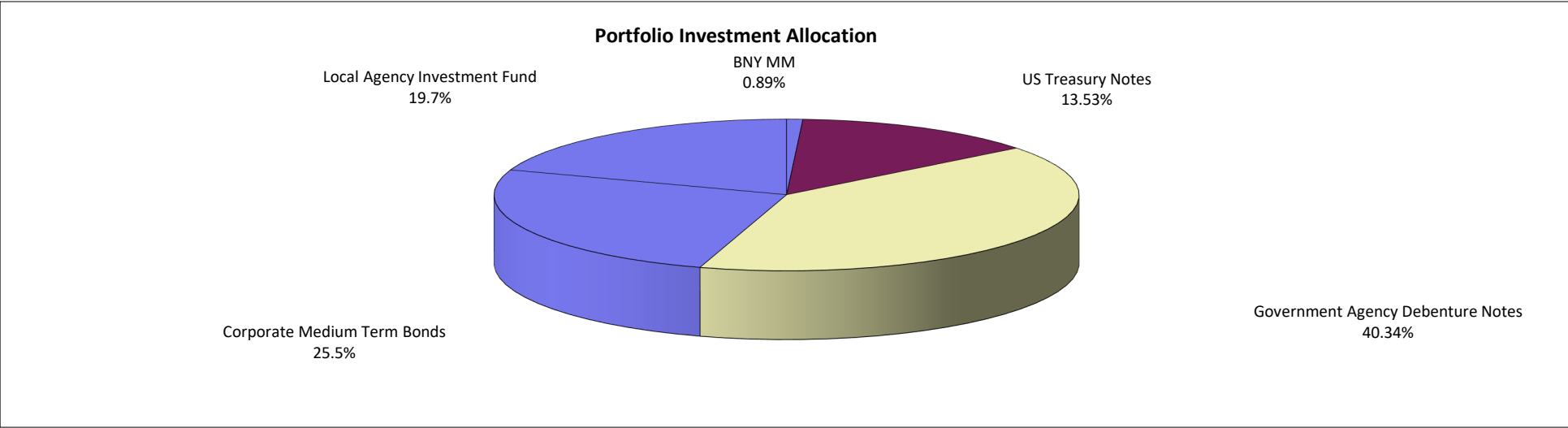


Compliance: The Town's investments are in compliance with the Town's investment policy dated November 3, 2020 and also in compliance with the requirements of Section 53601 of the California State Code. Based on the information available, the Town has sufficient funds to meet the cash demands for the next six months.

Town of Los Gatos
Portfolio Allocation & Treasurer's Fund Balances
November 30, 2020

	Month	YTD
Fund Balances - Beginning of Month/Period	\$58,591,197.81	\$72,729,892.43
Receipts	4,020,680.37	18,757,368.00
Disbursements	(1,844,001.85)	(30,719,384.10)
Fund Balances - End of Month/Period	<u>\$60,767,876.33</u>	<u>\$60,767,876.33</u>

Portfolio Allocation:		% of Portfolio	Max. % Or \$ Allowed Per State Law or Policy
BNY MM	\$508,142.68	0.89%	20% of Town Portfolio
US Treasury Notes	\$7,723,416.42	13.53%	No Max. on US Treasuries
Government Agency Debenture Notes	\$23,022,651.75	40.34%	No Max. on Non-Mortgage Backed
Corporate Medium Term Bonds	\$14,578,812.51	25.55%	30% of Town Portfolio
Local Agency Investment Fund	\$11,233,653.52	19.69%	\$75 M per State Law
Subtotal - Investments	<u>57,066,676.88</u>	100.00%	
Reconciled Demand Deposit Balances	<u>3,701,199.45</u>		
Total Treasurer's Fund	<u>\$60,767,876.33</u>		



Town of Los Gatos
Non-Treasury Restricted Fund Balances
November 30, 2020

	Beginning Balance	NOV 20 Deposits Realized Gain/Adj.	NOV 20 Interest/ Earnings	NOV 20 Withdrawals	Ending Balance	
Non-Treasury Funds:						
Cert. of Participation 2002 Series A Reserve Fund	\$ 686,280.07		\$ 5.89	\$ 34.96	\$ 686,251.00	Note 1
Cert. Of Participation 2010 Ser A Lease Pymt Fund	6.13	0.00	0.00		\$ 6.13	Note 1
Cert. of Participation 2002 Lease Payment Fund	0.45	34.96	0.00		\$ 35.41	Note 1
Cert. of Participation 2010 Series Reserve Fund	1,298,109.56		11.11		1,298,120.67	Note 2
Total Restricted Funds:	<u>\$ 1,984,396.21</u>	<u>\$34.96</u>	<u>\$17.00</u>	<u>\$34.96</u>	<u>\$1,984,413.21</u>	
CEPPT IRS Section 115 Trust	676,490.54	0.00	23,940.67		700,431.21	
Grand Total COP's and CEPPT Trust	<u>\$ 2,660,886.75</u>	<u>\$ 34.96</u>	<u>\$ 23,957.67</u>	<u>\$ 34.96</u>	<u>\$ 2,684,844.42</u>	

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

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

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

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

Town of Los Gatos
Statement of Interest Earned
November 30, 2020

Interest by Month

July 2020	\$78,263.77
August 2020	78,263.76
September 2020	75,077.38
October 2020	71,634.00
November 2020	62,226.39
December 2020	
January 2021	
February 2021	
March 2021	
April 2021	
May 2021	
June 2021	
	<u>\$365,465.30</u>

Town of Los Gatos Investment Schedule November 2020

Institution	CUSIP #	Security	Deposit Date	Par Value	Original Cost	Market Value	Purchased Interest	Maturity Date or Call Date	Yield to Maturity or Call	Interest Received to Date	Interest Earned Prior Yrs.	Interest Earned Current FY	Days to Maturity
Treasury	912828WR7	US Treasury Note	4/2/2019	1,000,000.00	995,625.00	1,011,875.00		6/30/2021	2.33%	\$ 26,474.45	\$ 28,917.32	\$ 9,723.85	212
Toyota Motor Credit	89236TDP7	Corporate Bond	05/20/19	1,100,000.00	1,102,596.00	1,127,599.00		1/11/2022	2.50%	\$ 32,651.67	\$ 30,798.33	\$ 11,577.75	407
Toyota Motor Credit	89236TCZ6	Corporate Bond	3/13/2020	500,000.00	504,440.00	502,860.50		4/8/2021	1.06%	\$ 5,409.72	\$ 1,599.24	\$ 2,244.80	129
FFCB	3133EKMx1	Gov. Agency Debenture	8/2/2019	1,000,000.00	1,014,400.00	1,063,663.51		2/23/2024	1.90%	\$ 29,175.83	\$ 17,466.66	\$ 8,025.22	1180
FFCB	3133EMBE1	Gov. Agency Debenture	10/8/2020	1,600,000.00	1,598,000.00	1,595,356.80	146.66	3/28/2024	0.34%	\$ (146.66)	\$ -	\$ 780.65	1214
FFCB	3133EMCQ3	Gov. Agency Debenture	10/16/2020	2,000,000.00	1,998,000.00	2,000,037.30	46.67	10/13/2024	0.31%	\$ (46.67)	\$ -	\$ 752.14	1413
BankAmerica Corp	06051GHC6	Corporate Bond	10/9/2020	1,300,000.00	1,366,287.00	1,365,104.00	11,824.08	12/20/2023	0.66%	\$ (11,824.08)	\$ -	\$ 2,609.91	1115
IBM	459200HG9	Corporate Bond	8/8/2019	1,000,000.00	995,010.00	1,026,656.91		8/1/2022	2.05%	\$ 18,385.42	\$ 18,296.32	\$ 8,560.66	609
Oracle	68389XBL8	Corporate Bond	7/8/2019	1,000,000.00	1,008,880.00	1,051,908.18		7/15/2023	2.18%	\$ 28,466.67	\$ 21,374.17	\$ 9,134.77	957
US Treasury	912828R28	US Treasury Note	7/2/2019	500,000.00	497,246.09	517,617.19		4/30/2023	1.77%	\$ 10,796.54	\$ 8,819.78	\$ 3,707.22	881
American Express	0258M0EB1	Corporate Bond	2/11/2020	1,000,000.00	1,007,210.00	1,006,966.87		4/4/2021	1.66%	\$ 16,500.00	\$ 6,215.30	\$ 6,792.44	125
Freddie Mac	3137EAEN5	Gov. Agency Debenture	7/19/2019	2,000,000.00	2,072,358.00	2,128,782.88		6/19/2023	1.79%	\$ 50,416.67	\$ 34,741.74	\$ 15,318.40	931
FFCB	3133EKVF0	Gov. Agency Debenture	7/22/2019	1,000,000.00	999,630.00	1,036,140.99		1/17/2023	1.89%	\$ 18,489.58	\$ 17,771.06	\$ 7,903.99	778
Treasury	912828L57	US Treasury Note	7/22/2019	1,200,000.00	1,197,988.40	1,235,343.74		9/30/2022	2.09%	\$ 25,016.39	\$ 20,385.25	\$ 9,066.70	669
Freddie Mac	3137EADB2	Gov. Agency Debenture	1/17/2020	2,100,000.00	2,132,039.70	2,152,877.24		1/13/2022	2.12%	\$ 24,383.34	\$ 15,274.50	\$ 14,163.63	409
US Treasury	912828Y20	Gov. Agency Debenture	1/31/2020	1,000,000.00	1,016,601.56	1,015,820.31		7/15/2021	1.47%	\$ 11,971.16	\$ 6,138.62	\$ 6,219.92	227
American Honda	02665WCZ2	Corporate Bond	11/27/2019	1,000,000.00	1,012,410.01	1,063,482.03		6/27/2024	2.12%	\$ 24,733.34	\$ 12,601.45	\$ 8,926.03	1305
JP Morgan Chase	46625HJE1	Gov. Agency Debenture	2/11/2020	900,000.00	934,587.00	947,405.74		9/23/2022	1.74%	\$ 18,037.50	\$ 6,148.83	\$ 6,719.80	662
Honeywell Int'l.	438516BW5	Corporate Bond	11/20/2019	1,000,000.00	1,014,660.00	1,066,436.31		7/15/2024	1.64%	\$ 16,483.33	\$ 12,127.88	\$ 8,320.92	1323
Disney	254687CK0	Corporate Bond	3/4/2020	1,000,000.00	1,029,080.00	1,008,436.83		2/15/2021	1.39%	\$ 20,125.00	\$ 4,687.49	\$ 6,077.84	77
FNMA	3135G0V75	Gov. Agency Debenture	10/17/2019	1,100,000.00	1,105,833.30	1,157,666.53		7/2/2024	1.63%	\$ 13,956.25	\$ 12,682.51	\$ 7,550.29	1310
US Bancorp	91159HHV5	Corporate Bond	12/24/2019	1,000,000.00	1,049,040.00	1,084,369.49		1/5/2024	2.12%	\$ 20,718.75	\$ 11,183.73	\$ 9,053.49	1131
FFCB	3133EKCS3	Gov. Agency Debenture	3/21/2019	1,400,000.00	1,403,262.00	1,409,345.53		3/11/2021	2.43%	\$ 52,558.33	\$ 43,563.60	\$ 14,272.44	101
FFCB	3133EKQA7	Gov. Agency Debenture	10/21/2019	1,000,000.00	1,019,780.00	1,066,935.10		9/10/2024	1.66%	\$ 18,431.11	\$ 11,615.55	\$ 7,024.42	1380
PNC Financial	693476BN2	Corporate Bond	8/15/2019	1,000,000.00	1,029,280.00	1,034,626.29		2/6/2022	2.12%	\$ 35,108.33	\$ 18,589.78	\$ 8,888.24	433
FHLB	313379Q69	Gov. Agency Debenture	7/22/2019	1,000,000.00	1,006,960.00	1,029,811.49		6/10/2022	1.87%	\$ 18,770.83	\$ 17,755.82	\$ 7,897.21	557
FNMA	3135G0V59	Gov. Agency Debenture	11/27/2019	1,540,000.00	1,562,924.44	1,585,056.17		4/12/2022	1.61%	\$ 30,318.75	\$ 14,793.93	\$ 10,479.03	498
JP Morgan Chase	46625HJT8	Corporate Bond	9/23/2019	1,400,000.00	1,485,414.00	1,542,295.12		2/1/2024	2.39%	\$ 46,413.89	\$ 26,688.85	\$ 14,531.65	1158
American Honda	02665WDH1	Corporate Bond	2/14/2020	600,000.00	603,756.00	622,433.76		5/10/2023	1.75%	\$ 10,595.00	\$ 3,955.80	\$ 4,417.79	891
FHLB	3130AABG2	US Treasury Note	4/15/2019	1,000,000.00	988,250.00	1,017,394.66		11/29/2021	2.34%	\$ 30,416.67	\$ 28,121.02	\$ 9,734.20	364
FNMA	3135G0Q89	Gov. Agency Debenture	2/10/2020	1,000,000.00	998,702.00	1,010,730.00		10/7/2021	1.38%	\$ 9,052.08	\$ 5,614.15	\$ 6,091.95	311
FNMA	3135G0J20	Gov. Agency Debenture	2/10/2020	1,000,000.00	998,882.00	1,003,028.00		2/26/2021	1.48%	\$ 7,486.11	\$ 5,724.31	\$ 6,211.48	88
Treasury	912828M80	US Treasury Note	7/22/2019	1,000,000.00	1,006,175.23	1,036,757.81		11/30/2022	1.81%	\$ 27,158.47	\$ 17,118.04	\$ 7,613.55	730
Treasury	912828U57	US Treasury Note	7/31/2019	1,000,000.00	1,011,875.00	1,058,085.94		11/30/2023	1.84%	\$ 28,333.33	\$ 16,990.40	\$ 7,759.79	1095
Treasury	912828X70	US Treasury Note	12/30/2019	1,000,000.00	1,010,589.29	1,060,468.75		4/30/2024	1.75%	\$ 18,703.30	\$ 9,805.98	\$ 8,198.44	1247
Treasury	912828XT2	US Treasury Note	10/31/2019	1,000,000.00	1,015,667.41	1,061,757.81		5/31/2024	1.64%	\$ 21,639.34	\$ 11,040.77	\$ 6,951.59	1278
Wells Fargo	94988J6A0	Corporate Bond	6/24/2020	1,350,000.00	1,370,749.50	1,367,577.00		9/9/2021	0.80%	\$ 5,357.48	\$ 163.99	\$ 4,181.69	283
FFCB	3133EJ3Q0	Gov. Agency Debenture	8/28/2019	1,500,000.00	1,587,503.75	1,620,323.93		12/21/2023	2.12%	\$ 35,098.96	\$ 19,226.80	\$ 9,582.08	1116
Freddie Mac	3133EKKT2	Gov. Agency Debenture	6/24/2019	1,550,000.00	1,573,188.00	1,620,238.13		2/8/2023	1.82%	\$ 47,856.25	\$ 29,033.70	\$ 11,941.28	800
Subtotal				\$ 44,640,000.00	\$ 45,324,880.68	\$ 46,313,272.84	\$ 12,017.41						
BNY MM					508,142.68	508,142.68		0.00%					1
LAIF					11,233,653.52	11,233,653.52		0.62%				29,586.76	1
					\$57,066,676.88	\$58,055,069.04				\$ 843,472.43	\$ 567,032.64	\$ 338,594.03	

<u>Matured Assets</u>													
FNMA	3133EHYm9	Gov. Agency Debenture	9/21/2017	1,300,000.00	1,295,866.00			9/14/2020	1.61%	\$ 58,120.83	\$ 57,964.67	\$ 4,348.78	
FFCB	3133ELVV3	Gov. Agency Debenture	4/8/2020	1,600,000.00	1,600,000.00			10/8/2020	0.93%	\$ 7,600.00	\$ 3,456.44	\$ 4,164.38	
FNMA	3136G0AW1	Gov. Agency Debenture	12/13/2017	2,000,000.00	2,017,900.00			10/16/2020	2.02%	\$ 133,558.33	\$ 103,715.85	\$ 12,044.42	
BankAmerica Corp	06051GGS2	Corporate Bond	4/30/2020	1,300,000.00	1,302,314.00			10/1/2020	1.21%	\$ 12,694.08	\$ 4,141.23	\$ 6,313.69	
Total Investments "Matured"											\$ 26,871.27		
Total Interest FY 20_21 Matured and Current											\$ 365,465.30		

Maturity Profile				Amount
0-1 year				\$22,054,598.26
1-2 years				\$9,961,385.54
2-3 years				\$8,773,108.32
3-5 years				\$ 16,277,584.76
				\$57,066,676.88

Market to Cost Position Report

Institution	Amortized Cost
BNY Assets	\$45,324,880.68
BNY MM	508,142.68
LAIF	11,233,653.52
Totals:	\$57,066,676.88

**Town of Los Gatos
Summary Investment Information
October 31, 2020**

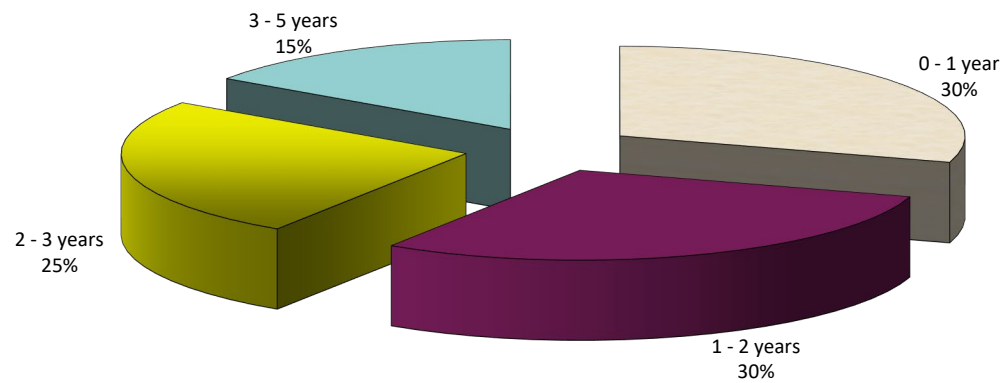
Weighted Average YTM Portfolio Yield: **1.63%** **Weighted Average Maturity (days)** **629**

	<u>This Month</u>	<u>Last Month</u>	<u>One year ago</u>
Portfolio Balance	\$58,591,198	\$59,981,525	\$61,880,644

Benchmarks/ References:

Town's Average Yield	1.63%	1.63%	1.96%
LAIF Yield for month	0.62%	0.69%	2.19%
3 mo. Treasury	0.09%	0.11%	1.55%
6 mo. Treasury	0.10%	0.10%	1.56%
2 yr. Treasury	0.16%	0.13%	1.53%
5 yr. Treasury (most recent)	0.39%	0.28%	1.55%
10 Yr. Treasury	0.88%	0.69%	1.52%

Portfolio Maturity Profile

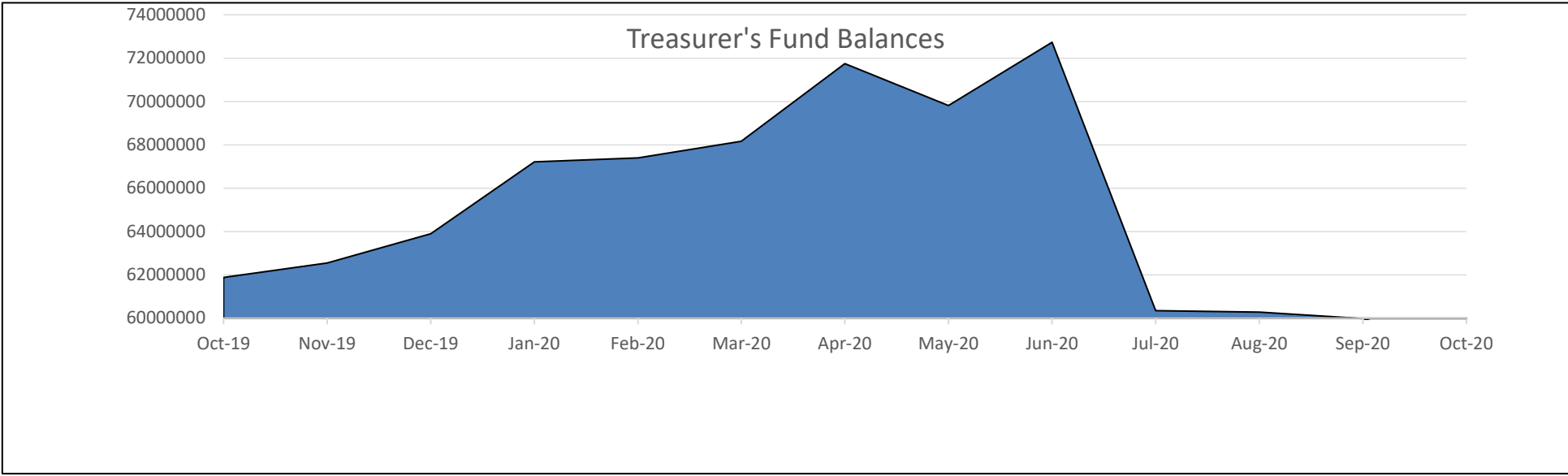
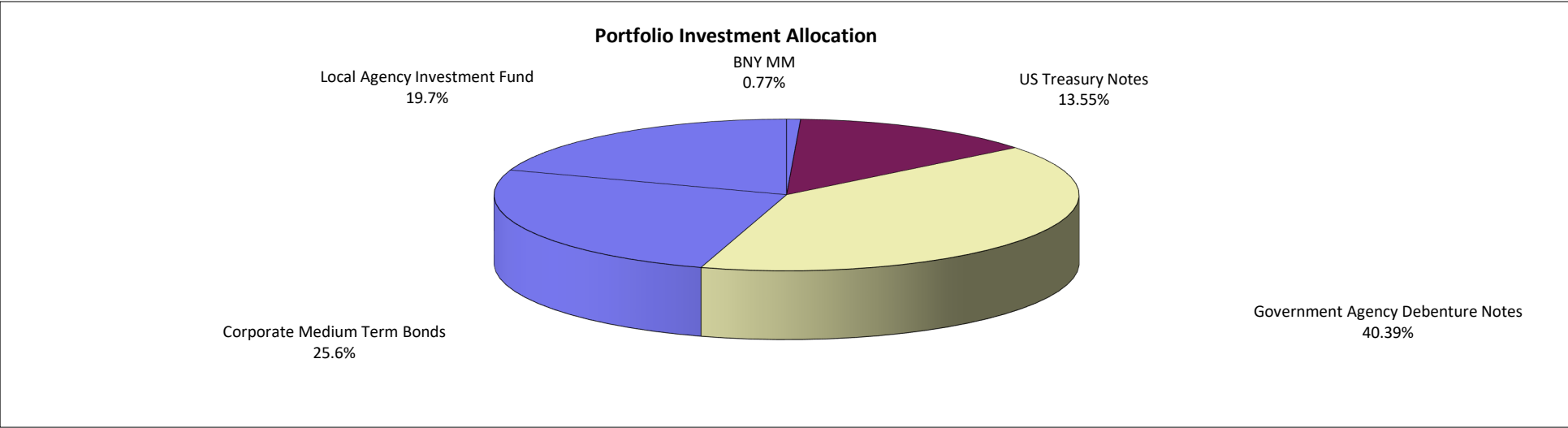


Compliance: The Town's investments are in compliance with the Town's investment policy dated November 3, 2020 and also in compliance with the requirements of Section 53601 of the California State Code. Based on the information available, the Town has sufficient funds to meet the cash demands for the next six months.

Town of Los Gatos
Portfolio Allocation & Treasurer's Fund Balances
October 31, 2020

	Month	YTD
Fund Balances - Beginning of Month/Period	\$59,981,524.66	\$72,729,892.43
Receipts	2,910,961.68	14,736,687.63
Disbursements	(4,301,288.53)	(28,875,382.25)
Fund Balances - End of Month/Period	<u>\$58,591,197.81</u>	<u>\$58,591,197.81</u>

Portfolio Allocation:		% of Portfolio	Max. % Or \$ Allowed Per State Law or Policy
BNY MM	\$436,970.58	0.77%	20% of Town Portfolio
US Treasury Notes	\$7,723,416.42	13.55%	No Max. on US Treasuries
Government Agency Debenture Notes	\$23,022,651.75	40.39%	No Max. on Non-Mortgage Backed
Corporate Medium Term Bonds	\$14,578,812.51	25.58%	30% of Town Portfolio
Local Agency Investment Fund	\$11,233,653.52	19.71%	\$75 M per State Law
Subtotal - Investments	56,995,504.78	100.00%	
Reconciled Demand Deposit Balances	<u>1,595,693.03</u>		
Total Treasurer's Fund	<u>\$58,591,197.81</u>		



Town of Los Gatos
Non-Treasury Restricted Fund Balances
October 31, 2020

	Beginning Balance	OCT 20 Deposits Realized Gain/Adj.	OCT 20 Interest/ Earnings	OCT 20 Withdrawals	Ending Balance	
Non-Treasury Funds:						
Cert. of Participation 2002 Series A Reserve Fund	\$ 686,274.37		\$ 5.70	\$ -	\$ 686,280.07	Note 1
Cert. Of Participation 2010 Ser A Lease Pymt Fund	6.13	0.00	0.00		\$ 6.13	Note 1
Cert. of Participation 2002 Lease Payment Fund	0.45	0.00	0.00		\$ 0.45	Note 1
Cert. of Participation 2010 Series Reserve Fund	1,298,098.81		10.75		1,298,109.56	Note 2
Total Restricted Funds:	<u>\$ 1,984,379.76</u>	<u>\$0.00</u>	<u>\$16.45</u>	<u>\$0.00</u>	<u>\$1,984,396.21</u>	
CEPPT IRS Section 115 Trust	682,844.62	0.00	(6,354.08)		676,490.54	
Grand Total COP's and CEPPT Trust	<u>\$ 2,667,224.38</u>	<u>\$ -</u>	<u>\$ (6,337.63)</u>	<u>\$ -</u>	<u>\$ 2,660,886.75</u>	

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

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

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

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

Town of Los Gatos
Statement of Interest Earned
October 31, 2020

Interest by Month

July 2020	\$78,263.77
August 2020	78,263.76
September 2020	75,077.38
October 2020	71,634.00
November 2020	
December 2020	
January 2021	
February 2021	
March 2021	
April 2021	
May 2021	
June 2021	
	<u>\$303,238.91</u>

Town of Los Gatos Investment Schedule October 2020

Institution	CUSIP #	Security	Deposit Date	Par Value	Original Cost	Market Value	Purchased Interest	Maturity Date or Call Date	Yield to Maturity or Call	Interest Received to Date	Interest Earned Prior Yrs.	Interest Earned Current FY	Days to Maturity
Treasury	912828WR7	US Treasury Note	4/2/2019	1,000,000.00	995,625.00	1,013,203.12		6/30/2021	2.33%	\$ 26,474.45	\$ 28,917.32	\$ 7,817.21	242
Toyota Motor Credit	89236TDP7	Corporate Bond	05/20/19	1,100,000.00	1,102,596.00	1,128,792.75		1/11/2022	2.50%	\$ 32,651.67	\$ 30,798.33	\$ 9,307.60	437
Toyota Motor Credit	89236TCZ6	Corporate Bond	3/13/2020	500,000.00	504,440.00	503,525.00		4/8/2021	1.06%	\$ 5,409.72	\$ 1,599.24	\$ 1,804.64	159
FFCB	3133EKMx1	Gov. Agency Debenture	8/2/2019	1,000,000.00	1,014,400.00	1,064,387.91		2/23/2024	1.90%	\$ 29,175.83	\$ 17,466.66	\$ 6,451.65	1210
FFCB	3133EMBE1	Gov. Agency Debenture	10/8/2020	1,600,000.00	1,598,000.00	1,595,648.75	146.66	3/28/2024	0.34%	\$ (146.66)	\$ -	\$ 338.77	1244
FFCB	3133EMCQ3	Gov. Agency Debenture	10/16/2020	2,000,000.00	1,998,000.00	1,999,253.40	46.67	10/13/2024	0.31%	\$ (46.67)	\$ -	\$ 250.71	1443
BankAmerica Corp	06051GHC6	Corporate Bond	10/9/2020	1,300,000.00	1,366,287.00	1,362,827.67	11,824.08	12/20/2023	0.66%	\$ (11,824.08)	\$ -	\$ 1,104.19	1145
IBM	459200HG9	Corporate Bond	8/8/2019	1,000,000.00	995,010.00	1,028,987.86		8/1/2022	2.05%	\$ 18,385.42	\$ 18,296.32	\$ 6,882.10	639
Oracle	68389XBL8	Corporate Bond	7/8/2019	1,000,000.00	1,008,880.00	1,052,035.93		7/15/2023	2.18%	\$ 28,466.67	\$ 21,374.17	\$ 7,343.64	987
US Treasury	912828R28	US Treasury Note	7/2/2019	500,000.00	497,246.09	518,066.41		4/30/2023	1.77%	\$ 10,796.54	\$ 8,819.78	\$ 2,980.31	911
American Express	0258M0EB1	Corporate Bond	2/11/2020	1,000,000.00	1,007,210.00	1,008,326.43		4/4/2021	1.66%	\$ 5,250.00	\$ 6,215.30	\$ 5,460.59	155
Freddie Mac	3137EAEN5	Gov. Agency Debenture	7/19/2019	2,000,000.00	2,072,358.00	2,132,223.58		6/19/2023	1.79%	\$ 50,416.67	\$ 34,741.74	\$ 12,314.80	961
FFCB	3133EKVF0	Gov. Agency Debenture	7/22/2019	1,000,000.00	999,630.00	1,037,076.26		1/17/2023	1.89%	\$ 18,489.58	\$ 17,771.06	\$ 6,354.19	808
Treasury	912828L57	US Treasury Note	7/22/2019	1,200,000.00	1,197,988.40	1,236,515.63		9/30/2022	2.09%	\$ 25,016.39	\$ 20,385.25	\$ 7,288.91	699
Freddie Mac	3137EADB2	Gov. Agency Debenture	1/17/2020	2,100,000.00	2,132,039.70	2,155,598.07		1/13/2022	2.12%	\$ 24,383.34	\$ 15,274.50	\$ 11,386.44	439
US Treasury	912828Y20	Gov. Agency Debenture	1/31/2020	1,000,000.00	1,016,601.56	1,017,460.94		7/15/2021	1.47%	\$ 11,971.16	\$ 6,138.62	\$ 5,000.33	257
American Honda	02665WCZ2	Corporate Bond	11/27/2019	1,000,000.00	1,012,410.01	1,057,354.15		6/27/2024	2.12%	\$ 24,733.34	\$ 12,601.45	\$ 7,175.82	1335
JP Morgan Chase	46625HJE1	Gov. Agency Debenture	2/11/2020	900,000.00	934,587.00	949,464.00		9/23/2022	1.74%	\$ 18,037.50	\$ 6,148.83	\$ 5,402.19	692
Honeywell Int'l.	438516BW5	Corporate Bond	11/20/2019	1,000,000.00	1,014,660.00	1,062,772.39		7/15/2024	1.64%	\$ 16,483.33	\$ 12,127.88	\$ 6,689.37	1353
Disney	254687CK0	Corporate Bond	3/4/2020	1,000,000.00	1,029,080.00	1,011,910.00		2/15/2021	1.39%	\$ 20,125.00	\$ 4,687.49	\$ 4,886.11	107
FNMA	3135G0V75	Gov. Agency Debenture	10/17/2019	1,100,000.00	1,105,833.30	1,159,254.46		7/2/2024	1.63%	\$ 13,956.25	\$ 12,682.51	\$ 6,069.84	1340
US Bancorp	91159HHV5	Corporate Bond	12/24/2019	1,000,000.00	1,049,040.00	1,085,670.33		1/5/2024	2.12%	\$ 20,718.75	\$ 11,183.73	\$ 7,278.30	1161
FFCB	3133EKCS3	Gov. Agency Debenture	3/21/2019	1,400,000.00	1,403,262.00	1,412,479.73		3/11/2021	2.43%	\$ 52,558.33	\$ 43,563.60	\$ 11,473.93	131
FFCB	3133EKQA7	Gov. Agency Debenture	10/21/2019	1,000,000.00	1,019,780.00	1,067,308.50		9/10/2024	1.66%	\$ 18,431.11	\$ 11,615.55	\$ 5,647.09	1410
PNC Financial	693476BN2	Corporate Bond	8/15/2019	1,000,000.00	1,029,280.00	1,036,967.29		2/6/2022	2.12%	\$ 35,108.33	\$ 18,589.78	\$ 7,145.45	463
FHLB	313379Q69	Gov. Agency Debenture	7/22/2019	1,000,000.00	1,006,960.00	1,031,226.49		6/10/2022	1.87%	\$ 18,770.83	\$ 17,755.82	\$ 6,348.74	587
FNMA	3135G0V59	Gov. Agency Debenture	11/27/2019	1,540,000.00	1,562,924.44	1,586,883.73		4/12/2022	1.61%	\$ 30,318.75	\$ 14,793.93	\$ 8,424.32	528
JP Morgan Chase	46625HJT8	Corporate Bond	9/23/2019	1,400,000.00	1,485,414.00	1,545,503.08		2/1/2024	2.39%	\$ 46,413.89	\$ 26,688.85	\$ 11,682.31	1188
American Honda	02665WDH1	Corporate Bond	2/14/2020	600,000.00	603,756.00	621,110.62		5/10/2023	1.75%	\$ 4,745.00	\$ 3,955.80	\$ 3,551.56	921
FHLB	3130AABG2	US Treasury Note	4/15/2019	1,000,000.00	988,250.00	1,018,455.90		11/29/2021	2.34%	\$ 21,041.67	\$ 28,121.02	\$ 7,825.53	394
FNMA	3135G0Q89	Gov. Agency Debenture	2/10/2020	1,000,000.00	998,702.00	1,011,465.32		10/7/2021	1.38%	\$ 9,052.08	\$ 5,614.15	\$ 4,897.45	341
FNMA	3135G0J20	Gov. Agency Debenture	2/10/2020	1,000,000.00	998,882.00	1,003,988.08		2/26/2021	1.48%	\$ 7,486.11	\$ 5,724.31	\$ 4,993.55	118
Treasury	912828M80	US Treasury Note	7/22/2019	1,000,000.00	1,006,175.23	1,038,125.00		11/30/2022	1.81%	\$ 17,158.47	\$ 17,118.04	\$ 6,120.69	760
Treasury	912828U57	US Treasury Note	7/31/2019	1,000,000.00	1,011,875.00	1,059,062.50		11/30/2023	1.84%	\$ 17,708.33	\$ 16,990.40	\$ 6,238.26	1125
Treasury	912828X70	US Treasury Note	12/30/2019	1,000,000.00	1,010,589.29	1,061,132.81		4/30/2024	1.75%	\$ 18,703.30	\$ 9,805.98	\$ 6,590.90	1277
Treasury	912828XT2	US Treasury Note	10/31/2019	1,000,000.00	1,015,667.41	1,062,265.62		5/31/2024	1.64%	\$ 11,639.34	\$ 11,040.77	\$ 5,588.54	1308
Wells Fargo	94988J6A0	Corporate Bond	6/24/2020	1,350,000.00	1,370,749.50	1,368,896.21		9/9/2021	0.80%	\$ 5,357.48	\$ 163.99	\$ 3,361.75	313
FFCB	3133EJ3Q0	Gov. Agency Debenture	8/28/2019	1,500,000.00	1,587,503.75	1,622,403.63		12/21/2023	2.12%	\$ 35,098.96	\$ 19,226.80	\$ 7,703.24	1146
Freddie Mac	3133EKKT2	Gov. Agency Debenture	6/24/2019	1,550,000.00	1,573,188.00	1,622,105.09		2/8/2023	1.82%	\$ 47,856.25	\$ 29,033.70	\$ 9,599.85	830
Subtotal				\$ 44,640,000.00	\$ 45,324,880.68	\$ 46,349,734.64	\$ 12,017.41			\$ 786,372.43	\$ 567,032.64	\$ 246,780.88	
BNY MM					436,970.58	436,970.58			0.00%				1
LAIF					11,233,653.52	11,233,653.52			0.62%			29,586.76	1
					\$56,995,504.78	\$58,020,358.74				\$ 786,372.43	\$ 567,032.64	\$ 276,367.64	

Matured Assets													
FNMA	3133EHYm9	Gov. Agency Debenture	9/21/2017	1,300,000.00	1,295,866.00			9/14/2020	1.61%	\$ 58,120.83	\$ 57,964.67	\$ 4,348.78	
FFCB	3133ELVV3	Gov. Agency Debenture	4/8/2020	1,600,000.00	1,600,000.00			10/8/2020	0.93%	\$ 7,600.00	\$ 3,456.44	\$ 4,164.38	
FNMA	3136G0AW1	Gov. Agency Debenture	12/13/2017	2,000,000.00	2,017,900.00			10/16/2020	2.02%	\$ 133,558.33	\$ 103,715.85	\$ 12,044.42	
BankAmerica Corp	06051GGS2	Corporate Bond	4/30/2020	1,300,000.00	1,302,314.00			10/1/2020	1.21%	\$ 12,694.08	\$ 4,141.23	\$ 6,313.69	
Total Investments "Matured"												\$ 26,871.27	
Total Interest FY 20_21 Matured and Current												\$ 303,238.91	

Maturity Profile				Amount
	0-1 year			\$20,995,176.16
	1-2 years			\$10,949,635.54
	2-3 years			\$7,761,233.32
	3-5 years		\$	17,289,459.76
				\$56,995,504.78

Market to Cost Position Report

Institution	Amortized Cost
BNY Assets	\$45,324,880.68
BNY MM	436,970.58
LAIF	11,233,653.52
Totals:	\$56,995,504.78

Town of Los Gatos								
Insight ESG Ratings as of December 31, 2020								
Security Description	Maturity Date	Par/Shares	Moody Rating	S&P Rating	Insight ESG Rating	Environment	Social	Governance
HONEYWELL INTERNATIONAL 2.3% 15AUG2024 (CALLABLE 15JUL24)	8/15/2024	\$ 1,000,000	A2	A	4	3	5	3
AMERICAN EXPRESS CREDIT 2.25% 05MAY2021 (CALLABLE 04APR21)	5/5/2021	\$ 1,000,000	A2	A-	1	1	2	3
AMERICAN HONDA FINANCE 2.4% 27JUN2024	6/27/2024	\$ 1,000,000	A3	A-	3	1	4	3
ORACLE CORP 2.4% 15SEP2023 (CALLABLE 15JUL23)	9/15/2023	\$ 1,000,000	A3	A	3	1	3	4
TOYOTA MOTOR CREDIT CORP 2.6% 11JAN2022	1/11/2022	\$ 1,100,000	A1	A+	3	1	4	3
WALT DISNEY COMPANY/THE 4.5% 15FEB2021	2/15/2021	\$ 1,000,000	A2	BBB+	3	3	3	3
WELLS FARGO BANK NA 2.082% 09SEP2022 (CALLABLE 09SEP21)	9/9/2022	\$ 1,350,000	Aa2	A+	4	1	4	5
TOYOTA MOTOR CREDIT CORP 1.9% 08APR2021	4/8/2021	\$ 500,000	A1	A+	3	1	4	3
JPMORGAN CHASE & CO 3.25% 23SEP2022	9/23/2022	\$ 900,000	A2	A-	3	1	3	5
US BANCORP 3.375% 05FEB2024 (CALLABLE 05JAN24)	2/5/2024	\$ 1,000,000	A1	A+	3	1	4	3
PNC FINANCIAL SERVICES 3.3% 08MAR2022 (CALLABLE 06FEB22)	3/8/2022	\$ 1,000,000	A3	A-	2	3	3	2
IBM CORP 1.875% 01AUG2022	8/1/2022	\$ 1,000,000	A2	A	3	2	3	4
BANK OF AMERICA CORP 3.004% 20DEC2023 (CALLABLE 20DEC22)	12/20/2023	\$ 1,300,000	A2	A-	3	1	4	4
JPMORGAN CHASE & CO 3.875% 01FEB2024	2/1/2024	\$ 1,400,000	A2	A-	3	1	3	5
AMERICAN HONDA FINANCE 1.95% 10MAY2023	5/10/2023	\$ 600,000	A3	A-	3	1	4	3
Total/Average		\$ 15,150,000			2.9	1.5	3.5	3.5

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



TOWN OF LOS GATOS
FINANCE COMMISSION REPORT

MEETING DATE: 03/08/2021

ITEM NO: 4

Item 4.

DATE: February 25, 2021
TO: Finance Commission
FROM: Laurel Prevetti, Town Manager
SUBJECT: Receive 2021/22 Commission Workplan and Discuss Upcoming April Meeting Content and Scheduling

RECOMMENDATION:

Receive 2021/22 Commission workplan and discuss upcoming April meeting content and scheduling.

DISCUSSION:

On February 17, 2021, the Town Manager, Assistant Town Manager, Finance Director, Commission Chair Dickel, Vice Chair Park, and Council Liaison Hudes met to discuss the 2021/22 Commission workplan. Attachment 1 contains the proposed workplan based on elements of Measure A, the current budget calendar, and other items of interest. It is anticipated that additional work items will be added as the Commission progresses.

In addition, it is anticipated that additional special meetings may need to be added on occasion and conversely, scheduled meetings may be canceled if not deemed necessary. For example, to meet the Finance Commission Ordinance requirements, staff is recommending the cancellation of the April 12 regular meeting and the addition of a special meeting on April 19 to begin discussions of the Proposed FY 2021/22 Operating and Capital Budgets.

The Commission requested an item on the March agenda to discuss the next meeting's agenda. Rather than a separate item, Commission members should discuss the April meeting content and scheduling in the context of the proposed workplan.

PREPARED BY: Arn Andrews
Assistant Town Manager

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

PAGE 2 OF 2

SUBJECT: 2021/22 Commission Workplan

DATE: February 25, 2021

COORDINATION:

This item was coordinated with the Town Manager, Assistant Town Manager, Finance Director, and Finance Commission.

FISCAL IMPACT:

None

ENVIRONMENTAL ASSESSMENT:

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

Attachment:

1. 2021/22 Commission Workplan

FINANCE COMMISSION WORKPLAN

Item 4.

	TOPICS	TOPICS	TOPICS
MARCH 2021	CIP Review & Funding Bartel Actuarial Presentation	2 nd Qtr Investment Report - Consent	State Controller Financial Transactions Report (FTR) - Consent
APRIL 2021	FY 2021/22 Initial Budget Discussion (possible add Mtg)	Revenue and Expense Review	
MAY 2021	FY 2021/22 Final Budget Discussion		Key Performance Indicators
JUNE 2021	Review Sales Tax Rev/Exp Draft Report	3 rd Qtr Investment Report	
JULY 2021	Council Revenue Enhancement Review		
AUGUST 2021			Key Performance Indicators
SEPTEMBER 2021	Pre-Audit Meeting	4 th Qtr Investment Report	
OCTOBER 2021			
NOVEMBER 2021			Key Performance Indicators
DECEMBER 2021	CAFR Review	1 st Qtr Investment Report	
JANUARY 2022	FTR Population Review	Discuss Five-Year Forecast Format	
FEBRUARY 2022	Mid-Year & Five-Year Forecast Review		Key Performance Indicators



**TOWN OF LOS GATOS
FINANCE COMMISSION REPORT**

MEETING DATE: 03/08/2021

ITEM NO: 5

Item 5.

DATE: March 1, 2021
TO: Finance Commission
FROM: Laurel Prevetti, Town Manager
SUBJECT: Receive Actuarial Presentation by Bartel and Associates

RECOMMENDATION:

Receive Actuarial Presentation by Bartel and Associates.

BACKGROUND:

The Town's pension plans are administered by the Board of Administration of the California Public Employees' Retirement System (CalPERS). The Board of Administration is responsible for the management and control of CalPERS and maintains exclusive control of the administration and investment of pension funds. In addition, CalPERS actuaries are responsible for the provision of actuarial valuations for the Town's pension plans. Sworn employees are covered under the Safety Plan which is a pooled plan, while all other employees are covered in the Miscellaneous Plan, which is a separate plan. The Miscellaneous Plan is administered by CalPERS in the Public Employees' Retirement Fund (PERF).

Recognizing the importance of the Town's pension obligations and projected increases in future pension costs, starting in 2018 the Town contracted Bartel and Associates to perform an annual review of the actuarial valuation reports provided by CalPERS. Bartel and Associates is an industry leader in providing actuarial related services to California local governments.

DISCUSSION:

The Commission presentation and will focus on the status of the Town's pension plans for its Miscellaneous and Safety employees as provided in the Bartel report (Attachment 1) and provide an opportunity for Commissioners to ask questions.

PREPARED BY: Arn Andrews
Assistant Town Manager

Reviewed by: Town Manager and Finance Director

PAGE 2 OF 2

SUBJECT: Bartel and Associates Actuarial Review

DATE: March 1, 2021

DISCUSSION (continued):

Bartel and Associates will be discussing the following key issues regarding the Town's pension plans:

- An introduction to actuarial valuations
- An introduction to the development of expected returns
- A Review of 2019 valuations and subsequent projections
- A Review of October 2019 and July 2020 Additional Discretionary Payments (ADPs)
- Recommended amortization bases for future potential ADPs

CONCLUSION:

Receive Actuarial Presentation by Bartel and Associates.

COORDINATION:

This report has been coordinated with the Town Manager and the Director of Finance.

FISCAL IMPACT:

None.

ENVIRONMENTAL ASSESSMENT:

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

Attachment:

1. Bartel and Associates Actuarial Review



MA

BARTEL
ASSOCIATES, LLC

TOWN OF LOS GATOS
MISCELLANEOUS AND SAFETY PLANS

CalPERS Actuarial Issues – 6/30/19 Valuation
Preliminary Results

DRAFT

Bartel Associates, LLC

Bianca Lin, Assistant Vice President

Joseph R. D’Onofrio, Assistant Vice President

Tina Liu, Associate Actuary

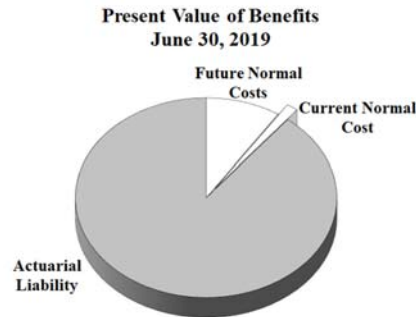
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DEFINITIONS

Item 5.



- **Present Value of Benefits (PVB):**
 - Discounted value at valuation date (6/30/19) of all future expected benefit payments using various actuarial assumptions
- **Normal Cost (NC):**
 - Portion of PVB allocated to (or “earned” during) year following valuation date
- **Actuarial Accrued Liability (AAL):**
 - Discounted value at valuation date of benefits “earned” through valuation date (value of past normal costs)

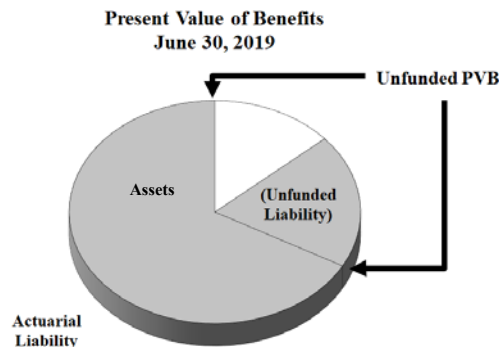


March 1, 2021

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DEFINITIONS



- **Funding Target** - Have plan assets equal to Actuarial Accrued Liability
- **Unfunded Liability (UAAL or UAL)** - Assets short of target at valuation date
 - Difference between AAL and plan assets is the unfunded (or overfunded) AAL
 - The change in this difference creates a new UAAL layer or amortization base at each valuation date

Each new UAAL layer gets amortized (paid off) over a period of time as part of the employer contribution



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HOW WE GOT HERE

Item 5.

- Investment Losses
- CalPERS Contribution Policy
- Enhanced Benefits
- Demographics



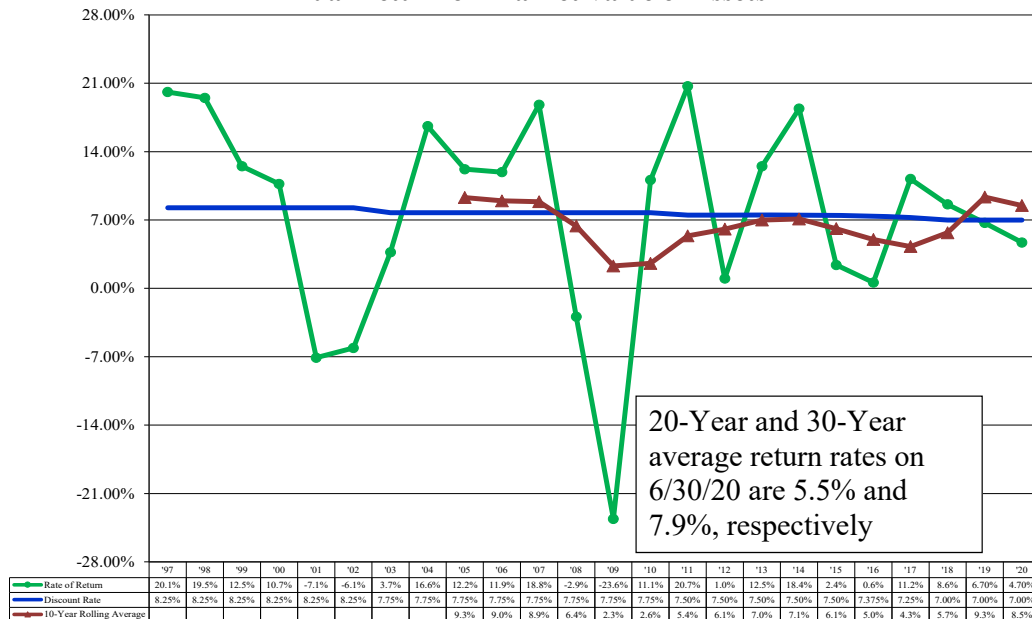
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HOW WE GOT HERE – INVESTMENT RETURN

Annual Return on Market Value of Assets



Returns (after 2001) shown are gross returns, unreduced for administrative expenses, from CalPERS valuation reports, when available. The discount rate is based on expected returns net of administrative expenses.



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HOW WE GOT HERE – OLD CONTRIBUTION POLICY

Item 5.

- Effective with 2003 valuations:
 - Slow 15-year recognition of investment losses in actuarial value of assets and funded status
 - Rolling 30-year amortization of all experience losses in employer contribution (further delay of investment loss recognition)
- Designed to:
 - First smooth employer contribution rates
 - Secondly to pay off UAAL



March 1, 2021

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HOW WE GOT HERE – ENHANCED BENEFITS

- At CalPERS, enhanced benefits implemented using all (future & prior) service
- Typically not negotiated with cost-sharing

Town of Los Gatos	Tier 1	Tier 2	PEPRA
● Miscellaneous	2.5%@55 FAC1	2%@60 FAC3 9/15/12	2%@62 FAC3
● Safety	3%@50 FAC1	N/A	2.7%@57 FAC3

- Note:
 - ☐ FAC1 is highest one-year (typically final) average earnings
 - ☐ FAC3 is highest three-year (typically final three) average earnings
- PEPRA tier implemented for new members hired after 1/1/13
 - Employee pays half of total normal cost
 - 2021 compensation limit
 - ☐ Social Security participants: \$128,059
 - ☐ Non-Social Security participants: \$153,671



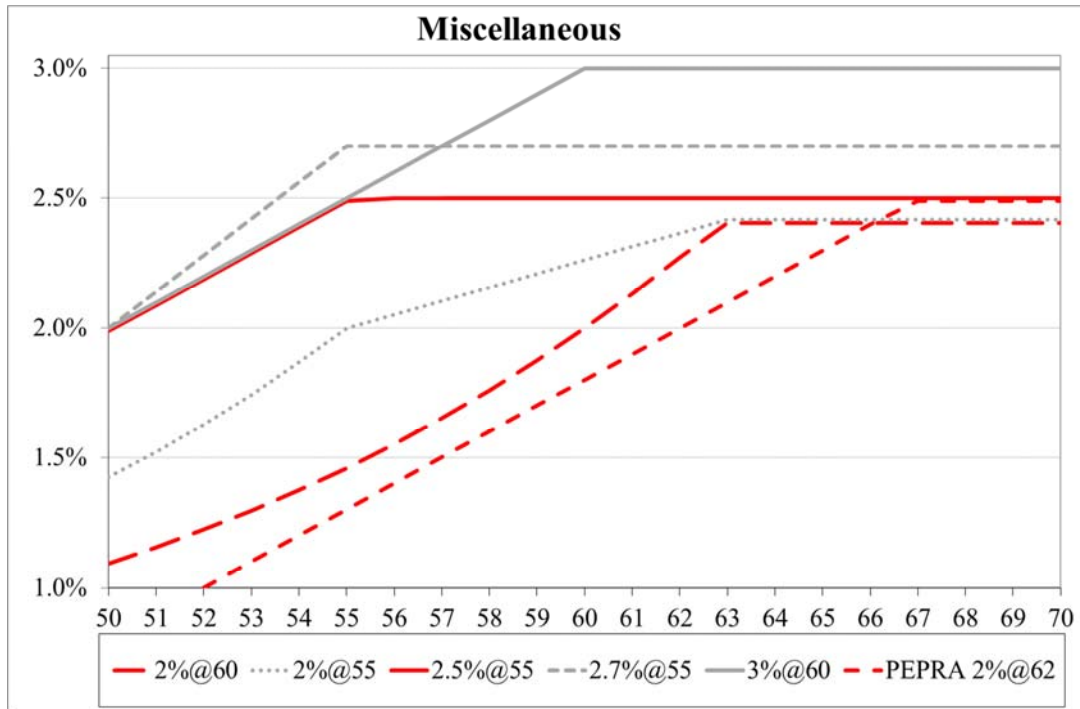
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HOW WE GOT HERE – ENHANCED BENEFITS

Item 5.

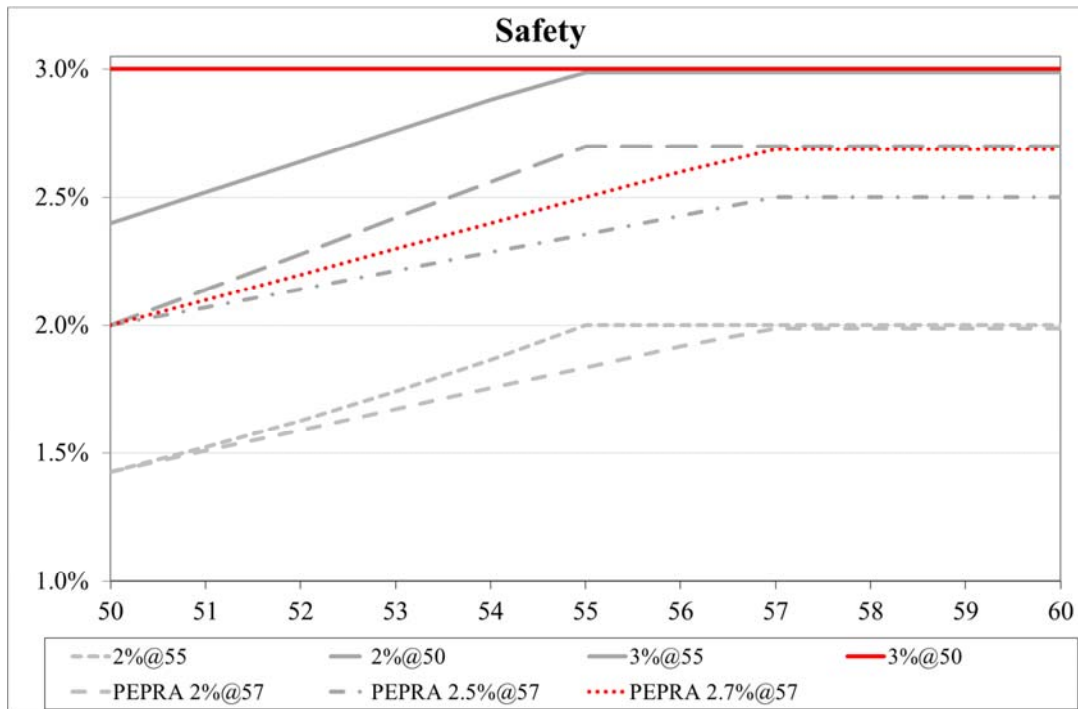


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HOW WE GOT HERE – ENHANCED BENEFITS



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HOW WE GOT HERE – DEMOGRAPHIC

Item 5.

- All California CalPERS agencies:
 - Increasing number of retirees relative active employees
 - Increasing retiree liability
 - June 30, 2019: 57% for Miscellaneous, 66% for Safety
 - Higher percentage of retiree liability increases contribution volatility

- Town of Los Gatos retirees:

Plan	Ret AAL/Tot AAL	Retirees/Actives	Actives/Retirees
Miscellaneous	65%	2.1	0.5
Safety	72%	2.2	0.5

- Town of Los Gatos retirees plus inactives (transferred & terminated members):

Plan	Ret AAL/Tot AAL	Inactives/Actives	Actives/Inactives
Miscellaneous	77%	3.7	0.3
Safety	75%	2.6	0.4



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CALPERS CHANGES

- Recent contribution policy changes:
 - June 30, 2013 valuations for 2015/16 contributions
 - No asset smoothing
 - No rolling amortization
 - 5-year ramp up and down
- Recent discount rate changes:

	<u>Rate</u>	<u>Initial Impact</u>	<u>Full Impact</u>
● 6/30/16 valuation	7.375%	18/19	22/23
● 6/30/17 valuation	7.25%	19/20	23/24
● 6/30/18 valuation	7.00%	20/21	24/25
- New amortization policy:
 - June 30, 2019 valuations for 2021/22 contributions
 - Applies only to newly established amortization bases
 - Fixed dollar (level) amortization rather than % pay (escalating)
 - Amortize gains/losses over 20 rather than 30 years
 - 5-year ramp up (not down) for investment gains and losses
 - No ramp up/down for other amortization bases
 - Minimizes total interest paid over time and pays off UAAL faster



March 1, 2021

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CALPERS CHANGES

Item 5.

■ Risk Mitigation Strategy

- Move to more conservative investments over time to reduce volatility
- Only when investment return is better than expected
- Lower discount rate in concert
- Essentially use ≈50% of investment gains to pay for cost increases
- Likely get to 6% discount rate over 20+ years
- Risk mitigation suspended from 6/30/16 to 6/30/18 valuations
- Did not trigger for 6/30/19 valuation
- Will not trigger for 6/30/20 valuation

Excess Earnings	Discount Rate Reduction
2%	5 bp
7%	10 bp
10%	15 bp
13%	20 bp
17%	25 bp

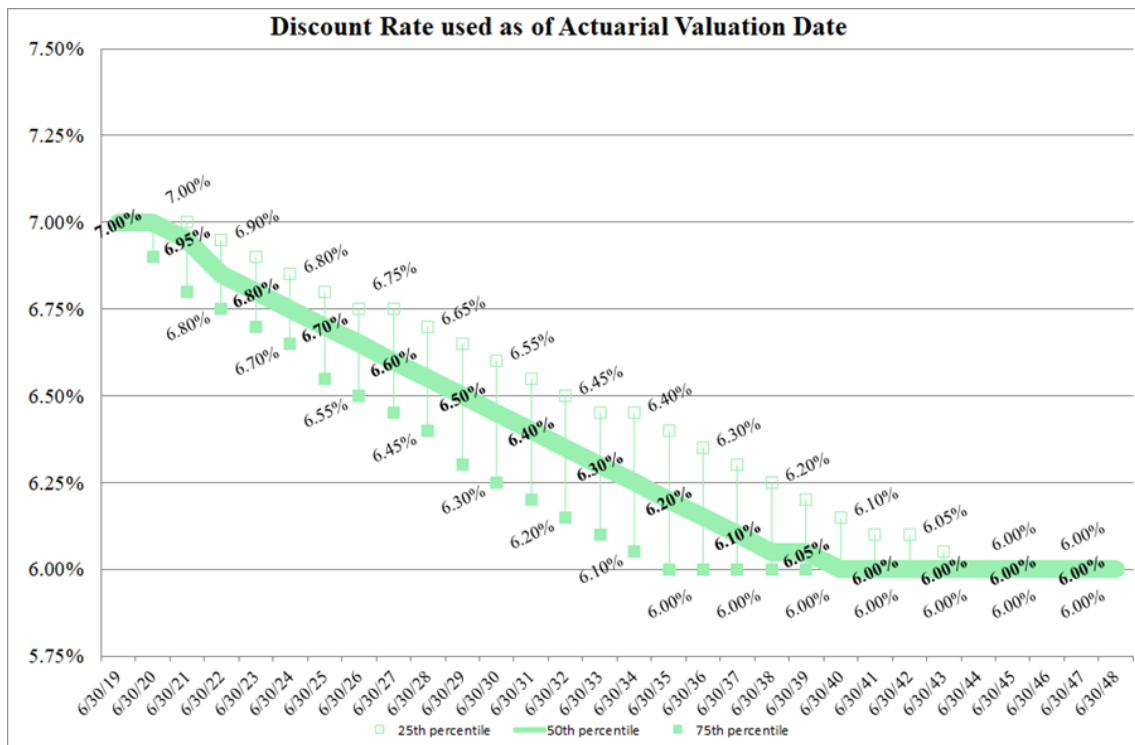


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CALPERS CHANGES



March 1, 2021

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SUMMARY OF DEMOGRAPHIC INFORMATION - MISCELLANEOUS

Item 5.

	1999	2009	2018	2019
Actives				
■ Counts	118	119	113	116
■ Average				
• Age	45	47	43	44
• Town Service	10	10	7	8
• PERSable Wages	\$ 47,800	\$ 76,500	\$ 88,000	\$ 93,900
■ Total PERSable Wages	5,600,000	9,100,000	9,900,000	10,900,000
Inactive Members				
■ Counts				
• Transferred	67	78	99	94
• Separated	53	81	87	94
• Retired				
□ Service	97	159	203	208
□ Disability	8	11	12	12
□ Beneficiaries	<u>14</u>	<u>22</u>	<u>21</u>	<u>21</u>
□ Total	119	192	236	241
■ Average Annual Town Provided Benefit for Service Retirees ¹	\$ 8,300	\$ 16,000	\$ 25,700	\$ 25,900

¹ Average Town-provided benefit is based on Town service and Town benefit formulas and is not representative of total benefits for long-service employees employed at multiple agencies.

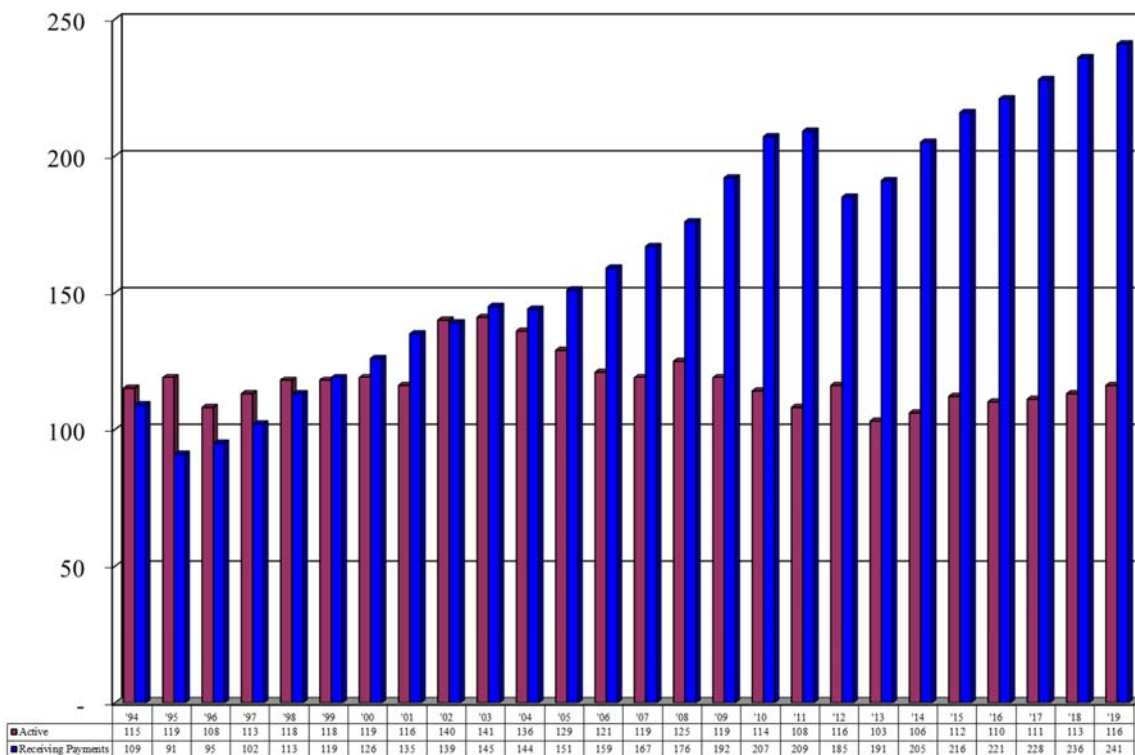


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SUMMARY OF DEMOGRAPHIC INFORMATION - MISCELLANEOUS



March 1, 2021

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PLAN FUNDED STATUS - MISCELLANEOUS

Item 5.

	<u>June 30, 2018</u>	<u>June 30, 2019</u>
■ Actuarial Accrued Liability		
● Active	\$22,300,000	\$26,200,000
● Retiree	70,700,000	72,300,000
● Inactive	<u>14,100,000</u>	<u>13,600,000</u>
● Total	107,100,000	112,100,000
■ Assets	<u>73,300,000</u>	<u>76,100,000</u>
■ Unfunded Liability	33,800,000	36,000,000
■ Funded Ratio	68.4%	67.9%
■ Average Funded Ratio for CalPERS Public Agency Miscellaneous Plans²	71.8%	72.2%

² Individual agency and average funded ratios depends on benefit levels, demographics, effective dates, funding policy, ADPs, etc.



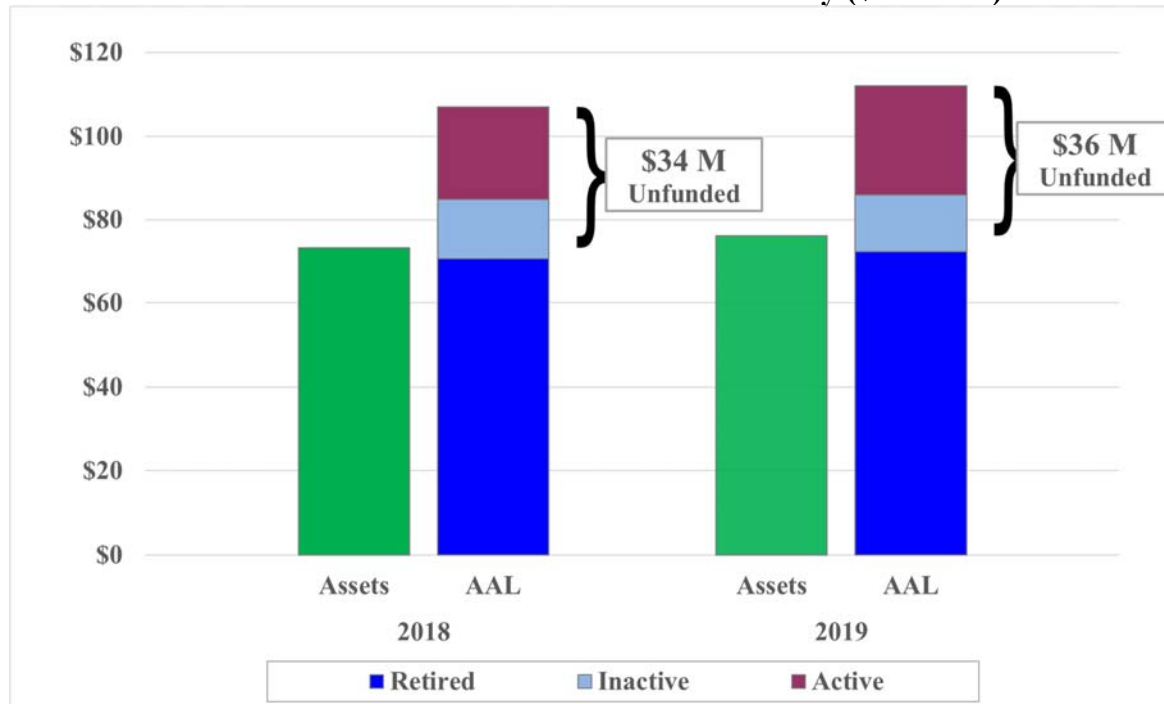
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PLAN FUNDED STATUS - MISCELLANEOUS

Town CalPERS Assets and Actuarial Liability (\$Millions)



March 1, 2021

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Discount Rate Sensitivity

June 30, 2019

	Discount Rate		
	<u>7.00%</u>	<u>6.50%³</u>	<u>6.00%</u>
AAL	\$112,100,000	\$119,300,000	\$126,500,000
Assets	<u>76,100,000</u>	<u>76,100,000</u>	<u>76,100,000</u>
Unfunded Liability	36,000,000	43,200,000	50,400,000
Funded Ratio	67.9%	63.8%	60.2%

³ Estimated by Bartel Associates. (Straight line interpolation of the 7% and 6% discount rate AAL provided in the 6/30/19 valuation report.)



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PLAN FUNDED STATUS - MISCELLANEOUS

Unfunded Accrued Liability Changes

■ Unfunded Accrued Liability on 6/30/18	\$ 33,800,000
■ Expected 6/30/19 Unfunded Accrued Liability	34,300,000
■ Other Changes	
• Asset Loss (Gain) (6.6% return for FY 2019)	400,000
• Contribution & Experience Loss (Gain)	<u>1,300,000</u>
• Total	<u>1,700,000</u>
■ Unfunded Accrued Liability on 6/30/19	36,000,000
■ Projected Unfunded Accrued Liability on 6/30/20	37,900,000
■ Projected Funded Ratio on 6/30/20⁴	75%

⁴ 6/30/20 funded status estimated – included \$4,753,965 and \$3,580,365 made October 2019 and July 2020, respectively.



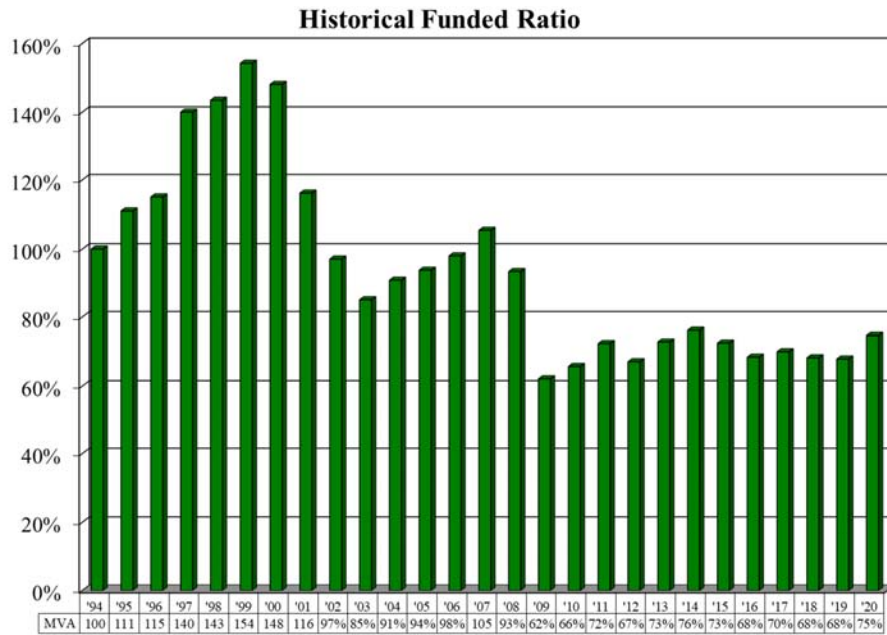
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FUNDED RATIO - MISCELLANEOUS

Item 5.



6/30/20 funded status estimated – included \$4,753,965 and \$3,580,365 made October 2019 and July 2020, respectively.

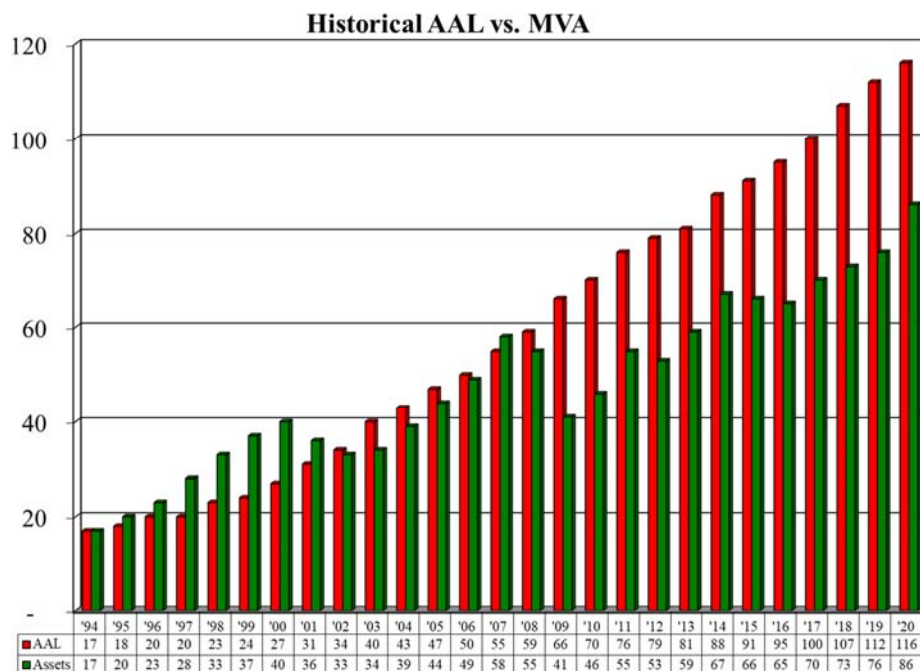


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FUNDED STATUS (MILLIONS) - MISCELLANEOUS



6/30/20 Assets included \$4,753,965 and \$3,580,365 made October 2019 and July 2020, respectively.



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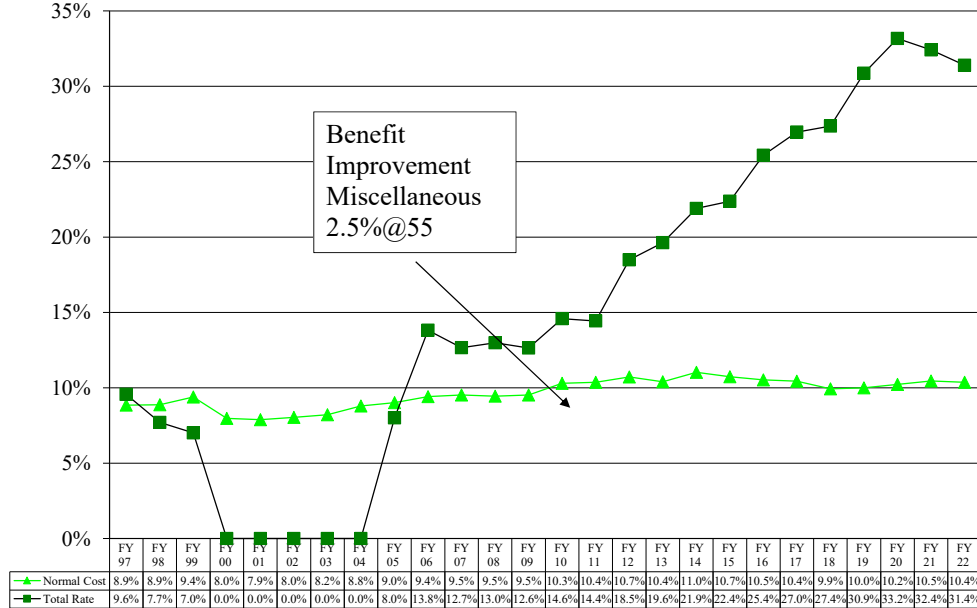
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CONTRIBUTION RATES - MISCELLANEOUS

Item 5.

Historical Employer Contribution Rates (Percent of Payroll)



FY21 & FY22 Total Rates reflect Additional Discretionary Payments (ADPs) of \$4,753,965 made October 2019 and \$3,580,365 made July 2020.



March 1, 2021

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CONTRIBUTION RATES - MISCELLANEOUS

	6/30/18	6/30/19
	<u>2020/2021</u>	<u>2021/2022</u>
■ Total Normal Cost	17.9%	17.8%
■ Employee Normal Cost	<u>7.5%</u>	<u>7.4%</u>
■ Employer Normal Cost	10.5%	10.4%
■ Amortization Payments ⁵	<u>22.0%</u>	<u>21.0%</u>
■ Total Employer Contribution Rate	32.4%	31.4% ⁶
■ 2020/21 Employer Contribution Rate		32.4%
● Payroll More Than Expected		-1.5%
● 6/30/16 Discount Rate Change (4 th Year)		0.3%
● 6/30/17 Discount Rate & Inflation (3 rd Year)		0.3%
● 6/30/18 Discount Rate change (2 nd Year)		0.6%
● Lump Sum Payment July 2020		-2.1%
● Other (Gains)/Losses		<u>1.4%</u>
■ 2021/22 Employer Contribution Rate		31.4%

⁵ Reflects \$4,753,965 ADP made October 2019 and \$3,580,365 ADP made July 2020.

⁶ Average CalPERS agency Miscellaneous 2021-22 employer contribution rate is 27.4%. Individual agency and average employer contribution rates depend on benefit levels, demographics, effective dates, funding policy, ADPs, etc.



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CONTRIBUTION PROJECTIONS – MISCELLANEOUS

Item 5.

■ Market Value Investment Return:

- June 30, 2020 4.7%⁷
 - Future returns based on stochastic analysis using 1,000 trials⁸
- | <u>Single Year Returns at⁹</u> | <u>25th Percentile</u> | <u>50th Percentile</u> | <u>75th Percentile</u> |
|---|-----------------------------------|-----------------------------------|-----------------------------------|
| Current Investment Mix | 0.1% | 7.0% | 14.8% |
| Ultimate Investment Mix | 0.8% | 6.0% | 11.4% |
- Assumes investment returns will, generally be 6.5% (as compared to 7.0%) over the next 8 years and higher beyond that.

■ Discount Rate decreases due to Risk Mitigation policy

■ No Other: Gains/Losses, Method/Assumption Changes, Benefit Improvements

■ Different from CalPERS projection. Our projections include:

- Actual 2019/20 investment return
- Lower expected return for next 8 years
- Impact of risk mitigation
- Possibly different PEPRA new hire assumptions

⁷ Net of investment expenses and gross of administrative expenses. 15 bp assumed for administrative expenses.

⁸ Future returns are assumed net of investment and administrative expenses

⁹ Nth percentile means N percentage of our trials result in returns lower than the indicated rates.



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CONTRIBUTION PROJECTIONS – MISCELLANEOUS

■ New hire assumptions:¹⁰

- 95% of 2020/21 new hires are PEPRA members and 5% are Classic members
- Percentage of PEPRA member future hires to increase from 95% to 100% over 2 years

■ 6/30/19 employee distribution:

Benefit Tier	Count	6/30/19 Payroll
● 2.5%@55 FAC1	39	3,921,893
● 2%@60 FAC3	25	3,106,958
● 2%@62 FAC3 (PEPRA)	39	3,860,616

■ Additional discretionary payments reflected:

- \$4,753,965 made October 18, 2019 towards 6/30/16 base
- \$3,580,365 made July 7, 2020 towards 6/30/15 and 6/30/13 bases

¹⁰ Based on experience from sample CalPERS agencies.



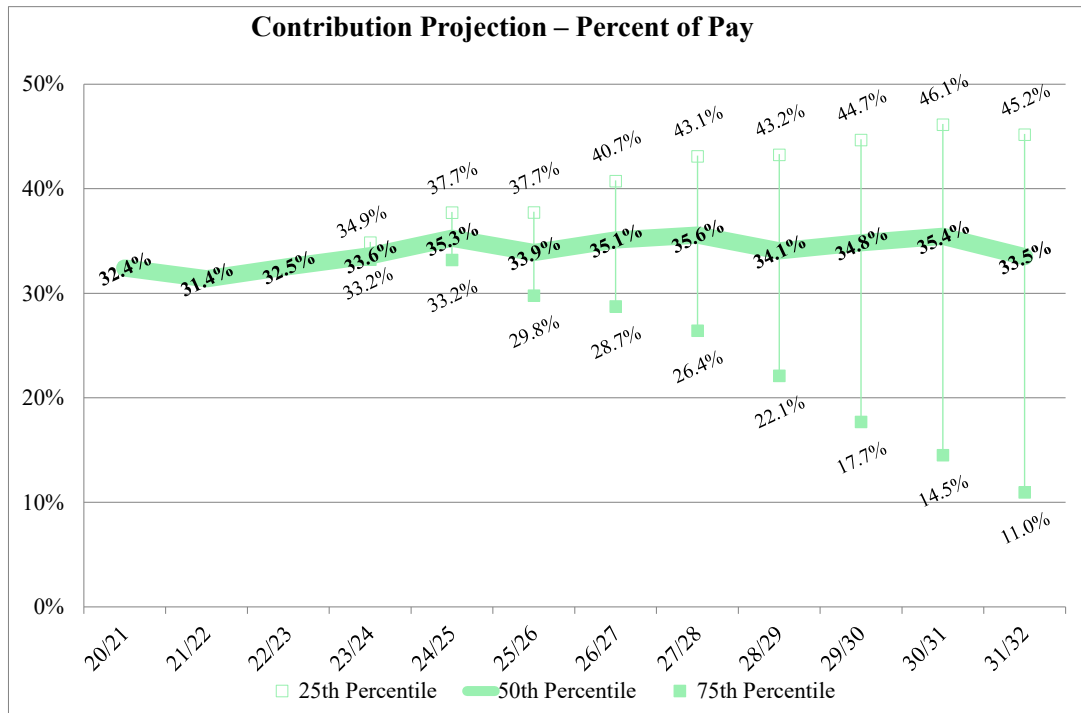
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CONTRIBUTION PROJECTIONS – MISCELLANEOUS

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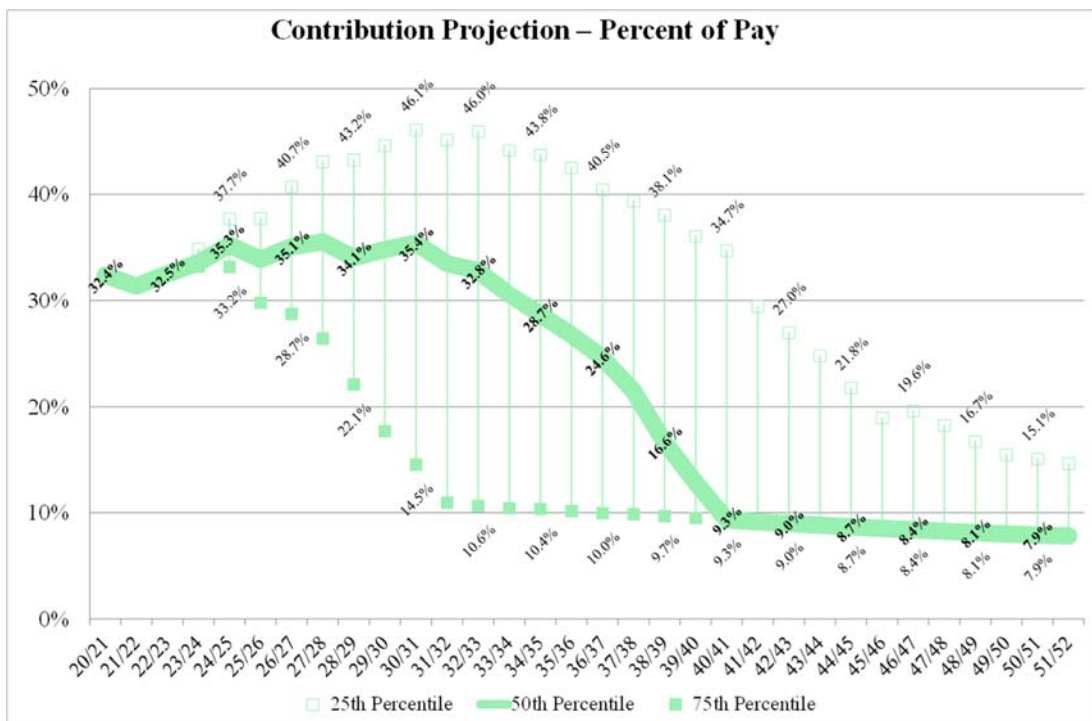


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CONTRIBUTION PROJECTIONS – MISCELLANEOUS



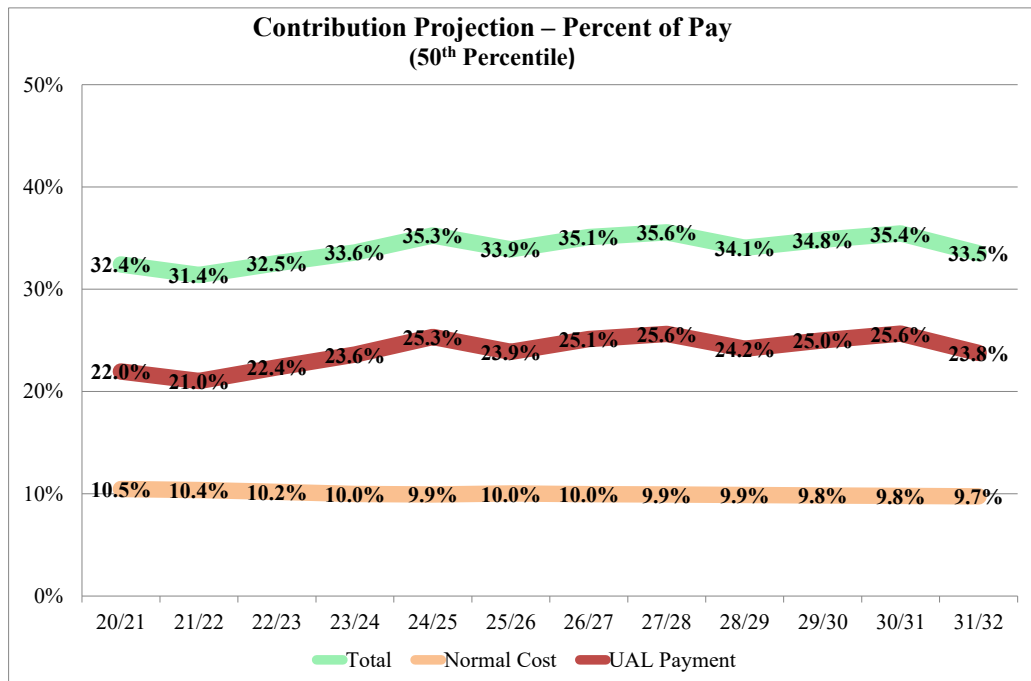
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CONTRIBUTION PROJECTIONS – MISCELLANEOUS

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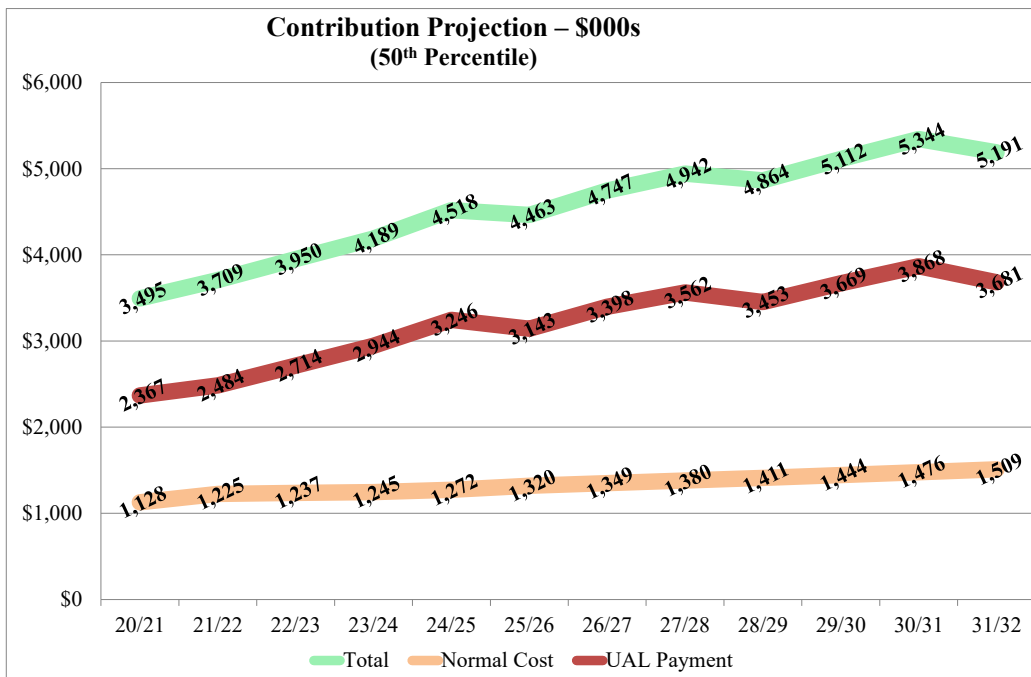


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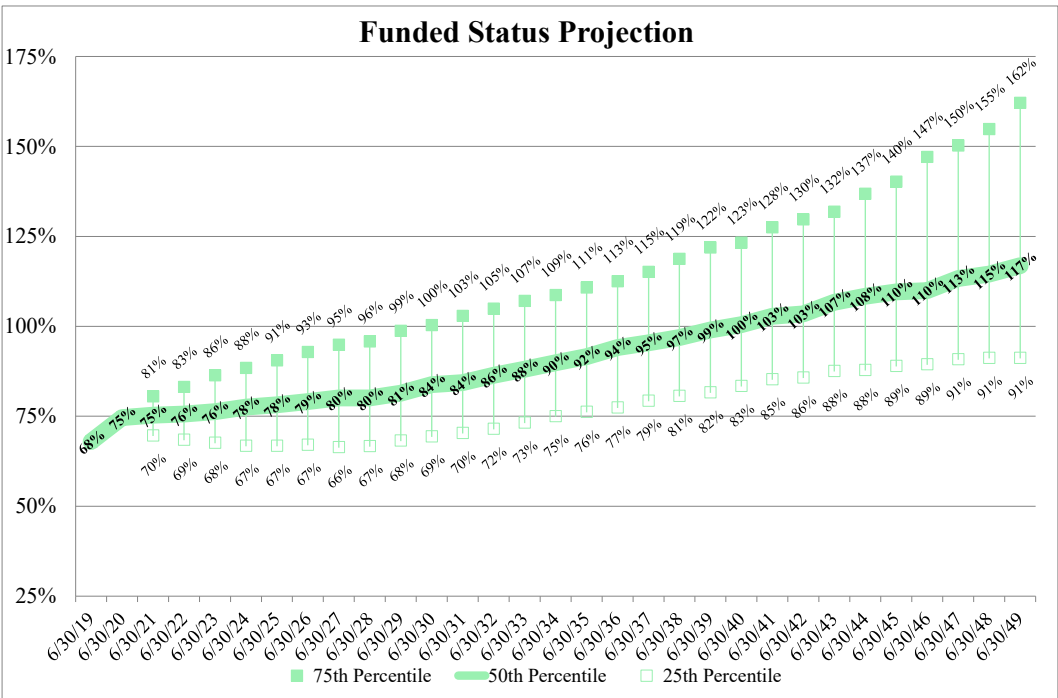
CONTRIBUTION PROJECTIONS – MISCELLANEOUS



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March 1, 2021



SUMMARY OF DEMOGRAPHIC INFORMATION - SAFETY

Item 5.

	1999	2009	2018	2019
Actives				
■ Counts	41	41	37	38
■ Average PERSable Wages	\$ 69,400	\$120,100	\$ 134,700	\$ 146,900
■ Total PERSable Wages	2,800,000	4,900,000	5,000,000	5,600,000
Inactive Members				
■ Counts				
• Transferred	16	20	13	12
• Separated	10	4	2	2
• Receiving Payments	23	49	79	83

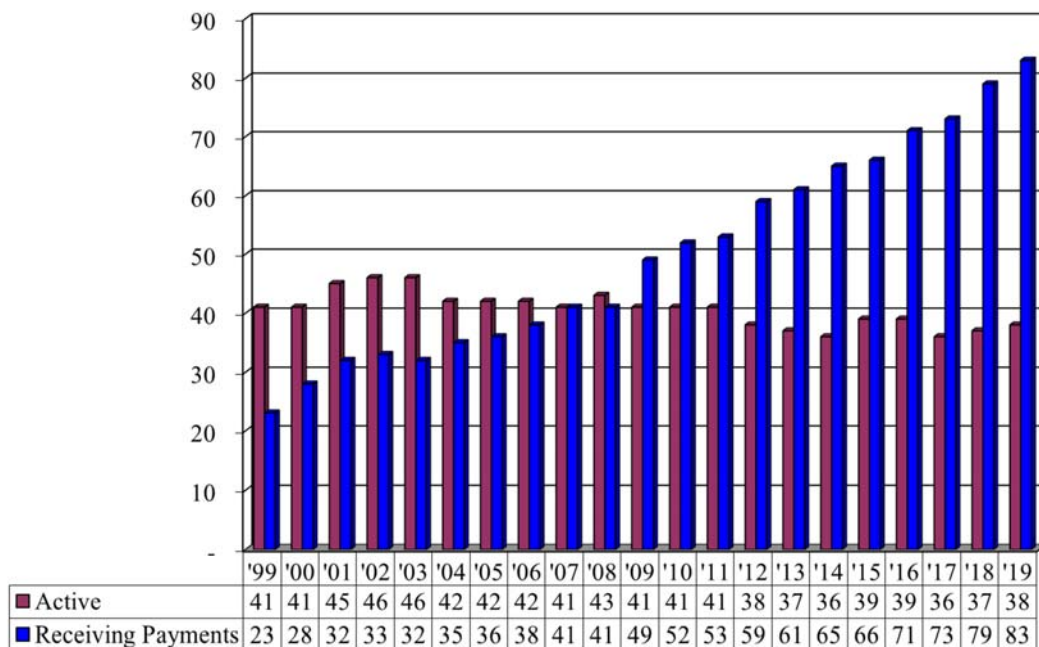


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SUMMARY OF DEMOGRAPHIC INFORMATION - SAFETY



March 1, 2021

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PLAN FUNDED STATUS - SAFETY

Item 5.

	<u>June 30, 2018</u>	<u>June 30, 2019</u>
■ Actuarial Accrued Liability		
● Active	\$21,300,000	\$23,700,000
● Retiree	67,200,000	69,800,000
● Inactive	<u>3,000,000</u>	<u>3,000,000</u>
● Total	91,500,000	96,500,000
■ Assets	<u>65,900,000</u>	<u>69,500,000</u>
■ Unfunded Liability	25,600,000	27,000,000
■ Funded Ratio	72.1%	72.0%
■ Average Funded Ratio for CalPERS Public Agency Safety Plans¹¹	68.3%	68.6%

¹¹ Individual agency and average funded ratios depends on benefit levels, demographics, effective dates, funding policy, ADPs, etc.



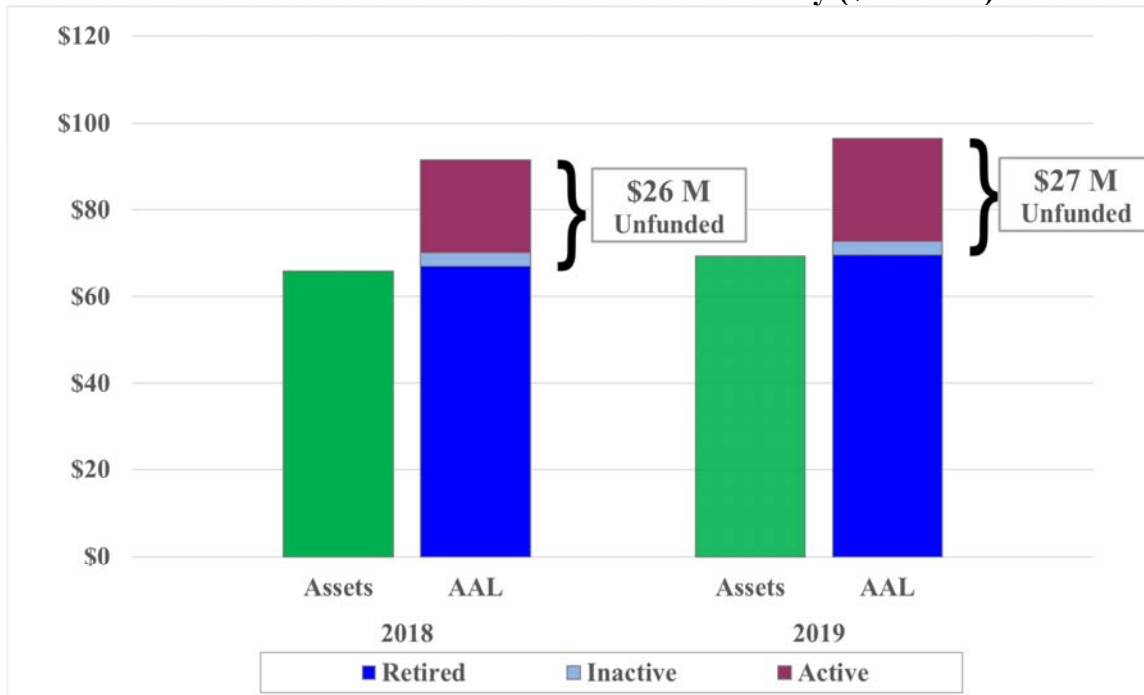
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PLAN FUNDED STATUS - SAFETY

Town CalPERS Assets and Actuarial Liability (\$Millions)



March 1, 2021

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PLAN FUNDED STATUS - SAFETY

Item 5.

Discount Rate Sensitivity

June 30, 2019

	Discount Rate		
	<u>7.00%</u>	<u>6.50%</u> ¹²	<u>6.00%</u>
AAL	\$96,500,000	\$103,100,000	\$109,700,000
Assets	<u>69,500,000</u>	<u>69,500,000</u>	<u>69,500,000</u>
Unfunded Liability	27,000,000	33,600,000	40,200,000
Funded Ratio	72.0%	67.4%	63.4%

¹² Estimated by Bartel Associates. (Straight line interpolation of the 7% and 6% discount rate AAL provided in the 6/30/19 valuation report.)

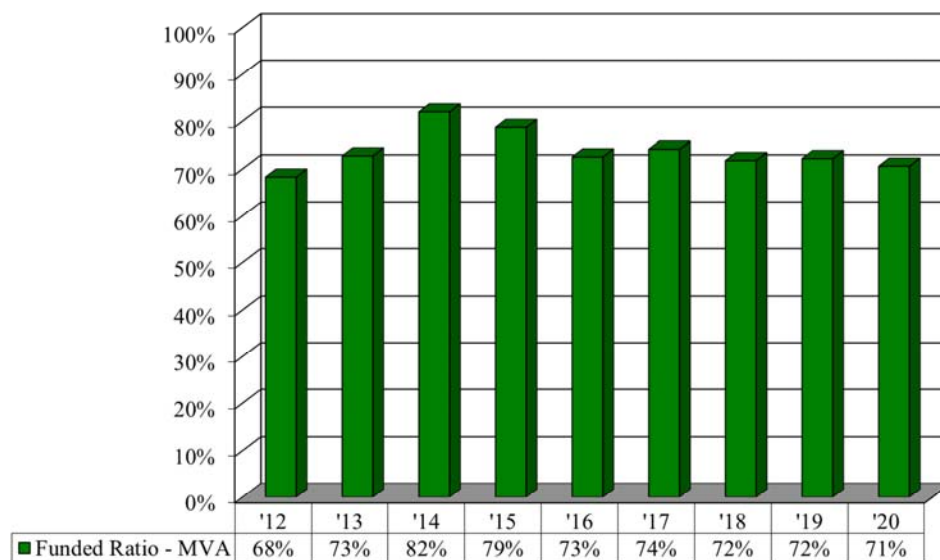


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FUNDED RATIO - SAFETY



6/30/20 funded status estimated



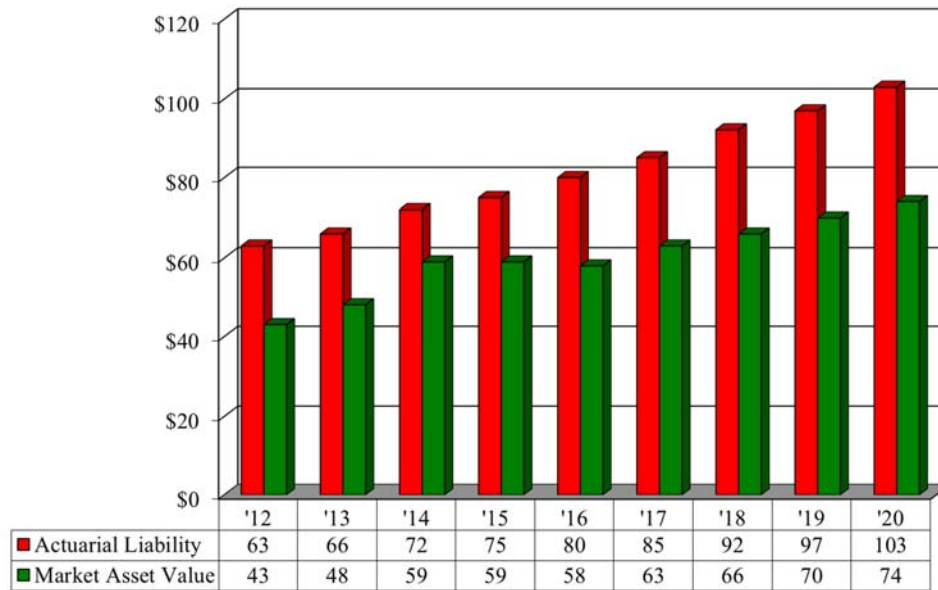
March 1, 2021

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FUNDED STATUS (MILLIONS) - SAFETY

Item 5.



6/30/20 funded status estimated

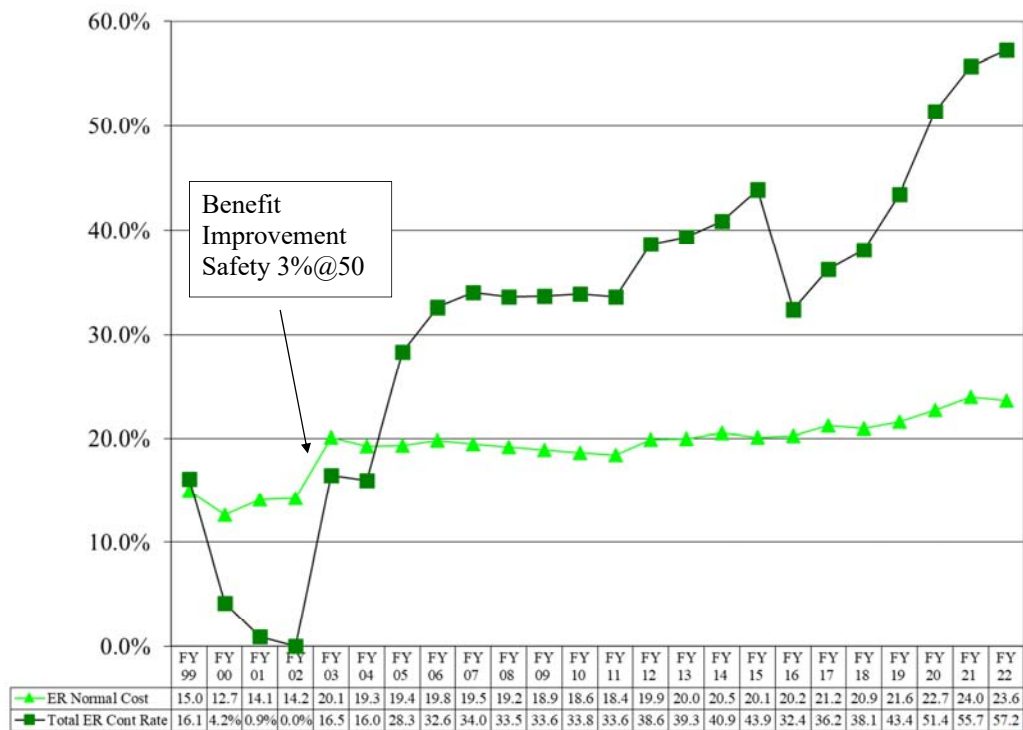


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FUNDED STATUS (MILLIONS) - SAFETY



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CONTRIBUTION RATES - SAFETY

Item 5.

	6/30/19 Valuation		
	<u>2021/2022 Contribution Rates</u>		
	<u>Total</u>¹³	<u>Tier 1</u>	<u>PEPRA</u>
		3%<u>@50</u>	2.7%<u>@57</u>
■ Base Total Normal Cost	30.5%	31.5%	26.1%
■ Class 1 Benefits			
● Final One Year Compensation	1.1%	1.2%	-
● PRSA	<u>1.8%</u>	<u>1.9%</u>	<u>1.6%</u>
■ Total Normal Cost	33.4%	34.6%	27.7%
■ Formula's Expected EE Contribution Rate	<u>9.8%</u>	<u>9.0%</u>	<u>13.7%</u>
■ ER Normal Cost	23.6%	25.6%	14.0%
■ Amortization Payment	33.6%	40.3%	1.7%
■ Amortization of Side Fund	-	-	-
■ Total ER Contribution	57.2%	65.9%	15.7%
■ Employee counts	38	30	8
■ Projected 2021/22 employee payroll (000's)	\$ 6,055	\$ 5,006	\$ 1,049
■ Total ER Contribution \$ (in 000's)	\$ 3,466	\$ 3,301	\$ 165

¹³ Weighting of total contribution based on projected classic and PEPRA payrolls



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CONTRIBUTION RATES - SAFETY

	<u>6/30/18</u>	<u>6/30/19</u>
	<u>2020/2021</u>	<u>2021/2022</u>
■ Total Normal Cost	33.6%	33.4%
■ Employee Normal Cost	<u>9.6%</u>	<u>9.8%</u>
■ Employer Normal Cost	23.9%	23.6%
■ Amortization Payments	<u>31.8%</u>	<u>33.6%</u>
■ Total Employer Contribution Rate	55.7%	57.2% ¹⁴
■ 2020/21 Employer Contribution Rate		55.7%
● Payroll More Than Expected		-2.7%
● 6/30/16 Discount Rate Change (4 th Year)		0.6%
● 6/30/17 Discount Rate & Inflation (3 rd Year)		0.7%
● 6/30/18 Discount Rate change (2 nd Year)		1.1%
● Other (Gains)/Losses		<u>1.8%</u>
■ 2021/22 Employer Contribution Rate		57.2%

¹⁴ CalPERS valuation results before reflecting EPMC. Average CalPERS agency Safety 2021-22 employer contribution rate is 53.5%. Individual agency and average employer contribution rates depend on benefit levels, demographics, effective dates, funding policy, ADPs, etc.



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CONTRIBUTION PROJECTIONS – SAFETY

Item 5.

■ Market Value Investment Return:

- June 30, 2020 4.7%¹⁵
 - Future returns based on stochastic analysis using 1,000 trials¹⁶
- | <u>Single Year Returns at¹⁷</u> | <u>25th Percentile</u> | <u>50th Percentile</u> | <u>75th Percentile</u> |
|--|-----------------------------------|-----------------------------------|-----------------------------------|
| Current Investment Mix | 0.1% | 7.0% | 14.8% |
| Ultimate Investment Mix | 0.8% | 6.0% | 11.4% |
- Assumes investment returns will, generally be 6.5% (as compared to 7.0%) over the next 8 years and higher beyond that.

■ Discount Rate decreases due to Risk Mitigation policy

■ No Other: Gains/Losses, Method/Assumption Changes, Benefit Improvements

■ Different from CalPERS projection. Our projections include:

- Actual 2019/20 investment return
- Lower expected return for next 8 years
- Impact of risk mitigation
- Possibly different PEPRA new hire assumptions

¹⁵ Net of investment expenses and gross of administrative expenses. 15 bp assumed for administrative expenses.

¹⁶ Future returns are assumed net of investment and administrative expenses

¹⁷ Nth percentile means N percentage of our trials result in returns lower than the indicated rates.



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CONTRIBUTION PROJECTIONS – SAFETY

■ New hire assumptions¹⁸:

- 95% of 2020/21 new hires are PEPRA members and 5% are Classic members
- Percentage of PEPRA member future hires to increase from 95% to 100% over 2 years

■ 6/30/19 employee distribution:

Benefit Tier	Count	6/30/19 Payroll
● 3%@50 FAC1	30	\$4,614,993
● 2.7%@57 FAC3 (PEPRA)	8	967,007

■ EE Cost Sharing of Employer Contribution:

- 3% employee share for Classic members

¹⁸ Based on experience from sample CalPERS agencies



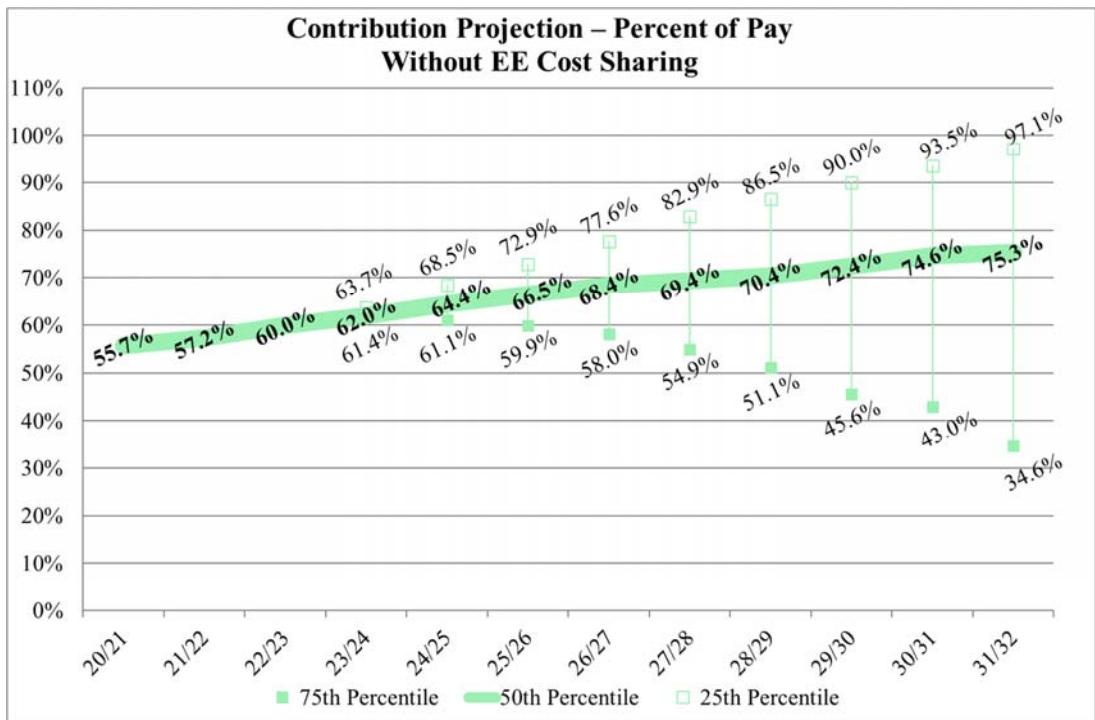
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CONTRIBUTION PROJECTIONS – SAFETY

Item 5.

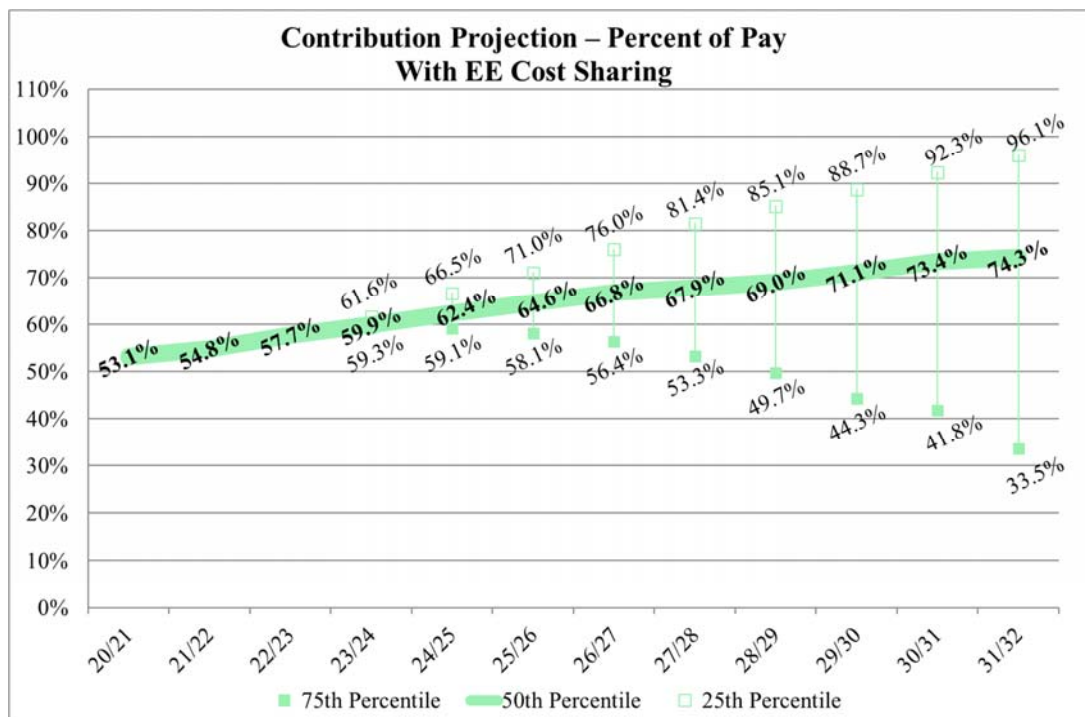


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CONTRIBUTION PROJECTIONS – SAFETY



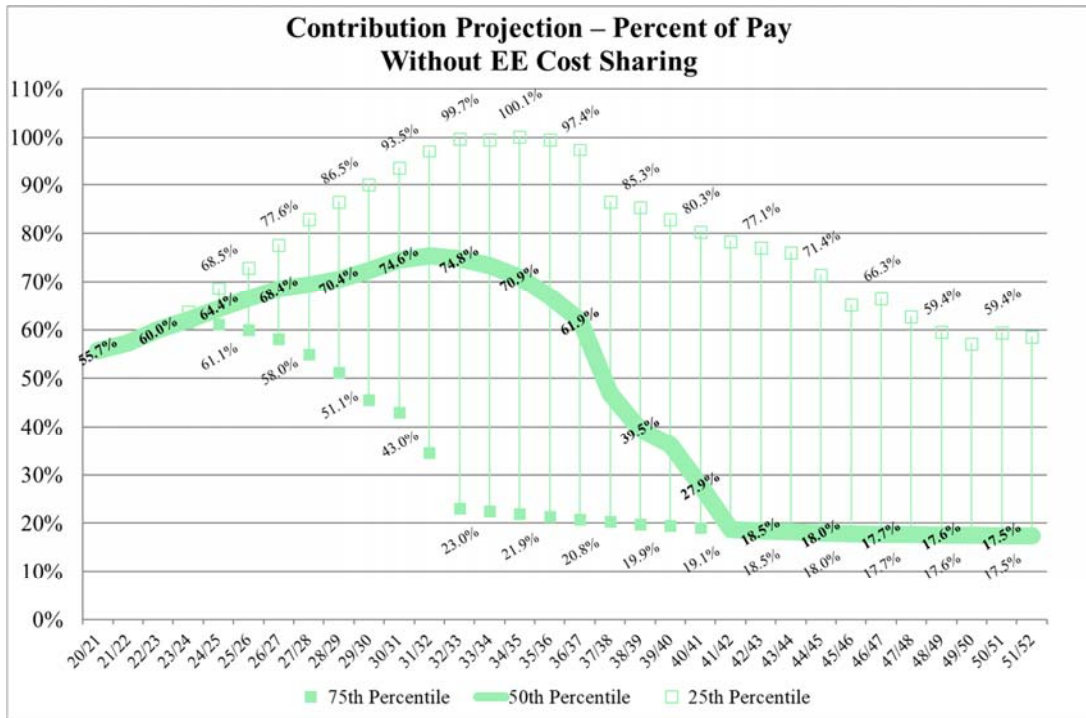
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CONTRIBUTION PROJECTIONS – SAFETY

Item 5.

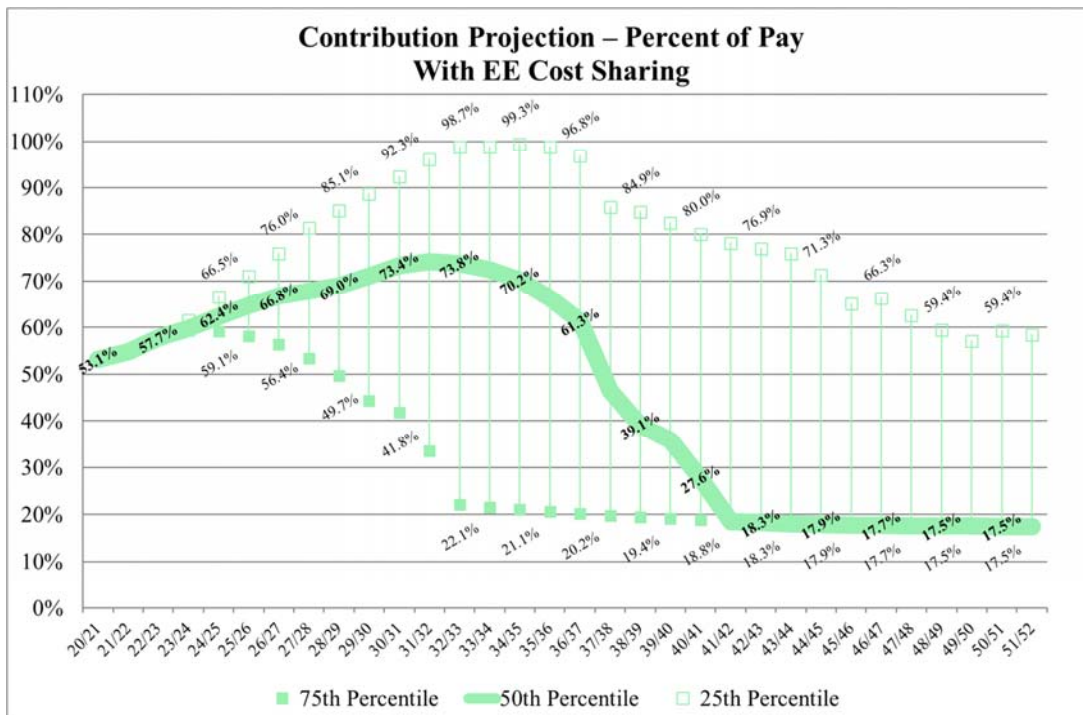


March 1, 2021

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CONTRIBUTION PROJECTIONS – SAFETY



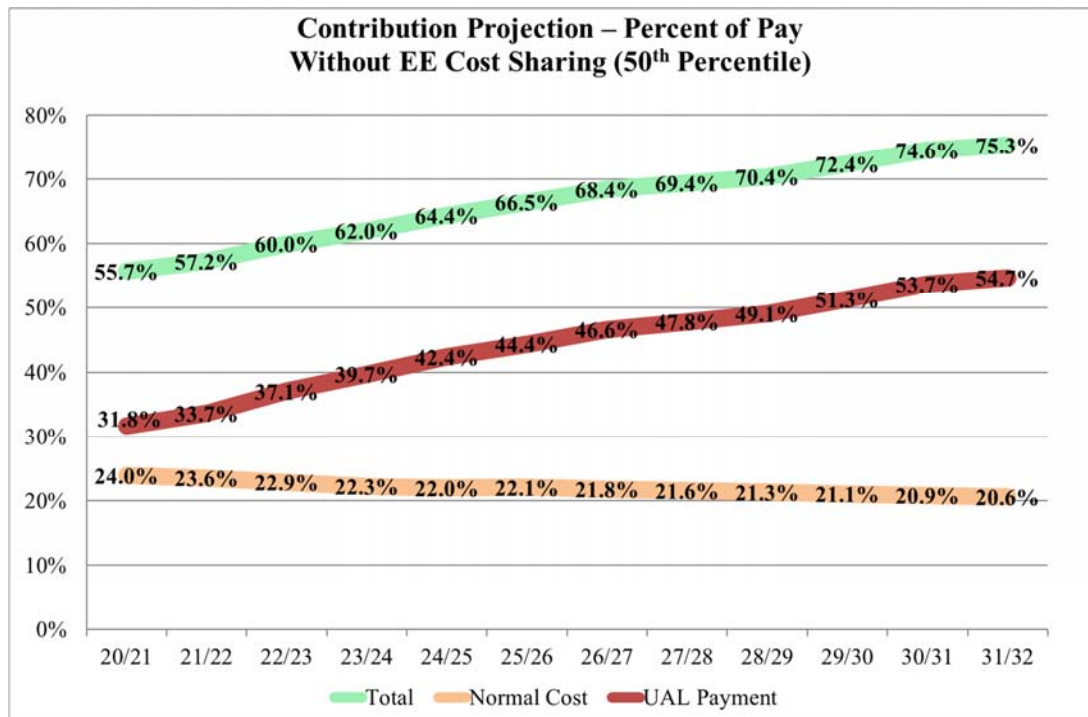
March 1, 2021

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CONTRIBUTION PROJECTIONS – SAFETY

Item 5.

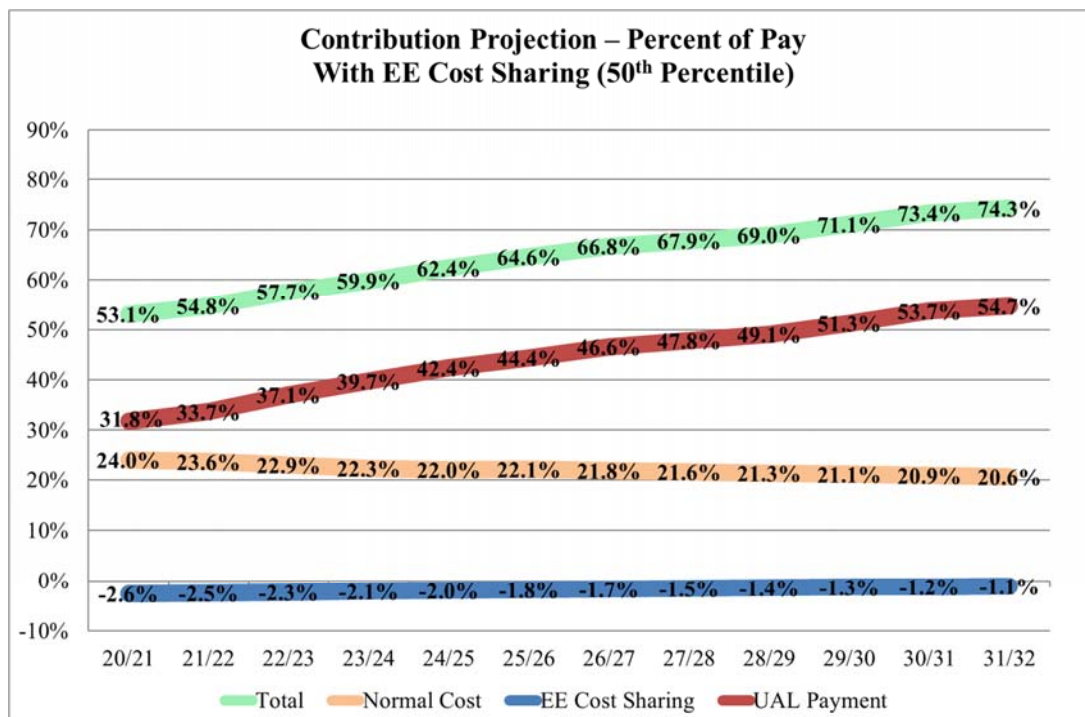


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CONTRIBUTION PROJECTIONS – SAFETY



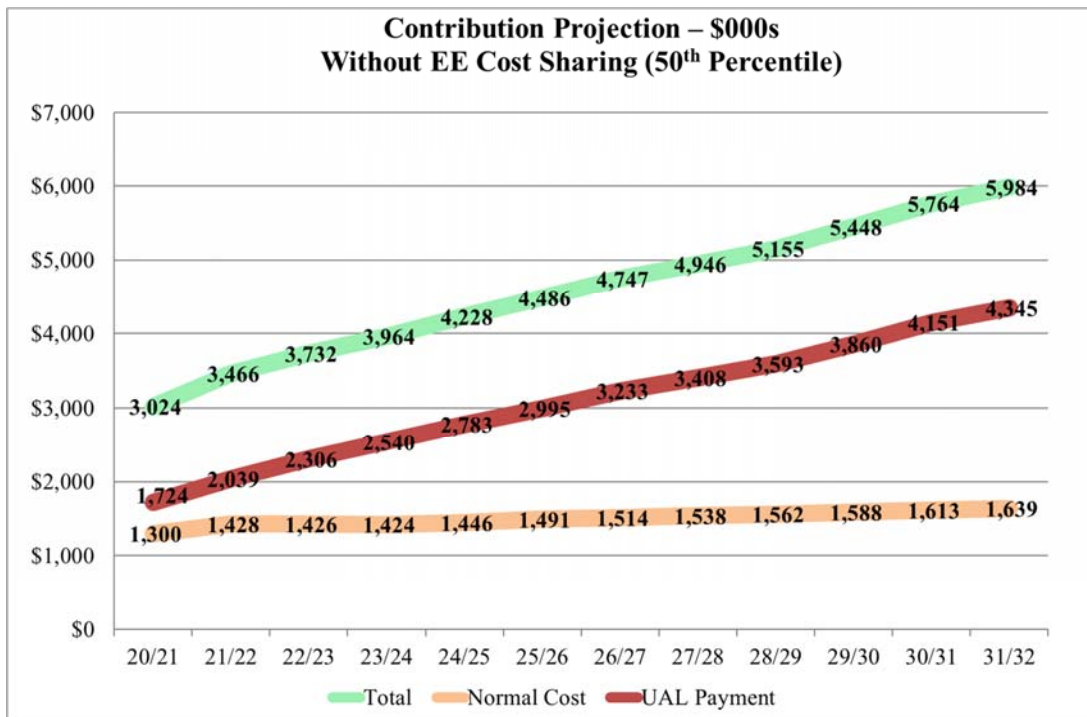
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CONTRIBUTION PROJECTIONS – SAFETY

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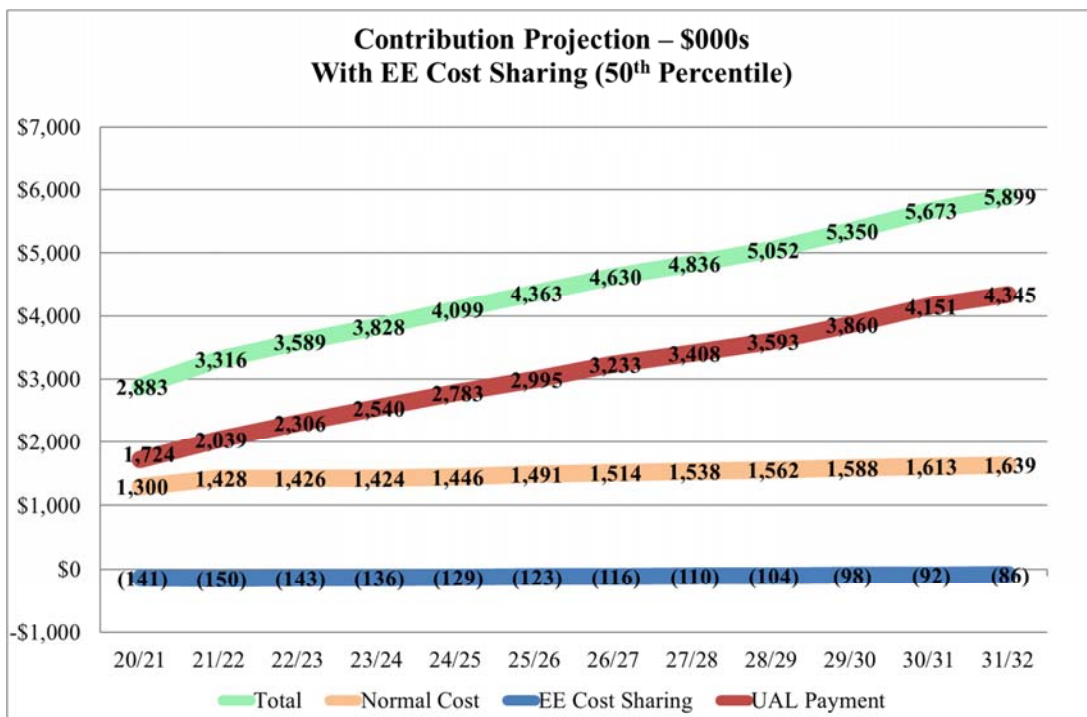


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CONTRIBUTION PROJECTIONS – SAFETY



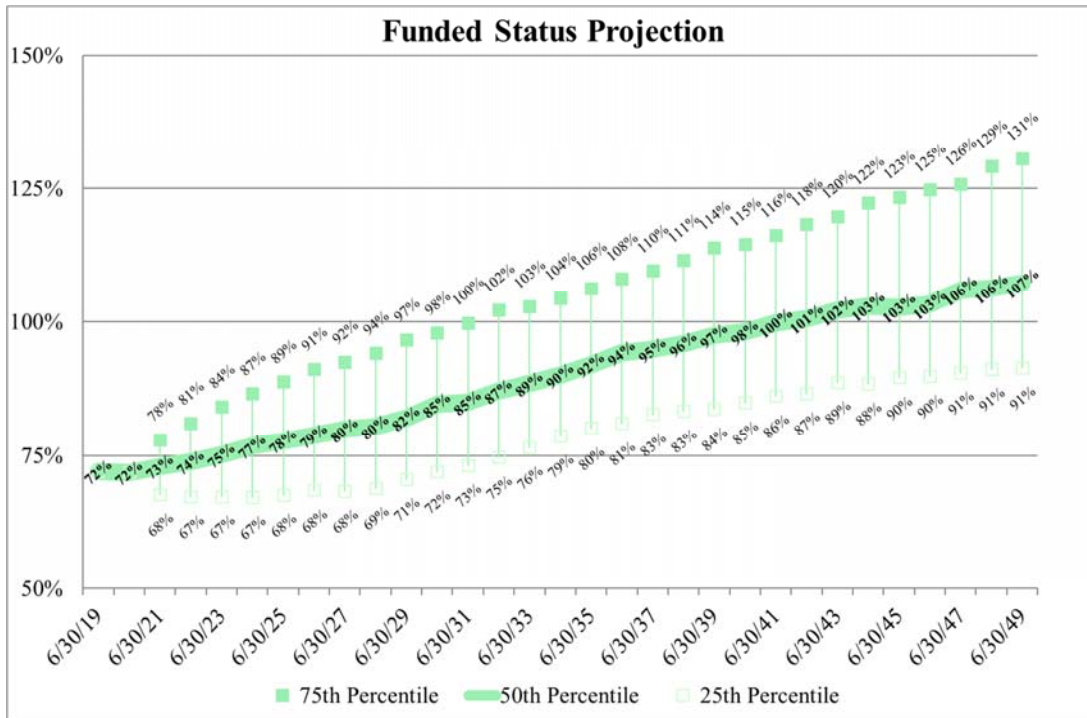
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FUNDED STATUS - SAFETY

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FUNDED STATUS - SAFETY

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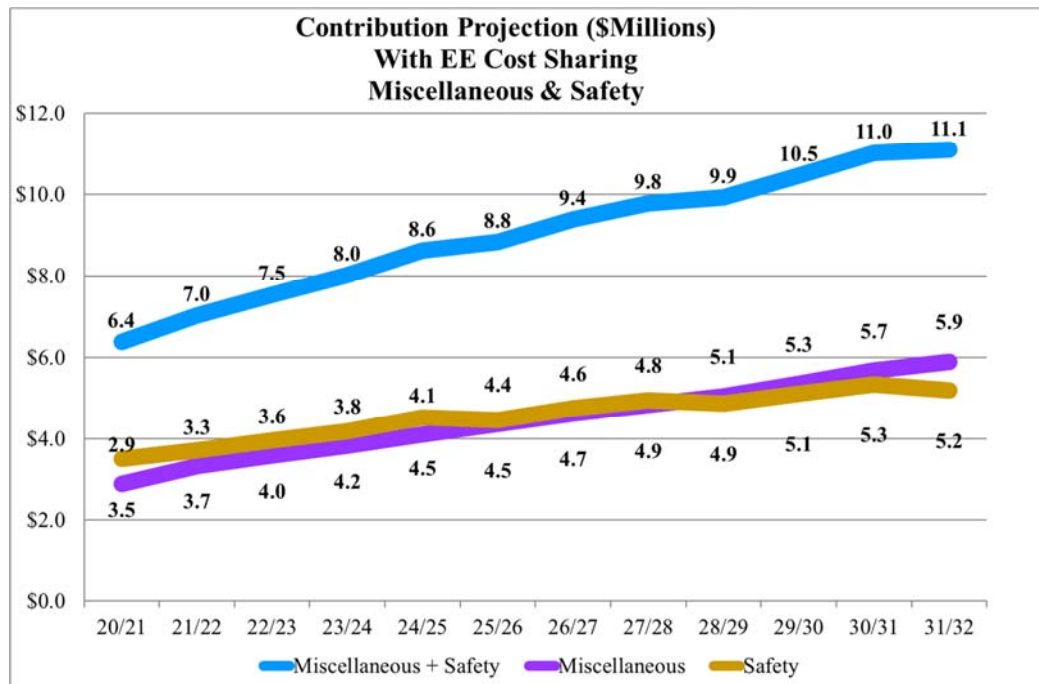
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COMBINED MISCELLANEOUS AND SAFETY

Item 5.



Reflects Additional Discretionary Payments \$4,753,965 made October 2019 and \$3,580,365 made July 2020.



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COMBINED MISCELLANEOUS AND SAFETY

Funded Status Summary on June 30, 2019 (Amounts in \$Millions)

	Miscellaneous	Safety	Total
■ AAL	\$ 112	\$ 97	\$ 209
■ Assets	<u>76</u>	<u>70</u>	<u>146</u>
■ Unfunded AAL	36	27	63
■ Funded Ratio	67.9%	72.0%	69.9%



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LEAVING CALPERS

Item 5.

- Participation in CalPERS is governed by State law and CalPERS rules
- The following are considered “withdrawing” from CalPERS:
 - Exclude new hires from CalPERS and giving them a different pension plan
 - Stop accruing benefits for current employees
- “Withdrawal” from CalPERS:
 - Treated as plan termination
 - Liability increased to reflect conservative investments of Terminated Agency Pool
 - Termination discount rate depends on market risk-free returns on termination date
 - Weighted average of 10-year and 30-year US Treasury yields (weighted by matching benefit payment durations)
 - CalPERS estimates are based on the highest and lowest 20-year Treasury yields 12 months before and 7 months after the valuation date
 - Liability increased to include a 5% contingency load for future demographic fluctuations
 - Liability must be funded immediately by withdrawing agency
 - Otherwise, retiree benefits are cut



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LEAVING CALPERS

CalPERS Termination Estimates on June 30, 2019

(Amounts in Millions)

Discount Rate	Ongoing Plan	Termination Basis	
	7.00%	1.75%	3.25%
Miscellaneous			
Actuarial Accrued Liability	\$ 112	\$ 221	\$ 179
Assets	<u>76</u>	<u>76</u>	<u>76</u>
Unfunded AAL (UAAL)	36	145	103
Safety			
Actuarial Accrued Liability	\$ 97	\$ 204	\$ 162
Assets	<u>70</u>	<u>70</u>	<u>70</u>
Unfunded AAL (UAAL)	27	134	92
Total			
Unfunded AAL (UAAL)	\$ 63	\$279	\$ 195
Funded Ratio	69.9%	34.4%	42.8%



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PEPRA COST SHARING

Item 5.

- Target of 50% of total normal cost paid by all employees
- PEPRA members must pay greater of 50% of total normal cost or bargained amount if higher
- Employer cannot pay any part of PEPRA member required employee contributions
- Employer may impose current employees pay 50% of total normal cost (limited to 8% of pay for Miscellaneous and 12% for Safety) if not agreed through collective bargaining
- Miscellaneous Plan 2021/22:

	<u>Classic Members</u>		<u>New Members</u>
	<u>Tier 1</u>	<u>Tier 2</u>	<u>PEPRA</u>
	<u>2.5% @ 55 FAC1</u>	<u>2% @ 60 FAC3</u>	<u>2% @ 62 FAC3</u>
● Employer Normal Cost	12.0%	13.6%	6.21%
● Member Normal Cost	<u>8.0%</u>	<u>7.0%</u>	<u>7.25%</u>
● Total Normal Cost	20.0%	20.6%	13.46%
● 50% Target	10.0%	10.3%	6.73%



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PEPRA COST SHARING

- Safety Plan 2021/22¹⁹:

	<u>Classic Members</u>	<u>New Members</u>
	<u>Tier 1</u>	<u>PEPRA</u>
	<u>3% @ 50 FAC1</u>	<u>2.7% @ 57 FAC3</u>
● Employer Normal Cost	25.6%	13.98%
● Member Normal Cost	<u>9.0%</u>	<u>13.75%</u>
● Total Normal Cost	34.6%	27.73%
● 50% Target	17.3%	13.87%

- PEPRA Member Contributions:

Group	2020/21		2021/22			
	Total NC (Basis)	Member Rate	Total Normal Cost	Change	Member Rate	Method
Miscellaneous	14.430%	7.25%	14.92%	0.49%	7.25%	All Active Members ²⁰
Safety	27.634%	13.75%	27.73%	0.096%	13.75%	PEPRA Members ²¹

¹⁹ This exhibit does not reflect the 3% employee cost sharing for Classic members.

²⁰ 52 PEPRA members are 44.8% of actives. Does not satisfy the 100 PEPRA member/25% of actives threshold or the 50% of actives threshold for agent plan to base rate on PERPA members.

²¹ PEPRA risk pool plan.



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Additional CalPERS Contributions
Prefunding Option

■ **Direct Payment to CalPERS**

- Pay down a portion of the Unfunded Liability
 - Target specific bases (short or long)
- Fresh start amortization (more stable contribution)
 - Directly through CalPERS
 - Indirectly through budgeted contributions
- Funds invested per CalPERS' investment policy
- Contribution is lower but volatility remains
- Employer required to pay Normal Cost when 100% funded
- Sources of funds
 - General fund
 - Prior dedicated internal reserve
 - Pension Obligation Bond



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Direct Payment to CalPERS
Prefunding Option

- Following illustrates additional \$1 million contribution to CalPERS on June 30, 2021:
- Miscellaneous Plan
 - Shortest Base: 2003 Assumption Change (4 years, \$1.1 million on 6/30/21)
Less interest savings, largest short-term contribution impact
 - Longest Base: 2013 Gain/Loss (24 years , \$10.9 million on 6/30/21)
Greater interest savings, smallest short-term contribution impact

Target Bases	Estimated Savings	2021/22 Contribution Impact
Shortest Bases	\$1 million	
\$ Savings (000's)	\$144	\$(275)
PV Savings @ 3% (000's)	78	
Longest Bases	\$1 million	
\$ Savings (000's)	\$1,042	\$(70)
PV Savings @ 3% (000's)	464	



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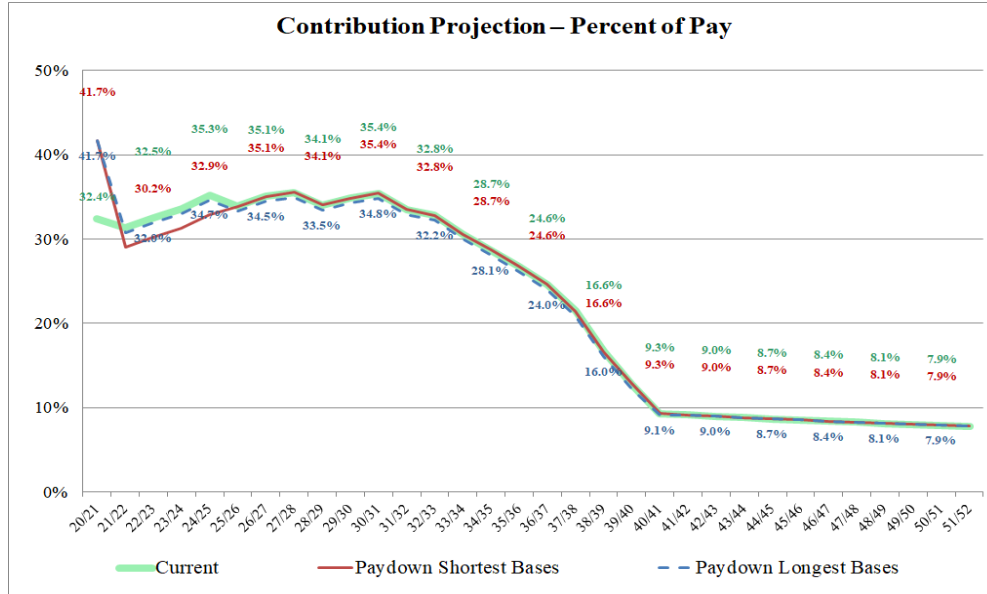
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PREFUNDING OPTION

Item 5.

Direct Payment to CalPERS Miscellaneous



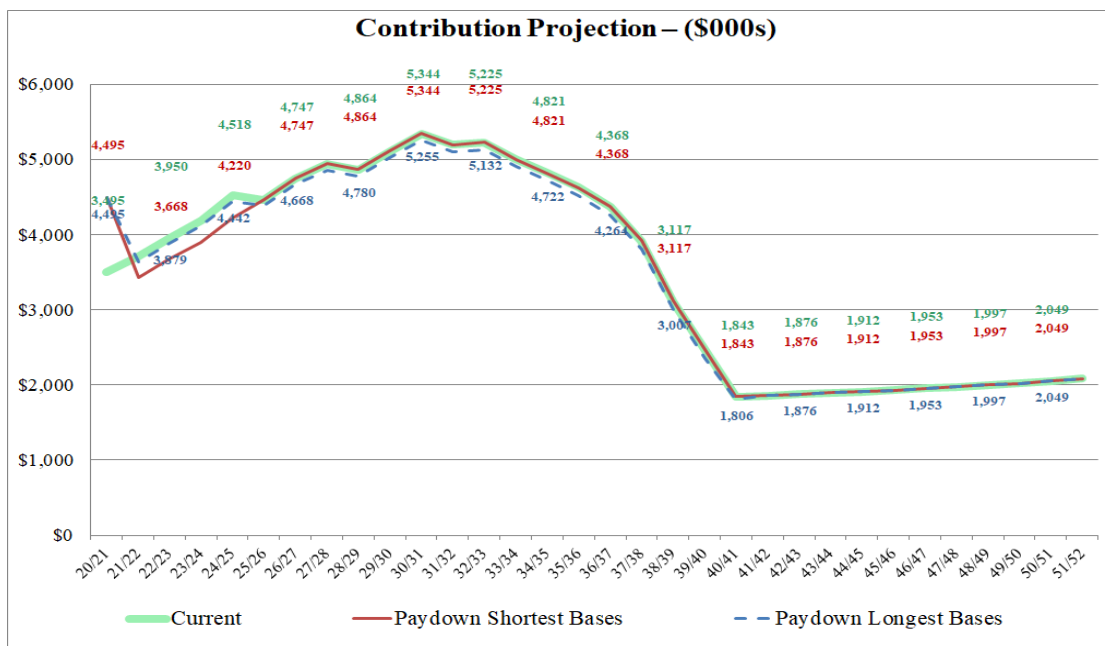
March 1, 2021

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PREFUNDING OPTION

Direct Payment to CalPERS Miscellaneous



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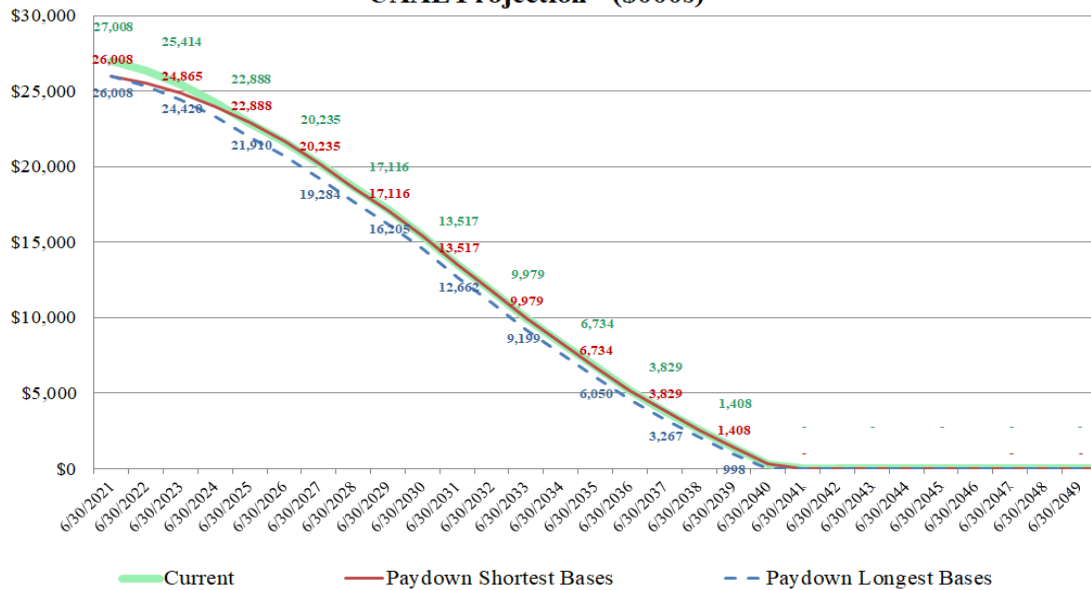
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PREFUNDING OPTION

Item 5.

Direct Payment to CalPERS Miscellaneous UAAL Projection – (\$000s)



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ACTUARIAL CERTIFICATION

This report presents an analysis of the Town of Los Gatos's CalPERS pension plans. The purpose of this report is to provide the Town:

- Historical perspective on the plan investment returns, assets, funded status and contributions.
- Projections of likely future contributions and the impact of investment volatility

The calculations and projections in this report are based on information contained in the Town's June 30, 2019 and earlier CalPERS actuarial valuation reports. We reviewed this information for reasonableness but do not make any representation on the accuracy of the CalPERS reports.

Future investment returns and volatility are based on Bartel Associates' Capital Market model which results in the long-term returns summarized on pages 23 and 41.

Future results may differ from our projections due to differences in actual experience as well as changes in plan provisions, CalPERS actuarial assumptions or methodology. Other than variations in investment return, this study does not analyze these.

To the best of our knowledge, this report is complete and accurate and has been conducted using generally accepted actuarial principles and practices. As members of the American Academy of Actuaries meeting the Academy Qualification Standards, we certify the actuarial results and opinions herein.

Respectfully submitted,

DRAFT

Bianca Lin, FSA, EA, MAAA, FCA
Assistant Vice President
Bartel Associates, LLC
DRAFT

DRAFT

Joseph R. D'Onofrio, FSA, EA, MAAA, FCA
Assistant Vice President
Bartel Associates, LLC
DRAFT



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**TOWN OF LOS GATOS
FINANCE COMMISSION REPORT**

MEETING DATE: 03/08/2021

Item 5.

ITEM NO: 5

DESK ITEM

DATE: March 8, 2021
TO: Finance Commission
FROM: Laurel Prevetti, Town Manager
SUBJECT: Receive Actuarial Presentation by Bartel and Associates

REMARKS:

Attachment 2 contains public comments received after publishing the Staff Report and before 11:01 a.m. Monday, March 8, 2021.

Attachment previously received with the Staff Report:

1. Bartel and Associates Actuarial Review

Attachment received with this Desk Item:

2. Public Comments

PREPARED BY: Arn Andrews
Assistant Town Manager

Reviewed by: Town Manager and Finance Director

Subject: FW: Bartels Report
Attachments: Misc Contribution - Bartel Report 2018.pdf; Misc Contribution - Bartel Report 2021.pdf

From: Phil Koen <pkoen@monteropartners.com>
Date: March 6, 2021 at 9:07:46 AM PST
To: Rob Rennie <RRennie@losgatosca.gov>, Matthew Hudes <MHudes@losgatosca.gov>
Cc: [REDACTED], Ron Dickel <rondickel@gmail.com>
Subject: Bartels Report

Rob and Matthew,

I have attached the same graphs prepared by Bartels April 2018 and March 2021. The graphs show a contribution projection for the Miscellaneous Pension Plan for the next 10 years and 30 years.

What is striking is the impact that the ADP has on the contribution projection, and clearly shows why the Town should continue to actively pursue an ADP strategy. Two items that need to be pointed out:

- The most recent 30-year contribution projection shows that the area under the curve has materially shifted downward, which indicates a reduction in total contribution payments. The 2021 projection reflects the impact of the ADP and includes the negative investment returns Calpers has experience since 2018. You can see that the curve hits the 10% funding level approximately 4 years sooner and never exceeds 35.6% over the 30-year term. The prior projection showed a peak contribution of 40.4% in FY 25. This is a very impressive result.
- Additionally, the new projection shows a flat contribution level of approximately 34% for the next 10 years. The ADP "flattened" the steepest part of the curve, which was the next 10 years. This proves that the ADP strategy is superior to the IRS trust funding strategy that was actively debated. As you recall that strategy called for the Town to make contributions to a trust fund, which would then be used to "subsize" future contribution payments by drawing down the trust fund balance. If the Town had pursued this strategy the Town would still be charged the projected contribution and would have been exposed to the same market risk as Calpers investment. By making the ADP, the market risk is eliminated, and the total interest charged by Calpers is permanently reduced.

The Town made the right decision.

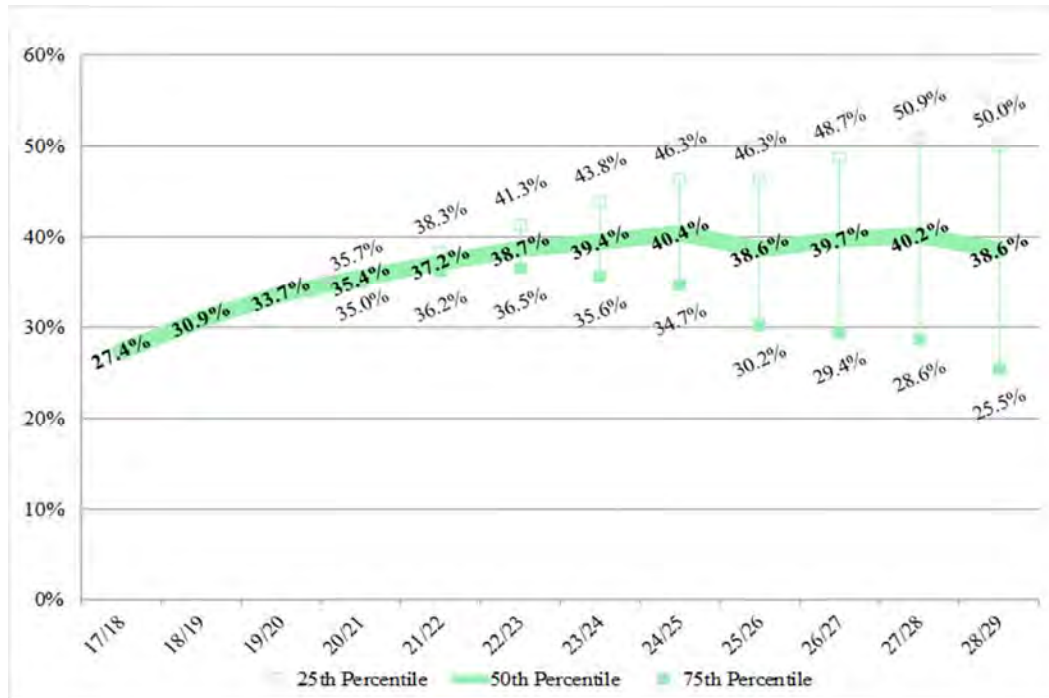
Phil

ATTACHMENT 2

MISCELLANEOUS PLAN - PROJECTIONS

Item 5.

Projected Contribution Rates - 10 Years



B4

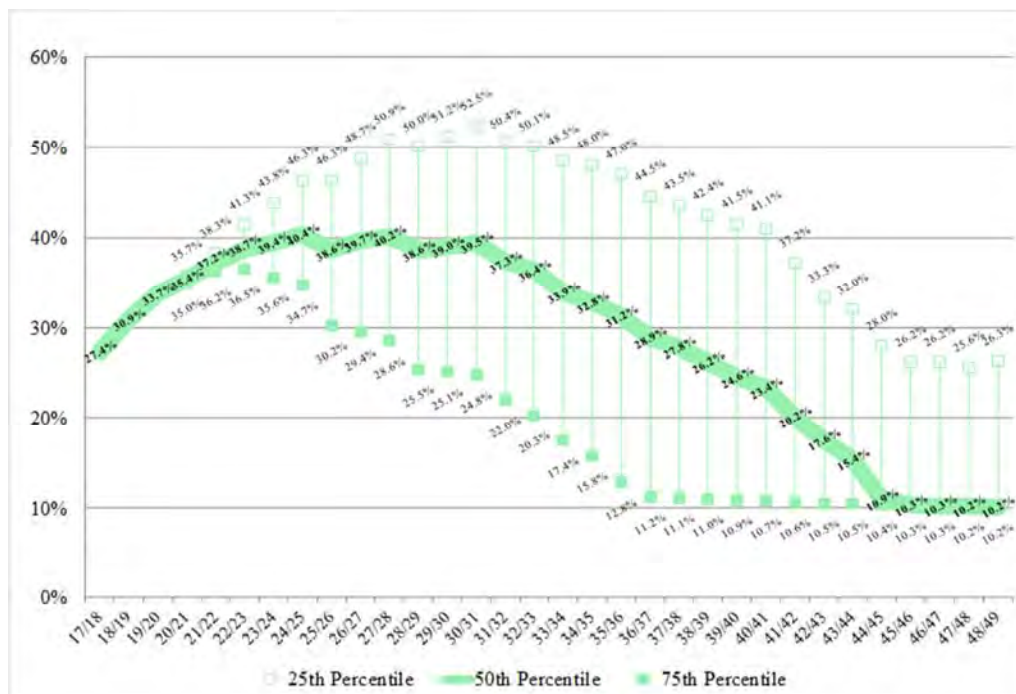
April 24, 2018

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MISCELLANEOUS PLAN - PROJECTIONS

Projected Contribution Rates - 30 Years



B4

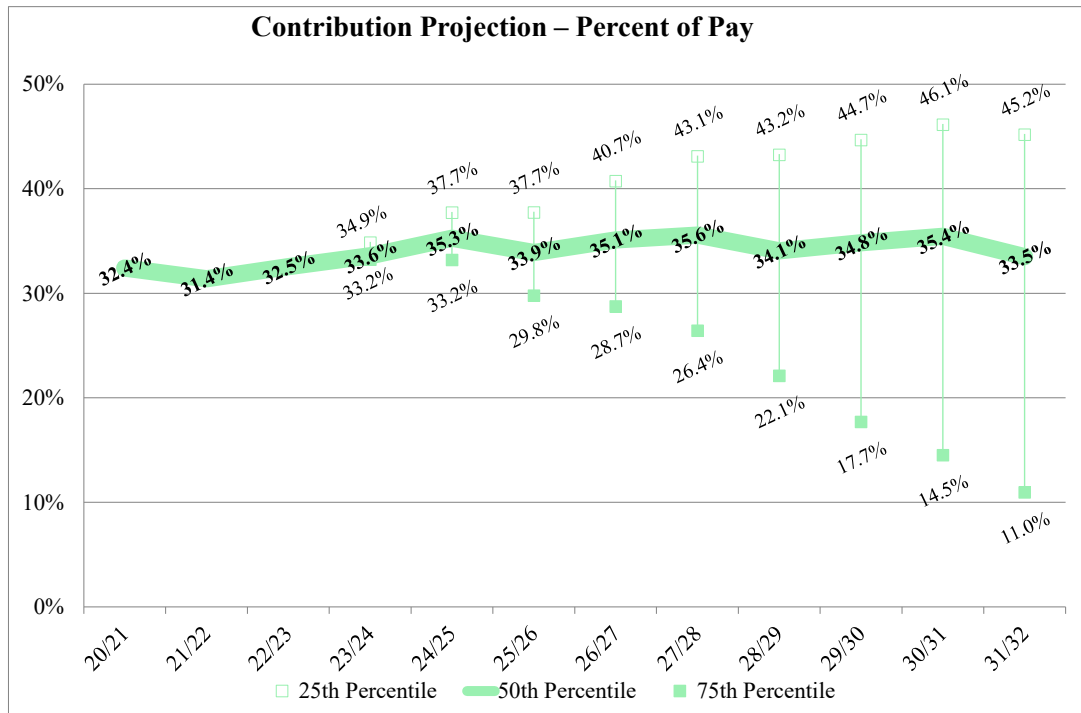
April 24, 2018

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CONTRIBUTION PROJECTIONS – MISCELLANEOUS

Item 5.

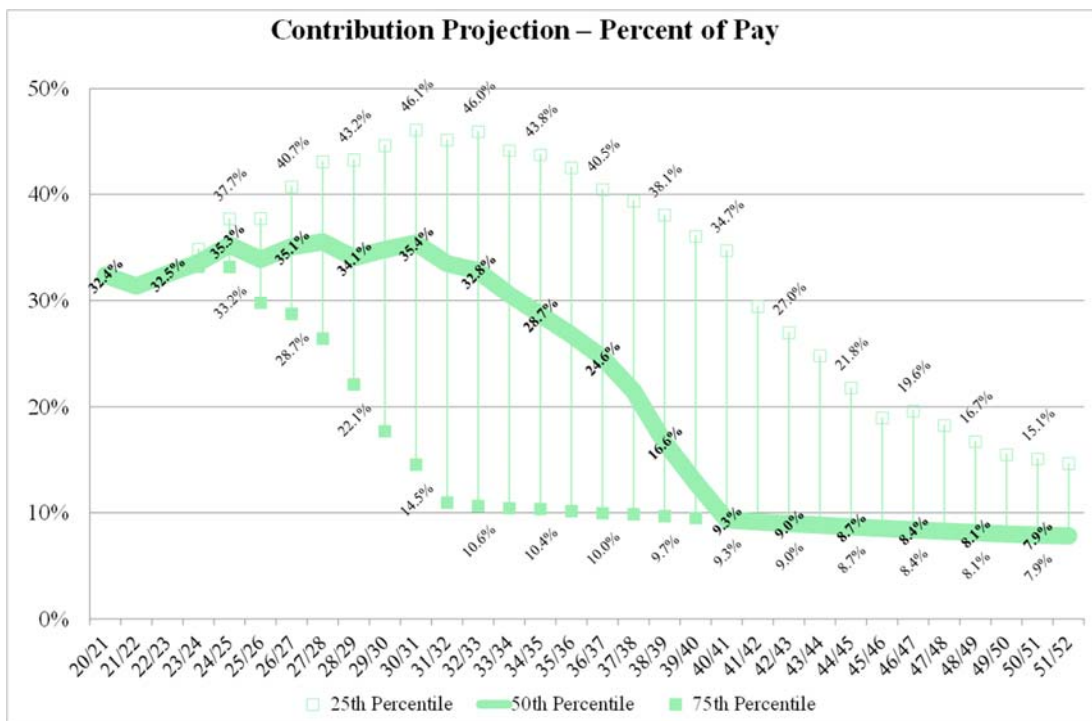


March 1, 2021

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CONTRIBUTION PROJECTIONS – MISCELLANEOUS



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**TOWN OF LOS GATOS
FINANCE COMMISSION REPORT**

MEETING DATE: 03/09/2021

Item 5.

ITEM NO: 5
DESK ITEM B

DATE: March 9, 2021
TO: Finance Commission
FROM: Laurel Prevetti, Town Manager
SUBJECT: Receive Actuarial Presentation by Bartel and Associates

REMARKS:

Attachment 3 contains public comments received after publishing the Staff Report and before 11:01 a.m. Tuesday, March 9, 2021.

Attachment previously received with the Staff Report:

1. Bartel and Associates Actuarial Review

Attachment received with Desk Item distributed on March 8, 2021:

2. Public Comments

Attachment received with this Desk Item B:

3. Public Comments

PREPARED BY: Arn Andrews
Assistant Town Manager

Reviewed by: Town Manager and Finance Director

From: Phil Koen <[REDACTED]>
Sent: Tuesday, March 9, 2021 10:42 AM
To: Ron Dickel <[REDACTED]>; Kyle Park <[REDACTED]>
Cc: Rob Rennie <RRennie@losgatosca.gov>; Matthew Hudes <MHudes@losgatosca.gov>;
jvannada@losgatosca.gov; Lee Fagot <[REDACTED]>; Laurel Prevetti <LPrevetti@losgatosca.gov>;
 Arn Andrews <aandrews@losgatosca.gov>
Subject: Questions regarding the Bartel Associates report - Agenda Item #5

Hello Ron and Kyle,

Unfortunately, the public comment rules do not provide sufficient time nor guarantee that the following questions regarding Bartel's report can be asked and answered by an individual. Therefore, I am submitting the questions in advance with the hope that you can ask them on my behalf and hopefully they will be answered by Bartel. Feel free to provide these questions to Bartel so they can come prepared. Thank you.

1. Page 12 - shows a projection of the forward discount rate used for the actuarial valuations. Is this the rate CALPERS has publicly established or is this a Bartel assumption used in the projections?
2. Page 13 – why has the total PERSable wages increased \$1m or 10.1% from 2018 to 2019? We have been told that total non-safety payroll expense increased approximately 3% 2018 vs 2019? What is causing the delta between actual non-safety wages and the PERSable wages? How much did non-safety wages increase 2018 to 2019 if it wasn't 10.1%?
3. Page 22 – the FY 22 Employer Contribution Rate is shown to be 31.4% (\$3,709,000) with a footnote that the rate reflects the ADP payments totaling \$8,334,330. The current CALPERS Annual Valuation Report (attached) shows a higher required employer contribution rate of 33.54% (\$3,961,516). Is it your recommendation that the Town pay the \$3,961,516 as shown on the CALPERS report and treat the incremental \$252,160 as an additional ADP for FY 22? What should the Town budget for the FY 22 miscellaneous plan payment?
4. Page 23 – the report states the contribution projections “assumes investment returns will, generally be 6.5% (as compared to 7%) over the next 8 years and higher beyond that. What does “higher beyond that” mean in terms of a projected return? If the discount rate is “likely get to 6%” over 20+ years, as noted on page 11, why wouldn't it be reasonable for the Town to adopt a 6.5% discount rate going forward and make contributions to the miscellaneous and safety plans using a 6.5% discount rate? Why wouldn't the Town adopt a more conservative strategy of funding the retirement plans using a more realistic 6.5% rate immediately? Are you aware of other cities adopting a funding strategy using a more conservative discount rate? What is your recommendation?
5. Page 28 – what is the total PERSable wages used to compute the \$3,709,000 dollar contribution amount for FY 22? What is the assumed annual rate of increase in PERSable wages used to compute the future dollar contributions shown on the graph? Should this same rate of increase be used in the Town's 5-year forecast of salary, so the assumptions are consistent between salary and benefit expense projections? How have other cities forecasted salary increases relative to the cost of benefit increases?

Thank you.

Phil Koen

ATTACHMENT 3



California Public Employees' Retirement System
Actuarial Office
400 Q Street, Sacramento, CA 95811 | Phone: (916) 795-3000 | Fax: (916) 795-2744
888 CalPERS (or 888-225-7377) | TTY: (877) 249-7442 | www.calpers.ca.gov

July 2020

Miscellaneous Plan of the Town of Los Gatos (CalPERS ID: 4589482285)
Annual Valuation Report as of June 30, 2019

Dear Employer,

Attached to this letter, you will find the June 30, 2019 actuarial valuation report of your CalPERS pension plan. **Provided in this report is the determination of the minimum required employer contributions for fiscal year 2021-22.** In addition, the report also contains important information regarding the current financial status of the plan as well as projections and risk measures to aid in planning for the future.

Actuarial valuations are based on assumptions regarding future plan experience including investment return and payroll growth, eligibility for the types of benefits provided, and longevity among retirees. The CalPERS Board of Administration adopts these assumptions after considering the advice of CalPERS actuarial and investment teams and other professionals. Each actuarial valuation reflects all prior differences between actual and assumed experience and adjusts the contribution rates as needed. This valuation is based on an investment return assumption of 7.0 percent, which was adopted by the board in December 2016. Other assumptions used in this report are those recommended in the CalPERS Experience Study and Review of Actuarial Assumptions report from December 2017.

Required Contributions

The table below shows the minimum required employer contributions and the Employee PEPRA Rate for fiscal year 2021-22 along with an estimate of the required contribution for fiscal year 2022-23. Employee contributions other than cost sharing (whether paid by the employer or the employee) are in addition to the results shown below. **The required employer contributions in this report do not reflect any cost sharing arrangement you may have with your employees.**

Fiscal Year	Employer Normal Cost Rate	Employer Amortization of Unfunded Accrued Liability	Employee PEPRA Rate
2021-22	10.37%	\$2,736,531	7.25%
<i>Projected Results</i>			
2022-23	10.0%	\$2,927,000	TBD

The actual investment return for fiscal year 2019-20 was not known at the time this report was prepared. The projections above assume the investment return for that year would be 7.0 percent. **To the extent the actual investment return for fiscal year 2019-20 differs from 7.0 percent, the actual contribution requirements for fiscal year 2022-23 will differ from those shown above.** For additional details regarding the assumptions and methods used for these projections please refer to the "Projected Employer Contributions" in the "Highlights and Executive Summary" section. This section also contains projected required contributions through fiscal year 2026-27.

Changes from Previous Year's Valuations

The CalPERS Board of Administration has adopted a new amortization policy effective with the June 30, 2019 actuarial valuation. The new policy shortens the period over which actuarial gains and losses are amortized from 30 years to 20 years with the payments computed as a level dollar amount. In addition, the new policy does not utilize a 5-year ramp-up and ramp-down on UAL bases attributable to assumption and method changes and non-investment gains/losses. The new policy does not utilize a 5-year ramp-down on investment gains/losses. These changes apply only to new UAL bases established on or after June 30, 2019.

Further descriptions of general changes are included in the "Highlights and Executive Summary" section and in Appendix A, "Actuarial Methods and Assumptions." The effects of the changes on the required contributions are included in the "Reconciliation of Required Employer Contributions" section.

Questions

We understand that you might have some questions about these results. While we are very interested in discussing these results with your agency, in the interest of allowing us to give every public agency their results, we ask that you wait until after August 1, 2020 to contact us with actuarial questions. If you have other questions, you may call the Customer Contact Center at (888)-CalPERS or **(888-225-7377)**.

Sincerely,

A handwritten signature in black ink, appearing to read "Scott Terando", with a long horizontal flourish extending to the right.

SCOTT TERANDO
Chief Actuary



**Actuarial Valuation
as of June 30, 2019**

**for the
Miscellaneous Plan
of the
Town of Los Gatos**

**(CalPERS ID: 4589482285)
(Valuation Rate Plan ID: 946)**

**Required Contributions
for Fiscal Year
July 1, 2021 – June 30, 2022**

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Actuarial Certification

To the best of our knowledge, this report is complete and accurate and contains sufficient information to disclose, fully and fairly, the funded condition of the Miscellaneous Plan of the Town of Los Gatos. This valuation is based on the member and financial data as of June 30, 2019 provided by the various CalPERS databases and the benefits under this plan with CalPERS as of the date this report was produced. It is our opinion that the valuation has been performed in accordance with generally accepted actuarial principles, in accordance with standards of practice prescribed by the Actuarial Standards Board, and that the assumptions and methods are internally consistent and reasonable for this plan, as prescribed by the CalPERS Board of Administration according to provisions set forth in the California Public Employees' Retirement Law.

The undersigned is an actuary for CalPERS, a member of the American Academy of Actuaries and the Society of Actuaries, and meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.



DAVID CLEMENT, ASA, MAAA, EA
Senior Pension Actuary, CalPERS

Highlights and Executive Summary

- **Introduction**
- **Purpose of the Report**
- **Required Contributions**
- **Additional Discretionary Employer Contributions**
- **Plan's Funded Status**
- **Projected Employer Contributions**
- **Cost**
- **Changes Since the Prior Year's Valuation**
- **Subsequent Events**

Introduction

This report presents the results of the June 30, 2019 actuarial valuation of the Miscellaneous Plan of the Town of Los Gatos of the California Public Employees' Retirement System (CalPERS). This actuarial valuation sets the minimum required employer contributions for fiscal year 2021-22.

Purpose of the Report

The actuarial valuation was prepared by the CalPERS Actuarial Office using data as of June 30, 2019. The purpose of the report is to:

- Set forth the assets and accrued liabilities of this plan as of June 30, 2019;
- Determine the minimum required employer contributions for the fiscal year July 1, 2021 through June 30, 2022;
- Provide actuarial information as of June 30, 2019 to the CalPERS Board of Administration and other interested parties.

The pension funding information presented in this report should not be used in financial reports subject to Governmental Accounting Standards Board (GASB) Statement No. 68 for an Agent Employer Defined Benefit Pension Plan. A separate accounting valuation report for such purposes is available from CalPERS and details for ordering are available on our website.

The measurements shown in this actuarial valuation may not be applicable for other purposes. The employer should contact their actuary before disseminating any portion of this report for any reason that is not explicitly described above.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; changes in actuarial policies; and changes in plan provisions or applicable law.

Assessment and Disclosure of Risk

This report includes the following risk disclosures consistent with the recommendations of Actuarial Standards of Practice No. 51 and recommended by the California Actuarial Advisory Panel (CAAP) in the Model Disclosure Elements document:

- A "Scenario Test," projecting future results under different investment income returns.
- A "Sensitivity Analysis," showing the impact on current valuation results using alternative discount rates of 6.0 percent and 8.0 percent.
- A "Sensitivity Analysis," showing the impact on current valuation results assuming rates of mortality are 10 percent lower or 10 percent higher than our current mortality assumptions adopted in 2017.
- Plan maturity measures indicating how sensitive a plan may be to the risks noted above.

Required Contributions

	Fiscal Year
Required Employer Contribution	2021-22
Employer Normal Cost Rate	10.37%
<i>Plus, Either</i>	
1) Monthly Employer Dollar UAL Payment	\$228,044
<i>Or</i>	
2) Annual UAL Prepayment Option*	\$2,645,504
Required PEPRAs Member Contribution Rate	7.25%
<i>The total minimum required employer contribution is the sum of the Plan's Employer Normal Cost Rate (expressed as a percentage of payroll) and the Employer Unfunded Accrued Liability (UAL) Contribution Amount (billed monthly in dollars).</i> <i>* Only the UAL portion of the employer contribution can be prepaid (which must be received in full no later than July 31). Any prepayment totaling over \$5 million requires a 72-hour notice email to FCSD_public_agency_wires@calpers.ca.gov. Plan Normal Cost contributions will be made as part of the payroll reporting process. If there is contractual cost sharing or other change, this amount will change.</i> <i>In accordance with Sections 20537 and 20572 of the Public Employees' Retirement Law, if a contracting agency fails to remit the required contributions when due, interest and penalties may apply.</i> <i>For additional detail regarding the determination of the required contribution for PEPRAs members, see "PEPRAs Member Contribution Rates" in the "Liabilities and Contributions" section. Required member contributions for Classic members can be found in Appendix B.</i>	

	Fiscal Year	Fiscal Year
	2020-21	2021-22
Normal Cost Contribution as a Percentage of Payroll		
Total Normal Cost	17.913%	17.81%
Employee Contribution ¹	7.455%	7.44%
Employer Normal Cost ²	10.458%	10.37%
Projected Annual Payroll for Contribution Year	\$10,781,348	\$11,812,780
Estimated Employer Contributions Based On Projected Payroll		
Total Normal Cost	\$1,931,263	\$2,103,856
Employee Contribution ¹	803,749	878,871
Employer Normal Cost ²	1,127,514	1,224,985
Unfunded Liability Contribution	2,563,289	2,736,531
% of Projected Payroll (illustrative only)	23.775%	23.17%
Estimated Total Employer Contribution	\$3,690,803	\$3,961,516
% of Projected Payroll (illustrative only)	34.233%	33.54%

¹ For classic members, this is the percentage specified in the Public Employees' Retirement Law, net of any reduction from the use of a modified formula or other factors. For PEPRAs members, the member contribution rate is based on 50 percent of the normal cost. A development of PEPRAs member contribution rates can be found in the "Liabilities and Contributions" section. Employee cost sharing is not shown in this report.

² The Employer Normal Cost is a blended rate for all benefit groups in the plan. For a breakout of normal cost by benefit group, see "Normal Cost by Benefit Group" in the "Liabilities and Contributions" section.

Additional Discretionary Employer Contributions

The minimum required employer contribution towards the Unfunded Accrued Liability (UAL) for this rate plan for the 2021-22 fiscal year is \$2,736,531. CalPERS allows employers to make additional discretionary payments (ADPs) at any time and in any amount. These optional payments serve to reduce the UAL and future required contributions and can result in significant long-term savings. Employers can also use ADPs to stabilize annual contributions as a fixed dollar amount, percent of payroll or percent of revenue.

Provided below are select ADP options for consideration. Making such an ADP during fiscal year 2021-22 does not require an ADP be made in any future year, nor does it change the remaining amortization period of any portion of unfunded liability. For information on permanent changes to amortization periods, see the "Amortization Schedule and Alternatives" section of the report.

If you are considering making an ADP, please contact your actuary for additional information.

Minimum Required Employer Contribution for Fiscal Year 2021-22

Estimated Normal Cost	Minimum UAL Payment	ADP	Total UAL Contribution	Estimated Total Contribution
\$1,224,985	\$2,736,531	\$0	\$2,736,531	\$3,961,516

Alternative Fiscal Year 2021-22 Employer Contributions for Greater UAL Reduction

Funding Target	Estimated Normal Cost	Minimum UAL Payment	ADP¹	Total UAL Contribution	Estimated Total Contribution
20 years	\$1,224,985	\$2,736,531	\$77,144	\$2,813,675	\$4,038,660
15 years	\$1,224,985	\$2,736,531	\$536,240	\$3,272,771	\$4,497,756
10 years	\$1,224,985	\$2,736,531	\$1,507,474	\$4,244,005	\$5,468,990
5 years	\$1,224,985	\$2,736,531	\$4,533,391	\$7,269,922	\$8,494,907

¹ The ADP amounts are assumed to be made in the middle of the fiscal year. A payment made earlier or later in the fiscal year would have to be less or more than the amount shown to have the same effect on the UAL amortization.

Note that the calculations above are based on the projected Unfunded Accrued Liability as of June 30, 2021 as determined in the June 30, 2019 actuarial valuation. New unfunded liabilities can emerge in future years due to assumption or method changes, changes in plan provisions and actuarial experience different than assumed. Making an ADP illustrated above for the indicated number of years will not result in a plan that is exactly 100 percent funded in the indicated number of years. Valuation results will vary from one year to the next and can diverge significantly from projections over a period of several years.

Plan's Funded Status

	June 30, 2018	June 30, 2019
1. Present Value of Projected Benefits	\$121,942,346	\$127,740,089
2. Entry Age Normal Accrued Liability	107,075,648	112,050,553
3. Market Value of Assets (MVA)	73,291,140	76,137,861
4. Unfunded Accrued Liability (UAL) [(2) – (3)]	\$33,784,508	\$35,912,692
5. Funded Ratio [(3) / (2)]	68.4%	67.9%

This measure of funded status is an assessment of the need for future employer contributions based on the actuarial cost method used to fund the plan. The UAL is the present value of future employer contributions for service that has already been earned and is in addition to future normal cost contributions for active members. For a measure of funded status that is appropriate for assessing the sufficiency of plan assets to cover estimated termination liabilities, please see "Hypothetical Termination Liability" in the "Risk Analysis" section.

Projected Employer Contributions

The table below shows the required and projected employer contributions (before cost sharing) for the next six fiscal years. The projection assumes that all actuarial assumptions will be realized and that no further changes to assumptions, contributions, benefits, or funding will occur during the projection period. As of the preparation date of this report, the year to date return for the 2019-20 fiscal year was well below the 7 percent assumed return. Actual contribution rates during this projection period could be significantly higher than the projection shown below. The projected normal cost percentages in the projections below reflect that the normal cost will continue to decline over time as new employees are hired into PEPR or other lower cost benefit tiers.

	Required Contribution	Projected Future Employer Contributions (Assumes 7.00% Return for Fiscal Year 2019-20)				
Fiscal Year	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Normal Cost %	10.37%	10.0%	9.7%	9.3%	8.9%	8.6%
UAL Payment	\$2,736,531	\$2,927,000	\$3,090,000	\$3,255,000	\$3,022,000	\$3,129,000
Total as a % of Payroll*	33.54%	34.1%	34.4%	34.7%	31.9%	31.7%
Projected Payroll	\$11,812,780	\$12,137,631	\$12,471,416	\$12,814,380	\$13,166,775	\$13,528,862

*Illustrative only and based on the projected payroll shown.

For some sources of UAL, the change in UAL is amortized using a 5-year ramp up. For more information, please see "Amortization of the Unfunded Actuarial Accrued Liability" under "Actuarial Methods" in Appendix A. This method phases in the impact of the change in UAL over a 5-year period in order to reduce employer cost volatility from year to year. As a result of this methodology, dramatic changes in the required employer contributions in any one year are less likely. However, required contributions can change gradually and significantly over the next five years. In years when there is a large increase in UAL, the relatively small amortization payments during the ramp up period could result in a funded ratio that is projected to decrease initially while the contribution impact of the increase in the UAL is phased in.

For projected contributions under alternate investment return scenarios, please see the "Future Investment Return Scenarios" in the "Risk Analysis" section.

Cost

Actuarial Determination of Pension Plan Cost

Contributions to fund the pension plan are comprised of two components:

- The Normal Cost, expressed as a percentage of total active payroll
- The Amortization of the Unfunded Accrued Liability (UAL), expressed as a dollar amount

For fiscal years prior to FY 2017-18, the Amortization of UAL component was expressed as percentage of total active payroll. Starting with FY 2017-18, the Amortization of UAL component was expressed as a dollar amount and invoiced on a monthly basis. There continues to be an option to prepay this amount during July of each fiscal year.

The Normal Cost component will continue to be expressed as a percentage of active payroll with employer and employee contributions payable as part of the regular payroll reporting process.

The determination of both components requires complex actuarial calculations. The calculations are based on a set of actuarial assumptions which can be divided into two categories:

- Demographic assumptions (e.g., mortality rates, retirement rates, employment termination rates, disability rates)
- Economic assumptions (e.g., future investment earnings, inflation, salary growth rates)

These assumptions reflect CalPERS' best estimate of future experience of the plan and are long term in nature. We recognize that all assumptions will not be realized in any given year. For example, the investment earnings at CalPERS have averaged 5.8 percent over the 20 years ending June 30, 2019, yet individual fiscal year returns have ranged from -23.6 percent to +20.7 percent. In addition, CalPERS reviews all actuarial assumptions by conducting in-depth experience studies every four years, with the most recent experience study completed in 2017.

Changes since the Prior Year's Valuation

Benefits

The standard actuarial practice at CalPERS is to recognize mandated legislative benefit changes in the first annual valuation following the effective date of the legislation. Voluntary benefit changes by plan amendment are generally included in the first valuation that is prepared after the amendment becomes effective, even if the valuation date is prior to the effective date of the amendment.

This valuation generally reflects plan changes by amendments effective before the date of the report. Please refer to the "Plan's Major Benefit Options" and Appendix B for a summary of the plan provisions used in this valuation. The effect of any mandated benefit changes or plan amendments on the unfunded liability is shown in the "(Gain)/Loss Analysis" and the effect on the employer contribution is shown in the "Reconciliation of Required Employer Contributions." It should be noted that no change in liability or contribution is shown for any plan changes which were already included in the prior year's valuation.

Actuarial Methods and Assumptions

The CalPERS Board of Administration adopted a new amortization policy effective with this actuarial valuation. The new policy shortens the period over which actuarial gains and losses are amortized from 30 years to 20 years with the payments computed as a level dollar amount. In addition, the new policy does not utilize a 5-year ramp-up and ramp-down on UAL bases attributable to assumption and method changes and non-investment gains/losses. The new policy also does not utilize a 5-year ramp-down on investment gains/losses. These changes will apply only to new UAL bases established on or after June 30, 2019.

For inactive employers, the new amortization policy imposes a maximum amortization period of 15 years for all unfunded accrued liabilities effective June 30, 2017. Furthermore, the plan actuary has the ability to shorten the amortization period on any valuation date based on the life expectancy of plan members and projected cash flow needs to the plan.

Subsequent Events

The contribution requirements determined in this actuarial valuation report are based on demographic and financial information as of June 30, 2019. Changes in the value of assets subsequent to that date are not reflected. Investment returns below the assumed rate of return will increase future required contributions while investment returns above the assumed rate of return will decrease future required contributions.

The projected employer contributions on Page 5 are calculated under the assumption that the discount rate remains at 7.0 percent going forward and that the realized rate of return on assets for fiscal year 2019-20 is 7.0 percent.

This actuarial valuation report reflects statutory changes, regulatory changes and CalPERS Board actions through January 2020. Any subsequent changes or actions are not reflected.

Assets

- **Reconciliation of the Market Value of Assets**
- **Asset Allocation**
- **CalPERS History of Investment Returns**

Reconciliation of the Market Value of Assets

1. Market Value of Assets as of 6/30/18 including Receivables	\$73,291,140
2. Change in Receivables for Service Buybacks	(14,889)
3. Employer Contributions	3,049,748
4. Employee Contributions	816,869
5. Benefit Payments to Retirees and Beneficiaries	(5,710,613)
6. Refunds	(9,619)
7. Transfers	0
8. Service Credit Purchase (SCP) Payments and Interest	44,146
9. Administrative Expenses	(82,424)
10. Miscellaneous Adjustments	170
11. Investment Return (Net of Investment Expenses)	4,753,333
12. Market Value of Assets as of 6/30/19 including Receivables	<u>\$76,137,861</u>

Asset Allocation

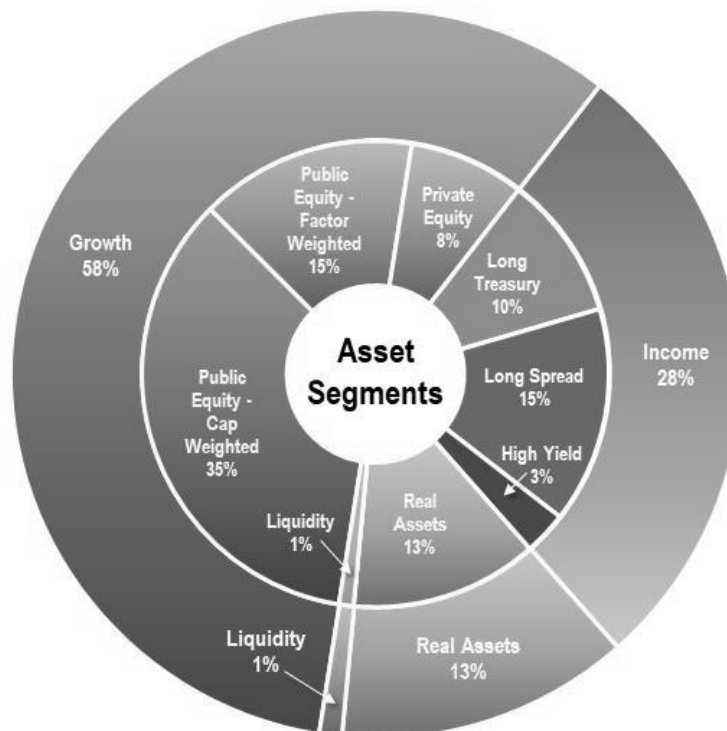
CalPERS adheres to an Asset Allocation Strategy which establishes asset class allocation policy targets and ranges and manages those asset class allocations within their policy ranges. CalPERS Investment Belief No. 6 recognizes that strategic asset allocation is the dominant determinant of portfolio risk and return. On December 19, 2017, the CalPERS Board of Administration adopted changes to the current asset allocation as shown in the Policy Target Allocation below expressed as a percentage of total assets.

The asset allocation shown below reflect the allocation of the Public Employees' Retirement Fund (PERF) in its entirety as of June 30, 2019. The assets for Town of Los Gatos Miscellaneous Plan are part of the PERF and are invested accordingly.

Asset Class	Actual Allocation	Policy Target Allocation
Public Equity	50.2%	50.0%
Private Equity	7.1%	8.0%
Global Fixed Income	28.7%	28.0%
Real Assets	11.0%	13.0%
Liquidity	1.0%	1.0%
Inflation Sensitive Assets	0.0%	0.0%
Trust Level ¹	2.0%	0.0%
Total Fund	100.0%	100.0%

¹ Trust Level includes Multi-Asset Class, Completion Overlay, Risk Mitigation, Absolute Return Strategies, Plan Level Transition and other Total Fund level portfolios.

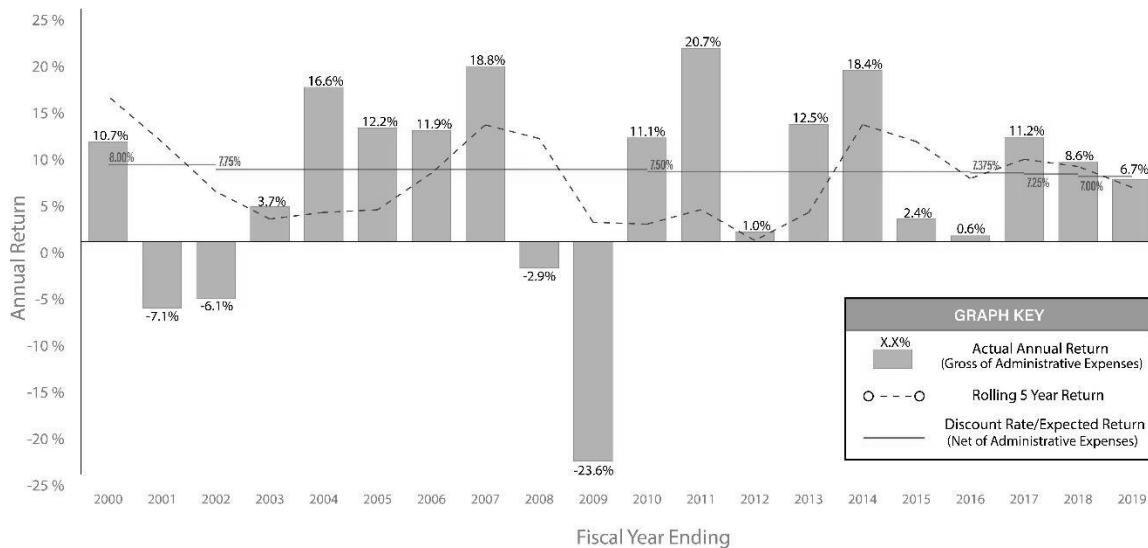
Strategic Asset Allocation Policy Targets



CalPERS History of Investment Returns

The following is a chart with the 20-year historical annual returns of the Public Employees' Retirement Fund for each fiscal year ending on June 30. Beginning in 2002, the figures are reported as gross of administrative expenses.

History of Investment Returns (2000 - 2019)



The table below shows historical compound annual returns of the Public Employees Retirement Fund for various time periods ending on June 30, 2019 (figures are reported as gross of fees). The compound annual return is the average rate per year compounded over the indicated number of years. It should be recognized that in any given year the rate of return is volatile. The portfolio has an expected volatility of 11.4 percent per year based on the most recent Asset Liability Modelling study. The volatility is a measure of the risk of the portfolio expressed in the standard deviation of the fund's total return distribution, expressed as a percentage. Consequently, when looking at investment returns, it is more instructive to look at returns over longer time horizons.

History of CalPERS Compound Annual Rates of Return and Volatilities					
	1 year	5 year	10 year	20 year	30 year
Compound Annual Return	6.7%	5.8%	9.1%	5.8%	8.1%
Volatility	—	4.4%	6.9%	10.7%	9.8%

Liabilities and Contributions

- **Development of Accrued and Unfunded Liabilities**
- **(Gain) / Loss Analysis 06/30/18 - 06/30/19**
- **Schedule of Amortization Bases**
- **Amortization Schedule and Alternatives**
- **Reconciliation of Required Employer Contributions**
- **Employer Contribution History**
- **Funding History**
- **Normal Cost by Benefit Group**
- **PEPRA Member Contribution Rates**

Development of Accrued and Unfunded Liabilities

	June 30, 2018	June 30, 2019
1. Present Value of Projected Benefits		
a) Active Members	\$37,153,532	\$41,869,426
b) Transferred Members	11,496,983	11,060,077
c) Terminated Members	2,629,642	2,530,510
d) Members and Beneficiaries Receiving Payments	70,662,189	72,280,076
e) Total	\$121,942,346	\$127,740,089
2. Present Value of Future Employer Normal Costs	\$8,238,413	\$8,614,003
3. Present Value of Future Employee Contributions	\$6,628,285	\$7,075,533
4. Entry Age Normal Accrued Liability		
a) Active Members [(1a) - (2) - (3)]	\$22,286,834	\$26,179,890
b) Transferred Members (1b)	11,496,983	11,060,077
c) Terminated Members (1c)	2,629,642	2,530,510
d) Members and Beneficiaries Receiving Payments (1d)	70,662,189	72,280,076
e) Total	\$107,075,648	\$112,050,553
5. Market Value of Assets (MVA)	\$73,291,140	\$76,137,861
6. Unfunded Accrued Liability (UAL) [(4e) - (5)]	\$33,784,508	\$35,912,692
7. Funded Ratio [(5) / (4e)]	68.4%	67.9%

(Gain)/Loss Analysis 6/30/18 – 6/30/19

To calculate the cost requirements of the plan, assumptions are made about future events that affect the amount and timing of benefits to be paid and assets to be accumulated. Each year, actual experience is compared to the expected experience based on the actuarial assumptions. This results in actuarial gains or losses, as shown below.

1. Total (Gain)/Loss for the Year

a) Unfunded Accrued Liability (UAL) as of 6/30/18	\$33,784,508
b) Expected Payment on the UAL during 2018-19	1,878,408
c) Interest through 6/30/19 $[(.07 \times (1a) - ((1.07)^{1/2} - 1) \times (1b)]$	2,300,282
d) Expected UAL before all other changes $[(1a) - (1b) + (1c)]$	34,206,382
e) Change due to plan changes	0
f) Change due to assumption change	0
g) Change due to method change	0
h) Expected UAL after all other changes $[(1d) + (1e) + (1f) + (1g)]$	34,206,382
i) Actual UAL as of 6/30/19	35,912,692
j) Total (Gain)/Loss for 2018-19 $[(1i) - (1h)]$	\$1,706,310

2. Contribution (Gain)/Loss for the Year

a) Expected Contribution (Employer and Employee)	\$3,773,152
b) Interest on Expected Contributions	129,827
c) Actual Contributions	3,866,617
d) Interest on Actual Contributions	133,043
e) Expected Contributions with Interest $[(2a) + (2b)]$	3,902,979
f) Actual Contributions with Interest $[(2c) + (2d)]$	3,999,660
g) Contribution (Gain)/Loss $[(2e) - (2f)]$	(\$96,681)

3. Investment (Gain)/Loss for the Year

a) Market Value of Assets as of 6/30/18	\$73,291,140
b) Prior Fiscal Year Receivables	(54,427)
c) Current Fiscal Year Receivables	39,538
d) Contributions Received	3,866,617
e) Benefits and Refunds Paid	(5,720,232)
f) Transfers, SCP Payments and Interest, and Miscellaneous Adjustments	44,316
g) Expected Int. $[(.07 \times (3a + 3b) + ((1.07)^{1/2} - 1) \times ((3d) + (3e) + (3f))]$	5,064,315
h) Expected Assets as of 6/30/19 $[(3a) + (3b) + (3c) + (3d) + (3e) + (3f) + (3g)]$	76,531,267
i) Market Value of Assets as of 6/30/19	76,137,861
j) Investment (Gain)/Loss $[(3h) - (3i)]$	\$393,406

4. Liability (Gain)/Loss for the Year

a) Total (Gain)/Loss (1j)	\$1,706,310
b) Contribution (Gain)/Loss (2g)	(96,681)
c) Investment (Gain)/Loss (3j)	393,406
d) Liability (Gain)/Loss $[(4a) - (4b) - (4c)]$	\$1,409,585

5. Non-Investment (Gain)/Loss for the Year

a) Contribution (Gain)/Loss (2g)	(\$96,681)
b) Liability (Gain)/Loss (4d)	1,409,585
c) Non-Investment (Gain)/Loss $[(5a) + (5b)]$	\$1,312,904

Schedule of Amortization Bases

Below is the schedule of the plan's amortization bases. Note that there is a two-year lag between the valuation date and the start of the contribution fiscal year.

- The assets, liabilities, and funded status of the plan are measured as of the valuation date: June 30, 2019.
- The required employer contributions determined by the valuation are for the fiscal year beginning two years after the valuation date: fiscal year 2021-22.

This two-year lag is necessary due to the amount of time needed to extract and test the membership and financial data, and the need to provide public agencies with their required employer contribution well in advance of the start of the fiscal year.

The Unfunded Accrued Liability (UAL) is used to determine the employer contribution and therefore must be rolled forward two years from the valuation date to the first day of the fiscal year for which the contribution is being determined. The UAL is rolled forward each year by subtracting the expected payment on the UAL for the fiscal year and adjusting for interest. The expected payment on the UAL for a fiscal year is equal to the Expected Employer Contribution for the fiscal year minus the Expected Normal Cost for the year. The Employer Contribution for the first fiscal year is determined by the actuarial valuation two years ago and the contribution for the second year is from the actuarial valuation one year ago. Additional discretionary payments are reflected in the Expected Payments column in the fiscal year they were made by the agency.

Reason for Base	Date Est.	Ramp Level	Ramp Shape	Escalation Rate	Amort. Period	Balance 6/30/19	Expected Payment 2019-20	Balance 6/30/20	Expected Payment 2020-21	Balance 6/30/21	Minimum Required Payment 2021-22
Assumption Change	6/30/03	No Ramp	No Ramp	2.75%	4	1,464,268	280,479	1,276,637	285,943	1,070,220	293,807
Method Change	6/30/04	No Ramp	No Ramp	2.75%	5	(141,630)	(23,720)	(127,008)	(24,173)	(110,894)	(24,838)
Benefit Change	6/30/07	No Ramp	No Ramp	2.75%	7	1,476,670	200,062	1,373,091	203,722	1,258,476	209,324
Assumption Change	6/30/09	No Ramp	No Ramp	2.75%	10	2,409,789	259,458	2,310,089	263,862	2,198,854	271,118
Special (Gain)/Loss	6/30/09	No Ramp	No Ramp	2.75%	20	2,103,499	148,467	2,097,168	150,357	2,088,439	154,492
Special (Gain)/Loss	6/30/10	No Ramp	No Ramp	2.75%	21	1,764,079	121,214	1,762,180	122,709	1,758,601	126,084
Assumption Change	6/30/11	No Ramp	No Ramp	2.75%	12	1,638,615	157,063	1,590,851	159,591	1,537,128	163,979
Special (Gain)/Loss	6/30/11	No Ramp	No Ramp	2.75%	22	815,758	54,664	816,316	55,317	816,238	56,839
Payment (Gain)/Loss	6/30/12	No Ramp	No Ramp	2.75%	23	202,008	13,222	202,472	13,375	202,810	13,743
(Gain)/Loss	6/30/12	No Ramp	No Ramp	2.75%	23	1,810,876	118,531	1,815,028	119,902	1,818,052	123,200
(Gain)/Loss	6/30/13	100% Up/Down	Up/Down	2.75%	24	10,869,017	729,061	10,875,702	737,775	10,873,841	758,064
Assumption Change	6/30/14	100% Up/Down	Up/Down	2.75%	15	4,697,828	349,398	4,665,256	443,615	4,532,945	455,815
(Gain)/Loss	6/30/14	100% Up/Down	Up/Down	2.75%	25	(7,952,944)	(422,159)	(8,072,965)	(533,840)	(8,085,864)	(548,521)
(Gain)/Loss	6/30/15	100% Up/Down	Up/Down	2.75%	26	3,660,342	146,078	3,765,462	196,949	3,825,319	252,956
Assumption Change	6/30/16	80% Up/Down	Up/Down	2.75%	17	1,738,936	64,186	1,794,267	97,689	1,818,815	133,833
(Gain)/Loss	6/30/16	80% Up/Down	Up/Down	2.75%	27	4,783,656	4,948,252	0	0	0	0
Assumption Change	6/30/17	60% Up/Down	Up/Down	2.75%	18	1,459,577	27,570	1,533,229	55,910	1,582,721	86,171
(Gain)/Loss	6/30/17	60% Up/Down	Up/Down	2.75%	28	(1,737,175)	(24,135)	(1,833,812)	(48,746)	(1,911,756)	(75,129)
Method Change	6/30/18	40% Up/Down	Up/Down	2.75%	19	694,167	5,351	737,224	13,745	774,612	28,247
Assumption Change	6/30/18	40% Up/Down	Up/Down	2.75%	19	3,082,739	(75,233)	3,376,352	62,951	3,547,580	129,364

Schedule of Amortization Bases (continued)

Reason for Base	Date Est.	Ramp Level	Ramp Shape	Escala- tion Rate	Amort. Period	Balance 6/30/19	Expected Payment 2019-20	Balance 6/30/20	Expected Payment 2020-21	Balance 6/30/21	Minimum Required Payment 2021-22
(Gain)/Loss	6/30/18	40%	Up/Down	2.75%	29	(633,693)	0	(678,052)	(9,261)	(715,936)	(19,031)
Non-Investment (Gain)/Loss	6/30/19	No Ramp		0.00%	20	1,312,904	0	1,404,807	0	1,503,143	137,166
Investment (Gain)/Loss	6/30/19	20%	Up Only	0.00%	20	393,406	0	420,944	0	450,410	9,848
Total						35,912,692	7,077,809	31,105,238	2,367,392	30,833,754	2,736,531

Amortization Schedule and Alternatives

The amortization schedule on the previous page shows the minimum contributions required according to the CalPERS amortization policy. Many agencies have expressed interest in paying off the unfunded accrued liabilities more quickly than required. As such, we have provided alternative amortization schedules to help analyze the current amortization schedule and illustrate the potential savings of accelerating unfunded liability payments.

Shown on the following page are future year amortization payments based on 1) the current amortization schedule reflecting the individual bases and remaining periods shown on the previous page, and 2) alternative "fresh start" amortization schedules using two sample periods that would both result in interest savings relative to the current amortization schedule.

The Current Amortization Schedule typically contains both positive and negative bases. Positive bases result from plan changes, assumption changes, method changes or plan experience that increase unfunded liability. Negative bases result from plan changes, assumption changes, method changes, or plan experience that decrease unfunded liability. The combination of positive and negative bases within an amortization schedule can result in unusual or problematic circumstances in future years, such as:

- When a negative payment would be required on a positive unfunded actuarial liability; or
- When the payment would completely amortize the total unfunded liability in a very short time period, and results in a large change in the employer contribution requirement.

In any year when one of the above scenarios occurs, the actuary will consider corrective action such as replacing the existing unfunded liability bases with a single "fresh start" base and amortizing it over a reasonable period.

The Current Amortization Schedule on the following page may appear to show that, based on the current amortization bases, one of the above scenarios will occur at some point in the future. It is impossible to know today whether such a scenario will in fact arise since there will be additional bases added to the amortization schedule in each future year. Should such a scenario arise in any future year, the actuary will take appropriate action based on guidelines in the CalPERS amortization policy.

Amortization Schedule and Alternatives

Date	<u>Current Amortization Schedule</u>		<u>Alternative Schedules</u>			
	Balance	Payment	15 Year Amortization		10 Year Amortization	
			Balance	Payment	Balance	Payment
6/30/2021	30,833,754	2,736,531	30,833,754	3,272,771	30,833,754	4,244,005
6/30/2022	30,161,426	2,926,947	29,606,736	3,272,771	28,602,084	4,244,005
6/30/2023	29,245,070	3,090,008	28,293,827	3,272,771	26,214,197	4,244,005
6/30/2024	28,095,896	3,255,415	26,889,014	3,272,771	23,659,158	4,244,005
6/30/2025	26,695,181	3,022,445	25,385,864	3,272,771	20,925,266	4,244,005
6/30/2026	25,437,401	3,128,884	23,777,494	3,272,771	18,000,002	4,244,005
6/30/2027	23,981,476	3,209,801	22,056,538	3,272,771	14,869,969	4,244,005
6/30/2028	22,339,936	3,039,842	20,215,115	3,272,770	11,520,834	4,244,005
6/30/2029	20,759,294	3,118,315	18,244,793	3,272,770	7,937,259	4,244,005
6/30/2030	18,986,835	3,198,944	16,136,549	3,272,771	4,102,834	4,244,004
6/30/2031	17,006,897	2,926,174	13,880,727	3,272,771		
6/30/2032	15,170,521	2,878,655	11,466,997	3,272,770		
6/30/2033	13,254,752	2,599,372	8,884,307	3,272,770		
6/30/2034	11,493,773	2,488,413	6,120,829	3,272,771		
6/30/2035	9,724,303	2,327,530	3,163,906	3,272,770		
6/30/2036	7,997,391	2,037,672				
6/30/2037	6,449,425	1,870,967				
6/30/2038	4,965,541	1,693,694				
6/30/2039	3,561,158	1,559,918				
6/30/2040	2,196,848	1,465,743				
6/30/2041	834,453	787,884				
6/30/2042	77,870	80,549				
6/30/2043						
6/30/2044						
6/30/2045						
6/30/2046						
6/30/2047						
6/30/2048						
6/30/2049						
6/30/2050						
Total		53,443,703		49,091,560		42,440,049
Interest Paid		22,609,949		18,257,806		11,606,295
Estimated Savings				4,352,143		11,003,654

Reconciliation of Required Employer Contributions

Normal Cost (% of Payroll)

1. For Period 7/1/20 – 6/30/21	
a) Employer Normal Cost	10.458%
b) Employee Contribution	7.455%
c) Total Normal Cost	17.913%
2. Changes since the prior year annual valuation	
a) Effect of demographic experience	(0.103%)
b) Effect of plan changes	0.000%
c) Effect of assumption changes	0.000%
d) Effect of method changes	0.000%
e) Net effect of the changes above [sum of (a) through (d)]	(0.103%)
3. For Period 7/1/21 – 6/30/22	
a) Employer Normal Cost	10.37%
b) Employee Contribution	7.44%
c) Total Normal Cost	17.81%
Employer Normal Cost Change [(3a) – (1a)]	(0.088%)
Employee Contribution Change [(3b) – (1b)]	(0.015%)

Unfunded Liability Contribution (\$)

1. For Period 7/1/20 – 6/30/21	2,563,289
2. Changes since the prior year annual valuation	
a) Effect of adjustments to prior year's amortization schedule	(268,379)
b) Effect of investment (gain)/loss during prior year ¹	9,848
c) Effect of non-investment (gain)/loss during prior year	137,166
d) Effect of plan changes	0
e) Effect of assumption changes	0
f) Changes to prior year amortization payments ²	294,607
g) Effect of changes due to Fresh Start	0
h) Effect of elimination of amortization base	0
i) Effect of method change	0
j) Net effect of the changes above [sum of (a) through (i)]	173,242
3. For Period 7/1/21 – 6/30/22 [(1) + (2j)]	2,736,531

The amounts shown for the period 7/1/20 – 6/30/21 may be different if a prepayment of unfunded actuarial liability is made or a plan change became effective after the prior year's actuarial valuation was performed.

¹ The unfunded liability contribution for the investment (gain)/loss during the year prior to the valuation date is 20 percent of the "full" annual requirement due to the 5-year ramp. Increases to this amount that occur during the ramp period will be included in line f) in future years.

² Includes scheduled escalation in individual amortization base payments due to the 5-year ramp and payroll growth assumption used in the pre-2019 amortization policy.

Employer Contribution History

The table below provides a recent history of the required employer contributions for the plan for fiscal years prior to 2019-20. The amounts are based on the actuarial valuation from two years prior and does not account for prepayments or benefit changes made during a fiscal year. Additional discretionary payments before July 1, 2018 or after June 30, 2019 are not included.

Fiscal Year	Employer Normal Cost	Unfunded Rate	Unfunded Liability Payment (\$)	Additional Discretionary Payments
2013 - 14	11.029%	10.870%	N/A	N/A
2014 - 15	10.737%	11.638%	N/A	N/A
2015 - 16	10.530%	14.900%	N/A	N/A
2016 - 17	10.441%	16.515%	N/A	N/A
2017 - 18	9.932%	N/A	1,700,602	N/A
2018 - 19	10.001%	N/A	1,998,006	0
2019 - 20	10.226%	N/A	2,328,669	
2020 - 21	10.458%	N/A	2,563,289	
2021 - 22	10.37%	N/A	2,736,531	

Funding History

The table below shows the recent history of the actuarial accrued liability, the market value of assets, the funded ratio and the annual covered payroll.

Valuation Date	Accrued Liability	Market Value of Assets (MVA)	Unfunded Liability	Funded Ratio	Annual Covered Payroll
06/30/11	\$75,549,721	\$54,862,646	\$20,687,075	72.6%	\$8,616,783
06/30/12	78,518,032	53,401,456	25,116,576	68.0%	9,138,998
06/30/13	81,189,610	58,626,172	22,563,438	72.2%	8,161,471
06/30/14	87,887,082	66,990,804	20,896,278	76.2%	8,240,718
06/30/15	90,796,173	66,288,507	24,507,666	73.0%	8,930,406
06/30/16	94,603,822	64,502,429	30,101,393	68.2%	8,761,524
06/30/17	99,902,777	69,526,822	30,375,955	69.6%	9,319,861
06/30/18	107,075,648	73,291,140	33,784,508	68.4%	9,938,654
06/30/19	112,050,553	76,137,861	35,912,692	67.9%	10,889,467

Normal Cost by Benefit Group

The table below displays the Total Normal Cost broken out by benefit group for Fiscal Year 2021-22. The Total Normal Cost is the annual cost of service accrual for the fiscal year for active employees and can be viewed as the long-term contribution rate for the benefits contracted. Generally, the normal cost for a benefit group subject to more generous benefit provisions will exceed the normal cost for a group with less generous benefits. However, based on the characteristics of the members (particularly when the number of actives is small), this may not be the case. Future measurements of the Total Normal Cost for each group may differ significantly from the current values due to such factors as: changes in the demographics of the group, changes in economic and demographic assumptions, changes in plan benefits or applicable law.

Rate Plan Identifier	Benefit Group Name	Total Normal Cost FY 2021-22	Number of Actives	Payroll on 6/30/2019
946	Miscellaneous First Level	20.03%	39	\$3,921,893
27442	Miscellaneous PEPRA Level	13.46%	52	\$3,860,616
30563	Miscellaneous Second Level	20.56%	25	\$3,106,958
	Plan Total	17.81%	116	\$10,889,467

Note that if a Benefit Group above has multiple bargaining units, each of which has separately contracted for different benefits such as Employer Paid Member Contributions, then the Normal Cost split does not reflect those differences. Additionally, if a Second Level Benefit Group amended to the same benefit formula as a First Level Benefit Group, their Normal Costs may be dissimilar due to demographic or other population differences. If you have questions in these situations, please consult with your plan actuary.

PEPRA Member Contribution Rates

The California Public Employees' Pension Reform Act of 2013 ("PEPRA") established new benefit formulas, final compensation period, and contribution requirements for "new" employees (generally those first hired into a CalPERS-covered position on or after January 1, 2013). In accordance with Government Code Section 7522.30(b), "new members ... shall have an initial contribution rate of at least 50 percent of the normal cost rate." The normal cost for the plan is dependent on the benefit levels, actuarial assumptions and demographics of the plan, particularly members' entry age into the plan. Should the total normal cost of the plan change by one percent or more from the base total normal cost established for the plan, the new member rate shall be 50 percent of the new normal cost rounded to the nearest quarter percent.

The table below shows the determination of the PEPRA member contribution rates effective July 1, 2021, based on 50 percent of the Total Normal Cost for each respective plan as of the June 30, 2019 valuation.

Rate Plan Identifier	Benefit Group Name	Basis for Current Rate		Rates Effective July 1, 2021			
		Total Normal Cost	Member Rate	Total Normal Cost	Change	Change Needed	Member Rate
27442	Miscellaneous PEPRA Level	14.430%	7.25%	14.92%	0.490%	No	7.25%

For purposes of setting member rates, it is preferable to determine total normal cost using a large active population so that the rate remains relatively stable. While each CalPERS non-pooled plan has a sufficiently large active population for this purpose, the PEPRA active population by itself may not be sufficiently large. The total PEPRA normal cost will be determined based on the plan's PEPRA membership only if the number of members covered under the PEPRA formula meets either:

1. 50 percent of the active population, or
2. 25 percent of the active population and 100 or more PEPRA members

Until one of these conditions is met, the plan's total PEPRA normal cost will be determined using the entire active plan population (both PEPRA and Classic) based on the PEPRA benefit provisions. For this reason, the PEPRA member contribution rate determined in the table above may not equal 50 percent of the total normal cost of the PEPRA group shown on the "Total Normal Cost by Group" page.

Risk Analysis

- **Future Investment Return Scenarios**
- **Discount Rate Sensitivity**
- **Mortality Rate Sensitivity**
- **Maturity Measures**
- **Maturity Measures History**
- **Hypothetical Termination Liability**

Future Investment Return Scenarios

Analysis was performed to determine the effects of various future investment returns on required employer contributions. The projections below provide a range of results based on five investment return scenarios assumed to occur during the next four fiscal years (2019-20, 2020-21, 2021-22 and 2022-23). The projections also assume that all other actuarial assumptions will be realized and that no further changes to assumptions, contributions, benefits, or funding will occur.

For fiscal years 2019-20, 2020-21, 2021-22, and 2022-23 each scenario assumes an alternate fixed annual return. The fixed return assumptions for the five scenarios are 1.0 percent, 4.0 percent, 7.0 percent, 9.0 percent and 12.0 percent.

These alternate investment returns were chosen based on stochastic analysis of possible future investment returns over the four-year period ending June 30, 2023. Using the expected returns and volatility of the asset classes in which the funds are invested, we produced five thousand stochastic outcomes for this period based on the recently completed Asset Liability Management process. We then selected annual returns that approximate the 5th, 25th, 50th, 75th, and 95th percentiles for these outcomes. For example, of all the four-year outcomes generated in the stochastic analysis, approximately 25 percent had an average annual return of 4.0 percent or less.

Required contributions outside of this range are also possible. In particular, whereas it is unlikely that investment returns will average less than 1.0 percent or greater than 12.0 percent over a four-year period, the likelihood of a single investment return less than 1.0 percent or greater than 12.0 percent in any given year is much greater.

Assumed Annual Return From 2019-20 through 2022-23	Projected Employer Contributions			
	2022-23	2023-24	2024-25	2025-26
1.0%				
Normal Cost	10.0%	9.7%	9.3%	8.9%
UAL Contribution	\$3,044,000	\$3,443,000	\$3,963,000	\$4,202,000
4.0%				
Normal Cost	10.0%	9.7%	9.3%	8.9%
UAL Contribution	\$2,985,000	\$3,268,000	\$3,616,000	\$3,630,000
7.0%				
Normal Cost	10.0%	9.7%	9.3%	8.9%
UAL Contribution	\$2,927,000	\$3,090,000	\$3,255,000	\$3,022,000
9.0%				
Normal Cost	10.2%	10.2%	10.1%	10.1%
UAL Contribution	\$2,895,000	\$3,002,000	\$3,083,000	\$2,740,000
12.0%				
Normal Cost	10.2%	10.2%	10.1%	10.1%
UAL Contribution	\$2,837,000	\$2,820,000	\$2,704,000	\$2,081,000

These projections reflect recent changes to the amortization policy effective with the June 30, 2019 valuation as well as the impact of the CalPERS risk mitigation policy (which reduces the discount rate when investment returns exceed specified trigger points). The projected normal cost percentages reflect that normal cost will continue to decline over time as new employees are hired into PEPPRA or other lower-cost benefit tiers.

Discount Rate Sensitivity

The discount rate assumption is calculated as the sum of the assumed real rate of return and the assumed annual price inflation, currently 4.50 percent and 2.50 percent, respectively. Changing either the price inflation assumption or the real rate of return assumption will change the discount rate. The sensitivity of the valuation results to the discount rate assumption depends on which component of the discount rate is changed. Shown below are various valuation results as of June 30, 2019 assuming alternate discount rates by changing the two components independently. Results are shown using the current discount rate of 7.0 percent as well as alternate discount rates of 6.0 percent and 8.0 percent. The rates of 6.0 percent and 8.0 percent were selected since they illustrate the impact of a 1.0 percent increase or decrease to the 7.0 percent assumption.

Sensitivity to the Real Rate of Return Assumption

As of June 30, 2019	1% Lower Real Return Rate	Current Assumptions	1% Higher Real Return Rate
Discount Rate	6.0%	7.0%	8.0%
Inflation	2.5%	2.5%	2.5%
Real Rate of Return	3.5%	4.5%	5.5%
a) Total Normal Cost	22.21%	17.81%	14.45%
b) Accrued Liability	\$126,485,578	\$112,050,553	\$100,127,493
c) Market Value of Assets	\$76,137,861	\$76,137,861	\$76,137,861
d) Unfunded Liability/(Surplus) [(b) - (c)]	\$50,347,717	\$35,912,692	\$23,989,632
e) Funded Status	60.2%	67.9%	76.0%

Sensitivity to the Price Inflation Assumption

As of June 30, 2019	1% Lower Inflation Rate	Current Assumptions	1% Higher Inflation Rate
Discount Rate	6.0%	7.0%	8.0%
Inflation	1.5%	2.5%	3.5%
Real Rate of Return	4.5%	4.5%	4.5%
a) Total Normal Cost	19.11%	17.81%	16.32%
b) Accrued Liability	\$117,992,722	\$112,050,553	\$104,126,657
c) Market Value of Assets	\$76,137,861	\$76,137,861	\$76,137,861
d) Unfunded Liability/(Surplus) [(b) - (c)]	\$41,854,861	\$35,912,692	\$27,988,796
e) Funded Status	64.5%	67.9%	73.1%

Mortality Rate Sensitivity

The following table looks at the change in the June 30, 2019 plan costs and funded ratio under two different longevity scenarios, namely assuming rates of mortality are 10 percent lower or 10 percent higher than our current mortality assumptions. This type of analysis highlights the impact on the plan of improving or worsening mortality over the long-term.

As of June 30, 2019	10% Lower Mortality Rates	Current Assumptions	10% Higher Mortality Rates
a) Total Normal Cost	18.09%	17.81%	17.55%
b) Accrued Liability	\$114,335,105	\$112,050,553	\$109,947,186
c) Market Value of Assets	\$76,137,861	\$76,137,861	\$76,137,861
d) Unfunded Liability/(Surplus) [(b) - (c)]	\$38,197,244	\$35,912,692	\$33,809,325
e) Funded Status	66.6%	67.9%	69.2%

Maturity Measures

As pension plans mature they become more sensitive to risks. Understanding plan maturity and how it affects the ability of a pension plan to tolerate risk is important in understanding how the plan is impacted by investment return volatility, other economic variables and changes in longevity or other demographic assumptions. One way to look at the maturity level of CalPERS and its plans is to look at the ratio of a plan's retiree liability to its total liability. A pension plan in its infancy will have a very low ratio of retiree liability to total liability. As the plan matures, the ratio increases. A mature plan will often have a ratio above 60-65 percent.

Ratio of Retiree Accrued Liability to Total Accrued Liability	June 30, 2018	June 30, 2019
1. Retiree Accrued Liability	70,662,189	72,280,076
2. Total Accrued Liability	107,075,648	112,050,553
3. Ratio of Retiree AL to Total AL [(1) / (2)]	66%	65%

Another measure of the maturity level of CalPERS and its plans is the ratio of actives to retirees, also called Support Ratio. A pension plan in its infancy will have a very high ratio of active to retired members. As the plan matures, and members retire, the ratio declines. A mature plan will often have a ratio near or below one. The average support ratio for CalPERS public agency plans is 1.25.

Support Ratio	June 30, 2018	June 30, 2019
1. Number of Actives	113	116
2. Number of Retirees	236	241
3. Support Ratio [(1) / (2)]	0.48	0.48

The actuarial calculations supplied in this communication are based on various assumptions about long-term demographic and economic behavior. Unless these assumptions (e.g., terminations, deaths, disabilities, retirements, salary growth, investment return) are exactly realized each year, there will be differences on a year-to-year basis. The year-to-year differences between actual experience and the assumptions are called actuarial gains and losses and serve to lower or raise required employer contributions from one year to the next. Therefore, employer contributions will inevitably fluctuate, especially due to the ups and downs of investment returns.

Asset Volatility Ratio

Shown in the table below is the asset volatility ratio (AVR), which is the ratio of market value of assets to payroll. Plans that have a higher AVR experience more volatile employer contributions (as a percentage of payroll) due to investment return. For example, a plan with AVR of 8 may experience twice the contribution volatility due to investment return volatility than a plan with AVR of 4. It should be noted that this ratio is a measure of the current situation. It increases over time but generally tends to stabilize as a plan matures.

Liability Volatility Ratio

Also shown in the table below is the liability volatility ratio (LVR), which is the ratio of accrued liability to payroll. Plans that have a higher LVR experience more volatile employer contributions (as a percentage of payroll) due to changes in liability. For example, a plan with LVR of 8 is expected to have twice the contribution volatility of a plan with LVR of 4 when there is a change in accrued liability, such as when there is a change in actuarial assumptions. It should be noted that this ratio indicates a longer-term potential for contribution volatility, since the AVR, described above, will tend to move closer to the LVR as the funded status approaches 100 percent.

Maturity Measures (continued)

Contribution Volatility	June 30, 2018	June 30, 2019
1. Market Value of Assets without Receivables	\$73,236,713	\$76,098,323
2. Payroll	9,938,654	10,889,467
3. Asset Volatility Ratio (AVR) [(1) / (2)]	7.4	7.0
4. Accrued Liability	\$107,075,648	\$112,050,553
5. Liability Volatility Ratio (LVR) [(4) / (2)]	10.8	10.3

Maturity Measures History

Valuation Date	Ratio of Retiree Accrued Liability to Total Accrued Liability	Support Ratio	Asset Volatility Ratio	Liability Volatility Ratio
06/30/17	66%	0.49	7.5	10.7
06/30/18	66%	0.48	7.4	10.8
06/30/19	65%	0.48	7.0	10.3

Hypothetical Termination Liability

The hypothetical termination liability is an estimate of the financial position of the plan had the contract with CalPERS been terminated as of June 30, 2019. The plan liability on a termination basis is calculated differently from the plan's ongoing funding liability. For this hypothetical termination liability calculation, both compensation and service are frozen as of the valuation date and no future pay increases or service accruals are assumed. This measure of funded status is not appropriate for assessing the need for future employer contributions in the case of an ongoing plan, that is, for an employer that continues to provide CalPERS retirement benefits to active employees.

A more conservative investment policy and asset allocation strategy was adopted by the CalPERS Board for the Terminated Agency Pool. The Terminated Agency Pool has limited funding sources since no future employer contributions will be made. Therefore, expected benefit payments are secured by risk-free assets and benefit security for members is increased while limiting the funding risk. However, this asset allocation has a lower expected rate of return than the PERF and consequently, a lower discount rate assumption. The lower discount rate for the Terminated Agency Pool results in higher liabilities for terminated plans.

The effective termination discount rate will depend on actual market rates of return for risk-free securities on the date of termination. As market discount rates are variable the table below shows a range for the hypothetical termination liability based on the lowest and highest interest rates observed during an approximate 19-month period from 12 months before the valuation date to 7 months after.

Market Value of Assets (MVA)	Hypothetical Termination Liability^{1,2} @ 1.75%	Funded Status	Unfunded Termination Liability @ 1.75%	Hypothetical Termination Liability^{1,2} @ 3.25%	Funded Status	Unfunded Termination Liability @ 3.25%
\$76,137,861	\$221,417,262	34.4%	\$145,279,401	\$179,254,664	42.5%	\$103,116,803

¹ The hypothetical liabilities calculated above include a 5 percent contingency load in accordance with Board policy. Other actuarial assumptions can be found in Appendix A.

² The current discount rate assumption used for termination valuations is a weighted average of the 10-year and 30-year U.S. Treasury yields where the weights are based on matching asset and liability durations as of the termination date. The discount rates used in the table are based on 20-year Treasury bonds, rounded to the nearest quarter percentage point, which is a good proxy for most plans. The 20-year Treasury yield was 2.31 percent on June 30, 2019, and was 1.83 percent on January 31, 2020.

In order to terminate the plan, you must first contact our Retirement Services Contract Unit to initiate a Resolution of Intent to Terminate. The completed Resolution will allow the plan actuary to give you a preliminary termination valuation with a more up-to-date estimate of the plan liabilities. CalPERS advises you to consult with the plan actuary before beginning this process.

Plan’s Major Benefit Provisions

Plan's Major Benefit Options

Shown below is a summary of the major optional benefits for which your agency has contracted. A description of principal standard and optional plan provisions is in Appendix B.

Member Category	Benefit Group					
	Misc	Misc	Misc	Misc	Misc	Misc
Demographics						
Actives	No	Yes	Yes	Yes	Yes	No
Transfers/Separated	Yes	Yes	Yes	Yes	Yes	No
Receiving	Yes	Yes	No	No	No	Yes
Benefit Provision						
Benefit Formula	2% @ 55	2.5% @ 55	2% @ 62	2% @ 60		
Social Security Coverage	No	No	No	No		
Full/Modified	Full	Full	Full	Full		
Employee Contribution Rate		8.00%	7.25%	7.00%		
Final Average Compensation Period	One Year	One Year	Three Year	Three Year		
Sick Leave Credit	No	No	No	No		
Non-Industrial Disability	Standard	Standard	Standard	Standard		
Industrial Disability	No	No	No	No		
Pre-Retirement Death Benefits						
Optional Settlement 2	No	No	No	No		
1959 Survivor Benefit Level	Level 4	Level 4	Level 4	Level 4		
Special	No	No	No	No		
Alternate (firefighters)	No	No	No	No		
Post-Retirement Death Benefits						
Lump Sum	\$500	\$500	\$500	\$500		
Survivor Allowance (PRSA)	Yes	Yes	Yes	Yes		
COLA	2%	2%	2%	2%		

Appendices

- **Appendix A – Actuarial Methods and Assumptions**
- **Appendix B – Principal Plan Provisions**
- **Appendix C – Participant Data**
- **Appendix D – Glossary of Actuarial Terms**

Appendix A

Actuarial Methods and Assumptions

- **Actuarial Data**
- **Actuarial Methods**
- **Actuarial Assumptions**
- **Miscellaneous**

Actuarial Data

As stated in the Actuarial Certification, the data which serves as the basis of this valuation has been obtained from the various CalPERS databases. We have reviewed the valuation data and believe that it is reasonable and appropriate in aggregate. We are unaware of any potential data issues that would have a material effect on the results of this valuation, except that data does not always contain the latest salary information for former members now in reciprocal systems and does not recognize the potential for unusually large salary deviation in certain cases such as elected officials. Therefore, salary information in these cases may not be accurate. These situations are relatively infrequent, however, and generally do not have a material impact on the required employer contributions.

Actuarial Methods

Actuarial Cost Method

The actuarial cost method used is the Entry Age Actuarial Cost Method. Under this method, projected benefits are determined for all members and the associated liabilities are spread in a manner that produces level annual cost as a percentage of pay in each year from the member's entry age to their assumed retirement age on the valuation date. The cost allocated to the current fiscal year is called the normal cost.

The actuarial accrued liability for active members is then calculated as the portion of the total cost of the plan allocated to prior years. The actuarial accrued liability for members currently receiving benefits and for members entitled to deferred benefits is equal to the present value of the benefits expected to be paid. No normal costs are applicable for these participants.

Amortization of Unfunded Actuarial Accrued Liability

The excess of the total actuarial accrued liability over the market value of plan assets is called the unfunded actuarial accrued liability (UAL). Funding requirements are determined by adding the normal cost and a payment toward the UAL. The UAL payment is equal to the sum of individual amortization payments, each representing a different source of UAL for a given measurement period.

Amortization payments are determined according to the CalPERS amortization policy. The CalPERS Board adopted a new policy effective for the June 30, 2019 actuarial valuation. The new policy applies prospectively only; amortization bases (sources of UAL) established prior to the June 30, 2019 valuation will continue to be amortized according to the prior policy.

Prior Policy (Bases Established prior to June 30, 2019)

Amortization payments are determined as a level percentage of payroll whereby the payment increases each year at an escalation rate. Gains or losses are amortized over a fixed 30-year period with a 5-year ramp up at the beginning and a 5-year ramp down at the end of the amortization period. All changes in liability due to plan amendments (other than golden handshakes) are amortized over a 20-year period with no ramp. Changes in actuarial assumptions or changes in actuarial methodology are amortized over a 20-year period with a 5-year ramp up at the beginning and a 5-year ramp down at the end of the amortization period. Changes in unfunded accrued liability due to a Golden Handshake will be amortized over a period of five years. Bases established prior to June 30, 2013 may be amortized differently. A summary is provided in the following table:

Driver	Source				
	(Gain)/Loss		Assumption/Method Change	Benefit Change	Golden Handshake
	Investment	Non-investment			
Amortization Period	30 Years	30 Years	20 Years	20 Years	5 Years
Escalation Rate					
- Active Plans	2.75%	2.75%	2.75%	2.75%	2.75%
- Inactive Plans	0%	0%	0%	0%	0%
Ramp Up	5	5	5	0	0
Ramp Down	5	5	5	0	0

The 5-year ramp up means that the payments in the first four years of the amortization period are 20 percent, 40 percent, 60 percent and 80 percent of the “full” payment which begins in year five. The 5-year ramp down means that the reverse is true in the final four years of the amortization period.

Current Policy (Bases Established on or after June 30, 2019)

Amortization payments are determined as a level dollar amount. Investment gains or losses are amortized over a fixed 20-year period with a 5-year ramp up at the beginning of the amortization period. Non-investment gains or losses are amortized over a fixed 20-year period with no ramps. All changes in liability due to plan amendments (other than golden handshakes) are amortized over a 20-year period with no ramps. Changes in actuarial assumptions or changes in actuarial methodology are amortized over a 20-year period with no ramps. Changes in unfunded accrued liability due to a Golden Handshake are amortized over a period of five years. A summary is provided in the table below:

	Source				
	(Gain)/Loss		Assumption/Method Change	Benefit Change	Golden Handshake
	Investment	Non-investment			
Amortization Period	20 Years	20 Years	20 Years	20 Years	5 Years
Escalation Rate	0%	0%	0%	0%	0%
Ramp Up	5	0	0	0	0
Ramp Down	0	0	0	0	0

Exceptions for Inconsistencies

An exception to the amortization rules above is used whenever their application results in inconsistencies. In these cases, a “fresh start” approach is used. This means that the current unfunded actuarial liability is projected and amortized over a set number of years. For example, a fresh start is needed in the following situations:

- When a negative payment would be required on a positive unfunded actuarial liability; or
- When the payment would completely amortize the total unfunded liability in a very short time period, and results in a large change in the employer contribution requirement.

It should be noted that the actuary may determine that a fresh start is necessary under other circumstances. In all cases of a fresh start, the period is set by the actuary at what is deemed appropriate; however, the period will not be greater than 20 years.

Exceptions for Plans in Surplus

If a surplus exists (i.e. the Market Value of Assets exceeds the plan's accrued liability) any prior amortization layers shall be considered fully amortized, and the surplus shall not be amortized.

In the event of any subsequent unfunded liability, a Fresh Start shall be used with an amortization period of 20 years or less.

Exceptions for Small Amounts

Where small unfunded liabilities are identified in annual valuations which result in small payment amounts, the actuary may shorten the remaining period for these bases.

- When the balance of a single amortization base has an absolute value less than \$250, the amortization period is reduced to one year.
- When the entire unfunded liability is a small amount the actuary may perform a Fresh Start and use an appropriate amortization period.

Exceptions for Inactive Plans:

The following exceptions apply to plans classified as Inactive. These plans have no active members and no expectation to have active members in the future.

- Amortization of the unfunded liability is on a "level dollar" basis rather than a "level percent of pay" basis. For amortization layers, which utilize a ramp up and ramp down, the "ultimate" payment is constant.
- Actuarial judgment will be used to shorten amortization periods for Inactive plans with existing periods that are deemed too long given the duration of the liability. The specific demographics of the plan will be used to determine if shorter periods may be more appropriate.

Exceptions for Inactive Agencies

For a public agency with no active members in any CalPERS rate plan, the unfunded liability shall be amortized over a closed amortization period of no more than 15 years.

Asset Valuation Method

The Actuarial Value of Assets is set equal to the Market value of assets. Asset values include accounts receivable.

PEPRA Normal Cost Rate Methodology

Per Government Code Section 7522.30(b), the "normal cost rate" shall mean the annual actuarially determined normal cost for the plan of retirement benefits provided to the new member and shall be established based on actuarial assumptions used to determine the liabilities and costs as part of the annual actuarial valuation. The plan of retirement benefits shall include any elements that would impact the actuarial determination of the normal cost, including, but not limited to, the retirement formula, eligibility and vesting criteria, ancillary benefit provisions, and any automatic cost-of-living adjustments as determined by the public retirement system.

For purposes of setting member rates, it is preferable to determine total normal cost using a large active population so that the rate remains relatively stable. While each CalPERS non-pooled plan has a sufficiently large active population for this purpose, the PEPRA active population by itself may not be sufficiently large. The total PEPRA normal cost will be determined based on the plan's PEPRA membership only if the number of members covered under the PEPRA formula meets either:

1. 50 percent of the active population, or
2. 25 percent of the active population and 100 or more PEPRA members

Until one of these conditions is met, the plan's total PEPRA normal cost will be determined using the entire active plan population (both PEPRA and Classic) based on the PEPRA benefit provisions.

Actuarial Assumptions

In 2017, CalPERS completed its most recent asset liability management study incorporating actuarial assumptions and strategic asset allocation. In December 2017, the CalPERS Board of Administration adopted relatively modest changes to the asset allocation that reduced the expected volatility of returns. The adopted asset allocation was expected to have a long-term blended return that continued to support a discount rate assumption of 7.00 percent. The Board also approved several changes to the demographic assumptions that more closely aligned with actual experience.

On December 21, 2016, the CalPERS Board of Administration lowered the discount rate from 7.50 percent to 7.00 percent using a three-year phase-in beginning with the June 30, 2016 actuarial valuations. The minimum employer contributions for fiscal year 2021-22 determined in this valuation were calculated using a discount rate of 7.00 percent. The decision to reduce the discount rate was primarily based on reduced capital market assumptions provided by external investment consultants and CalPERS investment staff. The specific decision adopted by the Board reflected recommendations from CalPERS staff and additional input from employer and employee stakeholder groups. Based on the investment allocation adopted by the Board and capital market assumptions, the reduced discount rate schedule provides a more realistic assumption for the long-term investment return of the fund.

Notwithstanding the Board's decision to phase into a 7.0 percent discount rate, subsequent analysis of the expected investment return of CalPERS assets or changes to the investment allocation may result in a change to this discount rate schedule.

For more details and additional rationale for the selection of the actuarial assumptions, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from December 2017 that can be found on the CalPERS website under: "Forms and Publications". Click on "View All" and search for Experience Study.

All actuarial assumptions (except the discount rates used for the hypothetical termination liability) represent an estimate of future experience rather than observations of the estimates inherent in market data.

Economic Assumptions

Discount Rate

The prescribed discount rate assumption, adopted by the Board on December 21, 2016, is 7.00 percent compounded annually (net of investment and administrative expenses) as of June 30, 2019.

Termination Liability Discount Rate

The current discount rate assumption used for termination valuations is a weighted average of the 10-year and 30-year U.S. Treasury yields where the weights are based on matching asset and liability durations as of the termination date.

The hypothetical termination liabilities in this report are calculated using an observed range of market interest rates. This range is based on the lowest and highest 20-year Treasury bond observed during an approximate 19-month period from 12 months before the valuation date to 7 months after. The 20-year Treasury bond has a similar duration to most plan liabilities and serves as a good proxy for the termination discount rate. The 20-year Treasury yield was 2.31 percent on June 30, 2019.

Salary Growth

Annual increases vary by category, entry age, and duration of service. A sample of assumed increases are shown below. Wage inflation assumption in the valuation year (2.75% for 2019) is added to these factors for total salary growth.

Public Agency Miscellaneous

<u>Duration of Service</u>	<u>(Entry Age 20)</u>	<u>(Entry Age 30)</u>	<u>(Entry Age 40)</u>
0	0.0850	0.0775	0.0650
1	0.0690	0.0635	0.0525
2	0.0560	0.0510	0.0410
3	0.0470	0.0425	0.0335
4	0.0400	0.0355	0.0270
5	0.0340	0.0295	0.0215
10	0.0160	0.0135	0.0090
15	0.0120	0.0100	0.0060
20	0.0090	0.0075	0.0045
25	0.0080	0.0065	0.0040
30	0.0080	0.0065	0.0040

Public Agency Fire

<u>Duration of Service</u>	<u>(Entry Age 20)</u>	<u>(Entry Age 30)</u>	<u>(Entry Age 40)</u>
0	0.1700	0.1700	0.1700
1	0.1100	0.1100	0.1100
2	0.0700	0.0700	0.0700
3	0.0580	0.0580	0.0580
4	0.0473	0.0473	0.0473
5	0.0372	0.0372	0.0372
10	0.0165	0.0165	0.0165
15	0.0144	0.0144	0.0144
20	0.0126	0.0126	0.0126
25	0.0111	0.0111	0.0111
30	0.0097	0.0097	0.0097

Public Agency Police

<u>Duration of Service</u>	<u>(Entry Age 20)</u>	<u>(Entry Age 30)</u>	<u>(Entry Age 40)</u>
0	0.1027	0.1027	0.1027
1	0.0803	0.0803	0.0803
2	0.0628	0.0628	0.0628
3	0.0491	0.0491	0.0491
4	0.0384	0.0384	0.0384
5	0.0300	0.0300	0.0300
10	0.0145	0.0145	0.0145
15	0.0150	0.0150	0.0150
20	0.0155	0.0155	0.0155
25	0.0160	0.0160	0.0160
30	0.0165	0.0165	0.0165

Salary Growth (continued)

Public Agency County Peace Officers

Duration of Service	(Entry Age 20)	(Entry Age 30)	(Entry Age 40)
0	0.1320	0.1320	0.1320
1	0.0960	0.0960	0.0960
2	0.0657	0.0657	0.0657
3	0.0525	0.0525	0.0525
4	0.0419	0.0419	0.0419
5	0.0335	0.0335	0.0335
10	0.0170	0.0170	0.0170
15	0.0150	0.0150	0.0150
20	0.0150	0.0150	0.0150
25	0.0175	0.0175	0.0175
30	0.0200	0.0200	0.0200

Schools

Duration of Service	(Entry Age 20)	(Entry Age 30)	(Entry Age 40)
0	0.0428	0.0419	0.0380
1	0.0428	0.0419	0.0380
2	0.0428	0.0419	0.0380
3	0.0354	0.0332	0.0280
4	0.0305	0.0279	0.0224
5	0.0262	0.0234	0.0180
10	0.0171	0.0154	0.0112
15	0.0152	0.0134	0.0098
20	0.0135	0.0117	0.0086
25	0.0120	0.0103	0.0076
30	0.0087	0.0071	0.0048

- The Miscellaneous salary scale is used for Local Prosecutors.
- The Police salary scale is used for Other Safety, Local Sheriff, and School Police.

Overall Payroll Growth

2.75 percent compounded annually (used in projecting the payroll over which the unfunded liability is amortized). This assumption is used for all plans with active members.

Inflation

2.50 percent compounded annually.

Non-valued Potential Additional Liabilities

The potential liability loss for a cost-of-living increase exceeding the 2.50 percent inflation assumption and any potential liability loss from future member service purchases are not reflected in the valuation.

Miscellaneous Loading Factors

Credit for Unused Sick Leave

Total years of service is increased by 1 percent for those plans that have adopted the provision of providing Credit for Unused Sick Leave.

Conversion of Employer Paid Member Contributions (EPMC)

Total years of service is increased by the Employee Contribution Rate for those plans with the provision providing for the Conversion of Employer Paid Member Contributions (EPMC) during the final compensation period.

Norris Decision (Best Factors)

Employees hired prior to July 1, 1982 have projected benefit amounts increased in order to reflect the use of "Best Factors" in the calculation of optional benefit forms. This is due to a 1983 Supreme Court decision, known as the Norris decision, which required males and females to be treated equally in the determination of benefit amounts. Consequently, anyone already employed at that time is given the best possible conversion factor when optional benefits are determined. No loading is necessary for employees hired after July 1, 1982.

Termination Liability

The termination liabilities include a 5 percent contingency load. This load is for unforeseen negative experience.

Demographic Assumptions

Pre-Retirement Mortality

Non-industrial death rates vary by age and gender. Industrial death rates vary by age. See sample rates in table below. The non-industrial death rates are used for all plans. The industrial death rates are used for safety plans (except for Local Prosecutor safety members where the corresponding miscellaneous plan does not have the Industrial Death Benefit).

Age	Non-Industrial Death (Not Job-Related)		Industrial Death (Job-Related)
	Male	Female	Male and Female
20	0.00022	0.00007	0.00004
25	0.00029	0.00011	0.00006
30	0.00038	0.00015	0.00007
35	0.00049	0.00027	0.00009
40	0.00064	0.00037	0.00010
45	0.00080	0.00054	0.00012
50	0.00116	0.00079	0.00013
55	0.00172	0.00120	0.00015
60	0.00255	0.00166	0.00016
65	0.00363	0.00233	0.00018
70	0.00623	0.00388	0.00019
75	0.01057	0.00623	0.00021
80	0.01659	0.00939	0.00022

Miscellaneous plans usually have industrial death rates set to zero unless the agency has specifically contracted for industrial death benefits. If so, each non-industrial death rate shown above will be split into two components; 99 percent will become the non-industrial death rate and 1 percent will become the industrial death rate.

Post-Retirement Mortality

Rates vary by age, type of retirement, and gender. See sample rates in table below. These rates are used for all plans.

Age	Healthy Recipients		Non-Industrially Disabled (Not Job-Related)		Industrially Disabled (Job-Related)	
	Male	Female	Male	Female	Male	Female
50	0.00372	0.00346	0.01183	0.01083	0.00372	0.00346
55	0.00437	0.00410	0.01613	0.01178	0.00437	0.00410
60	0.00671	0.00476	0.02166	0.01404	0.00671	0.00476
65	0.00928	0.00637	0.02733	0.01757	0.01113	0.00765
70	0.01339	0.00926	0.03358	0.02183	0.01607	0.01111
75	0.02316	0.01635	0.04277	0.02969	0.02779	0.01962
80	0.03977	0.03007	0.06272	0.04641	0.04773	0.03609
85	0.07122	0.05418	0.09793	0.07847	0.08547	0.06501
90	0.13044	0.10089	0.14616	0.13220	0.14348	0.11098
95	0.21658	0.17698	0.21658	0.21015	0.21658	0.17698
100	0.32222	0.28151	0.32222	0.32226	0.32222	0.28151
105	0.46691	0.43491	0.46691	0.43491	0.46691	0.43491
110	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000

The post-retirement mortality rates above include 15 years of projected on-going mortality improvement using 90 percent of Scale MP 2016 published by the Society of Actuaries.

Marital Status

For active members, a percentage who are married upon retirement is assumed according to member category as shown in the following table.

Member Category	Percent Married
Miscellaneous Member	70%
Local Police	85%
Local Fire	90%
Other Local Safety	70%
School Police	85%
Local County Peace Officers	75%

Age of Spouse

It is assumed that female spouses are 3 years younger than male spouses. This assumption is used for all plans.

Terminated Members

It is assumed that terminated members refund immediately if non-vested. Terminated members who are vested are assumed to retire at age 59 for Miscellaneous members and age 54 for safety members.

Termination with Refund

Rates vary by entry age and service for miscellaneous plans. Rates vary by service for safety plans.
See sample rates in tables below.

Public Agency Miscellaneous

Duration of Service	Entry Age 20	Entry Age 25	Entry Age 30	Entry Age 35	Entry Age 40	Entry Age 45
0	0.1742	0.1674	0.1606	0.1537	0.1468	0.1400
1	0.1545	0.1477	0.1409	0.1339	0.1271	0.1203
2	0.1348	0.1280	0.1212	0.1142	0.1074	0.1006
3	0.1151	0.1083	0.1015	0.0945	0.0877	0.0809
4	0.0954	0.0886	0.0818	0.0748	0.0680	0.0612
5	0.0212	0.0193	0.0174	0.0155	0.0136	0.0116
10	0.0138	0.0121	0.0104	0.0088	0.0071	0.0055
15	0.0060	0.0051	0.0042	0.0032	0.0023	0.0014
20	0.0037	0.0029	0.0021	0.0013	0.0005	0.0001
25	0.0017	0.0011	0.0005	0.0001	0.0001	0.0001
30	0.0005	0.0001	0.0001	0.0001	0.0001	0.0001
35	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001

Public Agency Safety

Duration of Service	Fire	Police	County Peace Officer
0	0.1298	0.1013	0.1188
1	0.0674	0.0636	0.0856
2	0.0320	0.0271	0.0617
3	0.0237	0.0258	0.0445
4	0.0087	0.0245	0.0321
5	0.0052	0.0086	0.0121
10	0.0005	0.0053	0.0053
15	0.0004	0.0027	0.0025
20	0.0003	0.0017	0.0012
25	0.0002	0.0012	0.0005
30	0.0002	0.0009	0.0003
35	0.0001	0.0009	0.0002

The police termination and refund rates are also used for Public Agency Local Prosecutors, Other Safety, Local Sheriff, and School Police.

Schools

Duration of Service	Entry Age 20	Entry Age 25	Entry Age 30	Entry Age 35	Entry Age 40	Entry Age 45
0	0.2107	0.2107	0.1827	0.1546	0.1375	0.1203
1	0.1807	0.1807	0.1526	0.1246	0.1105	0.0963
2	0.1526	0.1526	0.1259	0.0992	0.0878	0.0765
3	0.1266	0.1266	0.1023	0.0780	0.0691	0.0603
4	0.1026	0.1026	0.0815	0.0605	0.0537	0.0469
5	0.0808	0.0808	0.0634	0.0461	0.0409	0.0358
10	0.0202	0.0202	0.0157	0.0112	0.0087	0.0063
15	0.0107	0.0107	0.0077	0.0048	0.0034	0.0021
20	0.0056	0.0056	0.0037	0.0017	0.0016	0.0016
25	0.0026	0.0026	0.0018	0.0009	0.0012	0.0015
30	0.0013	0.0013	0.0011	0.0009	0.0012	0.0015
35	0.0008	0.0008	0.0009	0.0009	0.0012	0.0015

Termination with Vested Benefits

Rates vary by entry age and service for miscellaneous plans. Rates vary by service for safety plans. See sample rates in tables below.

Public Agency Miscellaneous

Duration of Service	Entry Age 20	Entry Age 25	Entry Age 30	Entry Age 35	Entry Age 40
5	0.0422	0.0422	0.0393	0.0364	0.0344
10	0.0278	0.0278	0.0271	0.0263	0.0215
15	0.0192	0.0192	0.0174	0.0156	0.0120
20	0.0139	0.0139	0.0109	0.0079	0.0047
25	0.0083	0.0083	0.0048	0.0014	0.0007
30	0.0015	0.0015	0.0007	0.0000	0.0000
35	0.0000	0.0000	0.0000	0.0000	0.0000

Public Agency Safety

Duration of Service	Fire	Police	County Peace Officer
5	0.0094	0.0163	0.0187
10	0.0064	0.0126	0.0134
15	0.0048	0.0082	0.0092
20	0.0038	0.0065	0.0064
25	0.0026	0.0058	0.0042
30	0.0014	0.0056	0.0022
35	0.0000	0.0000	0.0000

- After termination with vested benefits, a miscellaneous member is assumed to retire at age 59 and a safety member at age 54.
- The Police termination with vested benefits rates are also used for Public Agency Local Prosecutors, Other Safety, Local Sheriff, and School Police.

Schools

Duration of Service	Entry Age 20	Entry Age 25	Entry Age 30	Entry Age 35	Entry Age 40
5	0.0405	0.0405	0.0346	0.0288	0.0264
10	0.0324	0.0324	0.0280	0.0235	0.0211
15	0.0202	0.0202	0.0179	0.0155	0.0126
20	0.0144	0.0144	0.0114	0.0083	0.0042
25	0.0091	0.0091	0.0046	0.0000	0.0000
30	0.0015	0.0015	0.0007	0.0000	0.0000
35	0.0000	0.0000	0.0000	0.0000	0.0000

Non-Industrial (Not Job-Related) Disability

Rates vary by age and gender for miscellaneous plans. Rates vary by age and category for safety plans.

Age	Miscellaneous		Fire	Police	County Peace Officer	Schools	
	Male	Female	Male and Female	Male and Female	Male and Female	Male	Female
20	0.0002	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001
25	0.0002	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001
30	0.0002	0.0002	0.0001	0.0002	0.0001	0.0001	0.0002
35	0.0004	0.0007	0.0001	0.0003	0.0004	0.0005	0.0004
40	0.0010	0.0014	0.0001	0.0004	0.0007	0.0012	0.0008
45	0.0015	0.0019	0.0002	0.0005	0.0013	0.0020	0.0017
50	0.0016	0.0020	0.0005	0.0008	0.0018	0.0026	0.0022
55	0.0016	0.0015	0.0007	0.0013	0.0010	0.0025	0.0018
60	0.0015	0.0011	0.0007	0.0020	0.0006	0.0022	0.0011

- The miscellaneous non-industrial disability rates are used for Local Prosecutors.
- The police non-industrial disability rates are also used for Other Safety, Local Sheriff, and School Police.

Industrial (Job-Related) Disability

Rates vary by age and category.

Age	Fire	Police	County Peace Officer
20	0.0001	0.0000	0.0004
25	0.0002	0.0017	0.0013
30	0.0006	0.0048	0.0025
35	0.0012	0.0079	0.0037
40	0.0023	0.0110	0.0051
45	0.0040	0.0141	0.0067
50	0.0208	0.0185	0.0092
55	0.0307	0.0479	0.0151
60	0.0438	0.0602	0.0174

- The police industrial disability rates are also used for Local Sheriff and Other Safety.
- Fifty percent of the police industrial disability rates are used for School Police.
- One percent of the police industrial disability rates are used for Local Prosecutors.
- Normally, rates are zero for miscellaneous plans unless the agency has specifically contracted for industrial disability benefits. If so, each miscellaneous non-industrial disability rate will be split into two components: 50 percent will become the non-industrial disability rate and 50 percent will become the industrial disability rate.

Service Retirement

Retirement rates vary by age, service, and formula, except for the safety $\frac{1}{2}$ @ 55 and 2% @ 55 formulas, where retirement rates vary by age only.

Public Agency Miscellaneous 1.5% @ 65

Age	Duration of Service					
	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.008	0.011	0.013	0.015	0.017	0.019
51	0.007	0.010	0.012	0.013	0.015	0.017
52	0.010	0.014	0.017	0.019	0.021	0.024
53	0.008	0.012	0.015	0.017	0.019	0.022
54	0.012	0.016	0.019	0.022	0.025	0.028
55	0.018	0.025	0.031	0.035	0.038	0.043
56	0.015	0.021	0.025	0.029	0.032	0.036
57	0.020	0.028	0.033	0.038	0.043	0.048
58	0.024	0.033	0.040	0.046	0.052	0.058
59	0.028	0.039	0.048	0.054	0.060	0.067
60	0.049	0.069	0.083	0.094	0.105	0.118
61	0.062	0.087	0.106	0.120	0.133	0.150
62	0.104	0.146	0.177	0.200	0.223	0.251
63	0.099	0.139	0.169	0.191	0.213	0.239
64	0.097	0.136	0.165	0.186	0.209	0.233
65	0.140	0.197	0.240	0.271	0.302	0.339
66	0.092	0.130	0.157	0.177	0.198	0.222
67	0.129	0.181	0.220	0.249	0.277	0.311
68	0.092	0.129	0.156	0.177	0.197	0.221
69	0.092	0.130	0.158	0.178	0.199	0.224
70	0.103	0.144	0.175	0.198	0.221	0.248

Public Agency Miscellaneous 2% @ 60

Age	Duration of Service					
	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.020	0.020	0.020	0.020	0.020	0.150
51	0.006	0.019	0.027	0.031	0.035	0.038
52	0.011	0.024	0.031	0.034	0.037	0.040
53	0.010	0.015	0.021	0.027	0.033	0.040
54	0.025	0.025	0.029	0.035	0.041	0.048
55	0.019	0.026	0.033	0.092	0.136	0.146
56	0.030	0.034	0.038	0.060	0.093	0.127
57	0.030	0.046	0.061	0.076	0.090	0.104
58	0.040	0.044	0.059	0.080	0.101	0.122
59	0.024	0.044	0.063	0.083	0.103	0.122
60	0.070	0.074	0.089	0.113	0.137	0.161
61	0.080	0.086	0.093	0.118	0.156	0.195
62	0.100	0.117	0.133	0.190	0.273	0.357
63	0.140	0.157	0.173	0.208	0.255	0.301
64	0.140	0.153	0.165	0.196	0.239	0.283
65	0.140	0.178	0.215	0.264	0.321	0.377
66	0.140	0.178	0.215	0.264	0.321	0.377
67	0.140	0.178	0.215	0.264	0.321	0.377
68	0.112	0.142	0.172	0.211	0.257	0.302
69	0.112	0.142	0.172	0.211	0.257	0.302
70	0.140	0.178	0.215	0.264	0.321	0.377

Service Retirement

Public Agency Miscellaneous 2% @ 55						
Age	Duration of Service					
	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.008	0.013	0.018	0.021	0.022	0.033
51	0.009	0.016	0.020	0.023	0.026	0.036
52	0.015	0.018	0.020	0.021	0.025	0.030
53	0.016	0.020	0.024	0.028	0.031	0.035
54	0.018	0.022	0.026	0.030	0.034	0.038
55	0.040	0.040	0.056	0.093	0.109	0.154
56	0.034	0.050	0.066	0.092	0.107	0.138
57	0.042	0.048	0.058	0.082	0.096	0.127
58	0.046	0.054	0.062	0.090	0.106	0.131
59	0.045	0.055	0.066	0.097	0.115	0.144
60	0.058	0.075	0.093	0.126	0.143	0.169
61	0.065	0.088	0.111	0.146	0.163	0.189
62	0.136	0.118	0.148	0.190	0.213	0.247
63	0.130	0.133	0.174	0.212	0.249	0.285
64	0.113	0.129	0.165	0.196	0.223	0.249
65	0.145	0.173	0.201	0.233	0.266	0.289
66	0.170	0.199	0.229	0.258	0.284	0.306
67	0.250	0.204	0.233	0.250	0.257	0.287
68	0.227	0.175	0.193	0.215	0.240	0.262
69	0.200	0.180	0.180	0.198	0.228	0.246
70	0.150	0.171	0.192	0.239	0.304	0.330

Public Agency Miscellaneous 2.5% @ 55						
Age	Duration of Service					
	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.008	0.014	0.020	0.026	0.033	0.050
51	0.008	0.015	0.023	0.030	0.037	0.059
52	0.009	0.016	0.023	0.030	0.037	0.061
53	0.014	0.021	0.028	0.035	0.042	0.063
54	0.014	0.022	0.030	0.039	0.047	0.068
55	0.020	0.038	0.055	0.073	0.122	0.192
56	0.025	0.047	0.069	0.091	0.136	0.196
57	0.030	0.048	0.065	0.083	0.123	0.178
58	0.035	0.054	0.073	0.093	0.112	0.153
59	0.035	0.054	0.073	0.092	0.131	0.183
60	0.044	0.072	0.101	0.130	0.158	0.197
61	0.050	0.078	0.105	0.133	0.161	0.223
62	0.055	0.093	0.130	0.168	0.205	0.268
63	0.090	0.124	0.158	0.192	0.226	0.279
64	0.080	0.112	0.144	0.175	0.207	0.268
65	0.120	0.156	0.193	0.229	0.265	0.333
66	0.132	0.172	0.212	0.252	0.292	0.366
67	0.132	0.172	0.212	0.252	0.292	0.366
68	0.120	0.156	0.193	0.229	0.265	0.333
69	0.120	0.156	0.193	0.229	0.265	0.333
70	0.120	0.156	0.193	0.229	0.265	0.333

Service Retirement

Public Agency Miscellaneous 2.7% @ 55

Age	Duration of Service					
	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.003	0.010	0.016	0.034	0.033	0.045
51	0.009	0.016	0.023	0.042	0.038	0.047
52	0.015	0.019	0.024	0.040	0.036	0.046
53	0.012	0.020	0.028	0.047	0.046	0.060
54	0.020	0.027	0.035	0.054	0.056	0.073
55	0.033	0.055	0.078	0.113	0.156	0.234
56	0.039	0.067	0.095	0.135	0.169	0.227
57	0.050	0.067	0.084	0.113	0.142	0.198
58	0.043	0.066	0.089	0.124	0.151	0.201
59	0.050	0.070	0.090	0.122	0.158	0.224
60	0.060	0.086	0.112	0.150	0.182	0.238
61	0.071	0.094	0.117	0.153	0.184	0.241
62	0.091	0.122	0.152	0.194	0.226	0.279
63	0.143	0.161	0.179	0.209	0.222	0.250
64	0.116	0.147	0.178	0.221	0.254	0.308
65	0.140	0.174	0.208	0.254	0.306	0.389
66	0.170	0.209	0.247	0.298	0.310	0.324
67	0.170	0.199	0.228	0.269	0.296	0.342
68	0.150	0.181	0.212	0.255	0.287	0.339
69	0.150	0.181	0.212	0.255	0.287	0.339
70	0.150	0.181	0.212	0.243	0.291	0.350

Public Agency Miscellaneous 3% @ 60

Age	Duration of Service					
	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.013	0.019	0.026	0.042	0.038	0.064
51	0.035	0.037	0.039	0.052	0.047	0.062
52	0.023	0.030	0.038	0.055	0.051	0.056
53	0.025	0.032	0.040	0.057	0.056	0.066
54	0.035	0.042	0.050	0.067	0.066	0.076
55	0.040	0.052	0.064	0.085	0.095	0.120
56	0.043	0.056	0.070	0.094	0.102	0.150
57	0.045	0.060	0.074	0.099	0.109	0.131
58	0.053	0.056	0.059	0.099	0.126	0.185
59	0.050	0.068	0.085	0.113	0.144	0.202
60	0.089	0.106	0.123	0.180	0.226	0.316
61	0.100	0.117	0.133	0.212	0.230	0.298
62	0.130	0.155	0.180	0.248	0.282	0.335
63	0.120	0.163	0.206	0.270	0.268	0.352
64	0.150	0.150	0.150	0.215	0.277	0.300
65	0.200	0.242	0.283	0.330	0.300	0.342
66	0.220	0.264	0.308	0.352	0.379	0.394
67	0.250	0.279	0.309	0.338	0.371	0.406
68	0.170	0.196	0.223	0.249	0.290	0.340
69	0.220	0.261	0.302	0.344	0.378	0.408
70	0.220	0.255	0.291	0.326	0.358	0.388

Service Retirement

Public Agency Miscellaneous 2% @ 62						
Age	Duration of Service					
	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.000	0.000	0.000	0.000	0.000	0.000
51	0.000	0.000	0.000	0.000	0.000	0.000
52	0.005	0.008	0.012	0.015	0.019	0.031
53	0.007	0.011	0.014	0.018	0.021	0.032
54	0.007	0.011	0.015	0.019	0.023	0.034
55	0.010	0.019	0.028	0.036	0.061	0.096
56	0.014	0.026	0.038	0.050	0.075	0.108
57	0.018	0.029	0.039	0.050	0.074	0.107
58	0.023	0.035	0.048	0.060	0.073	0.099
59	0.025	0.038	0.051	0.065	0.092	0.128
60	0.031	0.051	0.071	0.091	0.111	0.138
61	0.038	0.058	0.079	0.100	0.121	0.167
62	0.044	0.074	0.104	0.134	0.164	0.214
63	0.077	0.105	0.134	0.163	0.192	0.237
64	0.072	0.101	0.129	0.158	0.187	0.242
65	0.108	0.141	0.173	0.206	0.239	0.300
66	0.132	0.172	0.212	0.252	0.292	0.366
67	0.132	0.172	0.212	0.252	0.292	0.366
68	0.120	0.156	0.193	0.229	0.265	0.333
69	0.120	0.156	0.193	0.229	0.265	0.333
70	0.120	0.156	0.193	0.229	0.265	0.333

Service Retirement

Public Agency Fire ½ @ 55 and 2% @ 55			
Age	Rate	Age	Rate
50	0.0159	56	0.1108
51	0.0000	57	0.0000
52	0.0344	58	0.0950
53	0.0199	59	0.0441
54	0.0413	60	1.00000
55	0.0751		

Public Agency Police ½ @ 55 and 2% @ 55			
Age	Rate	Age	Rate
50	0.0255	56	0.0692
51	0.0000	57	0.0511
52	0.0164	58	0.0724
53	0.0272	59	0.0704
54	0.0095	60	0.3000
55	0.1667		

Service Retirement

Public Agency Police 2% @ 50

Age	Duration of Service					
	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.050	0.050	0.050	0.050	0.050	0.100
51	0.040	0.040	0.040	0.040	0.058	0.094
52	0.040	0.040	0.040	0.040	0.061	0.087
53	0.040	0.040	0.040	0.040	0.082	0.123
54	0.040	0.040	0.040	0.046	0.098	0.158
55	0.072	0.072	0.072	0.096	0.141	0.255
56	0.066	0.066	0.066	0.088	0.129	0.228
57	0.060	0.060	0.060	0.080	0.118	0.213
58	0.080	0.080	0.080	0.088	0.138	0.228
59	0.080	0.080	0.080	0.092	0.140	0.228
60	0.150	0.150	0.150	0.150	0.150	0.228
61	0.144	0.144	0.144	0.144	0.144	0.170
62	0.150	0.150	0.150	0.150	0.150	0.213
63	0.150	0.150	0.150	0.150	0.150	0.213
64	0.150	0.150	0.150	0.150	0.150	0.319
65	1.000	1.000	1.000	1.000	1.000	1.000

- These rates also apply to County Peace officers, Local Prosecutors, Local Sheriff, School Police, and Other Safety.

Service Retirement

Public Agency Fire 2% @ 50

Age	Duration of Service					
	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.009	0.009	0.009	0.009	0.013	0.020
51	0.013	0.013	0.013	0.013	0.020	0.029
52	0.018	0.018	0.018	0.018	0.028	0.042
53	0.052	0.052	0.052	0.052	0.079	0.119
54	0.067	0.067	0.067	0.067	0.103	0.154
55	0.089	0.089	0.089	0.089	0.136	0.204
56	0.083	0.083	0.083	0.083	0.127	0.190
57	0.082	0.082	0.082	0.082	0.126	0.189
58	0.088	0.088	0.088	0.088	0.136	0.204
59	0.074	0.074	0.074	0.074	0.113	0.170
60	0.100	0.100	0.100	0.100	0.154	0.230
61	0.072	0.072	0.072	0.072	0.110	0.165
62	0.099	0.099	0.099	0.099	0.152	0.228
63	0.114	0.114	0.114	0.114	0.175	0.262
64	0.114	0.114	0.114	0.114	0.175	0.262
65	1.000	1.000	1.000	1.000	1.000	1.000

Service Retirement

Public Agency Police 3% @ 55

Age	Duration of Service					
	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.035	0.035	0.035	0.035	0.070	0.090
51	0.028	0.028	0.028	0.029	0.065	0.101
52	0.032	0.032	0.032	0.039	0.066	0.109
53	0.028	0.028	0.028	0.043	0.075	0.132
54	0.038	0.038	0.038	0.074	0.118	0.333
55	0.070	0.070	0.070	0.120	0.175	0.340
56	0.060	0.060	0.060	0.110	0.165	0.330
57	0.060	0.060	0.060	0.110	0.165	0.320
58	0.080	0.080	0.080	0.100	0.185	0.350
59	0.090	0.090	0.095	0.130	0.185	0.350
60	0.150	0.150	0.150	0.150	0.185	0.350
61	0.120	0.120	0.120	0.120	0.160	0.350
62	0.150	0.150	0.150	0.150	0.200	0.350
63	0.150	0.150	0.150	0.150	0.200	0.400
64	0.150	0.150	0.150	0.150	0.175	0.350
65	1.000	1.000	1.000	1.000	1.000	1.000

- These rates also apply to County Peace officers, Local Prosecutors, Local Sheriff, School Police, and Other Safety.

Service Retirement

Public Agency Fire 3% @ 55

Age	Duration of Service					
	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.001	0.001	0.001	0.006	0.016	0.069
51	0.002	0.002	0.002	0.006	0.018	0.071
52	0.012	0.012	0.012	0.021	0.040	0.098
53	0.032	0.032	0.032	0.049	0.085	0.149
54	0.057	0.057	0.057	0.087	0.144	0.217
55	0.073	0.073	0.073	0.109	0.179	0.259
56	0.064	0.064	0.064	0.097	0.161	0.238
57	0.063	0.063	0.063	0.095	0.157	0.233
58	0.065	0.065	0.065	0.099	0.163	0.241
59	0.088	0.088	0.088	0.131	0.213	0.299
60	0.105	0.105	0.105	0.155	0.251	0.344
61	0.118	0.118	0.118	0.175	0.282	0.380
62	0.087	0.087	0.087	0.128	0.210	0.295
63	0.067	0.067	0.067	0.100	0.165	0.243
64	0.067	0.067	0.067	0.100	0.165	0.243
65	1.000	1.000	1.000	1.000	1.000	1.000

Service Retirement

Public Agency Police 3% @ 50						
Age	Duration of Service					
	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.050	0.050	0.050	0.100	0.155	0.400
51	0.040	0.040	0.040	0.090	0.140	0.380
52	0.040	0.040	0.040	0.070	0.115	0.350
53	0.040	0.040	0.040	0.080	0.135	0.350
54	0.040	0.040	0.040	0.090	0.145	0.350
55	0.070	0.070	0.070	0.120	0.175	0.340
56	0.060	0.060	0.060	0.110	0.165	0.330
57	0.060	0.060	0.060	0.110	0.165	0.320
58	0.080	0.080	0.080	0.100	0.185	0.350
59	0.090	0.090	0.095	0.130	0.185	0.350
60	0.150	0.150	0.150	0.150	0.185	0.350
61	0.120	0.120	0.120	0.120	0.160	0.350
62	0.150	0.150	0.150	0.150	0.200	0.350
63	0.150	0.150	0.150	0.150	0.200	0.400
64	0.150	0.150	0.150	0.150	0.175	0.350
65	1.000	1.000	1.000	1.000	1.000	1.000

- These rates also apply to County Peace officers, Local Prosecutors, Local Sheriff, School Police, and Other Safety.

Service Retirement

Public Agency Fire 3% @ 50						
Age	Duration of Service					
	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.020	0.020	0.020	0.040	0.130	0.192
51	0.008	0.008	0.008	0.023	0.107	0.164
52	0.023	0.023	0.023	0.043	0.136	0.198
53	0.023	0.023	0.023	0.043	0.135	0.198
54	0.027	0.027	0.027	0.048	0.143	0.207
55	0.043	0.043	0.043	0.070	0.174	0.244
56	0.053	0.053	0.053	0.085	0.196	0.269
57	0.054	0.054	0.054	0.086	0.197	0.271
58	0.052	0.052	0.052	0.084	0.193	0.268
59	0.075	0.075	0.075	0.116	0.239	0.321
60	0.065	0.065	0.065	0.102	0.219	0.298
61	0.076	0.076	0.076	0.117	0.241	0.324
62	0.068	0.068	0.068	0.106	0.224	0.304
63	0.027	0.027	0.027	0.049	0.143	0.208
64	0.094	0.094	0.094	0.143	0.277	0.366
65	1.000	1.000	1.000	1.000	1.000	1.000

Service Retirement

Public Agency Police 2% @ 57						
Age	Duration of Service					
	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.040	0.040	0.040	0.040	0.040	0.080
51	0.028	0.028	0.028	0.028	0.040	0.066
52	0.028	0.028	0.028	0.028	0.043	0.061
53	0.028	0.028	0.028	0.028	0.057	0.086
54	0.028	0.028	0.028	0.032	0.069	0.110
55	0.050	0.050	0.050	0.067	0.099	0.179
56	0.046	0.046	0.046	0.062	0.090	0.160
57	0.054	0.054	0.054	0.072	0.106	0.191
58	0.060	0.060	0.060	0.066	0.103	0.171
59	0.060	0.060	0.060	0.069	0.105	0.171
60	0.113	0.113	0.113	0.113	0.113	0.171
61	0.108	0.108	0.108	0.108	0.108	0.128
62	0.113	0.113	0.113	0.113	0.113	0.159
63	0.113	0.113	0.113	0.113	0.113	0.159
64	0.113	0.113	0.113	0.113	0.113	0.239
65	1.000	1.000	1.000	1.000	1.000	1.000

- These rates also apply to County Peace officers, Local Prosecutors, Local Sheriff, School Police, and Other Safety.

Service Retirement

Public Agency Fire 2% @ 57						
Age	Duration of Service					
	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.005	0.005	0.005	0.005	0.008	0.012
51	0.006	0.006	0.006	0.006	0.009	0.013
52	0.012	0.012	0.012	0.012	0.019	0.028
53	0.033	0.033	0.033	0.033	0.050	0.075
54	0.045	0.045	0.045	0.045	0.069	0.103
55	0.061	0.061	0.061	0.061	0.094	0.140
56	0.055	0.055	0.055	0.055	0.084	0.126
57	0.081	0.081	0.081	0.081	0.125	0.187
58	0.059	0.059	0.059	0.059	0.091	0.137
59	0.055	0.055	0.055	0.055	0.084	0.126
60	0.085	0.085	0.085	0.085	0.131	0.196
61	0.085	0.085	0.085	0.085	0.131	0.196
62	0.085	0.085	0.085	0.085	0.131	0.196
63	0.085	0.085	0.085	0.085	0.131	0.196
64	0.085	0.085	0.085	0.085	0.131	0.196
65	1.000	1.000	1.000	1.000	1.000	1.000

Service Retirement

Public Agency Police 2.5% @ 57						
Age	Duration of Service					
	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.050	0.050	0.050	0.050	0.050	0.100
51	0.038	0.038	0.038	0.038	0.055	0.089
52	0.038	0.038	0.038	0.038	0.058	0.082
53	0.036	0.036	0.036	0.036	0.073	0.111
54	0.036	0.036	0.036	0.041	0.088	0.142
55	0.061	0.061	0.061	0.082	0.120	0.217
56	0.056	0.056	0.056	0.075	0.110	0.194
57	0.060	0.060	0.060	0.080	0.118	0.213
58	0.072	0.072	0.072	0.079	0.124	0.205
59	0.072	0.072	0.072	0.083	0.126	0.205
60	0.135	0.135	0.135	0.135	0.135	0.205
61	0.130	0.130	0.130	0.130	0.130	0.153
62	0.135	0.135	0.135	0.135	0.135	0.191
63	0.135	0.135	0.135	0.135	0.135	0.191
64	0.135	0.135	0.135	0.135	0.135	0.287
65	1.000	1.000	1.000	1.000	1.000	1.000

- These rates also apply to County Peace officers, Local Prosecutors, Local Sheriff, School Police, and Other Safety.

Service Retirement

Public Agency Fire 2.5% @ 57						
Age	Duration of Service					
	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.007	0.007	0.007	0.007	0.010	0.015
51	0.008	0.008	0.008	0.008	0.012	0.018
52	0.016	0.016	0.016	0.016	0.025	0.038
53	0.042	0.042	0.042	0.042	0.064	0.096
54	0.057	0.057	0.057	0.057	0.088	0.132
55	0.074	0.074	0.074	0.074	0.114	0.170
56	0.066	0.066	0.066	0.066	0.102	0.153
57	0.090	0.090	0.090	0.090	0.139	0.208
58	0.071	0.071	0.071	0.071	0.110	0.164
59	0.066	0.066	0.066	0.066	0.101	0.151
60	0.102	0.102	0.102	0.102	0.157	0.235
61	0.102	0.102	0.102	0.102	0.157	0.236
62	0.102	0.102	0.102	0.102	0.157	0.236
63	0.102	0.102	0.102	0.102	0.157	0.236
64	0.102	0.102	0.102	0.102	0.157	0.236
65	1.000	1.000	1.000	1.000	1.000	1.000

Service Retirement

Public Agency Police 2.7% @ 57						
Age	Duration of Service					
	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.0500	0.0500	0.0500	0.0500	0.0500	0.1000
51	0.0400	0.0400	0.0400	0.0400	0.0575	0.0942
52	0.0380	0.0380	0.0380	0.0380	0.0580	0.0825
53	0.0380	0.0380	0.0380	0.0380	0.0774	0.1169
54	0.0380	0.0380	0.0380	0.0437	0.0931	0.1497
55	0.0684	0.0684	0.0684	0.0912	0.1340	0.2423
56	0.0627	0.0627	0.0627	0.0836	0.1228	0.2168
57	0.0600	0.0600	0.0600	0.0800	0.1175	0.2125
58	0.0800	0.0800	0.0800	0.0880	0.1375	0.2275
59	0.0800	0.0800	0.0800	0.0920	0.1400	0.2275
60	0.1500	0.1500	0.1500	0.1500	0.1500	0.2275
61	0.1440	0.1440	0.1440	0.1440	0.1440	0.1700
62	0.1500	0.1500	0.1500	0.1500	0.1500	0.2125
63	0.1500	0.1500	0.1500	0.1500	0.1500	0.2125
64	0.1500	0.1500	0.1500	0.1500	0.1500	0.3188
65	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

- These rates also apply to County Peace officers, Local Prosecutors, Local Sheriff, School Police, and Other Safety.

Service Retirement

Public Agency Fire 2.7% @ 57						
Age	Duration of Service					
	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.0065	0.0065	0.0065	0.0065	0.0101	0.0151
51	0.0081	0.0081	0.0081	0.0081	0.0125	0.0187
52	0.0164	0.0164	0.0164	0.0164	0.0254	0.0380
53	0.0442	0.0442	0.0442	0.0442	0.0680	0.1018
54	0.0606	0.0606	0.0606	0.0606	0.0934	0.1397
55	0.0825	0.0825	0.0825	0.0825	0.1269	0.1900
56	0.0740	0.0740	0.0740	0.0740	0.1140	0.1706
57	0.0901	0.0901	0.0901	0.0901	0.1387	0.2077
58	0.0790	0.0790	0.0790	0.0790	0.1217	0.1821
59	0.0729	0.0729	0.0729	0.0729	0.1123	0.1681
60	0.1135	0.1135	0.1135	0.1135	0.1747	0.2615
61	0.1136	0.1136	0.1136	0.1136	0.1749	0.2618
62	0.1136	0.1136	0.1136	0.1136	0.1749	0.2618
63	0.1136	0.1136	0.1136	0.1136	0.1749	0.2618
64	0.1136	0.1136	0.1136	0.1136	0.1749	0.2618
65	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

Service Retirement

Schools 2% @ 55						
Age	Duration of Service					
	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.004	0.007	0.011	0.012	0.013	0.015
51	0.004	0.008	0.011	0.014	0.016	0.017
52	0.005	0.010	0.014	0.016	0.018	0.021
53	0.006	0.012	0.016	0.020	0.022	0.025
54	0.008	0.017	0.023	0.027	0.031	0.034
55	0.021	0.042	0.058	0.069	0.077	0.086
56	0.019	0.037	0.053	0.062	0.069	0.078
57	0.019	0.038	0.054	0.064	0.071	0.079
58	0.022	0.045	0.062	0.074	0.082	0.092
59	0.025	0.049	0.069	0.082	0.090	0.101
60	0.033	0.066	0.092	0.109	0.121	0.135
61	0.037	0.072	0.101	0.119	0.133	0.149
62	0.066	0.131	0.184	0.218	0.242	0.271
63	0.064	0.126	0.178	0.209	0.233	0.261
64	0.059	0.117	0.163	0.193	0.215	0.240
65	0.080	0.158	0.221	0.261	0.291	0.326
66	0.081	0.160	0.224	0.265	0.296	0.330
67	0.070	0.139	0.194	0.229	0.255	0.286
68	0.063	0.124	0.173	0.205	0.228	0.255
69	0.066	0.130	0.183	0.216	0.241	0.270
70	0.071	0.140	0.196	0.231	0.258	0.289

Miscellaneous

Internal Revenue Code Section 415

The limitations on benefits imposed by Internal Revenue Code Section 415 are taken into account in this valuation. Each year the impact of any changes in this limitation since the prior valuation is included and amortized as part of the actuarial gain or loss base. This results in lower contributions for those employers contributing to the Replacement Benefit Fund and protects CalPERS from prefunding expected benefits in excess of limits imposed by federal tax law. The Section 415(b) dollar limit for the 2019 calendar year is \$225,000.

Internal Revenue Code Section 401(a)(17)

The limitations on compensation imposed by Internal Revenue Code Section 401(a)(17) are taken into account in this valuation. Each year, the impact of any changes in the compensation limitation since the prior valuation is included and amortized as part of the actuarial gain or loss base. The compensation limit for classic members for the 2019 calendar year is \$280,000.

Appendix B

Principal Plan Provisions

The following is a description of the principal plan provisions used in calculating costs and liabilities. We have indicated whether a plan provision is standard or optional. Standard benefits are applicable to all members while optional benefits vary among employers. Optional benefits that apply to a single period of time, such as Golden Handshakes, have not been included. Many of the statements in this summary are general in nature, and are intended to provide an easily understood summary of the Public Employees' Retirement Law. The law itself governs in all situations.

Service Retirement

Eligibility

A classic CalPERS member or PEPRA Safety member becomes eligible for Service Retirement upon attainment of age 50 with at least 5 years of credited service (total service across all CalPERS employers, and with certain other retirement systems with which CalPERS has reciprocity agreements). For employees hired into a plan with the 1.5 percent at 65 formula, eligibility for service retirement is age 55 with at least 5 years of service. PEPRA miscellaneous members become eligible for service retirement upon attainment of age 52 with at least 5 years of service.

Benefit

The service retirement benefit is a monthly allowance equal to the product of the *benefit factor*, *years of service*, and *final compensation*.

- The *benefit factor* depends on the benefit formula specified in your agency's contract. The table below shows the factors for each of the available formulas. Factors vary by the member's age at retirement. Listed are the factors for retirement at whole year ages:

Miscellaneous Plan Formulas

Retirement Age	1.5% at 65	2% at 60	2% at 55	2.5% at 55	2.7% at 55	3% at 60	PEPRA 2% at 62
50	0.5000%	1.092%	1.426%	2.000%	2.000%	2.000%	N/A
51	0.5667%	1.156%	1.522%	2.100%	2.140%	2.100%	N/A
52	0.6334%	1.224%	1.628%	2.200%	2.280%	2.200%	1.000%
53	0.7000%	1.296%	1.742%	2.300%	2.420%	2.300%	1.100%
54	0.7667%	1.376%	1.866%	2.400%	2.560%	2.400%	1.200%
55	0.8334%	1.460%	2.000%	2.500%	2.700%	2.500%	1.300%
56	0.9000%	1.552%	2.052%	2.500%	2.700%	2.600%	1.400%
57	0.9667%	1.650%	2.104%	2.500%	2.700%	2.700%	1.500%
58	1.0334%	1.758%	2.156%	2.500%	2.700%	2.800%	1.600%
59	1.1000%	1.874%	2.210%	2.500%	2.700%	2.900%	1.700%
60	1.1667%	2.000%	2.262%	2.500%	2.700%	3.000%	1.800%
61	1.2334%	2.134%	2.314%	2.500%	2.700%	3.000%	1.900%
62	1.3000%	2.272%	2.366%	2.500%	2.700%	3.000%	2.000%
63	1.3667%	2.418%	2.418%	2.500%	2.700%	3.000%	2.100%
64	1.4334%	2.418%	2.418%	2.500%	2.700%	3.000%	2.200%
65	1.5000%	2.418%	2.418%	2.500%	2.700%	3.000%	2.300%
66	1.5000%	2.418%	2.418%	2.500%	2.700%	3.000%	2.400%
67 & up	1.5000%	2.418%	2.418%	2.500%	2.700%	3.000%	2.500%

Safety Plan Formulas

Retirement Age	½ at 55 *	2% at 55	2% at 50	3% at 55	3% at 50
50	1.783%	1.426%	2.000%	2.400%	3.000%
51	1.903%	1.522%	2.140%	2.520%	3.000%
52	2.035%	1.628%	2.280%	2.640%	3.000%
53	2.178%	1.742%	2.420%	2.760%	3.000%
54	2.333%	1.866%	2.560%	2.880%	3.000%
55 & Up	2.500%	2.000%	2.700%	3.000%	3.000%

* For this formula, the benefit factor also varies by entry age. The factors shown are for members with an entry age of 35 or greater. If entry age is less than 35, then the age 55 benefit factor is 50 percent divided by the difference between age 55 and entry age. The benefit factor for ages prior to age 55 is the same proportion of the age 55 benefit factor as in the above table.

PEPRA Safety Plan Formulas

Retirement Age	2% at 57	2.5% at 57	2.7% at 57
50	1.426%	2.000%	2.000%
51	1.508%	2.071%	2.100%
52	1.590%	2.143%	2.200%
53	1.672%	2.214%	2.300%
54	1.754%	2.286%	2.400%
55	1.836%	2.357%	2.500%
56	1.918%	2.429%	2.600%
57 & Up	2.000%	2.500%	2.700%

- The *years of service* is the amount credited by CalPERS to a member while he or she is employed in this group (or for other periods that are recognized under the employer's contract with CalPERS). For a member who has earned service with multiple CalPERS employers, the benefit from each employer is calculated separately according to each employer's contract, and then added together for the total allowance. An agency may contract for an optional benefit where any unused sick leave accumulated at the time of retirement will be converted to credited service at a rate of 0.004 years of service for each day of sick leave.
- The *final compensation* is the monthly average of the member's highest 36 or 12 consecutive months' full-time equivalent monthly pay (no matter which CalPERS employer paid this compensation). The standard benefit is 36 months. Employers had the option of providing a final compensation equal to the highest 12 consecutive months for classic plans only. Final compensation must be defined by the highest 36 consecutive months' pay under the 1.5% at 65 formula. PEPRA members have a cap on the annual salary that can be used to calculate final compensation for all new members based on the Social Security contribution and benefit base. For employees that participate in Social Security this cap is \$124,180 for 2019 and for those employees that do not participate in Social Security the cap for 2019 is \$149,016. Adjustments to the caps are permitted annually based on changes to the CPI for all urban consumers.
- Employees must be covered by Social Security with the 1.5% at 65 formula. Social Security is optional for all other benefit formulas. For employees covered by Social Security, the modified formula is the standard benefit. Under this type of formula, the final compensation is offset by \$133.33 (or by one third if the final compensation is less than \$400). Employers may contract for the full benefit with Social Security that will eliminate the offset applicable to the final compensation. For employees not covered by Social Security, the full benefit is paid with no offsets.

Auxiliary organizations of the CSUC system may elect reduced contribution rates, in which case the offset is \$317 if members are not covered by Social Security or \$513 if members are covered by Social Security.

- The miscellaneous and PEPRA safety service retirement benefit is not capped. The classic Safety service retirement benefit is capped at 90 percent of final compensation.

Vested Deferred Retirement

Eligibility for Deferred Status

A CalPERS member becomes eligible for a deferred vested retirement benefit when he or she leaves employment, keeps his or her contribution account balance on deposit with CalPERS, **and** has earned at least 5 years of credited service (total service across all CalPERS employers, and with certain other retirement systems with which CalPERS has reciprocity agreements).

Eligibility to Start Receiving Benefits

The CalPERS classic members and PEPRA safety members become eligible to receive the deferred retirement benefit upon satisfying the eligibility requirements for deferred status and upon attainment of age 50 (55 for employees hired into a 1.5% @ 65 plan). PEPRA miscellaneous members become eligible to receive the deferred retirement benefit upon satisfying the eligibility requirements for deferred status and upon attainment of age 52.

Benefit

The vested deferred retirement benefit is the same as the service retirement benefit, where the benefit factor is based on the member's age at allowance commencement. For members who have earned service with multiple CalPERS employers, the benefit from each employer is calculated separately according to each employer's contract, and then added together for the total allowance.

Non-Industrial (Non-Job Related) Disability Retirement

Eligibility

A CalPERS member is eligible for Non-Industrial Disability Retirement if he or she becomes *disabled* and has at least 5 years of credited service (total service across all CalPERS employers, and with certain other retirement systems with which CalPERS has reciprocity agreements). There is no special age requirement. *Disabled* means the member is unable to perform his or her job because of an illness or injury, which is expected to be permanent or to last indefinitely. The illness or injury does not have to be job related. A CalPERS member must be actively employed by any CalPERS employer at the time of disability in order to be eligible for this benefit.

Standard Benefit

The standard Non-Industrial Disability Retirement benefit is a monthly allowance equal to 1.8 percent of final compensation, multiplied by *service*, which is determined as follows:

- *Service* is CalPERS credited service, for members with less than 10 years of service or greater than 18.518 years of service; or
- *Service* is CalPERS credited service plus the additional number of years that the member would have worked until age 60, for members with at least 10 years but not more than 18.518 years of service. The maximum benefit in this case is 33 1/3 percent of final compensation.

Improved Benefit

Employers have the option of providing the improved Non-Industrial Disability Retirement benefit. This benefit provides a monthly allowance equal to 30 percent of final compensation for the first 5 years of service, plus 1 percent for each additional year of service to a maximum of 50 percent of final compensation.

Members who are eligible for a larger service retirement benefit may choose to receive that benefit in lieu of a disability benefit. Members eligible to retire, and who have attained the normal retirement age determined by their service retirement benefit formula, will receive the same dollar amount for disability retirement as that payable for service retirement. For members who have earned service with multiple CalPERS employers, the benefit attributed to each employer is the total disability allowance multiplied by the ratio of service with a particular employer to the total CalPERS service.

Industrial (Job Related) Disability Retirement

All safety members have this benefit. For miscellaneous members, employers have the option of providing this benefit. An employer may choose to provide the increased benefit option or the improved benefit option.

Eligibility

An employee is eligible for Industrial Disability Retirement if he or she becomes disabled while working, where disabled means the member is unable to perform the duties of the job because of a work-related illness or injury, which is expected to be permanent or to last indefinitely. A CalPERS member who has left active employment within this group is not eligible for this benefit, except to the extent described below.

Standard Benefit

The standard Industrial Disability Retirement benefit is a monthly allowance equal to 50 percent of final compensation.

Increased Benefit (75 percent of Final Compensation)

The increased Industrial Disability Retirement benefit is a monthly allowance equal to 75 percent final compensation for total disability.

Improved Benefit (50 percent to 90 percent of Final Compensation)

The improved Industrial Disability Retirement benefit is a monthly allowance equal to the Workman's Compensation Appeals Board permanent disability rate percentage (if 50 percent or greater, with a maximum of 90 percent) times the final compensation.

For a CalPERS member not actively employed in this group who became disabled while employed by some other CalPERS employer, the benefit is a return of accumulated member contributions with respect to employment in this group. With the standard or increased benefit, a member may also choose to receive the annuitization of the accumulated member contributions.

If a member is eligible for service retirement and if the service retirement benefit is more than the industrial disability retirement benefit, the member may choose to receive the larger benefit.

Post-Retirement Death Benefit

Standard Lump Sum Payment

Upon the death of a retiree, a one-time lump sum payment of \$500 will be made to the retiree's designated survivor(s), or to the retiree's estate.

Improved Lump Sum Payment

Employers have the option of providing an improved lump sum death benefit of \$600, \$2,000, \$3,000, \$4,000 or \$5,000.

Form of Payment for Retirement Allowance

Standard Form of Payment

Generally, the retirement allowance is paid to the retiree in the form of an annuity for as long as he or she is alive. The retiree may choose to provide for a portion of his or her allowance to be paid to any designated beneficiary after the retiree's death. CalPERS provides for a variety of such benefit options, which the retiree pays for by taking a reduction in his or her retirement allowance. Such reduction takes into account the amount to be provided to the beneficiary and the probable duration of payments (based on the ages of the member and beneficiary) made subsequent to the member's death.

Improved Form of Payment (Post-Retirement Survivor Allowance)

Employers have the option to contract for the post-retirement survivor allowance.

For retirement allowances with respect to service subject to the modified formula, 25 percent of the retirement allowance will automatically be continued to certain statutory beneficiaries upon the death of the retiree, without a reduction in the retiree's allowance. For retirement allowances with respect to service subject to the full or supplemental formula, 50 percent of the retirement allowance will automatically be continued to certain statutory beneficiaries upon the death of the retiree, without a reduction in the retiree's allowance. This additional benefit is referred to as post-retirement survivor allowance (PRSA) or simply as survivor continuance.

In other words, 25 percent or 50 percent of the allowance, the continuance portion, is paid to the retiree for as long as he or she is alive, and that same amount is continued to the retiree's spouse (or if no eligible spouse, to unmarried child(ren) until they attain age 18; or, if no eligible child(ren), to a qualifying dependent parent) for the rest of his or her lifetime. This benefit will not be discontinued in the event the spouse remarries.

The remaining 75 percent or 50 percent of the retirement allowance, which may be referred to as the option portion of the benefit, is paid to the retiree as an annuity for as long as he or she is alive. Or, the retiree may choose to provide for some of this option portion to be paid to any designated beneficiary after the retiree's death. Benefit options applicable to the option portion are the same as those offered with the standard form. The reduction is calculated in the same manner but is applied only to the option portion.

Pre-Retirement Death Benefits

Basic Death Benefit

This is a standard benefit.

Eligibility

An employee's beneficiary (or estate) may receive the basic death benefit if the member dies while actively employed. A CalPERS member must be actively employed with the CalPERS employer providing this benefit to be eligible for this benefit. A member's survivor who is eligible for any other pre-retirement death benefit may choose to receive that death benefit instead of this basic death benefit.

Benefit

The basic death benefit is a lump sum in the amount of the member's accumulated contributions, where interest is credited annually at the greater of 6 percent or the prevailing discount rate through the date of death, plus a lump sum in the amount of one month's salary for each completed year of current service, up to a maximum of six months' salary. For purposes of this benefit, one month's salary is defined as the member's average monthly full-time rate of compensation during the 12 months preceding death.

1957 Survivor Benefit

This is a standard benefit.

Eligibility

An employee's *eligible survivor(s)* may receive the 1957 Survivor benefit if the member dies while actively employed, has attained at least age 50 for classic and safety PEPPRA members and age 52 for miscellaneous PEPPRA members, and has at least 5 years of credited service (total service across all CalPERS employers and with certain other retirement systems with which CalPERS has reciprocity agreements). A CalPERS member must be actively employed with the CalPERS employer providing this benefit to be eligible for this benefit. An eligible survivor means the surviving spouse to whom the member was married at least one year before death or, if there is no eligible spouse, to the member's unmarried child(ren) under age 18. A member's survivor who is eligible for any other pre-retirement death benefit may choose to receive that death benefit instead of this 1957 Survivor benefit.

Benefit

The 1957 Survivor benefit is a monthly allowance equal to one-half of the unmodified service retirement benefit that the member would have been entitled to receive if the member had retired on the date of his or her death. If the benefit is payable to the spouse, the benefit is discontinued upon the death of the spouse. If the benefit is payable to dependent child(ren), the benefit will be discontinued upon death or attainment of age 18, unless the child(ren) is disabled. The total amount paid will be at least equal to the basic death benefit.

Optional Settlement 2 Death Benefit

This is an optional benefit.

Eligibility

An employee's *eligible survivor* may receive the Optional Settlement 2 Death benefit if the member dies while actively employed, has attained at least age 50 for classic and safety PEPPA members and age 52 for miscellaneous PEPPA members, and has at least 5 years of credited service (total service across all CalPERS employers and with certain other retirement systems with which CalPERS has reciprocity agreements). A CalPERS member who is no longer actively employed with **any** CalPERS employer is not eligible for this benefit. An *eligible survivor* means the surviving spouse to whom the member was married at least one year before death. A member's survivor who is eligible for any other pre-retirement death benefit may choose to receive that death benefit instead of this Optional Settlement 2 Death benefit.

Benefit

The Optional Settlement 2 Death benefit is a monthly allowance equal to the service retirement benefit that the member would have received had the member retired on the date of his or her death and elected 100 percent to continue to the eligible survivor after the member's death. The allowance is payable as long as the surviving spouse lives, at which time it is continued to any unmarried child(ren) under age 18, if applicable. The total amount paid will be at least equal to the basic death benefit.

Special Death Benefit

This is a standard benefit for safety members. An employer may elect to provide this benefit for miscellaneous members.

Eligibility

An employee's *eligible survivor(s)* may receive the special death benefit if the member dies while actively employed and the death is job-related. A CalPERS member who is no longer actively employed with **any** CalPERS employer is not eligible for this benefit. An *eligible survivor* means the surviving spouse to whom the member was married prior to the onset of the injury or illness that resulted in death. If there is no eligible spouse, an eligible survivor means the member's unmarried child(ren) under age 22. An eligible survivor who chooses to receive this benefit will not receive any other death benefit.

Benefit

The special death benefit is a monthly allowance equal to 50 percent of final compensation, and will be increased whenever the compensation paid to active employees is increased but ceasing to increase when the member would have attained age 50. The allowance is payable to the surviving spouse until death at which time the allowance is continued to any unmarried child(ren) under age 22. There is a guarantee that the total amount paid will at least equal the basic death benefit.

If the member's death is the result of an accident or injury caused by external violence or physical force incurred in the performance of the member's duty, and there are *eligible* surviving child(ren) (*eligible* means unmarried child(ren) under age 22) in addition to an eligible spouse, then an **additional monthly allowance** is paid equal to the following:

- | | |
|-----------------------------------|------------------------------------|
| • if 1 eligible child: | 12.5 percent of final compensation |
| • if 2 eligible children: | 20.0 percent of final compensation |
| • if 3 or more eligible children: | 25.0 percent of final compensation |

Alternate Death Benefit for Local Fire Members

This is an optional benefit available only to local fire members.

Eligibility

An employee's *eligible survivor(s)* may receive the alternate death benefit in lieu of the basic death benefit or the 1957 Survivor benefit if the member dies while actively employed and has at least 20 years of total CalPERS service. A CalPERS member who is no longer actively employed with **any** CalPERS employer is not eligible for this benefit. An *eligible survivor* means the surviving spouse to whom the member was married prior to the onset of the injury or illness that resulted in death. If there is no eligible spouse, an eligible survivor means the member's unmarried child(ren) under age 18.

Benefit

The Alternate Death benefit is a monthly allowance equal to the service retirement benefit that the member would have received had the member retired on the date of his or her death and elected Optional Settlement 2. (A retiree who elects Optional Settlement 2 receives an allowance that has been reduced so that it will continue to be paid after his or her death to a surviving beneficiary.) If the member has not yet attained age 50, the benefit is equal to that which would be payable if the member had retired at age 50, based on service credited at the time of death. The allowance is payable as long as the surviving spouse lives, at which time it is continued to any unmarried child(ren) under age 18, if applicable. The total amount paid will be at least equal to the basic death benefit.

Cost-of-Living Adjustments (COLA)

Standard Benefit

Retirement and survivor allowances are adjusted each year in May for cost of living, beginning the second calendar year after the year of retirement. The standard cost-of-living adjustment (COLA) is 2 percent. Annual adjustments are calculated by first determining the lesser of 1) 2 percent compounded from the end of the year of retirement or 2) actual rate of inflation. The resulting increase is divided by the total increase provided in prior years. For any given year, the COLA adjustment may be less than 2 percent (when the rate of inflation is low), may be greater than the rate of inflation (when the rate of inflation is low after several years of high inflation) or may even be greater than 2 percent (when inflation is high after several years of low inflation).

Improved Benefit

Employers have the option of providing a COLA of 3 percent, 4 percent, or 5 percent, determined in the same manner as described above for the standard 2 percent COLA. An improved COLA is not available with the 1.5% at 65 formula.

Purchasing Power Protection Allowance (PPPA)

Retirement and survivor allowances are protected against inflation by PPPA. PPPA benefits are cost-of-living adjustments that are intended to maintain an individual's allowance at 80 percent of the initial allowance at retirement adjusted for inflation since retirement. The PPPA benefit will be coordinated with other cost-of-living adjustments provided under the plan.

Employee Contributions

Each employee contributes toward his or her retirement based upon the retirement formula. The standard employee contribution is as described below.

- The percent contributed below the monthly compensation breakpoint is 0 percent.
- The monthly compensation breakpoint is \$0 for full and supplemental formula members and \$133.33 for employees covered by the modified formula.
- The percent contributed above the monthly compensation breakpoint depends upon the benefit formula, as shown in the table below.

Benefit Formula	Percent Contributed above the Breakpoint
Miscellaneous, 1.5% at 65	2%
Miscellaneous, 2% at 60	7%
Miscellaneous, 2% at 55	7%
Miscellaneous, 2.5% at 55	8%
Miscellaneous, 2.7% at 55	8%
Miscellaneous, 3% at 60	8%
Miscellaneous, 2% at 62	50% of the Total Normal Cost
Miscellaneous, 1.5% at 65	50% of the Total Normal Cost
Safety, 1/2 at 55	Varies by entry age
Safety, 2% at 55	7%
Safety, 2% at 50	9%
Safety, 3% at 55	9%
Safety, 3% at 50	9%
Safety, 2% at 57	50% of the Total Normal Cost
Safety, 2.5% at 57	50% of the Total Normal Cost
Safety, 2.7% at 57	50% of the Total Normal Cost

The employer may choose to “pick-up” these contributions for classic members (Employer Paid Member Contributions or EPMC). EPMC is prohibited for new PEPRAs members.

An employer may also include Employee Cost Sharing in the contract, where employees agree to share the cost of the employer contribution. These contributions are paid in addition to the member contribution.

Auxiliary organizations of the CSU system may elect reduced contribution rates, in which case the offset is \$317 and the contribution rate is 6 percent if members are not covered by Social Security. If members are covered by Social Security, the offset is \$513 and the contribution rate is 5 percent.

Refund of Employee Contributions

If the member’s service with the employer ends, and if the member does not satisfy the eligibility conditions for any of the retirement benefits above, the member may elect to receive a refund of his or her employee contributions, which are credited with 6 percent interest compounded annually.

1959 Survivor Benefit

This is a pre-retirement death benefit available only to members not covered by Social Security. Any agency joining CalPERS subsequent to 1993 is required to provide this benefit if the members are not covered by Social Security. The benefit is optional for agencies joining CalPERS prior to 1994. Levels 1, 2 and 3 are now closed. Any new agency or any agency wishing to add this benefit or increase the current level may only choose the 4th or Indexed Level.

This benefit is not included in the results presented in this valuation. More information on this benefit is available on the CalPERS website at www.calpers.ca.gov.

Appendix C

Participant Data

- **Summary of Valuation Data**
- **Active Members**
- **Transferred and Terminated Members**
- **Retired Members and Beneficiaries**

Summary of Valuation Data

	June 30, 2018	June 30, 2019
1. Active Members		
a) Counts	113	116
b) Average Attained Age	43.45	44.35
c) Average Entry Age to Rate Plan	36.10	36.43
d) Average Years of Credited Service	7.27	7.73
e) Average Annual Covered Pay	\$87,953	\$93,875
f) Annual Covered Payroll	9,938,654	10,889,467
g) Projected Annual Payroll for Contribution Year	10,781,348	11,812,780
h) Present Value of Future Payroll	89,334,583	95,576,252
2. Transferred Members		
a) Counts	99	94
b) Average Attained Age	46.84	46.26
c) Average Years of Credited Service	3.46	3.51
d) Average Annual Covered Pay	\$120,705	\$114,808
3. Terminated Members		
a) Counts	87	94
b) Average Attained Age	45.75	46.40
c) Average Years of Credited Service	2.51	2.32
d) Average Annual Covered Pay	\$60,221	\$61,855
4. Retired Members and Beneficiaries		
a) Counts	236	241
b) Average Attained Age	69.19	69.72
c) Average Annual Benefits	\$23,678	\$24,162
5. Active to Retired Ratio [(1a) / (4a)]	0.48	0.48

Counts of members included in the valuation are counts of the records processed by the valuation. Multiple records may exist for those who have service in more than one valuation group. This does not result in double counting of liabilities.

Average Annual Benefits represents benefit amounts payable by this plan only. Some members may have service with another agency and would therefore have a larger total benefit than would be included as part of the average shown here.

Active Members

Counts of members included in the valuation are counts of the records processed by the valuation. Multiple records may exist for those who have service in more than one valuation group. This does not result in double counting of liabilities.

Distribution of Active Members by Age and Service

Attained Age	Years of Service at Valuation Date						Total
	0-4	5-9	10-14	15-19	20-24	25+	
15-24	5	0	0	0	0	0	5
25-29	11	2	0	0	0	0	13
30-34	10	2	0	0	0	0	12
35-39	8	2	1	1	0	0	12
40-44	11	3	2	2	2	0	20
45-49	7	3	2	1	2	0	15
50-54	6	2	4	2	0	1	15
55-59	4	4	1	5	1	0	15
60-64	2	0	0	2	0	3	7
65 and Over	0	0	1	0	0	1	2
All Ages	64	18	11	13	5	5	116

Distribution of Average Annual Salaries by Age and Service

Attained Age	Years of Service at Valuation Date						Average Salary
	0-4	5-9	10-14	15-19	20-24	25+	
15-24	\$72,577	\$0	\$0	\$0	\$0	\$0	\$72,577
25-29	75,754	87,910	0	0	0	0	77,624
30-34	69,258	92,697	0	0	0	0	73,165
35-39	82,486	111,009	92,810	85,867	0	0	88,382
40-44	93,689	95,379	106,217	93,082	82,013	0	93,967
45-49	72,017	109,206	101,223	200,443	126,649	0	99,195
50-54	98,736	72,459	103,494	98,099	0	153,871	100,092
55-59	108,773	191,130	96,498	75,549	121,056	0	119,661
60-64	104,983	0	0	157,363	0	109,310	121,803
65 and Over	0	0	4,530	0	0	58,205	31,368
Average	\$83,138	\$117,024	\$92,972	\$104,703	\$107,676	\$108,001	\$93,875

Transferred and Terminated Members

Distribution of Transfers to Other CalPERS Plans by Age, Service, and average Salary

Attained Age	Years of Service at Valuation Date						Total	Average Salary
	0-4	5-9	10-14	15-19	20-24	25+		
15-24	1	0	0	0	0	0	1	\$100,302
25-29	2	0	0	0	0	0	2	84,741
30-34	5	0	0	0	0	0	5	102,179
35-39	11	3	1	0	0	0	15	113,078
40-44	18	4	0	1	0	0	23	115,758
45-49	12	1	2	1	0	0	16	123,400
50-54	8	4	1	0	0	0	13	109,682
55-59	6	2	2	0	0	0	10	112,232
60-64	3	3	1	0	0	0	7	119,872
65 and Over	1	1	0	0	0	0	2	145,492
All Ages	67	18	7	2	0	0	94	\$114,808

Distribution of Terminated Participants with Funds on Deposit by Age, Service, and average Salary

Attained Age	Years of Service at Valuation Date						Total	Average Salary
	0-4	5-9	10-14	15-19	20-24	25+		
15-24	0	0	0	0	0	0	0	\$0
25-29	4	0	0	0	0	0	4	59,068
30-34	7	0	0	0	0	0	7	61,369
35-39	13	1	0	0	0	0	14	60,332
40-44	16	0	1	0	0	0	17	56,753
45-49	18	3	1	1	0	0	23	77,319
50-54	12	1	0	0	0	0	13	71,758
55-59	5	0	1	0	0	0	6	46,116
60-64	2	0	0	0	0	0	2	19,715
65 and Over	6	2	0	0	0	0	8	38,971
All Ages	83	7	3	1	0	0	94	\$61,855

Retired Members and Beneficiaries

Distribution of Retirees and Beneficiaries by Age and Retirement Type*

Attained Age	Service Retirement	Non-Industrial Disability	Industrial Disability	Non-Industrial Death	Industrial Death	Death After Retirement	Total
Under 30	0	0	0	0	0	0	0
30-34	0	0	0	0	0	0	0
35-39	0	0	0	0	0	0	0
40-44	0	0	1	0	0	0	1
45-49	0	0	1	0	0	0	1
50-54	4	0	1	0	0	0	5
55-59	13	0	4	0	0	2	19
60-64	48	0	0	0	0	4	52
65-69	44	2	1	0	0	0	47
70-74	53	1	0	0	0	0	54
75-79	30	0	0	0	0	7	37
80-84	8	1	0	0	0	4	13
85 and Over	8	0	0	0	0	4	12
All Ages	208	4	8	0	0	21	241

Distribution of Average Annual Disbursements to Retirees and Beneficiaries by Age and Retirement Type*

Attained Age	Service Retirement	Non-Industrial Disability	Industrial Disability	Non-Industrial Death	Industrial Death	Death After Retirement	Average
Under 30	\$0	\$0	\$0	\$0	\$0	\$0	\$0
30-34	0	0	0	0	0	0	0
35-39	0	0	0	0	0	0	0
40-44	0	0	298	0	0	0	298
45-49	0	0	313	0	0	0	313
50-54	11,961	0	2,465	0	0	0	10,062
55-59	14,737	0	1,021	0	0	6,581	10,991
60-64	33,601	0	0	0	0	11,749	31,920
65-69	27,740	21,052	528	0	0	0	26,876
70-74	22,237	1,912	0	0	0	0	21,861
75-79	21,241	0	0	0	0	30,940	23,076
80-84	38,810	4,882	0	0	0	7,830	26,668
85 and Over	24,580	0	0	0	0	15,636	21,599
All Ages	\$25,941	\$12,224	\$961	\$0	\$0	\$17,648	\$24,162

Retired Members and Beneficiaries (continued)

Distribution of Retirees and Beneficiaries by Years Retired and Retirement Type*

Years Retired	Service Retirement	Non-Industrial Disability	Industrial Disability	Non-Industrial Death	Industrial Death	Death After Retirement	Total
Under 5 Yrs	51	0	2	0	0	7	60
5-9	57	0	2	0	0	3	62
10-14	55	0	1	0	0	3	59
15-19	24	2	2	0	0	5	33
20-24	14	1	1	0	0	0	16
25-29	7	0	0	0	0	2	9
30 and Over	0	1	0	0	0	1	2
All Years	208	4	8	0	0	21	241

Distribution of Average Annual Disbursements to Retirees and Beneficiaries by Years Retired and Retirement Type*

Years Retired	Service Retirement	Non-Industrial Disability	Industrial Disability	Non-Industrial Death	Industrial Death	Death After Retirement	Average
Under 5 Yrs	\$23,656	\$0	\$306	\$0	\$0	\$20,889	\$22,555
5-9	30,791	0	2,222	0	0	21,491	29,420
10-14	25,528	0	588	0	0	30,014	25,333
15-19	27,539	21,052	747	0	0	8,871	22,693
20-24	13,757	1,912	552	0	0	0	12,191
25-29	25,239	0	0	0	0	8,196	21,451
30 and Over	0	4,882	0	0	0	9,120	7,001
All Years	\$25,941	\$12,224	\$961	\$0	\$0	\$17,648	\$24,162

* Counts of members do not include alternate payees receiving benefits while the member is still working. Therefore, the total counts may not match information on C-1 of the report. Multiple records may exist for those who have service in more than one coverage group. This does not result in double counting of liabilities.

Appendix D

Glossary of Actuarial Terms

Glossary of Actuarial Terms

Accrued Liability *(also called Actuarial Accrued Liability or Entry Age Actuarial Accrued Liability)*

The total dollars needed as of the valuation date to fund all benefits earned in the past for *current* members.

Actuarial Assumptions

Assumptions made about certain events that will affect pension costs. Assumptions generally can be broken down into two categories: demographic and economic. Demographic assumptions include such things as mortality, disability and retirement rates. Economic assumptions include discount rate, salary growth and inflation.

Actuarial Methods

Procedures employed by actuaries to achieve certain funding goals of a pension plan. Actuarial methods include funding method, setting the length of time to fund the Accrued Liability and determining the Value of Assets.

Actuarial Valuation

The determination as of a valuation date of the Normal Cost, Accrued Liability, and related actuarial present values for a pension plan. These valuations are performed annually or when an employer is contemplating a change to their plan provisions.

Amortization Bases

Separate payment schedules for different portions of the Unfunded Liability. The total Unfunded Liability of a Risk Pool or non-pooled plan can be segregated by cause, creating "bases," and each such base will be separately amortized and paid for over a specific period of time. However, all bases are amortized using investment and payroll assumptions from the current valuation. This can be likened to a home having a first mortgage of 24 years remaining payments and a second mortgage that has 10 years remaining payments. Each base or each mortgage note has its own terms (payment period, principal, etc.).

Generally, in an actuarial valuation, the separate bases consist of changes in unfunded liability due to contract amendments, actuarial assumption changes, method changes, and/or gains and losses.

Amortization Period

The number of years required to pay off an Amortization Base.

Classic Member (under PEPRA)

A classic member is a member who joined CalPERS prior to January 1, 2013 and who is not defined as a new member under PEPRA. (See definition of New Member below.)

Discount Rate

The assumed long-term rate of return on plan assets. This is the rate at which projected cash flows are discounted to the valuation date to determine Accrued Liability. This assumption is called "investment return" in earlier CalPERS reports and "actuarial interest rate" in Section 20014 of the California Public Employees' Retirement Law (PERL).

Entry Age

The earliest age at which a plan member begins to accrue benefits under a defined benefit pension plan. In most cases, this is the age of the member on their date of hire.

Entry Age Actuarial Cost Method

An actuarial cost method designed to fund a member's total plan benefit over the course of his or her career. This method is designed to yield a rate expressed as a level percentage of payroll.
(The assumed retirement age less the entry age is the amount of time required to fund a member's total benefit. Generally, the older a member on the date of hire, the greater the entry age normal cost. This is mainly because there is less time to earn investment income to fund the future benefits.)

Fresh Start

A Fresh Start is when multiple amortization bases are collapsed to one base and amortized together over a new funding period.

Funded Status

A measure of how well funded, or how "on track" a plan or risk pool is with respect to assets versus accrued liabilities. A ratio greater than 100 percent means the plan or risk pool has more assets than liabilities and a ratio less than 100 percent means liabilities are greater than assets.

GASB 68

Statement No. 68 of the Governmental Accounting Standards Board. The accounting standard governing a state or local governmental employer's accounting and financial reporting for pensions. GASB 68 replaces GASB 27 effective the first fiscal year beginning after June 15, 2014.

New Member (under PEPR)

A new member includes an individual who becomes a member of a public retirement system for the first time on or after January 1, 2013, and who was not a member of another public retirement system prior to that date, and who is not subject to reciprocity with another public retirement system.

Normal Cost

The annual cost of service accrual for the upcoming fiscal year for active employees. The normal cost should be viewed as the long-term contribution rate.

Pension Actuary

A business professional that is authorized by the Society of Actuaries and the American Academy of Actuaries to perform the calculations necessary to properly fund a pension plan.

PEPRA

The California Public Employees' Pension Reform Act of 2013

Present Value of Benefits (PVB)

The total dollars needed as of the valuation date to fund all benefits earned in the past or expected to be earned in the future for *current* members.

Unfunded Accrued Liability (UAL)

When a plan or pool's value of assets is less than its Accrued Liability, the difference is the plan or pool's Unfunded Accrued Liability (or unfunded liability). If the unfunded liability is positive, the plan or pool will have to pay contributions exceeding the Normal Cost.



TOWN OF LOS GATOS
MISCELLANEOUS AND SAFETY PLANS

CalPERS Actuarial Issues – 6/30/19 Valuation
Preliminary Results - Draft

Bartel Associates, LLC

Bianca Lin, Assistant Vice President

Joseph R. D'Onofrio, Assistant Vice President

Tina Liu, Associate Actuary

Matt Childs, Actuarial Analyst

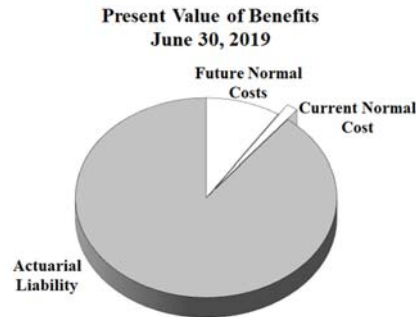
March 8, 2021

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DEFINITIONS

Item 5.



- **Present Value of Benefits (PVB):**
 - Discounted value at valuation date (6/30/19) of all future expected benefit payments using various actuarial assumptions
- **Normal Cost (NC):**
 - Portion of PVB allocated to (or “earned” during) year following valuation date
- **Actuarial Accrued Liability (AAL):**
 - Discounted value at valuation date of benefits “earned” through valuation date (value of past normal costs)

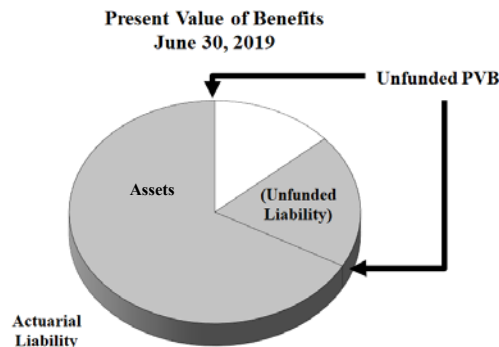


March 8, 2021

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DEFINITIONS



- **Funding Target** - Have plan assets equal to Actuarial Accrued Liability
- **Unfunded Liability (UAAL or UAL)** - Assets short of target at valuation date
 - Difference between AAL and plan assets is the unfunded (or overfunded) AAL
 - The change in this difference creates a new UAAL layer or amortization base at each valuation date

Each new UAAL layer gets amortized (paid off) over a period of time as part of the employer contribution



March 8, 2021

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PLAN FUNDED STATUS – MISCELLANEOUS

Item 5.

	<u>June 30, 2018</u>	<u>June 30, 2019</u>
■ Actuarial Accrued Liability		
● Active	\$22,300,000	\$26,200,000
● Retiree	70,700,000	72,300,000
● Inactive	<u>14,100,000</u>	<u>13,600,000</u>
● Total	107,100,000	112,100,000
■ Assets	<u>73,300,000</u>	<u>76,100,000</u>
■ Unfunded Liability	33,800,000	36,000,000
■ Funded Ratio	68.4%	67.9%
■ Average Funded Ratio for CalPERS Public Agency Miscellaneous Plans¹	71.8%	72.2%

¹ Individual agency and average funded ratios depends on benefit levels, demographics, effective dates, funding policy, ADPs, etc.



March 8, 2021

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PLAN FUNDED STATUS – MISCELLANEOUS

Town CalPERS Assets and Actuarial Liability (\$Millions)



March 8, 2021

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PLAN FUNDED STATUS – SAFETY

Item 5.

	<u>June 30, 2018</u>	<u>June 30, 2019</u>
■ Actuarial Accrued Liability		
● Active	\$21,300,000	\$23,700,000
● Retiree	67,200,000	69,800,000
● Inactive	<u>3,000,000</u>	<u>3,000,000</u>
● Total	91,500,000	96,500,000
■ Assets	<u>65,900,000</u>	<u>69,500,000</u>
■ Unfunded Liability	25,600,000	27,000,000
■ Funded Ratio	72.1%	72.0%
■ Average Funded Ratio for CalPERS Public Agency Safety Plans²	68.3%	68.6%

² Individual agency and average funded ratios depends on benefit levels, demographics, effective dates, funding policy, ADPs, etc.



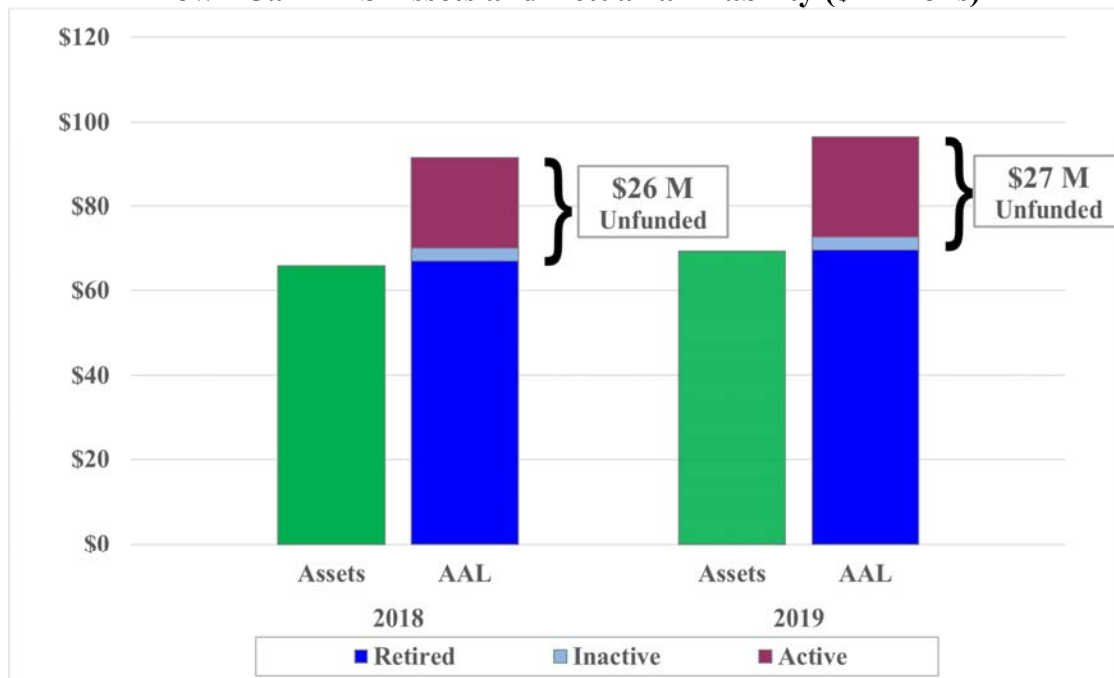
March 8, 2021

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PLAN FUNDED STATUS – SAFETY

Town CalPERS Assets and Actuarial Liability (\$Millions)



March 8, 2021

6



DISCOUNT RATE SENSITIVITY

Item 5.

Miscellaneous June 30, 2019

	Discount Rate		
	<u>7.00%</u>	<u>6.50%</u> ³	<u>6.00%</u>
AAL	\$112,100,000	\$119,300,000	\$126,500,000
Assets	<u>76,100,000</u>	<u>76,100,000</u>	<u>76,100,000</u>
Unfunded Liability	36,000,000	43,200,000	50,400,000
Funded Ratio	67.9%	63.8%	60.2%

³ Estimated by Bartel Associates. (Straight line interpolation of the 7% and 6% discount rate AAL provided in the 6/30/19 valuation report.)



March 8, 2021

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DISCOUNT RATE SENSITIVITY

Safety June 30, 2019

	Discount Rate		
	<u>7.00%</u>	<u>6.50%</u> ⁴	<u>6.00%</u>
AAL	\$96,500,000	\$103,100,000	\$109,700,000
Assets	<u>69,500,000</u>	<u>69,500,000</u>	<u>69,500,000</u>
Unfunded Liability	27,000,000	33,600,000	40,200,000
Funded Ratio	72.0%	67.4%	63.4%

⁴ Estimated by Bartel Associates. (Straight line interpolation of the 7% and 6% discount rate AAL provided in the 6/30/19 valuation report.)



March 8, 2021

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CONTRIBUTION PROJECTIONS – MISCELLANEOUS

Item 5.

■ Capital Market Assumptions for investments in CalPERS PERF:

<u>Asset Class</u>	<u>PERF Policy Target</u>	<u>Geometric Real Average Return</u>	<u>Standard Deviation</u>	<u>Geometric Nominal Average Return</u>
● Public Equity	50%	4.82%	17.84%	7.44%
● Fixed Income	28%	1.47%	4.24%	4.01%
● Real Assets	13%	4.81%	12.55%	7.43%
● Private Equity	8%	6.19%	25.50%	8.84%
● Liquidity	1%	0.06%	0.97%	2.56%
	100%			

■ Based on study of investment consultant and investment bank 2017 short and long-term capital market assumptions adjusted for long-term trends in investment returns.

■ Inflation - 2.5%



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CONTRIBUTION PROJECTIONS – MISCELLANEOUS

■ Market Value Investment Return:

- June 30, 2020 4.7%⁵
 - Future returns based on stochastic analysis using 1,000 trials⁶
- | <u>Single Year Returns at⁷</u> | <u>25th Percentile</u> | <u>50th Percentile</u> | <u>75th Percentile</u> |
|---|-----------------------------------|-----------------------------------|-----------------------------------|
| Current Investment Mix | 0.1% | 7.0% | 14.8% |
| Ultimate Investment Mix | 0.8% | 6.0% | 11.4% |
- Assumes investment returns will, generally be 6.5% (as compared to 7.0%) over the next 8 years and higher beyond that.

■ Discount Rate decreases due to Risk Mitigation policy

■ No Other: Gains/Losses, Method/Assumption Changes, Benefit Improvements

■ Different from CalPERS projection. Our projections include:

- Actual 2019/20 investment return
- Lower expected return for next 8 years
- Impact of risk mitigation
- Possibly different PEPR new hire assumptions

⁵ Net of investment expenses and gross of administrative expenses. 15 bp assumed for administrative expenses.

⁶ Future returns are assumed net of investment and administrative expenses

⁷ Nth percentile means N percentage of our trials result in returns lower than the indicated rates.



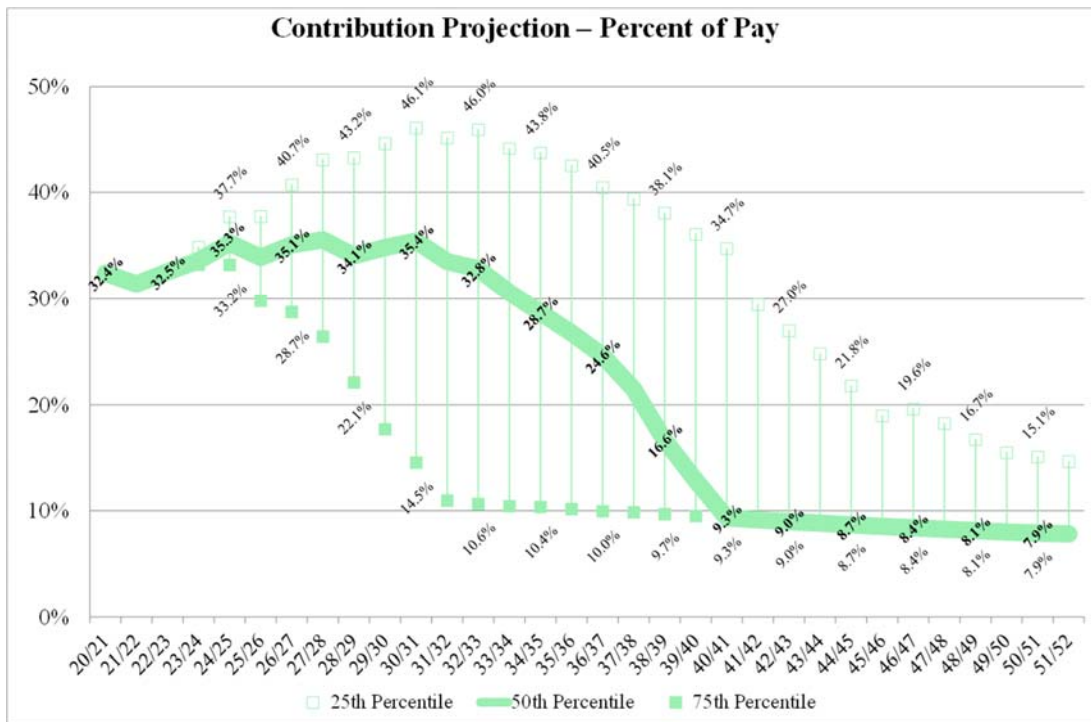
March 8, 2021

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CONTRIBUTION PROJECTIONS – MISCELLANEOUS

Item 5.

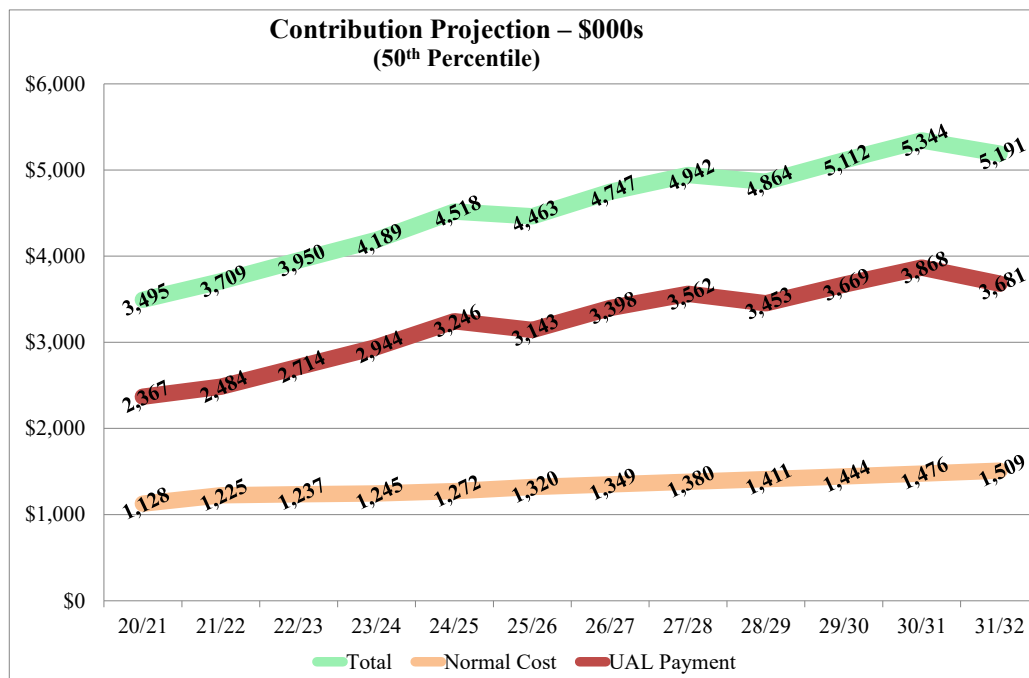


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CONTRIBUTION PROJECTIONS – MISCELLANEOUS



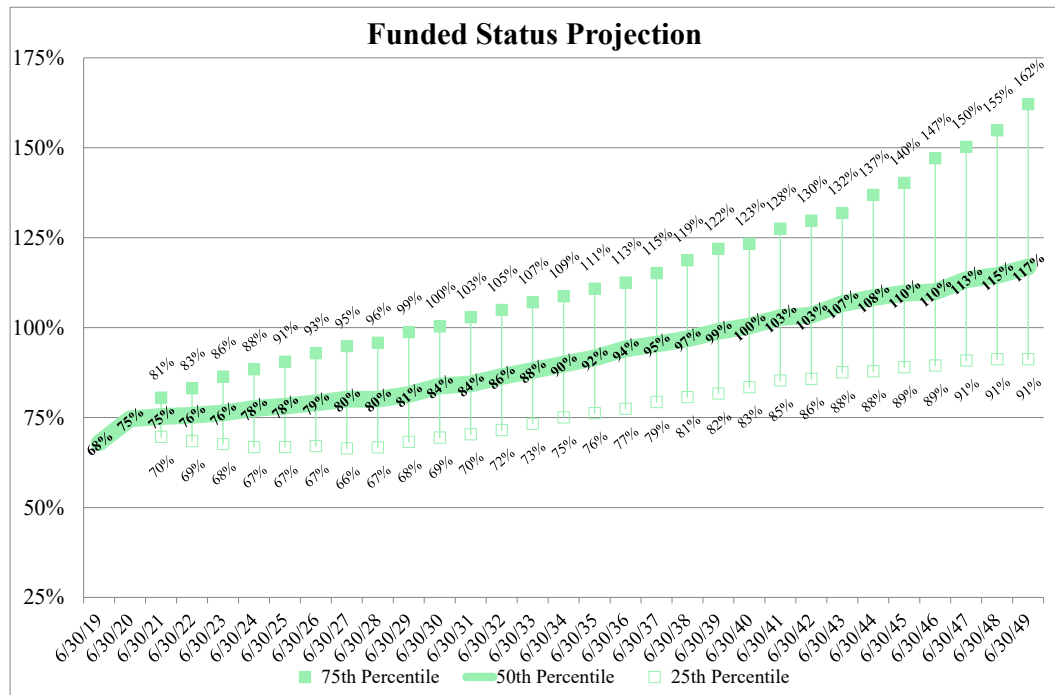
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FUNDED STATUS – MISCELLANEOUS

Item 5.



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FUNDED STATUS – MISCELLANEOUS

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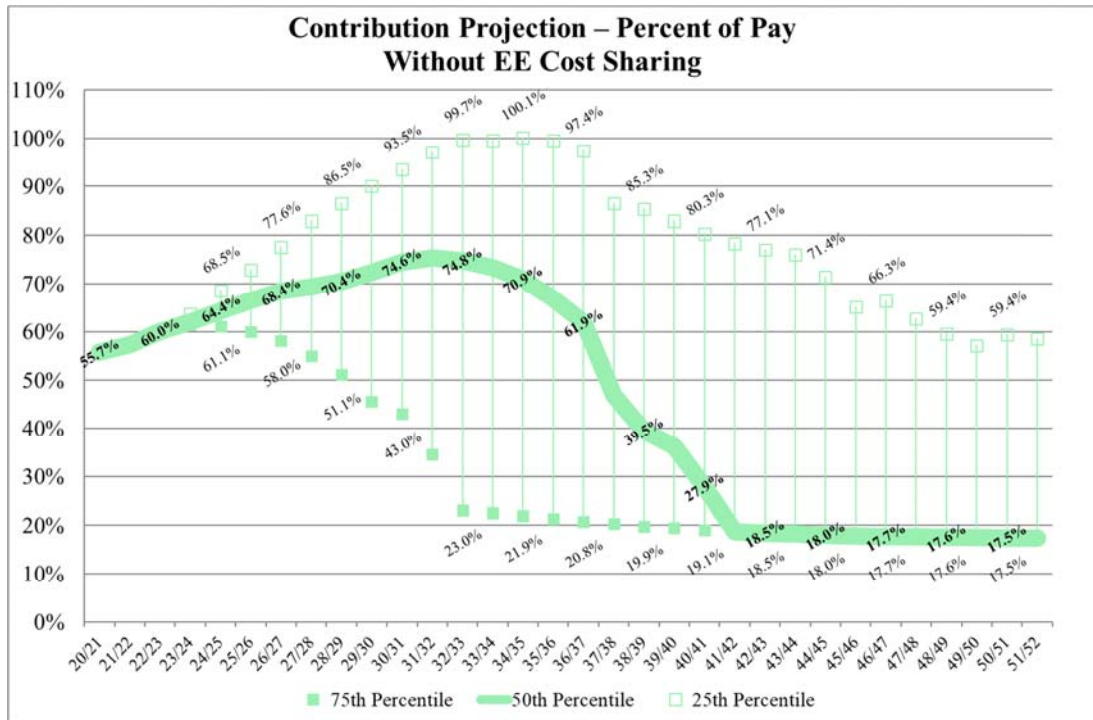
March 8, 2021

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CONTRIBUTION PROJECTIONS – SAFETY

Item 5.

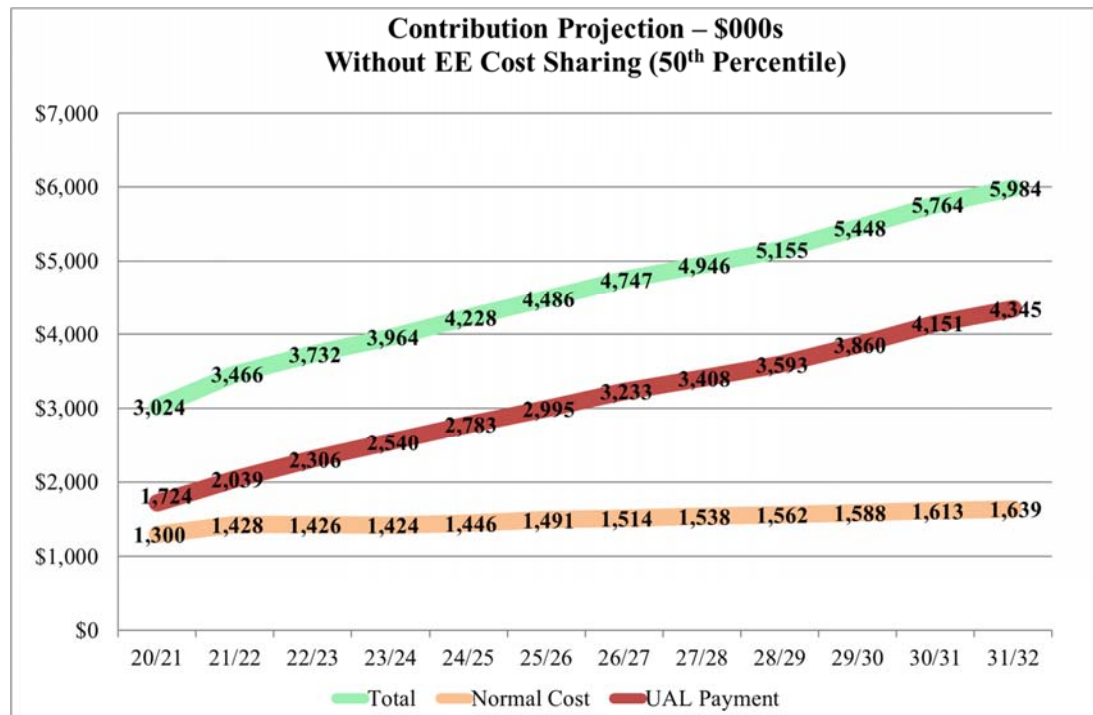


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CONTRIBUTION PROJECTIONS – SAFETY



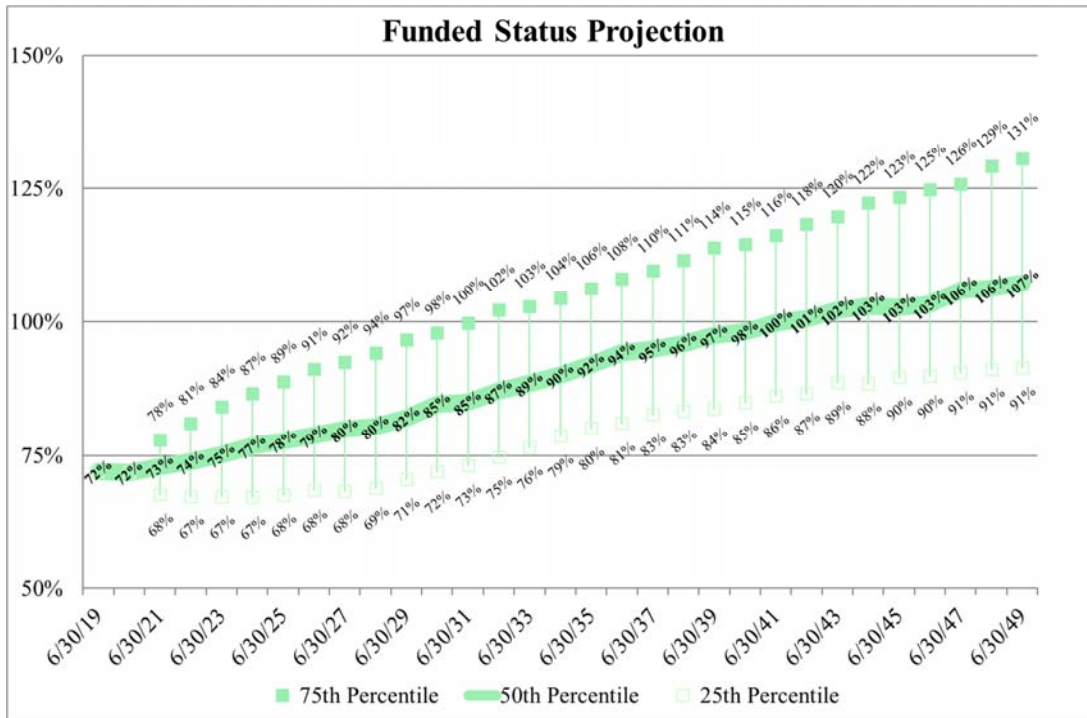
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FUNDED STATUS - SAFETY

Item 5.



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FUNDED STATUS - SAFETY

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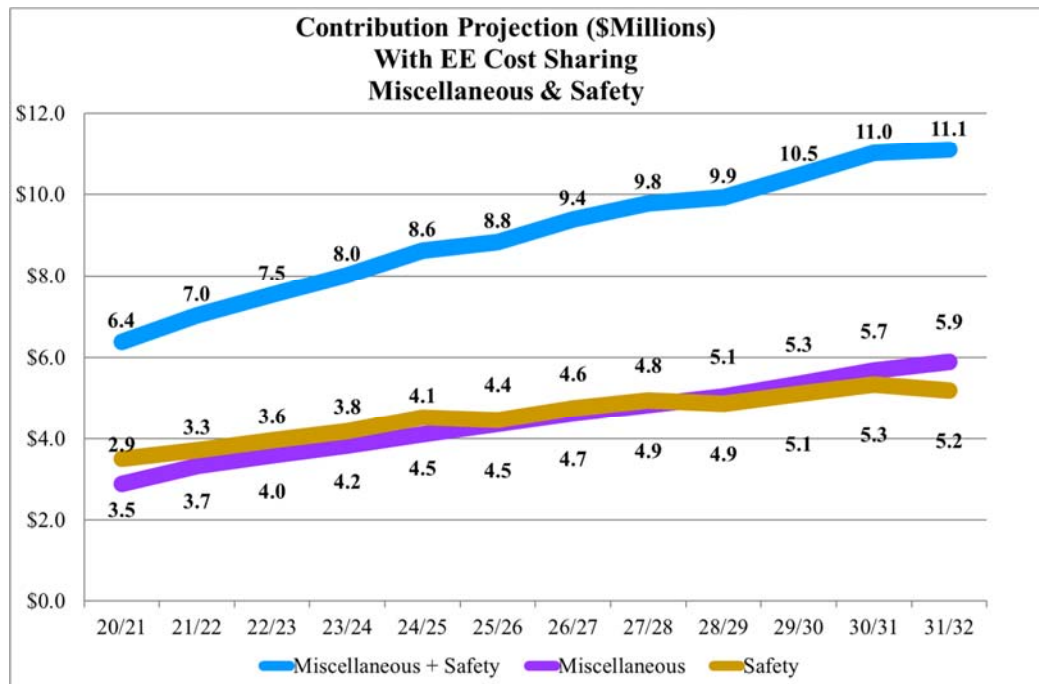
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COMBINED MISCELLANEOUS AND SAFETY

Item 5.



Reflects Additional Discretionary Payments \$4,753,965 made October 2019 and \$3,580,365 made July 2020.



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COMBINED MISCELLANEOUS AND SAFETY

Funded Status Summary on June 30, 2019 (Amounts in \$Millions)

	Miscellaneous	Safety	Total
■ AAL	\$ 112	\$ 97	\$ 209
■ Assets	<u>76</u>	<u>70</u>	<u>146</u>
■ Unfunded AAL	36	27	63
■ Funded Ratio	67.9%	72.0%	69.9%



March 8, 2021

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Additional CalPERS Contributions
Prefunding Option

■ **Direct Payment to CalPERS**

- Pay down a portion of the Unfunded Liability
 - Target specific bases (short or long)
- Fresh start amortization (more stable contribution)
 - Directly through CalPERS
 - Indirectly through budgeted contributions
- Funds invested per CalPERS' investment policy
- Contribution is lower but volatility remains
- Employer required to pay Normal Cost when 100% funded
- Sources of funds
 - General fund
 - Prior dedicated internal reserve
 - Pension Obligation Bond



March 8, 2021

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Direct Payment to CalPERS
Savings

Following illustrates the interest savings on Additional Discretionary Payments (ADPs) of \$4,753,965 made on October 18, 2019 (June 30, 2016 loss base) and \$3,580,365 made July 7, 2020 (June 30, 2015 loss base):

Target Bases	Estimated Savings	2021/22 Contribution Impact
October 18, 2019 ADP	\$4.8 million	
\$ Savings (000's)	\$6,299	\$(268)
PV Savings @ 3% (000's)	2,583	
July 7, 2020 ADP	\$3.6 million	
\$ Savings (000's)	\$4,382	\$(253)
PV Savings @ 3% (000's)	1,919	



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PREFUNDING OPTION

Item 5.

Direct Payment to CalPERS Prefunding Option

- Following illustrates additional \$1 million contribution to CalPERS on June 30, 2021:
- Miscellaneous Plan
 - Shortest Base: 2003 Assumption Change (4 years, \$1.1 million on 6/30/21)
Less interest savings, largest short-term contribution impact
 - Longest Base: 2013 Gain/Loss (24 years, \$10.9 million on 6/30/21)
Greater interest savings, smallest short-term contribution impact

Target Bases	Estimated Savings	2021/22 Contribution Impact
Shortest Bases	\$1 million	
\$ Savings (000's)	\$144	\$(275)
PV Savings @ 3% (000's)	78	
Longest Bases	\$1 million	
\$ Savings (000's)	\$1,042	\$(70)
PV Savings @ 3% (000's)	464	



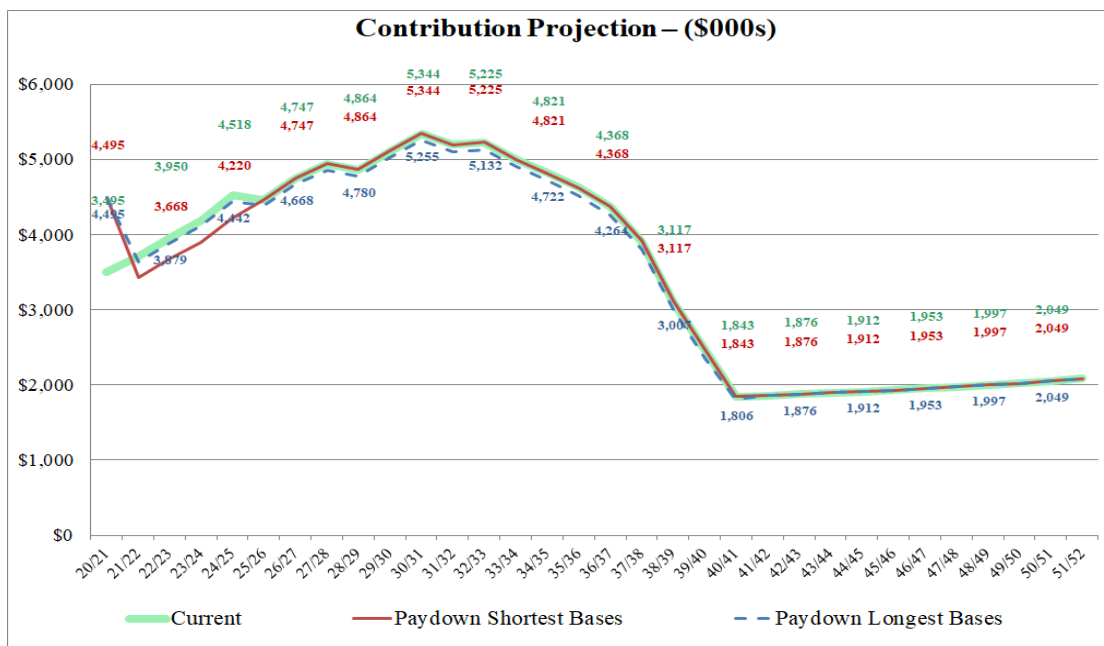
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PREFUNDING OPTION

Direct Payment to CalPERS Miscellaneous



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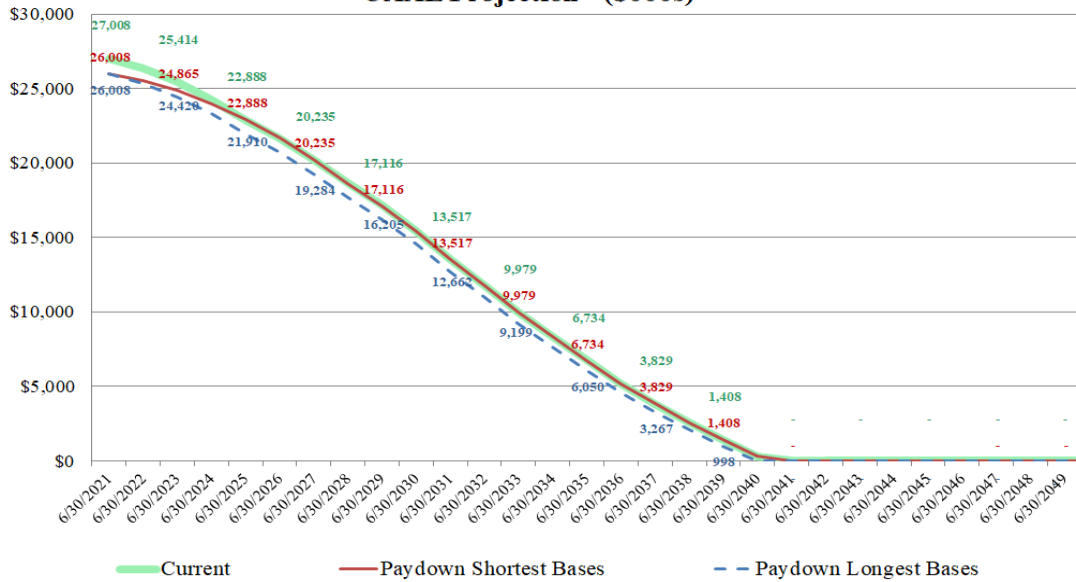
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PREFUNDING OPTION

Item 5.

Direct Payment to CalPERS
Miscellaneous
UAAL Projection – (\$000s)



March 8, 2021

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PREFUNDING OPTION

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TOWN OF LOS GATOS
FINANCE COMMISSION REPORT

MEETING DATE: 03/08/2021

ITEM NO: 6

Item 6.

DATE: February 28, 2021
TO: Finance Commission
FROM: Laurel Prevetti, Town Manager
SUBJECT: Review Capital Improvement Plan and Funding

RECOMMENDATION:

Review Capital Improvement Plan (CIP) and funding

BACKGROUND:

As the Finance Commission prepares to engage in the Town's budget development process per Measure A, staff and the Commission Chair thought an introduction to the Town's CIP program and funding would help facilitate that engagement.

CIP Approach

The CIP is a comprehensive five-year capital improvement plan designed to identify projects to develop and maintain the Town's infrastructure, consistent with the Town Council Core Goals of high quality infrastructure, community character, public safety, fiscal stability, good governance, and civic enrichment. Guidance for determining capital improvement projects is also derived from key plans, including the General Plan, Bicycle and Pedestrian Master Plan, and the Council's Strategic Priorities. Specifically, in January 2021, the Town Council established the 2020-22 Strategic Priorities (Attachment 1).

The Core Goals and Strategic Priorities guide the preparation of both the Capital and Operating Budgets. In terms of capital projects, the Town Council stated its priorities to continue implementation of the Comprehensive Parking Study, continue mobility improvements for all transportation modes, manage the vegetation on Town lands and roadways to protect against wildfire, and advance other needed improvements. All of these efforts support improving and enhancing traffic/transportation, public safety, and quality of life within the context of prudent fiscal management.

PREPARED BY: Arn Andrews
Assistant Town Manager

Reviewed by: Town Manager, Town Attorney, Parks and Public Works Director, and Finance Director

PAGE 2 OF 7

SUBJECT: CIP Review and Funding

DATE: February 28, 2021

BACKGROUND (continued):

CIP Purpose

In particular, the CIP is designed to identify projects and funds required to adequately develop and maintain the Town's infrastructure, which is consistent with the Town Council strategic goal of maintaining the condition and availability of public facilities. In addition, project prioritization criteria such as health and safety issues, infrastructure or system condition, short term versus long term impacts, and availability of external funding sources are assessed as part of the process that staff uses to rank projects from high to low in preparing the proposed CIP. The Town's Parks Commission and Complete Streets Commission meetings provide a public forum to discuss potential CIP projects and advice on priorities.

As it develops and matures in its application, the Town's Infrastructure Assessment Program will further support the Town's long-range Capital Improvement Program, focusing attention on the current and future infrastructure needs of the community and balancing these needs with funding requirements and financial resources. Other technology tools used in CIP development include the use of the geographic information system, the traffic monitoring system, electronic files for tracking unfunded projects and replacement schedules, and an asset management program to track work requests.

The Town's capital projects are categorized as follows:

The Streets Program provides funding for maintaining a functional street and pedestrian system. Proposed projects are consistent with the General Plan, provide for a safe and efficient traffic flow through intersections while minimizing unnecessary traffic movement and noise through residential neighborhoods, and provide street lighting for traffic safety at intersections and on public streets. Also included are sidewalk and bicycle lane improvements.

Street maintenance remains high Council priority to improve/maintain the Town's Pavement Condition Index (PCI), a standard rating of street conditions. The PCI reached a recent high rating of 74 in 2008 due to concentrated investments and is now at the level of 70 (2019 survey data). PCI ratings above 70 may provide expanded access to grant funds.

The Public Facilities Program includes projects for constructing and repairing public buildings and purchasing equipment. Town buildings include the Civic Center, the Library, Adult Recreation Center, Tait Avenue and Forbes Mill properties, and other assets. Although the Town owns the two of the three fire stations within Town limits, the Santa Clara County Fire District maintains them under contract.

The Parks Program includes projects for parks, park buildings, urban forestry, trails, and urban beautification.

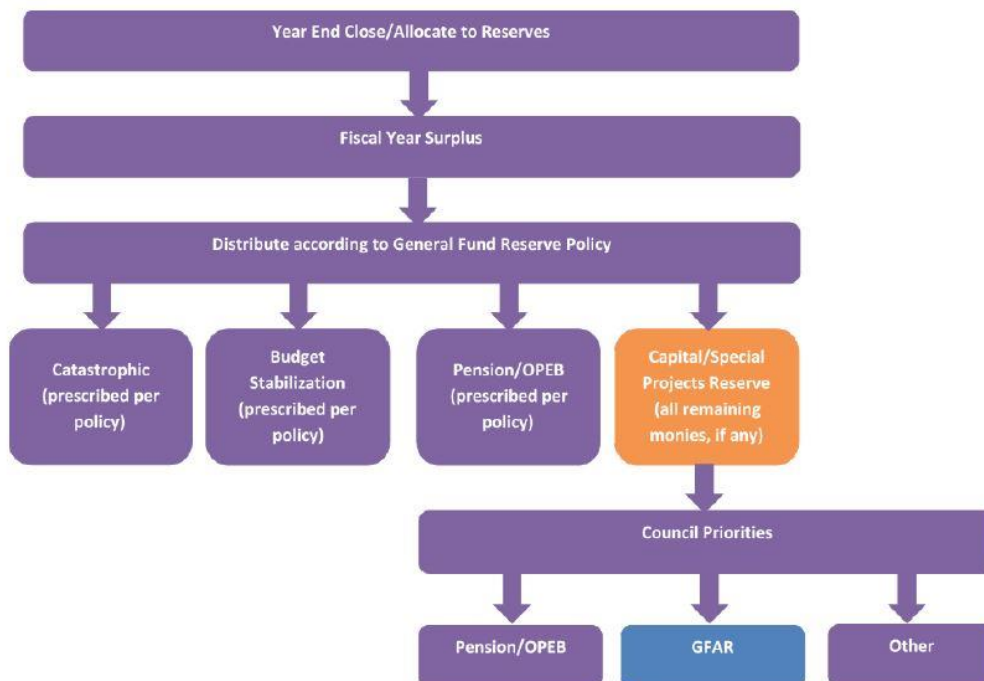
BACKGROUND (continued):

Attachment 2 contains a high-level overview of the status of the Town's current CIP program.

DISCUSSION:*CIP Financial Summary and Funding Sources*

As in the past, the Town continues to be challenged in its attempts to secure a reliable ongoing source of revenue for the Capital Improvements Program. The primary source of funding for the Town's capital program has been the Town's General Fund Appropriated Reserve (GFAR). As illustrated below per Council direction, this fund receives transfers from the General Fund's designated Reserve Capital/Special Projects, which receives most of the Town's annual revenues above operating expenditures (surpluses) after funding all legally restricted reserves at their required levels, including receipt of one-time funds from grants, property sales, and other reserves.

FISCAL YEAR SURPLUS FLOW OF FUNDS



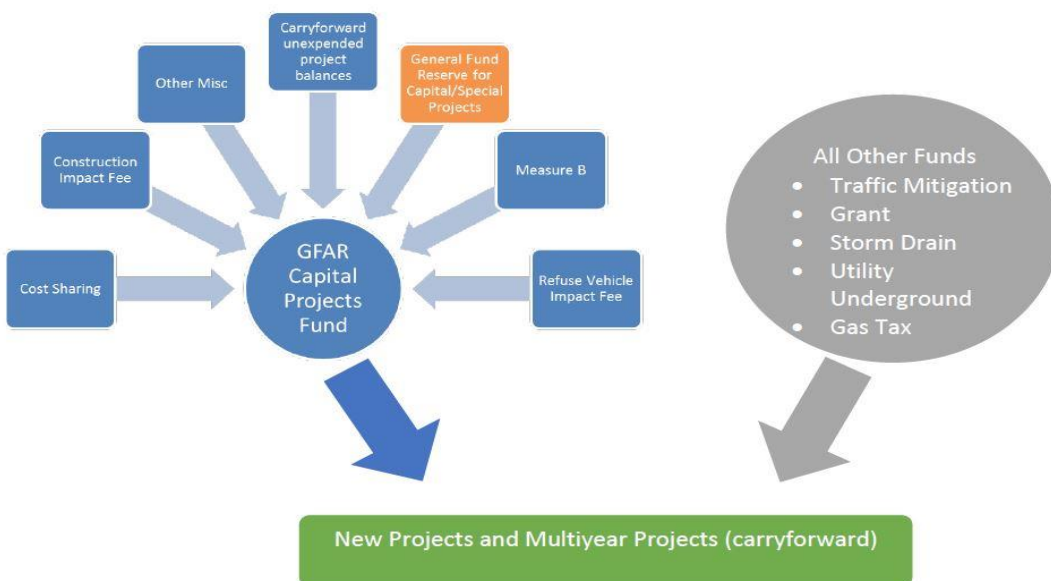
DISCUSSION (continued):

In recent years, the Council approved General Fund transfers to the GFAR fund in the amount of \$2.7 million for FY 2013/14, an additional “one-time” source allocation of \$6.6 million for FY 2014/15, and additional funding of \$6.9 million for the Almond Grove Street Rehabilitation project in FY 2016/17, \$2.8 million funding in FY 2017/18, \$2.4 million transfer in FY 2018/19, and \$5.8 million transfer in FY 2019/20. For FY 2020/21, the transfer to GFAR in the Adopted Budget is \$3.4 million.

It should be noted that annual salary savings often contributed to the available surpluses for the CIP. Since FY 2009/10 through FY 2019/20 (eleven fiscal years) the Town has averaged approximately \$2.8 million in annual year-end replenishments to the Town’s General Fund Capital/Special Projects Reserve. The replenishments were sourced primarily from available year-end budget savings. However, FY 2020/21 reflected the first year wherein staff had implemented a change in budget practice for non-safety positions changing top step budget allocations to current step plus one step increase in the following fiscal year. Staff anticipates that the change in budget practice is expected to decrease the potential for annual budget savings. Lower budget savings will likely result in decreased annual replenishments to the General Fund Capital/Special Projects Reserve in future years available for capital investment purposes.

In addition to the funding provided to GFAR by budgetary surpluses, the CIP receives funding from multiple other sources as illustrated below.

CAPITAL IMPROVEMENT PROGRAM



SUBJECT: CIP Review and Funding

DATE: February 28, 2021

DISCUSSION (continued):

State Gasoline Tax revenue is distributed to the Town from the State of California and recorded in the Gas Tax Fund. This tax is also known as the “Highway Users Tax” or the “Motor Vehicle Fuel License Tax.” The gasoline tax is an 18-cent per gallon tax on fuel used to propel a motor vehicle or aircraft. Gas Tax revenue is allocated to the Town based on a per gallon of gas purchased within the Town limits and based on population. These funds can only be used for new construction and reconstruction of Town streets.

As part of voter-approved measures from 2010 and the 2016 Measure B, the Town receives funding restricted for use in street maintenance through a vehicle registration surcharge and local sales tax. This funding source will be used for street rehabilitation Town-wide.

Additional revenue sources for GFAR include the Construction Impact Fee and a Refuse Vehicle Road Impact Fee. This Construction impact fee is assessed on construction projects based on the square foot size of the project at a rate of \$1.14 per square foot. These fees are intended to recover the damage caused to Town streets by construction traffic.

The Utility Undergrounding Fund serves as a funding source for activities generally undertaken in conjunction with street improvement projects. The Town receives Utility Undergrounding funding which is derived from a Town construction tax of 18 cents charged for each square foot of building addition or alteration within the Town.

The traffic impact mitigation fee assures that each new development or expansion of use pays its fair share of the transportation improvements needed to accommodate the cumulative traffic impacts. The fee is paid in full prior to issuance of the building permit for new development or expansion of use. This fee continues to play an important role in the Town’s ability to fund roadway improvements. Traffic Mitigation Funds must be used solely for construction of identified traffic and transportation improvement projects.

The Town receives grant funds from various sources that help address some of the maintenance and improvement costs associated with Town infrastructure. Grants include federally funded Surface Transportation Program (STP) funds which pay for general roadway capital improvements, and a combination of Federal Innovative Deployment to Enhance Arterials (IDEA) grant funds and State Vehicle Registration Fee (VRF) grant funds are contributing to the Traffic Signal Modernization project.

In addition, the Town utilizes Community Development Block Grant funds for specific qualifying projects, usually focused on accessibility.

The Town also receives funding from its Storm Drain Fund, which relies on an established charge of \$0.75 per square foot of impervious surface created by new development. This fee has not been adjusted for several years and should be evaluated in the future as part of the

DISCUSSION (continued):

Non-Point Discharge Elimination System storm water permit process and as part of a continuous review of development related fees. The following table illustrates the identified funding sources for FY 2020/21 – 2024/25 CIP:

Funding Sources for the FY 2020/21 - 2024/25 CIP		
Ongoing	Gas Tax	\$ 6,050,270
One-Time	GFAR	16,067,108
	Utility Underground Funds	4,436,000
	Traffic Mitigation Funds	415,027
	Grant Funds	11,114,483
	Storm Drain Funds	240,000
Total Funding Available		\$ 38,322,888

CIP Unmet Needs

In addition to the ongoing street and infrastructure maintenance requirements of the Town, staff has long identified a backlog of unmet infrastructure needs. During discussions of the necessity for the Measure G Sales Tax initiative, staff provided the following table of existing unmet needs at that time.

Item	Cost	Document
Parking Garage	\$12,500,000 to \$25,000,000 (total debt service)	March 20, 2018 Staff Report "Review Of Downtown Parking"
Traffic Mitigation Improvements	\$34,300,000 (the original \$48.0M total has been adjusted downward to reflect \$10.5M in Pavement Management, \$2.0M Blossom Hill Road widening over 17, and \$1.2M of projected North 40 improvements)	Attachment 1 of Amended 2014 Traffic Impact Policy Page C-35 of the 2018/19 Operating & Capital Summary Budget
Pavement Condition Index - Pavement Management	\$28,000,000 (5 years)	2016 Pavement Management Program/Budget Options Report (page-7 Budget Needs)
Hwy 17 Bicycle and Pedestrian Bridge	\$5,000,000 to \$10,000,000	Adopted 2018/19 Capital Improvement Program (page C-82)
TOTAL	\$79,800,000 to \$97,000,000	

PAGE 7 OF 7

SUBJECT: CIP Review and Funding

DATE: February 28, 2021

DISCUSSION (continued):

Since that time development of a parking garage was tabled due to lack of sufficient revenue for bond funding and subsequent recommendations in the Dixon Parking Study. In addition, estimates of funding for the Hwy 17 bicycle and pedestrian bridge project are now estimated to be \$25M. The Town also has identified storm system needs in excess of \$17M. An assessment of Town building facilities, sidewalks, and accessibility needs are underway.

CONCLUSION:

While the funding from GFAR greatly enhances the Town's ability to implement the CIP over the years, it is not enough to support future annual infrastructure maintenance or construct new facilities. Establishing a reliable, dedicated source of funding for basic capital improvements beyond the use of accumulated reserves remains a long-term need and important goal for the Town.

COORDINATION:

This report was coordinated with the Town Manager, Town Attorney, Assistant Town Manager, Parks and Public Works Director, and Director of Finance.

FISCAL IMPACT:

None

ENVIRONMENTAL ASSESSMENT:

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

Attachments:

1. 2021-2023 Strategic Priorities
2. Current CIP Project Matrix

STRATEGIC PRIORITIES FY 2021-2023



CORE GOALS: COMMUNITY CHARACTER • GOOD GOVERNANCE • FISCAL STABILITY • QUALITY PUBLIC INFRASTRUCTURE • CIVIC ENRICHMENT • PUBLIC SAFETY

ONGOING PRIORITIES

SAFETY

Emergency Preparedness

- CERT Recruitment and Training
- EOC Readiness and Emergency Plan Development

Fire Protection

- Vegetation management
- Implementation of Ad Hoc Wildfire Mitigation Plan

QUALITY OF LIFE

Community Vitality

- Diversity, Equity and Inclusion Efforts
- Engaging Seniors
- Events and Other Town-wide Efforts
- Community Engagement

Economic Vitality

- Policies and Ordinances

Land Use Planning

- Housing Element
- Potential Area Plans and rezoning to implement General Plan

TRAFFIC/TRANSPORTATION

Comprehensive Parking Study

- Short, Medium, and Long Term Actions

Transportation Demand Management

- Develop Measure B Transportation Projects
- Install Bicycle and Pedestrian Improvements
- Community Shuttle
- Summer/Rush Hour/School Traffic

PRUDENT FINANCIAL MANAGEMENT

Address Pension and OPEB Obligations

Explore New Revenue Opportunities

Sell or Lease Certain Town Properties

IN PROGRESS

General Plan 2040

- Objective Standards
- Environmental Sustainability/Climate Resiliency

Vehicle Miles Travelled Policy

Regional Transportation Issues

Dittos Lane Affordable Housing

Pandemic Recovery

Police Reforms

Inclusive Community Efforts

RECENTLY COMPLETED

Streamline regulations to enhance Town businesses

EOC Communication and Situational Awareness Upgrades

Leased Tait and Forbes Mill

Ad Hoc Wildfire Mitigation Plan

Capital Improvement Program

Project Status Update

The attached table provides a high-level overview of the status of the Town's Capital Improvement Program (CIP). The intent of the document is to demonstrate the breadth of projects and where work has begun. Because this is a high-level overview, this document is not intended as an in-depth budget review for each project.

The table is separated into two sections – one-time projects in the upper portion and ongoing projects in the lower portion. One-time projects are non-repetitive in their nature and once complete, are removed from the CIP with any remaining funds returned to the GFAR for re-allocation by the Council in future years.

Ongoing projects receive consistent funding over time and any fund balance is carried in the project for the next fiscal year. An example is street maintenance where the need is consistent and ongoing.

The table columns are explained as follows:

Column 1: A large number of the projects are in progress and this is noted by the blue shading of the project title. Progress is defined as the Town having made a significant financial commitment to the project in relation to the budget for that project.

Column 2: The CIP Page No. in this column is a cross reference to the Town's CIP Budget document to allow for ease of finding additional detail.

Column 3: This shows the budget allocated to the project in the current fiscal year only. Note that many of the projects had expenditures in prior years as projects often span multiple years.

Column 4 – This column identifies projects that have Town General Fund commitments through the GFAR. GFAR dollars are the most flexible in terms of use.

Column 5 – This column identifies projects that have grant funds commitments.

Column 6 – This column identifies projects that utilize other funding such as gas tax, traffic impact fees, information technology replacement funds, etc.

Column 7 – This column identifies projects that have matching fund requirements. These are typically grant funded projects.

Column 8 – This column demonstrates the current encumbrances and expenditures on the project as a means of demonstrating progress on the project. Note that some amounts in this column will exceed the current year's budget due to encumbrances that occurred in previous fiscal years that have not yet been paid.

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FY 2020/21 - 2024/25 CAPITAL IMPROVEMENT PROGRAM - PROJECT STATUS (11/21/2021)

Projects in blue cells have significant progress or are complete.

Dollar amounts are approximate.

Project	CIP Page No.	FY 20/21 Budget	GFAR	Grant	Other	Matching Funds	Expenses + Encumbrances	Status/ Comment
One Time Projects								
Guardrail Replacement Project	C-20	\$ 1,050,137	✓	✓		✓	\$ 107,278	Design
Massol Intersection Improvements	C-22	\$ 442,236	✓				\$ 338,623	Construction
Shannon Road Repair (Stabilization Study)	C-24	\$ 1,500,000	✓				\$ 63,073	Feasibility Study
Roadside Fire Fuel Reduction	C-26	\$ 250,000	✓				\$ 500,000	In progress. Combined funding with Vegetation Management project.
Parking Lot 4 Repair & Waterproofing	C-28	\$ 250,000	✓				\$ -	Project contract in progress.
Downtown Parking Lots Seal coat & Restriping	C-34	\$ 55,519	✓				\$ 2,934	
Hernandez Avenue Storm Drain Improvements	C-36	\$ -			✓		\$ -	
Shannon Road Class I Multi-Use Path	C-38	\$ 1,140,200	✓	✓	✓	✓	\$ 20,000	Feasibility Study
Utility Undergrounding Improvements - Rule 20A LGB	C-42	\$ 6,766,000			✓		\$ -	Construction
Traffic Signal Modernization	C-44	\$ 2,789,191		✓	✓	✓	\$ 753,088	Design & Construction
Bicknell Road Storm Drain Improvements	C-46	\$ 64,758			✓		\$ 4,500	Design
Stormwater Master Plan	C-50	\$ 118,290	✓				\$ 93,216	This plan will identify storm infrastructure capital deficiencies throughout Town.
Stormwater System - Pollution Prevention Compliance	C-52	\$ 298,578	✓				\$ -	Set aside for State mandates and addressing projects from the Stormwater Master Plan (see CIP
Public Art Gateway	C-54	\$ 15,004	✓				\$ 10,500	Artwork under construction. Delivery due March 1.
Parking Program Implementation	C-56	\$ 198,500	✓				\$ -	Employee permit program under development.
Pilot School Busing	C-60	\$ 412,091	✓				\$ -	GFAR funds of \$325,091 can revert to fund balance.
ADA Transition Plan	C-62	\$ 110,000	✓				\$ -	Consultant Procurement. Expect contract by March, 2021.

Project	CIP Page No.	FY 20/21 Budget	GFAR	Grant	Other	Matching Funds	Expenses + Encumbrances	Status/ Comment
Hwy 17/9 Interchange and Capacity Improvements - Hwy 17 Congestion Relief Project (@ SR 9)	C-64	\$ 600,000			✓		\$ -	Project preliminary design underway with VTA and Caltrans.
Downtown Streetscape Revitalization (COVID Economic Recovery)	C-66	\$ 1,924,062	✓				\$ 248,158	Additional financial commitments pending. Additional Council direction on 1-19-2021.
E. Main Street Speed Table/Raised Crosswalk	C-68	\$ 169,200	✓	✓		✓	\$ -	Consultant contract effective 2/1/21. Construction in summer 2022.
Local Road Safety Plan	C-70	\$ 100,000	✓	✓		✓	\$ -	Plan under way. Total commitment is \$80k (\$72k grant; \$8k GFAR)
Blossom Hill Road Traffic Study	C-72	\$ 125,000	✓				\$ 48,410	Study complete. Community meeting 1-28-2021. future capital project.
Winchester Class IV Bikeway	C-74	\$ 982,455	✓	✓		✓	\$ 139,538	Design completed. Construction to start in summer 2021.
VMT Mitigation Program	C-76	\$ 250,000	✓				\$ -	This funding will align traffic policies with VMT requirements and the updated General Plan.
Kennedy Sidewalk - LGB to Englewood	C-78	\$ -	✓	✓		✓	\$ -	Planned for FY 2022/23
Winchester Blvd. Complete Streets Final Design	C-80	\$ 165,826	✓				\$ 85,878	\$1m grant funding in 2021/22
Quito Road Bridge	C-86	\$ 285,087	✓			✓	\$ 235,087	Design
Highway 17 Bicycle & Pedestrian Bridge - Design	C-88	\$ 3,848,151	✓	✓	✓	✓	\$ 146,951	Consultant Procurement
Creek Trail & Park Pathway & Parking Lot Seal Coat & Striping	D-8	\$ 206,115	✓				\$ 160,953	Completed
Town Plaza Turf Repair	D-10	\$ 28,000	✓				\$ -	Spring project.
Outdoor Fitness Equipment	D-12	\$ 60,000	✓			✓	\$ 21,865	Project in construction.
Vegetation Management - Town-wide	D-14	\$ 487,188	✓				\$ 186,970	In progress
Open Space Trail Upgrades	D-20	\$ 152,000			✓		\$ -	
Forbes Mill Footbridge Improvements	D-22	\$ 63,451	✓				\$ 2,522	Planning for permanent lighting. Need PG&E power at the bridge.
Charter Oak Trail Repair	D-24	\$ 440,109			✓		\$ -	Commitment to spend Albright funds in the Charter Oaks neighborhood.
Trailhead Connector Project	D-26	\$ 312,155	✓	✓		✓	\$ 241,835	Design
Building Replacement at ation Yard	E-06	\$ 1,002,550	✓				\$ 721,387	Construction

Project	CIP Page No.	FY 20/21 Budget	GFAR	Grant	Other	Matching Funds	Expenses + Encumbrances	Status/ Comment
Facility Assessment	E-08	\$ 80,000	✓				\$ -	RFP has been released.
Library Carpet Replacement	E-10	\$ 56,500	✓				\$ 48,597	Complete.
ADA Upgrade Public Restrooms - Adult Recreation Building	E-14	\$ 250,000	✓	✓			\$ -	
Town Hall ADA Restrooms and HR Offices	E-16	\$ 450,000	✓				\$ -	
Plaza Level Railings - Code Upgrade	E-18	\$ 35,604	✓				\$ 33,060	Near complete. Railings need to be painted.
Waterproofing - Town-wide	E-20	\$ 75,000	✓				\$ -	Programmed roof replacement and repairs for spring.
Sound Mitigation in Library Lobby	E-22	\$ 22,000	✓			✓	\$ -	Library trust funds as matching.
Fire Suppression (Halon) for Server Rooms	E-24	\$ 194,396	✓				\$ 92,555	Nearly complete. Excess funds will revert to fund balance.
Police Headquarters Roof Repair	E-26	\$ 42,552	✓				\$ 40,304	
Adult Recreation Center - Floor Repair	E-28	\$ 100,000	✓				\$ -	
Information System Upgrade	E-34	\$ 114,785	✓				\$ 37,759	Testing started last year. Implementation will continue into next fiscal year.
Audio/Video System Upgrade	E-36	\$ 42,552	✓				\$ -	
Town-wide Document Imaging Project	E-38	\$ 16,990			✓		\$ 16,990	
Silicon Valley Regional Interoperability Project (SVRIP)	E-42	\$ 62,967	✓				\$ 33,598	
EOC Communication Upgrade	E-44	\$ 29,382	✓				\$ 24,520	Remaining funds needed for ongoing EOC upgrades.
IT Disaster Recovery Improvements	E-46	\$ 169,076			✓		\$ 27,023	
Computer-Aided Dispatch and Records Management System	E-48	\$ 389,048			✓		\$ 247,527	
Engineering Document Archiving	E-40	\$ 45,801	✓				\$ 78,084	In progress
Downtown Parking Study	A-11	\$ -	✓				\$ 48,484	Encumbered funds represent Dixon contract to assist with project implementation (see CIP page C-56)
Cut-thru Traffic Mitigation	A-11	\$ -			✓		\$ 33,446	

Project	CIP Page No.	FY 20/21 Budget	GFAR	Grant	Other	Matching Funds	Expenses + Encumbrances	Status/ Comment
Ongoing Projects - Recurring projects with regular funding provided to ensure asset stability.								
FY 2020/21 Street Repair & Resurfacing	C-06	\$ 3,981,908	✓	✓	✓	✓	\$ 473,462	
Traffic Calming Projects	C-12	\$ 35,799	✓				\$ 16,664	
Curb, Gutter, Sidewalk Maintenance	C-14	\$ 751,813	✓				\$ 5,821	
Retaining Wall Repairs	C-16	\$ 535,320	✓				\$ 170,066	
Annual Street Restriping	C-18	\$ 169,772	✓				\$ -	
Sidewalk Improvements - Multiple Locations	C-40	\$ 60,000	✓				\$ -	
Bicycle and Pedestrian Improvements	C-48	\$ 265,174	✓		✓		\$ 3,350	We can close this one.
Annual Storm Drain Improvement Project	C-58	\$ 420,300			✓		\$ -	
Parks Playground Fibar Project	D-06	\$ 49,264	✓				\$ -	Spring project bi-annually.
Town Beautification	E-12	\$ 25,386	✓				\$ 10,962	



**TOWN OF LOS GATOS
FINANCE COMMISSION REPORT**

MEETING DATE: 03/08/2021

Item 6.

ITEM NO: 6

DESK ITEM

DATE: March 8, 2021
TO: Finance Commission
FROM: Laurel Prevetti, Town Manager
SUBJECT: Review Capital Improvement Plan and Funding

REMARKS:

Attachment 3 contains public comments received after publishing the Staff Report and before 11:01 a.m. Monday March 8, 2021.

Attachments previously distributed with the Staff Report:

1. 2021-2023 Strategic Priorities
2. Current CIP Project Matrix

Attachment distributed with this Desk Item:

3. Public Comments

PREPARED BY: Arn Andrews
Assistant Town Manager

Reviewed by: Town Manager, Town Attorney, Parks and Public Works Director, and Finance Director

Subject: FW: Agenda Item #6 - Review of CIP and Funding
Attachments: final budget savings .docx; Pages from FY-201920-CAFR - GF Balance Sheet.pdf; Pages from FY-201920-CAFR-2 -G F Budget vs Actual.pdf; Pages from FY-201920-CAFR-3- Changes in GF balance.pdf; Staff memo on CIP.pdf

From: Phil Koen <pkoen@monteropartners.com>

Date: March 7, 2021 at 10:57:46 AM PST

To: Rob Rennie <RRennie@losgatosca.gov>, Matthew Hudes <MHudes@losgatosca.gov>, Ron Dickel <[REDACTED]>, Rick Tinsley <[REDACTED]>, Kyle Park <[REDACTED]>

Cc: Laurel Prevetti <LPrevetti@losgatosca.gov>, Arn Andrews <aandrews@losgatosca.gov>, [REDACTED], Lee Fagot <[REDACTED]>

Subject: Agenda Item #6 - Review of CIP and Funding

Ron,

I don't have the email addresses for all of the members of the Finance Commission. Perhaps you could pass my email to all of them. Please let me know if you have any questions.

Phil

ATTACHMENT 3

RE: Agenda Item #6 – Review of CIP and Funding

Dear Finance Commission Members,

I am writing to provide the Commission with a different perspective regarding the GFAR funding. I have attached a copy of the staff memo for your reference along with three exhibits:

- General Fund Balance Sheet
- General Fund Statement of Revenues, Expenditures and Change in Fund Balance – budget and actual
- Footnote 8 from the FY 20 CAFR – additions and deletions of fund balances

There are two issues that need to be discussed, which I have labeled A and B on the memo.

Issue A

The Staff makes the statement that “annual salary savings often contribute to the available surpluses for the CIP”. This statement implies that there is an equivalency between “year-end budget savings” and an “annual operating surplus”. The two are not equivalent.

The Staff defines a “budget savings” as occurring when a budgeted expenditure exceeds the actual expenditure. The delta between the actual expenditure and the higher budgeted expenditure is called a “savings”, even though in economic terms no money has really been saved. All that has happened is the budget expenditure is wrong since it anticipated a higher level of expenditure than was realized. It stands to reason that “savings” cannot be “manufactured” through a budgeting process which purposely inflates the budget for an expenditure. True savings flow from management actions taken to implement actual cost-cutting tactics such as departmental expense reductions or employee position reductions.

Historically the Staff has intentionally inflated the budget for certain expenditures, most notably non-safety salary expense. By using the highest pay step rather than the actual pay rate when preparing the salary budget and not factoring in a position vacancy rate, the Staff builds an “annual salary savings” into the annual General Fund operating budget. The amount of this “annual salary savings” has approached \$2 million in past years.

This is not a budgeting best practice and creates a fundamental misallocation of scarce financial resources during the budgeting process by assigning budget dollars to expenditure categories where there is no intention to spend these budgeted dollars. Worse, it misleads the public into believing that the Town will spend more money on critical services, such as safety or community services where there are many non-safety employees, than the Town truly intends. The important point here is the Staff intentionally increases the budget to create a “year-end budget savings” knowing there is never any intention to spend to the level that was budgeted.

The stated reason for doing this is the Staff maintains the “year-end budget savings” can be harvested as a source of funds to replenish the General Fund Capital/Special Project Reserve, which serves as the

primary source of funds for the General Fund Appropriated Reserve (GFAR). And this is the root cause of the issue.

The replenishment of the General Fund Capital/Special Project Reserve primarily comes from actual operating surpluses, **which only occurs when annual actual General Fund revenues exceed actual expenditures after funding all legally restricted reserves at their required levels (see page 3 of the Staff memo)**. In addition, the replenishment can come from re-allocating other General Fund reserves to the Capital/Special Project reserve. Let us examine the financial results for FY 2020, which will highlight this very issue.

As reported in the FY 20 General Fund Statement of Revenue and Expenditures, the Town reported an actual operating **deficit** of \$1.6m. This was because actual expenditures of \$44.3m exceeded actual total revenues of \$42.7m. In addition, the General Fund transferred out a net \$7.4m to other funds which included \$5.8m to the GFAR and an ADP of \$4.7m to Calpers. The operating deficit of \$1.6m combined with the \$7.4m net transfers out of the General Fund resulted in the General Fund Balance (also known as reserves) decreasing \$9m from prior year's level of \$38.3m to \$29.3m.

At the same time, there were “budget savings” totaling \$3.7m. This occurred because the final budget for operating expenditures exceeded the actual operating expenditures by \$3.7m. The majority of this “budget savings” came from public safety (\$1.2m) and community development (\$1.3m). These “savings” are explained in the CAFR as coming from staff vacancies and “salary and benefit savings”. But these “budget savings” play no role in determining the actual operating deficit, which is measured by actual revenues and actual expenditures. They are simply a “variance” between the final budget and the actual expenditures.

To push the point further, we need to review the change from FY 2019 to FY 2020 in the General Fund Capital/Special Project Reserve, which is the critical funding source for the GFAR. Footnote 8 in the FY 20 CAFR, reports that the Capital/Special Project reserve balance decreased by \$4.5m from a fund balance of \$13.3m in FY 2019 to \$8.8m as of June 30, 2020. The schedule shows the \$5.8m decrease associated with the funds transfer to the GFAR, but also shows a \$1.4m addition to the reserve. Where did this \$1.4m addition come from?

It cannot be from the General Fund operating surplus since there was no surplus in FY 20. And it did not come from “budget savings” since this is a variance between budgeted expenditures and actual expenditures and is not included in the calculation of operating surplus. The answer is the increase in the Capital/Special Project reserve was sourced from other General Fund reserves.

In FY 20, all General Fund Reserves (again refer to Footnote 8) decreased by \$13.6m. This decrease created a “source” of funds which were then “used” as follows:

- \$4.5m was recycled to create new General Fund reserve accounts, such as the Market Fluctuations reserve (\$1.2m) and the Measure G reserve (\$1.2m) and to increase existing reserves such the Capital/Special Projects reserve (\$1.4m) and Pension/OPEB reserve (\$.3m). The Town simply moved funds from the left-hand pocket to the right-hand pocket.
- \$7.5m was used to fund the net transfers out of the General Fund which included the transfer to the GFAR and the ADP to Calpers.
- \$1.6m was used to fund the operating deficit for the FY 20.

Money is fungible and the \$13.6m in “sources” equals the \$13.6m in “uses”. “Budget savings” are budget vs. actual variances and did not provide the \$1.4m addition to the Capital/Special Projects reserve.

The practice of intentionally inflating budgets should be changed to meet GFOA best practices. By using best practices, Los Gatos can compare the Town’s performance against other cities with similar demographics. As it is now, we measure ourselves against an inflated budget for non-safety employee salary and benefits which provides little insight into the efficiency of the Town’s delivery of services to residents and does not provide a source of funds for the Capital/Special Project reserve. Given the existing budgeting practice, the ability to have an insightful analysis of budget variances is greatly impaired and results in a weakened control structure over the operational execution/delivery of the annual budget.

Item B

The Staff memo notes that General Fund transfers to the GFAR fund have ranged over the years between \$2.7m and \$6.9m with the FY 21 budget calling for a \$3.4m transfer to the GFAR.

Given this long-standing history of funding transfers, why is the Staff only planning \$.6m in annual transfers from the General Fund to the GFAR has shown in the most recent 5-year forecast? Over the 5-year planning horizon, the current five-year forecast assumes a total of \$3.0m being transferred when history would suggest a cumulative transfer of approximately \$15m will be required. This would increase the cumulative five-year funding deficit from \$2.5m to \$17.5m. This is a material increase.

Additionally, the \$15m in cumulative fund transfers reflects a “normal” funding requirement to maintain the Town’s infrastructure. It certainly does not include any funds needed to build the \$25m proposed Highway 17 pedestrian bridge or the \$17m needed to improve the storm drain system, which are projects the Staff is currently reviewing. That would suggest that the \$17.5m deficit is a “best case” scenario.

The Finance Commission needs to launch a detailed review of the Town’s capital requirements for the next 10-years and develop a sound funding strategy. It is clear to many that the five-year projection is inaccurate and in no way represents the true capital required to maintain/improve the Town’s infrastructure. This is a very pressing issue that needs additional resident oversight and best thinking.

Thank you for your time and commitment to serve on the Finance Commission.

Phil Koen

**TOWN OF LOS GATOS
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2020**

	General	Appropriated Reserves	Other Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash & Investments	\$ 36,974,140	\$ 18,951,321	\$ 6,598,756	\$ 62,524,217
Restricted Cash & Investments	669,978	-	-	669,978
Receivables:				
Accounts	930,815	-	19,277	950,092
Interest	317,209	-	-	317,209
Intergovernmental	1,414,965	480,888	140,642	2,036,495
Other assets	30,960	-	-	30,960
Long term notes	159,000	-	78,752	237,752
Total Assets	\$ 40,497,067	\$ 19,432,209	\$ 6,837,427	\$ 66,766,703
LIABILITIES				
Accounts payable	\$ 957,782	\$ 2,561,695	\$ 4,181	\$ 3,523,658
Accrued payroll and benefits	1,696,044	-	4,734	1,700,778
Due to other governments	37,969	-	-	37,969
Unearned revenue	1,732,822	2,798,786	64,855	4,596,463
Deposits	6,736,953	-	-	6,736,953
Total Liabilities	11,161,570	5,360,481	73,770	16,595,821
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue	-	205,700	-	205,700
Total deferred inflows of resources	-	205,700	-	205,700
FUND BALANCE				
Restricted for:				
Capital Outlay	-	88,937	6,168,819	6,257,756
Pension	669,978	-	-	669,978
Repairs and Maintenance	-	-	190,250	190,250
Committed to:				
Budget Stabilization	5,427,603	-	-	5,427,603
Catastrophic	5,427,603	-	-	5,427,603
Pension/OPEB	4,532,500	-	-	4,532,500
Assigned to:				
Open Space	410,000	-	-	410,000
Parking	-	1,460,210	-	1,460,210
Sustainability	140,553	-	-	140,553
Capital/Special Projects	8,787,958	-	-	8,787,958
Comcast PEG	-	50,000	-	50,000
Market Fluctuations	1,218,732	-	-	1,218,732
Compensated Absences	1,539,408	-	-	1,539,408
Capital Projects	-	12,266,881	-	12,266,881
Measure G 2018 District Sales Tax	1,181,162	-	-	1,181,162
Special Revenue Funds	-	-	404,588	404,588
Total Fund Balances	29,335,497	13,866,028	6,763,657	49,965,182
Total Liabilities and Fund Balances	\$ 40,497,067	\$ 19,432,209	\$ 6,837,427	\$ 66,766,703

TOWN OF LOS GATOS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (GAAP)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
REVENUES				
Property Taxes	\$ 17,970,500	\$ 18,352,880	\$ 18,330,425	\$ (22,455)
Sales Taxes	8,001,917	8,723,000	7,531,425	(1,191,575)
Other Taxes	2,855,730	2,857,285	1,877,338	(979,947)
Franchise Fees	2,458,520	2,458,520	2,495,792	37,272
Licenses & Permits	4,672,534	4,672,534	4,053,537	(618,997)
Intergovernmental	988,441	1,165,460	1,104,075	(61,385)
Charges for Services	4,454,336	4,649,235	4,447,213	(202,022)
Fines and Forfeitures	483,950	483,950	271,117	(212,833)
Interest	629,774	629,774	2,266,134	1,636,360
Use of Property	35,793	35,793	31,039	(4,754)
Other	286,077	286,077	307,812	21,735
Total Revenues	42,837,572	44,314,508	42,715,907	(1,598,601)
EXPENDITURES				
Current:				
General Government:				
Town Council	240,605	240,605	206,164	34,441
Town Attorney	621,391	628,793	559,010	69,783
Administrative Services	4,815,138	4,881,105	4,380,504	500,601
Non-Departmental	3,873,255	8,201,520	7,878,468	323,052
Total General Government	9,550,389	13,952,023	13,024,146	927,877
Public Safety	16,940,786	16,995,583	15,793,815	1,201,768
Community Development	5,760,099	5,760,099	4,473,790	1,286,309
Parks & Public Works	8,070,068	8,328,730	8,139,106	189,624
Library Services	2,935,010	2,960,784	2,700,802	259,982
Capital Outlay	-	-	138,384	(138,384)
Total Expenditures	43,256,352	47,997,219	44,270,043	3,727,176
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(418,780)	(3,682,711)	(1,554,136)	2,128,575
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of assets	1,000	1,201,000	656	(1,200,344)
Transfers In	538,536	593,333	599,669	6,336
Transfers Out	(7,753,140)	(8,053,847)	(8,053,847)	-
Total Other Financing Sources (Uses)	(7,214,604)	(7,460,514)	(7,453,522)	(1,194,008)
NET CHANGES IN FUND BALANCES	\$ (7,633,384)	\$ (11,143,225)	(9,007,658)	\$ 934,567
BEGINNING FUND BALANCE, as restated			38,343,155	
ENDING FUND BALANCE			\$ 29,335,497	

*operating deficit
net transf out*

*"Budget
savings"*

The notes to the financial statements are an integral part of this statement.

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

Item 6.

NOTE 8 - FUND BALANCES, CONTINUED

As of June 30, 2020, fund balances were classified as follows:

	Beginning Balance	Adjustments	Adjusted Beginning Balance	Additions	Deletions	Ending Balance
Restricted for						
Capital Outlay	\$ 6,695,233	\$ -	\$ 6,695,233	\$ 1,522,139	\$ (1,959,616)	\$ 6,257,756
Pension	5,015,316	-	5,015,316	420,459	(4,765,797)	669,978
Repairs and Maintenance	208,139	-	208,139	41,603	(59,492)	190,250
Committed to:						
Budget Stabilization	5,419,222	-	5,419,222	8,381	-	5,427,603
Catastrophic	5,419,222	-	5,419,222	8,381	-	5,427,603
Pension/OPEB Reserve	4,232,500	-	4,232,500	300,000	-	4,532,500
Almond Grove Street Project	2,579,997	-	2,579,997	-	(2,579,997)	-
Assigned to:						
Open Space	562,000	-	562,000	-	(152,000)	410,000
Parking	1,460,210	-	1,460,210	-	-	1,460,210
Sustainability	140,553	-	140,553	-	-	140,553
Capital/Special Projects	13,262,303	-	13,262,303	1,434,141	(5,908,486)	8,787,958
Carryover Encumbrances	413,729	-	413,729	-	(413,729)	-
Comcast PEG	50,000	-	50,000	-	-	50,000
Market Fluctuations	-	-	-	1,218,732	-	1,218,732
Vehicle Maintenance & Stores						
Reserve	1,040,375	-	1,040,375	-	(1,040,375)	-
Workers' Compensation	1,232,654	-	1,232,654	-	(1,232,654)	-
Compensated Absences	1,232,653	372,628	1,605,281	-	(65,873)	1,539,408
Capital Projects	4,344,618	-	4,344,618	11,650,201	(3,727,938)	12,266,881
Measure G 2018 District Sales Tax	-	-	-	1,181,162	-	1,181,162
Special Revenue Funds	326,102	-	326,102	78,486	-	404,588
Total Fund Balance - All Governmental Funds	\$53,634,826	\$ 372,628	\$54,007,454	\$15,879,484	\$(15,121,052)	\$49,965,182

Σ 4,571,256 13,578,914

Restricted

Capital Outlay funded from storm drain fees, construction taxes and debt proceeds are legally restricted for major capital projects.

Repairs and Maintenance reflects legally restricted balances for repairs and maintenance of lighting and landscape property and open space property that are financed with special tax assessments on the benefiting property.

Pension amounts are cash and investments held for the purpose of paying for the pension liabilities. Monies are held in an IRS Section 115 Trust over which the Town has control.

General Fund mktg

FY2019

FY2020

A.F. Balance \$38,343,497

\$29,335,497

Δ (\$9,007,658)

under prior period adjustment
 \$372,628



TOWN OF LOS GATOS
FINANCE COMMISSION REPORT

MEETING DATE: 03/08/2021

ITEM NO: 6

Item 6.

DATE: February 28, 2021
TO: Finance Commission
FROM: Laurel Prevetti, Town Manager
SUBJECT: Review Capital Improvement Plan and Funding

RECOMMENDATION:

Review Capital Improvement Plan (CIP) and funding

BACKGROUND:

As the Finance Commission prepares to engage in the Town's budget development process per Measure A, staff and the Commission Chair thought an introduction to the Town's CIP program and funding would help facilitate that engagement.

CIP Approach

The CIP is a comprehensive five-year capital improvement plan designed to identify projects to develop and maintain the Town's infrastructure, consistent with the Town Council Core Goals of high quality infrastructure, community character, public safety, fiscal stability, good governance, and civic enrichment. Guidance for determining capital improvement projects is also derived from key plans, including the General Plan, Bicycle and Pedestrian Master Plan, and the Council's Strategic Priorities. Specifically, in January 2021, the Town Council established the 2020-22 Strategic Priorities (Attachment 1).

The Core Goals and Strategic Priorities guide the preparation of both the Capital and Operating Budgets. In terms of capital projects, the Town Council stated its priorities to continue implementation of the Comprehensive Parking Study, continue mobility improvements for all transportation modes, manage the vegetation on Town lands and roadways to protect against wildfire, and advance other needed improvements. All of these efforts support improving and enhancing traffic/transportation, public safety, and quality of life within the context of prudent fiscal management.

PREPARED BY: Arn Andrews
Assistant Town Manager

Reviewed by: Town Manager, Town Attorney, Parks and Public Works Director, and Finance Director

PAGE 2 OF 7

SUBJECT: CIP Review and Funding

DATE: February 28, 2021

BACKGROUND (continued):

CIP Purpose

In particular, the CIP is designed to identify projects and funds required to adequately develop and maintain the Town's infrastructure, which is consistent with the Town Council strategic goal of maintaining the condition and availability of public facilities. In addition, project prioritization criteria such as health and safety issues, infrastructure or system condition, short term versus long term impacts, and availability of external funding sources are assessed as part of the process that staff uses to rank projects from high to low in preparing the proposed CIP. The Town's Parks Commission and Complete Streets Commission meetings provide a public forum to discuss potential CIP projects and advice on priorities.

As it develops and matures in its application, the Town's Infrastructure Assessment Program will further support the Town's long-range Capital Improvement Program, focusing attention on the current and future infrastructure needs of the community and balancing these needs with funding requirements and financial resources. Other technology tools used in CIP development include the use of the geographic information system, the traffic monitoring system, electronic files for tracking unfunded projects and replacement schedules, and an asset management program to track work requests.

The Town's capital projects are categorized as follows:

The Streets Program provides funding for maintaining a functional street and pedestrian system. Proposed projects are consistent with the General Plan, provide for a safe and efficient traffic flow through intersections while minimizing unnecessary traffic movement and noise through residential neighborhoods, and provide street lighting for traffic safety at intersections and on public streets. Also included are sidewalk and bicycle lane improvements.

Street maintenance remains high Council priority to improve/maintain the Town's Pavement Condition Index (PCI), a standard rating of street conditions. The PCI reached a recent high rating of 74 in 2008 due to concentrated investments and is now at the level of 70 (2019 survey data). PCI ratings above 70 may provide expanded access to grant funds.

The Public Facilities Program includes projects for constructing and repairing public buildings and purchasing equipment. Town buildings include the Civic Center, the Library, Adult Recreation Center, Tait Avenue and Forbes Mill properties, and other assets. Although the Town owns the two of the three fire stations within Town limits, the Santa Clara County Fire District maintains them under contract.

The Parks Program includes projects for parks, park buildings, urban forestry, trails, and urban beautification.

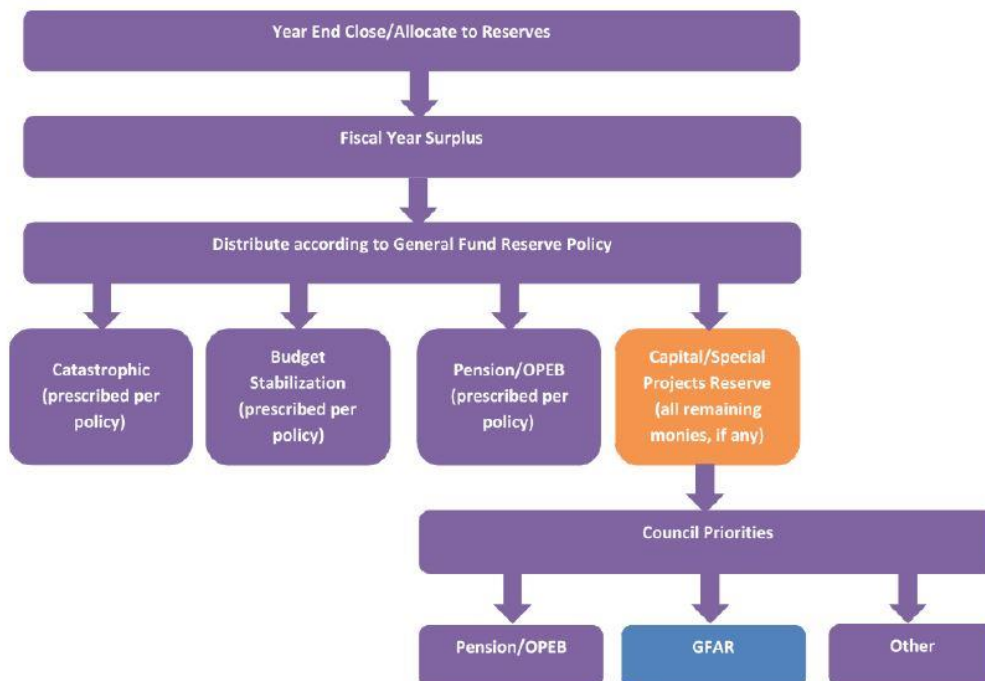
BACKGROUND (continued):

Attachment 2 contains a high-level overview of the status of the Town's current CIP program.

DISCUSSION:*CIP Financial Summary and Funding Sources*

As in the past, the Town continues to be challenged in its attempts to secure a reliable ongoing source of revenue for the Capital Improvements Program. The primary source of funding for the Town's capital program has been the Town's General Fund Appropriated Reserve (GFAR). As illustrated below per Council direction, this fund receives transfers from the General Fund's designated Reserve Capital/Special Projects, which receives most of the Town's annual revenues above operating expenditures (surpluses) after funding all legally restricted reserves at their required levels, including receipt of one-time funds from grants, property sales, and other reserves.

FISCAL YEAR SURPLUS FLOW OF FUNDS



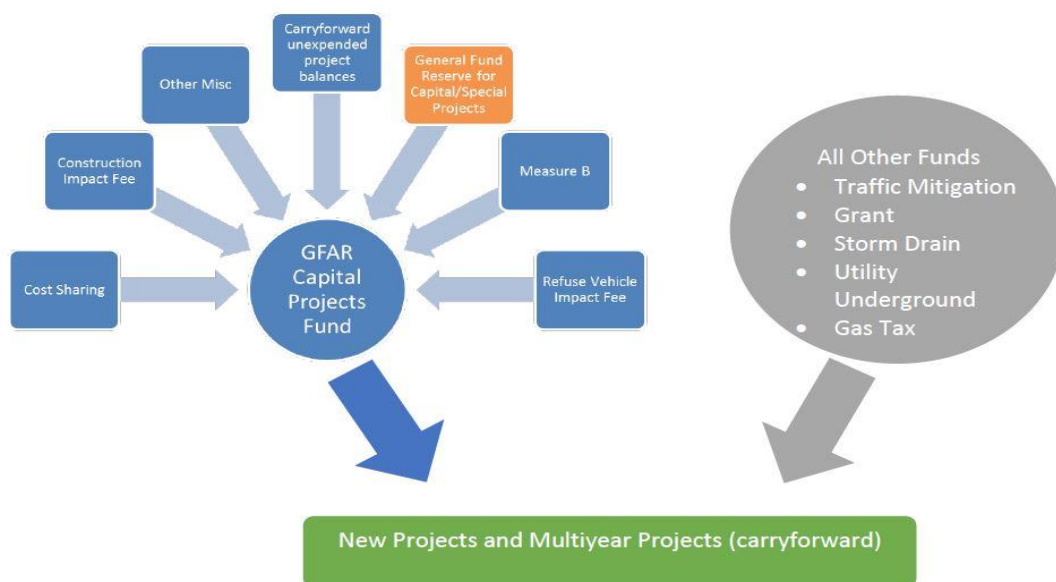
DISCUSSION (continued):

In recent years, the Council approved General Fund transfers to the GFAR fund in the amount of \$2.7 million for FY 2013/14, an additional "one-time" source allocation of \$6.6 million for FY 2014/15, and additional funding of \$6.9 million for the Almond Grove Street Rehabilitation project in FY 2016/17, \$2.8 million funding in FY 2017/18, \$2.4 million transfer in FY 2018/19, and \$5.8 million transfer in FY 2019/20. For FY 2020/21, the transfer to GFAR in the Adopted Budget is \$3.4 million.

It should be noted that annual salary savings often contributed to the available surpluses for the CIP. Since FY 2009/10 through FY 2019/20 (eleven fiscal years) the Town has averaged approximately \$2.8 million in annual year-end replenishments to the Town's General Fund Capital/Special Projects Reserve. The replenishments were sourced primarily from available year-end budget savings. However, FY 2020/21 reflected the first year wherein staff had implemented a change in budget practice for non-safety positions changing top step budget allocations to current step plus one step increase in the following fiscal year. Staff anticipates that the change in budget practice is expected to decrease the potential for annual budget savings. Lower budget savings will likely result in decreased annual replenishments to the General Fund Capital/Special Projects Reserve in future years available for capital investment purposes.

In addition to the funding provided to GFAR by budgetary surpluses, the CIP receives funding from multiple other sources as illustrated below.

CAPITAL IMPROVEMENT PROGRAM



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DISCUSSION (continued):

State Gasoline Tax revenue is distributed to the Town from the State of California and recorded in the Gas Tax Fund. This tax is also known as the “Highway Users Tax” or the “Motor Vehicle Fuel License Tax.” The gasoline tax is an 18-cent per gallon tax on fuel used to propel a motor vehicle or aircraft. Gas Tax revenue is allocated to the Town based on a per gallon of gas purchased within the Town limits and based on population. These funds can only be used for new construction and reconstruction of Town streets.

As part of voter-approved measures from 2010 and the 2016 Measure B, the Town receives funding restricted for use in street maintenance through a vehicle registration surcharge and local sales tax. This funding source will be used for street rehabilitation Town-wide.

Additional revenue sources for GFAR include the Construction Impact Fee and a Refuse Vehicle Road Impact Fee. This Construction impact fee is assessed on construction projects based on the square foot size of the project at a rate of \$1.14 per square foot. These fees are intended to recover the damage caused to Town streets by construction traffic.

The Utility Undergrounding Fund serves as a funding source for activities generally undertaken in conjunction with street improvement projects. The Town receives Utility Undergrounding funding which is derived from a Town construction tax of 18 cents charged for each square foot of building addition or alteration within the Town.

The traffic impact mitigation fee assures that each new development or expansion of use pays its fair share of the transportation improvements needed to accommodate the cumulative traffic impacts. The fee is paid in full prior to issuance of the building permit for new development or expansion of use. This fee continues to play an important role in the Town’s ability to fund roadway improvements. Traffic Mitigation Funds must be used solely for construction of identified traffic and transportation improvement projects.

The Town receives grant funds from various sources that help address some of the maintenance and improvement costs associated with Town infrastructure. Grants include federally funded Surface Transportation Program (STP) funds which pay for general roadway capital improvements, and a combination of Federal Innovative Deployment to Enhance Arterials (IDEA) grant funds and State Vehicle Registration Fee (VRF) grant funds are contributing to the Traffic Signal Modernization project.

In addition, the Town utilizes Community Development Block Grant funds for specific qualifying projects, usually focused on accessibility.

The Town also receives funding from its Storm Drain Fund, which relies on an established charge of \$0.75 per square foot of impervious surface created by new development. This fee has not been adjusted for several years and should be evaluated in the future as part of the

DISCUSSION (continued):

Non-Point Discharge Elimination System storm water permit process and as part of a continuous review of development related fees. The following table illustrates the identified funding sources for FY 2020/21 – 2024/25 CIP:

Funding Sources for the FY 2020/21 - 2024/25 CIP		
Ongoing	Gas Tax	\$ 6,050,270
One-Time	GFAR	16,067,108
	Utility Underground Funds	4,436,000
	Traffic Mitigation Funds	415,027
	Grant Funds	11,114,483
	Storm Drain Funds	240,000
Total Funding Available		\$ 38,322,888

CIP Unmet Needs

In addition to the ongoing street and infrastructure maintenance requirements of the Town, staff has long identified a backlog of unmet infrastructure needs. During discussions of the necessity for the Measure G Sales Tax initiative, staff provided the following table of existing unmet needs at that time.

Item	Cost	Document
Parking Garage	\$12,500,000 to \$25,000,000 (total debt service)	March 20, 2018 Staff Report "Review Of Downtown Parking"
Traffic Mitigation Improvements	\$34,300,000 (the original \$48.0M total has been adjusted downward to reflect \$10.5M in Pavement Management, \$2.0M Blossom Hill Road widening over 17, and \$1.2M of projected North 40 improvements)	Attachment 1 of Amended 2014 Traffic Impact Policy Page C-35 of the 2018/19 Operating & Capital Summary Budget
Pavement Condition Index - Pavement Management	\$28,000,000 (5 years)	2016 Pavement Management Program/Budget Options Report (page-7 Budget Needs)
Hwy 17 Bicycle and Pedestrian Bridge	\$5,000,000 to \$10,000,000	Adopted 2018/19 Capital Improvement Program (page C-82)
TOTAL	\$79,800,000 to \$97,000,000	

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DISCUSSION (continued):

Since that time development of a parking garage was tabled due to lack of sufficient revenue for bond funding and subsequent recommendations in the Dixon Parking Study. In addition, estimates of funding for the Hwy 17 bicycle and pedestrian bridge project are now estimated to be \$25M. The Town also has identified storm system needs in excess of \$17M. An assessment of Town building facilities, sidewalks, and accessibility needs are underway.

CONCLUSION:

While the funding from GFAR greatly enhances the Town's ability to implement the CIP over the years, it is not enough to support future annual infrastructure maintenance or construct new facilities. Establishing a reliable, dedicated source of funding for basic capital improvements beyond the use of accumulated reserves remains a long-term need and important goal for the Town.

COORDINATION:

This report was coordinated with the Town Manager, Town Attorney, Assistant Town Manager, Parks and Public Works Director, and Director of Finance.

FISCAL IMPACT:

None

ENVIRONMENTAL ASSESSMENT:

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

Attachments:

1. 2021-2023 Strategic Priorities
2. Current CIP Project Matrix