TOWN OF LOS GATOS
FINANCE COMMISSION AGENDA
SEPTEMBER 13, 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 SEPTEMBER 13, 2021 FINANCE COMMISSION 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: Please click this URL to join. https://losgatosca-gov.zoom.us/j/81764736054?pwd=Q2JUclJDUGoxaGs5b09DQU9nbkd6dz09 Passcode: 748144. You can also type in 81764736054 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.

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SEPTEMBER 13, 2021
110 EAST MAIN STREET
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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 Town business and may be approved by one motion. Any member of the Commission may request to have an item removed from the Consent Items for comment and action. Members of the public may provide input on any or multiple Consent Item(s) when the Chair asks for public comments on the Consent Items. If you wish to comment, please follow the Participation Instructions contained on Page 1 of this agenda. If an item is removed, the Chair has the sole discretion to determine when the item will be heard.)*

1. Approve Minutes of August 9, 2021 Finance Commission Meeting
2. Receive American Rescue Plan Act (ARPA) Update
3. Receive Council Capital Improvement Program (CIP) Funding Update
4. Review Recommended Changes to the Town's Operating Portfolio Investment Policy Acknowledging the Finance Commission and Forward for Approval to the Town Council
5. Review Recommended Changes to the Town's General Fund Reserve Policy to Address the Finance Commission's Request to Document the Market Fluctuation Reserve in a Town Policy and Forward a Recommendation to the Town Council

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.)*

6. Receive Subcommittee Report

7. Receive Information on Vacant Storefront Fee and Tax Assessment Programs (Continued from August 9, 2021)
8. Receive Information on Business License Amnesty (Continued from August 9, 2021)
9. Review the Town's Current Business License Tax Program Enacted in 1991 and Recommend that the Town Council Pursue Modernizing the Tax Schedule
10. Continue Discussion of Key Performance Indicators (Continued from July 12 and August 9, 2021)
11. Discuss Topics for Future Commission Agendas

ADJOURNMENT

TOWN OF LOS GATOS
FINANCE COMMISSION
AGENDA REPORT

MEETING DATE: 9/13/2021

ITEM NO: 1

DRAFT
Minutes of the Finance Commission Meeting
August 9, 2021

The Finance Commission of the Town of Los Gatos conducted a regular meeting via teleconference via COVID-19 Shelter in Place Guidelines on Monday, August 9 2021, at 5:00 p.m.

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

ROLL CALL
Present: Chair Ron Dickel, Vice Chair Kyle Park, Commissioner Loreen Huddleston, Commissioner Rick Tinsley, Vice Mayor Rob Rennie, and Council Member Matthew Hudes. (All participating remotely.)
Absent: Commissioner Stacey Dell

Staff Present: Town Manager Laurel Prevetti, Assistant Town Manager Arn Andrews, Finance Director Stephen Conway, Police Chief Peter Decena, Finance and Budget Manager Gitta Ungvari.

CONSENT ITEMS (TO BE ACTED UPON BY A SINGLE MOTION)
1. Approve Minutes of July 12, 2021 Finance Commission Meeting
2. Receive CEPPT 115 Trust Update
3. Receive Other Post Employment Benefit (OPEB) Trust Account Reports
4. Receive CalPERS Preliminary Investment Return for FY 2020/21
5. Receive the Fourth Quarter Investment Report (April through June 2021) for Fiscal Year 2020/21

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

VOTE: **Motion passed 4-0. Commissioner Dell was not present.**

VERBAL COMMUNICATIONS
None.

OTHER BUSINESS

7. Receive Subcommittee Report

Commissioner Huddleston summarized that the Finance Subcommittee would like staff to further fine-tune the flowchart of the Town's financial processes, procedures, policies, Budget, and Annual Financial Report development. Finance Subcommittee members have requested to participate in a sit-along with Finance Department staff.

Opened Public Comment.

None.

Closed Public Comment.

6. Discuss Upcoming Audit and Provide Feedback on June 30, 2020 Annual Financial Report with the Town's Independent Auditor

Ahmed Badawi, the Town Independent Auditor, provided status update on the audit. The auditor and staff members addressed Commissioners' questions.

Opened Public Comment.

None.

Closed Public Comment.

8 Receive ARPA Update

Arn Andrews, Assistant Town Manager, presented the report.

The Commission discussed the item.

Opened Public Comment.

None.

Closed Public Comment.

9 Review of Market Fluctuation Reserve (Continued from July 12, 2021)

Stephen Conway, Finance Director, presented the report.

Opened Public Comment.

Lee Fagot – Call the Market Fluctuation Reserve a Phantom Reserve.

Closed Public Comment.

The Commission recommended that staff develop a written policy for the reservation of interest related to market fluctuation.

10. Review Police Costs Relative to Total Expenditures and Revenues (Continued from July 12, 2021)

Arn Andrews, Assistant Town Manager, presented the report.

Opened Public Comment.

None.

Closed Public Comment.

The Commission discussed the item.

11. Review the Draft Request for Proposals (RFP) for Professional Auditing Services

Arn Andrews, Assistant Town Manager, presented the report.

Opened Public Comment.

None.

Closed Public Comment.

The Finance Commission suggested edits to the Final RFP for Professional Auditing Services which will be incorporated prior to its release.

12. Receive Information on Vacant Storefront Fee and Tax Assessment Programs
13. Receive Information on Business License Amnesty
14. Continue Discussion of Key Performance Indicators (Continued from July 12, 2021)
15. Discuss Topics for Future Commission Agendas

Due to the length of the meeting, Chair Dickel moved Items 12, 13, 14 and 15 to the next Finance Commission meeting on September 13, 2021.

ADJOURNMENT:
The meeting adjourned at 7:00 p.m.

This is to certify that the foregoing is a true and correct copy of the minutes of the August 9, 2021 meeting as approved by the Finance Commission.

____
Gitta Ungvari, Finance and Budget Manager

TOWN OF LOS GATOS
FINANCE COMMISSION REPORT

MEETING DATE: 09/13/2021
ITEM NO: 2

DATE: September 7, 2021

TO: Finance Commission

FROM: Laurel Prevetti, Town Manager

SUBJECT: Receive American Rescue Plan Act (ARPA) Update

RECOMMENDATION:

Receive ARPA update.

DISCUSSION:

On August 17, 2021, the Town Council received a staff report updating the Council on COVID-19 economic recovery and community vitality response. Contained in the report were recommendations to allocate ARPA funding of $680,000 toward the semi-permanent parklet program and $40,000 toward temporary krail. With those allocations, the table below illustrates total ARPA Council commitments to date.

	FY 2020/21 & FY 2021/22
Estimated ARPA Funds	$7,229,744
Replace Lost Revenue	$3,275,446
Economic Development	
• Parklets	$930,000
• CUP Fee waiver	$50,000
• Destination Marketing	$55,000
• K-Rail	$40,000
Totals	$1,075,000

PREPARED BY: Arn Andrews
Assistant Town Manager

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

Nonprofit Assistance • Rent Waiver • Direct Grants • Enhanced Senior Services Totals	 $341,452 $60,000 $500,000 $901,452
Total Allocations	$5,251,898
Total ARPA Funds Unallocated	$1,977,846

Staff continues to monitor additional guidance from the federal government on eligible uses of ARPA funds. There is no new guidance at this time.

TOWN OF LOS GATOS
FINANCE COMMISSION REPORT

MEETING DATE: 09/13/2021
ITEM NO: 3

DATE: September 7, 2021

TO: Finance Commission

FROM: Laurel Prevetti, Town Manager

SUBJECT: Receive Council Capital Improvement Program (CIP) Funding Update

RECOMMENDATION:

Receive Council CIP Funding Update.

DISCUSSION:

On June 1, 2021, the Town Council approved the Fiscal Year 2021/22 – 2025-26 CIP. During the development of the CIP, very few funds were available to add to the program. Since adoption, the Council allocated additional funds of $2,250,000 to the General Fund Allocated Reserve (GFAR) for capital projects. This includes funds from property sales, 50% of previously collected Measure G revenue through June 2020, and 50% of estimated Measure G revenue during FY 2020/21. In addition, the Council expressed an interest in reviewing the CIP with the addition of information on how the projects serve varying needs of the community, including quality of life and equity.

Following allocation of the $2,250,000, two funding commitments were made by Council action. As the budget was being finalized, the Town Council allocated an additional $575,000 to the Vegetation Management project, $500,000 in alignment with recommendations from the Finance Commission and $75,000 to match grant requests through the Federal Emergency Management Association (FEMA). With those commitments, the available CIP funding was $1,675,000.

On August 17, 2021, the Town Council reviewed the FY 2021/22 CIP project status and the unfunded CIP project list (Attachment 1) and made the following additional project requests:

- Lynne Avenue Pedestrian Path Design - $75,000
- Public Art - $32,000
- Union Avenue Community Garden - $35,000

PREPARED BY: Arn Andrews
Assistant Town Manager

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

DISCUSSION (continued):

- Downtown Signage - $400,000
- Blossom Hill Road Traffic Calming - $200,000
- Roadside Vegetation Management - $500,000

Collectively these additional CIP allocations totaled $1,242,000.

On September 7, the Council added the Town Hall security project to the CIP at a cost of $110,000.

With these decisions, unallocated CIP funds now total $323,000.

Attachments:
1. August 17, 2021 Council Staff Report

TOWN OF LOS GATOS

COUNCIL AGENDA REPORT

MEETING DATE: 08/17/21

ITEM NO: 12

DATE:	August 11, 2021
TO:	Mayor and Town Council
FROM:	Laurel Prevetti, Town Manager
SUBJECT:	Review the Fiscal Year 2021/22 – 2025/26 Capital Improvement Program Budget and Determine Any Additional Investments Based on Additional Funding Allocated for Capital Purposes

RECOMMENDATION:

Review the Fiscal Year (FY) 2021/22 – 2025/26 Capital Improvement Program (CIP) Budget and determine any additional investments based on additional funding allocated for capital purposes.

BACKGROUND:

On June 1, 2021, the Town Council approved the Fiscal Year 2021/22 – 2025-26 CIP. During the development of the CIP, very few funds were available to add to the program. Since adoption, the Council allocated additional funds of $2,250,000 to the General Fund Allocated Reserve (GFAR) for capital projects. This includes funds from property sales, 50% of previously collected Measure G revenue through June 2020, and 50% of estimated Measure G revenue during FY 2020/21. In addition, the Council expressed an interest in reviewing the CIP with the addition of information on how the projects serve varying needs of the community, including quality of life and equity.

DISCUSSION:

Following allocation of the $2,250,000two funding commitments were made by Council action. As the budget was being finalized, the Town Council allocated an additional $575,000 to the Vegetation Management project, $500,000 in alignment with recommendations from the Finance Commission and $75,000 to match grant requests through the Federal Emergency Management Association (FEMA). With those commitments, the available CIP funding now

PREPARED BY: Matt Morley
Parks and Public Works Director

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

ATTACHMENT 1

SUBJECT: Review the Fiscal Year 2021/22 – 2025/26 Capital Improvement Program Budget and Determine Any Additional Investments Based on Additional Funding Allocated for Capital Purposes
DATE: August 11, 2021

DISCUSSION (continued):

totals $1,675,000. It is not necessary to program all of these funds, and it may make sense to leave some funds unallocated to address potential unidentified needs over the course of the year.

Attachment 1 provides a staff prioritized list of projects for new or additional funding to advance additional CIP work. Staff manages and updates this list over time to ensure that requests can be considered for funding when appropriate. The total list exceeds $29M in projects. The list prioritizes projects into four categories and identifies the areas where each project may serve the needs of the community:

Priorities (High to Low)		Community Impacts
1. Safety		Safety
2. Economic Vitality		Equity
3. Critical Capital Maintenance		Quality of Life
4. Infrastructure Improvements		Mandate
		Capital Maintenance
		Capital Improvement

Attachment 1 may be a good starting point for discussion on allocating funds. Although the list is provided in priority order based on the above priorities, there are times when projects further down the list may warrant priority funding, especially smaller lower cost projects that might have a big impact to the public.

Based on the current list, staff recommends the following funding allocations to the FY 2021/22 Capital Improvement Program, with remaining funds to remain in the GFAR for future allocations:

Project	Cost
Security Enhancements at Civic Center Recent nefarious activity between the Civic Center and Pageant Grounds has created the need to secure that area with fencing and gates. This is a new project.	$275,000

DISCUSSION (continued):

Project	Cost
Downtown Parking Signage Staff is negotiating with a consultant to design the project. Looking forward, once the design is complete, limited funds are available for construction and installation of the signs. This augments an existing project.	$400,000
Blossom Hill Road Traffic Calming A traffic study completed last year identifies modifications to Blossom Hill Road between Camelia Terrace and Hillbrook. This augments an existing project.	$200,000 design $950,000 construction (leave unfunded)
Total	$875,000

Unfunded Needs Assessment

Other elements of Town infrastructure are undergoing detailed analysis to identify capital needs. These assessments are ongoing and together with the specific project list of Attachment 1, tell a capital needs story for the Town. In summary, these needs include:

Category	Funding Need
Facilities Deferred Maintenance	$12.7M
Stormwater Infrastructure	$15 M
Pavement Maintenance (PCI of 75) over 5 years	$13.5M
ADA Transition Plan	$ TBD
Total	**$41.2M**

Projects of Special Interest

Downtown Streetscape - The original intent to begin setting aside funding for this project required a pivot due to COVID-19, with a focus on economic recovery taking precedent and allocating the majority of the funding previously set aside. An ideal future schedule might include a pause to allow economic recovery to take hold with a re-engagement in the original project beginning in 2023 with early design and outreach efforts and a 7–10-year horizon for project completion. Incremental accumulation of funds over time may be an option to avoid future funding challenges. Shifting eligible semi-permanent parklet expenses to American

DISCUSSION (continued):

Rescue Plan Act (ARPA) funds may be a possibility for restoring funding to the streetscape project.

Fire Fuel Reduction – The project addresses fire risk mitigation along roadsides and in open space in the Wildland Urban Interface (WUI). Funding opportunities for this project include the following:

Source	Amount
Additional Council appropriated funds in CIP	$500,000
Federal Budget Earmark	$750,000
FEMA Funding – Roadside	$1,500,000
FEMA Funding – Open Space	$1,300,000
Total Potential Funding	**$4,050,000**

Funding for FEMA projects requires a 25% match and work completed prior to the grant authorization cannot be used for a match and is not reimbursable under the grant. The Town funds could be used for a match, but those funds could not be expended prior to FEMA approval. The Council may wish to provide direction on taking continued fuel reduction activities now or waiting for FEMA approval, a timeframe of six months or more.

Reviewing the Current CIP

The current CIP has been presented in Attachment 2 in a format meant to support the information in the annual "budget book" and to provide an at a glance view of each project with key metrics. This graphical presentation highlights the community elements that each project addresses, project challenges, funding sources and budget information, funding status, and schedule information.

These worksheets are meant to be a tool to help assess both individual projects and the CIP as a whole. The Council may want to provide feedback on the attachment with respect to the information provided and any modifications that might make it more useful.

CONCLUSION:

The Town has significant capital expenditure needs competing for limited funds. Prioritization of projects and goals helps to ensure existing infrastructure is maintained in a cost-effective manner while new amenities are added at a balanced and reasonable rate.

FISCAL IMPACT:

Any actions taken by the Town Council may have corresponding fiscal impacts in the FY 2021/22 – 2025/26 CIP.

ENVIRONMENTAL ASSESSMENT:

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

Attachments:
1. Fiscal Year 2021/22 CIP Unfunded Project List
2. Graphical Presentation Fiscal Year 2021/22 Capital Improvement Program

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Fiscal Year 2021/22 CIP Unfunded Project List

Rank-
1 - Safety 2 - Economic Vitality
3 - Critical Cap Maintenance 4 - Infrastructure Improvements

Rank	Project	Program	GFAR Add Amount	Safety	Equity	Quality of life	Mandate	Maintenance	Improvement
1	Security Enhancements at Civic Center	Facilities	$ 275,000	✓					✓
1	Neighborhood Traffic Calming	Streets	$ 250,000	✓	✓	✓			✓
2	Downtown Parking Signage	Streets	$ 400,000						✓
2	Blossom Hill Road Traffic Calming	Streets	$ 950,000	✓	✓	✓			✓
3	Shannon Road Repair	Streets	$ 3,500,000	✓				✓	
3	Sidewalk Infill Across from Fisher Middle School	Streets	$ 250,000	✓	✓				✓
3	ARC replace FCU (HVAC)	Facilities	$ 100,000					✓	
3	CNG station decommission	Facilities	$ 100,000					✓	
3	La Rinconada play structure	Parks	$ 200,000	✓				✓	
3	Oak Meadow Air Force Plane Coating	Parks	$ 55,000	✓				✓	
4	Union Ave Community Garden	Parks	$ 500,000		✓	✓			✓
4	Townwide drinking fountain to hydration station	Parks	$ 50,000			✓			✓
4	Public Art Gateway #2	Arts Commission	$ 28,000			✓			✓
4	Public Art - Santa Cruz Ave @ Highway 9	Arts Commission	$ 21,000			✓			✓
4	Downtown Streetscape	Streets	$ 10,000,000			✓			✓
4	Highway 17 BPOC (local match funds)	Streets	$ 1,800,000	✓	✓	✓			✓
4	Montebello Way Island Removal	Streets	$ 20,000						✓
4	Oak Hill Play Lot and Hardscape	Parks	$ 200,000	✓				✓	
4	Roberts Road West Trail Connector - 30% Design	Parks	$ 100,000	✓	✓	✓			✓
4	Charter Oaks Trail Project	Parks	$ 750,000	✓	✓	✓		✓	
4	Union Avenue Sidewalks	Streets	$ 1,500,000	✓	✓	✓			✓
4	Oak Meadow Fencing Replacement	Parks	$ 125,000					✓	
4	Lynne Ave Pedestrian Path Design	Parks	$ 75,000	✓	✓	✓			✓
4	Los Gatos Almaden Road Improvments	Streets	$ 6,000,000	✓	✓	✓			✓
4	Civic Center Irrigation System Replacement	Parks	$ 200,000					✓	
4	La Rinconada Park Turf Renovation	Parks	$ 200,000					✓	
4	Oak Meadow Restroom Expansion	Parks	$ 750,000		✓	✓			✓
4	Live Oak Manor Park Turf Rehab	Parks	$ 200,000			✓		✓	
4	Blossom Hill Park Turf Rehab	Parks	$ 200,000			✓		✓	
4	North SC Sidewalk Repair north of Hwy 9	Streets	$ 1,000,000	✓				✓	
		TOTALS	**$ 29,799,000**						

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Graphical Presentation
Fiscal Year 2021/22 Capital Improvement Program

The following pages provide an alternative look at the Town's Capital Improvement Program.
Some key highlights include:
• This document is meant to be used in conjunction with the published budget and may reflect additional information not contained in the budget document, such as future funding needs.
• This is an evolving effort and input to make it more useful is always welcome.

Navigating the Worksheets:

This Project Addresses:
• Each project identifies a series of targets and measures the degree to which the project addresses those targets. This can be found in the upper left box on each page.
• The ratings may be subjective and discussion on the ratings may be appropriate.

Project Challenges:
Many projects have challenges. These are addressed in this box.

Funding Sources:
An at a glance funding summary. Additional information is available in the published CIP.

Budget Estimate Summary:
High level look at the design, construction, and total cost of a project.

Funding Status:
Reflection on the funds in place to deliver the project. Red is low funding, green is high funding.

Schedule (chart):
Designates the percentage of the project costs for design and construction and a marker for the current status.

Schedule (table):
Provides target dates for the project.

Comments:

Data Highlights

Number of Projects that Address Some Element of:

Category	Count
Equity	31
Quality of Life	34
Mandates	9
Capital Improvement	34
Capital Maintenance	19

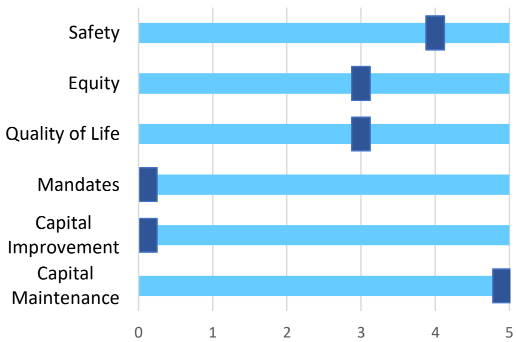
Project Funding Status	# Projects
Red	10
Yellow	2
Green	38

Attachment 2

Project: **Annual Street Reconstruction & Resurfacing** **Budget Bk** **C-6**

Description: Pavement repair and repaving project townwide.

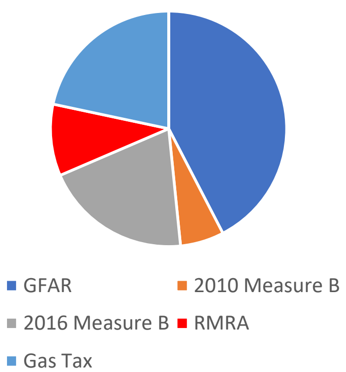
This Project Addresses:



Project Challenges

- Demand for pavement contractors affects scheduling/ availability.
- Funding makes increasing Pavement Condition Index (PCI) difficult.

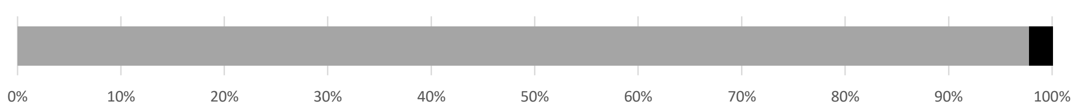
Funding Sources



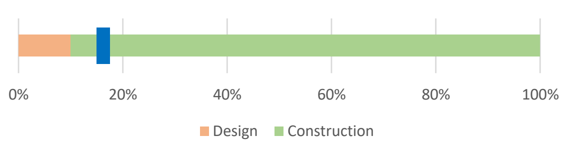
Budget Estimate Summary

Design	$	100,000
Construction	$	6,070,196
TOTAL	$	6,170,196

Funding Status



Schedule



Schedule

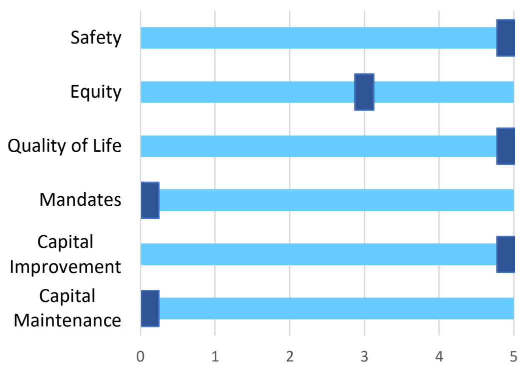
Start	9/1/2020
Finish Design	8/1/2021
Finish Construction	11/1/2021

Comments: Due to project delivery schedule for previous fiscal year, the funding shows two years of funds.

Project: **Traffic Calming** **Budget Bk** **C-12**

Description: Work with resident requests for traffic calming solutions.

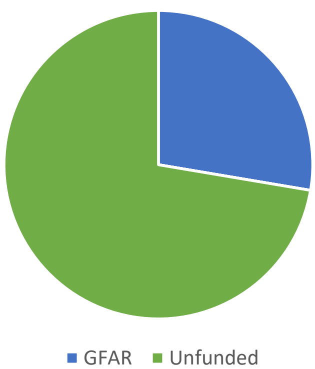
This Project Addresses:



Project Challenges

- Funding add of $10,000 per year does not meet the demand for this program.
- Requires significant staff hours.

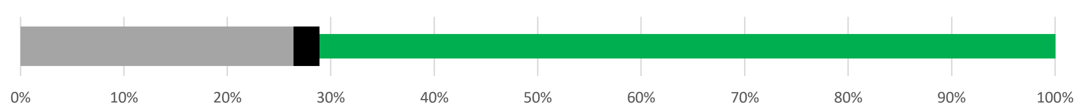
Funding Sources



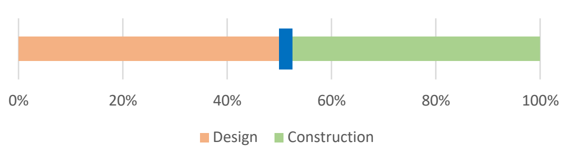
Budget Estimate Summary

Design	$	75,000
Construction	$	175,000
TOTAL	$	250,000

Funding Status



Schedule



Schedule

Start	9/1/2020
Finish Design	8/1/2021
Finish Construction	11/1/2021

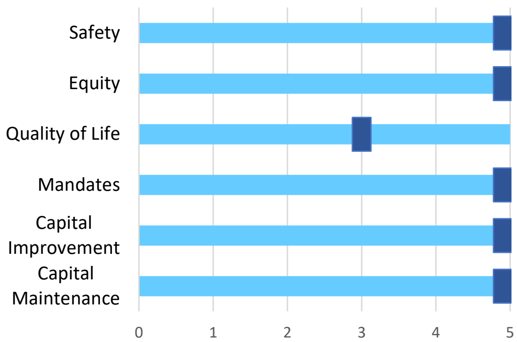
Comments:

Funding assumes $50,000 per year in anticipated need for 5 year CIP.
Often the construction for this project is completed under the annual pavement maintenance project.
Community engagement efforts inherent with the project make this a staff resource intensive project.

Project: **Curb, Gutter, & Sidewalk** **Budget Bk C-14**

Description: Concrete repair along roadways.

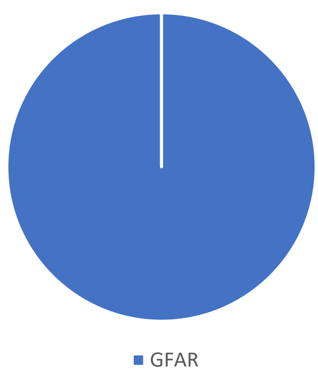
This Project Addresses:



Project Challenges

- ADA requirements for curb ramps at intersections utilizes almost all of the funds.
- Little funding left over for sidewalk repair of trip hazards.

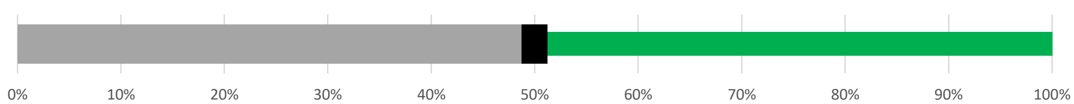
Funding Sources



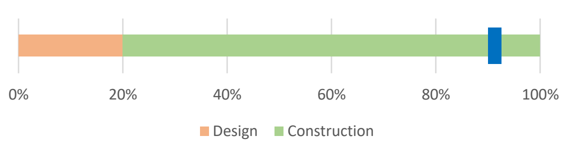
Budget Estimate Summary

Design	$	100,000
Construction	$	608,906
TOTAL	$	708,906

Funding Status



Schedule



Schedule

Start	9/1/2020
Finish Design	6/1/2020
Finish Construction	8/30/2020

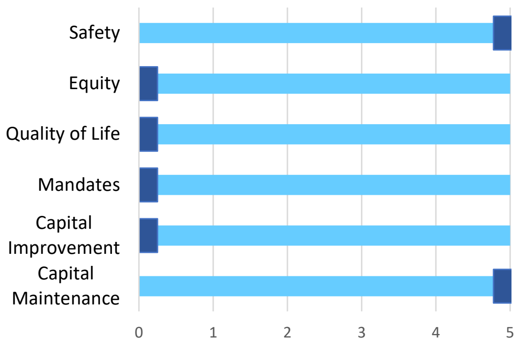
Comments:

Due to project delivery for previous fiscal year, the funding shows two years of funds
This project must precede pavement maintenance.
In progress ADA Transition Plan will identify significant unfunded needs (est. December 2021).

Project: **Retaining Wall Repairs** **Budget Bk** **C-16**

Description: Repair structurally deficient retaining walls.

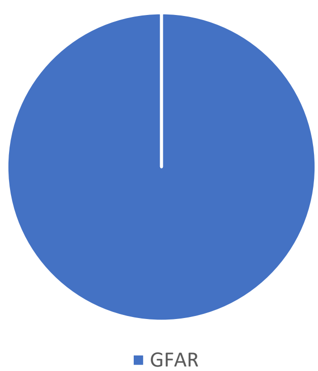
This Project Addresses:



Project Challenges

- Comprehensive assest assessment needed.

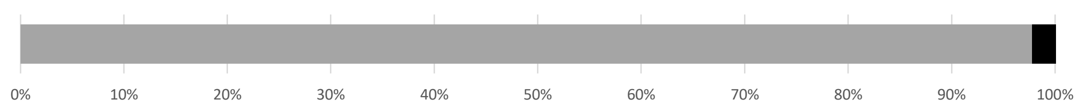
Funding Sources



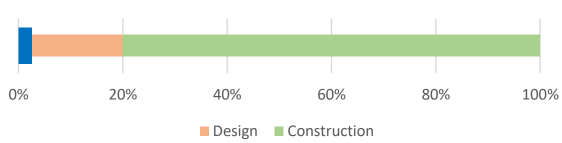
Budget Estimate Summary

Design	$	116,314
Construction	$	348,941
TOTAL	$	465,254

Funding Status



Schedule



Schedule

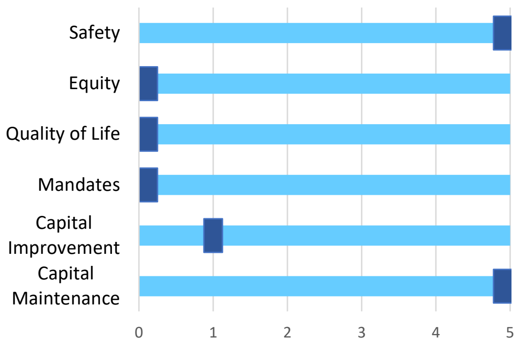
Start	12/1/2021
Finish Design	6/1/2022
Finish Construction	12/1/2022

Comments: Typically funded annually at $100,000. Funding curtailed in FY 2022/23 and FY 2023/24 to balance annual CIP funding.

Project: **Annual Street Restriping** **Budget Bk C-18**

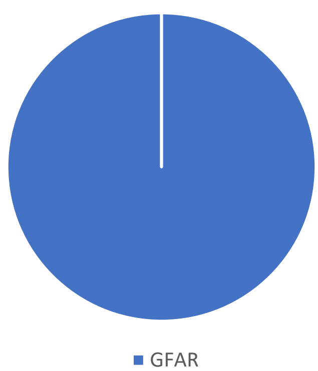
Description: Restripe Town streets

This Project Addresses:



Project Challenges

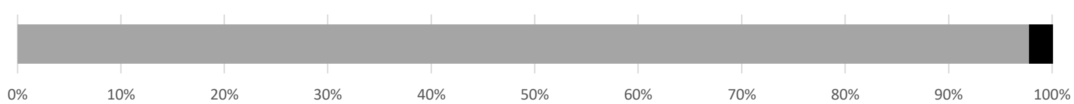
Funding Sources



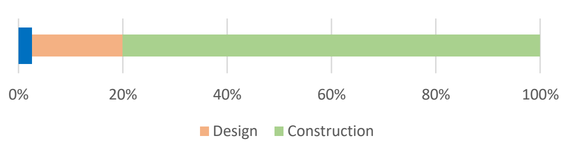
Budget Estimate Summary

Design	$	48,568
Construction	$	145,704
TOTAL	$	194,272

Funding Status



Schedule



Schedule

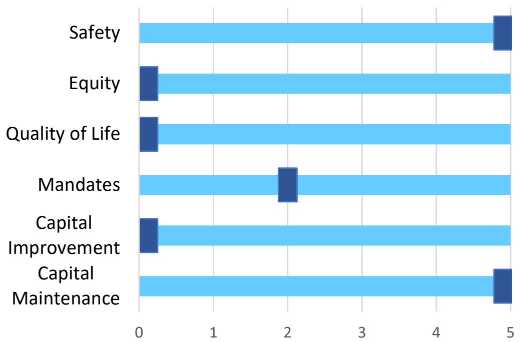
Start	12/1/2021
Finish Design	6/1/2022
Finish Construction	10/1/2022

Comments: Typically funded annually at $25,000. Project often combined with annual pavement maintenance project.

Project: **Guardrail Replacement** **Budget Bk** **C-20**

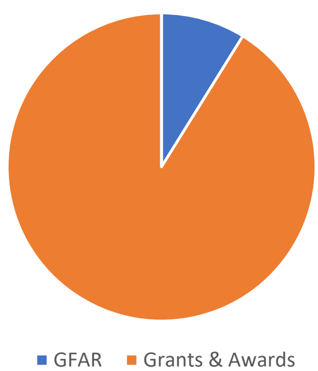
Description: Replace guardrails throughout Town

This Project Addresses:



Project Challenges

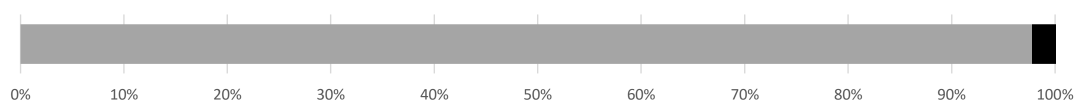
Funding Sources



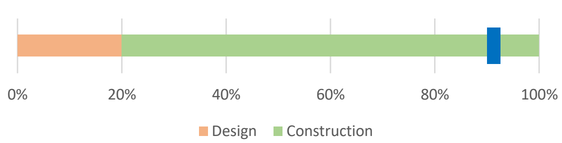
Budget Estimate Summary

Design	$	262,534
Construction	$	787,603
TOTAL	$	1,050,137

Funding Status



Schedule



Schedule

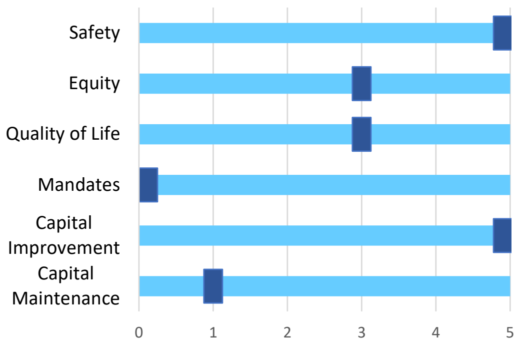
Start	9/1/2020
Finish Design	3/1/2021
Finish Construction	9/15/2021

Comments:	HSIP grant funded most of the project. New guardrail current to new Caltrans standards.

Project: **Massol Intersection Improvements** **Budget Bk C-22**

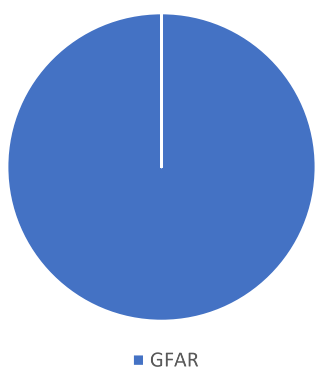
Description: Safety improvements to Massol intersection at Highway 9

This Project Addresses:



Project Challenges

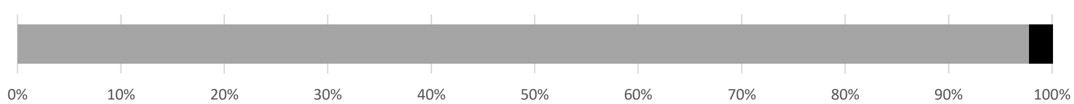
Funding Sources



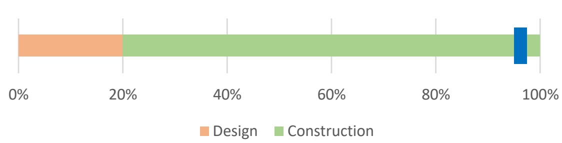
Budget Estimate Summary

Design	$	126,787
Construction	$	380,361
TOTAL	$	507,148

Funding Status



Schedule



Schedule

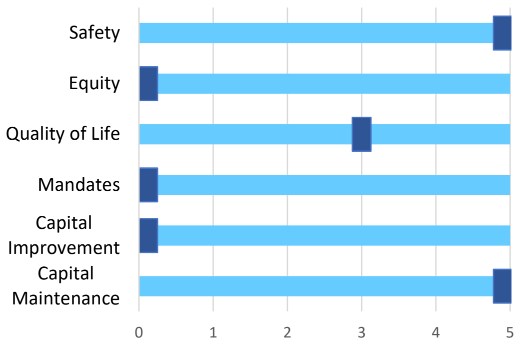
Start	6/1/2020
Finish Design	12/1/2020
Finish Construction	9/15/2021

Comments: Punchlist items remain.

Project: **Shannon Road Repair** **Budget Bk** **C-24**

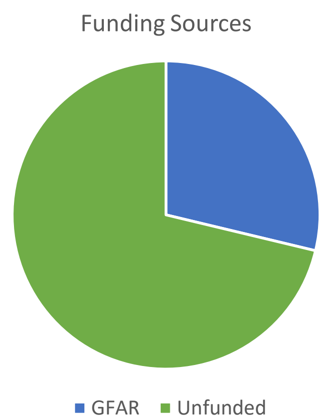
Description: Repair failing roadway between Santa Rosa and Sky Ln.

This Project Addresses:



Project Challenges

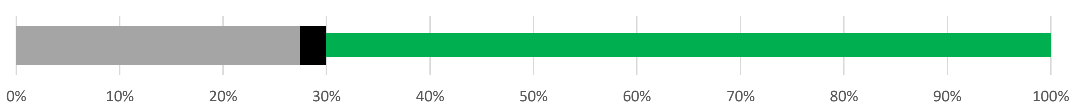
- Funding deficient.
- Existing roadway may be on private property.



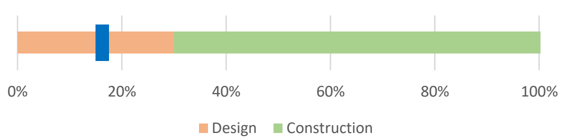
Budget Estimate Summary

Design	$	1,500,000
Construction	$	3,500,000
TOTAL	$	5,000,000

Funding Status



Schedule



Schedule

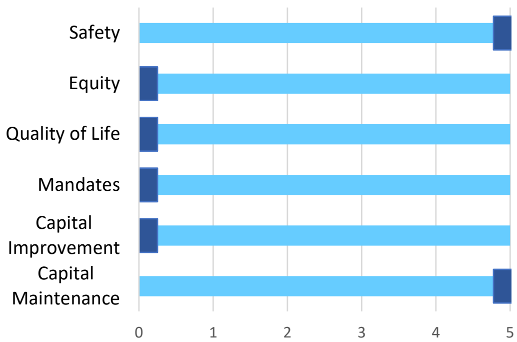
Start	6/1/2020
Finish Design	3/1/2022
Finish Construction	12/30/2022

Comments: Potential future adjacent development project.

Project: **Roadside Fire Fuel Reduction** **Budget Bk** **C-26**

Description: Reduce fire risk through enhanced roadside maintenance.

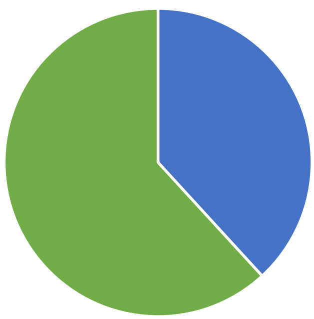
This Project Addresses:



Project Challenges

- Funding ask from FEMA needed to continue project.

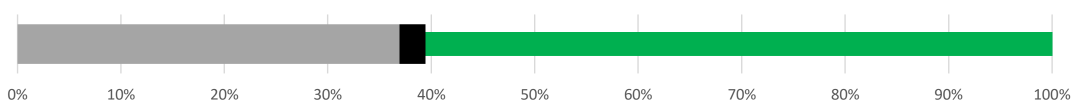
Funding Sources



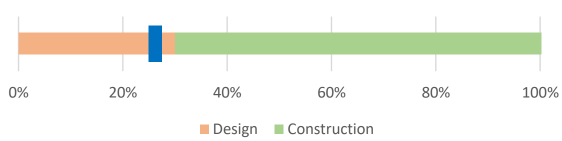
Budget Estimate Summary

Design	$	220,000
Construction	$	2,400,000
TOTAL	$	2,620,000

Funding Status



Schedule



Schedule

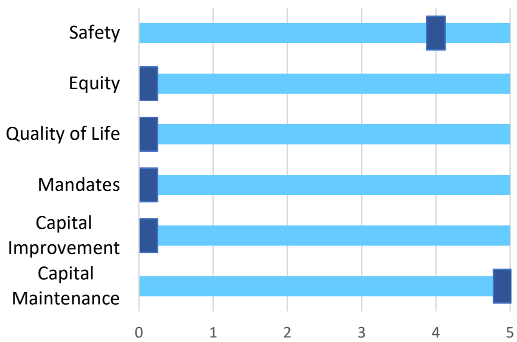
Start	1/1/2020
Finish Design	10/1/2020
Finish Construction	12/30/2023

Comments: Phase one project completed in December 2020 utilizing GFAR funds. Vegetation management plan submitted to FEMA for potential future funding.

Project: **Parking Lot 4 Repair & Waterproofing** **Budget Bk** **C-28**

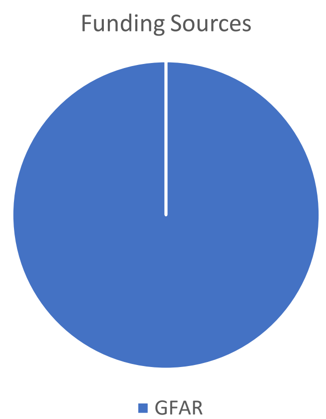
Description: Concrete repair and waterproofing.

This Project Addresses:



Project Challenges

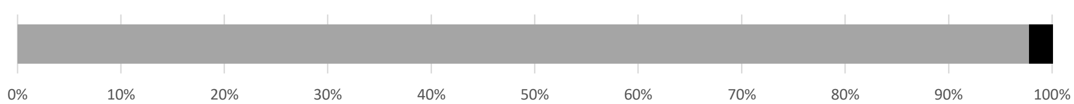
- Difficulting finding contractors interested in the work.



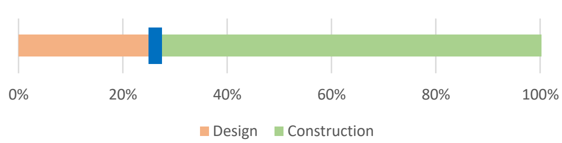
Budget Estimate Summary

Design	$	220,000
Construction	$	30,000
TOTAL	$	250,000

Funding Status



Schedule



Schedule

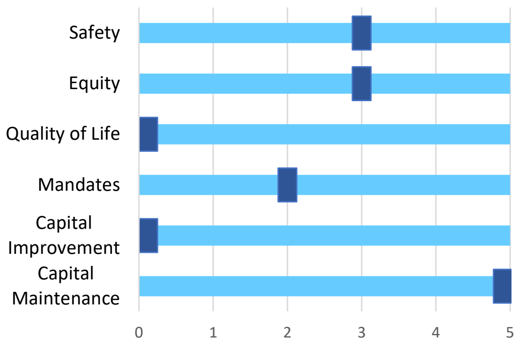
Start	1/1/2021
Finish Design	10/1/2021
Finish Construction	5/1/2022

Comments:

Project: **Downtown Parking Lot Sealcoat & Restripe** **Budget Bk** **C-34**

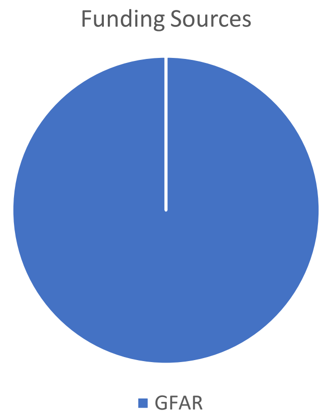
Description: Seal coat of parking lots

This Project Addresses:



Project Challenges

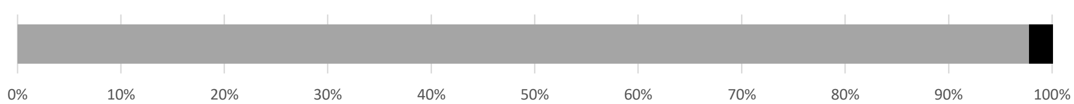
- Difficulting finding contractors interested in the work.



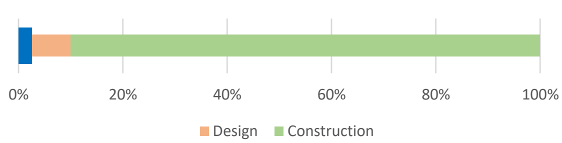
Budget Estimate Summary

Design	$	5,259
Construction	$	47,327
TOTAL	$	52,585

Funding Status



Schedule



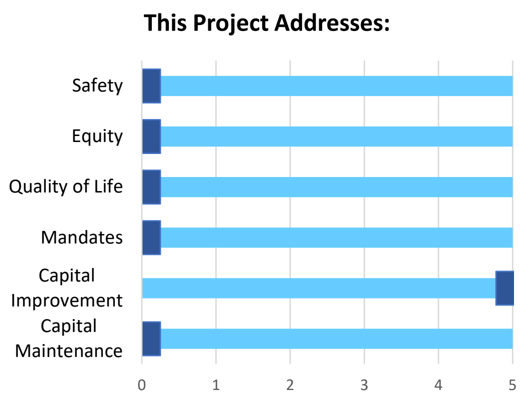
Schedule

Start	11/1/2021
Finish Design	5/1/2022
Finish Construction	9/1/2022

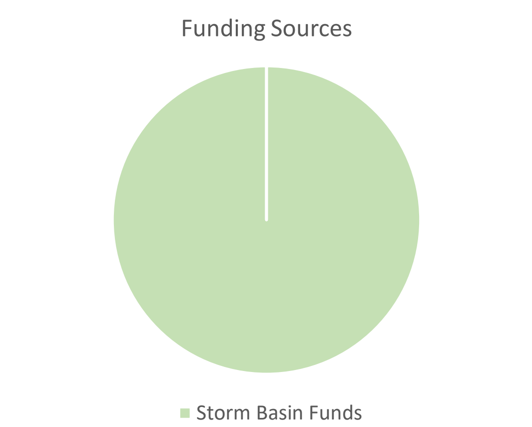
Comments: ADA Transition plan will identify striping needs.

Project: **Hernandez Ave Storm Drain Improvements** **Budget Bk** **C-36**

Description: Underground storm drain.

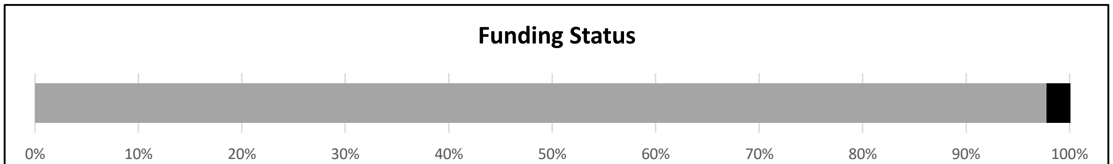


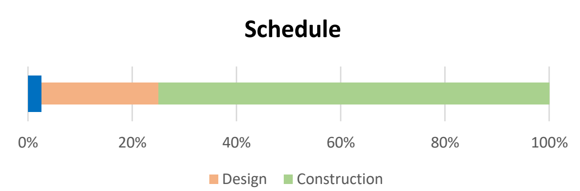
Project Challenges



Budget Estimate Summary

Design	$	13,000
Construction	$	52,000
TOTAL	$	65,000





Schedule

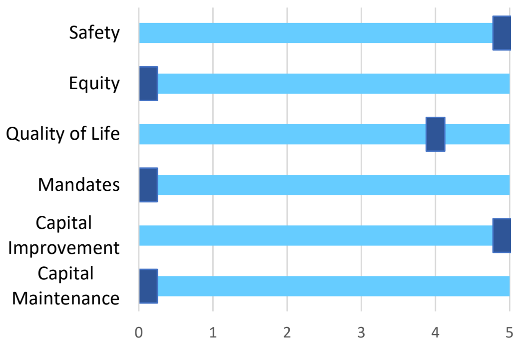
Start	10/1/2024
Finish Design	10/1/2025
Finish Construction	6/1/2026

Comments:

Project: **Shannon Road Ped and Bike Improvements** **Budget Bk** **C-38**

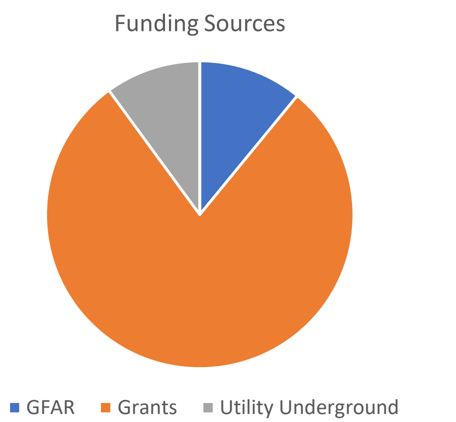
Description: Improvements on Shannon between Los Gatos Boulevard and Cherry Blossom

This Project Addresses:



Project Challenges

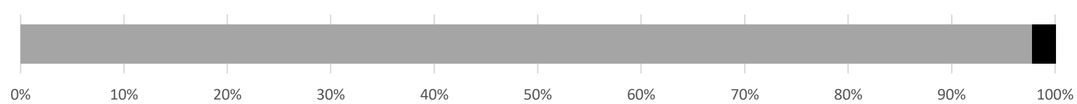
- Constrained right of way.



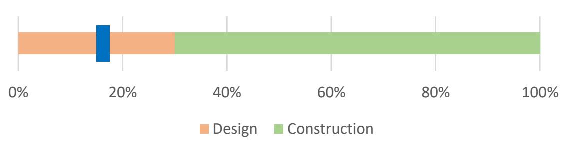
Budget Estimate Summary

Design	$	356,791
Construction	$	832,513
TOTAL	$	1,189,304

Funding Status



Schedule



Schedule

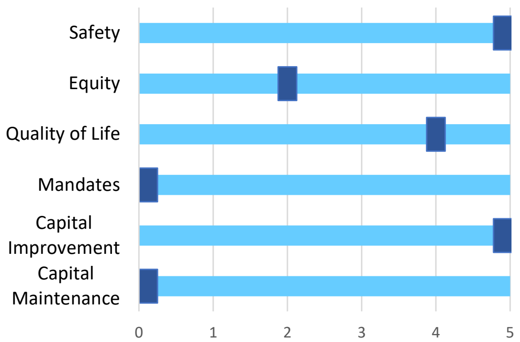
Start	3/1/2021
Finish Design	9/1/2022
Finish Construction	9/1/2023

Comments:

Project: **Sidewalk Improvements - Multiple Locations** **Budget Bk** **C-40**

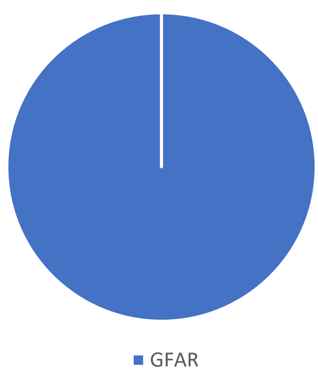
Description: Focus on infill sidewalk needs.

This Project Addresses:



Project Challenges

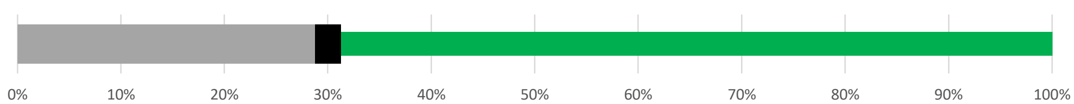
Funding Sources



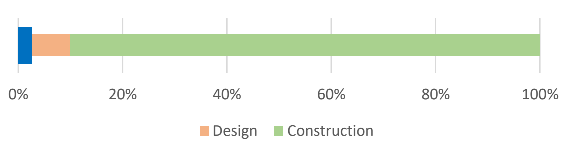
Budget Estimate Summary

Design	$	6,000
Construction	$	54,000
TOTAL	$	60,000

Funding Status



Schedule



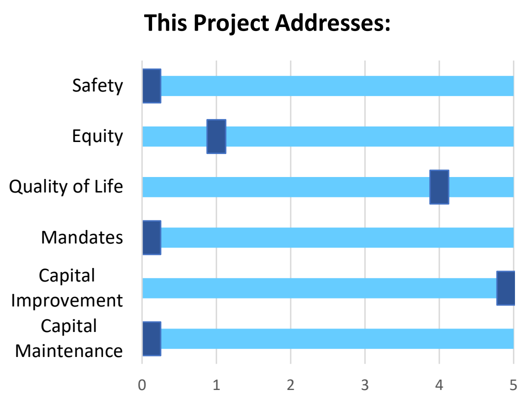
Schedule

Start	9/1/2021
Finish Design	4/1/2022
Finish Construction	9/1/2022

Comments:

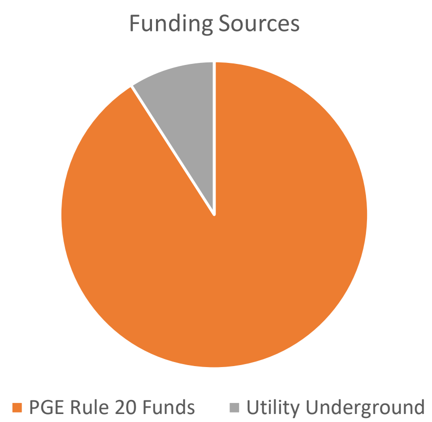
Project: Utility Undergrounding **Budget Bk C-42**

Description: Underground utilities along Los Gatos Boulevard south of Lark to Chirco.



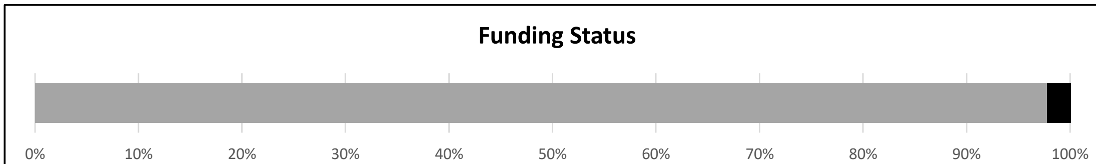
Project Challenges

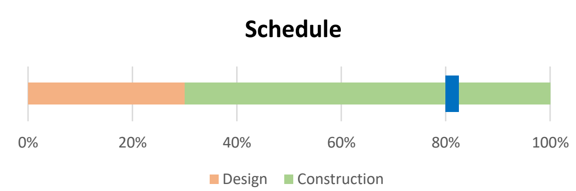
- PG&E run and managed.



Budget Estimate Summary

Design	$	990,000
Construction	$	2,310,000
TOTAL	$	3,300,000





Schedule

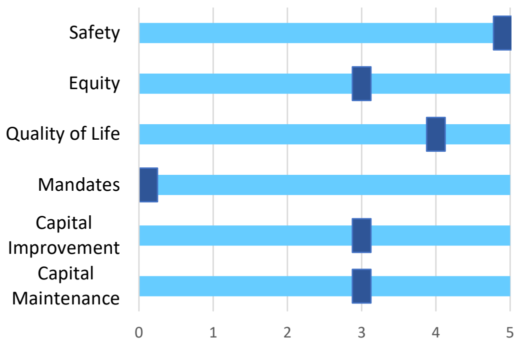
Start	10/1/2020
Finish Design	1/1/2021
Finish Construction	12/30/2021

Comments:	A change in the Rule 20 program means this is the last undergrounding opportunity with that program.

Project: **Traffic Signal Modernization** **Budget Bk** **C-44**

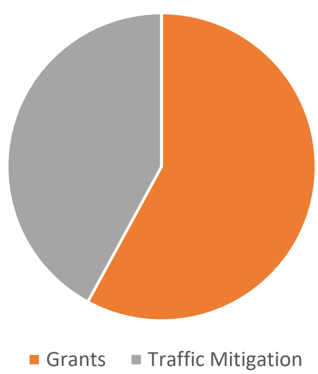
Description: Upgrade traffic signal controls.

This Project Addresses:



Project Challenges

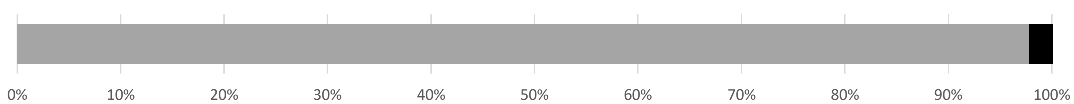
Funding Sources



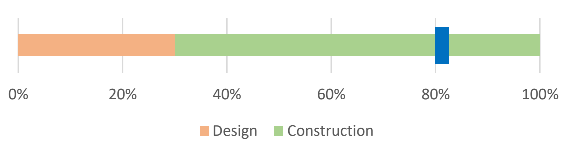
Budget Estimate Summary

Design	$	786,885
Construction	$	1,836,066
TOTAL	$	2,622,951

Funding Status



Schedule



Schedule

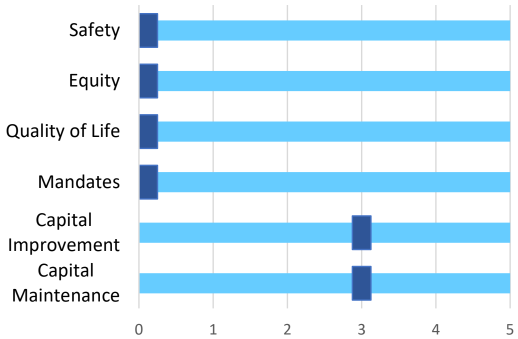
Start	6/1/2018
Finish Design	3/1/2021
Finish Construction	12/30/2021

Comments:

Project: **Bicknell Road Storm Drain Improvements** **Budget Bk** **C-46**

Description: Replace and upgrade storm drain.

This Project Addresses:



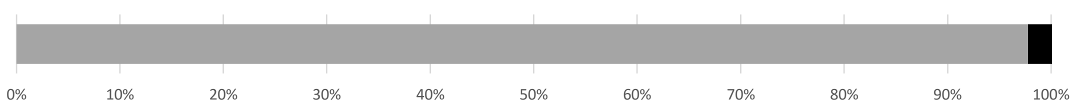
Project Challenges

Funding Sources

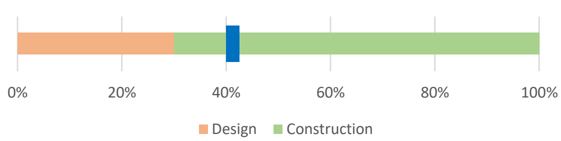
Budget Estimate Summary

Design	$	73,857
Construction	$	172,333
TOTAL	$	246,190

Funding Status



Schedule



Schedule

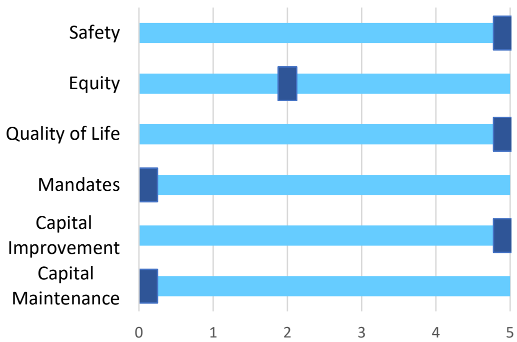
Start	9/1/2019
Finish Design	3/1/2021
Finish Construction	11/1/2021

Comments:

Project: **Bike and Ped improvements** **Budget Bk** **C-48**

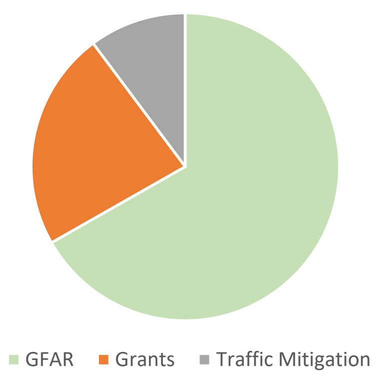
Description: Enhance bike and ped safety throughout Town.

This Project Addresses:



Project Challenges

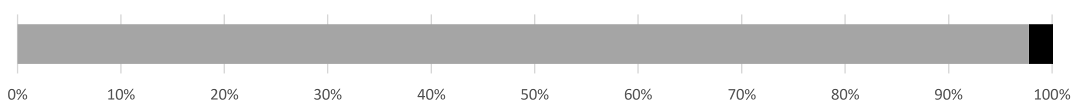
Funding Sources



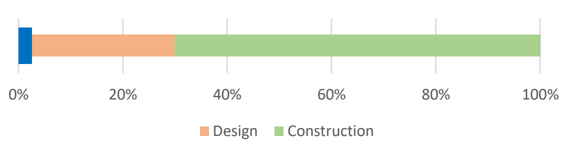
Budget Estimate Summary

Design	$	220,178
Construction	$	513,749
TOTAL	$	733,927

Funding Status



Schedule



Schedule

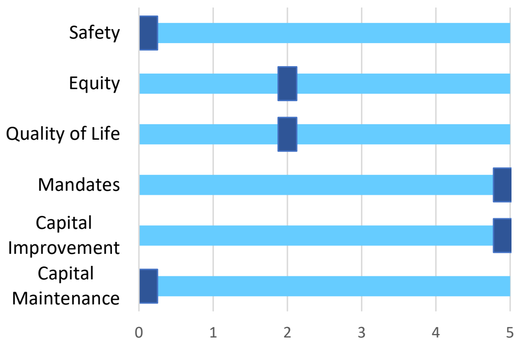
Start	6/1/2021
Finish Design	9/1/2021
Finish Construction	5/1/2022

Comments:

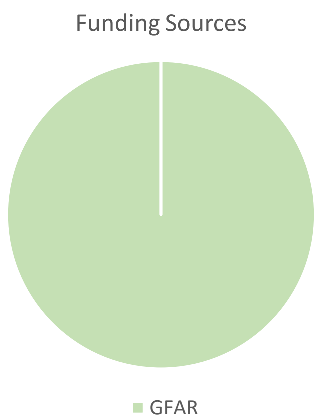
Project: **Stormwater- Pollution Prevention Compliance** **Budget Bk** **C-50**

Description: Enhance bike and ped safety throughout Town.

This Project Addresses:

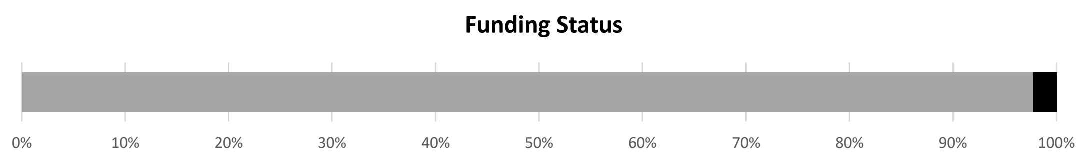


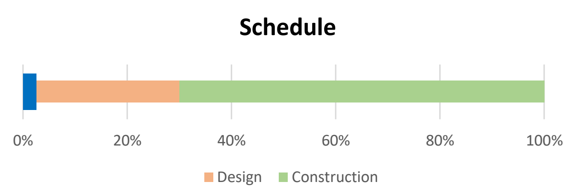
Project Challenges



Budget Estimate Summary

Design	$	86,400
Construction	$	201,600
TOTAL	$	288,000





Schedule

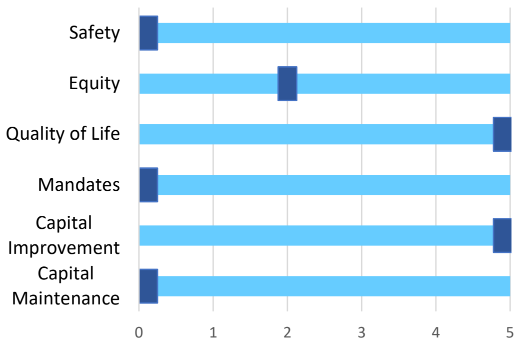
Start	10/1/2021
Finish Design	4/1/2022
Finish Construction	9/1/2022

Comments:

Project: **Parking Program Implementation** **Budget Bk** **C-52**

Description: Enhance bike and ped safety throughout Town.

This Project Addresses:



Project Challenges

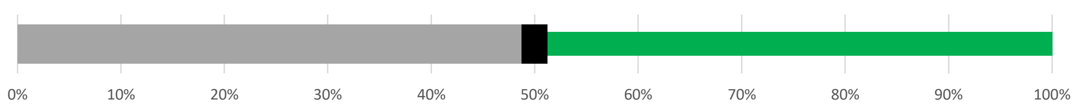
- Funding insufficient for necessary scope. Phasing project will allow for continued progress.

Funding Sources

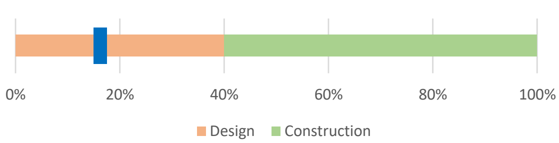
Budget Estimate Summary

Design	$	99,250
Construction	$	99,250
TOTAL	$	198,500

Funding Status



Schedule



Schedule

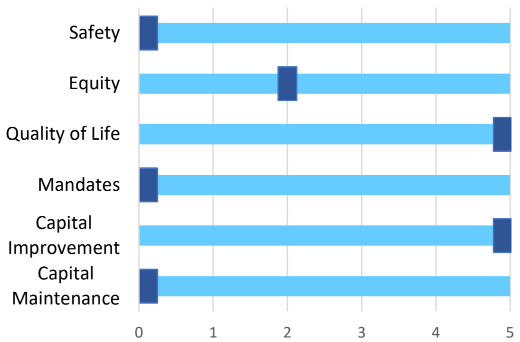
Start	3/1/2021
Finish Design	9/1/2021
Finish Construction	6/30/2022

Comments:

Project: **Annual Storm Drain Improvement** **Budget Bk** **C-54**

Description: Install infill storm systems.

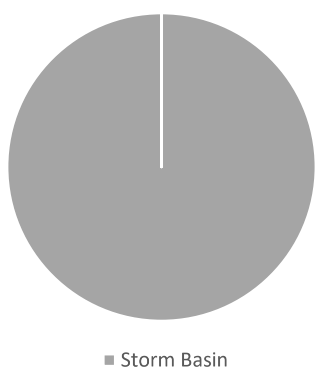
This Project Addresses:



Project Challenges

- Funding allows for incrememntal projects to address some of the need.

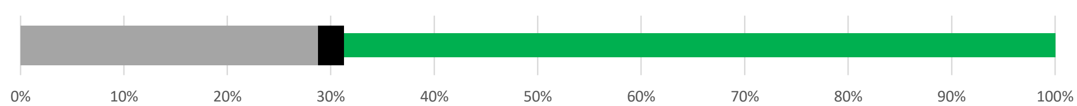
Funding Sources



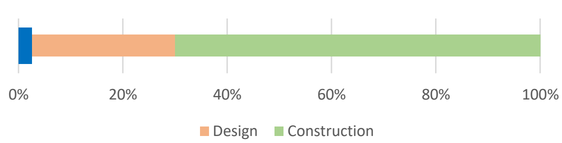
Budget Estimate Summary

Design	$	189,000
Construction	$	441,000
TOTAL	$	630,000

Funding Status



Schedule



Schedule

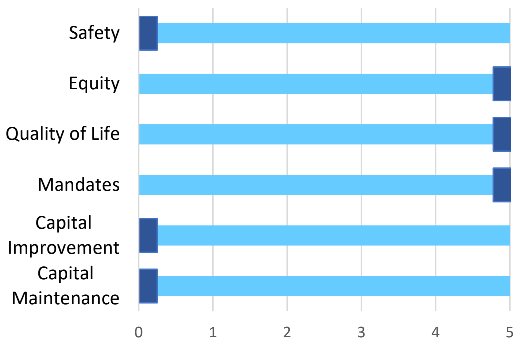
Start	1/1/2022
Finish Design	6/1/2022
Finish Construction	10/1/2022

Comments:

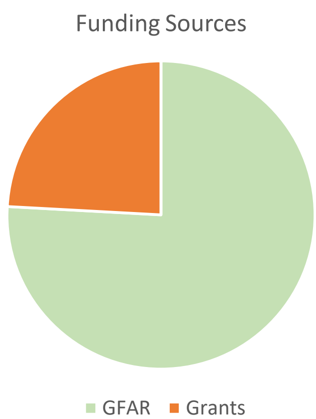
Project: **ADA Transition Plan** **Budget Bk** **C-56**

Description: Update ADA Transition Plan

This Project Addresses:



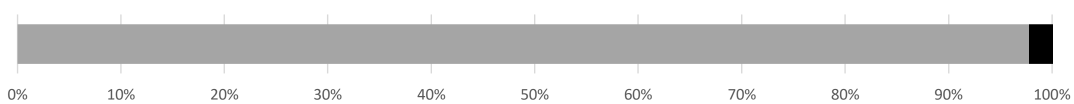
Project Challenges



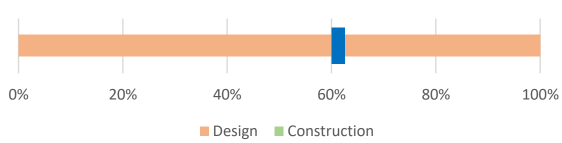
Budget Estimate Summary

Design	$	145,000
Construction	$	-
TOTAL	$	145,000

Funding Status



Schedule



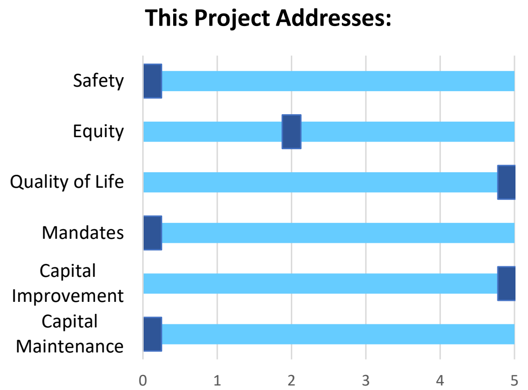
Schedule

Start	3/1/2021
Finish Design	10/1/2021
Finish Construction	3/1/2022

Comments: This project will identify significant deficiencies Townwide. Future funding will be required for capital projects to address the deficiencies.

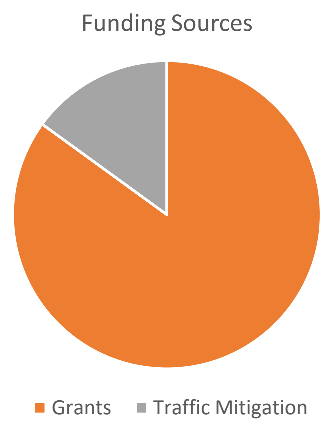
Project: **Highway 17/9 Interchange Design** **Budget Bk** **C-58**

Description: Interchange modernization and mainline improvements.



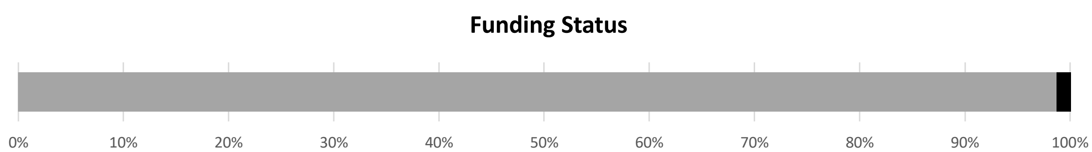
Project Challenges

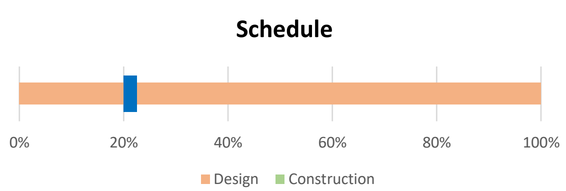
- Funding for construction not yet identified.
- Assumes 2016 Measure B for PS&E phase of design.
- Project led by VTA and Caltrans.



Budget Estimate Summary

Design	$	4,000,000
Construction	$	-
TOTAL	$	4,000,000





Schedule

Start	3/1/2020
Finish Design	6/1/2025
Finish Construction	12/1/2027

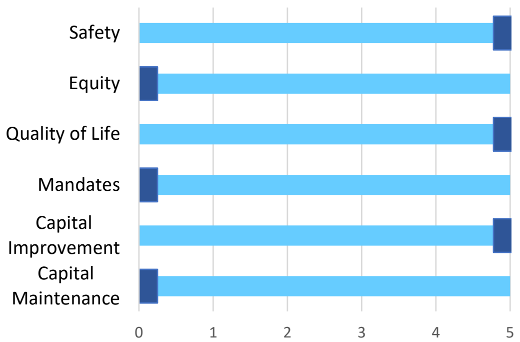
Comments:

The Town has committed to $600,000 for project design as a 10% match as required by 2016 Measure B. VTA is the lead for the project and all project funds will be held by VTA. The Town will need to work with VTA to source additional funds for future project phases.
Construction in excess of $90M.

Project: **Downtown Streetscape & Econ Recovery** **Budget Bk** **C-60**

Description: Economic recovery from COVID-19 as a repurpose of funds for Downtown streetscape.

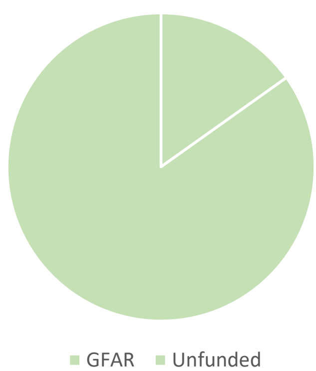
This Project Addresses:



Project Challenges

- No funding source for future project phases.

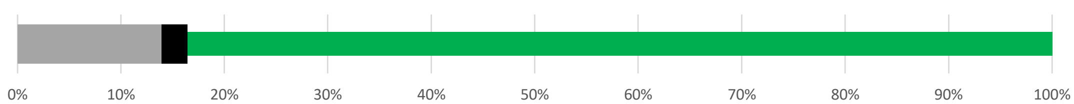
Funding Sources



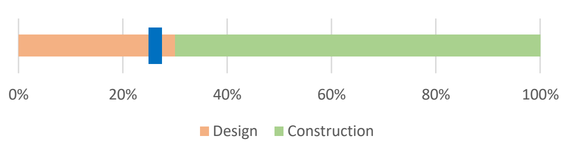
Budget Estimate Summary

Design	$ 3,900,000
Construction	$ 9,100,000
TOTAL	$ 13,000,000

Funding Status



Schedule



Schedule

Start	3/1/2021
Finish Design	9/1/2021
Finish Construction	12/31/2022

Comments:

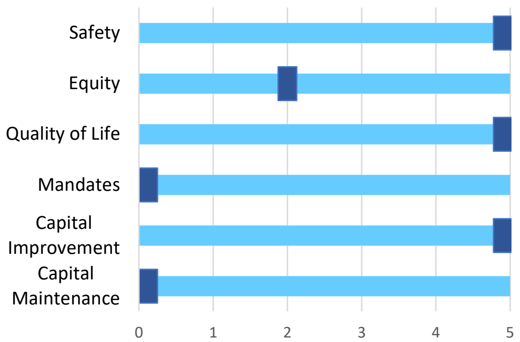
Current project schedule reflects economic reocvery project.

Estimated cost for downtown streetscape project at $11M. Original $2M set aside repurposed for economic recovery. Consider seven plus years for streetscape project to allow for additional project funding, design, stakeholder engagement, etc. With funding available, would start streetscape discussion in 2023, allowing for temp parklets to cosntruct and economic recovery to occur.

Project: **East Main Street Speed Table** **Budget Bk** **C-62**

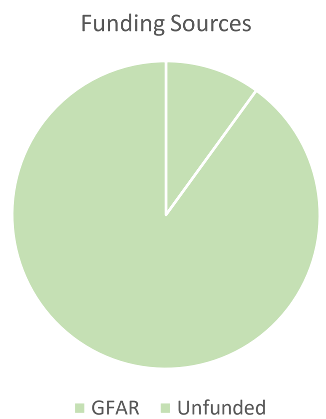
Description: Create speed tables at crosswalks for traffic calming.

This Project Addresses:



Project Challenges

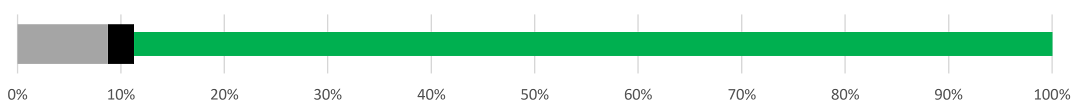
- Need grant funding for most of the project.



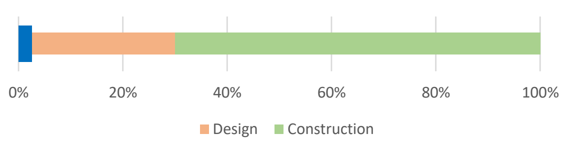
Budget Estimate Summary

Design	$	45,000
Construction	$	105,000
TOTAL	$	150,000

Funding Status



Schedule



Schedule

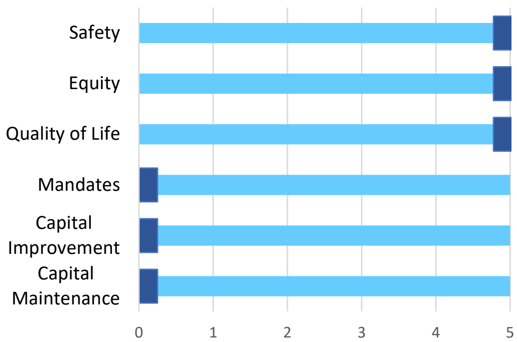
Start	4/1/2022
Finish Design	10/1/2022
Finish Construction	12/31/2022

Comments: This project is a good candidate for grant funding due to its proximity to the High School.

Project: **Local Roadway Safety Plan** **Budget Bk** **C-64**

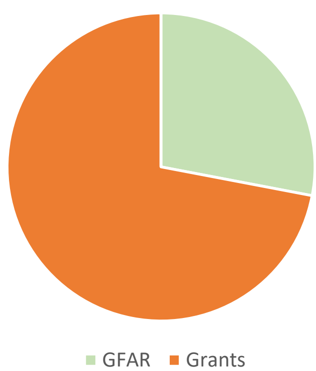
Description: Develop a plan for safety improvements on local roads.

This Project Addresses:



Project Challenges

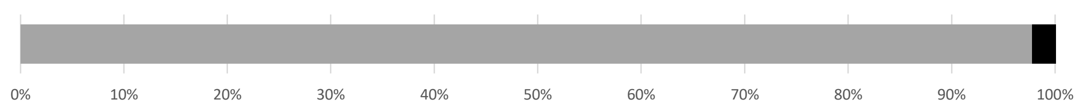
Funding Sources



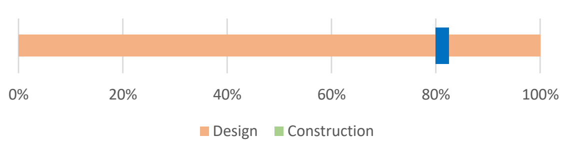
Budget Estimate Summary

Design	$	100,000
Construction	$	-
TOTAL	$	100,000

Funding Status



Schedule



Schedule

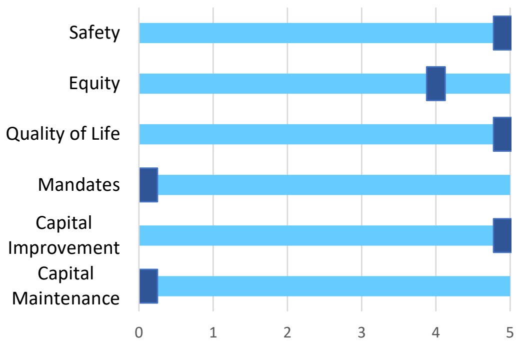
Start	1/1/2021
Finish Design	11/30/2021
Finish Construction	n/a

Comments: This project will identify and prioritize a list of roadway safety projects.

Project: **Blossom Hill Road Traffic Safety** **Budget Bk C-66**

Description: Implement traffic safety measures on Blossom Hill Road between Camelia Terrace and Hillbrook.

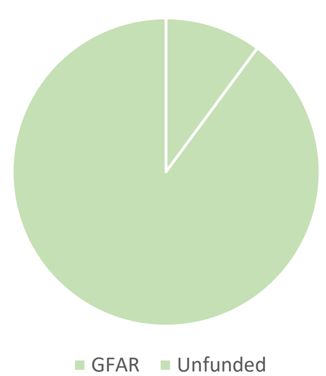
This Project Addresses:



Project Challenges

- Need funding for design and construction.

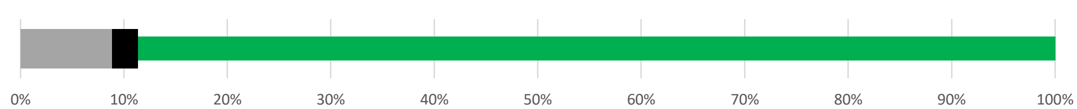
Funding Sources



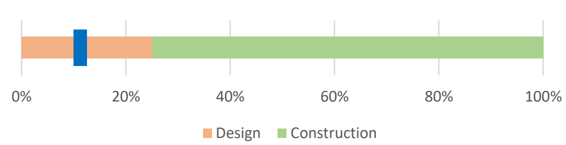
Budget Estimate Summary

Design	$	308,750
Construction	$	926,250
TOTAL	$	1,235,000

Funding Status



Schedule



Schedule

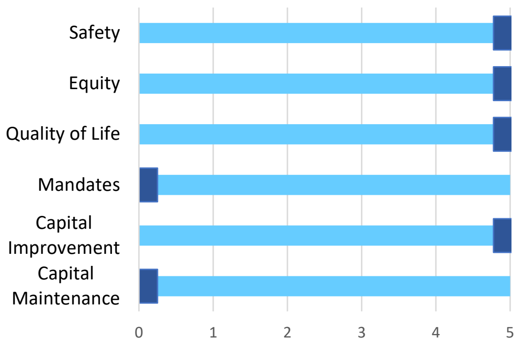
Start	1/1/2020
Finish Design	TBD
Finish Construction	TBD

Comments:	This project is a good candidate for grant funding due to its proximity to Blossom Hill School

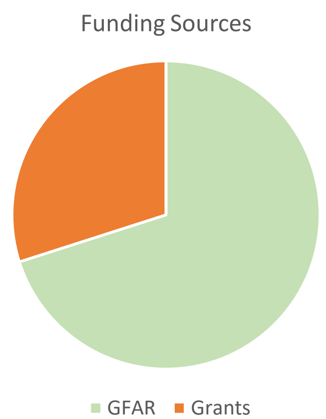
Project: **Winchester Class IV Bikeway** **Budget Bk** **C-68**

Description: Install Class IV Bikeway on Winchester between Blossom Hill and Lark Ave.

This Project Addresses:

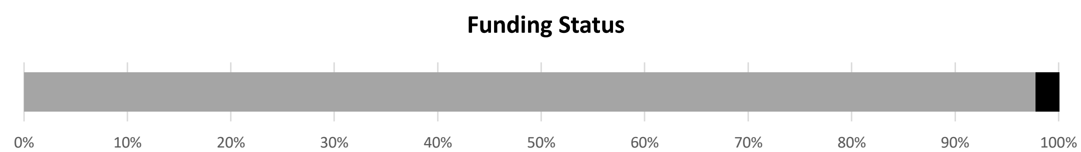


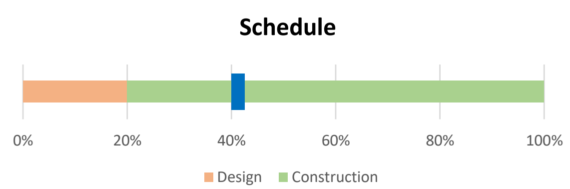
Project Challenges



Budget Estimate Summary

Design	$	196,491
Construction	$	785,964
TOTAL	$	982,455





Schedule

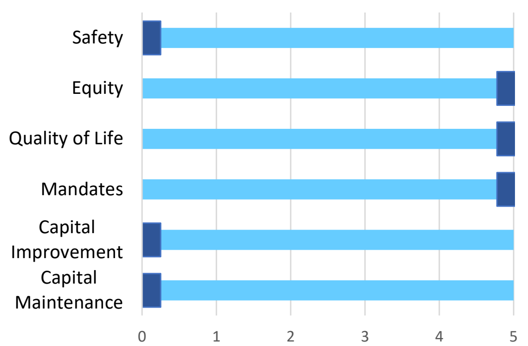
Start	9/1/2020
Finish Design	4/1/2021
Finish Construction	11/1/2021

Comments:

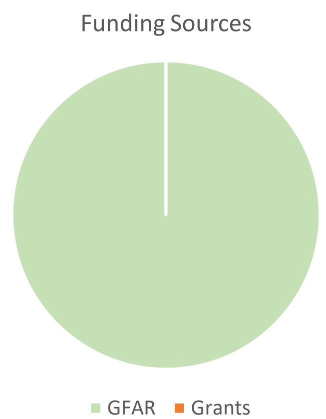
Project: **VMT Mitigation Program** **Budget Bk** **C-70**

Description: Nexus study to establish a Vehicle Miles Travelled fee program.

This Project Addresses:

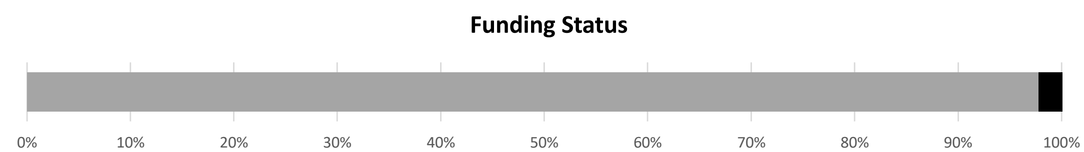


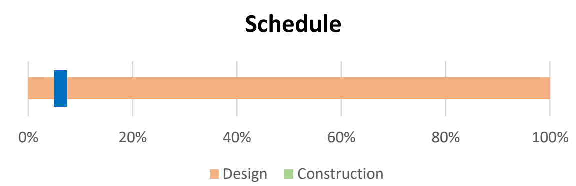
Project Challenges



Budget Estimate Summary

Design	$	250,000
Construction	$	-
TOTAL	$	250,000





Schedule

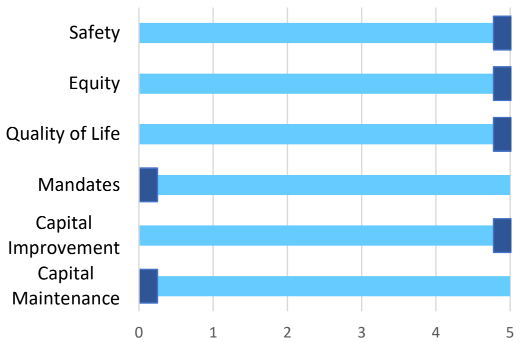
Start	9/1/2021
Finish Design	2/1/2022
Finish Construction	n/a

Comments:	Timing to overlap General Plan update with conclusion following adoption of GP.

Project: **Kennedy Sidewalk - LGB to Englewood** **Budget Bk** **C-72**

Description: Install sidewalk and Class II bike lane on Kennedy.

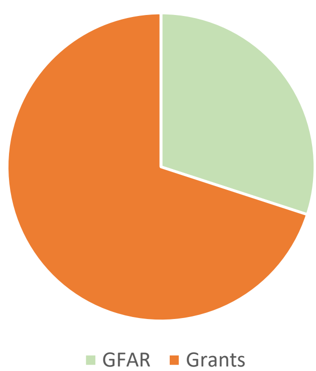
This Project Addresses:



Project Challenges

- This project has 2016 Measure B funds with scheduled availability of funds in 2023.

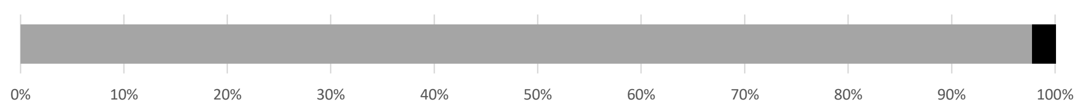
Funding Sources



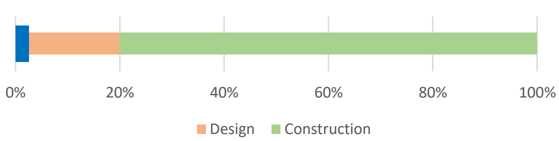
Budget Estimate Summary

Design	$	237,800
Construction	$	951,200
TOTAL	$	1,189,000

Funding Status



Schedule



Schedule

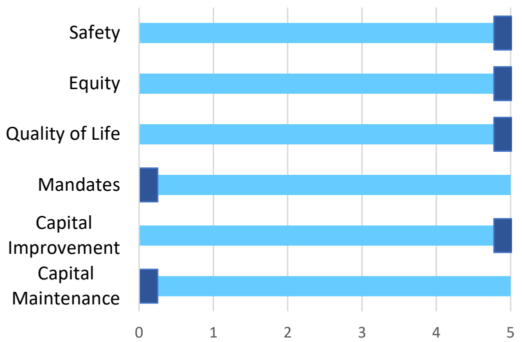
Start	9/1/2022
Finish Design	TBD
Finish Construction	TBD

Comments:

Project: **Winchester Boulevard Complete Streets** **Budget Bk** **C-74**

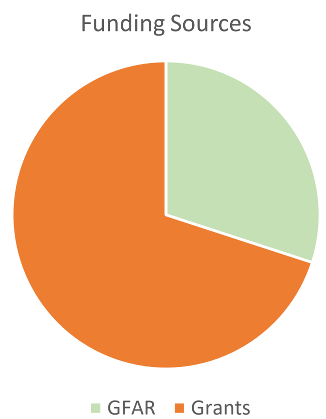
Description: Conceptual enginnering and final design for a complete streets project on Winchester.

This Project Addresses:



Project Challenges

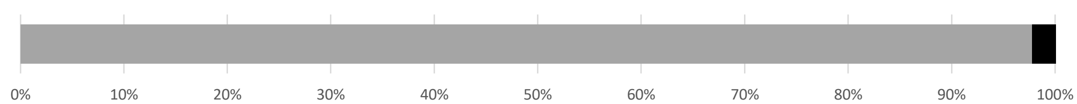
- Construction costs not included in this project summary.



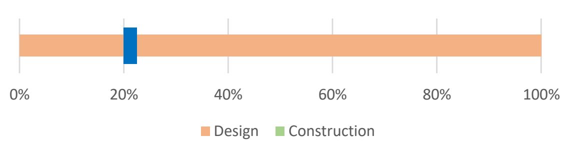
Budget Estimate Summary

Design	$	2,477,500
Construction	$	-
TOTAL	$	2,477,500

Funding Status



Schedule



Schedule

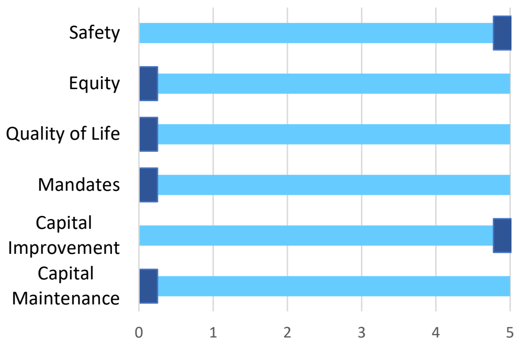
Start	4/1/2020
Finish Design	10/1/2022
Finish Construction	n/a

Comments: The Winchester Class IV Project (budgeted separately) will provide insight into this project development.

Project: **Quito Road Bridge Replacement** **Budget Bk** **C-80**

Description: Replace the bridge on Quito Road near Moore Ave

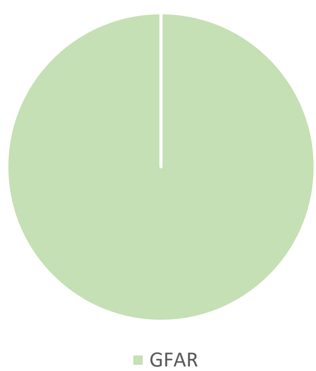
This Project Addresses:



Project Challenges

- Shared ownership with City of Saratoga
- Saratoga as lead means little Town control of project

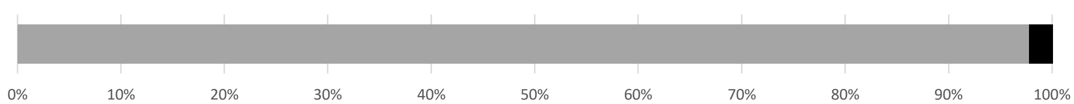
Funding Sources



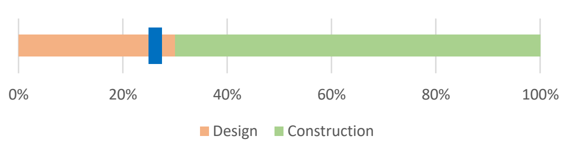
Budget Estimate Summary

Design	$	69,936
Construction	$	279,745
TOTAL	$	349,681

Funding Status



Schedule



Schedule

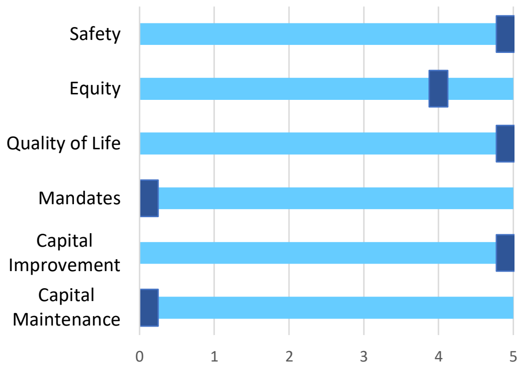
Start	5/1/2002
Finish Design	6/1/2022
Finish Construction	9/1/2023

Comments:	Budget reflects the Town contribution to the project. Other contributions from City of Saratoga and Valley Water in addition to grant funding from Federal Highway Bridge Replacement and Rehabilitiation funds.

Project: **Highway 17 Bicycle & Ped Overcrossing** **Budget Bk** **C-82**

Description: Design and construct an overcrossing at Blossom Hill Road

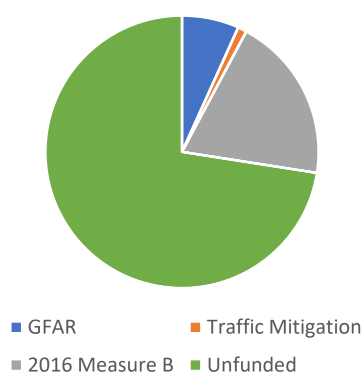
This Project Addresses:



Project Challenges

- Construction Funding not yet identified.

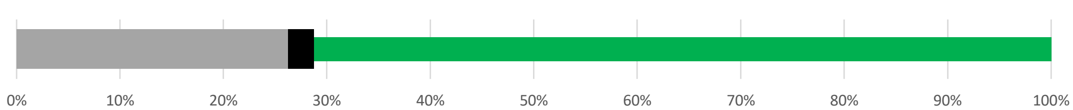
Funding Sources



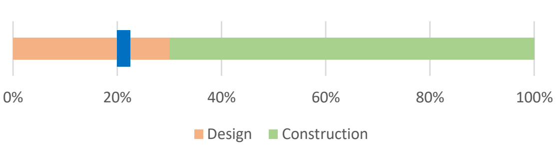
Budget Estimate Summary

Design	$ 3,700,000
Construction	$ 10,300,000
TOTAL	$ 14,000,000

Funding Status



Schedule



Schedule

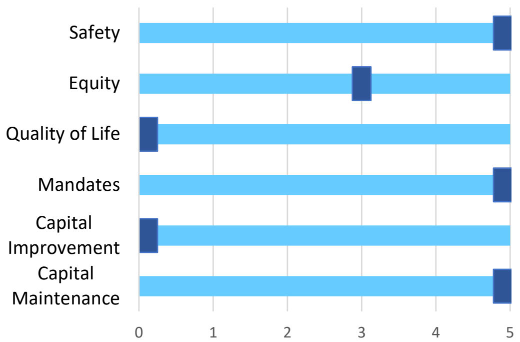
Start	1/1/2020
Finish Design	8/1/2022
Finish Construction	12/1/2024

Comments: Project is currently in final design stage.

Project: **Plaground Fibar Project** **Budget Bk** **D-6**

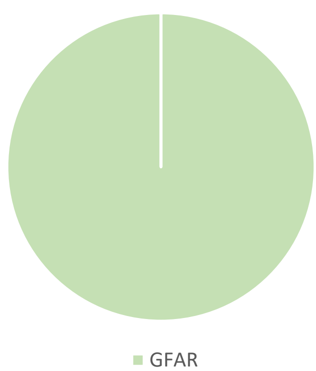
Description: Replace fibar in park playgrounds.

This Project Addresses:



Project Challenges

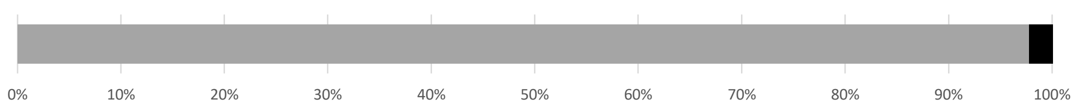
Funding Sources



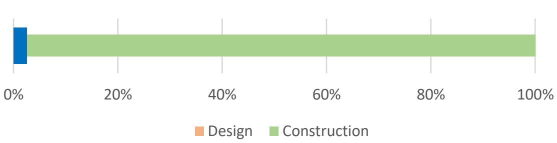
Budget Estimate Summary

Design	$	-
Construction	$	175,000
TOTAL	$	175,000

Funding Status



Schedule



Schedule

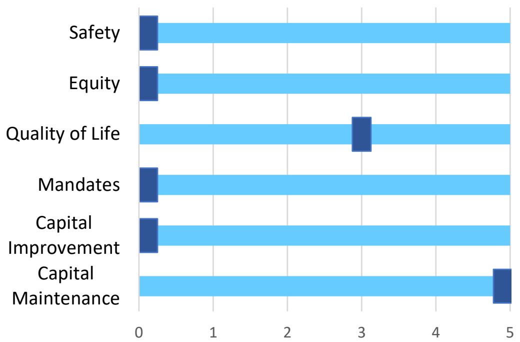
Start	9/1/2021
Finish Design	11/1/2021
Finish Construction	12/1/2021

Comments:

Project: **Town Plaza Turf Repair** **Budget Bk D-8**

Description: Replace fibar in park playgrounds.

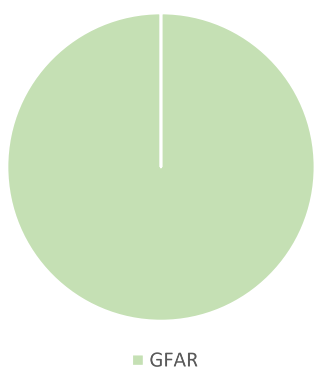
This Project Addresses:



Project Challenges

- Scheduling availability for the Plaza.

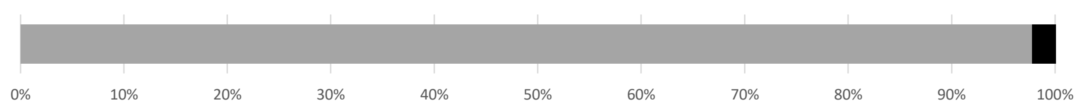
Funding Sources



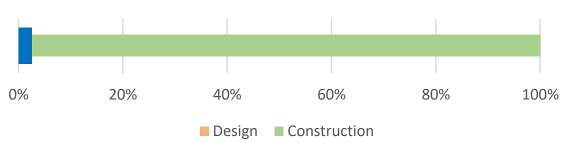
Budget Estimate Summary

Design	$	-
Construction	$	28,000
TOTAL	$	28,000

Funding Status



Schedule



Schedule

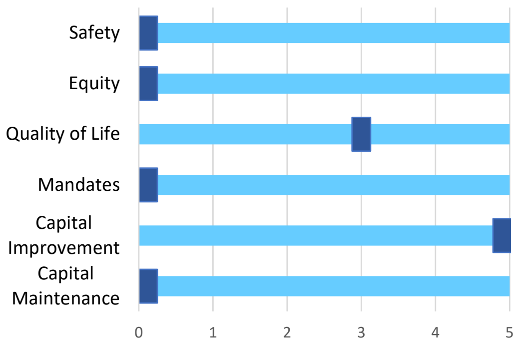
Start	9/1/2021
Finish Design	11/1/2021
Finish Construction	4/1/2022

Comments:

Project: **Outdoor Fitness Equipment** **Budget Bk** **D-10**

Description: Install outdoor fitness equipment

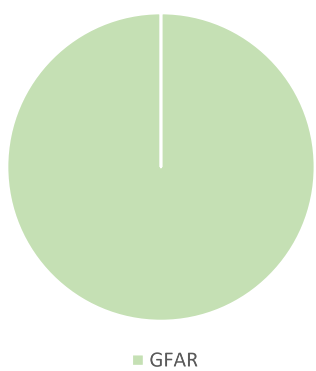
This Project Addresses:



Project Challenges

- Scheduling availability for the Plaza.

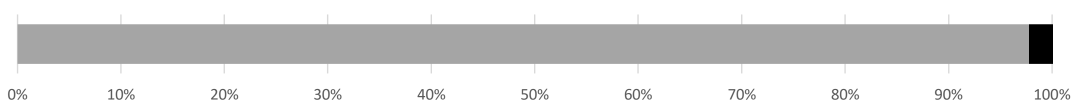
Funding Sources



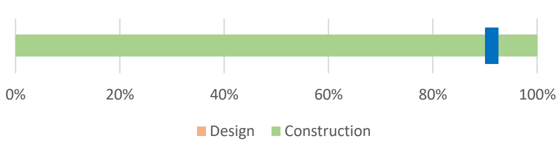
Budget Estimate Summary

Design	$	-
Construction	$	60,000
TOTAL	$	60,000

Funding Status



Schedule



Schedule

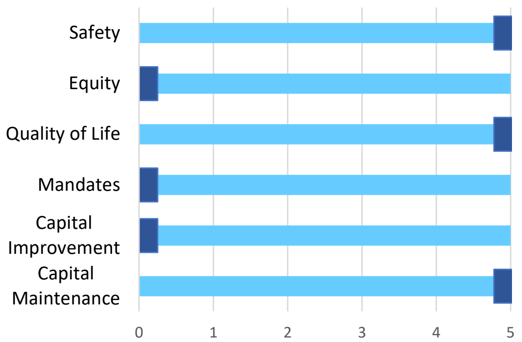
Start	6/1/2019
Finish Design	4/1/2021
Finish Construction	11/1/2021

Comments:

Project: **Vegetation Management Townwide** **Budget Bk** **D-12**

Description: Vegetation management in open space areas

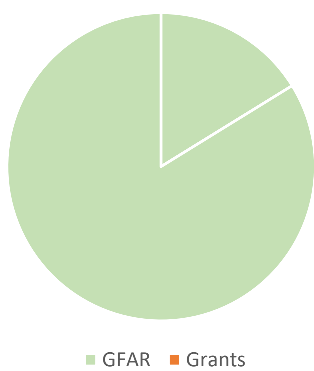
This Project Addresses:



Project Challenges

- FEMA process for grant funding has uncertain timeline.

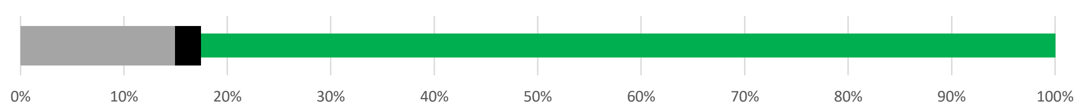
Funding Sources



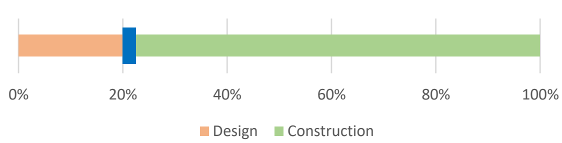
Budget Estimate Summary

Design	$	220,000
Construction	$	1,330,000
TOTAL	$	1,550,000

Funding Status



Schedule



Schedule

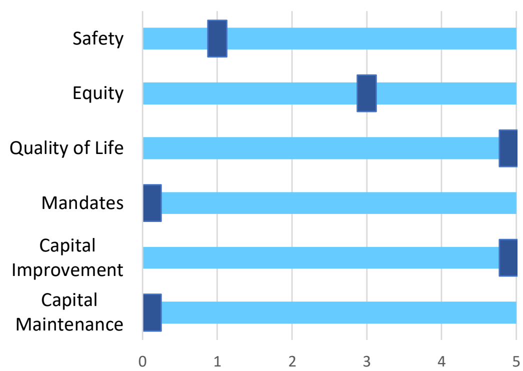
Start	1/1/2020
Finish Design	6/1/2022
Finish Construction	12/1/2023

Comments:	This project has been a two phased project developing a project that can receive FEMA funding. The first phase of completing a Vegetation Managemetn Plan is complete. FEMA has an extensive review period prior to authorizing future phases.

Project: **Oak Meadow Park Bandstand Improvements** **Budget Bk** **D-14**

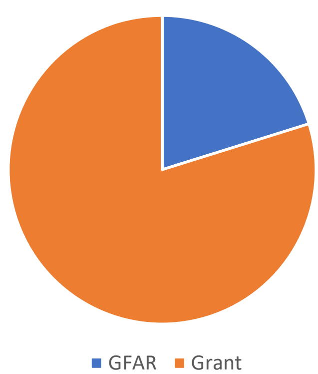
Description: Renovate the area around the Lyndon Bandstand.

This Project Addresses:



Project Challenges

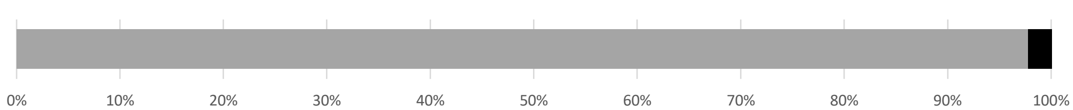
Funding Sources



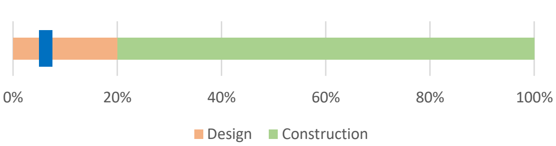
Budget Estimate Summary

Design	$	89,181
Construction	$	356,723
TOTAL	$	445,904

Funding Status



Schedule



Schedule

Start	9/1/2021
Finish Design	3/1/2022
Finish Construction	9/1/2022

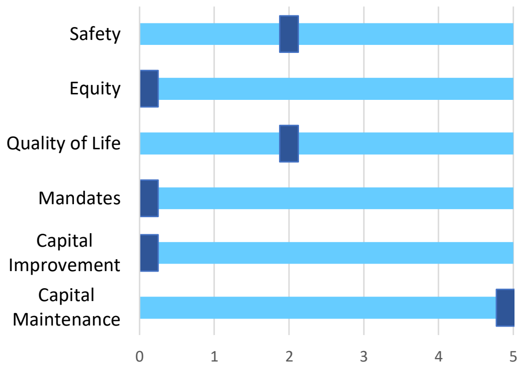
Comments:

Concept design complete. Funing through State Prop 68.

Project: **Open Space Trail Upgrades** **Budget Bk** **D-20**

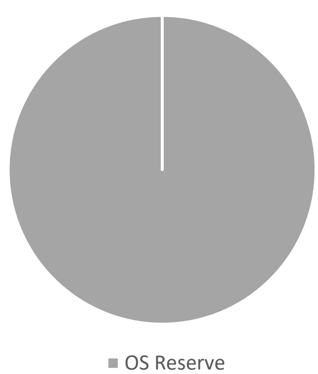
Description: Renovate the area around the Lyndon Bandstand.

This Project Addresses:



Project Challenges

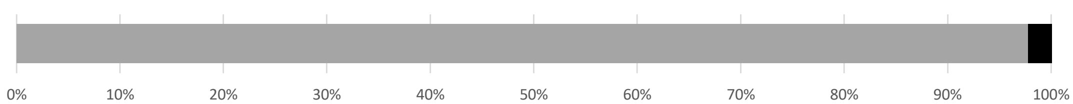
Funding Sources



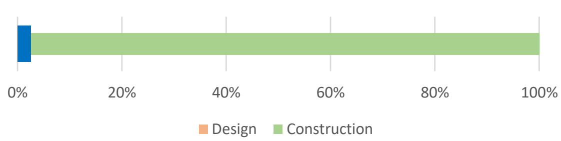
Budget Estimate Summary

Design	$	-
Construction	$	152,000
TOTAL	$	152,000

Funding Status



Schedule



Schedule

Start	9/1/2021
Finish Design	3/1/2022
Finish Construction	9/1/2022

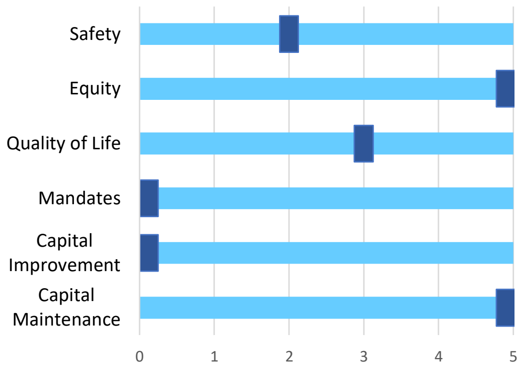
Comments:

This project delayed due to SJ Water work at upper part of Belgatos Park.

Project: **Charter Oaks Trail Repair** **Budget Bk** **D-22**

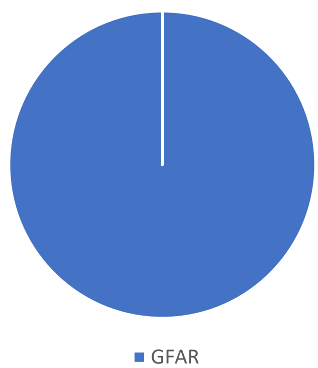
Description: Renovate the area around the Lyndon Bandstand.

This Project Addresses:



Project Challenges

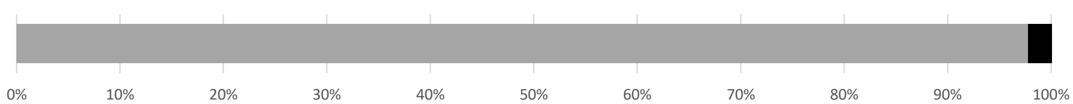
Funding Sources



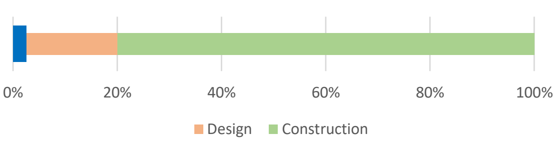
Budget Estimate Summary

Design	$	70,000
Construction	$	280,000
TOTAL	$	350,000

Funding Status



Schedule



Schedule

Start	9/1/2021
Finish Design	9/1/2022
Finish Construction	3/1/2023

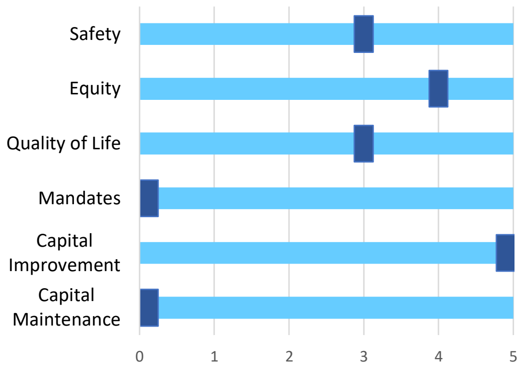
Comments:

Funding from Albright project committed to use in the area to benefit neighbors.

Project: **Trailhead Connector Project** **Budget Bk** **D-24**

Description: Design and construct a connector from Highway 9 to the Los Gatos Creek Trail

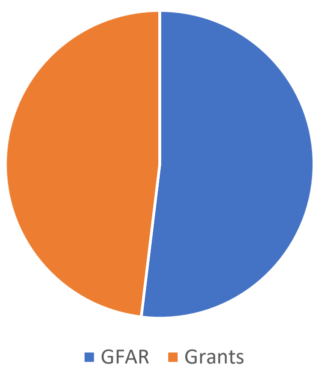
This Project Addresses:



Project Challenges

- Caltrans owns the creek and adjacent parcel and would like to relinquish that to the Town.
- Construction funding not yet identified.

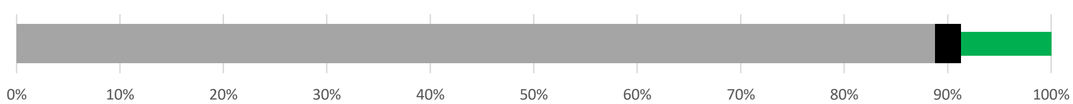
Funding Sources



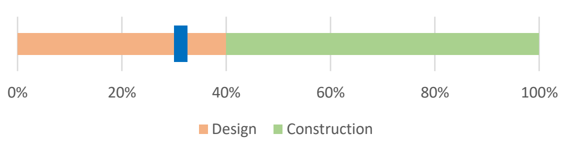
Budget Estimate Summary

Design	$	713,280
Construction	$	-
TOTAL	$	713,280

Funding Status



Schedule



Schedule

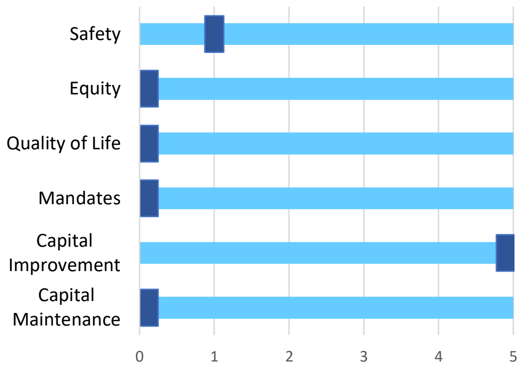
Start	3/1/2020
Finish Design	TBD
Finish Construction	TBD

Comments:

Project: **Building Replacement Corp Yard** **Budget Bk E-6**

Description: Replace office building.

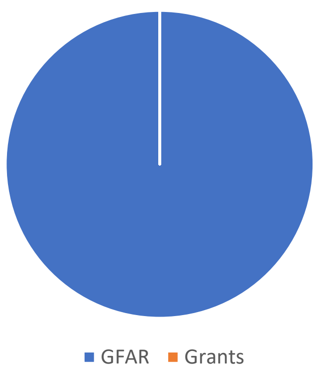
This Project Addresses:



Project Challenges

- Asbestos and old infrastructure.

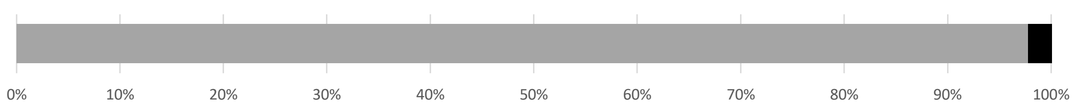
Funding Sources



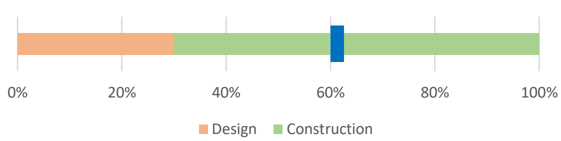
Budget Estimate Summary

Design	$	383,160
Construction	$	1,532,640
TOTAL	$	1,915,800

Funding Status



Schedule



Schedule

Start	6/1/2020
Finish Design	3/1/2021
Finish Construction	4/1/2022

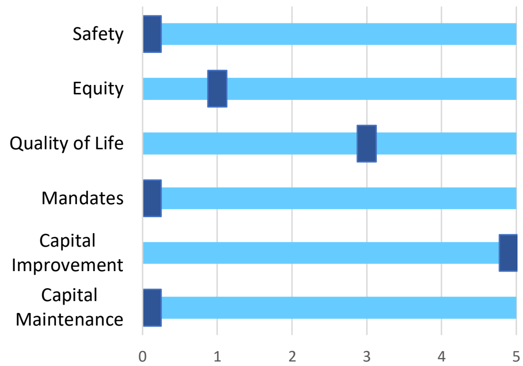
Comments:

Project phased. Phase 1 tenant improvement to storage space and existing office. Phase 2 demolish old office and reconstruct storage building.

Project: **Town Beautification** **Budget Bk** **E-8**

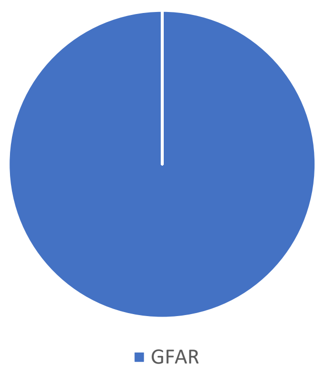
Description: Various beutification projects, focusing on utility boxes.

This Project Addresses:



Project Challenges

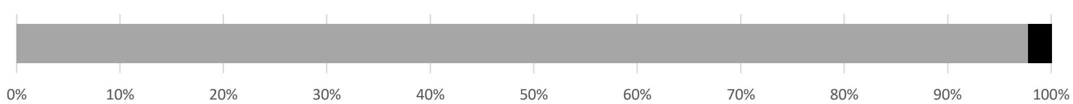
Funding Sources



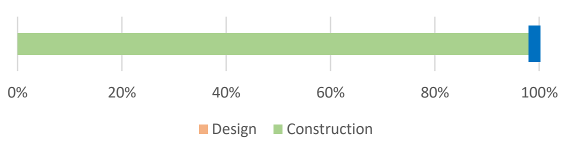
Budget Estimate Summary

Design	$	-
Construction	$	169,625
TOTAL	$	169,625

Funding Status



Schedule



Schedule

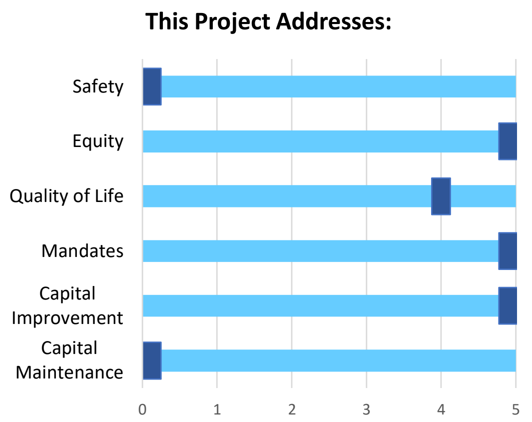
Start	12/1/2020
Finish Design	4/1/2021
Finish Construction	6/1/2021

Comments:

Utility box program includes work with the Arts Commission to select designs.
Ongoing project funded at $10,000 per year.

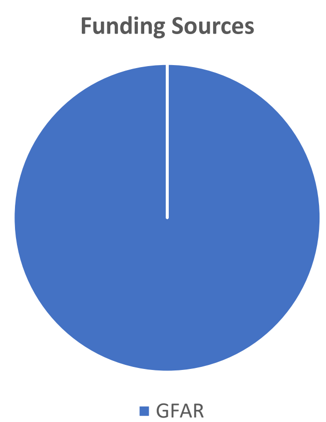
Project: ADA Upgrade to Restroom at Adult Rec Building **Budget Bk E-10**

Description: Restroom upgrade



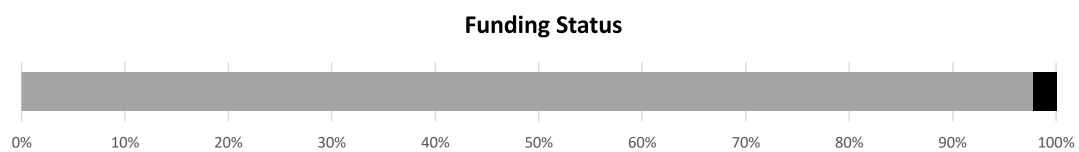
Project Challenges

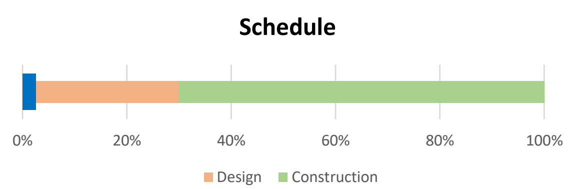
- Building space is constrained.



Budget Estimate Summary

Design	$	78,594
Construction	$	183,385
TOTAL	$	261,979





Schedule

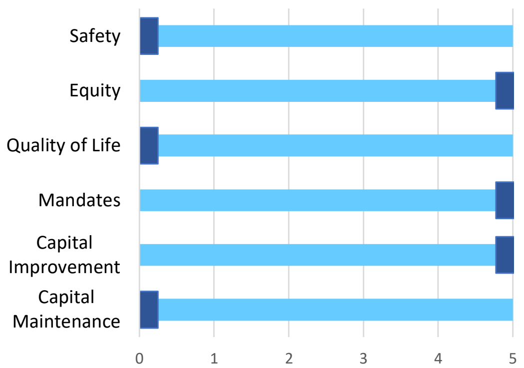
Start	6/1/2021
Finish Design	4/1/2022
Finish Construction	9/1/2022

Comments:

Project: **ADA Restrooms & HR Offices** **Budget Bk E-12**

Description: Tenant Improvement

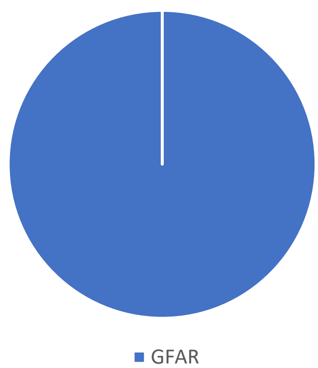
This Project Addresses:



Project Challenges

- Building space is constrained.

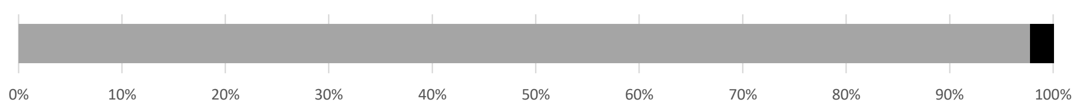
Funding Sources



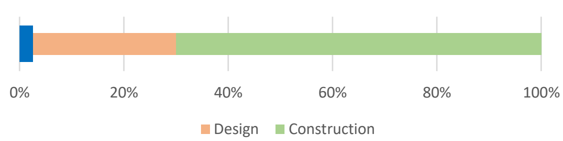
Budget Estimate Summary

Design	$	180,000
Construction	$	420,000
TOTAL	$	600,000

Funding Status



Schedule



Schedule

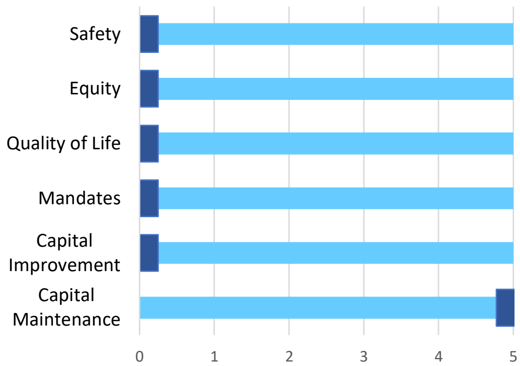
Start	6/1/2021
Finish Design	6/1/2022
Finish Construction	11/1/2022

Comments:

Project: **Waterproofing** **Budget Bk** **E-14**

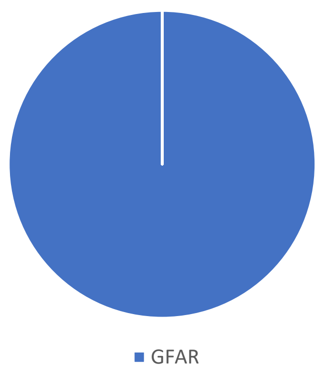
Description: Roofing and siding replacement and rehab.

This Project Addresses:



Project Challenges

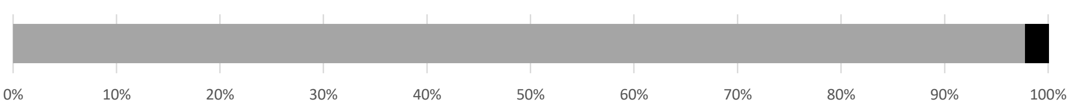
Funding Sources



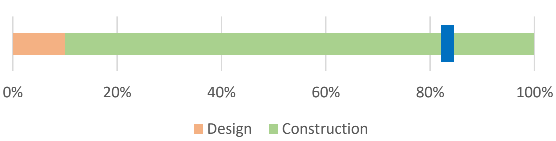
Budget Estimate Summary

Design	$	-
Construction	$	75,000
TOTAL	$	75,000

Funding Status



Schedule



Schedule

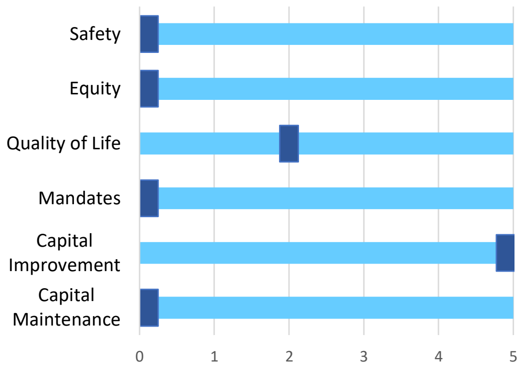
Start	2/1/2021
Finish Design	6/1/2022
Finish Construction	11/1/2022

Comments:

Project: **Sound Mitigation In Library Lobby** **Budget Bk** **E-16**

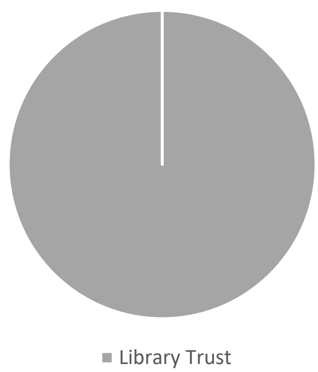
Description: Install baffling in lobby.

This Project Addresses:



Project Challenges

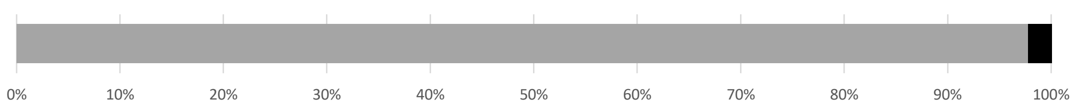
Funding Sources



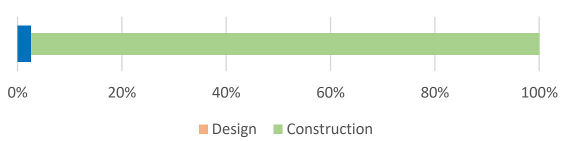
Budget Estimate Summary

Design	$	-
Construction	$	22,000
TOTAL	$	22,000

Funding Status



Schedule



Schedule

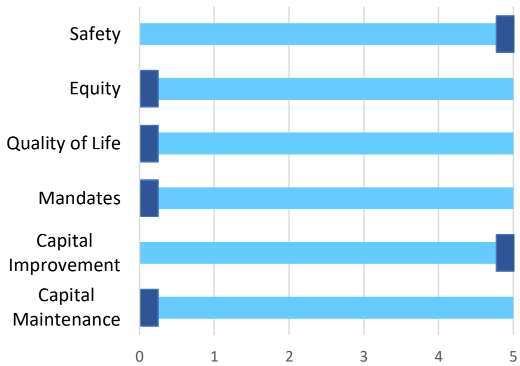
Start	10/1/2021
Finish Design	1/1/2022
Finish Construction	6/1/2022

Comments:

Project: **Fire Suppression for Server Rooms** **Budget Bk** **E-18**

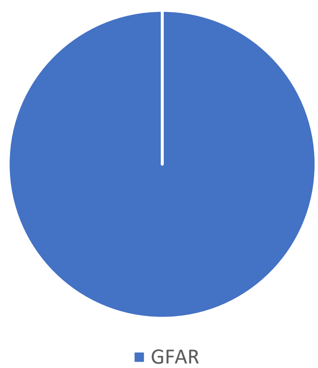
Description: Install specialized fire suppression system.

This Project Addresses:



Project Challenges

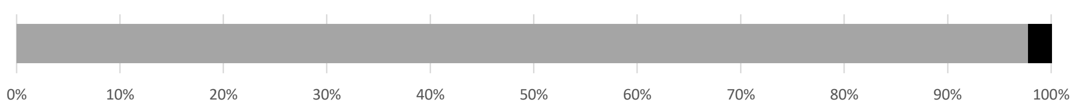
Funding Sources



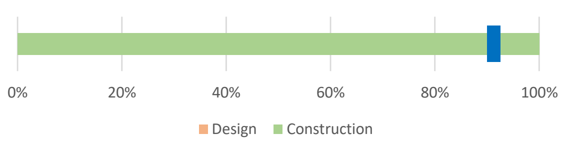
Budget Estimate Summary

Design	$	-
Construction	$	144,396
TOTAL	$	144,396

Funding Status



Schedule



Schedule

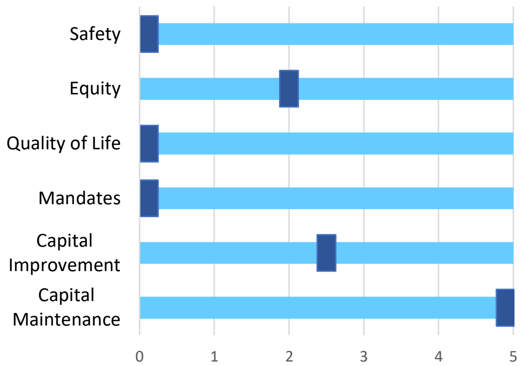
Start	3/1/2020
Finish Design	6/1/2020
Finish Construction	11/1/2021

Comments:

Project: Adult Recreation Center Floor Replacement **Budget Bk E-20**

Description: Replace flooring and upgrade flooring in multi purpose room.

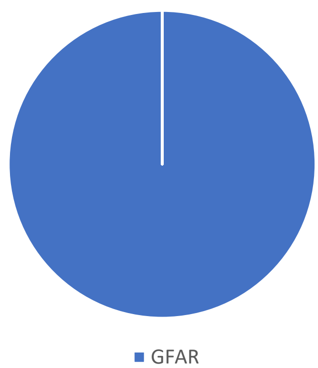
This Project Addresses:



Project Challenges

- Building space is constrained.

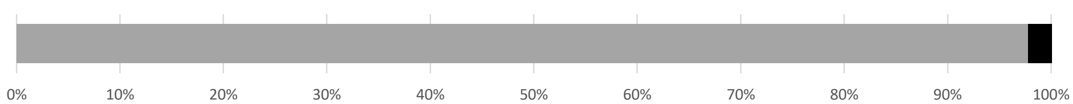
Funding Sources



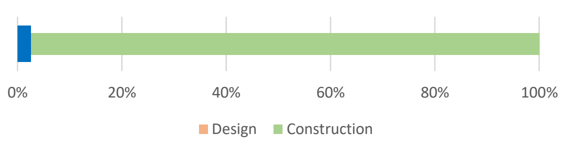
Budget Estimate Summary

Design	$	-
Construction	$	200,000
TOTAL	$	200,000

Funding Status



Schedule



Schedule

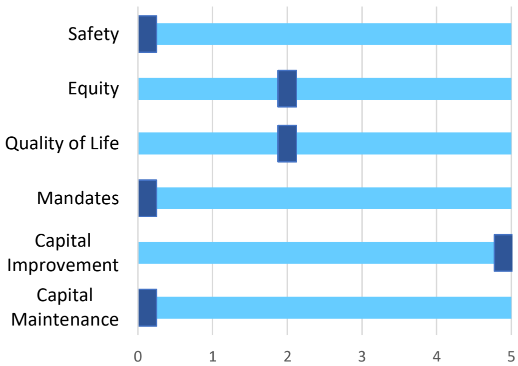
Start	6/1/2021
Finish Design	8/1/2021
Finish Construction	12/1/2021

Comments:

Project: **Battery Power Supply - Library** **Budget Bk** **E-22**

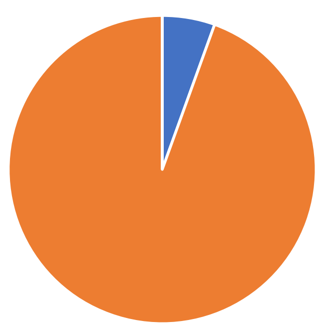
Description: Add backup battery system to Libarary

This Project Addresses:



Project Challenges

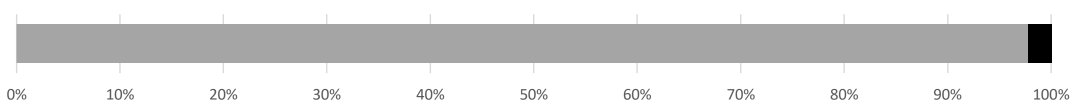
Funding Sources



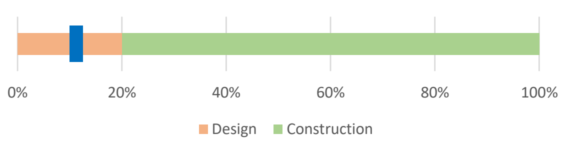
Budget Estimate Summary

Design	$	108,600
Construction	$	434,400
TOTAL	$	543,000

Funding Status



Schedule



Schedule

Start	3/1/2021
Finish Design	10/1/2021
Finish Construction	6/1/2022

Comments:

TOWN OF LOS GATOS
FINANCE COMMISSION REPORT

MEETING DATE: 9/13/2021
ITEM NO: 4

DATE: September 7, 2021

TO: Finance Commission

FROM: Laurel Prevetti, Town Manager

SUBJECT: Review Recommended Changes to the Town's Operating Portfolio Investment Policy Acknowledging the Finance Commission and Forward for Approval to the Town Council.

RECOMMENDATION:

Review recommended changes to the Town's Operating Portfolio Investment Policy acknowledging the Finance Commission and forward for approval to the Town Council.

DISCUSSION:

The Town's Investment Policy was last reviewed by the Finance Committee in October 2020 and adopted by Council in November of 2021. The Investment Policy establishes the investment scope, objectives, delegation of authority, standards of prudence, reporting requirements, internal controls, State mandated eligible investments, transactions, diversification requirements, risk tolerance, and safekeeping and custodial procedures for the investment of the operating funds of the Town. All Town funds are invested and/or will be invested in accordance with the Investment Policy and with applicable sections of the California Government Code.

The Finance Commission is tasked with the annual review of the Town Investment Policy. At this time staff recommends a single change deleting the term "Council Finance Committee" and adding "Finance Commission" to correctly reflect the name of the current Commission as redlined in Attachment 1.

FISCAL IMPACT:

There is no fiscal impact of reviewing the Investment Policy.

PREPARED BY: Stephen Conway
Finance Director

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

Attachment:

1. Town Investment Policy - Redlined

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;5/15/2018; 9/3/2019; 11/03/2020, 09/21/2021**
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

ATTACHMENT 1

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. The Town of Los Gatos Environmental, Social and Governance (ESG) scores;
7. A statement of compliance with this Investment Policy or an explanation for non-compliance; and

8. 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 and the ~~Council~~ Finance ~~Committee~~ Commission 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
FINANCE COMMISSION REPORT

MEETING DATE: 9/13/2021
ITEM NO: 5

DATE: September 8, 2021

TO: Finance Commission

FROM: Laurel Prevetti, Town Manager

SUBJECT: Review Recommended Changes to the Town's General Fund Reserve Policy to Address the Finance Commission's Request to Document the Market Fluctuation Reserve in a Town Policy and Forward a Recommendation to the Town Council.

RECOMMENDATION:

Review recommended changes to the Town's General Fund Reserve Policy to address the Finance Commission's request to document the Market Fluctuation Reserve in a Town Policy and forward a recommendation to the Town Council.

DISCUSSION:

The Governmental Accounting Standards Board (GASB) 31 requires that at year end the Town must compare or "mark" its historical cost of investments against the market value of those investments as determined at its fiscal year end date. If the market value is below cost, a negative interest earned adjustment is made to the Town's interest earned for the fiscal year. Conversely, if the market valuations exceed historical cost, a positive increase is added to the calculation of interest earned for the fiscal year.

Staff has utilized a Reserve for Market Fluctuations to assign or reserve Town General Fund balance when substantial unrealized gains (market value of investment above its historical cost to the Town) on its operating portfolio are determined upon the last day of the fiscal year.

At its August 9th meeting the Finance Commission requested that staff develop a threshold for unrealized gains so reserve balances resulting from market fluctuation gains are consistently applied from year to year. Staff recommends reserving the market fluctuation gains that are equal or higher than $10,000. The recommended changes have been incorporated into existing

PREPARED BY: Stephen Conway
Finance Director

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

GASB 31 language and can be seen in the redlined General Fund Reserve Policy in Attachment 1.

FISCAL IMPACT:

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

Attachment:

1. Town General Fund Reserve Policy - Redlined

COUNCIL POLICY MANUAL

Small Town Service *Community Stewardship* *Future Focus*

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

PURPOSE

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

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

BACKGROUND

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

GUIDING PRINCIPLES

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

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

ATTACHMENT 1

The General Fund Reserve Policy is to be reviewed by the Town Council as part of the annual operating budget review and adoption process.

POLICY

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

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

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

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

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

Committed Fund Balance

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

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

<u>Catastrophic Reserve</u>

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

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

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

<u>Budget Stabilization Reserve</u>

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

- An unplanned, major event such as a catastrophic disaster requiring expenditures which exceed the General Fund Catastrophic Reserve;
- Drop in projected/actual revenue of more than five percent in property or sales tax, or other economically sensitive revenues;
- Budgeted revenue taken over by another entity exceeding $100,000;
- Loss of businesses considered to be significant sales tax generators;
- Reductions in projected/actual revenue of more than five percent due to actions by the state/federal government;
- Workflow/technical system improvements to reduce ongoing, personnel costs and enhance customer service;
- One-time maintenance of service levels due to significant economic/budget constraints; and

- One-time transitional costs associated with organizational restructuring to secure long-term personnel cost savings.

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

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

Pension/OPEB Reserve

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

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

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

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

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

Almond Grove Street Project Reserve

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

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

Assigned Fund Balance

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

- Encumbrances – material s and services on purchase order and contracts which are unperformed.

- Reappropriations – appropriated by the Council for specific projects or programs that were not completed and not encumbered by year end.

- GASB 31 Adjustments – $10,000 or higher unrealized investment gains that have been recorded in the financial statements in accordance with GASB 31.

Capital and Special Projects Reserve

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

Unassigned Fund Balance

At the end of each fiscal year, the Finance Department reports on the audited year-end budgetary fiscal results. Should actual General Fund revenues exceed expenditures and encumbrances, a year-end operating surplus shall be reported. Any year-end surplus which results in the General Fund balance exceeding the level required by this Reserve Policy shall be available for allocation for the following, subject to Council approval:

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

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

Replenishment of Unreserved Fund Balance

In keeping with the principles discussed in this Policy, when either fund is used, Town Council will develop a 1 to 5 year reserve replenishment plan to meet the minimum threshold of 25% of General Fund ongoing, operating expenditures, excluding one-time expenditures.

APPROVED AS TO FORM:

____

Robert Schultz, Town Attorney

TOWN OF LOS GATOS
FINANCE COMMISSION REPORT

MEETING DATE: 09/13/2021
ITEM NO: 6

DATE: September 8, 2021
TO: Finance Commission
FROM: Laurel Prevetti, Town Manager
SUBJECT: Receive Subcommittee Report

RECOMMENDATION:

Receive Subcommittee Report

DISCUSSION:

Subcommittee Chair Huddleston will provide an oral report.

PREPARED BY: Arn Andrews
Assistant Town manager

Reviewed by: Town Manager

TOWN OF LOS GATOS
FINANCE COMMISSION REPORT

MEETING DATE: 09/13/2021
ITEM NO: 7

DATE:	September 8, 2021
TO:	Finance Commission
FROM:	Laurel Prevetti, Town Manager
SUBJECT:	Receive Information on Vacant Storefront Fee and Tax Assessment Programs (Continued from August 9, 2021)

REMARKS:

This item is continued from the August 9, 2021 Finance Commission Meeting. The staff report is being provided as Attachment 1.

Attachment
1. August 9, 2021 Staff Report on Vacant Storefront Fee and Tax Assessment Programs Report

PREPARED BY: Arn Andrews
Assistant Town Manager

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

TOWN OF LOS GATOS
FINANCE COMMISSION REPORT

MEETING DATE: 08/09/2021
ITEM NO: 12

DATE: July 28, 2021

TO: Finance Commission

FROM: Laurel Prevetti, Town Manager

SUBJECT: Receive Information on Vacant Storefront Fee and Tax Assessment Programs

RECOMMENDATION:

Receive information on vacant storefront fee and tax assessment programs.

BACKGROUND:

On July 12, 2021, the Finance Commission received a staff report entitled *Discuss and Recommend Options to Pursue for a Town Council Strategic Priority – "Explore New Revenue Opportunities".* The report was predicated on the Town Council's identification of "Explore New Revenue Opportunities" as a FY 2021-2023 Strategic Priority. In addition, during the recent budget deliberations of May 18, the Council reconfirmed their commitment to establish new revenues for capital needs and maintaining the high level of operating services.

DISCUSSION:

During the deliberations of July 12, 2021, the Commission discussed the potential of instituting a fee for vacant storefronts. The Commission asked staff to perform due diligence on the topic and report back to the Commission.

Based on a review of the literature, there appear to be two primary methods of affixing fees on commercial buildings with vacant storefronts. The most common practice is imposing fees on vacant storefronts. A less common approach is the imposition of a voter approved tax. In the jurisdictions where a either a fee or a tax has been adopted, the intent of the legislation was primarily focused on the elimination of blight, economic stimulation, and better insight into commercial activity as opposed to revenue generation.

PREPARED BY: Arn Andrews
Assistant Town Manager

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

DISCUSSION (continued):

Vacant Storefront Registration Fees

As previously mentioned, multiple jurisdictions have instituted a fee program and registry for vacant storefront in commercial properties. The annual registration fees associated with these programs range from a low $25 to a high of $880. Several of the programs also institute a monitoring, or noncompliance, fee for violating properties which can reach thousands annually. Following is some more detailed information from some of the jurisdictions.

San Jose

The City Council approved necessary ordinance changes to Title 17 on May 1, 2018 and those ordinance changes became effective June 15, 2018.

Pursuant to the adopted 2019-2020 Schedule of Fees and Charges, the Neglected Vacant Building/Storefronts Mandatory Registration Fee is $220 per quarter and is billed quarterly. The monthly monitoring fee for those properties in violation (Neglected Vacant Building/Storefront Monitoring Fee) is $660 per quarter and is billed quarterly. Any penalties assessed resulting from code violations identified by a Code Inspector are charged in addition to registration and monitoring fees.

There are three ways a property owner can be exempt from mandatory registration of their Downtown vacant building or storefront.

- The first is if the property owner provides satisfactory proof to the City that they are actively offering the building/storefront for sale, lease or rent.
- The second is satisfactory proof of physical occupancy of a tenant, and
- the third is if there are open and active building permits on the property address. To have “an open and active” building permit, a property owner or tenant must have at least one building inspection every six months, meaning there is active progress toward the completion of repairs or improvements to the space in question, in theory toward having a tenant occupy the space.

San Francisco

As amended on February 4, 2019, by Ordinance 52-19, the Building Code imposes the following requirements on San Francisco property owners:

1. An owner is required to register a Commercial Storefront within 30 days of it becoming Vacant or Abandoned with the following exceptions.

DISCUSSION (continued):

- Exemptions for Vacant Commercial Storefronts that have been issued permits for repair, rehabilitation or construction, or where an owner or lessee is actively pursuing a required permit.

2. A property owner must pay an annual registration fee ($711) at the time of registration.
3. After registering a Vacant or Abandoned Commercial Storefront, a property owner is also required to hire a licensed professional each year (at the owner's cost) to certify that the Commercial Storefront meets code requirements.
4. If a property owner fails to register with DBI and receives a Notice of Violation, DBI may impose a new penalty equal to 4x the annual registration fee ($2,844).

Vacant Storefront Voter Approved Taxes

Oakland

On November 6, 2018, Oakland voters approved Measure W, the Oakland Vacant Property Tax ("VPT"). The VPT Act establishes an annual tax of $3,000 to $6,000 on vacant property. A property is considered "vacant" if it is "in use less than fifty (50) days in a calendar year," and not subject to any of ten (10) exemptions.

San Francisco

On March 3, 2020, San Francisco voters approve Prop. D which imposes an excise tax on landlords whose ground floor commercial space remains vacant for more than 182 days. The tax is calculated based on a building's frontage (the total length of commercial space facing the street) and the amount of time the commercial space is vacant. The tax is levied at $250 per foot of sidewalk frontage in the first year, increase to $500 per foot in Year 2 and then double to $1,000 per foot a year after that. The tax would apply to commercial properties in neighborhood commercial business districts and commercial transit districts. Revenue generated by the tax is earmarked for a Small Business Assistance Fund to support the maintenance and operation of small businesses in San Francisco.

The measure lays out the following exceptions to calculating vacancy:
• The period after a property owner has applied for a permit for repair, rehabilitation or construction would not count toward a commercial space's vacancy (but could not exceed one year).
• The one-year period after the city issues a permit for repair, rehabilitation or construction would not count toward a commercial space's vacancy.
• The 183-day period after a property owner applies for a conditional use permit would not count toward a commercial space's vacancy. If the Planning Commission has not granted or

DISCUSSION (continued):

denied the permit within 183 days, this period could extend up to December 31 of the year the application is filed.
• The two-year period following the date that a commercial space is severely damaged because of fire or natural disaster would not count toward the space's vacancy.

On June 9, 2020, the Board of Supervisors unanimously passed an Ordinance on first read calling for the suspension of Prop D for the 2021 tax year due to the economic impacts of the pandemic.

CONCLUSION:

Based on staff's research neither vacant storefront fee nor tax programs would yield much in the way of material new revenue for Los Gatos. Rather, these programs are policy initiatives aimed at elimination of blight, economic stimulation, and better insight into commercial activity. In addition, the programs incur administration costs for compliance and revenues beyond expenses are often targeted toward specific gentrification activities.

COORDINATION:

This staff report was coordinated with the Town Manager, Town Attorney, Finance Director, and Economic Vitality Manager.

FISCAL IMPACT:

None

ENVIRONMENTAL ASSESSMENT:

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

TOWN OF LOS GATOS
FINANCE COMMISSION REPORT

MEETING DATE: 09/13/2021
ITEM NO: 8

DATE: September 8, 2021

TO: Finance Commission

FROM: Laurel Prevetti, Town Manager

SUBJECT: Receive Information on Business License Amnesty (Continued from August 9, 2021)

REMARKS:

This item is continued from the August 9, 2021 Finance Commission Meeting. The staff report is being provided as Attachment 1.

Attachment
1. August 9, 2021 Business License Amnesty Staff Report

PREPARED BY: Stephen Conway
Finance Director

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

TOWN OF LOS GATOS
FINANCE COMMISSION REPORT

MEETING DATE: 08/09/2021
ITEM NO: 13

DATE:	July 28, 2021
TO:	Finance Commission
FROM:	Laurel Prevetti, Town Manager
SUBJECT:	Receive Information on Business License Amnesty

RECOMMENDATION:

Receive Information on Business License Amnesty.

BACKGROUND:

On July 12, 2021, the Finance Commission received a staff report entitled *Discuss and Recommend Options to Pursue for a Town Council Strategic Priority – "Explore New Revenue Opportunities".* The report was predicated on the Town Council's identification of "Explore New Revenue Opportunities" as a FY 2021-2023 Strategic Priority. In addition, during the recent budget deliberations of May 18, the Council reconfirmed their commitment to establish new revenues for capital needs and maintaining the high level of operating services.

DISCUSSION:

During the deliberations of July 12, 2021, the Commission discussed the potential of a business license audit program that would precede with a business license amnesty program. The Commission asked staff to perform due diligence on the business license amnesty program as the first step and report back to the Commission.

To date, the Town has explored but has not engaged in a full-scale Town-wide business license audit. However, staff does periodically cross checks other business databases, works with Town Departments and other local agencies to ensure proper licensing within Town limits.

Industry best practices show that a business license audit works more efficiently if it is preceded by a business license amnesty program. Typically, small jurisdictions with limited in-

PREPARED BY: Stephen Conway
Finance Director

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

DISCUSSION (continued):

house resources would hire an outside firm to conduct the business license audit. This firm usually works for a commission based on a formulaic calculation of the recovered business license taxes. If an unlicensed business takes advantage of the business license amnesty program, the penalties and fees are waived under the program which will lower the overall fees paid to the Town and its audit contractor. The City of San Jose has administered three Amnesty Programs since 2006, successfully increasing both compliance and revenue.

An Amnesty Program typically is a limited-time opportunity for persons and businesses engaged in business activity in Town of Los Gatos, to pay a defined amount in exchange for forgiveness of a tax liability, including penalties. Waiving fees and penalties will lower revenues collected but will give businesses an opportunity to obtain proper license status and build goodwill with those businesses that may be unaware of their licensing requirements.

The Town Business License Tax program is governed by Chapter 14 of the Los Gatos Town Code: Los Gatos Town Code - Business Licenses. The Articles I through III of the business license chapter are enacted solely to raise revenue for Municipal purposes and are not intended for regulation. It is unlawful for any person to transact and carry on any business, trade, profession, calling or occupation in the Town without first having procured a license from the Town. A separate license shall be obtained for each location of the business transacted and carried on, and for each separate type of business at the same location.

In addition, the businesses activity and location are governed by the Chapter 29 of the Los Gatos Town Code. Town of Los Gatos - Zoning Regulations. Each business that is located within Town limits must be approved by the Planning Department to ensure the Town of Los Gatos zoning regulations. Business licenses are issued for the calendar year. New license fees are prorated at the first year based on the time of the business establishment. The business license tax payment is due by January 2nd annually and penalties accrue 25% each month after February 2nd. Late fee penalties can go up to 100% if the license tax is not paid by May 2nd. Please note, that due to the pandemic, Town Council authorized staff to give a calendar year first quarter exemption to hair and nail service providers who were not able to operate due to Santa Clara Public Health Order restrictions and omit late business license penalties for all businesses in 2021.

The Town issues different types of business licenses based on the type of activity. The amount of business license tax paid by each business is also based on its business activity. Fees for activities such as wholesales and manufacturing are charged on a sliding scale based on gross receipts, as is retail, with retail being capped at $975. These gross receipt activities account for approximately 25% of annual business licenses, while the remaining 75% are flat fee businesses. While the Town Code list different license types, the most common ones are listed below with the appropriate business license tax and fees. These business license tax rates were established in 1991.

DISCUSSION (continued):

Typical Business License Taxes and Fees			
Business License Processing Fee (Annual)	*$40 at the Time of Establishment/ $30 at Renewal - Located In Los Gatos* *$20 - Not Located in Los Gatos*		
Planning Fees - Businesses Located in Los Gatos (One-time)	*$161.20 Home Occupancy Permit - Home Based Businesses* *$176.70 Change of Occupancy / $262.20 Change of Use - Commercial Zoning*		
State Mandated Fee (Annual)	*$4*		
Type of Business License	**Business License Tax - Without Penalty Minimum (Annual)**	**Business License Tax - Without Penalty Maximum (Annual)**	**Typical Businesses**
Retail (Based on Gross Receipt)	$75	$975	*Restaurant, Grocery Store , Gas Station, Hair Salon*
Wholesale/Manufacturee/Wholesale/Ecommerce (Based on Gross Receipt)	$150	Based on sliding scale $4,837.50 for $12,000,000 in gross receipt plus $75 for each $550,000 or fracntion therfor in excess of $12,000,000	*Netflix, Manufacturers*
Professional/Semiprofessional (per employee)	$200	$200	*Medical Doctor, Attorney, Tutor, Massage Therapist, Broker*
Support Staff - Professional/Semiprofessional (per employee)	$15	$15	*Real Estate Agent*
Service (per business)	$100	$100	*Gardeners, Repair Service, Hair Stylist, Janitoral service*
Contractor (per business)	$224	$224	*Licensed California State Contractor*

The process for initiating a Business License Amnesty Program would start with staff presenting a report to the Town Council. If the Town Council approved the Program, staff would inform the business community about the upcoming Amnesty Program through a variety of mechanisms available to the Town, including advertisements in print media, social media, and other avenues to inform unlicensed businesses and delinquent taxpayers of the requirements to register and comply with Town regulation.

Staff would recommend that businesses coming forward through the Amnesty Program should be approved by Planning Department and pay appropriate one-time Planning fees, annual State mandated fees, one-year of the business license processing fee, and business license taxes without penalties back up to three years.

Noncompliant businesses typically engage and follow up in greater numbers if approached just prior to federal and state tax filing deadlines, when the owner of a business applying for any type of loans, may need to provide proof of a business license for any official reason.

At the conclusion of the Amnesty Program staff would then contract with a firm for extensive database matching and cross referencing to identify remaining noncompliant businesses. There are a variety of independent companies that perform contract business license audit services. Businesses identified during the audit process would be subject to back fees and penalties for a three-year period.

<u>FISCAL IMPACT</u>:

The Amnesty Program would incur advertising and mailing cost that can be absorbed in the existing Finance Departmental budget. The administration of the program would also increase workloads for both the Finance and the Planning Departments with potential offset by increased revenues. Staff would monitor activities associated with amnesty and audit programs and request additional temporary help from the Town Council if required.

TOWN OF LOS GATOS
FINANCE COMMISSION REPORT

MEETING DATE: 09/13/2021
ITEM NO: 9

DATE: September 8, 2021

TO: Finance Commission

FROM: Laurel Prevetti, Town Manager

SUBJECT: Review the Town's Current Business License Tax Program Enacted in 1991 and Recommend that the Town Council Pursue Modernizing the Tax Schedule

RECOMMENDATION:

Review the Town's current Business License Tax program enacted in 1991 and recommend that the Town Council pursue modernizing the tax schedule.

BACKGROUND:

The Town's Business Tax Ordinance was last adopted on June 3, 1991 (Attachment 1). The Town Business License Tax program is governed by Chapter 14 of the Los Gatos Town Code: Los Gatos Town Code - Business Licenses. The Articles I through III of the business license chapter are enacted solely to raise revenue for municipal purposes and are not intended for regulation. The Town currently has 2,557 businesses in active pay status and another 2,577 registered on the books of which it is estimated that a third may still be active in Town. This Tax, which is charged to business owners, currently generates approximately $1.4 million annually.

DISCUSSION:

Having not been updated in over 30 years, the current rate structure does not take into account shifts in business models and delivery over the decades. In addition, the current ordinance does not contemplate inflation adjustments or other predetermined structural rate changes, therefore leaving the rates unchanged for 30 years. As documented in the Business License Amnesty staff report, the following table represents the tax structure enacted in 1991.

PREPARED BY: Arn Andrews
Assistant Town Manager

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

DISCUSSION (continued):

Typical Business License Taxes and Fees			
Business License Processing Fee (Annual)	*$40 at the Time of Establishment/ $30 at Renewal - Located In Los Gatos* *$20 - Not Located in Los Gatos*		
Planning Fees - Businesses Located in Los Gatos (One-time)	*$161.20 Home Occupancy Permit - Home Based Businesses* *$176.70 Change of Occupancy / $262.20 Change of Use - Commercial Zoning*		
State Mandated Fee (Annual)	*$4*		
Type of Business License	**Business License Tax - Without Penalty Minimum (Annual)**	**Business License Tax - Without Penalty Maximum (Annual)**	**Typical Businesses**
Retail (Based on Gross Receipt)	$75	$975	*Restaurant, Grocery Store , Gas Station, Hair Salon*
Wholesale/Manufacturee/Wholesale/Ecommerce (Based on Gross Receipt)	$150	Based on sliding scale $4,837.50 for $12,000,000 in gross receipt plus $75 for each $550,000 or fracntion therfor in excess of $12,000,000	*Netflix, Manufacturers*
Professional/Semiprofessional (per employee)	$200	$200	*Medical Doctor, Attorney, Tutor, Massage Therapist, Broker*
Support Staff - Professional/Semiprofessional (per employee)	$15	$15	*Real Estate Agent*
Service (per business)	$100	$100	*Gardeners, Repair Service, Hair Stylist, Janitoral service*
Contractor (per business)	$224	$224	*Licensed California State Contractor*

Most cities in the Bay Area and throughout California have either updated their tax structure through local ballot measures or enacted a tax if they previously didn't have one. In California, all taxes imposed by local governments are classified as either general or special taxes and must be put before voters as a local ballot measure for approval. Recent examples of general business tax ballot measures include:

- Daly City – Measure BB 2018 (approved 80.64%)
- Mountain View – Measure P 2018 (approved 71.05%)
- Sausalito – Measure M 2018 (approved 65.42%)
- Berkley – Measure U1 2016 (approved 74.93%)
- Monterey – Measure H 2016 (approved 73.86%)
- San Jose – Measure G 2016 (approved 65.59%)
- Campbell – Measure M 2010 (approved 69.59%)
- Foster City – Measure U 2013 (approved 73.2%)

CONCLUSION:

Staff recommends that in conjunction with recommending the hiring of a firm to initiate a Business License audit and amnesty program that a firm also be retained to recommend modernization of the 1991 Business License Tax rates.

Attachments:
1. 1991 Busines Tax Ordinance

ORDINANCE 1857

ORDINANCE OF THE TOWN OF LOS GATOS
AMENDING CHAPTER 15, ARTICLE II OF THE TOWN CODE

THE TOWN COUNCIL OF THE TOWN OF LOS GATOS DOES HEREBY ORDAIN:

SECTION I

Article II of Chapter 15 of the Town Code is hereby repealed in its entirety.

SECTION II

Article II of Chapter 15 of the Town Code is hereby enacted to read as follows:

ARTICLE II

SCHEDULE

Section 15-27. Gross Receipts Tax

Every person doing business in the Town, except those persons whose business is taxed under the terms of Section 15-28 shall pay an annual license tax based on the gross receipts of the business. The tax is levied according to one or both of the following schedules. When the business activities of one person, taxable under the provisions of this section, involve both retail and manufacturing, wholesaling or jobbing transactions, the total gross income is apportioned between the two schedules, according to its source.

Retailing

At Least	But Less Than	Tax
$ 0	$ 50,000	$ 75.00
50,000	100,000	112.50
100,000	150,000	150.00
150,000	200,000	187.50
200,000	250,000	225.00
250,000	300,000	262.50
300,000	350,000	300.00
350,000	400,000	337.50
400,000	450,000	375.00
450,000	500,000	412.50
500,000	600,000	450.00
600,000	700,000	487.50
700,000	800,000	525.00
800,000	900,000	562.50
900,000	1,000,000	600.00
1,000,000	1,100,000	637.50
1,100,000	1,200,000	675.00
1,200,000	1,300,000	712.50
1,300,000	1,400,000	750.00
1,400,000	1,500,000	787.50
1,500,000	1,600,000	825.00
1,600,000	1,700,000	862.50
1,700,000	1,800,000	900.00
1,800,000	1,900,000	937.50
1,900,000	2,000,000 (and above)	975.00

Manufacturing, Wholesaling and Jobbing

At Least	But Less Than	Tax
$ 0	$ 200,000	$ 150.00
200,000	300,000	187.50
300,000	400,000	262.50
400,000	500,000	337.50
500,000	600,000	450.00
600,000	800,000	562.50
800,000	1,000,000	675.00
1,000,000	1,200,000	787.50
1,200,000	1,400,000	900.00
1,400,000	1,600,000	1,012.50
1,600,000	1,800,000	1,125.00
1,800,000	2,000,000	1,237.50
2,000,000	2,500,000	1,350.00
2,500,000	3,000,000	1,462.50
3,000,000	3,500,000	1,575.00
3,500,000	4,000,000	1,687.50
4,000,000	4,500,000	1,800.00
4,500,000	5,000,000	1,912.50
5,000,000	5,500,000	2,025.00
5,500,000	6,000,000	2,137.50
6,000,000	6,500,000	2,250.00
6,500,000	7,000,000	2,362.50
7,000,000	7,500,000	2,175.00
7,500,000	8,000,000	2,587.50
8,000,000	8,500,000	2,700.00
8,500,000	9,000,000	2,812.50
9,000,000	9,500,000	2,925.00
9,500,000	10,000,000	3,037.50
10,000,000	10,500,000	4,500.00
10,500,000	11,000,000	4,612.50
11,000,000	11,500,000	4,725.00
11,500,000	12,000,000	4,837.50
12,000,000		4,837.50 plus $75.00 for each $550,000 or fraction thereof in excess of $12,000,000

Section 15-28. License Taxes for Specified Businesses

Every person doing any of the kinds of business specified in the subdivisions of this Section 15-28 shall pay the business license tax specified in such subdivision. The fees are annual unless otherwise specified.

Sec. 15-28.02. Advertising Signs

Signposting and painting 420.00

Section 15-28.04. Amusements

Shows, concerts, et cetera (per day)	42.00
Circuses, menageries, et cetera:	
Less than 2,000 seating capacity	
First day	420.00
Each succeeding day	52.50
More than 2,000 seating capacity	
First day	630.00
Each succeeding day	105.00
Side shows (per day):	
Entrance fee not exceeding$.10	21.00
Entrance fee exceeding $.10	42.00
Circus procession or parade (each)	210.00
Carnivals (per day)	42.00
Ferris Wheels, merry-go-rounds, et cetera (per month)	210.00
Public dances (per dance)	21.00

Section 15-28.05. Apartment Rentals and Mobilehome Parks.

The term "apartment" includes all buildings or groups of buildings on the same premises, composed of a total of three or more dwelling units (per unit) 7.50

Section 15-28.06. Auctioneers 112.50

Section 15-28.08. Billiard and Pool Rooms (per table) 52.50

Section 15-28.10. Boardinghouses.

Boardinghouses licensed by the State or County as boardinghouses for pensioners, and who board pensioners exclusively, are exempt from the business license tax.

For first four boarders	21.00
For each person over four	4.50

Section 15-28.12. Cleaning and Dyeing Laundry Delivery.

Vehicles (annual, per vehicle) 168.00

The tax applies to those who have no fixed place of business in the Town.

Section 15-28.14. Contractors (annual).

A separate fee for each type of work activity, such as general engineering, building, plumbing, plastering, painting, masonry, termite, service, installation or other specialty, in addition to any sales or jobbing license fee 224.00

Section 15-28.15. Day Care Facilities.

Day Care Facilities provide day care for children under 18 years of age who are unrelated to the licensee.

Small Family Day Care Home - a facility providing day care for six (6) children or less. (Including resident children) . . . . No Fee

Large Family Day Care Home - a facility providing day care for 7 to 12 children (including resident children) . . . . No Fee

Nursery School - a facility providing day care for 13 or more children . . . . . . No Fee

Section 15-28.16. Hospitals, Rest Homes, Etc

Annual, or 140.00
Per bed, if that is larger 10.00

Section 15-28.18. Hotels and Motels (annual, per guest room) 7.50

Business activities other than renting rooms, conducted in connection with a hotel, are taxed separately.

Section 15-28.20. House Movers.

Annual license 105.00
Additional per structure moved 84.00

Section 15-28.22. Itinerant Photographers (annual) 210.00

Section 15-28.24. Itinerant Vendors (daily) 105.00

The works "itinerant vendor" mean any person, both principal and agent, who engages in a temporary and transient business n the Town selling goods, wares and merchandise with the intention of continuing such business in the town for a period of not more than ninety days, and who, for the purpose of carrying on such business, hires, leases or occupies any room, building or structure for the exhibition or sale of such goods, wares, or merchandise, or from which room, building or structure the sales shall be made or business solicited by means of samples or delivery from house to house. The person so engaged is not relived from the provisions of this section by reason of associating temporarily with any local dealer, trader, merchant or auctioneer, or by conducting temporary or transient business in connection with, or as a part of, or in the name of any local dealer, trader, merchant or auctioneer. The provisions of this section do not apply to commercial travelers or selling agents selling their goods to dealers, whether selling for present or future deliveries, by sample or otherwise, nor to hawkers on the street, nor peddlers from vehicles, nor to persons selling fruit, vegetables, butter, eggs, or other fruit or ranch products.

Section 15-28.28. Junk Dealers (annual) 420.00

"Junk dealer" means any person who has a fixed place of business in the Town, and who engages in or carries on the business of buying or selling, either at wholesale or retail, any old rages, sacks, bottles, cans, papers, metals or other articles of junk.

Section 15-28.30. Junk Collectors (annual, per vehicle) 84.00

"Junk collector" means any person who has not fixed place of business in the Town and who engages in or caries on the business of collecting, buying or selling any old rags, sacks, bottles, cans, papers, metals or other articles of junk.

Section 15-28.36. Peddlers.

Peddlers of wares other than food, per person:

Daily 21.00

Peddlers of food, except lunch wagon operators:

Using a vehicle, per vehicle, annual 210.00
Not using a vehicle, carrying wares by hand 42.00
Lunch wagon operators (per vehicle, annual) 210.00

Peddlers engaged in the business of selling any personal property at a sale conducted by an organization exempt from the business license tax under the provisions of Section 15-5 of this chapter shall pay a license tax of seven dollars and fifty cents per day. This rule applies only when all fees, commissions or other renumeration of any kind paid by the peddler to the organization conducting, sponsoring or promoting the sale is devoted exclusively to the business license tax-exempt purposes of the organization and the organization has obtained prior approval from the Town Council to conduct the sale.

Daily 7.50

A "peddler" is every person not having a regularly established place of business in the Town who travels from place to place, or has a stand upon any public street, alley or other public place, doorway or any building, unenclosed or vacant lot, or parcel of land, who sells, offers for sale, any goods, wares or merchandise in his possession.

Section 15-28.38. Professional and Semiprofessional Occupations.

Per professional or semiprofessional person 200.00
Additional per employee 15.00

Professional or semiprofessional business or service occupations include, but are not limited to, the following:

Accountant
Advertising counsel
Appraiser
Architect
Artist
Assayer
Attorney-at-law
Auditor
Bacteriologist
Broker, stock or bond
Chemist
Chiropodist
Chiropractor
Dentist
Designer or decorator

Detective or investigative personnel
Draftsperson
Drugless practitioner
Electrologist
Engineer: civil, mining, electrical, construction
Engineer: structural, consulting, mechanical, hydraulic
Engraver
Feed, grain and fruit broker
Geologist
Illustrator or showcard writer
Landscape architect
Lapidary
Lithographer
Masseuse or masseur
Oculist, optician or optometrist
Osteopath
Physician
Real estate brokers
Surgeon
Surveyor
Taxidermist
Veterinarian
X-ray, dental or medical laboratory

Section 15-28.40. Service Occupations 100.00

"Service occupations" means appliance, home furnishing or radio and television installation, maintenance and repair, janitorial and building maintenance, or landscape installation and maintenance.

Section 15-28.42. Shooting Galleries 105.00
Section 15-28.44. Solicitors (per business) 210.00

A "solicitor" is one who engages in the business of going from house to house, place to place or in or along the streets within the Town selling or taking orders for, or offering to sell or take orders for, goods, wares, merchandise, advertising or other things of value for future delivery, or for services to be performed in the future.

Section 15-28.46. Taxicabs.

Per business 150.00
Additional per taxi 22.50

Section 15-28.48. Theaters and Concert Halls 105.00

Section 15-28.50. Trucking (annual)

Persons other than peddlers who sell or deliver food or any other goods by means of a vehicle, and who have no fixed place of business in Town, per vehicle 140.00

Persons who make no more than two deliveries or sales per quarter are exempt from the foregoing tax. All other motor vehicle delivery business, whether the business operates on a regular route or between fixed termini or not:

For one vehicle	45.00
For each additional vehicle	22.50

Section 15-29. Credit for Businesses in Business Improvement Area

a. Any business located and operating within a parking and business improvement area established pursuant to Streets and Highways Code §§ 36500 et seq. shall receive a credit on the annual license tax as set forth in this section.

b. Each person doing any of the kinds of business specified in subdivisions 15-28.14, 15-28.16, 15-28.38, 15-28.40, and 15-28.50 shall receive a credit equal to 50% (one-half) of the annual business license tax.

c. Every person doing any other kind of business shall receive a credit equal to 33-1/3% (one-third) of the annual business license tax.

SECTION III

Any judicial action or proceeding to attack, review, set aside, void or annul this ordinance shall be commenced within 120 days after adoption of this ordinance.

SECTION IV

A. This ordinance shall take effect July 1, 1991. Within 15 days after this ordinance is adopted the Town Clerk shall cause it to be published once in a newspaper of general circulation published and circulated in the Town.

B. In establishing the effective date, the Town Council finds that this ordinance relates to taxes for the usual and current expenses of the Town within the meaning of Government Code Section 36937, and must be effective July 1, 1991, so that business license fees will be paid at higher rates commencing with the beginning of the 1991-92 fiscal year.

This ordinance was introduced at a regular meeting of the Town Council of the Town of Los Gatos on May 28, 1991 and adopted by the following vote as an ordinance of the Town of Los Gatos at a meeting of the Town Council of the Town of Los Gatos on June 3, 1991.

regular
mwc

COUNCIL MEMBERS:

AYES: **Joanne Benjamin, Randy Attaway, Eric D. Carlson, Steven Blanton**

NAYS: **None**

ABSENT: **Mayor Brent N. Ventura**

ABSTAIN:

SIGNED:

VICE- **MAYOR OF THE TOWN OF LOS GATOS**
LOS GATOS, CALIFORNIA

ATTEST:

CLERK OF THE TOWN OF LOS GATOS
LOS GATOS, CALIFORNIA

TOWN OF LOS GATOS
FINANCE COMMISSION REPORT

MEETING DATE: 09/13/2021
ITEM NO: 10

DATE: September 8, 2021

TO: Finance Commission

FROM: Laurel Prevetti, Town Manager

SUBJECT: Continue Discussion of Key Performance Indicators (Continued from July 12 and August 9, 2021)

REMARKS:

This item is continued from the August 9 and July 12, 2021 Finance Commission Meetings. The staff report is being provided as Attachment 1.

Attachment
1. August 9 and July 12, 2021 Staff Report on Key Performance Indicators

PREPARED BY: Arn Andrews
Assistant Town Manager

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

TOWN OF LOS GATOS
FINANCE COMMISSION REPORT

MEETING DATE: 08/09/2021
ITEM NO: 14

DATE:	August 4, 2021
TO:	Finance Commission
FROM:	Laurel Prevetti, Town Manager
SUBJECT:	Continue Discussion of Key Performance Indicators (Continued from July 12, 2021)

REMARKS:

This item is continued from the July 12, 2021 Finance Commission Meeting. The staff report is being provided as Attachment 1.

Attachment
1. July 12, 2021 Key Performance Indicators Staff Report

PREPARED BY: Arn Andrews
Assistant Town Manager

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

TOWN OF LOS GATOS
FINANCE COMMISSION REPORT

MEETING DATE: 07/12/2021
ITEM NO: 7

DATE: July 7, 2021

TO: Finance Commission

FROM: Laurel Prevetti, Town Manager

SUBJECT: Continue Discussion of Key Performance Indicators

RECOMMENDATION:

Continue discussion of key performance indicators.

BACKGROUND:

On June 14, 2021, the Finance Commission had an initial discussion of key performance indicators it would like to see throughout the year. Among other items, Commissioners requested information related to major revenues and personnel metrics (such as number of average employees on the payroll, current filled positions, retirements and voluntary terminations, number of employees out on Workers Compensation, and any other extraordinary items). The Commission also asked if staff could develop additional performance indicators, such as the processing time to issue a permit, etc.

DISCUSSION:

As a starting point, provided below is a summary of the Town's primary revenues and data availability.

Property Tax and Motor Vehicle in Lieu Fee (VLF)

Property tax and VLF are the single largest revenue source for the Town and comprised approximately 42% of total Town General Fund projected revenues for FY 2020/21. Property tax is levied by the Santa Clara County Assessor's Office at 1% of a property's assessed value, of which the Town receives approximately 9.3 cents per dollar paid on property located within the municipal limits of Los Gatos. In compliance with Proposition 13, the assessed value of real property is based on the 1975/76 assessment roll value, adjusted by a 2% inflation factor

PREPARED BY: Arn Andrews
Assistant Town Manager

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

DISCUSSION (continued):

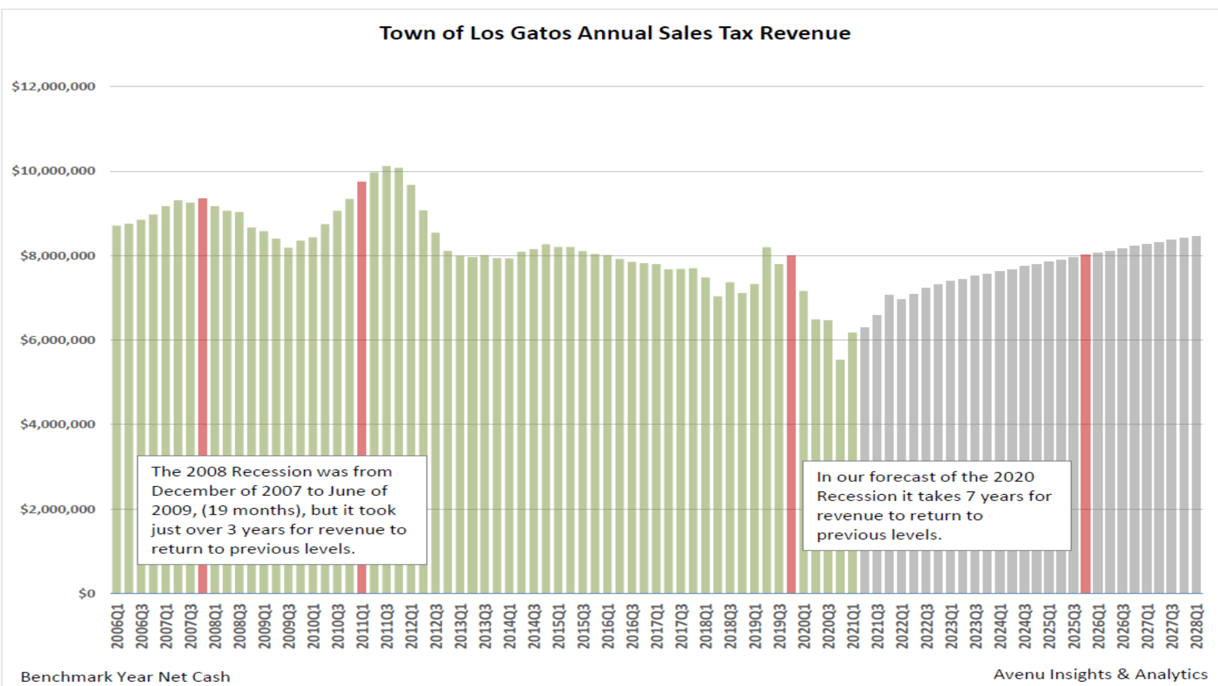
thereafter. However, when property changes hands or new construction occurs, property is then reassessed at its current market value. The County of Santa Clara provides property tax collection updates and projections throughout the year. Property tax distributions are largely received in the third and fourth quarters.

As staff receives relevant property tax information and receipts, it will be shared with the Commission.

Sales Tax

Sales tax is the second largest revenue source for the Town's General Fund, accounting for 18% of budgeted General Fund projected revenues for FY 2020/21. The Town currently receives 1.125 cent for every 9.125 cents of sales tax paid per dollar on retail sales and taxable services transacted within Los Gatos, including the Town of Los Gatos residents' approved ballot Measure G enacting a one-eight cent (0.125%) district sales tax for 20 years.

Sales tax estimates are based on actual sales tax data provided by the Town's consultant, MuniServices. MuniServices provides staff with quarterly updates and any revisions to prior estimates. While most of the data contained in the quarterly reports provided by Muniservices are not public due to references to individual businesses, staff is able to provide aggregate data to the Commission. Provided below is the latest quarterly data for the 1st Quarter:



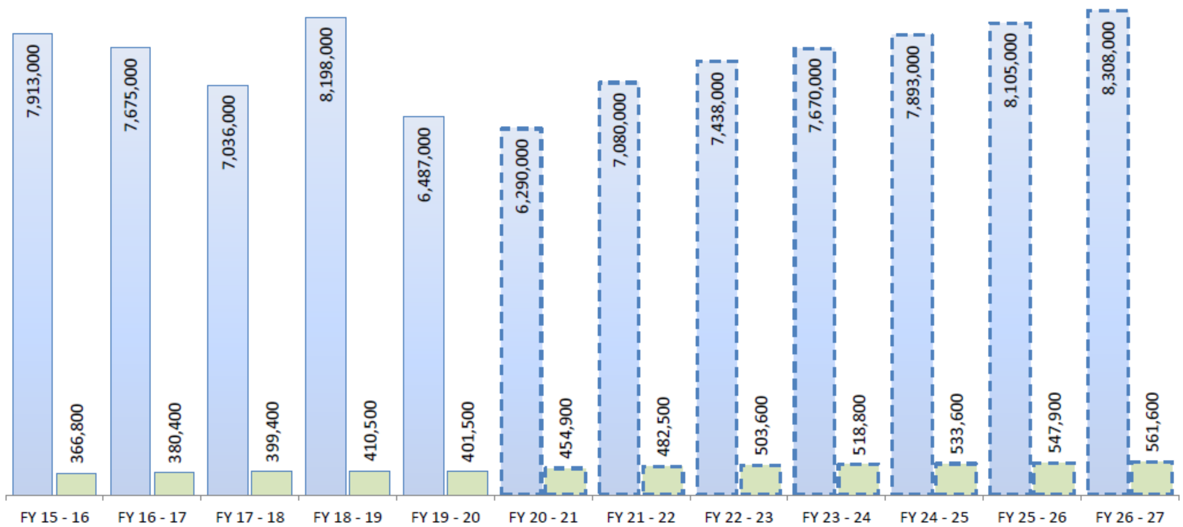
DISCUSSION (continued):

Town of Los Gatos Sales & Use Tax Forecast Summary

Accrual through August Clean-up (Historical through Balance: September)

Bradley Burns	FY 19 - 20	FY 20 - 21	FY 21 - 22	FY 22 - 23	FY 23 - 24	FY 24 - 25	FY 25 - 26	FY 26 - 27
Cash Projection	6,487,000	6,290,000	7,080,000	7,438,000	7,670,000	7,893,000	8,105,000	8,308,000
Percent Change	-20.9%	-3.0%	12.6%	5.1%	3.1%	2.9%	2.7%	2.5%

Prop 172	FY 19 - 20	FY 20 - 21	FY 21 - 22	FY 22 - 23	FY 23 - 24	FY 24 - 25	FY 25 - 26	FY 26 - 27
Cash Projection	401,500	454,900	482,500	503,600	518,800	533,600	547,900	561,600
Percent Change	-2.2%	13.3%	6.1%	4.4%	3.0%	2.9%	2.7%	2.5%



Franchise Fees

Franchise fees are collected by the Town for the privilege of operating a utility service within Los Gatos, and as a fee in lieu of a business license tax. Franchise fees are currently received from Comcast for cable television, PG&E for gas and electric services, West Valley Collection and Recycling for solid waste collection services, and AT&T and Comcast for video services.

Franchise fees represent 6% of projected General Fund revenues in FY 2020/21. Historically, franchise payments are not remitted equally throughout the fiscal year; therefore, quarterly receipts are not necessarily predictive of future receipts.

As staff receives relevant information regarding receipts, it will be shared with the Commission.

Business License Tax

The Town requires all businesses located within Los Gatos and/or those that operate within Los Gatos to obtain a business license. The amount of business license tax paid by each business is

DISCUSSION (continued):

based on its business activity. Fees for activities such as wholesale sales and manufacturing are charged on a sliding scale based on gross receipts, as is retail, with retail being capped at $975. These gross receipt activities account for approximately 25% of annual business licenses, while the remaining 75% are flat fee businesses. Annual renewal payments are due on January 2 of each year. Payments for new flat-fee-based businesses are pro-rated by quarter.
The FY 2021/22 adopted budget estimated $1.3 million in collections in FY 2020/21 for business license tax. Actual business license tax collected to date is $1.4 million in FY 2020/21.
According to the Town Code, gross receipt type businesses pay a business license tax based on an estimated number. During the summer months, staff collects actual gross receipts numbers for gross receipt type businesses which will either create the need for an additional invoice or a credit on the business account. As staff receives additional information regarding receipts, it will be shared with the Commission.

Transient Occupancy Tax

TOT is an important revenue source for the Town and comprised approximately 3.4% of total Town budgeted revenues of $2.3 million for FY 2020/21. The Town levies a 12% transient occupancy tax (TOT) on all hotel and motel rooms within the municipal limits of Los Gatos. The 12% rate has been in effect since January 1, 2017 after the voters approved a ballot measure to increase the TOT from 10% to 12% at the November 8, 2016 election. TOT receipts are self-reported by the hotels in Town and remitted either monthly or quarterly.

In addition, the Town now allows short-term rentals which are subject to TOT. The Town entered into a voluntary collection agreement with Airbnb who directly bills for TOT at booking and then remits receipts to the Town.

The FY 2021/22 adopted budget estimated $0.7 million of TOT collections in FY 2020/21. actual data reported as of June 30, 2021 estimates $0.9 million in TOT collections in FY 2020/21. As staff receives additional information regarding receipts, it will be shared with the Commission.

CONCLUSION:

The Commission should continue its discussion, identify any additional indicators, and prioritize those of greatest interest.

TOWN OF LOS GATOS
FINANCE COMMISSION REPORT

MEETING DATE: 07/12/2021
ITEM NO: 7
DESK ITEM

DATE:	July 12, 2021
TO:	Finance Commission
FROM:	Laurel Prevetti, Town Manager
SUBJECT:	Continue Discussion of Key Performance Indicators

REMARKS:

Attachment 1 contains public comment received after the July 8, 2021 distribution of the staff report.

Attachment received with this Desk Item:
1. Public Comment

PREPARED BY: Arn Andrews
Assistant Town Manager

Reviewed by: Town Manager

From: Phil Koen [redacted]
Sent: Saturday, July 10, 2021 10:53 AM
To: Ron Dickel [redacted] Kyle Park [redacted];
stacey.del[redacted] loreen[redacted] ricktinsley[redacted] Rob Rennie
<RRennie@losgatosca.gov>; Matthew Hudes <MHudes@losgatosca.gov>
Cc: Laurel Prevetti <LPrevetti@losgatosca.gov>; Arn Andrews <aandrews@losgatosca.gov>;
jvannada[redacted] Lee Fagot[redacted]
Subject: Key Performance Indicators - Agenda Item #7

Finance Commission Members,

Timely review of key performance metrics will allow the Town to adjust more quickly to both positive and negative financial events. We saw the importance of this as the economic impact of Covid 19 worked its way through the Town's finances.

The Staff report identified the importance of tracking Property Tax receipts and VLF fees. A report that the Town might want to share with the Finance Commission is the Property Tax Revenue Summary which is produced by the County of Santa Clara and distributed to the various cities in the county. I have attached a copy of the November 2020 report for the Commissions review.

This report contains valuable information which would further inform the Commission and the Council on forecasted property tax revenues as well as RDA residual apportionment and excess ERAF revenue. RDA and ERAF are major components of the projection for property tax and have not been historically publicly discussed or disclosed.

I would suggest that the City Meeting report produced by the County's Finance Agency be reviewed by the Finance Commission on a timely basis.

ATTACHMENT 1

COUNTY OF SANTA CLARA
Finance Agency
City Meeting - November 6, 2020
FY2020/21 and FY2019/20 Property Tax Revenue Summary

Item 10.

					Secured							Unsecured	
			AB8 Factor (Preliminary for FY20-21)	% Change	Secured 1% Net of Roll Correction (see Sch D)	Less RDA	Prior Year Adj	Secured Net of Roll Corr., RDA & PY Adj	Unitary Levy (include Railroad)	Total Secured	% Change	Unsecured (see Sch D) [note 1]	Aircraft [note 2]
					5,132,459,261					Sub-Total		288,271,000	
ISD #	Jurisdiction				a	b	c	d=a+b+c	e	f=d+e		g	h
00901	Campbell City	FY 20-21 est	0.0021891736	-0.04%	11,236,000	(1,717,364)	(2,720)	9,515,916	74,000	**9,590,000**	5.61%	631,000	
9510		FY 19-20 actual	0.0021900144		10,577,016	(1,576,039)	7,139	9,008,116	72,349	**9,080,465**		664,256	
01401	Cupertino City	FY 20-21 est	0.0033063099	-0.06%	16,970,000		(4,108)	16,965,892	68,000	**17,034,000**	6.09%	953,000	
9513		FY 19-20 actual	0.0033084085		15,978,620		11,009	15,989,628	66,503	**16,056,131**		1,003,938	
01901	Gilroy City	FY 20-21 est	0.0017336367	-0.80%	8,898,000		(2,170)	8,895,830	86,000	**8,982,000**	5.30%	500,000	
9502		FY 19-20 actual	0.0017475975		8,440,385		5,837	8,446,222	83,560	**8,529,782**		530,354	
02401	Los Altos City	FY 20-21 est	0.0037187586	0.09%	19,086,000		(4,614)	19,081,386	125,000	**19,206,000**	6.23%	1,072,000	
9511		FY 19-20 actual	0.0037155135		17,944,791		12,327	17,957,118	121,822	**18,078,941**		1,127,399	
02601	Los Altos Hills	FY 20-21 est	0.0009833696	-2.21%	5,047,000		(1,249)	5,045,751	23,500	**5,069,000**	3.81%	283,000	
9514		FY 19-20 actual	0.0010055892		4,856,682		3,328	4,860,010	22,777	**4,882,787**		305,109	
02651	*Los Gatos Town	FY 20-21 est	0.0025420491	1.30%	13,047,000	(1,878,359)		11,168,641	121,000	**11,290,000**	9.28%	733,000	
9503		FY 19-20 actual	0.0025094762		11,984,223	(1,772,195)		10,212,029	118,838	**10,330,866**		761,742	
03401	Milpitas City	FY 20-21 est	0.0063491352	0.52%	32,587,000	(16,618,502)	(7,844)	15,960,654	226,000	**16,187,000**	5.73%	1,830,000	
9512		FY 19-20 actual	0.0063164494		30,506,220	(15,438,317)	20,503	15,088,407	221,772	**15,310,179**		1,915,671	
03801	Monte Sereno City	FY 20-21 est	0.0003017351	-1.11%	1,549,000		(379)	1,548,621	5,100	**1,554,000**	5.00%	87,000	
9516		FY 19-20 actual	0.0003051102		1,473,577		994	1,474,570	5,387	**1,479,958**		92,541	
03901	Morgan Hill City	FY 20-21 est	0.0020070802	-0.49%	10,301,000	(4,892,889)	(2,505)	5,405,606	45,900	**5,452,000**	4.05%	579,000	
9504		FY 19-20 actual	0.0020170095		9,741,467	(4,553,061)	6,584	5,194,990	44,950	**5,239,940**		611,799	
04401	Mtn View City	FY 20-21 est	0.0099465557	2.03%	51,050,000	(8,876,692)	(12,107)	42,161,202	351,000	**42,512,000**	7.68%	2,867,000	
9505		FY 19-20 actual	0.0097490681		47,084,725	(7,981,726)	31,906	39,134,904	343,652	**39,478,556**		2,957,259	
05001	Palo Alto City	FY 20-21 est	0.0072350274	0.89%	37,133,000		(8,906)	37,124,094	298,000	**37,422,000**	7.07%	2,086,000	145,000
9506		FY 19-20 actual	0.0071715345		34,636,343		23,839	34,660,182	291,847	**34,952,029**		2,176,154	198,602
05401	San Jose City	FY 20-21 est	0.0506423715	-0.93%	259,920,000	(64,492,500)	(63,482)	195,364,018	2,372,000	**197,736,000**	4.27%	14,599,000	2,965,000
9501		FY 19-20 actual	0.0511202018		246,894,664	(59,750,067)	169,238	187,313,835	2,325,186	**189,639,022**		15,510,662	3,036,686
05905	Santa Clara City	FY 20-21 est	0.0091257723	1.39%	46,838,000	(6,905,300)	(11,178)	39,921,523	394,000	**40,316,000**	7.82%	2,631,000	
9507		FY 19-20 actual	0.0090009874		43,472,425	(6,497,214)	30,505	37,005,716	386,205	**37,391,921**		2,732,490	
06101	Saratoga City	FY 20-21 est	0.0018588835	-2.57%	9,541,000		(2,369)	9,538,631	48,000	**9,587,000**	3.44%	536,000	
9515		FY 19-20 actual	0.0019079634		9,214,853		6,292	9,221,145	47,146	**9,268,291**		578,855	
06401	*Sunnyvale City	FY 20-21 est	0.0129008248	3.25%	66,213,000	(3,148,925)		63,064,075	536,000	**63,600,000**	11.07%	3,719,000	
9509		FY 19-20 actual	0.0124948789		59,670,215	(2,935,752)		56,734,463	524,969	**57,259,432**		3,791,153	
	City Total	FY 20-21 est			589,416,000	(108,530,531)	(123,629)	480,761,840	4,773,500	485,537,000	6.25%	33,106,000	3,110,000
		FY 19-20 actual			552,476,207	(100,504,371)	329,500	452,301,336	4,676,963	**456,978,299**		34,759,380	3,235,288

			HOPTR	Other tax revenues									Total Property Tax Revenues		
			HOPTR	Suppl. [Note 3]	Misc. Revenue	Other Revenue [Note 4]	RDA Pass Thru [Note 5]	RDA Residual Apportion [Note 6]	RDA SA Other Assets Apportion [Note 7]	Net Tax before VLF	% change before VLF in-lieu	Prop Tax in lieu of VLF	Net Property Tax Revenue	% change after VLF in-lieu	Adm Fee [Note 8]
			17,700,000												
ISD #	Jurisdiction		i	j	k	k.1	l	m	n	o=f+g+h+i+j+k +k.1+l+m+n		p	q=o+p		
00901	Campbell City	FY 20-21 est	39,000	178,000			55,000	27,000		**10,520,000**	-13.73%	5,400,000	**15,920,000**	-7.73%	(97,000)
9510		FY 19-20 actual	39,799	254,979		1,204,155	51,150	899,678		**12,194,482**		5,059,827	**17,254,309**		(92,650)
01401	Cupertino City	FY 20-21 est	59,000	272,000						**18,318,000**	-0.11%	9,080,000	**27,398,000**	2.13%	(158,000)
9513		FY 19-20 actual	60,123	388,314		828,770				**18,337,276**		8,489,541	**26,826,817**		(151,196)
01901	Gilroy City	FY 20-21 est	31,000	144,000						**9,657,000**	-7.54%	5,527,000	**15,184,000**	-3.00%	(90,000)
9502		FY 19-20 actual	31,759	206,422		1,145,949				**10,444,266**		5,209,921	**15,654,186**		(86,383)
02401	Los Altos City	FY 20-21 est	66,000	306,000						**20,650,000**	-5.42%	4,431,000	**25,081,000**	-3.45%	(189,000)
9511		FY 19-20 actual	67,521	437,046		2,121,779				**21,832,685**		4,143,815	**25,976,500**		(180,211)
02601	Los Altos Hills	FY 20-21 est	17,000	83,000						**5,452,000**	-4.19%	1,234,000	**6,686,000**	-2.70%	(49,000)
9514		FY 19-20 actual	18,274	117,969		366,575				**5,690,714**		1,181,068	**6,871,782**		(47,283)
02651	*Los Gatos Town	FY 20-21 est	45,000	208,000	**30**		243,000	0		**12,519,030**	-9.63%	4,053,000	**16,572,000**	-6.53%	(112,000)
9503		FY 19-20 actual	45,604	297,739	**33**	1,445,190	199,053	773,162		**13,853,389**		3,875,914	**17,729,303**		(107,410)
03401	Milpitas City	FY 20-21 est	112,000	514,000			1,963,000	7,802,000		**28,408,000**	-5.52%	8,498,000	**36,906,000**	-2.83%	(173,000)
9512		FY 19-20 actual	114,788	734,906		2,295,848	1,851,064	7,844,901		**30,067,356**		7,912,802	**37,980,158**		(164,958)
03801	Monte Sereno City	FY 20-21 est	5,000	25,000						**1,671,000**	0.17%	469,000	**2,140,000**	1.03%	(14,000)
9516		FY 19-20 actual	5,545	35,416		54,658				**1,668,117**		449,997	**2,118,114**		(14,151)
03901	Morgan Hill City	FY 20-21 est	36,000	165,000			567,000	1,890,000		**8,689,000**	-15.87%	4,499,000	**13,188,000**	-9.47%	(64,000)
9504		FY 19-20 actual	36,655	235,078		1,370,020	528,563	2,305,787		**10,327,842**		4,239,485	**14,567,327**		(61,204)
04401	Mtn View City	FY 20-21 est	176,000	798,000	**800**				23,000	**46,376,800**	-4.34%	12,634,000	**59,011,000**	-1.77%	(417,000)
9505		FY 19-20 actual	177,168	1,139,480	**834**	4,706,826			22,725	**48,482,848**		11,591,548	**60,074,396**		(397,984)
05001	Palo Alto City	FY 20-21 est	128,000	591,000						**40,372,000**	-4.28%	9,759,000	**50,131,000**	-2.15%	(363,000)
9506		FY 19-20 actual	130,327	844,669		3,875,630				**42,177,411**		9,055,636	**51,233,048**		(346,198)
05401	San Jose City	FY 20-21 est	896,000	4,206,000	**7,000**			11,183,000		**231,592,000**	-10.69%	116,567,000	**348,159,000**	-5.78%	(2,022,000)
9501		FY 19-20 actual	928,997	6,008,476	**7,844**	23,096,692		21,094,320		**259,322,698**		110,191,677	**369,514,375**		(1,925,739)
05905	Santa Clara City	FY 20-21 est	162,000	749,000			683,000	1,556,000	72,000	**46,169,000**	-29.08%	16,870,000	**63,039,000**	-21.85%	(384,000)
9507		FY 19-20 actual	163,573	1,070,015		3,226,520	597,598	4,932,590	14,988,841	**65,103,549**		15,562,178	**80,665,727**		(365,981)
06101	Saratoga City	FY 20-21 est	33,000	156,000						**10,312,000**	-4.34%	4,105,000	**14,417,000**	-2.02%	(93,000)
9515		FY 19-20 actual	34,673	223,343		675,093				**10,780,254**		3,934,538	**14,714,793**		(89,051)
06401	*Sunnyvale City	FY 20-21 est	228,000	1,023,000			263,000	1,827,000		**70,660,000**	-0.65%	23,265,000	**93,925,000**	1.87%	(603,000)
9509		FY 19-20 actual	227,067	1,461,550		6,343,570	205,727	1,832,039		**71,120,538**		21,078,587	**92,199,125**		(574,889)
	City Total	FY 20-21 est	2,033,000	9,418,000	7,830		3,774,000	24,285,000	95,000	561,365,830	-9.66%	226,391,000	787,757,000	-5.47%	(4,828,000)
		FY 19-20 actual	2,081,872	13,455,401	**8,711**	**52,757,276**	**3,433,156**	**39,682,476**	15,011,566	**621,403,425**		211,976,533	**833,379,959**		(4,605,287)

* Non-teeter city: Actual revenue received will be different from the projection as the projection is based on the levy amount.

Note 1: Due to strong TYD collection, the projection for Unsecured is estimated to be 95% of LY.
Note 2: Aircraft is YTD.
Note 3: Supplemental FY20-21: Projected 30% decrease from FY19-20 actual.
Note 4: No update yet, see Sch F for Excess ERAF.
Note 5: Projection base on October 1 Estimate for Pass-through.
Note 6: Projection base on October 1 Estimate for RPTTF.
Note 7: RDA SA Other Assets Apportionment for FY20-21 is YTD actual, plus the upcoming November distribution of Santa Clara SA Lease Revenue.
Note 8: Admin Fee is estimated to increase by 5%.

TOWN OF LOS GATOS
FINANCE COMMISSION

MEETING DATE: 09/13/2021

ITEM NO: 11

DATE: September 8, 2021

TO: Finance Commission

FROM: Laurel Prevetti, Town Manager

SUBJECT: Discuss Topics for Future Commission Agendas

RECOMMENDATION:

Discuss Topics for Future Commission Agendas.

PREPARED BY: Arn Andrews
Assistant Town Manager

Reviewed by: Town Manager