



TOWN OF LOS GATOS
FINANCE COMMISSION SPECIAL MEETING AGENDA
APRIL 25, 2022
TELECONFERENCE
5:00 PM

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

IMPORTANT NOTICE

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

PARTICIPATION

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

- **Zoom webinar.** Join from a PC, Mac, iPad, iPhone or Android device: Please click this URL to join: <https://losgatosca.gov.zoom.us/j/84486211705?pwd=TWdFMm8waEZuTWRIbMzdXbG1wK2RLQT09>. Passcode: 222126. You can also type in 844 8621 1705 in the “Join a Meeting” page on the Zoom website at <https://zoom.us/join>.
- **Join by telephone.** Dial: USA 877 336 1829 US Toll-free or 636-651-0002 US Toll. Conference code: 986172.

During the meeting:

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

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

TOWN OF LOS GATOS
FINANCE COMMISSION SPECIAL MEETING AGENDA
APRIL 25, 2022
TELECONFERENCE
5:00 P.M.

RULES OF DECORUM AND CIVILITY

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

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

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

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

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

MEETING CALL TO ORDER

ROLL CALL

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

1. Approve Finance Commission Meeting Minutes of March 14, 2022.

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

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

- [2.](#) Discuss, Comment, and Begin to Make Recommendations to the Town Council Regarding the Proposed Fiscal Year (FY) 2022/23 Proposed Operating and Capital Budgets

ADJOURNMENT

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



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

MEETING DATE: 4/25/2022

ITEM NO: 1

Item 1.

**DRAFT
Minutes of the Finance Commission Meeting
March 14, 2022**

The Finance Commission of the Town of Los Gatos conducted a regular meeting utilizing teleconference and electronic means consistent with Government Code Section 54953, as Amended by Assembly Bill 361, in response to the state of emergency relating to COVID-19 and enabling teleconferencing accommodations by suspending or waiving specified provisions in the Ralph M. Brown Act (Government Code § 54950 et seq.) and Town of Los Gatos Resolution 2021-044 on Monday, March 14, 2022, at 5:00 p.m.

MEETING CALLED TO ORDER AT 5:03 P.M.

ROLL CALL

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

Staff Present: Town Manager Laurel Prevetti, Town Attorney Robert Schultz, Assistant Town Manager Arn Andrews, Finance Director Stephen Conway, Parks and Public Works Director Matt Morley, and Finance and Budget Manager Gitta Ungvari.

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

1. Approve Draft Minutes of the February 14, 2022 Finance Commission Meeting.
2. Receive CEPPT 115 Trust Update.
3. Receive CERBT 115 Trust Update.
4. Receive CalPERS PERF Performance Report.

MOTION: Motion by **Commissioner Dell** to approve the consent items. **Seconded by Vice Chair Parks.**

VOTE: Motion passed 5-0.

VERBAL COMMUNICATIONS

Commission Huddleston

- Commented that she will be moving out the area and will resign from the Finance Commission by the middle of July 2022.

PAGE 2 OF 4

SUBJECT: Draft Minutes of the Finance Commission Meeting of March 14, 2022

DATE: April 19, 2022

OTHER BUSINESS

5. Receive preliminary Fiscal Year 2022/23 – 2026/27 Five Year Capital Improvement Program Information.

Matt Morley, Parks and Public Works Director, presented the staff report.

Opened Public Comment.

Rob Stump

- Commented that Finance Commission should advise the Town Council to appropriate additional \$500,000 funding for fire prevention to continue the work that Council started.

Closed Public Comment.

Commissioners discussed the item and staff addressed Commissioners' questions.

6. Discussion of Key Performance Indicators (KPIs).

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

Opened Public Comment.

- None

Closed Public Comment.

Commissioners discussed the item and staff addressed Commissioners' questions.

7. Receive Information and Discuss Prior Internal Service Fund Deliberations/Actions.

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

Opened Public Comment.

- None

Closed Public Comment.

Commissioners discussed the item and staff addressed Commissioners' questions. Staff will bring back this item after the new Finance Director is onboarded.

PAGE 3 OF 4

SUBJECT: Draft Minutes of the Finance Commission Meeting of March 14, 2022

DATE: April 19, 2022

8. Receive Report on the Disposition/Lease of Town Owned Properties.

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

Opened Public Comment.

- None

Closed Public Comment.

Commissioners discussed the item and staff addressed Commissioners' questions.

9. Receive a Verbal Update on Business License Modernization and Cannabis Consultants' Onboarding.

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

Opened Public Comment.

- None

Closed Public Comment.

Commissioners discussed the item and staff addressed Commissioners' questions.

10. Review Commission Schedule and Adopt Changes to Conform with the Town Budget Process.

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

Opened Public Comment.

- None

Closed Public Comment.

Commissioners discussed the item. The Commission decided to cancel the April 11, 2022 regular meeting and schedule special meetings on April 25, and May 2, 2022.

ADJOURNMENT:

The meeting adjourned at 6:47p.m.

This is to certify that the foregoing is a true and correct copy of the minutes of the March 14, 2022 meeting as approved by the Finance Commission.

Gitta Ungvari, Finance and Budget Manager



TOWN OF LOS GATOS
FINANCE COMMISSION REPORT

MEETING DATE: 04/25/2022

ITEM NO: 2

Item 2.

DATE: April 19, 2022
TO: Finance Commission
FROM: Laurel Prevetti, Town Manager
SUBJECT: Discuss, Comment, and Begin to Make Recommendations to the Town Council Regarding the Proposed Fiscal Year (FY) 2022/23 Proposed Operating and Capital Budgets

RECOMMENDATION:

Discuss, comment, and begin to make recommendations to the Town Council regarding the Proposed FY 2022/23 Proposed Operating and Capital Budgets.

BACKGROUND:

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

(a) The Finance Commission shall:

(2) Review the Town Manager's annual proposed budget prepared in accordance with section 2.30.295(6) of the Town Code. and provide written comments and recommendations to the Town Council.

(A) The Finance Commission's comments and recommendations shall include a recommendation about whether the Town Council should approve or disapprove the proposed budget. The Finance Commission may make a recommendation of approval of the budget conditional upon the Town Council's acceptance of one or more of the Finance Commission's recommendations.

PREPARED BY: Arn Andrews
Assistant Town Manager

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

PAGE 2 OF 3

SUBJECT: Proposed FY 2022/23 Operating and Capital Budgets

DATE: April 20, 2022

BACKGROUND (continued):

- (B) The Town Manager must provide a proposed budget to the Finance Commission at least twenty (20) business days before the first meeting at which the proposed budget is considered by the Town Council.

For the FY 2021/22 budget cycle, the Commission's deliberations coalesced around the following goals and observations:

- Enhance transparency in budget development, budget assumptions, and budget presentation.
- The Proposed Budget significantly restricts capital expenditures relative to historic allocations.
- The Proposed Capital Improvement Plan (CIP) is challenged by a lack of dedicated funding.
- The higher percentage increases in the primary expenditures of Salary and Benefits relative to revenues is constraining other investments.
- Recommend strategies to slow the growth in expenditures until there is greater clarity on impacts to revenues.

Based on the aforementioned areas of emphasis, the Commission ultimately made a series of nine recommendations to the Town Council (Attachment 1).

DISCUSSION:

On April 18, 2022, the Proposed FY 2022/23 Operating and Capital Budgets were posted to the Town's website and the links provided to the Finance Commission. On April 19, 2022, hard copies were available to the Finance Commission. Per Measure A, the Finance Commission received the Proposed Budgets 21 business days before May 17, 2022, which is the first meeting at which the Proposed Budgets will be considered by the Town Council

At the Finance Commission Special meeting on April 25, 2022, staff will provide an orientation to the FY 2022/23 Proposed Budgets and an overview of major elements and assumptions utilized in budget development. The Finance Commission may then commence its discussions, comments, and recommendations to the Town Council. To facilitate this work, the Commission has two additional meetings on the Proposed Budgets:

- May 2, 2022 – Special Finance Commission meeting
- May 9, 2022 – Regular Finance Commission meeting

PAGE 3 OF 3

SUBJECT: Proposed FY 2022/23 Operating and Capital Budgets

DATE: April 20, 2022

DISCUSSION (continued):

At the conclusion of the Regular Finance Commission meeting on May 9th, the Finance Commission will compile and provide the Town Manager with its final comments and recommendations to be transmitted to the Town Council for its May 17, 2022 public hearing on the Budgets.

CONCLUSION:

Staff looks forward to the Commission's questions, discussion, comments, and recommendations.

Attachments:

1. FY 2021/22 Finance Commission Budget Recommendations
2. Public Comment



**TOWN OF LOS GATOS
COUNCIL AGENDA REPORT**

MEETING DATE: 05/18/2021

ITEM NO:

Item 2.

DATE: May 11, 2021
TO: Mayor and Town Council
FROM: Laurel Prevetti, Town Manager on behalf of the Finance Commission
SUBJECT: Receive Measure G, FY 2020/21, FY 2021/22 Proposed Operating and Capital Budgets, and Five-Year Forecast Recommendations from the Town Finance Commission per Measure A

RECOMMENDATION:

Receive Measure G, FY 2020/21, FY 2021/22 Proposed Operating and Capital Budgets, and Five-Year Forecast recommendations from the Town Finance Commission per Measure A.

BACKGROUND:

On April 19, 2021, the Town Manager's Proposed FY 2021/22 Operating and Capital Budgets were posted on the Town's website for the public's review and comment. The Proposed Budgets were published a month earlier than prior practice and 22 business days before May 18, 2021 (Council's public hearing on the Budgets), in accordance with Measure A.

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

- (a) The Finance Commission shall:
 - (2) Review the Town Manager's annual proposed budget prepared in accordance with section 2.30.295(6) of the Town Code. and provide written comments and recommendations to the Town Council.

- (A) The Finance Commission's comments and recommendations shall include a recommendation about whether the Town Council should approve or disapprove the proposed budget. The Finance Commission may make a recommendation of

PREPARED BY: Arn Andrews
Assistant Town Manager

ATTACHMENT 1

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

PAGE 2 OF 8

SUBJECT: Finance Commission Budget Recommendations to the Town Council per Measure A

DATE: May 11, 2021

BACKGROUND (continued):

approval of the budget conditional upon the Town Council's acceptance of one or more of the Finance Commission's recommendations.

- (B) The Town Manager must provide a proposed budget to the Finance Commission at least twenty (20) business days before the first meeting at which the proposed budget is considered by the Town Council.

In addition, the Measure A ballot initiative disbanded the prior Measure G Sales Tax Oversight Committee. Among other responsibilities, the Finance Commission is charged with reviewing proposed Measure G expenditures prior to the Town's expenditure of those revenues. Following is the language established in the Measure A Finance Commission pertaining to Measure G:

- (6) Prior to the Town's expenditure of any revenues from the tax authorized by sections 25.60.010 et seq. of the Town Code, review the proposed expenditures and advise the Town Council on whether such expenditures meet the Town Council's objectives for that tax:
- (A) Maintaining and enhancing neighborhood police patrols and local crime prevention programs;
 - (B) Improving traffic flow to reduce congestion;
 - (C) Repairing potholes and maintaining the Town's streets, roads. and sidewalks; and
 - (D) Maintaining the Town's long-term financial stability.
- (7) Issue an annual public report of the expenditures and appropriations of sales tax revenues approved by the Town Council during each fiscal year.

The Finance Commission established the following schedule to discuss and provide comments on the Proposed Budgets and Measure G allocation (meeting Agenda and Minutes link provided):

- April 19, 2021 – Special Finance Commission meeting
- April 26, 2021 - Special Finance Commission meeting
- May 3, 2021 – Special Finance Commission meeting
- May 10, 2021 – Regular Finance Commission meeting

<https://meetings.municode.com/PublishPage/index?cid=LOSGATOS&ppid=548dac6e-53b3-414b-85a3-1e2ab00d8040&p=0>

PAGE 3 OF 8

SUBJECT: Finance Commission Budget Recommendations to the Town Council per Measure A

DATE: May 11, 2021

BACKGROUND (continued):

In addition, the meeting schedule provided ample opportunities for the public to engage in the process either through written comment or verbal comment through Zoom.

The discussion section of this report details the deliberations of the Finance Commission and its recommendations to the Town Council.

DISCUSSION:

Finance Commission Current Budget Cycle Deliberations

Over the course of the Commission's budget proceedings the Commission received presentations on the Proposed Operating and Capital Budgets, Measure G allocation requirements per Measure A, and expense and revenue alternative assumption scenarios. In addition, staff provided responses to Commissioner inquiries throughout the process.

The Commissions deliberations coalesced around the following goals and observations:

- Enhance transparency in budget development, budget assumptions, and budget presentation.
- The Proposed Budget significantly restricts capital expenditures relative to historic allocations.
- The Proposed Capital Improvement Plan (CIP) is challenged by a lack of dedicated funding.
- The higher percentage increases in the primary expenditures of Salary and Benefits relative to revenues is constraining other investments.
- Recommend strategies to slow the growth in expenditures until there is greater clarity on impacts to revenues.

Based on the aforementioned areas of emphasis, the Commission ultimately made a series of nine recommendations to the Town Council. In addition, the Commission made a recommendation to approve both the Proposed Operating and Capital Budgets based on acceptance of the following nine recommendations:

Capital Improvement Plan Recommendations

As previously mentioned, Commissioners expressed that the Town needed to plan and budget proactively for its capital needs and find reliable funding source(s). The Commission agreed that the previous approach that created year-end surpluses was inadequate. As such, the Commission recommended that additional funding be programmed to ensure continued investment in critical Town infrastructure.

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SUBJECT: Finance Commission Budget Recommendations to the Town Council per Measure A

DATE: May 11, 2021

DISCUSSION (continued):

Motion by Commissioner Rick Tinsley to recommend to Council the allocation of the \$1.2 million Surplus Property Reserve (Winchester property sale proceeds) to the Capital/Special Project Reserve for capital budgeting purposes as determined by the Town Council's priorities. **Seconded by Chair Ron Dickel.**

Motion passed unanimously

Motion by Commissioner Rick Tinsley to recommend to Council the allocation of the accumulated Measure G funds through June 30, 2020 in the Measure G Reserve (\$1.2 million) to the General Fund Appropriated Reserve (GFAR) for capital budgeting purposes as determined by the Town Council's priorities. **Seconded by Chair Ron Dickel.**

Motion passed 4 to 1, Commissioner Loreen Huddleston opposed.

Motion by Chair Ron Dickel to allocate 50% Measure G proceeds for capital purposes in FY 2020/21 and all periods after. **Seconded by Commissioner Stacey Dell.**

Motion passed 3 to 2, Commissioners Kyle Park and Rick Tinsley opposed.

Capital Improvement Plan Expenditure Recommendations

In addition to the recommended additional allocations to the Capital Program, the Commission believed that the continuation of the roadside vegetation management program was essential to be included in the workplan for FY 2021/22.

Motion by Chair Ron Dickel to add \$500k from the previously recommended additional allocations to the Capital Budget for continuation of the roadside vegetation management project. **Seconded by Commissioner Kyle Park.**

Motion passed unanimously.

Operating Budget Expense Recommendations

The Commission reviewed historical time series and other data provided by staff as it relates to the organization's base salary and benefit expenses. As previously mentioned, the Commission observed that higher percentage increases in the primary expenditures of Salary and Benefits relative to revenues is constraining other investments. The table on the following page illustrates the salary and benefit trends from FY 2014/15 through FY 2019/20 used by the Commission during their deliberations.

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SUBJECT: Finance Commission Budget Recommendations to the Town Council per
Measure A

DATE: May 11, 2021

DISCUSSION (continued):

Combined GF & ISF Fund Salaries							
	2014_15	2015_16	2016_17	2017_18	2018_19	2019_20	
Salaries-Total	\$ 15,324,291	\$ 15,416,095	\$ 15,758,451	\$ 16,921,167	\$ 17,942,181	\$ 19,254,973	
Salaries-Temp	\$ 867,364	\$ 869,152	\$ 913,362	\$ 811,194	\$ 648,097	\$ 881,908	
Salaries-OT	\$ 436,917	\$ 415,372	\$ 545,427	\$ 583,001	\$ 707,046	\$ 708,955	
Benefits-Total	\$ 6,526,096	\$ 7,224,479	\$ 9,470,413	\$ 8,238,405	\$ 8,861,044	\$ 9,678,595	
Benefits-PERS	\$ 3,362,328	\$ 3,818,073	\$ 6,088,841	\$ 4,739,853	\$ 5,282,681	\$ 6,059,646	
Adjustments for Temporary & OT Salaries							
Salaries	\$ 15,324,291	\$ 15,416,095	\$ 15,758,451	\$ 16,921,167	\$ 17,942,181	\$ 19,254,973	
Less:Temp Salaries	(867,364)	(869,152)	(913,362)	(811,194)	(648,097)	(881,908)	
OT Salaries	(436,917)	(415,372)	(545,427)	(583,001)	(707,046)	(708,955)	
	\$ 14,020,010	\$ 14,131,571	\$ 14,299,662	\$ 15,526,972	\$ 16,587,038	\$ 17,664,110	
Year Over Year % Change							
Based Upon Actuals							
Salaries		0.80%	1.19%	8.58%	6.83%	6.49%	
Benefits		10.70%	31.09%*	-13.01%	7.56%	9.23%	
SALARY CHANGE ANALYSIS							
Total Change FY 14/15 to FY 19/20						\$ 3,644,100	
Total % Change							25.99%
Annual Change Unadjusted							5.20%
BENEFITS CHANGE ANALYSIS							
Total Change FY 14/15 to FY 19/20						\$ 3,152,499	
Total % Change							48.31%
Annual Change Unadjusted							9.66%
ADJUSTED ANALYSIS							
Total Change FY 14/15 to FY 19/20						\$ 3,644,100	
Less One-Time Equity Adjustments							
FY 18/19 & 19/20 (salary only)						\$ (1,558,864)	
Total Adjusted Change						\$ 2,085,236	
Total Five Year % Change Adjusted							14.87%
Annual Change Adjusted For One-Time Equity Adj.							2.97%
BENEFITS CHANGE ANALYSIS							
Total Change FY 14/15 to FY 19/20						\$ 3,152,499	
Total % Change							48.31%
Annual Change Unadjusted							9.66%
ADJUSTED ANALYSIS							
Total Change FY 14/15 to FY 19/20						\$ 3,152,499	
Less One-Time Equity Adjustments							
FY 18/19 & 19/20 (benefits only)						\$ (580,321)	
Total Adjusted Change						\$ 2,572,178	
Total Five Year % Change Adjusted							39.41%
Annual Change Adjusted For One-Time Equity Adj.							7.88%

* Benefits impacted by Implementation
beginning in FY 2016/17 of
annual calculated Pension Expense
for Internal Service Funds as
per provisions of GASB 68-
(Accounting and Financial Reporting
for Pensions)

PAGE 6 OF 8

SUBJECT: Finance Commission Budget Recommendations to the Town Council per Measure A

DATE: May 11, 2021

DISCUSSION (continued):

In addition, the Commission received information from staff regarding current staffing vacancies and associated savings if unfilled for six months.

Vacant Position	Department	Vacancy Date	Salary Range	Hourly Rate	Current Status	6 Mos. Salary/Benefits Cost
1 Communications Dispatcher	Police	Dec-20	TEA - 14	\$39.05 - \$50.41	New employee scheduled to start in May	\$ 76,902
2 Communications Dispatcher	Police	Jan-21	TEA - 14	\$39.05 - \$50.41	Background	\$ 76,902
3 Communications Dispatcher	Police	Mar-21	TEA - 14	\$39.05 - \$50.41	Background	\$ 76,902
4 Communications Dispatcher	Police	Apr-21	TEA - 14	\$39.05 - \$50.41	Recruitment in progress	\$ 76,902
5 Legal Administrative Assistant	Town Attorney	Jan-21	Conf - 02	\$33.43 - \$43.26	Dept Review of Applications	\$ 67,344
6 Parks & Maintenance Worker*	Parks & Public Works	Oct-20	AFSCME - 05	\$29.90 - \$38.17	Interviews Scheduling	\$ 59,794
7 Police Officer	Police	Dec-20	POA - 02-0710	\$48.90	New employee scheduled to start June - Police Officer Trainee	\$ 81,317
8 Police Officer	Police	Apr-21	POA - 02-0711	\$51.47 - 62.57	Final stages of background	\$ 133,224
* Recruitment Timeline Events:						
- Oral Board 12/8/20						
- Invited 6, 3 no show						
- 2 offers extended, both declined						
- Next Oral Board 5/13/21						

The following recommendations are based on the Commission's desire to slow the growth in expenses in FY 2021/22 and reflect historic trends in expense assumptions in the Five-Year Forecast:

Motion by Commissioner Park to freeze budgeted FTE's at 145 for six months.

Seconded by Chair Ron Dickel.

Motion passed unanimously.

Motion by Chair Ron Dickel to use a 2% inflation factor for development of base salary expenses for FY 2021/22 and the remaining forecast period, without implying a particular outcome for negotiations with bargaining units. **Seconded by Stacey Dell.**

Motion passed unanimously.

In addition, the Commission recommended the inclusion of a destination marketing allocation into the budget to expedite the return of Transient Occupancy Tax revenues.

Motion by Chair Ron Dickel to allocate \$55K to destination marketing utilizing ARPA funds. **Seconded by Loreen Huddleston.**

Motion passed 4-0-1, Rick Tinsley abstained.

Operating Budget Balancing Recommendations

Based on the recommendation to divide Measure G proceeds evenly (50%/50%) between eligible Operating and Capital uses, the Commission recommended utilizing anticipated Other Post-Employment Benefit (OPEB) actuarial contributions as the budget balancing strategy for FY 2020/21 through the forecast period. This recommendation would replace the proposed use of Measure G allocations for eligible 100% Operating purposes.

PAGE 7 OF 8

SUBJECT: Finance Commission Budget Recommendations to the Town Council per Measure A

DATE: May 11, 2021

DISCUSSION (continued):

Motion by Commissioner Rick Tinsley to cancel the FY 2020/21 and future years' Other Post-Employment Benefits (OPEB) actuarial contribution(s) to the extent necessary to close, fund the CIP, increased salaries, and address uncertainties.

Seconded by Chair Ron Dickel.

Motion passed unanimously.

Motion by Commissioner Rick Tinsley to cancel the FY 2021/22 and future years' Other Post-Employment Benefits (OPEB) actuarial contribution(s) to the extent necessary to close, fund the CIP, increased salaries, and address uncertainties.

Seconded by Chair Ron Dickel.

Motion passed unanimously.

Finance Commission Coming Year Workplan

During the current budget cycle deliberations, the Commission identified areas for continued review in addition to specific work items already identified in Measure A. Following are the highlights of anticipated Commission review in the coming year:

- Further review of expenses in the coming year to better understand the cost structure of the organization.
- A review of revenue enhancements and cost containment strategies.
- A framework for capital project decision making should be developed to assess projects through the lens of: recurring, upkeep, quality of life, mandate, and improvement.
- During budget discussions, a 36% decline in the liability Internal Service Fund was identified and attributable to increases in settlements in insurance pool. In addition, a 73% decline in the workers compensation fund was attributable to increased settlements. These and other Internal Service Funds and other reserve accounts will be reviewed.
- Town Service Fees will be reviewed, including the Police Services for Monte Sereno.
- OPEB funding and expense will be reviewed for options to lower costs.
- Financial practices and policies will be reviewed.
- Key performance Indicators and Town Investments will be reviewed quarterly in addition to the CAFR and Auditor reviews.

CONCLUSION:

Per Measure A this report provides written comments and recommendations to the Town Council regarding the Commission's review of the Proposed FY 2021/22 Operating and Capital Budgets.

PAGE 8 OF 8

SUBJECT: Finance Commission Budget Recommendations to the Town Council per
Measure A

DATE: May 11, 2021

The Commission would like to express its thanks to the Town staff for their engagement in the budget review process.

COORDINATION:

This staff report was coordinated with the Town Manager, Town Attorney, Director of Finance, and Finance Commission Chair.

ENVIRONMENTAL ASSESSMENT:

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

From: Jak Van Nada>

Sent: Wednesday, April 20, 2022 7:58 AM

To: Rick Van Hoesen

Cc: Ron Dickel; Stacey Dell; Kyle Park; Loreen Huddleston; Rick Tinsley; Phil Koen; Rob Rennie; Matthew Hudes; Arn Andrews <aandrews@losgatosca.gov>; Town Manager <Manager@losgatosca.gov>

Subject: Re: Democracy Finance Presentation

EXTERNAL SENDER

Included is the single page document so that you don't have to search for it in the Transmittal Letter, but I have included the Transmittal and Introduction in case you need context. - Go to pg A-7, that shows the new \$12.5M deficit. I also included the 5 year forecast that we used for our presentation that shows the \$10.4M deficit. The Financial Summaries are there should you need them. I tried to insert the new deficit numbers into your Excel file, but you have the sheet set up beyond my skill level with Excel (macros?) so I left it alone.

The Finance Comm. meets Monday in chambers at 5 pm. If you can make that, it would be a good meeting to attend **depending on the agenda** which is not published yet. I think that the FC will understand our sense of urgency when they read our slide deck.

FC, I have included you as this is a continuation of our presentation as it regards the burgeoning deficit by an added \$2M to the new projections. When Rick gets back from his trip, he'll insert the new information and he will forward that to all of us.

On Wed, Apr 20, 2022 at 7:17 AM Rick Van Hoesen wrote:

Jak, what document is this forecast contained in? Can you send me the full document (or a link to the full document?)

Thanks!

Rick

On Tue, Apr 19, 2022 at 2:10 PM Jak Van Nada wrote:

Hi Ron, The slide deck is attached. I sent an email to Rennie this morning stating that the Fiscal Impact Analysis would be right up the FC alley. I am forwarding a copy to the other members of the FC too. Also attached to this email is the latest 5 year forecast just received today showing the Town about \$2M worse than the last one we had used yesterday.

On Tue, Apr 19, 2022 at 11:47 AM Ron Dickel wrote:

Jak

Sorry to miss the call. Please send me the presentation. Thanks.

Ron

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*Jak Van Nada -
Los Gatos Community Alliance*

ATTACHMENT 2

Town of Los Gatos General Fund 5-Year Forecast
(in \$ million)

Account	Revenue Category	2021/22 Adjusted Budget	2021/22 Estimates	2022/23 Proposed Budget	2023/24 Forecast	2024/25 Forecast	2025/26 Forecast	2026/27 Forecast	2027/28 Forecast
4100	Property Tax	\$ 15.4	\$ 15.7	\$ 16.6	\$ 15.7	\$ 16.1	\$ 16.6	\$ 17.1	\$ 17.6
4110	VLF Backfill Property Tax	4.2	4.2	4.4	4.5	4.6	4.8	4.9	5.1
4200	Sales & Use Tax	7.0	7.5	7.9	8.2	8.5	8.8	9.1	9.3
4200	Measure G District Sales Tax	1.2	1.2	1.3	1.4	1.4	1.5	1.5	1.5
4250	Franchise Fees	2.5	2.4	2.5	2.6	2.6	2.7	2.8	2.9
4251	Transient Occupancy Tax	1.4	1.4	1.6	1.7	1.8	1.9	1.9	2.0
4400	Business License Tax	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3
4400	Licenses & Permits	3.1	3.1	2.8	2.8	2.9	3.0	3.1	3.2
4500	Intergovernmental	4.0	1.1	1.1	1.0	1.0	1.0	1.2	1.1
4600	Town Services	4.2	4.3	4.2	4.0	4.1	4.1	4.2	4.3
4700	Fines & Forfeitures	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
4800	Interest	0.4	0.4	0.4	0.3	0.3	0.3	0.3	0.3
4850	Other Sources	2.6	2.4	2.2	2.2	2.2	2.2	2.3	2.2
4900	Fund Transfers In	0.6	0.6	0.5	0.5	0.5	0.5	0.5	0.5
TOTAL OPERATING REVENUES & TRANSFERS*		\$ 48.1	\$ 45.8	\$ 47.0	\$ 46.4	\$ 47.5	\$ 48.9	\$ 50.4	\$ 51.5
	Capital	0.6	0.6	2.4	0.8	0.8	0.8	0.8	0.8
	Use of Pension/OPEB Reserve	-	0.3	-	-	-	-	-	-
	Use of Property Surplus Reserve	1.2	1.2	-	-	-	-	-	-
	Use of Measure G Reserve	1.1	1.1	-	-	-	-	-	-
	ARPA Replacement Revenue	-	-	1.0	-	-	-	-	-
TOTAL REVENUES, TRANSFERS, AND USE OF RESERVES		\$ 51.0	\$ 49.0	\$ 50.4	\$ 47.2	\$ 48.3	\$ 49.7	\$ 51.2	\$ 52.3
Account	Expenditure Category	2021/22 Adjusted Budget	2021/22 Estimates	2022/23 Proposed Budget	2023/24 Forecast	2024/25 Forecast	2025/26 Forecast	2026/27 Forecast	2027/28 Forecast
5110	Salary	20.9	19.2	21.5	21.6	22.2	22.5	23.0	23.5
5120	CalPERS Benefits	7.3	6.2	7.3	7.5	7.8	7.7	8.0	8.1
5200	All Other Benefits	4.2	3.4	4.4	4.6	4.7	4.8	5.0	5.1
6211	OPEB Pay as You Go	1.5	1.5	1.5	1.5	1.6	1.7	1.8	1.9
6000	Operating Expenditures	6.4	7.0	6.9	6.8	7.1	7.1	7.4	7.5
7200	Grants & Awards	1.0	0.8	0.2	0.2	0.2	0.2	0.2	0.3
7400	Utilities	0.6	0.6	0.6	0.6	0.7	0.7	0.7	0.7
8060	Internal Service Charges	2.7	2.6	2.7	2.9	3.1	3.4	3.7	3.8
8900	Debt Service	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9
TOTAL OPERATING EXPENDITURES		\$ 46.6	\$ 43.3	\$ 47.0	\$ 47.5	\$ 49.3	\$ 50.1	\$ 51.7	\$ 52.9
	GASB 45 Retiree Medical Actuarial	0.1	0.1	-	-	-	-	-	-
	Additional Discretionary Payment - Pension	0.4	0.7	0.4	0.4	0.4	0.4	0.4	0.4
TOTAL OPERATING & DISCRETIONARY EXPENDITURES		\$ 47.1	\$ 44.1	\$ 47.4	\$ 47.9	\$ 49.7	\$ 50.5	\$ 52.1	\$ 53.3
	Capital Transfers Out to GFAR	2.8	2.8	2.3	0.8	0.8	0.8	0.8	0.8
	Proceeds	0.6	0.6	0.7	0.7	0.7	0.7	0.8	0.8
AMOUNTS AVAILABLE FOR RESERVE ALLOCATIONS									
	Stabilization/Catastrophic	-	0.5	-	-	-	-	-	-
	Allocate to Compensated Absences	-	-	-	-	-	-	-	-
	Allocate to Market Fluctuation	-	-	-	-	-	-	-	-
	Allocate to CalPERS/Pension	-	0.3	-	-	-	-	-	-
TOTAL EXPENDITURES & RESERVE ALLOCATIONS		\$ 50.5	\$ 48.3	\$ 50.4	\$ 49.4	\$ 51.2	\$ 52.0	\$ 53.7	\$ 54.9
NET REVENUES RESERVE TRANSFERS LESS EXPENDITURES & RESERVE ALLOCATIONS FOR FINAL ALLOCATION AFTER YEAR END CLOSE		\$ 0.5	\$ 0.6	\$ -	\$ (2.2)	\$ (2.9)	\$ (2.3)	\$ (2.5)	\$ (2.6)
* Due to rounding of individual categories FY 2021/22 Total Expenditures and Reserve Allocations includes \$0.1 million. General Fund (111) Forecast does not include Pension Trusts activities.									

-\$12.5

Town of Los Gatos General Fund Historical Year-End Results
(in \$ million)

Account	Revenue Category	2015/16 Actuals	2016/17 Actuals	2017/18 Actuals	2018/19 Actuals	2019/20 Actuals	2020/21 Actuals
4100	Property Tax	\$ 10.8	\$ 11.5	\$ 12.5	\$ 13.6	\$ 14.5	\$ 15.8
4110	VLF Backfill Property Tax	3.0	3.2	3.4	3.7	3.9	4.1
4200	Sales & Use Tax	7.5	9.2	7.6	8.0	6.5	6.8
4200	Measure G District Sales Tax	-	-	-	0.2	1.0	1.1
4250	Franchise Fees	2.3	2.4	2.5	2.5	2.5	2.5
4251	Transient Occupancy Tax	1.9	2.3	2.6	2.7	1.9	1.0
4400	Business License Tax	1.5	1.7	1.7	1.5	1.4	1.4
4400	Licenses & Permits	3.5	3.0	3.0	3.1	2.7	3.1
4500	Intergovernmental	1.0	0.9	1.0	0.9	1.0	1.6
4600	Town Services	4.0	3.3	4.4	4.4	4.4	4.6
4700	Fines & Forfeitures	0.9	0.9	0.7	0.5	0.3	0.1
4800	Interest	0.6	0.2	0.2	1.4	2.2	0.1
4850	Other Sources	2.3	4.3	3.2	4.6	2.7	3.7
4900	Fund Transfers In	2.4	0.3	0.8	1.6	0.6	0.7
TOTAL OPERATING REVENUES & TRANSFERS*		\$ 41.7	\$ 43.2	\$ 43.6	\$ 48.7	\$ 45.6	\$ 46.6
	Capital	-	1.4	3.2	2.8	8.0	3.4
	Use of Pension/OPEB Reserve	-	-	-	-	-	4.5
	Use of Almond Grove Reserve	-	5.9	-	-	-	-
TOTAL REVENUES, TRANSFERS, AND USE OF RESERVES		\$ 41.7	\$ 50.5	\$ 46.8	\$ 51.5	\$ 53.6	\$ 54.5
Account	Expenditure Category	2015/16 Actuals	2016/17 Actuals	2017/18 Actuals	2018/19 Actuals	2019/20 Actuals	2020/21 Actuals
5110	Salary	14.5	14.8	16.0	17.9	19.3	20.2
5120	CalPERS Benefits	3.6	3.9	4.3	5.3	6.1	6.4
5200	All Other Benefits	3.2	3.2	3.3	3.6	3.6	3.7
6211	OPEB Pay as You Go	0.9	1.0	1.1	1.2	1.2	1.3
6000	Operating Expenditures	4.7	4.8	5.0	5.6	5.1	5.7
7200	Grants & Awards	0.7	0.2	0.2	0.3	0.3	0.3
7400	Utilities	0.4	0.6	0.5	0.5	0.5	0.6
8060	Internal Service Charges	3.5	3.6	3.9	2.5	2.2	2.3
8900	Debt Service	1.9	1.9	1.9	1.9	1.9	2.0
TOTAL OPERATING EXPENDITURES		\$ 33.6	\$ 34.0	\$ 36.2	\$ 38.8	\$ 40.2	\$ 42.4
	GASB 45 Retiree Medical Actuarial	1.5	2.6	1.6	1.1	1.1	0.6
	Additional Discretionary Payment - Pension	-	-	-	-	-	5.6
TOTAL OPERATING & DISCRETIONARY EXPENDITURES		\$ 35.1	\$ 36.6	\$ 37.8	\$ 39.9	\$ 41.3	\$ 48.6
	Capital Transfers Out to GFAR	0.5	7.3	2.6	2.3	7.0	3.4
	Operating Transfer Out	0.1	-	0.6	0.5	1.1	-
	Fixed Assets/ Equipment	0.4	-	-	-	0.1	-
	Fund	-	-	1.2	3.6	0.4	-
AMOUNTS AVAILABLE FOR RESERVE ALLOCATIONS		\$ 5.6	\$ 6.6	\$ 4.6	\$ 5.2	\$ 3.7	\$ 2.5
	Allocate to Almond Grove Reserve	2.5	-	-	-	-	-
	Stabilization/Catastrophic	-	-	-	-	-	0.1
	Allocate to Compensated Absences	-	-	-	-	-	0.1
	Allocate to Market Fluctuations Reserve	0.3	0.3	-	-	1.2	-
	Allocate to CalPERS/Pension Reserve	-	1.8	-	-	-	0.3
	Allocate to Measure G Reserve	-	-	-	-	1.2	-
	Allocate to VM & Stores Surplus Reserve	-	-	-	1.0	-	-
	Allocate to Authorized Carryforwards	0.1	-	-	-	-	-
	Sales Tax Prior - Year Adjustments	-	0.4	-	-	-	-
	Allocate to Property Surplus Reserve	-	-	-	1.9	-	1.2
TOTAL EXPENDITURES & RESERVE ALLOCATIONS		\$ 39.0	\$ 46.4	\$ 42.2	\$ 49.2	\$ 52.2	\$ 53.7
NET REVENUES RESERVE TRANSFERS LESS EXPENDITURES & RESERVE ALLOCATIONS FOR FINAL ALLOCATION AFTER YEAR END CLOSE		\$ 2.7	\$ 4.1	\$ 4.6	\$ 2.3	\$ 1.4	\$ 0.8
* Due to rounding of individual categories Total Expenditures and Reserve Allocations may include \$0.1 million. General Fund (111) Historical presentaion does not include Pension Trusts activities.							

BASE CASE

Town of Los Gatos General Fund 5-Year Forecast
(in \$ million)

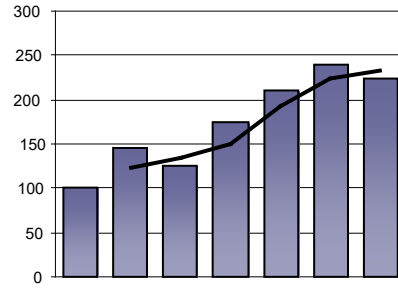
Account	Revenue Category	2020/21 Actuals	2021/22 Adjusted Budget	2021/22 Estimates	2022/23 Forecast	2023/24 Forecast	2024/25 Forecast	2025/26 Forecast	2026/27 Forecast
4100	Property Tax	\$ 15.8	\$ 15.9	\$ 15.4	\$ 15.5	\$ 15.7	\$ 16.1	\$ 16.6	\$ 17.1
4110	VLF Backfill Property Tax	4.1	4.2	4.2	4.4	4.5	4.6	4.8	4.9
4200	Sales & Use Tax	6.8	7.2	7.0	7.5	7.7	7.9	8.1	8.2
4200	Measure G District Sales Tax	1.1	1.0	1.2	1.2	1.2	1.3	1.3	1.4
4250	Franchise Fees	2.5	2.6	2.5	2.6	2.7	2.7	2.8	2.9
4251	Transient Occupancy Tax	1.0	0.9	1.4	1.4	1.5	1.5	1.6	1.6
4400	Business License Tax	1.4	1.3	1.3	1.3	1.4	1.4	1.4	1.4
4400	Licenses & Permits	3.1	2.7	3.2	2.8	2.9	3.0	3.0	3.1
4500	Intergovernmental	1.6	4.4	1.6	1.0	1.0	1.0	1.0	1.1
4600	Town Services	4.6	3.6	3.9	3.4	3.5	3.6	3.7	3.7
4700	Fines & Forfeitures	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2
4800	Interest	0.1	0.4	0.4	0.2	0.2	0.2	0.2	0.2
4850	Other Sources	3.7	2.3	2.5	2.2	2.2	2.2	2.2	2.3
4900	Fund Transfers In	0.7	0.6	0.6	0.5	0.5	0.5	0.5	0.5
TOTAL OPERATING REVENUES & TRANSFERS*		\$ 46.6	\$ 47.3	\$ 45.4	\$ 44.2	\$ 45.2	\$ 46.2	\$ 47.4	\$ 48.6
	Capital	3.4	0.6	0.6	0.8	0.8	0.8	0.8	0.8
	Use of Pension/OPEB Reserve	4.5	-	-	-	-	-	-	-
	Other	-	-	0.3	-	-	-	-	-
	Use of Property Surplus Reserve	-	1.2	1.2	-	-	-	-	-
	Use of Measure G Reserve	-	0.6	0.6	0.6	0.6	0.6	0.7	0.7
	ARPA Replacement Revenue	-	-	1.4	-	-	-	-	-
TOTAL REVENUES, TRANSFERS, AND USE OF RESERVES		\$ 54.5	\$ 49.7	\$ 49.2	\$ 45.6	\$ 46.6	\$ 47.6	\$ 48.9	\$ 50.1
Account	Expenditure Category	2020/21 Actuals	2020/21 Budget	2021/22 Estimates	2022/23 Forecast	2023/24 Forecast	2024/25 Forecast	2025/26 Forecast	2026/27 Forecast
5110	Salary	20.2	20.8	20.6	20.6	21.2	21.8	22.3	22.8
5120	CalPERS Benefits	6.4	7.3	6.6	6.9	7.3	7.7	7.6	7.9
5200	All Other Benefits	3.7	4.2	3.8	4.0	4.1	4.2	4.3	4.4
6211	OPEB Payas You Go	1.3	1.3	1.5	1.5	1.6	1.8	1.9	1.9
6000	Operating Expenditures	5.7	6.2	6.6	6.3	6.3	6.5	6.5	6.8
7200	Grants & Awards	0.3	1.0	1.1	0.2	0.2	0.3	0.3	0.3
7400	Utilities	0.6	0.6	0.6	0.6	0.6	0.7	0.7	0.7
8060	Internal Service Charges	2.3	2.7	2.6	2.9	3.1	3.2	3.5	3.6
8900	Debt Service	2.0	1.9	1.9	1.9	1.9	1.9	1.9	1.9
TOTAL OPERATING EXPENDITURES		\$ 42.4	\$ 46.1	\$ 45.3	\$ 45.0	\$ 46.5	\$ 48.0	\$ 48.9	\$ 50.3
	GASB 45 Retiree Medical Actuarial	0.6	0.1	0.1	0.4	0.3	0.2	0.2	0.2
	Additional Discretionary Payment - Pension	5.6	0.4	0.4	0.4	0.4	0.4	0.4	0.4
TOTAL OPERATING & DISCRETIONARY EXPENDITURES		\$ 48.6	\$ 46.6	\$ 45.8	\$ 45.8	\$ 47.2	\$ 48.6	\$ 49.5	\$ 50.9
	Capital Transfers Out to GFAR	3.4	2.8	2.8	1.4	1.4	1.4	1.5	1.5
AMOUNTS AVAILABLE FOR RESERVE ALLOCATIONS									
	Stabilization/Catastrophic	0.1	-	-	-	-	-	-	-
	Allocate to Compensated Absences	0.1	-	-	-	-	-	-	-
	Allocate to Property Surplus Reserve	1.2	-	-	-	-	-	-	-
	Allocate to CalPERS/Pension	0.3	-	-	-	-	-	-	-
	Allocate to Measure G - Capital	-	0.5	0.6	-	-	-	-	-
	Allocate to ARPA Reserve	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES & RESERVE ALLOCATIONS		\$ 53.7	\$ 49.9	\$ 49.2	\$ 47.2	\$ 48.6	\$ 50.0	\$ 51.0	\$ 52.4
NET REVENUES RESERVE TRANSFERS LESS EXPENDITURES & RESERVE ALLOCATIONS FOR FINAL ALLOCATION AFTER YEAR END CLOSE		\$ 0.8	\$ (0.2)	\$ -	\$ (1.6)	\$ (2.0)	\$ (2.4)	\$ (2.1)	\$ (2.3)

-\$10.4M

* Due to rounding of individual categories FY 2021/22 Total Expenditures and Reserve Allocations includes \$0.1 million.
General Fund (111) Forecast does not include Pension Trusts activities. (\$37,810 in interest proceeds in FY 2020/21)

Town of Los Gatos General Fund Historical Year-End Results
(in \$ million)

Account	Revenue Category	2015/16 Actuals	2016/17 Actuals	2017/18 Actuals	2018/19 Actuals	2019/20 Actuals
4100	Property Tax	\$ 10.8	\$ 11.5	\$ 12.5	\$ 13.6	\$ 14.5
4110	VLF Backfill Property Tax	3.0	3.2	3.4	3.7	3.9
4200	Sales & Use Tax	7.5	9.2	7.6	20.8	6.5
4200	Measure G District Sales Tax	-	-	-	0.2	1.0
4250	Franchise Fees	2.3	2.4	2.5	2.5	2.5
4251	Transient Occupancy Tax	1.9	2.3	2.6	2.7	1.9
4400	Business License Tax	1.5	1.7	1.7	1.5	1.4
4400	Licenses & Permits	3.5	3.0	3.0	3.1	2.8
4500	Intergovernmental	1.0	0.9	1.0	26.6	1.0
4600	Town Services	4.0	3.3	4.4	30.0	4.2
4700	Fines & Forfeitures	0.9	0.9	0.7	0.5	0.3
4800	Interest	0.6	0.2	0.2	1.4	2.2
4850	Other Sources	2.3	4.4	3.2	132.9	2.8
4900	Fund Transfers In	2.4	0.3	0.8	14.4	0.6
TOTAL OPERATING REVENUES & TRANSFERS*		\$ 41.7	\$ 43.3	\$ 43.6	\$ 253.9	\$ 45.6
	Capital	-	1.4	3.2	2.8	8.0
	Use of Pension/OPEB Reserve	-	-	-	-	-
	Other	-	-	-	-	-
	Use of Almond Grove Reserve	-	5.9	-	-	-
TOTAL REVENUES, TRANSFERS, AND USE OF RESERVES		\$ 41.7	\$ 50.6	\$ 46.8	\$ 256.7	\$ 53.6
Account	Expenditure Category	2015/16 Actuals	2016/17 Actuals	2017/18 Actuals	2018/19 Actuals	2019/20 Actuals
5110	Salary	14.5	14.8	16.0	17.9	19.3
5120	CalPERS Benefits	3.6	3.9	4.3	5.3	6.1
5200	All Other Benefits	3.2	3.2	3.3	3.6	3.6
6211	OPEB Pay as You Go	0.9	1.0	1.1	1.2	1.2
6000	Operating Expenditures	4.7	4.8	5.0	5.6	5.1
7200	Grants & Awards	0.7	0.2	0.2	0.3	0.3
7400	Utilities	0.4	0.6	0.5	0.5	0.5
8060	Internal Service Charges	3.5	3.6	3.9	2.5	2.2
8900	Debt Service	1.9	1.9	1.9	1.9	1.9
TOTAL OPERATING EXPENDITURES		\$ 33.6	\$ 34.0	\$ 36.2	\$ 38.8	\$ 40.2
	GASB 45 Retiree Medical Actuarial	1.5	2.6	1.6	1.1	1.1
TOTAL OPERATING & DISCRETIONARY EXPENDITURES		\$ 35.1	\$ 36.6	\$ 37.8	\$ 39.9	\$ 41.3
	Capital Transfers Out to GFAR	0.5	7.3	2.6	2.3	7.0
	Operating Transfer Out	0.1	-	0.6	0.5	1.1
	Fixed Assets/ Equipment	0.4	-	-	-	0.1
	Fund	-	-	1.2	3.6	0.4
AMOUNTS AVAILABLE FOR RESERVE ALLOCATIONS		\$ 5.6	\$ 6.7	\$ 4.6	\$ 210.4	\$ 3.7
	Allocate to Almond Grove Reserve	2.5	-	-	-	-
	Allocate to Market Fluctuations Reserve	0.3	0.3	-	-	1.2
	Allocate to CalPERS/Pension Reserve	-	1.8	-	-	-
	Allocate to Measure G Reserve	-	-	-	-	1.2
	Allocate to VM & Stores Surplus Reserve	-	-	-	1.0	-
	Allocate to Authorized Carryforwards	0.1	-	-	-	-
	Sales Tax Prior - Year Adjustments	-	0.4	-	-	-
	Allocate to Property Surplus Reserve	-	-	-	1.9	-
TOTAL EXPENDITURES & RESERVE ALLOCATIONS		\$ 39.0	\$ 46.4	\$ 42.2	\$ 49.2	\$ 52.2
NET REVENUES RESERVE TRANSFERS LESS EXPENDITURES & RESERVE ALLOCATIONS FOR FINAL ALLOCATION AFTER YEAR END CLOSE		\$ 2.7	\$ 4.2	\$ 4.6	\$ 207.5	\$ 1.4
<p>* Due to rounding of individual categories Total Expenditures and Reserve Allocations may include \$0.1 million.</p> <p>General Fund (111) Historical presentaion does not include Pension Trusts activities.</p>						



FINANCIAL SUMMARIES

Total Revenues and Expenditures

The summary schedules provide a high level overview of the entire Town budget in a fund-type summary as well as by fund-specific and category-specific summary levels.

Total Budgeted Fund Activity	C – 3
Total Revenues, Expenditures, and Fund Balance Trend Information	C – 4
Total Revenues, Expenditures, and Fund Balance – 5 Year Summary.....	C – 8
Total Town Revenues – by Fund.....	C – 14
Total Town Expenditures – by Fund	C – 16
Total Town Revenues – by Category	C – 18
Total Town Expenditures – by Category.....	C – 20

General Fund Revenues and Expenditures

The summary schedules identify the Town's General Fund operating sources and uses at the Department and category levels. The Fund Balance Activity summarizes the General Fund sources and uses which impact the resulting ending fund balance.

General Fund Revenues – by Department	C – 22
General Fund Expenditures – by Department.....	C – 23
General Fund Revenues – by Category.....	C – 24
General Fund Expenditures – by Category	C – 26
General Fund Tax Revenues per Capita – Cities of Santa Clara County	C – 28
General Fund Tax Revenues – 10 Year History of Key Tax Revenues	C – 29
General Fund – Fund Balance Activity.....	C – 30

Operating Transfers

The schedule summarizes activity by fund of estimated fund transfers for the prior fiscal year and budgeted for the adopted fiscal year.

Schedule of Interfund Transfers.....	C – 32
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FINANCIAL SUMMARIES

Fund Balance

With two fund balance schedules, one summarizes activity and ending fund balances as a quick look at the ongoing status of the individual funds, and the second provides a 5-year trend.

Fund Balance Activity Summary – by Fund	C – 33
5 Year Comparative Fund Balance – by Fund	C – 35

Departmental Budgets

Department level schedules provide an overview of funding source and expenditure use by each program within the Department.

Department Revenues – by Program	C – 37
Department Expenditures – by Program	C – 39

In-Kind Donations

The Town provides in-kind donations to local non-profits as described in this section.

In-Kind Donations	C – 41
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Fee-Related Projects List

The Town has identified potential projects for the use of collected development impact fees.

Fee-Related Projects List	C – 42
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Staffing

The labor position schedules provide a summary level view of operational staffing assignments, funding, and trends. The Personnel Changes Summary discusses staffing levels and labor costs in more detail.

Departmental Staff by Fund	C – 44
Summary of FTEs by Department	C – 45
5 Year History of Funded Positions by Department	C – 46
Summary of Personnel Changes	C – 47
Positions by Home Department	C – 51

TOTAL BUDGETED FUND ACTIVITY SUMMARY FY 2022/23

	Estimated Fund Balance 7/1/2022	Revenues, Prior Year Carryfwd & Transfers	Expenditures, Prior Year Carryfwd & Transfers	Estimated Fund Balance 6/30/2023	Fund Balance Change From Prior Year
Operating Funds					
Governmental Funds					
General Fund*	\$ 22,917,098	\$ 48,378,548	\$ 50,338,548	\$ 20,957,098	-8.6%
Housing Conservation Program Fund	177,241	-	-	177,241	0.0%
Community Dev Block Grant Fund	(10,587)	-	-	(10,587)	0.0%
Urban Run-Off Source Fund	416,611	359,950	178,665	597,896	43.5%
Blackwell Assessment District Fund	13,657	3,210	11,138	5,729	-58.1%
Kennedy Assessment District Fund	22,101	10,605	18,920	13,786	-37.6%
Gemini Assessment District Fund	36,407	4,750	12,758	28,399	-22.0%
Santa Rosa Assessment District Fund	35,352	-	20,617	14,735	-58.3%
Vasona Assessment District Fund	37,652	10,075	17,150	30,577	-18.8%
Hillbrook Assessment District Fund	23,804	6,040	19,979	9,865	-58.6%
ARPA	-	1,304,696	1,304,696	-	0.0%
Library Trust Fund	82,598	70,500	95,000	58,098	-29.7%
Ness Bequest Trust Fund	22,189	250	20,755	1,684	-92.4%
Betty McClendon Trust Fund	88,005	1,000	1,000	88,005	0.0%
Barbara J Cassin Trust Fund	361,735	4,500	4,500	361,735	0.0%
Proprietary Funds - Internal Service Funds					
Liability Self-Insurance Fund	638,860	429,249	846,940	221,169	-65.4%
Worker's Comp Self-Insurance Fund	818,420	1,033,315	1,840,000	11,735	-98.6%
Information Technology Fund	2,793,817	714,309	1,683,975	1,824,151	-34.7%
Equipment Replacement Fund	1,657,006	686,837	816,240	1,527,603	-7.8%
Facilities Maintenance Fund	102,962	1,262,247	1,240,344	124,865	21.3%
Total Operating Funds	\$ 30,234,928	\$ 54,280,081	\$ 58,471,225	\$ 26,043,784	-13.9%
Capital Funds					
GFAR*	\$ 14,273,601	\$ 5,555,275	\$ 6,500,557	\$ 13,328,319	-6.6%
Grant Funded CIP Projects Fund	(3,689,292)	5,437,041	4,967,041	(3,219,292)	12.7%
Storm Drain #1 Fund	1,135,466	49,680	-	1,185,146	4.4%
Storm Drain #2 Fund	2,090,579	54,520	-	2,145,099	2.6%
Storm Drain #3 Fund	(155,453)	880	-	(154,573)	0.6%
Traffic Mitigation Fund	381,319	-	10,000	371,319	-2.6%
Construction Tax-Undergrounding Fund	3,257,936	52,490	-	3,310,426	1.6%
Gas Tax Fund	1,898,590	1,603,689	1,603,689	1,898,590	0.0%
Total Capital Projects Funds	\$ 19,192,746	\$ 12,753,575	\$ 13,081,287	\$ 18,865,034	-1.7%
Successor Agency to the Los Gatos RDA Fund					
SA- Trust Fund (Budgetary Fund Balance)	\$ 4,080,130	\$ 3,799,926	\$ 3,799,752	\$ 4,080,304	0.0%
Total Successor Agency of the Los Gatos RDA Fund	\$ 4,080,130	\$ 3,799,926	\$ 3,799,752	\$ 4,080,304	0.0%
TOTAL ALL FUNDS	\$ 53,507,804	\$ 70,833,582	\$ 75,352,264	\$ 48,989,122	-8.4%

** Major Funds*

(1) One-time use of General Fund Capital Reserve for authorized capital projects and other priorities and anticipated ARPA funding

(2) Urban Run-off Program driven by State mandates

(3) One-time Capital Project budgeted for FY 2022/23

(4) Based on estimated claims and insurance premium activity

(5) Equipment Replacement and Information Technology Fund reflects acquisition activities for FY 2022/23

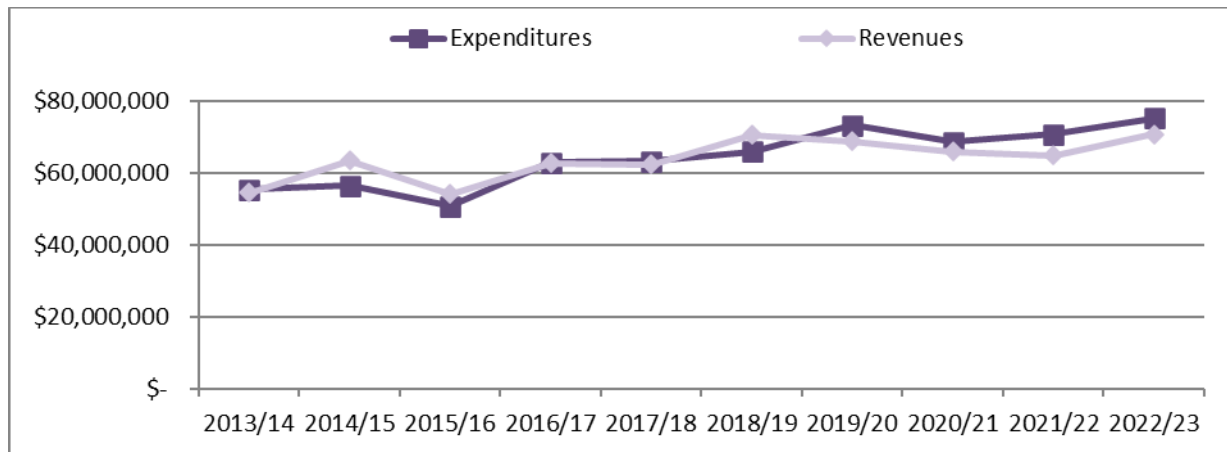
This Total Budgeted Fund Activity Summary schedule groups the Town's funds into three categories based on fund purpose:

Operating Funds - Ongoing operations are funded out of the various Operating Funds. This includes the Town's General Fund Departmental program operations, as well as special revenue activities and internal service functions. The Library Trusts are held for special uses for the Library.

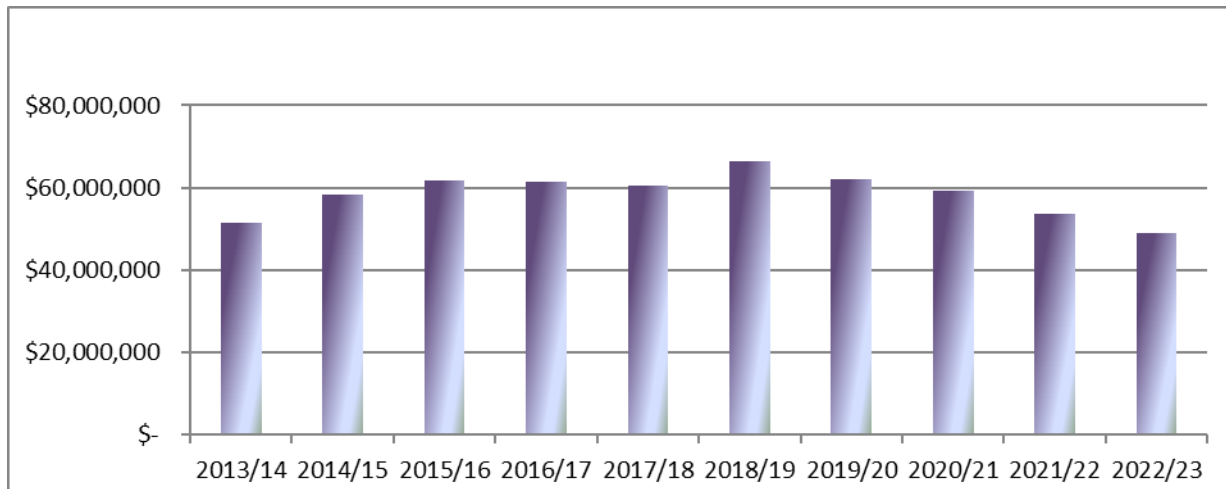
Fiduciary Funds - These funds include Trust funds and are held in a fiduciary capacity, with little variation in activity. RDA Successor Agency Private Purpose Trust Fund is established to account for the assets and liabilities transferred from the dissolution of the Town's former Redevelopment Agency (RDA) and the continuing operations related to the existing RDA obligations. The Successor Agency's Private Purpose Trust Fund has been incorporated into the Town's operating budget. Only those funds with activity are contained in the summary.

Capital Funds - Representing the capital improvement program activity, the Capital Funds reflect the significant progress to complete capital projects and the resulting decrease in fund balances.

TOTAL TOWN REVENUES AND EXPENDITURES



FUND BALANCE TREND INFORMATION



Note: Expenditures and Transfers Out may exceed Revenues due to the inclusion of planned and carry-forward capital projects and payments from General Fund reserves to the Town's Pension/OPEB Trust Funds.

<u>Year End</u>	<u>Reference</u>	<u>Revenues & Transfers In</u>	<u>Expenditures & Transfers Out</u>	<u>Designated Fund Balance</u>
2013/14	Actuals	\$ 54,528,656	\$ 55,545,002	\$ 51,370,329
2014/15	Actuals	\$ 63,470,973	\$ 56,593,416	\$ 58,247,886
2015/16	Actuals	\$ 54,234,948	\$ 50,881,063	\$ 61,601,771
2016/17	Actuals	\$ 62,873,000	\$ 62,912,316	\$ 61,562,435
2017/18	Actuals	\$ 62,358,798	\$ 63,386,198	\$ 60,535,055
2018/19	Actuals	\$ 70,675,272	\$ 65,949,701	\$ 66,467,476
2019/20	Actuals	\$ 68,958,311	\$ 73,327,492	\$ 62,098,295
2020/21	Actuals	\$ 65,930,887	\$ 68,699,265	\$ 59,329,917
2021/22	Estimated	\$ 65,011,290	\$ 70,833,403	\$ 53,507,804
2022/23	Proposed	\$ 70,833,582	\$ 75,352,264	\$ 48,989,122

TOTAL TOWN

REVENUE, EXPENDITURE, AND FUND BALANCE TREND INFORMATION

The Town continues to focus on priority issues that involve maintaining public safety and Town infrastructure including streets and parks; and providing library, community development, and other services. These priorities are coordinated with other Core Goals that protect the Town's fiscal health and ensure cost efficient and effective delivery of Town-wide administrative services. In addition, the Town has addressed the myriad issues associated with the pandemic since March 2020. Fortunately, the Town's pattern of proactive and prudent fiscal management of slowing operating expenditures, identifying incremental revenue enhancements, and implementing operating efficiencies over the years has helped the Town weather the multi-year impacts of the pandemic driven economic dislocation.

The FY 2022/23 operating budget is a balanced budget primarily through the use of one-time resources from the federal government (specifically from American Rescue Plan Act or ARPA). While this federal relief is welcome news, going forward maintaining balanced budgets and investing in our infrastructure will require a return to pre-pandemic revenue levels and/or identifying new revenue sources to maintain the high level of services Los Gatos residents, businesses, and visitors expect.

The proposed Budget addresses the Council identified Strategic Priorities and considers other areas of importance to our community, the Council, and the Town organization. The proposed Budget also acknowledges the economic realities associated with the global COVID-19 pandemic and other unforeseen budgetary impacts. Several Strategic Priorities are not one-time projects, but rather are ongoing commitments due to their critical significance in ensuring the Town's fiscal and infrastructure stability and the safety and quality of life for Los Gatos residents, businesses, and visitors. These commitments include continuing to address the Town's unfunded pension and other post-employment benefits (OPEB) obligations; developing Measure B transportation projects so the Town is positioned to receive its fair share of the funds; and fostering emergency preparedness and community wildfire resilience.

In terms of capital projects, the Town Council affirmed its interest in investing in bicycle and pedestrian improvements and implementing elements of the Comprehensive Parking Study. In addition to capital projects, the Council identified new policy priorities which include engaging our senior community and implementing diversity, equity and inclusion efforts.

Other Strategic Priorities will position the Town well for its future. The Council reaffirmed its commit to exploring new revenue opportunities. The Council continues the General Plan Update to engage the community in land use planning and policies to guide development for the next couple of decades and address environmental sustainability and climate resiliency. Other Priorities included continuing to enhance economic and community vitality and completing the Housing Element. As the Town emerges from the economic upheaval of the pandemic, the significance of building back stronger will position the Town well for the future.

Specific trends affecting the fund balance forecast include:

REVENUES

The FY 2022/23 Budget incorporates the waning impacts of the COVID-19 pandemic and the subsequent economic disruption with the General Fund revenues (excluding debt payments, restricted pension trust activity, anticipated ARPA proceeds, and fund transfers in) expected to increase by \$0.9 million to \$41.5 million from prior adjusted budgeted revenues. Revenue projections for each category were based upon estimates provided to the Town by the Santa Clara County Assessor, the Town's sales tax consultant, and careful examination of revenue trends, patterns, and industry research. The net increase in overall revenues is mostly due to forecasted increases in some revenues such as property tax, sales tax, and transient occupancy tax (TOT). It is important to note that projected Sales Tax revenue is just now returning to FY 2018/19 levels and TOT revenue projections are still \$1.1 million below FY 2018/19 levels. Licenses and permit revenues are expected to decrease. The sales tax projections include the voter approved one-eighth general purpose sales tax dedicated to the Town of Los Gatos. Revenue collection began in April 2019.

TOTAL TOWN

REVENUE, EXPENDITURE, AND FUND BALANCE TREND INFORMATION

EXPENDITURES

Salaries and Benefits – As in most municipalities, services are provided directly by employees to the Town’s residents, businesses, and visitors. As a service delivery enterprise, the cost of salaries and benefits are a significant portion of the budget. Salaries and benefits account for 44.3% of the Town’s total expenditures in FY 2022/23 (and 66.0% of General Fund expenditures). The Town endeavors to balance fiscal prudence with the need to attract and retain the requisite personnel to manage a 21st century municipality. As an example, when fiscal conditions worsened during the recession of 2008, employees participated in wage freezes and unpaid furloughs for several years to assist in achieving balanced budgets. After multiple years of such concessions, the Town discontinued the furlough program in FY 2014/15 and reinstituted general wage increases for both non-sworn and sworn employees. Even with unemployment at historic low levels and a regional Consumer Price Index (CPI) of 3.2%, the Town and its employee bargaining groups agreed to a 2.5% across the board salary increase for all three bargaining units, management, and confidential plus a 1.5% cash bonus (non-PERSable) for non-sworn employees in 2018; a 3% increase in 2019 for all non-sworn employees and a 4% increase for sworn; 1% across the board salary increase and 2% non-PERSable cash bonus for all three bargaining units, management, and confidential in 2020; and a 2% across the board salary increase for two bargaining units, management, and confidential in 2021. The Town and POA continue to be in good faith negotiations. The Town is also in the process of negotiating successor agreements for all bargaining units. It should be noted that the Town’s bargaining agreements have tended to trail inflation as measured by the Bureau of Labor Statistics CPI for the Consolidated Metropolitan Statistical Area covering the bay area.

The Town of Los Gatos provides a defined benefit pension plan for all full-time employees and some part-time benefitted employees as part of their total compensation package. Defined benefit plans provide a fixed, pre-established benefit payment for employees in retirement based on a formula which takes into account an employee’s years of service and highest average annual salary. The defined benefit pension has been a standard part of compensation in governmental organizations and in Los Gatos, is in lieu of participating in Social Security. The Town’s pension plans are administered by the Board of Administration of the California Public Employees’ Retirement System (CalPERS). The Board of Administration is responsible for the management and control of CalPERS, including the exclusive control of the administration and investment of funds. Sworn employees are covered under the Safety Plan which is a pooled plan, while all other employees are covered in the Miscellaneous Plan, which is a separate Plan. The Miscellaneous Plan is administered by CalPERS in the Public Employees’ Retirement Fund (PERF). In addition, the Town Council has established an Internal Revenue Code Section 115 Pension Trust as a supplement to the PERF fund. The Town’s IRS 115 Pension Trust is administered by the Town Pension and OPEB Trusts Oversight Committee.

The Town also provides a retiree healthcare benefit for all eligible employees. The healthcare plan pays all, or a portion of, health insurance premiums for qualified retirees and their survivors and dependents. Retiree healthcare benefits are also referred to as Other Post-Employment Benefits or OPEB. The Town’s healthcare plan is an Internal Revenue Code Section 115 Trust which is administered by the Town Pension and OPEB Trusts Oversight Committee. The Oversight Committee is responsible for the management and control of the healthcare assets. As a result of collaboration with the Town’s Bargaining Units during FY 2018/19, all units agreed to the elimination of retiree health benefits prospectively with the exception of the minimum employer contribution as required by the Public Employees’ Medical and Hospital Care Act (PEMHCA). The PEMHCA minimum represents a significant reduction from the previous Town paid discretionary retiree payments. As a closed retiree medical plan, over time the Town will see significant cost savings from this negotiated change. In addition, employees contribute a share of dependent premiums to assist with cost-containment.

Pension contributions are a portion of the Town’s budget, as the Town is obligated to contribute a mandatory amount established by the California Public Employees Retirement System (CalPERS) as a percent of salary. Town employees contribute a percentage of their salary towards their pension in what is referred to as the normal cost. The normal cost is the annual cost of service accrual for active employees and can be viewed as the cost of benefits earned by employees in the current year.

TOTAL TOWN

REVENUE, EXPENDITURE, AND FUND BALANCE TREND INFORMATION

The second source of normal cost funding is provided by employer normal cost contributions. The employer normal cost rates for all cities/towns in CalPERS are established annually by CalPERS. These rates are the minimum contractual obligations the Town must pay. It should be noted, that the normal cost calculation assumes all actuarial assumptions will be met going forward. In the event the plans experience unfavorable economic or demographic assumptions, an unfunded actuarial liability (UAL) may occur. The cost associated with an unfunded liability is borne solely by the employer. The development of a UAL typically results from unfavorable investment returns, changes in actuarial assumptions, unfavorable demographic shifts, and other experiences that differ from those anticipated by the annual actuarial assumptions. According to the 2020 actuarial valuations, the unfunded actuarial liability for pensions was \$61.8 million and \$8.7 million for OPEB as of June 30, 2019.

The Town's pension plans over the past several decades, like all other CalPERS participants, have experienced unfavorable investment returns, changes in actuarial assumptions, and unfavorable demographic shifts which have outweighed any positive plan experiences to date. As such, the Town's employer pension contributions are expected to continue to increase. The Town's employer contribution rate will increase from 62.94% in FY 2021/22 to 69.44% in FY 2022/23 for classic sworn employees. For all other employees, the rate will decrease from 33.543% in FY 2021/22 to 29.92% in FY 2022/23. The Public Employees' Pension Reform Act (PEPRA), effective January 1, 2013, implemented lower pension tiers for employees who are new to the PERS pension system. While this does not provide immediate cost savings, it is anticipated to reduce future benefit expenditures in the next 10 to 15 years. Employer contribution rates will decrease from 15.74% in FY 2021/22 to 14.62% in FY 2022/23 for PEPRA sworn employees.

To address the escalation in pension costs, previous Councils have allocated additional discretionary pension funding totaling \$10.4 million. These additional discretionary payments will ultimately yield an approximate additional \$12.7 million in contribution savings. In addition to the management of the Town's pension obligations, prior Councils have worked to curb cost escalation in Other Post-Employment Benefits (OPEB). In 2009, the Town initiated prefunding of the retiree healthcare benefit and has since established approximately \$27.3 million in OPEB assets from zero in 2009.

For more information about the pension and other benefits offered to Town employees, see: <https://www.losgatosca.gov/44/Human-Resources>. For more information about the Towns Pension and OPEB plans please see: <https://www.losgatosca.gov/2479/Town-Pension-and-OPEB-Plans-Information>

Other Cost Drivers – A significant cost driver for the Town is energy costs, including fuel for safety and maintenance vehicles, water for parks and landscaping, natural gas and electricity to heat and cool buildings, and lighting for street lights, parking lots, and Town facilities. The Town has taken steps to ensure water conservation and recently made energy retrofits to improve efficiency in Town facilities and reduce costs. Fuel costs can be reduced by utilizing electric and/or hybrid vehicles, and installing electric vehicle charging stations throughout the Town. Staff will continue to explore energy alternatives to reduce costs.

TOTAL TOWN
REVENUES AND EXPENDITURES

GENERAL FUND

	2018/19 Actuals	2019/20 Actuals	2020/21 Actuals	2021/22 Estimated	2022/23 Proposed
REVENUES					
Property Tax	\$ 13,636,099	\$ 14,454,513	\$ 15,826,162	\$ 15,684,964	\$ 16,551,544
VLF Backfill	3,685,247	3,875,914	4,052,672	4,229,462	4,356,350
Sales & Use Tax	7,930,021	6,535,034	6,794,218	7,497,873	7,934,189
Measure G - District Sales Tax	228,131	996,391	1,139,386	1,173,733	1,240,755
Franchise Fees	2,475,916	2,495,792	2,499,463	2,435,800	2,493,870
Transient Occupancy Tax	2,692,043	1,869,685	1,044,820	1,400,000	1,642,460
Other Taxes	1,526,894	1,357,080	1,386,943	1,250,000	1,287,500
Licenses & Permits	3,059,894	2,696,457	2,999,711	3,065,997	2,757,029
Intergovernmental	945,191	1,104,075	1,573,697	1,130,125	1,051,814
Town Services	4,648,904	4,447,213	4,835,962	4,259,099	4,235,261
Internal Srvc Reimbursement	-	-	-	-	-
Fines & Forfeitures	510,266	271,117	103,467	218,120	201,750
Interest	1,682,347	2,266,134	96,061	441,233	432,947
Other Sources	6,093,211	1,381,187	2,217,072	1,140,853	1,760,830
Debt Service Reimbursement	1,909,073	1,905,024	1,908,494	1,899,850	1,893,713
Transfers In	1,578,911	599,669	1,833,218	633,352	538,536
TOTAL REVENUES	\$ 52,602,148	\$ 46,255,285	\$ 48,311,346	\$ 46,460,461	\$ 48,378,548
EXPENDITURES					
Salaries & Benefits	\$ 26,803,225	\$ 28,933,568	\$ 30,297,504	\$ 28,866,098	\$ 33,227,942
Operating Expenditures	11,955,327	13,397,031	14,276,602	9,849,151	9,318,742
Grants & Awards	248,533	274,249	298,303	800,000	241,000
Fixed Assets	38,307	138,384	2,365	-	-
Interest	-	-	52,011	-	-
Internal Service Charges	2,527,470	2,188,211	2,314,305	2,619,672	2,650,173
Capital Projects	-	-	-	-	-
Capital Acquisitions	-	-	-	-	-
Debt Service	1,909,073	1,905,024	1,908,494	1,899,850	1,893,713
Transfers Out	2,785,220	8,053,847	4,582,641	3,423,211	3,006,978
TOTAL EXPENDITURES	\$ 46,267,155	\$ 54,890,314	\$ 53,732,225	\$ 47,457,982	\$ 50,338,548
Net Increase (Decrease)	6,334,993	(8,635,029)	(5,420,879)	(997,521)	(1,960,000)
Beginning Fund Balance	31,635,533	37,970,526	29,335,497	23,914,618	22,917,097
Ending Fund Balance*	\$ 37,970,526	\$ 29,335,497	\$ 23,914,618	\$ 22,917,097	\$ 20,957,097

* Year End Fund Balance represents General Fund 111 (Long Term Compensated Absences were accounted in Fund 961 prior to FY 2018/19, Pension Trust Fund 731 was incorporated in FY 2018/19).

TOTAL TOWN
REVENUES AND EXPENDITURES

SPECIAL REVENUE FUNDS

	2018/19 Actuals	2019/20 Actuals	2020/21 Actuals	2021/22 Estimated	2022/23 Proposed
REVENUES					
Property Tax	\$ -	\$ 29	\$ 28	\$ -	\$ -
VLF Backfill	-	-	-	-	-
Sales & Use Tax	-	-	-	-	-
Measure G - District Sales Tax	-	-	-	-	-
Franchise Fees	-	-	-	-	-
Transient Occupancy Tax	-	-	-	-	-
Other Taxes	38,088	38,012	38,566	33,720	33,720
Licenses & Permits	236,451	231,323	231,323	231,323	359,950
Intergovernmental	-	-	200,911	1,220,000	1,304,696
Town Services	345,280	-	-	-	-
Internal Svc Reimbursement	-	-	-	-	-
Fines & Forfeitures	-	-	-	-	-
Interest	13,685	13,180	9,174	5,310	7,210
Other Sources	216,834	61,809	106,547	70,500	70,000
Debt Service Reimbursement	-	-	-	-	-
Transfers In	-	10,000	-	-	-
TOTAL REVENUES	\$ 850,338	\$ 354,353	\$ 586,549	\$ 1,560,853	\$ 1,775,576
EXPENDITURES					
Salaries & Benefits	\$ 143,545	\$ 134,311	\$ 135,625	\$ 151,804	\$ 152,207
Operating Expenditures	578,580	137,628	301,302	1,356,997	1,461,088
Grants & Awards	-	-	-	-	-
Fixed Assets	21,048	25,079	-	-	83,255
Interest	-	-	-	-	-
Internal Service Charges	2,410	3,019	3,229	3,494	3,709
Capital Projects	-	-	-	-	-
Capital Acquisitions	-	-	-	-	-
Debt Service	-	-	-	-	-
Transfers Out	4,920	4,920	4,920	4,920	4,920
TOTAL EXPENDITURES	\$ 750,503	\$ 304,957	\$ 445,076	\$ 1,517,215	\$ 1,705,179
Net Increase (Decrease)	99,835	49,396	141,473	43,638	70,397
Beginning Fund Balance	972,423	1,072,258	1,121,654	1,263,127	1,306,765
Ending Fund Balance	\$ 1,072,258	\$ 1,121,654	\$ 1,263,127	\$ 1,306,765	\$ 1,377,162

TOTAL TOWN
REVENUES AND EXPENDITURES

INTERNAL SERVICE FUNDS

	2018/19 Actuals	2019/20 Actuals	2020/21 Actuals	2021/22 Estimated	2022/23 Proposed
REVENUES					
Property Tax	\$ -	\$ -	\$ -	\$ -	\$ -
VLF Backfill	-	-	-	-	-
Sales & Use Tax	-	-	-	-	-
Franchise Fees	-	-	-	-	-
Transient Occupancy Tax	-	-	-	-	-
Other Taxes	28,390	34,437	67,146	40,000	40,000
Licenses & Permits	-	-	-	-	-
Intergovernmental	-	-	-	261,382	283,755
Town Services	148,284	115,314	147,121	115,000	85,000
Internal Srvc Reimbursement	3,529,840	3,094,669	3,235,094	3,480,926	3,687,202
Fines & Forfeitures	-	-	-	-	-
Interest	8	7	5	-	-
Other Sources	2,993,443	762,404	654,601	166,965	30,000
CIP Proj Reimbursement	-	-	-	-	-
Transfers In	450,000	1,061,256	33,000	1,787	-
TOTAL REVENUES	\$ 7,149,965	\$ 5,068,087	\$ 4,136,967	\$ 4,066,060	\$ 4,125,957
EXPENDITURES					
Salaries & Benefits	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Expenditures	3,544,783	3,779,285	3,803,452	4,841,564	4,915,264
Grants & Awards	-	-	-	-	-
Fixed Assets	601,961	644,366	307,272	729,416	812,235
Interest	-	-	-	-	-
Internal Service Charges	-	-	-	-	-
Capital Projects	-	-	-	-	-
Capital Acquisitions	-	-	-	-	-
Debt Service	-	-	-	-	-
Transfers Out	1,390,375	1,367,797	146,520	94,816	700,000
TOTAL EXPENDITURES	\$ 5,537,119	\$ 5,791,448	\$ 4,257,244	\$ 5,665,796	\$ 6,427,499
Net Increase (Decrease)	1,612,846	(723,361)	(120,277)	(1,599,736)	(2,301,542)
Beginning Fund Balance	6,841,594	8,454,440	7,731,079	7,610,802	6,011,066
Ending Fund Balance	\$ 8,454,440	\$ 7,731,079	\$ 7,610,802	\$ 6,011,066	\$ 3,709,524

TOTAL TOWN
REVENUES AND EXPENDITURES

CAPITAL PROJECT FUNDS

	2018/19 Actuals	2019/20 Actuals	2020/21 Actuals	2021/22 Estimated	2022/23 Proposed
REVENUES					
Property Tax	\$ -	\$ -	\$ -	\$ -	\$ -
VLF Backfill	-	-	-	-	-
Sales & Use Tax	-	-	-	-	-
Franchise Fees	-	-	-	-	-
Transient Occupancy Tax	-	-	-	-	-
Other Taxes	28,390	34,437	67,146	34,562	30,000
Licenses & Permits	844,064	1,153,364	1,340,530	764,465	1,074,300
Intergovernmental	1,641,511	3,161,010	1,818,494	3,153,295	7,789,892
Town Services	52,094	223,318	34,417	306,210	-
Internal Srvs Reimbursement	-	-	-	-	-
Fines & Forfeitures	-	-	-	-	-
Interest	127,251	158,756	122,705	35,801	36,405
Other Sources	784,085	325,607	2,239,342	1,198,207	116,000
CIP Proj Reimbursement	-	-	-	-	-
SCC RPTTF Reimbursement	-	-	-	-	-
Transfers In	2,685,220	8,325,591	3,401,479	3,421,424	3,706,978
TOTAL REVENUES	\$ 6,162,615	\$ 13,382,083	\$ 9,024,113	\$ 8,913,964	\$ 12,753,575
EXPENDITURES					
Salaries & Benefits	\$ -	\$ -	\$ 31,085	\$ -	\$ -
Operating Expenditures	-	-	496	-	-
Grants & Awards	-	-	-	-	-
Fixed Assets	-	-	-	-	-
Interest	-	-	-	-	-
Internal Service Charges	-	-	-	-	-
Capital Projects	8,987,510	7,907,339	5,833,758	11,847,615	12,547,670
Capital Acquisitions	-	-	-	-	-
Debt Service	-	-	-	-	-
Transfers Out	533,616	569,952	533,616	533,616	533,616
TOTAL EXPENDITURES	\$ 9,521,126	\$ 8,477,291	\$ 6,398,955	\$ 12,381,231	\$ 13,081,286
Net Increase (Decrease)	(3,358,511)	4,904,792	2,625,158	(3,467,267)	(327,711)
Beginning Fund Balance	18,488,574	15,130,063	20,034,855	22,660,013	19,192,746
Ending Fund Balance	\$ 15,130,063	\$ 20,034,855	\$ 22,660,013	\$ 19,192,746	\$ 18,865,035

TOTAL TOWN
REVENUES AND EXPENDITURES

SUCCESSOR AGENCY TO THE TOWN OF LOS GATOS RDA

	2018/19 Actuals	2019/20 Actuals	2020/21 Actuals	2021/22 Estimated	2022/23 Proposed
REVENUES					
Property Tax	\$ -	\$ -	\$ -	\$ -	\$ -
VLF Backfill	-	-	-	-	-
Sales & Use Tax	-	-	-	-	-
Franchise Fees	-	-	-	-	-
Transient Occupancy Tax	-	-	-	-	-
Other Taxes	-	-	-	-	-
Licenses & Permits	-	-	-	-	-
Intergovernmental	1,945,763	1,949,284	1,946,787	2,006,602	1,902,713
Town Services	-	-	-	-	-
Internal Svc Reimbursement	-	-	-	-	-
Fines & Forfeitures	-	-	-	-	-
Interest	43,706	32,531	4,967	3,500	3,500
Other Sources	11,664	11,664	11,664	-	-
CIP Proj Reimbursement	1,909,073	1,905,024	1,908,494	1,999,850	1,893,713
SCC RPTTF Reimbursement	-	-	-	-	-
Transfers In	-	-	-	-	-
TOTAL REVENUES	\$ 3,910,206	\$ 3,898,503	\$ 3,871,912	\$ 4,009,952	\$ 3,799,926
EXPENDITURES					
Salaries & Benefits	\$ 1,555	\$ 1,654	\$ 1,674	\$ 1,654	\$ 1,701
Operating Expenditures	111,712	110,337	106,788	9,820	10,020
Grants & Awards	-	-	-	-	-
Fixed Assets	-	-	-	-	-
Interest	823,734	888,703	964,610	1,300,000	1,355,000
Internal Service Charges	9	5	5	5	5
Capital Projects	-	-	-	-	-
Capital Acquisitions	-	-	-	-	-
Debt Service	2,936,788	2,862,783	2,792,688	2,499,700	2,433,026
Transfers Out	-	-	-	-	-
TOTAL EXPENDITURES	\$ 3,873,798	\$ 3,863,482	\$ 3,865,765	\$ 3,811,179	\$ 3,799,752
Net Increase (Decrease)	36,408	35,021	6,147	198,773	174
Beginning Fund Balance	3,803,779	3,840,187	3,875,208	3,881,355	4,080,128
Ending Fund Balance	\$ 3,840,187	\$ 3,875,208	\$ 3,881,355	\$ 4,080,128	\$ 4,080,302

TOTAL TOWN
REVENUES AND EXPENDITURES

TOTAL ALL FUNDS

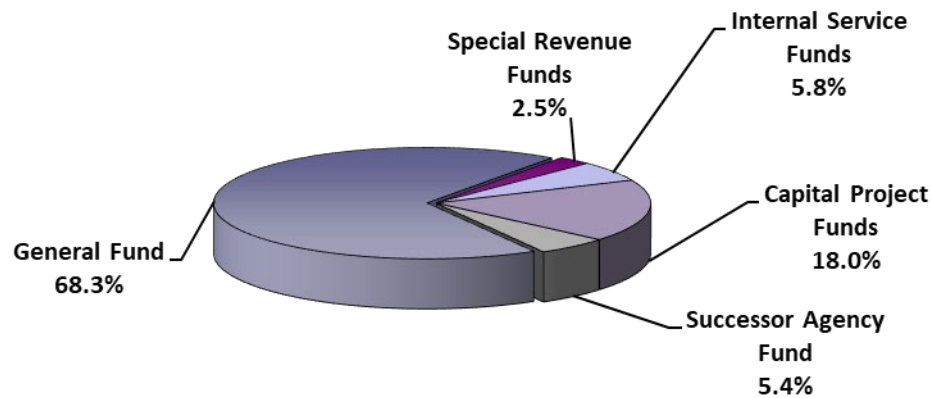
	2018/19	2019/20	2020/21	2021/22	2022/23
	Actuals	Actuals	Actuals	Estimated	Proposed
REVENUES					
Property Tax	\$ 13,636,099	\$ 14,454,542	\$ 15,826,190	\$ 15,684,964	\$ 16,551,544
VLF Backfill	3,685,247	3,875,914	4,052,672	4,229,462	4,356,350
Sales & Use Tax	7,930,021	6,535,034	6,794,218	7,497,873	7,934,189
Measure G - District Sales Tax	228,131	996,391	1,139,386	1,173,733	1,240,755
Franchise Fees	2,475,916	2,495,792	2,499,463	2,435,800	2,493,870
Transient Occupancy Tax	2,692,043	1,869,685	1,044,820	1,400,000	1,642,460
Other Taxes	1,621,762	1,463,966	1,559,801	1,358,282	1,391,220
Licenses & Permits	4,140,409	4,081,144	4,571,564	4,061,785	4,191,279
Intergovernmental	4,532,465	6,214,369	5,539,889	7,771,404	12,332,870
Town Services	5,194,562	4,785,845	5,017,500	4,680,309	4,320,261
Internal Srvc Reimbursement	3,529,840	3,094,669	3,235,094	3,480,926	3,687,202
Fines & Forfeitures	510,266	271,117	103,467	218,120	201,750
Interest	1,866,997	2,470,608	232,912	485,844	480,062
Other Sources	10,099,237	2,542,671	5,229,226	2,576,525	1,976,830
CIP Proj Reimbursement	3,818,146	3,810,048	3,816,988	3,899,700	3,787,426
SCC RPTTF Reimbursement	-	-	-	-	-
Transfers In	4,714,131	9,996,516	5,267,697	4,056,563	4,245,514
TOTAL REVENUES	\$ 70,675,272	\$ 68,958,311	\$ 65,930,887	\$ 65,011,290	\$ 70,833,582
EXPENDITURES					
Salaries & Benefits	\$ 26,948,325	\$ 29,069,533	\$ 30,465,888	\$ 29,019,556	\$ 33,381,850
Operating Expenditures	16,190,402	17,424,281	18,488,640	16,057,532	15,705,114
Grants & Awards	248,533	274,249	298,303	800,000	241,000
Fixed Assets	661,316	807,829	309,637	729,416	895,490
Interest	823,734	888,703	1,016,621	1,300,000	1,355,000
Internal Service Charges	2,529,889	2,191,235	2,317,539	2,623,171	2,653,887
Capital Projects	8,987,510	7,907,339	5,833,758	11,847,615	12,547,670
Capital Acquisitions	-	-	-	-	-
Debt Service	4,845,861	4,767,807	4,701,182	4,399,550	4,326,739
Transfers Out	4,714,131	9,996,516	5,267,697	4,056,563	4,245,514
TOTAL EXPENDITURES	\$ 65,949,701	\$ 73,327,492	\$ 68,699,265	\$ 70,833,403	\$ 75,352,264
Net Increase (Decrease)	4,725,571	(4,369,181)	(2,768,378)	(5,822,113)	(4,518,682)
Beginning Fund Balance	61,741,905	66,467,476	62,098,295	59,329,917	53,507,804
Ending Fund Balance	\$ 66,467,476	\$ 62,098,295	\$ 59,329,917	\$ 53,507,804	\$ 48,989,122

Note: Expenditures and Transfers Out may exceed Revenues due to the inclusion of planned and carry-forward capital projects and payments from General Fund reserves to the Town Pension and OPEB Trusts.

TOTAL TOWN REVENUES
BY FUND
(Includes Transfers In)

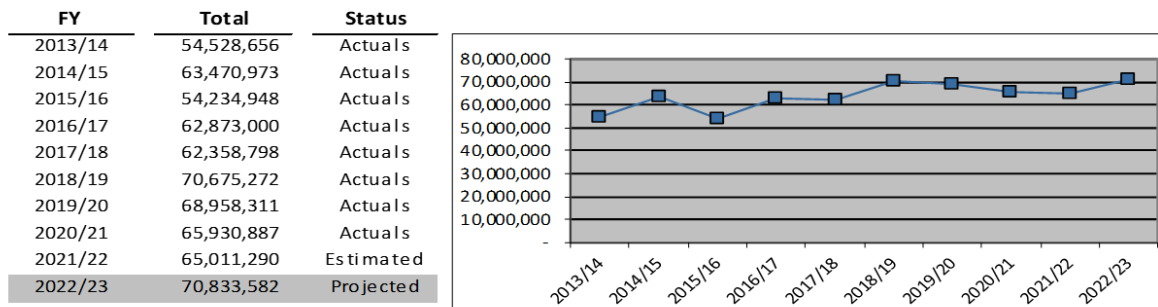
Fund	Fund Name	2018/19 Actuals	2019/20 Actuals	2020/21 Actuals	2021/22 Adjusted	2021/22 Estimated	2022/23 Proposed	Change from PY
General Fund								
111	General Fund	\$ 52,602,148	\$ 46,255,285	\$ 48,311,347	\$ 48,711,416	\$ 46,460,461	\$ 48,378,548	-0.7%
Special Revenue Funds								
211	Housing Conservation Program	-	-	-	-	-	-	0.0%
212	Community Dev Block Grant	-	-	-	-	-	-	0.0%
222	Urban Run-Off Source Fund	716,352	241,323	299,478	231,323	231,323	359,950	55.6%
231	Blackwell Assessment District	3,389	3,389	3,336	3,210	3,210	3,210	0.0%
232	Kennedy Assessment District	10,912	10,926	10,768	10,605	10,605	10,605	0.0%
233	Gemini Assessment District	5,077	5,109	5,051	4,750	4,750	4,750	0.0%
234	Santa Rosa Assessment District	5,354	5,299	5,313	5,000	-	-	-100.0%
235	Vasona Assessment District	10,634	10,693	10,205	10,075	10,075	10,075	0.0%
236	Hillbrook Assessment District	6,272	6,187	6,310	6,040	6,040	6,040	0.0%
241	ARPA	-	-	200,911	1,220,000	1,220,000	1,304,696	6.9%
711	Library Trust	83,840	63,388	39,159	70,500	71,000	70,500	0.0%
713	Ness Bequest Trust	736	368	279	-	250	250	0.0%
714	Betty McClendon Trust	1,495	1,487	1,128	700	700	1,000	42.9%
716	Barbara J Cassin Trust	6,277	6,182	4,610	2,900	2,900	4,500	55.2%
Internal Service Funds								
611	Liability Self-Insurance	657,152	378,133	376,963	423,332	377,923	429,249	1.4%
612	Worker's Comp Self-Insurance	1,492,981	2,491,249	1,245,328	1,007,620	969,970	1,033,315	2.6%
621	Information Technology	1,223,741	881,936	973,254	914,018	940,839	714,309	-21.8%
622	Office Stores Fund	141,938	-	-	-	-	-	0.0%
631	Equipment Replacement	1,082,492	236,083	327,398	570,957	595,707	686,837	20.3%
632	Facilities Maintenance	764,407	-	-	-	-	-	0.0%
633	Vehicle Maintenance	1,787,255	1,080,686	1,214,024	1,181,297	1,181,621	1,262,247	6.9%
Capital Projects Funds								
411	GFAR	4,314,346	11,326,970	6,734,293	7,393,484	5,529,379	5,555,275	-24.9%
421	Grant Funded CIP Projects	257,968	396,335	342,973	7,922,549	1,136,360	5,437,041	-31.4%
461	Storm Drain #1	123,039	112,105	43,765	49,670	57,180	49,680	0.0%
462	Storm Drain #2	47,774	62,569	115,127	53,930	135,734	54,520	1.1%
463	Storm Drain #3	1,447	(1,955)	(868)	940	(765)	880	-6.4%
471	Traffic Mitigation	118,787	136,639	397,094	1,441,246	551,315	-	-100.0%
472	Construction Tax-Undergrounding	81,701	87,489	107,763	52,490	57,052	52,490	0.0%
481	Gas Tax	1,217,552	1,261,933	1,283,966	1,401,865	1,447,709	1,603,689	14.4%
Successor Agency to the Los Gatos RDA Fund								
942	SA - Recognized Obligation Retirement	3,910,206	3,898,503	3,871,912	3,912,200	4,009,952	3,799,926	-2.9%
TOTAL Fund Rev & Transfers In		\$ 70,675,272	\$ 68,958,311	\$ 65,930,887	\$ 76,602,117	\$ 65,011,290	\$ 70,833,582	-7.5%

TOTAL TOWN REVENUES BY FUND



	2018/19 Actuals	2019/20 Actuals	2020/21 Actuals	2021/22 Adjusted	2021/22 Estimated	2022/23 Proposed	% of Total
General Fund	\$ 52,602,148	\$ 46,255,285	\$ 48,311,347	\$ 48,711,416	\$ 46,460,461	\$ 48,378,548	68.3%
Special Revenue Funds	850,338	354,351	586,548	1,565,103	1,560,853	1,775,576	2.5%
Internal Service Funds	7,149,966	5,068,087	4,136,967	4,097,224	4,066,060	4,125,957	5.8%
Capital Project Funds	6,162,614	13,382,085	9,024,113	18,316,174	8,913,964	12,753,575	18.0%
Successor Agency Fund	3,910,206	3,898,503	3,871,912	3,912,200	4,009,952	3,799,926	5.4%
Total Rev & Transfers In	\$ 70,675,272	\$ 68,958,311	\$ 65,930,887	\$ 76,602,117	\$ 65,011,290	\$ 70,833,582	100.0%

TOWN REVENUE HISTORICAL TREND (Includes Transfers In)



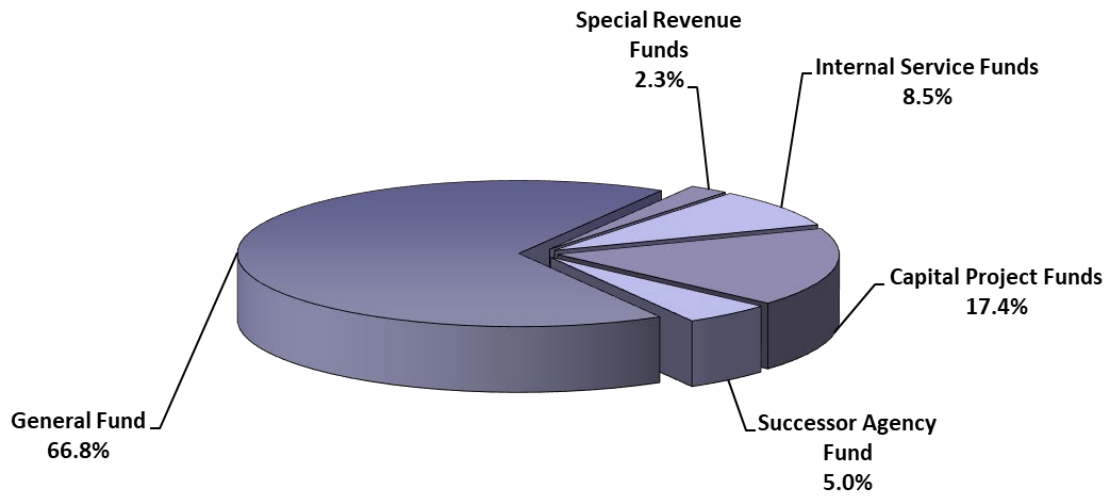
TOTAL TOWN EXPENDITURES

BY FUND

(Includes Transfers Out)

Fund	Fund Name	2018/19 Actuals	2019/20 Actuals	2020/21 Actuals	2021/22 Adjusted	2021/22 Estimated	2022/23 Proposed	Change from PY
General Fund								
111	General Fund	\$ 46,267,156	\$ 54,890,314	\$ 53,732,226	\$ 49,919,818	\$ 47,457,982	\$ 50,338,548	0.8%
Special Revenue Funds								
211	Housing Conservation Program	-	-	-	-	-	-	0.0%
212	Community Dev Block Grant	-	-	-	-	-	-	0.0%
222	Urban Run-Off Source Fund	628,240	162,838	166,173	221,044	185,952	178,665	-19.2%
231	Blackwell Assessment District	2,604	3,101	3,027	11,100	3,638	11,138	0.3%
232	Kennedy Assessment District	8,220	8,457	30,748	18,913	8,920	18,920	0.0%
233	Gemini Assessment District	2,244	2,244	2,423	12,723	2,758	12,758	0.3%
234	Santa Rosa Assessment District	9,172	9,172	10,129	20,429	10,618	20,617	0.9%
235	Vasona Assessment District	5,576	32,746	7,657	17,091	7,150	17,150	0.3%
236	Hillbrook Assessment District	4,370	3,772	4,894	19,943	4,979	19,979	0.2%
241	ARPA	-	-	200,911	1,220,000	1,220,000	1,304,696	6.9%
711	Library Trust	69,029	72,637	17,895	70,000	70,000	95,000	35.7%
713	Ness Trust Bequest	21,048	-	-	20,755	-	20,755	0.0%
714	Betty McClendon Trust	-	-	609	700	700	1,000	42.9%
716	Barbara J Cassin Trust	-	9,989	611	2,500	2,500	4,500	80.0%
Internal Service Funds								
611	Liability Self-Insurance	338,617	400,823	646,495	850,716	760,146	846,940	-0.4%
612	Worker's Comp Self-Insurance	1,270,628	1,525,589	1,381,049	1,824,569	1,824,569	1,840,000	0.8%
621	Information Technology	867,082	796,201	706,634	1,064,959	1,017,845	1,683,975	58.1%
622	Office Stores Fund	369,729	-	-	-	-	-	0.0%
631	Equipment Replacement	601,961	1,119,833	362,915	808,083	828,237	816,240	1.0%
632	Facilities Maintenance	1,027,197	-	-	-	-	-	0.0%
633	Vehicle Maintenance	1,061,905	1,949,003	1,160,152	1,223,193	1,234,999	1,240,344	1.4%
Capital Projects Funds								
411	GFAR	7,970,424	5,984,879	5,161,527	20,925,517	6,689,619	6,500,557	-68.9%
421	Grant Funded CIP Projects	379,494	484,403	698,512	7,869,300	4,126,407	4,967,041	-36.9%
461	Storm Drain #1	-	10,000	-	200,000	-	-	-100.0%
462	Storm Drain #2	-	10,000	-	200,000	13,400	-	-100.0%
463	Storm Drain #3	29,700	21,000	611	259,447	25,848	-	-100.0%
471	Traffic Mitigation	74,626	92,626	364,435	1,441,246	551,315	10,000	-99.3%
472	Construction Tax-Undergrounding	-	49,000	24,626	348,003	427	-	-100.0%
481	Gas Tax	1,066,881	1,825,384	149,241	2,650,576	974,215	1,603,689	-39.5%
Successor Agency to the Los Gatos RDA Fund								
942	SA- Trust Fund	3,873,798	3,863,481	3,865,765	3,811,463	3,811,179	3,799,752	
TOTAL Fund Exp & Transfers Out		\$ 65,949,701	\$ 73,327,492	\$ 68,699,265	\$ 95,032,088	\$ 70,833,403	\$ 75,352,264	-20.7%

TOTAL TOWN EXPENDITURES BY FUND

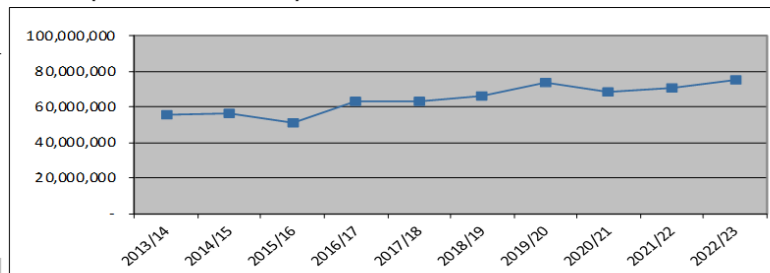


	2018/19 Actuals	2019/20 Actuals	2020/21 Actuals	2021/22 Adjusted	2021/22 Estimated	2022/23 Proposed	% of Total
General Fund	\$ 46,267,156	\$ 54,890,314	\$ 53,732,226	\$ 49,919,818	\$ 47,457,982	\$ 50,338,548	66.8%
Special Revenue Funds	750,503	304,956	445,077	1,635,198	1,517,215	1,705,178	2.3%
Internal Service Funds	5,537,119	5,791,449	4,257,245	5,771,520	5,665,796	6,427,499	8.5%
Capital Project Funds	9,521,125	8,477,292	6,398,952	33,894,089	12,381,231	13,081,287	17.4%
Successor Agency Fund	3,873,798	3,863,481	3,865,765	3,811,463	3,811,179	3,799,752	5.0%
Total Exp & Transfers Out	\$ 65,949,701	\$ 73,327,492	\$ 68,699,265	\$ 95,032,088	\$ 70,833,403	\$ 75,352,264	100.0%

TOWN EXPENDITURE HISTORICAL TREND

(Includes Transfers Out)

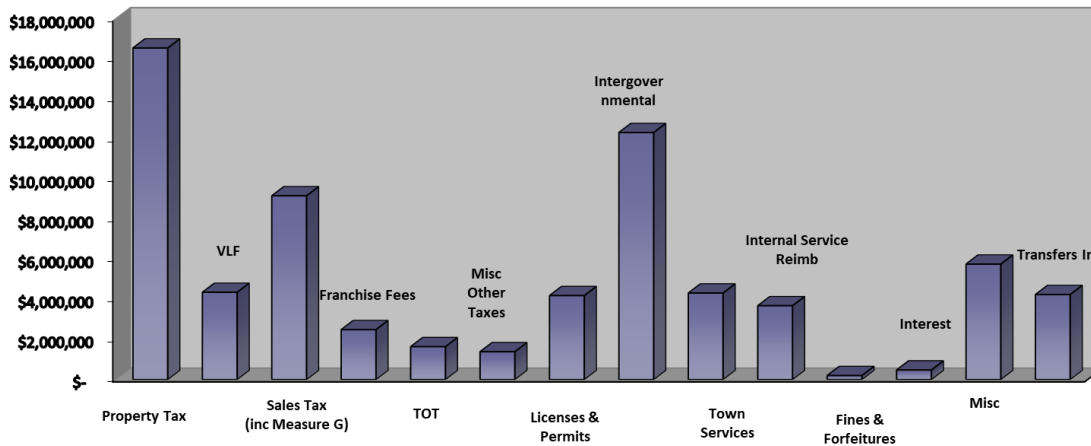
FY	Total	Status
2013/14	\$ 55,545,002	Actuals
2014/15	\$ 56,593,416	Actuals
2015/16	\$ 50,881,063	Actuals
2016/17	\$ 62,912,316	Actuals
2017/18	\$ 63,386,198	Actuals
2018/19	\$ 65,949,701	Actuals
2019/20	\$ 73,327,492	Actuals
2020/21	\$ 68,699,265	Actuals
2021/22	\$ 70,833,403	Estimated
2022/23	\$ 75,352,264	Projected



TOTAL TOWN REVENUES

BY CATEGORY

FY 2022/23 Revenues



Revenues	2018/19 Actuals	2019/20 Actuals	2020/21 Actuals	2021/22 Adjusted	2021/22 Estimated	2022/23 Proposed	% of Total
Property Tax	\$ 13,636,099	\$ 14,454,542	\$ 15,826,190	\$ 15,401,391	\$ 15,684,964	\$ 16,551,544	23.4%
VLF Backfill Property Tax	3,685,247	3,875,914	4,052,672	4,154,320	4,229,462	4,356,350	6.2%
Sales & Use Tax	7,930,021	6,535,034	6,794,218	7,069,045	7,430,851	7,860,988	11.1%
Measure G - District Sales Tax	228,131	996,391	1,139,386	1,173,733	1,240,755	1,313,956	1.9%
Franchise Fees	2,475,916	2,495,792	2,499,463	2,514,020	2,435,800	2,493,870	3.5%
Transient Occupancy Tax	2,692,043	1,869,685	1,044,820	1,400,000	1,400,000	1,642,460	2.3%
Miscellaneous Other Taxes	1,621,762	1,463,966	1,559,800	1,358,220	1,358,282	1,391,220	2.0%
Licenses & Permits	4,140,409	4,081,143	4,571,564	4,304,406	4,061,785	4,191,279	5.9%
Intergovernmental Revenues	4,532,466	6,214,369	5,539,889	18,756,098	7,771,404	12,332,870	17.4%
Town Services	5,194,562	4,785,845	5,017,499	4,883,900	4,680,309	4,320,261	6.1%
Internal Service Reimbursements	3,529,840	3,094,669	3,235,094	3,679,055	3,480,926	3,687,202	5.2%
Fines & Forfeitures	510,266	271,117	103,467	213,450	218,120	201,750	0.3%
Interest	1,866,996	2,470,608	232,912	486,094	485,844	480,062	0.7%
Miscellaneous Other Sources	13,917,383	6,352,720	9,046,216	7,737,199	6,476,225	5,764,256	8.1%
Total Revenues	\$ 65,961,141	\$ 58,961,795	\$ 60,663,190	\$ 73,130,931	\$ 60,954,727	\$ 66,588,068	
Plus Transfers In	4,714,131	9,996,516	5,267,697	3,471,185	4,056,563	4,245,514	6.0%
Total Revenues & Other Sources	\$ 70,675,272	\$ 68,958,311	\$ 65,930,887	\$ 76,602,116	\$ 65,011,290	\$ 70,833,582	100%

Total Budgeted Revenues (exclusive of Transfers In) have increased from the prior year estimated revenues, as the Town is expected to experience revenue growth in some of the key economically sensitive revenue categories of Property Tax, VLF Backfill, Sales Tax, TOT, Business License Tax, and Intergovernmental Revenues.

Key revenue highlights include:

Property Tax – Property Tax revenues are still projected to increase by 5.5% compared to the prior year estimated revenues as property tax collection is based on the January 2022 assessment roll for FY 2022/23.

Sales and Use Tax – The Town receives 1.0 cents of the 9.125 cents of sales tax paid per dollar of taxable sales generated in Town, Sales and Use Tax remains one of the General Fund's largest revenue sources. In addition, the Town collects an additional 0.125 cent in dedicated sales tax as a result of a voter approved ballot initiative in 2018. The FY 2022/23 budget reflects \$7.9 million in sales tax revenue and \$1.3 million in dedicated sales tax revenue. Combined this represents 5.8% increase from prior year estimated revenues.

Licenses and Permits – FY 2022/23 Licenses and Permits reflect a 3.2% increase compared to prior year estimated revenues.

Intergovernmental Revenues – Decreases in intergovernmental revenues are due to changes in available grant funding.

TOTAL TOWN REVENUES BY CATEGORY

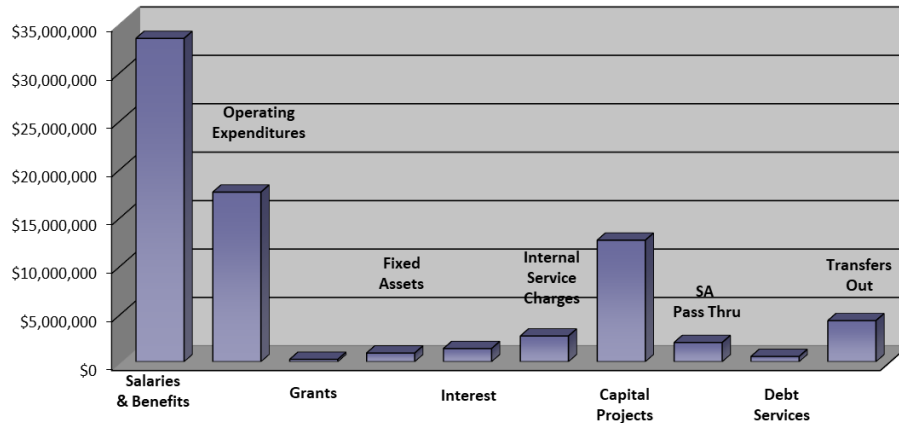
Transient Occupancy Tax – Transient Occupancy Tax (TOT) is expected to increase by 17.3% from FY 2021/22 adjusted budget. The Town's TOT revenue has historically been primarily driven by business travel. During the pandemic, TOT experienced the most significant percentage decline relative to historical adopted budgets. Due to a significant rebound in leisure "staycation" travel and modest improvements in business travel, current TOT collections are trending higher than anticipated and average occupancy rates are rebounding as well. Given the uncertainty around physical business travel resuming at prior levels with the continuation of remote work and online meeting forums, staff is recommending modest growth for the TOT.

Other Sources – This revenue reflects lease reimbursement revenue received from the Successor Agency to the Los Gatos Redevelopment Agency for 2002 and 2010 Certificates of Participation (COPs) debt service payments for the bond issues.

TOTAL TOWN EXPENDITURES

BY CATEGORY

FY 2022/23 Expenditures



Expenditures	2018/19 Actuals	2019/20 Actuals	2020/21 Actuals	2021/22 Adjusted	2021/22 Estimated	2022/23 Proposed	% of Total
Salaries and Benefits	\$ 26,948,324	\$ 29,069,532	\$ 30,465,889	\$ 32,649,777	\$ 29,019,555	\$ 33,381,850	44.3%
Operating Expenditures	18,844,565	20,372,090	20,517,152	17,274,178	17,958,075	17,511,943	23.2%
Grants	248,533	274,249	298,303	2,540,158	800,000	241,000	0.3%
Fixed Assets	661,315	807,829	309,637	796,522	729,416	895,490	1.2%
Interest	823,734	888,703	1,016,621	1,300,000	1,300,000	1,355,000	1.8%
Internal Service Charges	2,529,890	2,191,235	2,317,539	2,677,221	2,623,171	2,653,887	3.5%
Capital Projects	8,987,510	7,907,341	5,833,756	31,861,698	11,847,615	12,547,671	16.7%
Pass Thru	1,163,984	862,238	1,788,477	1,896,500	1,899,158	1,981,196	2.6%
Debt Services	1,027,715	957,759	884,194	599,850	599,850	538,713	0.7%
Total Expenditures	\$ 61,235,570	\$ 63,330,976	\$ 63,431,568	\$ 91,595,904	\$ 66,776,840	\$ 71,106,750	
Transfers Out	4,714,131	9,996,516	5,267,697	3,436,185	4,056,563	4,245,514	5.6%
Total Uses of Funds	\$ 65,949,701	\$ 73,327,492	\$ 68,699,265	\$ 95,032,089	\$ 70,833,403	\$ 75,352,264	100%

Total Budgeted Expenditures (exclusive of Transfers Out) include budgeted Capital Improvements, which can vary significantly from year to year. Net of Capital Projects and payment to CalPERS, and pass through activities, total expenditures reflect a 1.7% decrease for FY 2022/23 compared to the prior adjusted budget numbers. Prior year adjusted budget numbers includes capital project carryforwards. Expenditures of note include:

Salaries and Benefits – The FY 2022/23 budget reflects an anticipated 2.2% increase in salaries compared to prior year adjusted budget and a 9.6% increase from the FY 2020/21 actuals. These increases are attributed to anticipated increases in CalPERS and medical benefits rates and anticipated merit step increases. In addition to these anticipated increases Council adopted an additional 2% base salary inflation factor. Staffing modifications include the one-time addition of an Urban Forest Manager and a Lead Parks and Maintenance Worker to provide hire ahead capacities, reclassification of an Executive Assistant position to an Administrative Technician position, reclassification a Library Technician position to a Library Assistant position, and conversion of Library Temporary Page hours to Senior Library Page position to better align current service delivery within the existing budget. Staff also proposes one-time temporary hours within the Town Manager’s Office, Information Technology, Community Development, Police, and Parks and Public Works Departments.

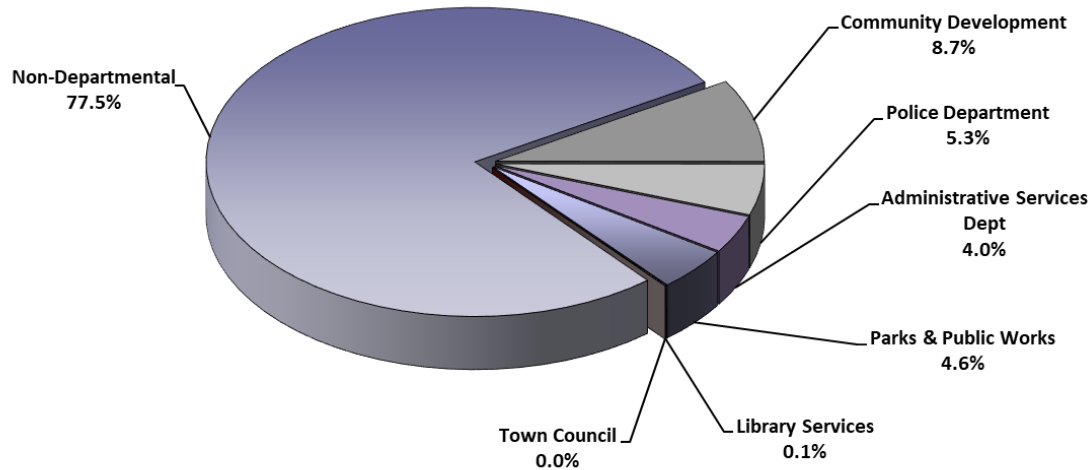
Fixed Assets – Budgeted fixed asset costs stem primarily from scheduled vehicle and equipment replacements. The variance in expenditures from year to year does not impact current year charges to the Departments, only the actual cash out to replace the asset.

Internal Service Charges – These expenditures represent the service program costs charged back to the operational programs for Liability Insurance, Information Technology, Vehicle Replacement, and Building Maintenance services. The FY 2022/23 budget reflects a slight decrease in the Internal Service Charges reflecting scheduled replacements.

TOTAL TOWN EXPENDITURES**BY CATEGORY**

Debt Service – Debt service charges reflect the Redevelopment Agency’s two outstanding Certificates of Participation (2002 and 2010) through a leasing expenditure and reimbursement revenue which nets to zero for the Town, while Successor Agency (SA) to the Los Gatos Redevelopment Agency funds provide the actual debt payment for the bond issues. The SA reimburses the General Fund for the debt service payment. The 1992 COP for Parking Lot #4 was paid in full in early FY 2012/13.

GENERAL FUND REVENUES BY DEPARTMENT



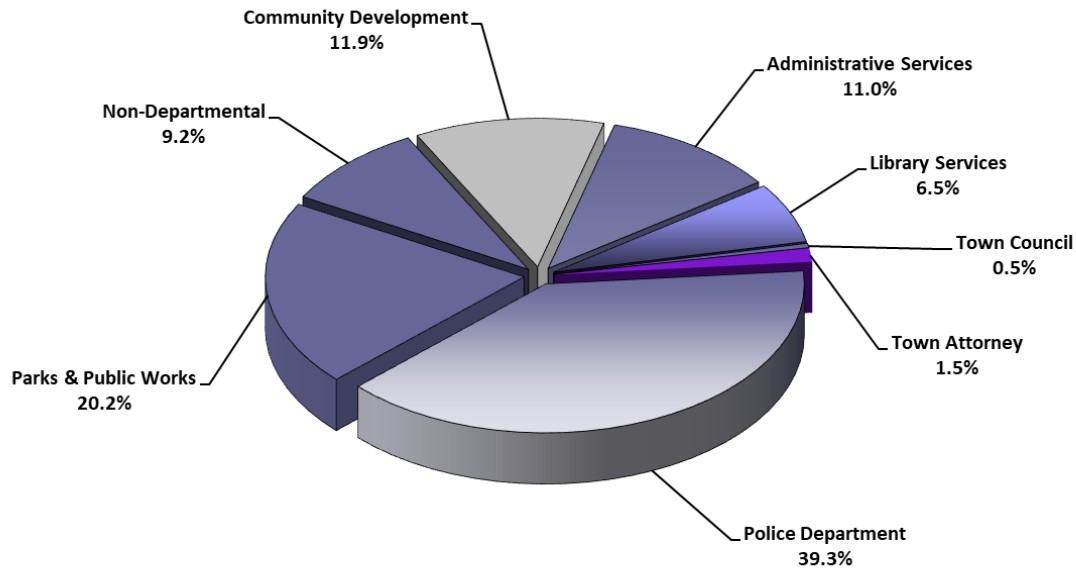
FY 2022/23 Departmental Revenues

Departments	2018/19 Actuals	2019/20 Actuals	2020/21 Actuals	2021/22 Adjusted	2021/22 Estimated	2022/23 Proposed	% of Total
Town Council	\$ 1,527	\$ 2,509	\$ 33,646	\$ -	\$ 165	\$ -	0.0%
Non-Departmental	34,476,024	30,578,565	32,989,617	34,581,273	32,436,828	35,296,421	77.5%
Administrative Services*	3,172,019	3,714,199	1,601,417	2,277,233	1,827,473	1,809,497	4.0%
Community Development	4,203,611	3,345,105	4,020,060	3,961,899	3,965,149	3,943,199	8.7%
Police Department	2,556,445	2,543,720	2,989,902	2,438,996	2,467,196	2,427,342	5.3%
Parks & Public Works	2,760,825	2,814,634	2,881,159	2,482,813	2,495,948	2,044,340	4.5%
Library Services	56,958	62,428	16,022	46,000	44,500	35,500	0.1%
Total General Fund Revenues	\$ 47,227,409	\$ 43,061,160	\$ 44,531,823	\$ 45,788,214	\$ 43,237,259	\$ 45,556,299	100%
Town Debt Payments	\$ 1,909,073	\$ 1,905,024	\$ 1,908,494	\$ 1,899,850	\$ 1,899,850	\$ 1,893,713	
Pension Trust**	3,815,620	689,432	37,811	390,000	690,000	390,000	
Compensated Absences**	(1,928,865)	-	-	-	-	-	
Transfers In	1,578,911	599,669	1,833,218	633,352	633,352	538,536	
Net Operating Revenues	\$ 52,602,148	\$ 46,255,285	\$ 48,311,346	\$ 48,711,416	\$ 46,460,461	\$ 48,378,548	

*The Town Manager's Office, Human Resources, Finance, Clerk Administration, and Information Technology Programs are all accounted for within the Administrative Services Department.

** Pension Trust and Compensated Absences are incorporated in the General Fund.

GENERAL FUND EXPENDITURES BY DEPARTMENT



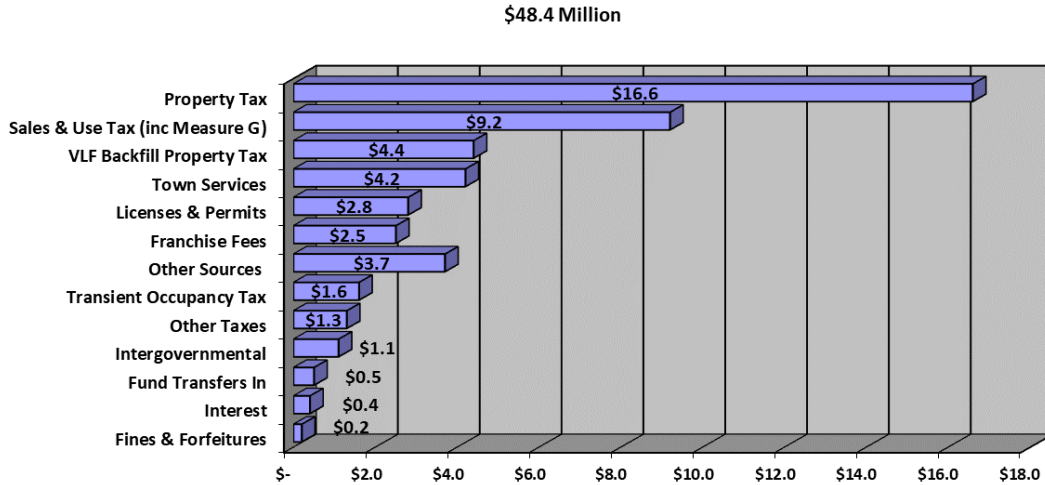
FY 2022/23 Departmental Expenditures

Departments	2018/19 Actuals	2019/20 Actuals	2020/21 Actuals	2021/22 Adjusted	2021/22 Estimated	2022/23 Proposed	% of Total
Police Department	\$ 14,948,952	\$ 15,895,008	\$ 16,570,836	\$ 17,390,969	\$ 16,776,653	\$ 17,857,112	39.3%
Parks & Public Works	7,969,631	8,168,040	8,179,757	8,777,354	7,117,875	9,185,901	20.2%
Non-Departmental	6,875,760	3,505,097	8,432,090	3,921,980	3,865,245	4,160,451	9.2%
Community Development	4,577,495	4,473,790	5,009,798	5,461,716	5,197,691	5,388,870	11.9%
Administrative Services*	3,931,807	4,388,762	4,730,360	5,729,785	5,687,837	4,996,901	11.0%
Library Services	2,493,617	2,700,802	2,828,873	3,062,708	2,745,127	2,974,490	6.5%
Town Council	205,903	206,163	192,280	202,891	191,216	210,027	0.5%
Town Attorney	562,542	559,010	537,296	669,733	553,277	664,105	1.5%
Total General Fund Exp	\$ 41,565,707	\$ 39,896,672	\$ 46,481,290	\$ 45,217,136	\$ 42,134,921	\$ 45,437,857	100%
Town Debt Payments	\$ 1,909,073	\$ 1,905,024	\$ 1,960,505	\$ 1,899,850	\$ 1,899,850	\$ 1,893,713	
Pension Trust**	7,155	5,034,771	707,789	-	-	-	
Compensated Absences**	-	-	-	-	-	-	
Transfers Out	2,785,220	8,053,847	4,582,641	2,802,833	3,423,211	3,006,978	
Net Operating Expenditures	\$ 46,267,155	\$ 54,890,314	\$ 53,732,225	\$ 49,919,819	\$ 47,457,982	\$ 50,338,548	

* The Town Manager's Office, Human Resources, Finance, Clerk Administrator, and Information Technology Programs are all accounted for within the Administrative Services Department.

** Pension Trust and Compensated Absences are incorporated in the General Fund.

GENERAL FUND REVENUES BY CATEGORY



Revenue Category	2018/19 Actuals	2019/20 Actuals	2020/21 Actuals	2021/22 Adjusted	2021/22 Estimated	2022/23 Proposed	% of Total
Property Tax	\$ 13,636,099	\$ 14,454,513	\$ 15,826,162	\$ 15,401,391	\$ 15,684,964	\$ 16,551,544	34.2%
VLF Backfill Property Tax	3,685,247	3,875,914	4,052,672	4,154,320	4,229,462	4,356,350	9.0%
Sales & Use Tax	7,930,021	6,535,034	6,794,218	7,069,045	7,430,851	7,860,988	16.2%
Measure G - District Sales Tax	228,131	996,391	1,139,386	1,173,733	1,240,755	1,313,956	2.7%
Franchise Fees	2,475,916	2,495,792	2,499,463	2,514,020	2,435,800	2,493,870	5.2%
Transient Occupancy Tax	2,692,043	1,869,685	1,044,820	1,400,000	1,400,000	1,642,460	3.4%
Other Taxes	1,526,894	1,357,080	1,386,943	1,250,000	1,250,000	1,287,500	2.7%
Licenses & Permits	3,059,894	2,696,457	2,999,711	3,074,907	3,065,997	2,757,029	5.7%
Intergovernmental	945,191	1,104,075	1,573,697	4,038,378	1,130,125	1,051,814	2.2%
Town Services	4,648,904	4,447,213	4,835,962	4,227,239	4,259,099	4,235,261	8.8%
Fines & Forfeitures	510,266	271,117	103,467	213,450	218,120	201,750	0.4%
Interest	1,682,347	2,266,134	96,061	441,233	441,233	432,947	0.9%
Other Sources	8,002,284	3,286,211	4,125,566	3,120,348	3,040,703	3,654,543	7.6%
Total Revenues	\$ 51,023,237	\$ 45,655,616	\$ 46,478,128	\$ 48,078,064	\$ 45,827,109	\$ 47,840,012	
Transfers In:	\$ 1,578,911	\$ 599,669	\$ 1,833,218	\$ 633,352	\$ 633,352	\$ 538,536	1.1%
Total Revenues & Transfers In	\$ 52,602,148	\$ 46,255,285	\$ 48,311,346	\$ 48,711,416	\$ 46,460,461	\$ 48,378,548	100%

FY 2022/23, General Fund revenues and fund transfers (not including the \$1 million ARPA revenue replacement programmed revenues) are estimated to increase by 2.2% from the FY 2021/22 estimated revenues. The Town's operations are funded through a variety of revenue sources as depicted above. Revenues were estimated by trend analysis and historical data as explained below:

Sales and Use Tax – The Town receives 1.0 cent of the 9.125 cents of sales tax paid per dollar of taxable sales generated in Town. Sales and Use Tax remains one of the General Fund's largest revenue sources. In addition, the Town collects an additional 0.125 cent in dedicated sales tax as a result of a voter approved ballot initiative in 2018. The FY 2022/23 budget reflects \$7.9 million in sales tax revenue and \$1.3 million in dedicated sales tax revenue. Combined, this represents 5.8% increase from the prior year adjusted budget. Prior year estimates reflect the continued effect of the pandemic and the County shelter-in-place (SIP) orders in response to the COVID-19 emergency.

GENERAL FUND REVENUES BY CATEGORY

Property Tax – Property Tax revenues are still projected to increase by 5.5% compared to the prior year estimated revenues as property tax collection is based on the January 2022 assessment roll for FY 2022/23 projected by the Santa Clara County Assessor’s Office. The Town receives 9.3 cents of each property tax dollar paid by property owners. The remaining 90.7 cents of each dollar is distributed to several other taxing jurisdictions, including local schools, community college districts, the County of Santa Clara, Santa Clara County Central Fire Protection District, and other special districts that serve the community.

Town Services – Charges for Town Services decreased by 0.6% compared to prior estimated revenues reflecting the anticipated land use development and construction projects.

Licenses & Permits – Licenses and Permits decreased by 10.1% compared to prior estimated revenues .

Intergovernmental Revenues – Intergovernmental revenues reflect a decrease in anticipated grant proceeds.

Franchise Fees – Compared to the prior fiscal year, Franchise Fees, including cable television, electric utility and solid waste, have increased by 2.4%. The increase is based on an analysis of current year collection trends.

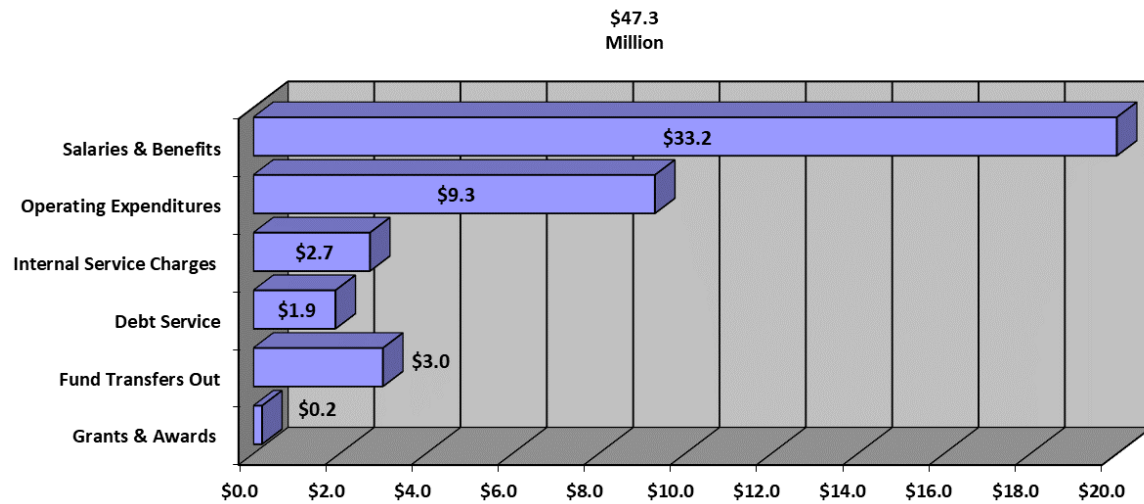
Transient Occupancy Tax – Transient Occupancy Tax (TOT) is expected to increase by 17.3% from FY 2021/22 adjusted budget. The Town’s TOT revenue has historically been primarily driven by business travel. During the pandemic, TOT experienced the most significant percentage decline relative to historical adopted budgets. Due to a significant rebound in leisure “staycation” travel and modest improvements in business travel, current TOT collections are trending higher than anticipated and average occupancy rates are rebounding as well. Given the uncertainty around physical business travel resuming at prior levels with the continuation of remote work and online meeting forums, staff is recommending modest growth for the TOT.

Fines and Forfeitures – Fines and Forfeitures include traffic fines and administrative citations which are expected to decrease by 7.5% compared to prior year estimated revenues.

Transfers In –Transfers in decreased by 15% compared to the prior year budgeted number. The prior year utilized a previously saved equipment replacement collection in FY 2021/22.

Other Sources – Other sources includes the Town “Pass Through” programs and restricted pension trust fund activities.

GENERAL FUND EXPENDITURES BY CATEGORY



Expenditure Category	Actuals	Actuals	Actuals	Adjusted	Estimated	Proposed	Total
Salaries & Benefits	\$ 26,803,225	\$ 28,933,568	\$ 30,297,504	\$ 32,462,048	\$ 28,866,098	\$ 33,227,942	66.1%
Operating Expenditures	11,955,327	13,397,031	14,276,602	9,041,111	9,849,151	9,318,742	18.5%
Fixed Assets	38,307	138,384	2,365	-	-	-	0.0%
Grants & Awards	248,533	274,249	298,303	1,041,382	800,000	241,000	0.5%
Debt Service	1,909,073	1,905,024	1,960,505	1,899,850	1,899,850	1,893,713	3.8%
Internal Service Charges	2,527,470	2,188,211	2,314,305	2,672,593	2,619,672	2,650,173	5.3%
Total Expenditures	\$ 43,481,935	\$ 46,836,467	\$ 49,149,584	\$ 47,116,984	\$ 44,034,771	\$ 47,331,570	
Transfers Out	\$ 2,785,220	\$ 8,053,847	\$ 4,582,641	\$ 2,802,833	\$ 3,423,211	\$ 3,006,978	6.0%
Total Exp & Transfers Out	\$ 46,267,155	\$ 54,890,314	\$ 53,732,225	\$ 49,919,817	\$ 47,457,982	\$ 50,338,548	100.2%

The FY 2022/23 General Fund Operating Budget (net of transfers out) represents a 0.5% increase compared to the net FY 2021/22 adjusted operating expenditures budget (net of transfers out).

Salaries & Benefits – The delivery of Town services is highly dependent on talented staff which comprises 66.1% of budgeted General Fund expenditures for FY 2022/23. The FY 2022/23 budget reflects an increase in salaries related to merit increases, employee promotions, three additional positions, and benefits costs attributed to increased CalPERS and medical benefits rates. These increases are attributed to anticipated increases in CalPERS and medical benefits rates and anticipated merit step increases. In addition to these anticipated increases, Council adopted an additional 2% base salary inflation factor. Staffing modifications include the one-time addition of an Urban Forest Manager and a Lead Parks and Maintenance Worker to provide hire ahead capacities, reclassification of an Executive Assistant position to an Administrative Technician position, reclassification a Library Technician position to a Library Assistant position, and conversion of Library Temporary Page hours to Senior Library Page position to better align current service delivery within the existing budget. Staff also proposes one-time temporary hours within the Town Manager's Office, Information Technology, Community Development, Police, and Parks and Public Works Departments.

Operating Expenditures – The FY 2022/23 operating expenditures increased by 3.1% when compared to the FY 2022/23 adjusted budget reflecting escalating energy costs and general cost increases.

Grants & Awards – The Town provides General Fund grants and awards to local nonprofit organizations for a variety of human, art, special events and educational services.

GENERAL FUND EXPENDITURES

BY CATEGORY

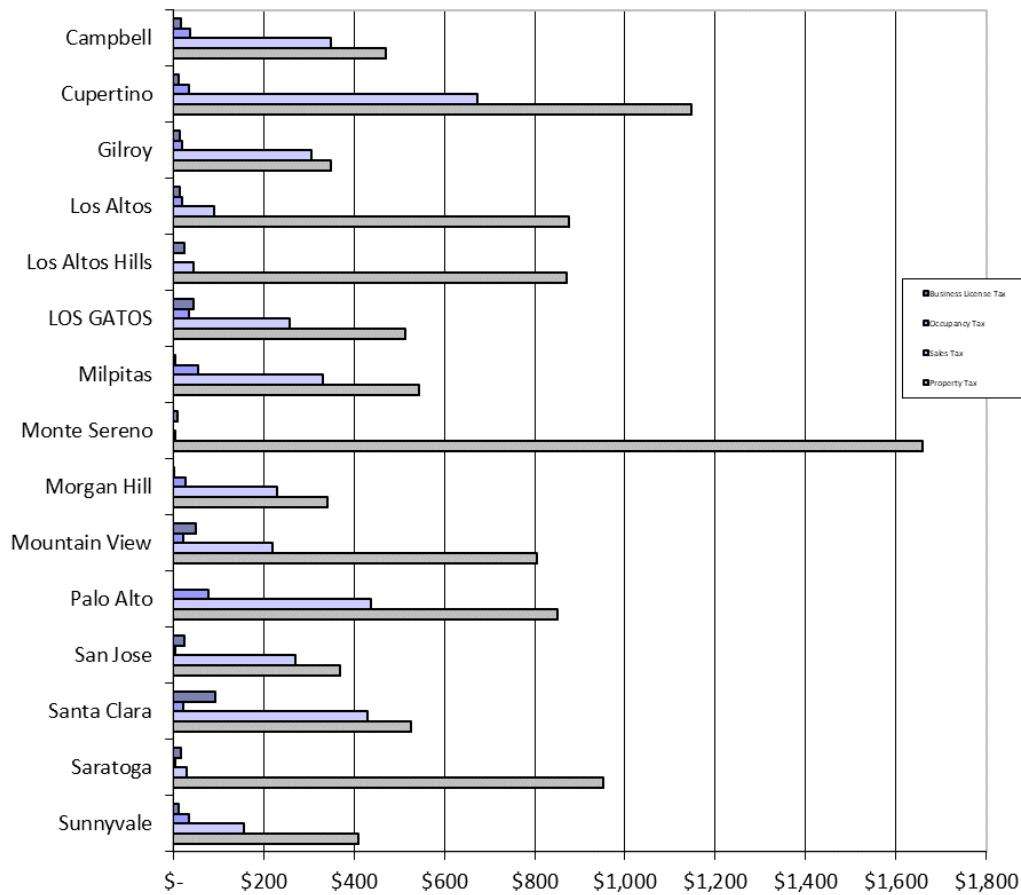
Internal Service Charges – These expenditures represent the service program costs charged back to the operational programs for Liability Insurance, Information Technology, Vehicle Replacement, and Building Maintenance services.

Debt Service – The Town facilitates the Successor Agency (SA) to the Los Gatos Redevelopment Agency's two Certificates of Participation (COPs) through a leasing expense and reimbursement revenue which nets to zero for the Town, while SA funds provide the actual debt payment for the bond issues.

Transfers Out – The General Fund Transfers Out include \$3,006,978 to the Capital Projects Fund.

GENERAL FUND TAX REVENUES

CITIES OF SANTA CLARA COUNTY – TAX REVENUES PER CAPITA (JUNE 30, 2021 DATA AVAILABLE AT THE TIME OF PUBLICATION)



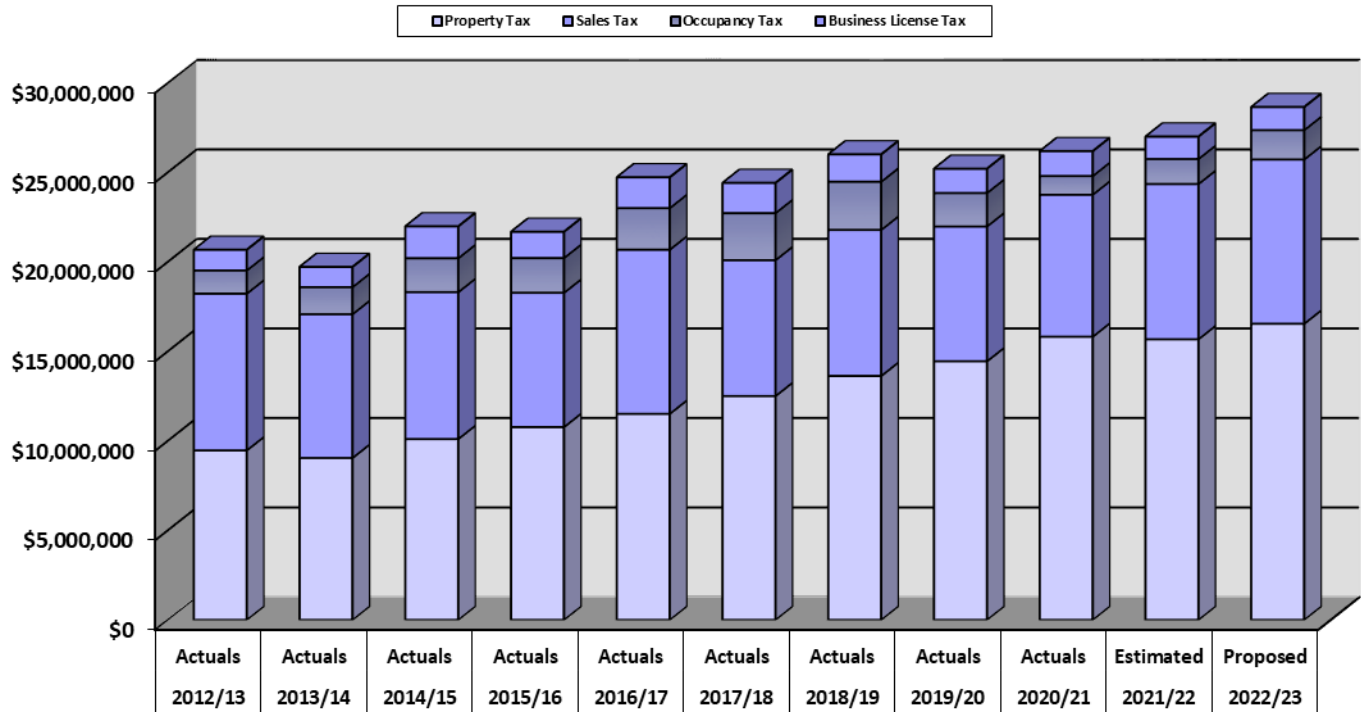
Actual Tax Revenue Amounts and Per Capita as of June 30, 2021

Cities	Population	Property Tax		Sales Tax		Occupancy Tax		Business License Tax	
		Amount	Per Capita	Amount	Per Capita	Amount	Per Capita	Amount	Per Capita
Campbell	41,533	\$ 19,518,206	470	\$ 14,478,049	\$ 349	\$ 1,568,908	\$ 38	\$ 666,642	\$ 16
Cupertino	63,344	72,677,839	1,147	42,576,587	672	2,141,058	34	730,932	12
Gilroy	59,920	20,972,475	350	18,296,221	305	1,105,300	18	864,944	14
Los Altos	31,190	27,300,000	875	2,860,000	92	580,000	19	470,000	15
Los Altos Hills	8,390	7,315,637	872	371,068	44	-	-	213,150	25
LOS GATOS	30,836	15,826,162	513	7,933,604	257	1,044,820	34	1,386,943	45
Milpitas	75,663	41,093,302	543	25,114,094	332	4,213,325	56	312,676	4
Monte Sereno	3,500	5,802,155	1,658	15,516	4	-	-	33,580	10
Morgan Hill	47,374	16,115,936	340	10,897,100	230	1,299,126	27	136,791	3
Mountain View	82,814	66,624,700	805	18,284,182	221	1,917,637	23	4,146,219	50
Palo Alto	66,573	56,571,734	850	29,127,330	438	5,178,992	78	-	-
San Jose	1,049,187	388,760,212	371	284,020,471	271	5,409,142	5	26,501,774	25
Santa Clara	130,746	68,772,921	526	56,178,097	430	2,949,235	23	12,137,463	93
Saratoga	31,030	29,527,201	952	925,289	30	168,178	5	516,050	17
Sunnyvale	153,827	62,996,106	410	24,016,428	156	5,192,090	34	1,922,860	13
Average	125,062	\$ 59,991,639	\$ 480	\$ 35,672,936	\$ 285	\$ 2,184,521	\$ 17	\$ 3,336,002	\$ 27

Source: Cities of Santa Clara County

GENERAL FUND TAX REVENUES

BUDGET WITH 10 YEAR HISTORY



Fiscal Year		Property Tax	Sales Tax	Occupancy Tax	Business License Tax	Sum of Key Revenues	Change from Prior Year
2012/13	Actuals	\$ 9,477,043	\$ 8,757,428	\$ 1,295,887	\$ 1,151,579	\$ 20,681,937	13.7%
2013/14	Actuals	\$ 9,054,908	\$ 8,029,571	\$ 1,512,846	\$ 1,130,020	\$ 19,727,345	(4.6%)
2014/15	Actuals	\$ 10,113,287	\$ 8,202,678	\$ 1,896,721	\$ 1,779,407	\$ 21,992,093	11.5%
2015/16	Actuals	\$ 10,779,434	\$ 7,501,175	\$ 1,943,166	\$ 1,465,546	\$ 21,689,321	(1.4%)
2016/17	Actuals	\$ 11,518,257	\$ 9,171,373	\$ 2,322,910	\$ 1,720,980	\$ 24,733,520	14.0%
2017/18	Actuals	\$ 12,510,822	\$ 7,592,206	\$ 2,628,927	\$ 1,686,251	\$ 24,418,206	(1.3%)
2018/19	Actuals	\$ 13,636,099	\$ 8,158,152	\$ 2,692,043	\$ 1,526,894	\$ 26,013,188	6.5%
2019/20	Actuals	\$ 14,454,513	\$ 7,531,425	\$ 1,869,685	\$ 1,357,080	\$ 25,212,703	(3.1%)
2020/21	Actuals	\$ 15,826,162	\$ 7,933,604	\$ 1,044,820	\$ 1,386,943	\$ 26,191,529	3.9%
2021/22	Estimated	\$ 15,684,964	\$ 8,671,606	\$ 1,400,000	\$ 1,250,000	\$ 27,006,570	3.1%
2022/23	Proposed	\$ 16,551,544	\$ 9,174,944	\$ 1,642,460	\$ 1,287,500	\$ 28,656,448	6.1%

GENERAL FUND
FY 2022/23 ESTIMATED FUND BALANCE ACTIVITY

Use of / Addition to GF Reserves:	Estimated July 1, 2022 Balance	Revenues & Transfers In*	Expenditures and Transfers Out	Fund Balance Sources (Uses)	Estimated June 30, 2023 Balance
Unreserved Fund Balances					
Undesignated Reserves	\$ -	\$ -	\$ -	\$ -	\$ -
Available to be Appropriated	-	48,378,548	50,338,548	1,960,000	-
Restricted Fund Balances					
Pension	690,000	-	-	390,000	1,080,000
Committed to:					
Budget Stabilization Reserve	5,703,957			-	5,703,957
Catastrophic Reserves	5,703,957				5,703,957
Pension/OPEB Reserve	300,000	-	-	-	300,000
Assigned to:					
Open Space Reserve	410,000			-	410,000
Sustainability	140,553			-	140,553
Strategy Reserve	-			-	-
Capital/Special Projects	7,041,938			(2,350,000)	4,691,938
Authorized Carryforwards	-			-	-
Compensated Absences*	1,649,917			-	1,649,917
Market Fluctuations	438,333	-	-	-	438,333
Measure G District Sales Tax	679,443	-	-	-	679,443
Rehab Loan (Nonspendable)	159,000	-	-	-	159,000
Total Use of and Addition To Reserves	\$ 22,917,098	\$ 48,378,548	\$ 50,338,548	\$ -	\$ 20,957,098

*Revenues & Transfers In includes \$1,020,941 ARPA Replacement Revenue

The balances are estimates and will be finalized upon closing FY 2021/22.

GENERAL FUND
FY 2021/22 & FY2022/23 ESTIMATED FUND BALANCE ACTIVITY

	Actual	General Fund Balance June 30, 2021	Restricted for Pension	Budget Stabilization	Catastrophic	Pension/OPEB	Open Space	Sustainability	Capital/Special Projects	Carryforward Encumbrances	Market Fluctuations	Compensated Absences	Measure G District Sales Tax	Surplus Property Reserve	Rehab Loan (Non-Spendable)	Estimated Available to be Appropriated	Total GF Balance
FY 2021/22 ACTIONS			\$ -	\$ 5,460,485	\$5,460,485	\$ 300,000	\$410,000	\$140,553	\$ 6,965,356	\$ -	\$ 438,333	\$1,649,917	\$ 1,730,490	\$1,200,000	\$ 159,000	\$ -	\$23,914,619
	Additional Capital Projects								(550,000)								
	Additional Capital Projects per 6/1/2021 Budget Adoption												(1,051,047)	(1,200,000)			
	Regular Payment to IRS 115 Pension Trust (CEPPT)		390,000														
	Pension/OPEB Reserve to IRS 115 Pension Trust (CEPPT)		300,000			(300,000)											
	FY 2021/22 Estimated to be Allocated															1,113,526	
	Reserve 25% of FY 2021/22 GF Operating Expenditure (per General Fund Reserve Policy)			243,472	243,472											(486,944)	
	To Pension OPEB Reserve (per General Fund Reserve Policy)					300,000											
	Capital/Special Projects Reserve (per General Fund Reserve Policy)								626,582							(626,582)	
	Estimated General Fund Balance June 30, 2022		\$ 690,000	\$ 5,703,957	\$5,703,957	\$ 300,000	\$410,000	\$140,553	\$ 7,041,938	\$ -	\$ 438,333	\$1,649,917	\$ 679,443	\$ -	\$ 159,000	\$ -	\$22,917,098
PROPOSED FY 2022/23 ACTIONS	Additional Capital Projects per Proposed Budget								(2,350,000)								
	Regular Payment to IRS 115 Pension Trust (CEPPT)		390,000														
	FY 2022/23 Estimated to be Allocated															(1,020,941)	
	FY 2022/23 One-time Uses Replace Lost Revenue															1,020,941	
	Estimated General Fund Balance June 30, 2023		\$ 1,080,000	\$ 5,703,957	\$5,703,957	\$ 300,000	\$410,000	\$140,553	\$ 4,691,938	\$ -	\$ 438,333	\$1,649,917	\$ 679,443	\$ -	\$ 159,000	\$ -	\$20,957,098

SCHEDULE OF INTERFUND TRANSFERS
FISCAL YEAR 2021/22 & 2022/23

Fund Description	Estimated		Proposed Budget	
	2021/22	2021/22	2022/23	2022/23
	Transfers In	Transfers Out	Transfers In	Transfers Out
General Funds				
General Fund	\$ 633,352	\$ 3,423,212	\$ 538,536	\$ 3,006,978
Special Revenue Funds				
Solid Waste Management	-	-	-	-
HCD Housing Rehabilitation	-	-	-	-
HCD-Community Dev Block Grant	-	-	-	-
Urban Run-Off Program	-	-	-	-
Landscape & Lighting Districts				
Blackwell District	-	460	-	460
Kennedy Meadows District	-	1,510	-	1,510
Gemini Court District	-	610	-	610
Santa Rosa Heights District	-	660	-	660
Vasona Heights District	-	1,430	-	1,430
Hillbrook District	-	250	-	250
Internal Service Funds				
Liability Self Insurance-Fund	-	-	-	-
Worker's Comp Self Insurance	-	-	-	-
Information Technology	-	-	-	700,000
Equipment Fund	-	94,816	-	-
Facilities Maintenance Fund	1,787	-	-	-
Capital Project Funds				
GFAR	3,421,424	417,616	3,706,978	417,616
Grant Funded CIP Projects	-	-	-	-
Storm Drain #1	-	-	-	-
Storm Drain #2	-	-	-	-
Storm Drain #3	-	-	-	-
Traffic Mitigation	-	9,999	-	10,000
Construction Utility Underground	-	-	-	-
Gas Tax - Street & Signal	-	106,000	-	106,000
Total Transfers	\$ 4,056,563	\$ 4,056,563	\$ 4,245,514	\$ 4,245,514

FUND BALANCE ACTIVITY SUMMARY

FISCAL YEAR 2022/23

	7/1/22 Estimated Fund Balance	Fiscal Year 2022/23 Proposed Budget					6/30/23 Estimated Fund Balance	
		Plus		Less				
		Revenues & Carryforwards	Transfers In	Expenditures & Carryforwards	Transfers Out	Use of Reserves		
GENERAL FUND								
Unreserved Fund Balances								
<i>Undesignated Reserves</i>								
Available to be Appropriated	\$ -	\$ 47,840,012	\$ 538,536	\$ 47,331,570	\$ 3,006,978	\$ 1,960,000	\$ -	
Restricted Fund Balances								
Reserve for Encumbrances	-	-	-	-	-	-	-	
Pension Trust	690,000	-	-	-	-	390,000	1,080,000	
Committed to:								
Budget Stabilization Reserve	5,703,957	-	-	-	-	-	5,703,957	
Catastrophic Reserves	5,703,957	-	-	-	-	-	5,703,957	
Pension/OPEB Reserve	300,000	-	-	-	-	-	300,000	
Assigned to:								
Open Space Reserve	410,000	-	-	-	-	-	410,000	
Sustainability	140,553	-	-	-	-	-	140,553	
Strategy Reserve	-	-	-	-	-	-	-	
Capital/Special Projects	7,041,938	-	-	-	-	(2,350,000)	4,691,938	
Authorized Carryforwards	-	-	-	-	-	-	-	
Compensated Absences*	1,649,917	-	-	-	-	-	1,649,917	
Market Fluctuations	438,333	-	-	-	-	-	438,333	
Measure G District Sales Tax	679,443	-	-	-	-	-	679,443	
Rehab Loan (Nonspendable)	159,000	-	-	-	-	-	159,000	
Total General Fund Reserves	\$ 22,917,098	\$ 47,840,012	\$ 538,536	\$ 47,331,570	\$ 3,006,978	\$ -	\$ 20,957,098	

General Fund Undesignated Reserves reflect ongoing revenue, carryforward, transfer, expenditures, the net effect of the change in Designated Reserves, and the use of Undesignated Reserves.

- *FY2022/23 Budgeted revenue (includes \$1 million ARPA revenue replacements) and expenditure appropriations, and transfers to and from the General Fund.*
- *Authorized carryforwards reflect operating appropriations that were brought forward as a funding source. The actual carryforward amount will be determined at FY 2022/23 year-end, with funding offset by undesignated reserves.*
- *General Fund Reserve Policy requires a minimum of 25% of General Fund operating expenditures equally divided between the Budget Stabilization Reserve and Catastrophic Reserve.*
- *In FY 2015/16, Council established a General Fund Pension/Other Post Employment Benefits (OPEB) Reserve Account. At the same time, the Council revised the General Fund Reserve Policy to provide for a maximum of \$300,000 in General Fund Year End Savings upon year-end close to be deposited in the Pension/OPEB Reserve Account and used as authorized by Town Council.*
- *Undesignated Fund Balance is a year-end fund balance not yet identified by the Town Council for a specific purpose. The Town General Fund Reserve Policy requires full funding of the Catastrophic and Budget Stabilization Reserves, distribution to the Pension/OPEB Reserve, and any remaining balance to the Capital/Special Projects Reserve.*

SPECIAL REVENUE FUNDS							
Housing Conservation Program	\$ 177,241	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 177,241
Community Dev Block Grant	(10,587)	-	-	-	-	-	(10,587)
Urban Run-Off Source Fund	416,611	359,950	-	178,665	-	-	597,896
Blackwell Assessment District	13,657	3,210	-	10,678	460	-	5,729
Kennedy Assessment District	22,101	10,605	-	17,410	1,510	-	13,786
Gemini Assessment District	36,407	4,750	-	12,148	610	-	28,399
Santa Rosa Assessment District	35,352	-	-	19,957	660	-	14,735
Vasona Assessment District	37,652	10,075	-	15,720	1,430	-	30,577
Hillbrook Assessment District	23,804	6,040	-	19,729	250	-	9,865
ARPA	-	1,304,696	-	1,304,696	-	-	-
Library Trust	82,598	70,500	-	95,000	-	-	58,098
Ness Trust Bequest	22,189	250	-	20,755	-	-	1,684
Betty McClendon Trust	88,005	1,000	-	1,000	-	-	88,005
Barbara J Cassin Trust	361,735	4,500	-	4,500	-	-	361,735
Total Special Revenue Funds Reserves	\$ 1,306,765	\$ 1,775,576	\$ -	\$ 1,700,258	\$ 4,920	\$ -	\$ 1,377,163

FUND BALANCE ACTIVITY SUMMARY

FISCAL YEAR 2022/23

	Fiscal Year 2022/23 Proposed Budget							
	7/1/22 Estimated Fund Balance	Plus		Less				6/30/23 Estimated Fund Balance
		Revenues & Carryforwards	Transfers In	Expenditures & Carryforwards	Transfers Out	Use of Reserves		
INTERNAL SERVICE FUNDS								
Liability Self-Insurance	\$ 638,860	\$ 429,249	\$ -	\$ 846,940	\$ -	\$ -	\$	221,169
Worker's Comp Self-Insurance	818,420	1,033,315	-	1,840,000	-	-	-	11,735
Information Technology	2,793,817	714,309	-	983,975	700,000	-	-	1,824,151
Office Stores Fund	-	-	-	-	-	-	-	-
Equipment Replacement	1,657,006	686,837	-	816,240	-	-	-	1,527,603
Vehicle Maintenance	-	-	-	-	-	-	-	-
Facilities Maintenance	102,962	1,262,247	-	1,240,344	-	-	-	124,865
Total Internal Service Funds Reserves	\$ 6,011,065	\$ 4,125,957	\$ -	\$ 5,727,499	\$ 700,000	\$ -	\$ -	\$ 3,709,523
Equipment Replacement Fund Balance is the accumulation of replacement funding-to-date for assets. Revenues are the pro-rated annual charges to departments for asset replacement, and expenditures reflect the cost of equipment up for replacement in this fiscal year. The Fund will continue to reallocate Fund Balance as a transfer to the General Fund for assets that have accumulated replacement costs and have been identified as no longer being part of the Replacement Schedule.								
CAPITAL PROJECTS FUNDS								
GFAR	\$ 14,273,601	\$ 1,848,297	\$ 3,706,978	\$ 6,082,941	\$ 417,616	\$ -	\$	13,328,319
GFAR - Designated for Parking	-	-	-	-	-	-	-	-
Grant Funded CIP Projects	(3,689,292)	5,437,041	-	4,967,041	-	-	-	(3,219,292)
Storm Drain #1	1,135,466	49,680	-	-	-	-	-	1,185,146
Storm Drain #2	2,090,579	54,520	-	-	-	-	-	2,145,099
Storm Drain #3	(155,453)	880	-	-	-	-	-	(154,573)
Traffic Mitigation	381,319	-	-	-	10,000	-	-	371,319
Construction Tax-Undergrounding	3,257,936	52,490	-	-	-	-	-	3,310,426
Gas Tax	1,898,590	1,603,689	-	1,497,689	106,000	-	-	1,898,590
Total Capital Projects Funds Reserves	\$ 19,192,746	\$ 9,046,597	\$ 3,706,978	\$ 12,547,671	\$ 533,616	\$ -	\$ -	\$ 18,865,034
GFAR, Grant Fund, Storm Drain Funds, and Gas Tax Fund Balances reflect the spending down of available funds in FY 2022/23 in line with the planned Capital Improvement Program. The GFAR and Grant Funds also include transfers-in to fund these planned projects. Traffic Mitigation Fund reflects a transfer out of \$10,000 for estimated annual administration fees. Grant Funded Projects Fund Balance reflects appropriations for incoming revenues and prior year carryforwards, which will result in either positive or negative fund balance depending on timing of receipts and budget. All grant projects net to zero at completion.								
Successor Agency of the Los Gatos RDA Fund								
SA- Trust Fund	\$ 4,080,130	\$ 3,799,926	\$ -	\$ 3,799,752	\$ -	\$ -	\$	4,080,304
Total SA of the Los Gatos RDA Funds Reserves	\$ 4,080,130	\$ 3,799,926	\$ -	\$ 3,799,752	\$ -	\$ -	\$ -	\$ 4,080,304
TOTAL RESERVES	\$ 53,507,804	\$ 66,588,068	\$ 4,245,514	\$ 71,106,750	\$ 4,245,514	\$ -	\$	\$ 48,989,122

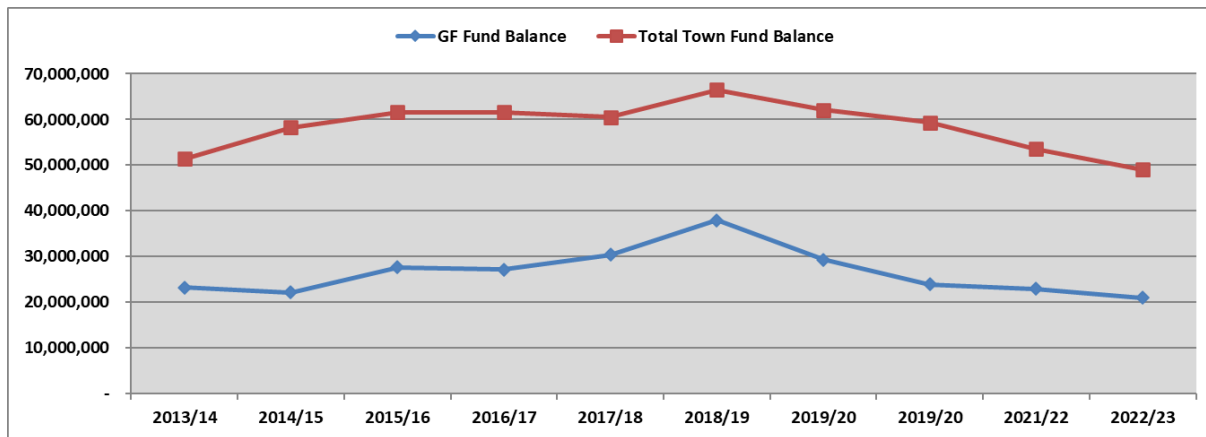
FUND BALANCE RESERVES

5 YEAR COMPARATIVE BALANCES

Fund Balance Reserves	6/30/2019 Actual YE Balance	6/30/2020 Actual YE Balance	6/30/2021 Actual YE Balance	6/30/2022 Estimated YE Balance	6/30/2023 Budgeted YE Balance
GENERAL FUND					
Restricted Fund Balances					
Pension	\$ 5,015,316	\$ 669,978	\$ -	\$ 690,000	\$ 1,080,000
Unreserved Fund Balances					
Undesignated Reserves					
Available to be Appropriated	-	-	-	-	-
Committed to:					
Budget Stabilization Reserve	5,419,222	5,427,603	5,460,485	5,703,957	5,703,957
Catastrophic Reserves	5,419,222	5,427,603	5,460,485	5,703,957	5,703,957
Pension/OPEB Reserve	4,232,500	4,532,500	300,000	300,000	300,000
Almond Grove Reserve	-	-	-	-	-
Assigned to:					
Open Space Reserve	562,000	410,000	410,000	410,000	410,000
Sustainability	140,553	140,553	140,553	140,553	140,553
Strategic Planning Reserve	-	-	-	-	-
Capital/Special Projects	13,262,303	8,787,958	6,965,356	7,041,938	4,691,938
Authorized Carryforwards	413,729	-	-	-	-
Compensated Absences*	1,232,653	1,539,408	1,649,917	1,649,917	1,649,917
To Workers Comp	1,232,654	-	-	-	-
Market Fluctuations	-	1,218,732	438,333	438,333	438,333
Measure G District Sales Tax	-	1,181,162	1,730,490	679,443	679,443
Stores and Vehicle Maintenance	1,040,375	-	-	-	-
Surplus Property Reserve	-	-	1,200,000	-	-
Rehab Loan (Nonspendable)	-	-	159,000	159,000	159,000
Total General Fund Reserves*	\$ 37,970,527	\$ 29,335,497	\$ 23,914,619	\$ 22,917,098	\$ 20,957,098
SPECIAL REVENUE FUNDS					
Housing Conservation Program	\$ 177,240	\$ 177,240	\$ 177,241	\$ 177,241	\$ 177,241
Community Dev Block Grant	(10,587)	(10,587)	(10,587)	(10,587)	(10,587)
Urban Run-Off Source Fund	159,450	237,935	371,240	416,611	597,896
Blackwell Assessment District	13,488	13,776	14,085	13,657	5,729
Kennedy Assessment District	37,926	40,396	20,416	22,101	13,786
Gemini Assessment District	28,921	31,787	34,415	36,407	28,399
Santa Rosa Assessment District	54,659	50,785	45,970	35,352	14,735
Vasona Assessment District	54,233	32,180	34,727	37,652	30,577
Hillbrook Assessment District	18,912	21,326	22,743	23,804	9,865
ARPA	-	-	-	-	-
Library Trust	69,582	60,333	81,598	82,598	58,098
Ness Trust Bequest	21,291	21,660	21,939	22,189	1,684
Betty McClendon Trust	85,999	87,487	88,005	88,005	88,005
Barbara J Cassin Trust	361,142	357,336	361,335	361,735	361,735
Total Special Revenue Funds Reserves	\$ 1,072,256	\$ 1,121,654	\$ 1,263,127	\$ 1,306,765	\$ 1,377,163

FUND BALANCE RESERVES 5 YEAR COMPARATIVE BALANCES

Fund Balance Reserves	6/30/2019 Actual YE Balance	6/30/2020 Actual YE Balance	6/30/2021 Actual YE Balance	6/30/2022 Estimated YE Balance	6/30/2023 Budgeted YE Balance
INTERNAL SERVICE FUNDS					
Liability Self-Insurance	\$ 1,313,304	\$ 1,290,614	\$ 1,021,083	\$ 638,860	221,169
Worker's Comp Self-Insurance	843,081	1,808,740	1,673,019	818,420	11,735
Information Technology	2,518,468	2,604,203	2,870,823	2,793,817	1,824,151
Office Stores Fund	-	-	-	-	-
Equipment Replacement	2,808,804	1,925,053	1,889,536	1,657,006	1,527,603
Vehicle Maintenance	-	-	-	-	-
Facilities Maintenance	970,786	102,469	156,340	102,962	124,865
Total Internal Service Funds Reserves	\$ 8,454,443	\$ 7,731,079	\$ 7,610,801	\$ 6,011,065	\$ 3,709,523
CAPITAL PROJECTS FUNDS					
GFAR	\$ 7,058,779	\$ 12,400,872	\$ 13,973,631	\$ 14,273,601	13,328,319
GFAR - Designated for Parking	1,460,210	1,460,210	1,460,210	-	-
Grant Funded CIP Projects	(255,637)	(343,705)	(699,245)	(3,689,292)	(3,219,292)
Storm Drain #1	932,416	1,034,521	1,078,286	1,135,466	1,185,146
Storm Drain #2	1,800,548	1,853,117	1,968,245	2,090,579	2,145,099
Storm Drain #3	(104,407)	(127,362)	(128,840)	(155,453)	(154,573)
Traffic Mitigation	304,647	348,661	381,319	381,319	371,319
Construction Tax-Undergrounding	3,079,685	3,118,173	3,201,311	3,257,936	3,310,426
Gas Tax	853,822	290,370	1,425,096	1,898,590	1,898,590
Total Capital Projects Funds Reserves	\$ 15,130,063	\$ 20,034,857	\$ 22,660,013	\$ 19,192,746	\$ 18,865,034
Successor Agency Trust of the Los Gatos RDA					
SA - Trust Fund (Budgetary Fund Balance)	\$ 3,840,187	\$ 3,875,208	\$ 3,881,357	\$ 4,080,130	\$ 4,080,304
Total Successor Agency Fund Reserves	\$ 3,840,187	\$ 3,875,208	\$ 3,881,357	\$ 4,080,130	\$ 4,080,304
TOTAL RESERVES	\$ 66,467,476	\$ 62,098,295	\$ 59,329,917	\$ 53,507,804	\$ 48,989,122



DEPARTMENT REVENUES BY PROGRAM

	2018/19 Actuals	2019/20 Actuals	2020/21 Actuals	2021/22 Adjusted	2021/22 Estimated	2022/23 Proposed
Town Offices						
1101 Town Council	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1301 Town Attorney	1,527	2,509	33,646	-	165	-
1302 Liability Self-Insurance Fund	657,152	378,133	376,963	423,332	377,923	429,249
Total Town Offices	\$ 658,679	\$ 380,642	\$ 410,609	\$ 423,332	\$ 378,088	\$ 429,249
Administrative Services Department						
1201 Non-Departmental	\$ 36,710,712	\$ 32,854,004	\$ 35,327,247	\$ 36,891,555	\$ 34,747,110	\$ 37,505,750
1231 Pension Trust- PARS	3,815,620	19,398	-	-	-	-
1232 Pension Trust- CEPPT	-	670,034	37,811	390,000	690,000	390,000
1241 ARPA	-	-	200,911	1,220,000	1,220,000	1,304,696
1261 Compensated Absences	(1,928,865)	-	-	-	-	-
2101 Town Manager Administration	28,989	27,974	3,216	1,000	1,240	1,500
2102 Community Grants	-	-	60,000	500,000	50,000	-
2201 Human Resources	-	-	-	-	-	-
2202 Workers' Compensation Fund	1,492,981	1,429,993	1,245,328	1,007,620	969,970	1,033,315
2301 Finance & Administrative Services	2,973,730	3,685,775	1,538,201	1,776,233	1,776,233	1,807,997
2302 Office Stores Fund	141,938	-	-	-	-	-
2401 Clerk Administration	-	450	-	-	-	-
2502 Information Technology Management	169,300	-	-	-	-	-
2501 Information Technology Systems	1,223,741	881,936	973,254	914,018	940,839	714,309
Total Administrative Services	\$ 44,628,146	\$ 39,569,564	\$ 39,385,968	\$ 42,700,426	\$ 40,395,392	\$ 42,757,567
Community Development						
3101 Administration	\$ 7,500	\$ -	\$ -	\$ -	\$ -	\$ -
3201 Developmental Review	681,892	500,952	677,472	617,000	617,000	652,000
3202 Advanced Planning	570,034	498,433	590,875	540,000	542,250	520,500
3301 Inspection Services	2,184,412	1,884,409	2,049,840	2,069,000	2,070,000	2,069,000
3401 Code Compliance	60,378	9,600	3,300	15,000	15,000	5,000
3501 BMP Housing Program	144,712	130,111	190,741	188,399	188,399	164,199
3999 Pass Thru Accounts	554,682	321,600	507,833	532,500	532,500	532,500
Total Community Development	\$ 4,203,610	\$ 3,345,105	\$ 4,020,061	\$ 3,961,899	\$ 3,965,149	\$ 3,943,199
Police Department						
4101 Administration	\$ 30,047	\$ 13,155	\$ 20,575	\$ 20,830	\$ 21,255	\$ 20,830
4201 Records & Communication	11,909	7,892	4,449	4,872	5,046	4,122
4202 Personnel & Community Services	376,852	401,096	485,554	501,000	501,000	502,300
4301 Patrol	926,565	976,460	1,534,407	1,102,685	1,132,287	1,161,354
4302 Traffic	594,315	452,907	493,610	318,767	316,002	316,293
4303 Investigations	132,929	201,069	188,692	139,556	145,584	179,173
4304 Parking Program	478,574	294,203	147,729	211,250	209,010	208,050
4800 Grants Program - Police	1,309	135,481	1,366	22,000	32,196	12,000
4999 Pass Thru Accounts	3,946	6,661	-	23,220	10,000	23,220
Total Police Department	\$ 2,556,446	\$ 2,488,924	\$ 2,876,382	\$ 2,344,180	\$ 2,372,380	\$ 2,427,342

DEPARTMENT REVENUES BY PROGRAM

	2018/19 Actuals	2019/20 Actuals	2020/21 Actuals	2021/22 Adjusted	2021/22 Estimated	2022/23 Proposed
Parks & Public Works						
5101 Administration	\$ -	\$ -	\$ 2,094	\$ -	\$ 173	\$ -
5201 Engineering Program Services	223,701	170,855	74,835	-	-	-
5202 Engineering Development Svcs	1,092,535	1,160,960	1,274,661	1,247,100	1,283,834	712,100
5203 Non-Point Source Fund	716,352	231,323	299,478	231,323	231,323	359,950
5301 Park Services	233,408	228,232	243,074	203,398	166,926	191,582
5302 Environmental Services	187,706	181,106	225,022	160,156	160,156	159,920
5401 Street & Signals	279,912	280,026	261,532	416,543	416,543	525,122
5402 Equipment Replacement	632,492	236,083	327,398	570,957	595,707	686,837
5403 Vehicle Maintenance	764,407	-	-	-	-	-
5404 Facilities Maintenance	1,787,255	1,080,686	1,181,024	1,179,510	1,179,834	1,262,247
5405 Property Damage	83,025	25,682	2,345	-	12,700	-
5501 Lighting & Landscape Districts	41,638	41,604	40,984	39,680	34,680	34,680
5999 Pass Thru Accounts	334,920	452,157	481,981	140,000	140,000	140,000
8011 GFAR	1,629,129	3,001,375	3,332,812	4,592,437	2,107,655	1,848,297
8021 Grant Funded CIP Projects	257,968	396,334	342,973	7,887,549	1,136,360	5,437,041
8031 Storm Drain #1	123,039	112,105	43,765	49,670	57,180	49,680
8032 Storm Drain #2	47,774	62,569	115,127	53,930	135,734	54,520
8033 Storm Drain #3	1,447	(1,955)	(868)	940	(765)	880
8041 Traffic Mitigation	118,787	136,639	397,093	1,441,246	551,315	-
8042 Utility Undergrounding	81,701	87,489	107,764	52,490	57,052	52,490
8051 Gas Tax - Street & Signals	1,217,552	1,261,934	1,283,966	1,401,865	1,447,709	1,603,689
Total Parks & Public Works	\$ 9,854,748	\$ 9,145,204	\$ 10,037,060	\$ 19,668,794	\$ 9,714,116	\$ 13,119,035
Library						
7101 Administration	\$ 55	\$ 6,686	\$ -	\$ -	\$ -	\$ -
7201 Adult Services	35,000	26,250	-	35,000	35,000	35,000
7202 Children's Services	-	-	-	-	-	-
7203 Acquisitions & Cataloging	(37)	-	-	-	-	-
7204 Circulation Services	9,458	6,391	-	2,000	500	500
7801 Operating Grant	12,482	23,101	16,022	9,000	9,000	-
7301 Library Trust	83,840	63,388	39,159	70,500	71,000	70,500
7302 Clelles Ness Bequest Trust	736	368	279	-	250	250
7304 Betty McClendon Trust	1,495	1,487	1,128	700	1,000	1,000
7305 Barbara J Cassin Trust	6,277	6,182	4,610	2,900	2,900	4,500
Total Library	\$ 149,306	\$ 133,853	\$ 61,198	\$ 120,100	\$ 119,650	\$ 111,750
Successor Agency to the Los Gatos RDA						
9403 SA- Admin Services	\$ 29,216	\$ 28,292	\$ 27,414	\$ 9,000	\$ 6,752	\$ 9,000
9404 SA- Debt to 2002 COP	1,371,401	1,369,114	1,360,662	1,346,250	1,346,250	1,346,376
9405 SA-Debt to 2010 COP	2,509,589	2,501,097	2,483,836	2,556,950	2,656,950	2,444,550
Total SA to the Los Gatos RDA	\$ 3,910,206	\$ 3,898,503	\$ 3,871,912	\$ 3,912,200	\$ 4,009,952	\$ 3,799,926
Transfers In	4,714,131	9,996,516	5,267,697	3,471,186	4,056,563	4,245,514
Total Revenues by Department:	\$ 70,675,272	\$ 68,958,311	\$ 65,930,887	\$ 76,602,117	\$ 65,011,290	\$ 70,833,582

DEPARTMENTAL EXPENDITURES BY PROGRAM

		2018/19 Actuals	2019/20 Actuals	2020/21 Actuals	2021/22 Adjusted	2021/22 Estimated	2022/23 Adopted
Town Offices							
1101	Town Council	\$ 205,903	\$ 206,163	\$ 192,280	\$ 202,891	\$ 191,216	\$ 210,027
1301	Town Attorney	562,542	559,010	537,296	669,733	553,277	664,105
1302	Liability Self-Insurance Fund	338,617	400,823	646,495	850,716	760,146	846,940
Total Town Offices		\$ 1,107,062	\$ 1,165,996	\$ 1,376,071	\$ 1,723,340	\$ 1,504,639	\$ 1,721,072
Administrative Services Department							
1201	Non-Departmental	\$ 8,784,833	\$ 5,410,121	\$ 10,392,595	\$ 5,821,830	\$ 5,765,095	6,054,165
1231	Pension Trust - PARS	7,155	5,034,715	-	-	-	-
1232	Pension Trust - CEPPT	-	56	707,789	-	-	-
1241	ARPA	-	-	200,911	1,220,000	1,220,000	1,304,696
2101	Town Manager Administration	1,077,603	1,271,552	1,257,889	1,464,397	1,430,839	1,438,754
2102	Community Grants	136,513	182,303	207,801	650,000	650,000	151,000
2201	Human Resources	678,490	713,842	782,478	910,767	955,176	744,935
2301	Finance & Administrative Services	1,145,906	1,293,793	1,436,560	1,589,332	1,616,164	1,582,616
2401	Clerk Administration	349,776	387,470	416,204	456,740	438,617	445,845
2502	Information Technology Management	540,044	539,802	629,427	658,550	597,040	633,752
2803	Tobacco Prevention Initiatives	629	-	-	-	-	-
2999	Pass Thru	2,845	-	-	-	-	-
2202	Workers' Compensation Fund	1,270,628	1,525,589	1,381,049	1,824,569	1,824,569	1,840,000
2302	Office Stores Fund	104,345	-	-	-	-	-
2501	Information Technology Systems	567,082	796,201	668,834	1,064,959	1,017,845	983,975
2303	Parking Assessment District	-	-	-	-	-	-
Total Administrative Services		\$ 14,665,849	\$ 17,155,444	\$ 18,081,537	\$ 15,661,144	\$ 15,515,345	\$ 15,179,738
Community Development							
3101	Administration	\$ 210,791	\$ 256,531	\$ 275,911	\$ 270,585	\$ 251,764	\$ 271,730
3201	Developmental Review	1,329,381	1,376,229	1,519,572	1,637,249	1,367,149	1,573,515
3202	Advanced Planning	766,110	772,817	847,375	981,013	915,552	858,101
3301	Inspection Services	1,316,494	1,360,872	1,416,644	1,528,440	1,707,217	1,671,368
3401	Code Compliance	255,324	253,630	251,723	321,867	260,519	317,458
3501	BMP Housing Program	144,713	130,111	190,740	190,061	162,989	164,199
3999	Pass Thru Accounts	554,682	323,600	507,833	532,500	532,500	532,500
Total Community Development		\$ 4,577,495	\$ 4,473,790	\$ 5,009,798	\$ 5,461,715	\$ 5,197,690	\$ 5,388,871
Police Department							
4101	Administration	\$ 1,223,444	\$ 1,248,607	\$ 1,464,151	\$ 1,412,228	\$ 1,439,370	\$ 1,787,946
4201	Records & Communication	2,221,494	2,205,471	2,296,959	2,528,139	2,147,331	2,664,002
4202	Personnel & Community Services	562,528	874,807	993,941	1,074,262	1,031,559	1,415,924
4301	Patrol	7,112,700	7,371,256	7,653,773	7,976,990	8,050,067	7,842,602
4302	Traffic	1,011,364	798,833	887,706	1,040,977	933,362	956,708
4303	Investigations	2,219,461	2,705,333	2,739,071	2,813,257	2,675,259	2,709,822
4304	Parking Program	565,896	551,918	524,970	506,895	482,802	456,887
4800	Grants Program - Police	27,547	132,058	10,178	15,000	6,902	-
4999	Pass Thru Accounts	4,520	6,723	87	23,220	10,000	23,220
Total Police Department		\$ 14,948,954	\$ 15,895,006	\$ 16,570,836	\$ 17,390,968	\$ 16,776,652	\$ 17,857,111

DEPARTMENTAL EXPENDITURES By PROGRAM

		2018/19 Actuals	2019/20 Actuals	2020/21 Actuals	2021/22 Adjusted	2021/22 Estimated	2022/23 Adopted
Parks & Public Works							
5101	Administration	\$ 570,096	\$ 614,753	\$ 636,015	\$ 628,201	\$ 627,119	\$ 595,779
5201	Engineering Program Services	1,215,300	1,480,068	1,385,830	1,311,552	1,442,088	1,551,610
5202	Engineering Development Svcs	742,264	757,990	759,203	842,533	855,663	844,226
5203	Non-Point Source Fund	628,241	162,839	166,173	221,045	185,952	178,666
5301	Park Services	1,737,287	1,965,843	2,013,263	2,206,816	2,102,442	2,275,527
5302	Environmental Services	337,937	278,918	362,378	477,128	246,955	438,062
5401	Street & Signals	2,220,248	2,084,477	1,950,873	2,484,223	1,019,490	2,667,362
5402	Equipment Replacement	601,961	540,036	254,194	713,267	733,421	816,240
5403	Vehicle Maintenance	252,204	-	-	-	-	-
5404	Facilities Maintenance	1,011,905	1,161,003	1,160,152	1,223,193	1,234,999	1,240,344
5405	Property Damage	56,226	18,632	5,197	25,000	25,000	25,000
5406	Vehicle Maintenance Management	221,062	199,072	251,390	268,729	302,190	247,015
5407	Facilities Maintenance Management	305,042	316,130	333,628	393,171	356,929	401,319
5501	Lighting & Landscape Districts	27,266	54,572	53,958	95,279	33,143	95,642
5999	Pass Thru Accounts	564,170	452,157	481,981	140,000	140,000	140,000
8011	GFAR	7,552,806	5,567,263	4,743,911	20,507,902	6,272,006	6,082,937
8021	Grant Funded CIP Projects	379,494	484,403	698,512	7,869,300	4,126,407	4,967,041
8031	Storm Drain #1	-	-	-	200,000	-	-
8032	Storm Drain #2	-	-	-	200,000	13,400	-
8033	Storm Drain #3	29,700	11,000	611	259,447	25,848	-
8041	Traffic Mitigation	64,626	76,290	354,436	1,431,246	541,315	-
8042	Utility Undergrounding	-	49,000	24,626	348,003	427	-
8051	Gas Tax - Street & Signals	960,881	1,719,384	43,241	2,544,576	868,215	1,497,689
Total Parks & Public Works		\$ 19,478,716	\$ 17,993,830	\$ 15,679,572	\$ 44,390,611	\$ 21,153,009	\$ 24,064,459
Library							
7101	Administration	\$ 451,284	\$ 469,563	\$ 512,166	\$ 540,756	\$ 518,065	\$ 531,661
7201	Adult Services	548,199	544,326	643,929	688,224	701,284	840,163
7202	Children's Services	502,330	510,064	570,048	630,300	533,812	608,497
7204	Circulation Services	969,174	1,149,220	1,091,598	1,194,427	982,965	994,171
7801	Operating Grant	22,632	27,629	11,133	9,000	9,000	-
7301	Library Trust	69,029	72,637	17,895	70,000	70,000	95,000
7302	Clelles Ness Bequest Trust	21,048	-	-	20,755	-	20,755
7304	Betty McClendon Trust	-	-	609	700	700	1,000
7305	Barbara J Cassin Trust	-	9,989	611	2,500	2,500	4,500
Total Library		\$ 2,583,696	\$ 2,783,428	\$ 2,847,989	\$ 3,156,662	\$ 2,818,326	\$ 3,095,747
Successor Agency to the Los Gatos RDA							
9402	SA- Housing Trust Others	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
9403	SA- Admin Services	109,556	108,276	104,747	8,043	7,959	8,006
9404	SA- Debt to 2002 COP	1,346,321	1,342,984	1,347,180	1,347,110	1,347,010	1,347,236
9405	SA-Debt to 2010 COP	2,417,921	2,412,222	2,413,838	2,456,310	2,456,210	2,444,510
Total SA to the Los Gatos RDA		\$ 3,873,798	\$ 3,863,482	\$ 3,865,765	\$ 3,811,463	\$ 3,811,179	\$ 3,799,752
Total Operating Expenditures		\$ 61,235,570	\$ 63,330,976	\$ 63,431,568	\$ 91,595,903	\$ 66,776,840	\$ 71,106,750
Transfers Out		4,714,131	9,996,516	5,267,697	3,436,186	4,056,563	4,245,514
Total Expenditures by Department:		\$ 65,949,701	\$ 73,327,492	\$ 68,699,265	\$ 95,032,089	\$ 70,833,403	\$ 75,352,264

IN-KIND DONATIONS FY 2022 SUMMARY

The information below provides an estimated value of in-kind support the Town provides annually to local non-profit organizations, in addition to contribution of funds as described elsewhere in this budget, such as community grants. The in-kind support consists of Town facilities leased to these organizations at rates substantially below present market rates.

Los Gatos Museum Association - The Town and Los Gatos Museum Association (LGMA), renamed NUMU, have amended the agreement in which NUMU leases 10,630 square feet in the Town Hall. NUMU has occupied the new space since the beginning FY 2015/16.

Los Gatos-Saratoga Recreation - Beginning January 2010, Los Gatos Saratoga (LGS) Recreation entered into a 20-year lease with the Town for the former Neighborhood Center, renamed the Adult Recreation Center. In exchange for providing and expanding senior services, the facility is leased at a below market rate. LGS Recreation also leases the Town-owned facility located at 123 E. Main Street, on a month to month basis.

Location	NUMU (LG Museums)	Adult Recreation Center	Recreation Department
	110 E. Main St 10-Year Lease	208 E. Main St. 20-Year Lease	123 E. Main St.
Market Price Per Square Foot/Month*	\$3.4 *	\$3.4 *	\$3.4 **
Square Footage	10,630	12,000	6,479
Value of Rent/Year	\$429,782	\$485,172	\$265,669
Rent Paid/Year	\$25,000	\$218,325	\$40,431
Total value of Donation/Lease Term	\$ 404,782	\$ 266,847	\$ 225,238

* Market rate is based on appraisal on every five-year.

** Market rate is based on the State of California Department of Industrial Relations, Division of Labor Statistics and Research's Consumer Price Index, All Urban Consumers, All Items, San Francisco-Oakland - San Jose, California as identified in the lease term.

Due to the continued economic impact of the COVID-19 pandemic, the Town Council forgave rent payments for all of its tenants in FY 2020/21, including NUMU and LGS Recreation. On April 6, 2021, the Council voted to continue rent forgiveness for FY 2021/22. With this Proposed Budget, rent forgiveness is recommended for NUMU and LGS Recreation in FY 2022/23 with backfilling this revenue loss with ARPA funds.

In addition to providing subsidized leases, the Town provides in-kind staffing support for the Holiday Tree Lighting and the Children's Holiday Parade. Costs to provide maintenance and public safety services for the Holiday Tree Lighting are estimated to be \$4,100; the Children's Holiday Parade costs are estimated to be \$45,500. These estimates only include expenses that occur at the event and do not include time dedicated to event planning and logistics.

If both events occur, the estimated total of all in-kind expenses for FY 2022/23 is \$946,467.

FEE-RELATED PROJECTS LISTS

Under California law, cities and other local agencies may enact Development Impact Fees on proposed development which must be paid as a condition of development approval. Development Impact Fees ("DIFs") were enacted under Assembly Bill 1600 by the California Legislature in 1987 and codified under California Government Code §66000 *et. seq.*, also referred to as the Mitigation Fee Act (the Act or AB 1600).

Development Impact Fees are not ongoing fees or taxes; they are one-time fees, paid at the time of construction. Impact fees are not special assessments, nor are they permitted to cover on-going operations and maintenance costs. By definition, "a fee is voluntary and must be reasonably related to the cost of the service provided by the local agency." The fees are collected by local governmental agencies to pay for infrastructure or capital facilities needed to serve new development. Because impact fees are collected during the development approval process, the fees are typically paid by developers, builders, or other property owners who are seeking to develop property as a way of paying their "fair share" of needed facilities.

The Town collects three Development Impact Fees that meet the reporting requirements of AB 1600: the Traffic Impact Mitigation Fee, Below-Market Priced Housing Program In-Lieu Fee, and the Construction Activity Impact Fee. The following tables provide potential project lists.

Below Market Price (BMP) Housing Program Potential Project List			
Source	Description	Estimated Project Cost (2022\$)	BMP Fee Eligible Cost
BMP	Extremely Low Income Housing Projects	\$ 3,000,000	\$ 3,000,000
BMP	Reacquisition of Distressed/Foreclosed Properties	700,000	700,000
BMP	Hello Housing and HouseKeys Program Services	600,000	600,000
Total		\$ 4,300,000	\$ 4,300,000

Note:

BMP - Below Market Housing Program

Construction Impact Activity Project List			
Source	Description	Estimated Project Cost (2022\$)	Construction Impact Fee Eligible Cost
CIP	Street Repair and Resurfacing Projects (5 year-plan)	\$ 20,451,398	\$ 20,451,398
Total		\$ 20,451,398	\$ 20,451,398

Note:

CIP - Town of Los Gatos, Capital Improvement Program

FEE-RELATED PROJECTS LISTS

Town of Los Gatos Traffic Mitigation Improvements Potential Project List			
Source	Description	Estimated Project Cost (2014 \$)	Mitigation Impact Fee Eligible Cost
GP/VTP 2035	Blossom Hill Rd and Union Ave Intersection Improvements	\$ 1,200,000	\$ 1,080,000
GP/VTP 2035	Los Gatos - Almaden Rd Improvements	3,000,000	1,500,000
GP/VTP 2035	Los Gatos Blvd Widening - Samaritan Dr to Camino Del Sol Road widening, new sidewalks and bike lanes	4,000,000	2,000,000
GP/VTP 2035	Union Ave Widening and Sidewalks - complete ped and bike routes	3,000,000	1,500,000
GP/VTP 2035	Wood Rd Gateway on Santa Cruz Ave - roundabout	1,200,000	600,000
GP/VTP 2035	Central Traffic Signal Control System	750,000	72,600
GP/VTP 2035	Hwy 9 Los Gatos Creek Trail connector - new path and bridge for ped/bike	1,000,000	500,000
GP/VTP 2035	Hwy 9/N. Santa Cruz Ave Intersection Improvements	1,400,000	1,260,000
CIP	Roberts Road Improvements from bridge to University	600,000	300,000
CIP	Pollard Road Widening from Knowles to York Avenue	2,500,000	1,250,000
CIP	Sidewalks infill - Van Meter, Fischer and Blossom Hill Schools	1,000,000	500,000
CIP	Winchester Blvd/Lark Avenue Intersection Improvements	850,000	765,000
CIP	Westbound Lark to Hwy 17 northbound ramps - add two right-turn lanes	3,750,000	3,375,000
CIP	Unfunded Deferred Street Maintenance (Annual PMS Survey)	10,500,000	1,016,400
GP	Lark/Los Gatos Intersection Improvements - Add Third Left Turn Lanes for Eastbound and Northbound Approaches	1,200,000	1,080,000
GP	Complete Street Improvements - Lark from Garden Hill to Los Gatos Blvd	2,100,000	1,050,000
GP	Complete Street Improvements - SR 9 from University to Los Gatos Blvd	650,000	325,000
GP	Complete Street Improvements - Blossom Hill Road from Old Blossom Hill Road to Regent Drive	3,000,000	1,500,000
GP	Complete Street Improvements - Knowles from Pollard to Winchester	2,000,000	1,000,000
GP	Complete Street Improvements - Winchester from Blossom Hill to Lark	1,500,000	750,000
GP	Blossom Hill Road widening over Highway 17	2,000,000	1,000,000
GP	Local Bikeway Improvements	750,000	375,000
Total		\$ 47,950,000	\$ 22,799,000

Notes:

VTP = Valley Transportation Plan, 2035 by Santa Clara Valley Transportation Authority.

Town CIP = Town of Los Gatos, Capital Improvement Program and pending construction project list.

Source: Town of Los Gatos.

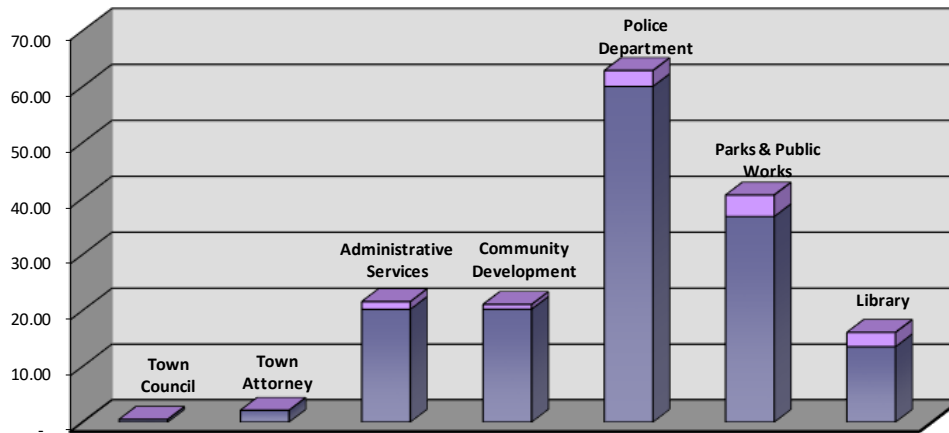
SUMMARY OF POSITIONS
DEPARTMENTAL STAFF BY FUND

	2018/19 Funded	2019/20 Funded	2020/21 Funded	2021/22 Funded	2022/23 Proposed
General Fund					
Town Council	0.50	0.50	0.50	0.50	0.50
Town Attorney	1.88	1.88	1.88	2.13	2.13
Administrative Services*	20.53	20.17	20.17	20.17	20.17
Community Development	20.08	20.08	20.20	20.20	20.20
Police Department	59.00	60.00	60.00	60.00	60.00
Parks & Public Works	33.50	33.50	33.75	33.75	35.75
Library	12.50	12.50	12.50	12.50	13.50
Total General Fund Staff	147.98	148.61	148.98	149.23	152.24
Special Revenue Funds					
Parks & Public Works	1.00	1.00	1.00	1.00	1.00
Total Special Revenue Fund Staff	1.00	1.00	1.00	1.00	1.00
Successor Agency to the Los Gatos RDA					
Administrative Services	0.01	0.01	0.01	0.01	0.01
Total Redevelopment Agency Staff	0.01	0.01	0.01	0.01	0.01
Total Town FTEs	148.99	149.63	150.00	150.25	153.25

*Administrative Services staffing numbers include the following programs: Town Manager's Office; Human Resources; Finance; Clerk Administration; and Information Technology Staffing.

SUMMARY OF POSITIONS

BUDGETED FTEs BY DEPARTMENT



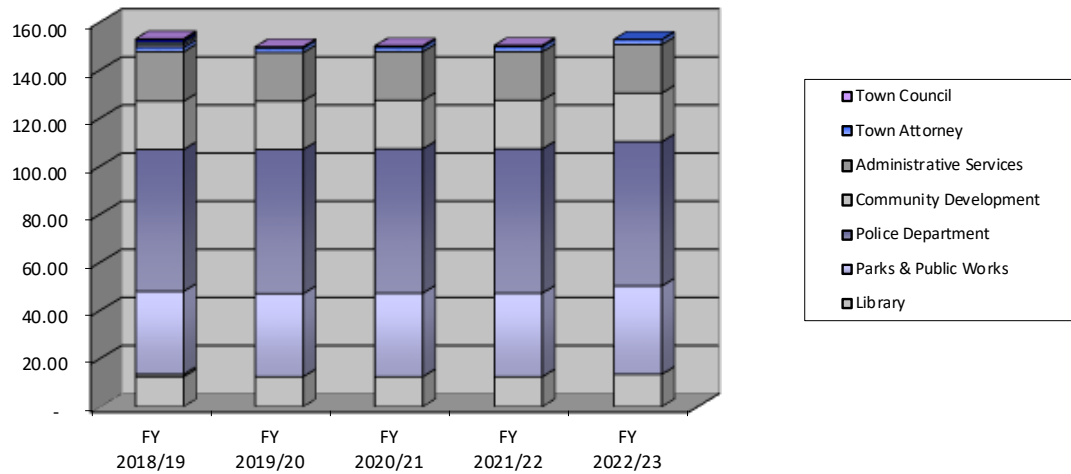
Blue Bar – Town Staff
Purple Bar – Hourly Employees

Departments	Authorized/ Funded Town Staff Positions	Hourly Emp Staff converted to FTEs	Total Budgeted Positions
Town Council	0.50	-	0.50
Town Attorney	2.13	-	2.13
Administrative Services	20.18	1.38	21.55
Community Development	20.20	0.85	21.05
Police Department	60.00	2.85	62.84
Parks & Public Works	36.75	3.84	40.59
Library	13.50	2.54	16.04
Total Positions	153.25	11.46	164.71

Administrative Services staffing numbers include the following six programs: Town Manager's Office; Human Resources; Finance; Clerk Administration; and Information Technology Staffing

Hourly employee positions result from seasonal, temporary, and part-time labor needs.

SUMMARY OF POSITIONS FUNDED FTEs BY DEPARTMENT



Five Year Staffing Trend

Departments	2018/19 Funded	2019/20 Funded	2020/21 Funded	2021/22 Funded	2022/23 Proposed
Town Council	0.50	0.50	0.50	0.50	0.50
Town Attorney	1.88	1.88	1.88	2.13	2.13
Administrative Services	20.53	20.18	20.18	20.18	20.18
Community Development	20.08	20.08	20.20	20.20	20.20
Police Department	59.00	60.00	60.00	60.00	60.00
Parks & Public Works	34.50	34.50	34.75	34.75	36.75
Library	12.50	12.50	12.50	12.50	13.50
Total Budgeted FTEs	148.99	149.63	150.00	150.25	153.25

FTEs represent Town staff positions funded in annual budgets. Numbers do not include temporary hours or the filled or unfilled status of the positions.

SUMMARY OF PERSONNEL CHANGES FY 2022/23

The Town's total budgeted personnel costs for FY 2022/23 increased to \$33.4 million (\$32.6 million in FY 2021/22) and accounts for 44.3% of the total Town's expenditures. Rising healthcare and pension rates have increased labor costs; however, reduction strategies, structural reorganization, and realignments have helped to mitigate growing personnel expenditures. Even with these measures and the Town reducing its full-time employees by 15.0% to 153 FTE employees since 2001, pension and OPEB benefits have increased 37.7% in the past 5 years alone. The following discussion describes some of the staffing expenditures, savings, and budget impacts.

Employee Compensation

Personnel costs represent salaries of full-time and part-time personnel (including vacation, holiday, and sick leave compensation) and benefits, such as, health coverage, life and disability insurance, and retirement contributions. For represented positions, annual salary increases and benefit adjustments are negotiated under each bargaining unit's Memorandum of Understanding (MOU's). Salary increases and benefit adjustments for unrepresented positions are determined under the Town Manager's authority and are not subject to bargaining.

Memoranda of Understanding (MOUs)

All bargaining units, confidential, and management employees received an across the board salary increase of 2.5% plus non-sworn, confidential, and management employees received a 1.5% base salary one-time payment (non-PERSable) during 2018. A 3% across the board salary increase was effective in 2019 for non-sworn, confidential, and management and a 4% across the board salary increase was effective for sworn employees. During 2020, all bargaining units, confidential and management employees received a 1% across the board salary increase plus a 2% base salary one-time payment (non-PERSable) bonus. Employees classified as temporary received a 1% across the board salary increase. For 2021 two bargaining units, confidential, and management employees received a 2% across the board salary increase. The Town is continuing good faith negotiations with POA. It should be noted that since 2000, the Town's bargaining groups have tended to trail inflation as measured by the Bureau of Labor Statistics CPI for the Consolidated Metropolitan Statistical Area covering the bay area.

Benefits

The Town contracts for medical coverage through CalPERS and rates are adjusted each January for the calendar year. Kaiser serves as the benchmark medical plan to determine the Town contribution toward all medical plan premiums. In the recent past, Kaiser rates have fluctuated and increased by as much as 11% in one year, simultaneously increasing the Town contribution. In 2022, Kaiser rates increased 7% from the prior year. As evidenced by this fluctuation, national health care costs continue to be an area of concern and potential expense volatility. Employees contribute to the cost of medical premiums when enrolled in the majority of CalPERS plans.

Dental, vision and life insurance rates are expected to remain relatively stable as well as short and long-term disability insurance rates. During negotiations in FY 2018/19, the Town's discretionary retiree medical benefit contribution was eliminated for all future hires. It is important to note that changes in benefit coverage are generally subject to negotiations with affected employee groups.

Pension Plan

The Town's pension plans over the past several decades, like all other CalPERS participants, have experienced unfavorable investment returns, changes in actuarial assumptions, and unfavorable demographic shifts which have outweighed any positive plan experiences to date. As such, the Town's employer pension contributions are expected to continue to increase.

In order to help mitigate these negative plan experiences, the Town closed the CalPERS retiree Tier 1 benefit for non-safety employees and created a new Tier 2 for non-safety new employees in 2012, implemented the Public Employees' Pension Reform Act (PEPRA) for all new non-classic employees starting in 2013, and participates in the CalPERS discounted prepayment option. The Town's bargaining groups participated in wage freezes and unpaid furloughs for several years to assist in achieving balanced budgets after the 2008 recession.

SUMMARY OF PERSONNEL CHANGES FY 2022/23

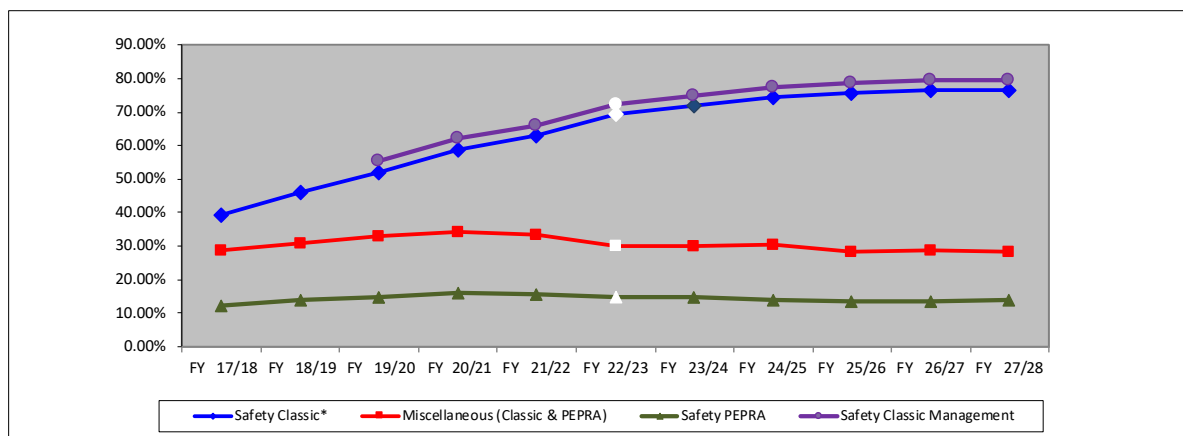
In 2016, the Town's bargaining groups approved the introduction of dependent cost sharing and a reimbursement cap to Medicare eligible employees, and in 2018 the elimination of the Town's existing retiree healthcare benefit prospectively.

Pension reform continues to be an important topic in regard to cost containment and staff is monitoring a number of state-wide initiatives that may impact future pension costs. In addition to the potential for State mandated reforms, the Town has been proactive in implementing pension/OPEB cost mitigation strategies. To address the escalation in pension costs, current and previous Councils have allocated additional discretionary pension funding totaling \$10,400,000. These additional discretionary payments will ultimately yield an approximate \$12,700,000 in pension contribution savings. In addition to the management of the Town's pension obligations, prior Councils have worked to curb cost escalation in Other Post-Employment Benefits (OPEB). In 2009, the Town initiated prefunding of the retiree healthcare benefit and has since established approximately \$27.3 million in OPEB assets from zero in 2009.

While these collective measures have helped to slow the growth in salary and benefit expenses, the Five-Year Forecast anticipates continued increases in the safety rates and decreases in the miscellaneous rates. In FY 2022/23, the Town's miscellaneous employee rate is projected to decrease to 29.92%; the safety rate is projected to increase to 69.44%; and the PEPRSA safety rate is projected to be 14.62%.

The current estimates indicate that these changes would result in the Town increasing from the FY 2022/23 rate of 69.44% to 76.66% in FY 2027/28 of pay rate for safety employees and changing the FY 2021/22 rate of 29.92% to approximately 28.42% in FY 2027/28.

The following schedule reflects the Town's actual CalPERS pension rate for FY 2022/23 and the expected rates for the following fiscal years based on the Town's five-year forecast model which was updated using a CalPERS provided tool that provided a calculation method to estimate rate impacts of the current market earnings.



PERS Pension Plan	FY 17/18	FY 18/19	FY 19/20	FY 20/21	FY 21/22	FY 22/23	FY 23/24	FY 24/25	FY 25/26	FY 26/27	FY 27/28
Safety Classic*	39.36%	46.09%	52.22%	58.98%	62.94%	69.44%	72.01%	74.61%	75.68%	76.69%	76.66%
Safety Classic Management			55.22%	61.98%	65.94%	72.44%	75.01%	77.61%	78.68%	79.69%	79.66%
Safety PEPRSA	12.25%	13.96%	15.02%	15.95%	15.74%	14.62%	14.65%	13.78%	13.75%	13.60%	13.76%
Miscellaneous (Classic & PEPRSA)	28.90%	30.87%	33.18%	34.23%	33.54%	29.92%	30.04%	30.64%	28.45%	28.73%	28.42%

* Safety Classic Rate reflects 3% decrease in employer's contribution rate to reflect 3% contribution as negotiated with the Town's POA during the collective bargaining process effective FY 2019/20.

SUMMARY OF PERSONNEL CHANGES FY 2022/23

Management Strategies

In light of limited available resources and uncertain economic trends, Departments continued programming existing resources by either maintaining current structures or realigning operations to remain effective while staying within prior year budgets. In addition, Departments were provided guidance to enhance capacity where necessary through limit-dated none benefited personnel options when possible.

Limited staffing changes and one-time additions have been included in the FY 2022/23 budget. Departments continuously evaluate staffing structures, anticipate succession needs, and modify staffing to improve efficiencies, align with service delivery demands, and meet other Town goals. In this budget, a couple of Departments have included cost neutral restructuring.

Overtime

Overtime expenditures continue to be assessed and adjusted when appropriate. While unpredictable or non-controllable events will impact the Town's limited public safety and public works maintenance resources, continued adjustments to schedules and workload have been successful in reducing budgeted overtime. Although some non-critical Town services have experienced moderate service level reductions, scheduling restrictions have not seriously impacted routine operations. Total overtime cost grew from \$467,593 in FY 2021/22 to \$599,955 in FY 2022/23.

Staffing Changes

The FY 2022/23 Operating Budget has 164.71 budgeted FTEs, including temporary staff. This reflects an increase of 3.37 of FTEs compared to the prior year. The recommended FY 2022/23 staffing levels also reflect the following changes from the prior year's adopted budget:

- *Administrative Services and Town Offices* - The FY 2022/23 budget reflects the continuation of a limited dated part time position to assist with the Town's emergency preparedness activities and regional emergency management engagement. The FY 2022/23 budget also includes one-time temporary hours to help with special projects in the Information Technology Program.
- *Community Development Department (CDD)* –The FY 2022/23 budget includes the part-time Code Compliance Officer position which will be continued for another year in FY 2022/23 with one-time funding.
- *Police* – The FY 2022/23 budget contains one-time requests for a Temporary Parking and Project Manager to assist with the review and the implementation of the Comprehensive Parking Study. The FY 2022/23 budget also includes an increase of 3,040 temporary hours to include two one-time Police Trainees, one-time increase of Temporary Police Officer hours and a one-time increase of an added Community Services Officer Intern.
- *Parks and Public Works (PPW)* – The FY 2022/23 budget includes a one-time (1 FTE) Urban Forest Manager to manage the Town's urban forest and fire safety program a one-time hire ahead Lead Parks and Maintenance worker, and additional 2,080 hours for a Temporary Senior Civil Engineer to assist with the grant funded CIP projects. Upon retirement of one of the current Lead Maintenance Workers and the Town Arborist, the two positions will be defunded. This will require Council to take a budget action to remove the two positions from the budget. In addition, the proposed budget includes a reclassification of an Executive Assistant position to an Administrative Technician position.
- *Library* – The FY 2022/23 budget includes an additional Senior Library Page position and a reclassification of a Library Technician position to a Library Assistant position. These changes were funded by reduction of temporary hours.

In addition to direct personnel expenditures, Departments are charged for internal support services and employee insurance costs through payroll allocation charges. Appropriate charge-back rates are established based on either employee group historical costs or through a flat surcharge per employee. Annual reviews of all funds may result in adjustments to the rates as needed.

SUMMARY OF PERSONNEL CHANGES FY 2022/23

Liability Insurance

Self-Insurance Fund rates (liability claim insurance premiums) for FY 2022/23 remain relatively consistent with prior year rates. The Self-Insurance Fund Balance is declining as a result of adverse claims against the pooled plan over the last several years. Staff will closely monitor and recommend a budget strategy as needed.

Workers' Compensation

The Workers' Compensation fund balance is declining as a result of several new injuries that kept employees out of work for extensive periods of time along with the cost of related medical procedures and continuing medical expenses associated with past employee claims. The FY 2022/23 Workers' Compensation rates remain at the prior year level. Staff will closely monitor and recommend a budget strategy as needed.

Information Technology

The Information Technology (IT) program is funded through charge-back to the Departments. The charge is based on the Department's computer and printer equipment, established to fund the replacement cost of current technology equipment.

TOWN STAFF POSITIONS BY HOME DEPARTMENT

	2018/19 Funded	2019/20 Funded	2020/21 Funded	2021/22 Funded	2022/23 Proposed	Comments
TOWN ATTORNEY'S OFFICE						
Town Attorney	1.00	1.00	1.00	1.00	1.00	
Deputy Town Attorney	0.75	0.75	0.75	-	-	
Legal Administrative Assistant	-	-	1.00	1.00	1.00	
TOTAL DEPARTMENT FTEs	1.75	1.75	1.75	2.00	2.00	
TOWN MANAGER'S OFFICE						
Town Manager	1.00	1.00	1.00	1.00	1.00	
Assistant Town Manager	1.00	1.00	1.00	1.00	1.00	
Administrative Analyst	1.00	1.00	1.00	1.00	1.00	
Executive Asst. to Town Mgr.	1.00	1.00	1.00	1.00	1.00	
Economic Vitality Manager	0.75	0.75	0.75	0.75	0.75	
Events & Marketing Specialist	0.50	0.50	0.50	0.50	0.50	
TOTAL DEPARTMENT FTEs	5.25	5.25	5.25	5.25	5.25	
HUMAN RESOURCES						
Human Resources Director	1.00	1.00	1.00	1.00	1.00	
Administrative Analyst	1.00	1.00	1.00	1.00	1.00	
Human Resources Technician	1.00	1.00	1.00	1.00	1.00	
TOTAL DEPARTMENT FTEs	3.00	3.00	3.00	3.00	3.00	
FINANCE SERVICES						
Finance Director	1.00	1.00	1.00	1.00	1.00	
Finance & Budget Manager	1.00	1.00	1.00	1.00	1.00	
Accountant/Finance Analyst	1.00	2.00	2.00	2.00	2.00	
Payroll Technician	1.00	1.00	-	-	-	
Administrative Analyst	2.00	2.00	3.00	3.00	3.00	
Account Technician	0.35	-	-	-	-	
TOTAL DEPARTMENT FTEs	6.35	7.00	7.00	7.00	7.00	
CLERK ADMINISTRATION						
Clerk Administrator	1.00	-	-	-	-	
Town Clerk	-	1.00	1.00	1.00	1.00	
Deputy Town Clerk	-	1.00	1.00	1.00	1.00	
Administrative Assistant	-	1.00	1.00	1.00	1.00	
Office Assistant	2.00	-	-	-	-	
TOTAL DEPARTMENT FTEs	3.00	3.00	3.00	3.00	3.00	
INFORMATION TECHNOLOGY SERVICES						
IT Manager	1.00	1.00	1.00	1.00	1.00	
Network Administrator	1.00	-	-	-	-	
IT Analyst	1.00	-	-	-	-	
IT Systems Administrator	-	1.00	1.00	1.00	1.00	
IT Technician	1.00	1.00	1.00	1.00	1.00	
TOTAL DEPARTMENT FTEs	4.00	3.00	3.00	3.00	3.00	

TOWN STAFF
POSITIONS BY HOME DEPARTMENT

	2018/19 Funded	2019/20 Funded	2020/21 Funded	2021/22 Funded	2022/23 Proposed	Comments
COMMUNITY DEVELOPMENT						
Community Development Dir.	1.00	1.00	1.00	1.00	1.00	
Planning Manager	1.00	1.00	1.00	1.00	1.00	
Chief Building Official	1.00	1.00	1.00	1.00	1.00	
Administrative Analyst	1.00	1.00	1.00	1.00	1.00	
Executive Assistant	1.00	1.00	1.00	1.00	1.00	
Administrative Assistant	1.00	1.00	1.00	1.00	1.00	
Senior Planner	2.00	2.00	2.00	2.00	2.00	
Associate Planner	2.63	2.63	2.75	2.75	2.75	
Assistant Planner	1.00	1.00	1.00	1.00	1.00	
Planning Technician	1.00	1.00	1.00	1.00	1.00	
Senior Building Inspector	1.00	1.00	1.00	1.00	1.00	
Building Inspector	3.00	3.00	3.00	3.00	3.00	
Permit Technician	2.00	2.00	2.00	2.00	2.00	
Code Compliance Officer	1.00	1.00	1.00	1.00	1.00	
TOTAL DEPARTMENT FTEs	19.63	19.63	19.75	19.75	19.75	
POLICE						
Chief of Police	1.00	1.00	1.00	1.00	1.00	
Police Captain	2.00	2.00	2.00	2.00	2.00	
Police Sergeant	7.00	7.00	7.00	7.00	7.00	
Police Corporal	4.00	4.00	4.00	4.00	4.00	
Police Officer	25.00	25.00	25.00	25.00	25.00	
Community Outreach Coordinator	1.00	1.00	1.00	1.00	1.00	
Community Services Officer	1.00	1.00	1.00	1.00	1.00	
Police Records and Communication Mgr	-	1.00	1.00	1.00	1.00	
Police Records Manager	1.00	-	-	-	-	
Senior Administrative Analyst	1.00	1.00	1.00	1.00	1.00	
Administrative Analyst	-	-	1.00	1.00	1.00	
Executive Assistant to Chief	1.00	1.00	1.00	1.00	1.00	
Communications Dispatcher Lead	1.00	1.00	1.00	1.00	1.00	
Communications Dispatcher	7.00	7.00	7.00	7.00	7.00	
Senior Parking Control Officer			1.00	1.00	1.00	
Parking Control Officer	2.00	2.00	1.00	1.00	1.00	
Police Records Specialist	4.00	4.00	4.00	4.00	4.00	
Human Resources Specialist	1.00	-	-	-	-	
Administrative Technician	-	1.00	-	-	-	
IT Systems Administrator	-	1.00	1.00	1.00	1.00	
TOTAL DEPARTMENT FTEs	59.00	60.00	60.00	60.00	60.00	

TOWN STAFF

POSITIONS BY HOME DEPARTMENT

	2018/19 Funded	2019/20 Funded	2020/21 Funded	2021/22 Funded	2022/23 Proposed	Comments
PARKS and PUBLIC WORKS DEPARTMENT						
Parks & Public Works Director	1.00	1.00	1.00	1.00	1.00	
Asst PPW Dir/Town Engineer	1.00	1.00	1.00	-	-	
Town Engineer	-	-	-	1.00	1.00	
Urban Forest Manager	-	-	-	-	1.00	CY add 1.0 FTE
Superintendent	1.00	1.00	1.00	1.00	1.00	
Transportation & Mobility Mgr	1.00	1.00	1.00	1.00	1.00	
Park & Public Works Operations Mgr	2.00	2.00	2.00	2.00	2.00	
Senior Civil Engineer	1.00	1.00	1.00	2.00	2.00	
Senior Administrative Analyst	1.00	1.00	1.00	1.00	1.00	
Administrative Technician	-	-	-	-	1.00	CY add 1.0 FTE
Executive Assistant	1.00	1.00	1.00	1.00	-	CY delete 1.0 FTE
Administrative Assistant	2.50	2.50	2.75	2.75	2.75	
Environmental Programs Specialist	1.00	1.00	1.00	1.00	1.00	
Associate Engineer	2.00	2.00	2.00	1.00	1.00	
Assistant Engineer	2.00	2.00	2.00	2.00	2.00	
Construction Project Mgr	1.00	1.00	1.00	1.00	1.00	
Senior Engineering Technician	-	-	1.00	1.00	1.00	
Engineering Technician	1.00	1.00	-	-	-	
Sr Public Works Inspector	1.00	1.00	1.00	1.00	1.00	
Parks Service Officer	1.00	1.00	1.00	1.00	1.00	
Town Arborist	1.00	1.00	1.00	1.00	1.00	
Tree Trimmer/High Climber	1.00	-	-	-	-	
Lead Parks & Maint. Worker	3.00	3.00	3.00	3.00	4.00	CY add 1.0 FTE
Parks & Maintenance Worker	8.00	9.00	9.00	9.00	9.00	
Supervising Equipment Mechanic	-	-	-	1.00	1.00	
Equipment Mechanic	1.00	1.00	1.00	-	-	
TOTAL DEPARTMENT FTEs	34.50	34.50	34.75	34.75	36.75	
LIBRARY						
Library Director	1.00	1.00	1.00	1.00	1.00	
Division Manager	2.00	2.00	2.00	2.00	2.00	
Librarian	3.00	3.00	3.00	3.00	3.00	
Library Technology Specialist	2.00	2.00	2.00	2.00	2.00	
Library Assistant	-	-	-	-	1.00	CY add 1.0 FTE
Library Specialist	1.75	1.75	1.75	1.75	0.75	CY delete 1.0 FTE
Customer Service Specialist	1.75	1.75	1.75	1.75	1.75	
Sr Library Page	1.00	1.00	1.00	1.00	2.00	CY add 1.0 FTE
TOTAL DEPARTMENT FTEs	12.50	12.50	12.50	12.50	13.50	
TOTAL TOWN FTEs	148.97	149.63	150.00	150.25	153.25	

TOWN STAFF **POSITIONS BY HOME DEPARTMENT**

ELECTED OFFICIALS					
	2018/19	2019/20	2020/21	2021/22	2022/23
	<u>Funded</u>	<u>Funded</u>	<u>Funded</u>	<u>Funded</u>	<u>Proposed</u>
Town Council	5.00	5.00	5.00	5.00	5.00
TOTAL ELECTED OFFICIALS	5.00	5.00	5.00	5.00	5.00
HOURLY EMPLOYEES					
	2018/19	2019/20	2020/21	2021/22	2022/23
	<u>Funded</u>	<u>Funded</u>	<u>Funded</u>	<u>Funded</u>	<u>Proposed</u>
<i>Temporary Hours by Department</i>					
Town Council	175	175	175	-	-
Administrative Services	1,376	2,350	2,350	4,030	2,860
Community Development	1,695	1,695	1,955	1,760	1,760
Police Department	3,035	3,035	4,350	2,880	5,920
Parks & Public Works	5,661	5,661	5,661	5,917	7,997
Library Department	9,294	9,294	8,450	8,450	5,290
<i>Total Temporary Hours by Department</i>	21,236	22,210	22,941	23,037	23,827
CONVERTED HOURLY EMPLOYEES	10.21	10.68	11.03	11.09	11.46

(1.00 FTE = 2080 hours)



April 18, 2022

Honorable Mayor and Town Council:

I am pleased to present to you a balanced Fiscal Year (FY) 2022/23 Proposed Operating Budget for the Town of Los Gatos. This past year continued to see a gradual return to economic normalcy from the unprecedented repercussions of shuttering large swaths of the economy to mitigate the public health consequences of COVID-19. While the budget is balanced, it was balanced through the use of one-time American Rescue Plan Act (ARPA) resources from the federal government as well as continued status quo budget direction across Town operations.

On January 25, 2022, the Town Council determined the Strategic Priorities for 2022-2024, providing guidance to Town staff and Commissions on workload prioritization. Even with the budgetary challenges of the last several years associated with the COVID-19 pandemic, many of Council's primary goals and priorities have been programed in the FY 2022/23 Operating and Capital Budgets. Specifically, the Council would like continued progress on wildfire protection safety; emergency preparedness; semi-permanent parklets; diversity, equity, and inclusion; community policing; parking study implementation; and the General Plan and Housing Element updates (see the following page).

The initial economic shock from the pandemic is appearing to be episodic in nature; however, the loss of previously projected future growth in revenues in conjunction with increasing expenses continues to illustrate persistent deficits in future years. The deficits are on the order of approximately \$2.0 to \$3.0 million per year and can currently be resolved through a combination of expenditure controls and the use of one-time funds. The proposed Budget also reflects inflationary pressures and the continued Departmental constraints after multiple years of status quo organizational budgets.

Even with areas of continued uncertainty, this Budget positions the organization well for continued excellence in service delivery to the community. However, in the event pre-pandemic revenue growth projections do not return and/or new revenue sources are not identified, the current projected deficits may need to be addressed through service delivery reductions or service outsourcing. If this occurs, the Council will need significant input from the community to identify acceptable organizational changes and service levels.

The FY 2022/23 General Fund Budget programs total revenues and reserve transfers of \$50.4 million and expenditures and allocations of \$50.4 million. The Budget currently anticipates no significant new programming and does maintain existing service with modest staffing additions. This Budget also provides for limited, continued strategic investments toward important wildfire vegetation management as Federal grant funding allows and other necessary infrastructure improvements, as the pandemic is not the only threat to our community's health and safety.

I would like to take this opportunity to thank the Town Council for your stewardship this past year.



Ongoing Strategic Priorities 2022-2024

SAFETY

- Community Policing
- Emergency Preparedness
 - CERT Recruitment & Training
 - EOC Readiness & Emergency Plan Development
- Fire Protection
 - Vegetation Management
 - Implementation of Ad Hoc Wildfire Mitigation Plan

PRUDENT FINANCIAL MANAGEMENT

- Address Pension & OPEB Obligations
- Explore New Revenue Opportunities
- Sell or Lease Certain Town Properties

QUALITY OF LIFE

- Community Vitality
 - Diversity, Equity & Inclusion Efforts
 - Community Where Older Adults Thrive & Senior Road Map
 - Events & Other Town-Wide Efforts
 - Community Engagement
 - Environmental Sustainability/Climate Resiliency
- Economic Vitality & Pandemic Recovery
 - Policies & Ordinances
 - Semi-Permanent Parklets
- Land Use Planning
 - General Plan 2040
 - Housing Element
 - Affordable Housing
 - Dittos Lane Affordable Housing
 - Objective Standards
 - SB9 Implementation

TRAFFIC/TRANSPORTATION

- Comprehensive Parking Study
 - Short, Medium, and Long-Term Actions
- Transportation Demand Management
 - Measure B Transportation Projects
 - Bicycle & Pedestrian Improvements
 - Community Shuttle
 - Summer/Rush Hour/School Traffic
 - Regional Transportation Issues

BUDGET DEVELOPMENT CONTEXT

An important aspect of the Town's budget development process is taking a multi-year approach to understand revenue and expenditure trends over time. Serving as the foundation of the budget planning process (page A-7), the Town develops a Five-Year Financial Forecast ("Forecast") beginning in the winter of each year. The Forecast enables the Town to evaluate the Town's fiscal condition and to help guide policy, programmatic planning, and budget decisions. Development of a financial forecast as part of the budget development process has been identified as a best practice by the Government Financial Officers Association (GFOA).

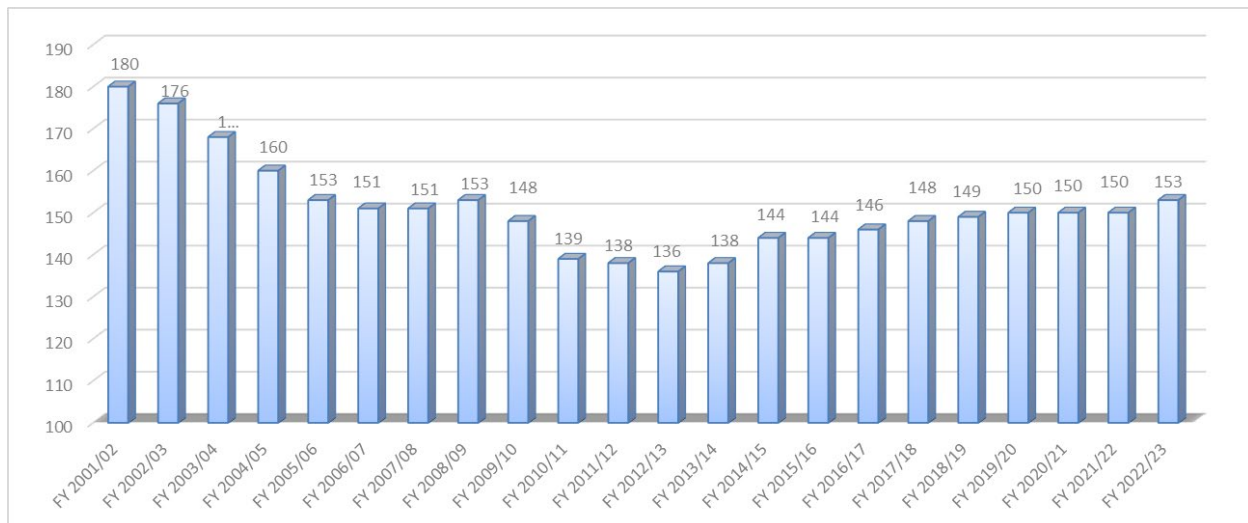
The Forecast takes a forward look at the Town's General Fund revenues and expenditures and is updated regularly. Its purpose is to identify financial trends, potential shortfalls, and other issues so the Town can proactively address them and budget accordingly. It does so by projecting out into the future the fiscal results of continuing the Town's current service levels and policies. This process helps to provide a snapshot of what the future may look like as a result of the decisions made to date.

As we consider the development of the FY 2022/23 Operating Budget and the Five-Year Forecast, it is helpful to provide context from the development and estimated results of the FY 2021/22 Operating Budget. On June 1, 2021, the Town Council, under advisement from the Finance Commission, adopted the use of \$1,912,536 in American Recovery Plan Act (ARPA) funding to balance the FY 2021/22 budget. On February 15, 2022, the Mid-Year Budget reflected a slight reduction in projected deficits into the close of FY 2021/22, with one-time ARPA revenue loss funding having reduced to \$1,444,021 for budget balancing. As information becomes more refined into the close of FY 2021/22, current estimates are for a slight \$600,000 surplus with no revenue loss ARPA funding. To date, no ARPA funding has ultimately been expensed for revenue loss replacement. As discussed in greater detail later, the primary drivers of the reduction in the projected deficit are attributable to increases in Educational Revenue Augmentation Funds (ERAF) property tax distributions, Transient Occupancy Tax (TOT), and continued increases in Sales Taxes.

In addition to the improvements in revenue projections, staff is estimating that there will be year-end operating expenditure savings in FY 2021/22. Savings are attributable to Departmental vacancies and lower cost structures associated with retiree replacements. In addition, vacant positions are often filled with temporary unbenefitted positions, which translate into additional benefit savings. The Town has experienced its share of the "great resignation" and has seen an increase in vacancies throughout the organization. While expenditure savings is welcome news, ultimately vacancies need to be filled to maintain the high level of services provided by the Town.

As with most municipalities, services are provided directly by employees to the Town's residents, businesses, and visitors. As a service delivery enterprise, the cost of salaries and benefits are a significant portion of the budget. The delivery of Town services is highly dependent on recruiting and retaining talent which comprises 66% of budgeted General Fund expenditures for FY 2022/23.

Given the high dependence on labor for service delivery, the Town has helped manage salary escalation (and benefits) through the maintenance of lower staffing levels. As the table below illustrates, since 2001 the Town has reduced its full-time employees by 15.0% to 153 FTE employees.



Even with the Town reducing its full-time employees by 15.0% to 153 FTE employees since 2001, costs per employee continue to escalate as evidenced by pension benefit costs having increased 37.7% in the last five years.

Mandated pension payments to CalPERS have consistently been one of the major cost drivers for the Town over the past decade with persistent unanticipated increases in pension costs. The Town's plans over the past several decades, like all other CalPERS participants, have experienced unfavorable investment returns, changes in actuarial assumptions, and demographic changes which have outweighed any positive plan experiences to date. The outcome of these unfavorable economic and demographic results is the development of unfunded pension and Other Post-Employment Benefit (OPEB) obligations for the Town. According to the 2020 actuarial valuations, the unfunded actuarial liability for pensions was \$61.8 million and \$8.7 million for OPEB as of June 30, 2019.

To address the escalation in pension costs, previous Councils have allocated additional discretionary pension funding totaling \$10.4 million. These additional discretionary payments will ultimately yield an approximate additional \$12.7 million in contribution savings. In addition to the management of the Town's pension obligations, prior Councils have worked to curb cost escalation in Other Post-Employment Benefits (OPEB). In 2009, the Town initiated prefunding of the retiree healthcare benefit and has since established approximately \$27.3 million in OPEB assets from zero in 2009.

The Town has three bargaining units, including the Town Employees' Association (TEA), the American Federation of State, County and Municipal Employees (AFSCME), and the Police Officers' Association (POA). The unrepresented groups are Management and Confidential. The Town and its bargaining groups have also worked to contain benefit costs. The Town closed the

CalPERS retiree Tier 1 benefit for non-safety employees and created a new Tier 2 for non-safety new employees in 2012, implemented the Public Employees' Pension Reform Act (PEPRA) for all new non-classic employees starting in 2013, and participates in the CalPERS discounted prepayment option. The Town's bargaining groups participated in wage freezes and unpaid furloughs for several years to assist in achieving balanced budgets after the 2008 recession. In 2016, the Town's bargaining groups approved the introduction of dependent cost sharing and a reimbursement cap to Medicare eligible employees, and in 2018 the elimination of the Town's existing retiree healthcare benefit prospectively.

While these collective measures have helped to slow the growth in salary and benefit expenses, this budget and forecast anticipates continued increases.

FISCAL YEAR (FY) 2022/23 BUDGET BALANCING STRATEGIES

For FY 2022/23 the Proposed Operating Budget was balanced utilizing two primary budget balancing strategies. The first was direction to all Departments to develop a status quo budget. To that end most Departments programmed existing resources by either maintaining current structures or realigning operations to remain effective while staying within prior year budgets. In addition, Departments were provided guidance to enhance capacity where necessary through limit-dated non-benefited personnel options when possible.

The second strategy is the use of \$1.0 million of the Town's \$5.7 million allocation from the American Rescue Plan Act to replace lost revenue. This is consistent with Council direction in FY 2020/21 (\$1.4 million) and FY 2021/22 (\$1.9 million). To date no ARPA funding has ultimately been expensed for revenue loss replacement.

The FY 2021/22 Budget endeavored to maintain essential public services while controlling operational costs in light of the Five-Year Financial Forecast, which predicts operating shortfalls in subsequent fiscal years. Providing current service levels to the community in future fiscal years will require a strong return to pre-pandemic performance of the Town's economically sensitive revenues and/or revenue enhancements as identified as one of the Town Council's Strategic Priorities.

FIVE-YEAR FINANCIAL FORECAST

Similar to prior years, the Five-Year Forecast serves as the foundation of the budget planning process. The Forecast includes updates to Town revenues and expenditures with the first year of the Forecast's revenue estimates being the most critical in the process as they ultimately define the expenditure limitations for the upcoming budget year. The revenue projections further refine the Town's planning for current and future expenditures based on future projections. The preliminary assumptions are used to forecast the Town's fiscal capacity and provide the financial framework within which the proposed Department service levels must be developed. They also serve as the basis to test the potential impacts of proposed policy and operational modifications based upon the Town Council's most recently adopted Strategic Priorities.

The Five-Year Forecast (FY 2023/24 – 2027/28) is predicated on the estimated ending budget for FY 2021/22 and includes updates to Town revenues and expenditures. Like any forecast, the Forecast's revenue estimates for the first year is the most critical in the process as they ultimately define the expenditure limitations for the upcoming budget year. The Town is highly dependent on three economically sensitive revenues comprising 65% of General Fund forecasted revenues. With that context, updated growth assumptions are provided for each revenue source, and the resultant projected revenues for the new Forecast period. The revenue assumptions provided are informed by the County Tax Assessor, the Town's sales tax consultant, and direct communication with the Town's hospitality industry. These assumptions are described in more detail later in this section.

On the expenditure side, the Forecast budgets positions at the actual rate of pay of employees including benefits as of June 30, 2022. Then, by position, salary costs are updated in accordance with the applicable Memorandum of Understanding (MOU) between the Town and its bargaining units. The Memoranda of Understanding that outline the individual agreements between the Town and each unit related to compensation, health benefits, leave time, and grievance procedures will expire with TEA and AFSCME on June 30, 2022. POA's MOU expired on September 30, 2021. Since all bargaining unit agreements are open for negotiation in 2022, meetings to re-negotiate the agreements in good faith are currently in process. The Management and Confidential groups are unrepresented.

In addition to the economic terms of the MOUs, the Forecast assumes step increases for employees in applicable positions, and merit increases for Management and Confidential employees. In addition, based on prior Council guidance, 2% cost of living wage adjustments (COLA) are included in the Forecast for each year including FY 2022/23. In addition, the Forecast recognizes higher pension costs due to the continued annual payment for prior unfunded actuarial liability (UAL) amortization bases. This information was determined in coordination with the Town's actuarial consultant and CalPERS.

As previously mentioned, the Forecast includes a multitude of primary revenue and expenditure adjustments related to the pandemic, the culmination of which is depicted in the Table on A-7. In addition, a table of the past five years of actual year-end results has been included for comparative purposes to the Proposed Operating Budget and Forecast period on A-8.

Actual results by line item as presented in the Five-Year Forecast are reported in greater detail in the Forecast compared to the Town's Comprehensive Annual Financial Report (ACFR) which uses summary data (an example being Sales & Use Tax and Measure G District Tax are summarized and reported in the ACFR as one line item, Sales Taxes). Similar issues also occur for expenditure line items because they tend to be the primary drivers for forecasting future expense trends. Use of and additions to reserves are presented in the Forecast schedules for tracking and visibility purposes as the use of reserves are not considered actual revenues for ACFR reporting. Changes to reserve balances over the fiscal year are reported in the footnotes accompanying the financial statements in the ACFR.

Town of Los Gatos General Fund 5-Year Forecast
(in \$ million)

Account	Revenue Category	2021/22 Adjusted Budget	2021/22 Estimates	2022/23 Proposed Budget	2023/24 Forecast	2024/25 Forecast	2025/26 Forecast	2026/27 Forecast	2027/28 Forecast
4100	Property Tax	\$ 15.4	\$ 15.7	\$ 16.6	\$ 15.7	\$ 16.1	\$ 16.6	\$ 17.1	\$ 17.6
4110	VLF Backfill Property Tax	4.2	4.2	4.4	4.5	4.6	4.8	4.9	5.1
4200	Sales & Use Tax	7.0	7.5	7.9	8.2	8.5	8.8	9.1	9.3
4200	Measure G District Sales Tax	1.2	1.2	1.3	1.4	1.4	1.5	1.5	1.5
4250	Franchise Fees	2.5	2.4	2.5	2.6	2.6	2.7	2.8	2.9
4251	Transient Occupancy Tax	1.4	1.4	1.6	1.7	1.8	1.9	1.9	2.0
4400	Business License Tax	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3
4400	Licenses & Permits	3.1	3.1	2.8	2.8	2.9	3.0	3.1	3.2
4500	Intergovernmental	4.0	1.1	1.1	1.0	1.0	1.0	1.2	1.1
4600	Town Services	4.2	4.3	4.2	4.0	4.1	4.1	4.2	4.3
4700	Fines & Forfeitures	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
4800	Interest	0.4	0.4	0.4	0.3	0.3	0.3	0.3	0.3
4850	Other Sources	2.6	2.4	2.2	2.2	2.2	2.2	2.3	2.2
4900	Fund Transfers In	0.6	0.6	0.5	0.5	0.5	0.5	0.5	0.5
TOTAL OPERATING REVENUES & TRANSFERS*		\$ 48.1	\$ 45.8	\$ 47.0	\$ 46.4	\$ 47.5	\$ 48.9	\$ 50.4	\$ 51.5
	Capital	0.6	0.6	2.4	0.8	0.8	0.8	0.8	0.8
	Use of Pension/OPEB Reserve	-	0.3	-	-	-	-	-	-
	Use of Property Surplus Reserve	1.2	1.2	-	-	-	-	-	-
	Use of Measure G Reserve	1.1	1.1	-	-	-	-	-	-
	ARPA Replacement Revenue	-	-	1.0	-	-	-	-	-
TOTAL REVENUES, TRANSFERS, AND USE OF RESERVES		\$ 51.0	\$ 49.0	\$ 50.4	\$ 47.2	\$ 48.3	\$ 49.7	\$ 51.2	\$ 52.3
Account	Expenditure Category	2021/22 Adjusted Budget	2021/22 Estimates	2022/23 Proposed Budget	2023/24 Forecast	2024/25 Forecast	2025/26 Forecast	2026/27 Forecast	2027/28 Forecast
5110	Salary	20.9	19.2	21.5	21.6	22.2	22.5	23.0	23.5
5120	CalPERS Benefits	7.3	6.2	7.3	7.5	7.8	7.7	8.0	8.1
5200	All Other Benefits	4.2	3.4	4.4	4.6	4.7	4.8	5.0	5.1
6211	OPEB Pay as You Go	1.5	1.5	1.5	1.5	1.6	1.7	1.8	1.9
6000	Operating Expenditures	6.4	7.0	6.9	6.8	7.1	7.1	7.4	7.5
7200	Grants & Awards	1.0	0.8	0.2	0.2	0.2	0.2	0.2	0.3
7400	Utilities	0.6	0.6	0.6	0.6	0.7	0.7	0.7	0.7
8060	Internal Service Charges	2.7	2.6	2.7	2.9	3.1	3.4	3.7	3.8
8900	Debt Service	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9
TOTAL OPERATING EXPENDITURES		\$ 46.6	\$ 43.3	\$ 47.0	\$ 47.5	\$ 49.3	\$ 50.1	\$ 51.7	\$ 52.9
	GASB 45 Retiree Medical Actuarial	0.1	0.1	-	-	-	-	-	-
	Additional Discretionary Payment - Pension	0.4	0.7	0.4	0.4	0.4	0.4	0.4	0.4
TOTAL OPERATING & DISCRETIONARY EXPENDITURES		\$ 47.1	\$ 44.1	\$ 47.4	\$ 47.9	\$ 49.7	\$ 50.5	\$ 52.1	\$ 53.3
	Capital Transfers Out to GFAR	2.8	2.8	2.3	0.8	0.8	0.8	0.8	0.8
	Proceeds	0.6	0.6	0.7	0.7	0.7	0.7	0.8	0.8
AMOUNTS AVAILABLE FOR RESERVE ALLOCATIONS									
	Stabilization/Catastrophic	-	0.5	-	-	-	-	-	-
	Allocate to Compensated Absences	-	-	-	-	-	-	-	-
	Allocate to Market Fluctuation	-	-	-	-	-	-	-	-
	Allocate to CalPERS/Pension	-	0.3	-	-	-	-	-	-
TOTAL EXPENDITURES & RESERVE ALLOCATIONS		\$ 50.5	\$ 48.3	\$ 50.4	\$ 49.4	\$ 51.2	\$ 52.0	\$ 53.7	\$ 54.9
NET REVENUES RESERVE TRANSFERS LESS EXPENDITURES & RESERVE ALLOCATIONS FOR FINAL ALLOCATION AFTER YEAR END CLOSE		\$ 0.5	\$ 0.6	\$ -	\$ (2.2)	\$ (2.9)	\$ (2.3)	\$ (2.5)	\$ (2.6)

* Due to rounding of individual categories FY 2021/22 Total Expenditures and Reserve Allocations includes \$0.1 million.
General Fund (111) Forecast does not include Pension Trusts activities.

Town of Los Gatos General Fund Historical Year-End Results
(in \$ million)

Account	Revenue Category	2015/16 Actuals	2016/17 Actuals	2017/18 Actuals	2018/19 Actuals	2019/20 Actuals	2020/21 Actuals
4100	Property Tax	\$ 10.8	\$ 11.5	\$ 12.5	\$ 13.6	\$ 14.5	\$ 15.8
4110	VLF Backfill Property Tax	3.0	3.2	3.4	3.7	3.9	4.1
4200	Sales & Use Tax	7.5	9.2	7.6	8.0	6.5	6.8
4200	Measure G District Sales Tax	-	-	-	0.2	1.0	1.1
4250	Franchise Fees	2.3	2.4	2.5	2.5	2.5	2.5
4251	Transient Occupancy Tax	1.9	2.3	2.6	2.7	1.9	1.0
4400	Business License Tax	1.5	1.7	1.7	1.5	1.4	1.4
4400	Licenses & Permits	3.5	3.0	3.0	3.1	2.7	3.1
4500	Intergovernmental	1.0	0.9	1.0	0.9	1.0	1.6
4600	Town Services	4.0	3.3	4.4	4.4	4.4	4.6
4700	Fines & Forfeitures	0.9	0.9	0.7	0.5	0.3	0.1
4800	Interest	0.6	0.2	0.2	1.4	2.2	0.1
4850	Other Sources	2.3	4.3	3.2	4.6	2.7	3.7
4900	Fund Transfers In	2.4	0.3	0.8	1.6	0.6	0.7
TOTAL OPERATING REVENUES & TRANSFERS*		\$ 41.7	\$ 43.2	\$ 43.6	\$ 48.7	\$ 45.6	\$ 46.6
	Capital	-	1.4	3.2	2.8	8.0	3.4
	Use of Pension/OPEB Reserve	-	-	-	-	-	4.5
	Use of Almond Grove Reserve	-	5.9	-	-	-	-
TOTAL REVENUES, TRANSFERS, AND USE OF RESERVES		\$ 41.7	\$ 50.5	\$ 46.8	\$ 51.5	\$ 53.6	\$ 54.5
Account	Expenditure Category	2015/16 Actuals	2016/17 Actuals	2017/18 Actuals	2018/19 Actuals	2019/20 Actuals	2020/21 Actuals
5110	Salary	14.5	14.8	16.0	17.9	19.3	20.2
5120	CalPERS Benefits	3.6	3.9	4.3	5.3	6.1	6.4
5200	All Other Benefits	3.2	3.2	3.3	3.6	3.6	3.7
6211	OPEB Pay as You Go	0.9	1.0	1.1	1.2	1.2	1.3
6000	Operating Expenditures	4.7	4.8	5.0	5.6	5.1	5.7
7200	Grants & Awards	0.7	0.2	0.2	0.3	0.3	0.3
7400	Utilities	0.4	0.6	0.5	0.5	0.5	0.6
8060	Internal Service Charges	3.5	3.6	3.9	2.5	2.2	2.3
8900	Debt Service	1.9	1.9	1.9	1.9	1.9	2.0
TOTAL OPERATING EXPENDITURES		\$ 33.6	\$ 34.0	\$ 36.2	\$ 38.8	\$ 40.2	\$ 42.4
	GASB 45 Retiree Medical Actuarial	1.5	2.6	1.6	1.1	1.1	0.6
	Additional Discretionary Payment - Pension	-	-	-	-	-	5.6
TOTAL OPERATING & DISCRETIONARY EXPENDITURES		\$ 35.1	\$ 36.6	\$ 37.8	\$ 39.9	\$ 41.3	\$ 48.6
	Capital Transfers Out to GFAR	0.5	7.3	2.6	2.3	7.0	3.4
	Operating Transfer Out	0.1	-	0.6	0.5	1.1	-
	Fixed Assets/ Equipment	0.4	-	-	-	0.1	-
	Fund	-	-	1.2	3.6	0.4	-
AMOUNTS AVAILABLE FOR RESERVE ALLOCATIONS		\$ 5.6	\$ 6.6	\$ 4.6	\$ 5.2	\$ 3.7	\$ 2.5
	Allocate to Almond Grove Reserve	2.5	-	-	-	-	-
	Stabilization/Catastrophic	-	-	-	-	-	0.1
	Allocate to Compensated Absences	-	-	-	-	-	0.1
	Allocate to Market Fluctuations Reserve	0.3	0.3	-	-	1.2	-
	Allocate to CalPERS/Pension Reserve	-	1.8	-	-	-	0.3
	Allocate to Measure G Reserve	-	-	-	-	1.2	-
	Allocate to VM & Stores Surplus Reserve	-	-	-	1.0	-	-
	Allocate to Authorized Carryforwards	0.1	-	-	-	-	-
	Sales Tax Prior - Year Adjustments	-	0.4	-	-	-	-
	Allocate to Property Surplus Reserve	-	-	-	1.9	-	1.2
TOTAL EXPENDITURES & RESERVE ALLOCATIONS		\$ 39.0	\$ 46.4	\$ 42.2	\$ 49.2	\$ 52.2	\$ 53.7
NET REVENUES RESERVE TRANSFERS LESS EXPENDITURES & RESERVE ALLOCATIONS FOR FINAL ALLOCATION AFTER YEAR END CLOSE		\$ 2.7	\$ 4.1	\$ 4.6	\$ 2.3	\$ 1.4	\$ 0.8
* Due to rounding of individual categories Total Expenditures and Reserve Allocations may include \$0.1 million. General Fund (111) Historical presentaion does not include Pension Trusts activities.							

STRATEGIC PRIORITIES AND CORE GOALS

In January 2022, the Town Council determined the Strategic Priorities for 2022-2024, providing guidance to Town staff on workload prioritization. The Town Council reaffirmed its Core Goals, including: Community Character, Good Governance, Fiscal Stability, Quality Public Infrastructure, Civic Enrichment, and Public Safety. Even with the continuing challenges associated with the COVID-19 pandemic, many of Council's primary goals and priorities are programmed in the FY 2022/23 Operating and Capital Budgets.

Several Strategic Priorities are not one-time projects, but rather are ongoing commitments due to their critical significance to ensure the Town's fiscal and infrastructure stability and the safety and quality of life for Los Gatos residents, businesses, and visitors. These commitments include continuing to address the Town's unfunded pension and other post-employment benefits (OPEB) obligations; developing Measure B transportation projects so the Town is positioned to receive its fair share of the funds; and fostering emergency preparedness and community wildfire resilience.

In terms of capital projects, the Town Council affirmed its interest in investing in bicycle and pedestrian improvements and implementing elements of the Comprehensive Parking Study. In addition to capital projects, the Council identified new policy priorities which include engaging our senior community and implementing diversity, equity, and inclusion efforts.

Other Strategic Priorities will position the Town well for its future. The Council reaffirmed its commitment to explore new revenue opportunities. The Council continues the General Plan Update to engage the community in land use planning and policies to guide development for the next couple of decades and address environmental sustainability and climate resiliency. Other Priorities included continuing to enhance economic and community vitality and completing the Housing Element. As the Town emerges from the economic upheaval of the pandemic, the significance of building back stronger will position the Town well for the future.

UNDERSTANDING THE BUDGET DOCUMENT

The Operating Budget document includes Town-wide information as well as information specific to each fund and each Department. The Town receives revenues from different sources, many of which have restrictions on how they can be used. Separate funds are established to account for the different types of revenues and allowable uses of those revenues.

The budget is prepared in accordance with Generally Accepted Accounting Principles. The budget for governmental funds has been prepared on a modified accrual basis. The modified accrual basis recognizes expenditures when the related fund liability is incurred. Revenues are recognized when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

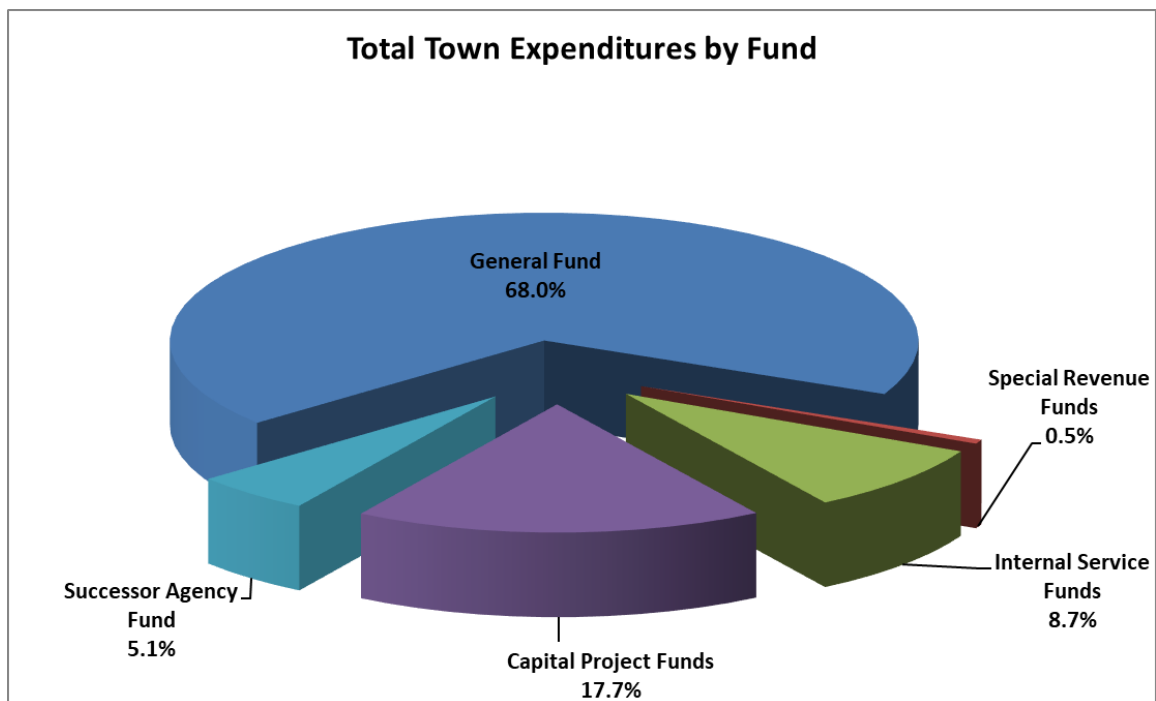
FY 2022/23 FISCAL OUTLOOK

Overview

The workload and budgetary prioritization process took into account the Town's current economic reality and long term fiscal picture, as well as high priority service delivery needs. Key principles include:

- Develop and recommend a balanced budget that maintains service levels;
- Position for multi-year return to pre pandemic revenue levels;
- Continue to make progress on Strategic Priorities identified by the Town Council;
- Identify opportunities to enhance service delivery through new revenue sources, technology, and open government; and
- Prepare for addressing future deficits in the event new revenue sources do not materialize.

As shown in the chart below, the Proposed Budget is largely funded by the General Fund (68%).



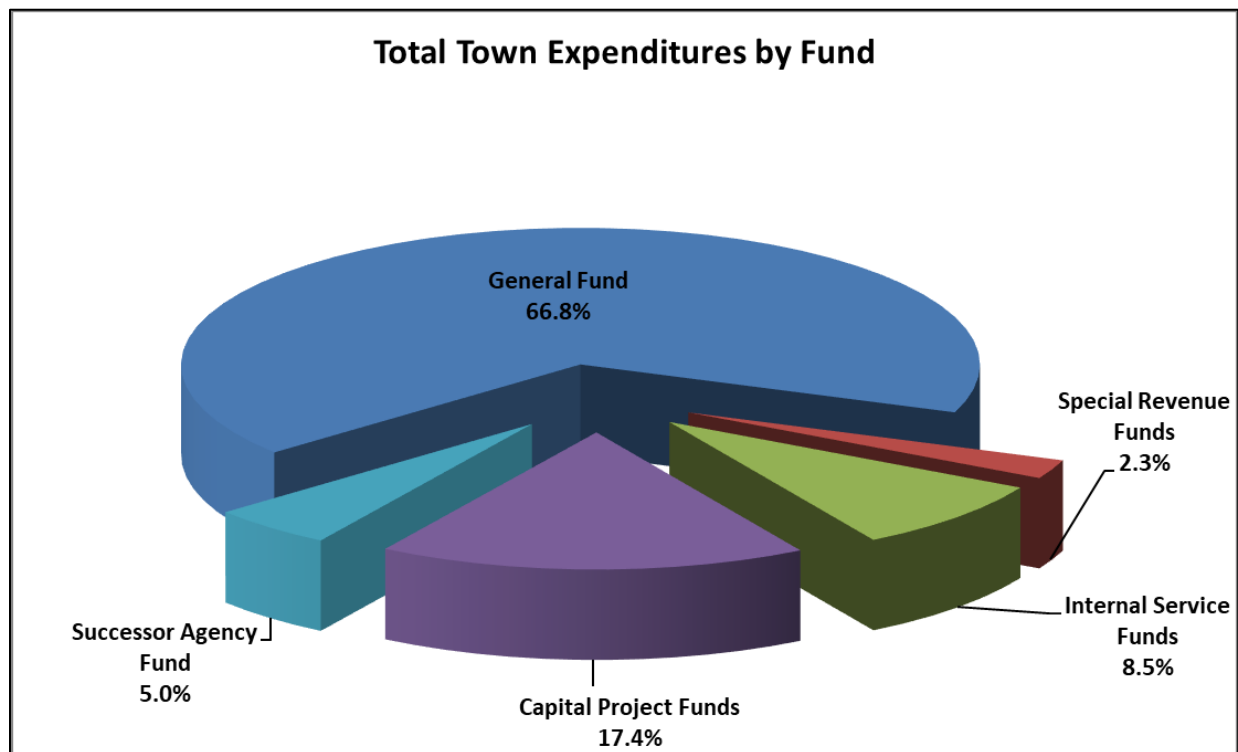
For Council's consideration, staff is recommending the following allocations:

- \$1,304,696 from the American Recovery Act (ARPA) to balance the budget and provide rent forgiveness to certain non-profit organizations who are tenants of Town buildings. The unallocated ARPA funds are placed in the ARPA Reserve.
- \$2,350,000 from the General Fund Capital/Special Projects Reserve to fund to the proposed Capital Improvement Program.

If the Town Council does not agree with these proposed recommendations, the Council should provide specific guidance as to the allocation of these funds.

General Fund

The General Fund pays for core services such as public safety, community development, parks and public works, library, and other services. The revenue used to pay for these services comes primarily from local taxes such as property tax, sales tax, transient occupancy tax, franchise fees, licenses and permits, Town services, fines and forfeitures, and a variety of other sources. As illustrated in the chart below, the majority of General Fund revenue supports the services provided by Police, Parks and Public Works, Community Development, and Library Departments.



General Fund revenue is estimated at \$44.5 million in the FY 2022/23 Proposed Budget, excluding debt service, ARPA receipt, restricted pension trust activity, and fund transfers. This is an increase of \$1.2 million (3%) when compared to the FY 2021/22 estimated revenue and a 0.01% increase when compared to FY 2020/21 actuals. While Property Taxes, Vehicle License Fee (VLF) backfill property tax, Sales Tax, and Transient Occupancy Tax are projected to increase, it is important to note that projected Sales Tax revenue is just now returning to FY 2018/19 levels and TOT revenue projections are still \$1.1 million below FY 2018/19 levels. Anticipated increases in Property Tax are primarily attributable to more favorable projections of Educational Revenue Augmentation Fund (ERAF) distributions. Revenues from Licenses and Permits are expected to decrease.

The Town's General Fund operating budget expenditures for FY 2022/23 are projected to be \$45.4 million which is a slight \$0.2 million increase compared to the prior year's Adjusted Budget (excluding fund transfers, Council Approved ARPA grants and rent forgiveness, Pension Trust Fund activities, and debt service). Compared to the FY 2020/21 actuals, proposed operating expenditures are a 13.8% increase. The increase in FY 2022/23 is primarily attributable to merit step increases, employee promotions, development of three new positions, and increased pension costs. Other components of the expenditures include grants and awards, internal service charges, operating expenses for supplies and services, and debt service. The delivery of Town services is highly dependent on a talented and skilled labor, which makes up 66.1% of budgeted General Fund expenditures for FY 2022/23.

Internal Service Funds

Internal Service Funds are used for areas where goods or services are provided to other Town Departments. Internal Service Funds include funds and programs for Information Technology, Liability Insurance, Workers' Compensation, Facilities Maintenance, and Equipment Replacement. The total proposed Budget for Internal Service Funds for FY 2022/23 is \$6,427,499.

Capital Projects Fund

The Capital Improvement Projects Fund is typically used to account for financial resources that are used for the acquisition or construction of major capital infrastructure or to provide or improve facilities for Town Departments as identified in the five-year Capital Improvement Program (CIP).

The proposed FY 2022/23 Town-wide expenditures from the Capital Projects Fund is \$13.1 million (excluding transfers out) which is inclusive of \$6.5 million in General Fund Appropriated Reserve for the Town's CIP program.

Special Revenue Funds

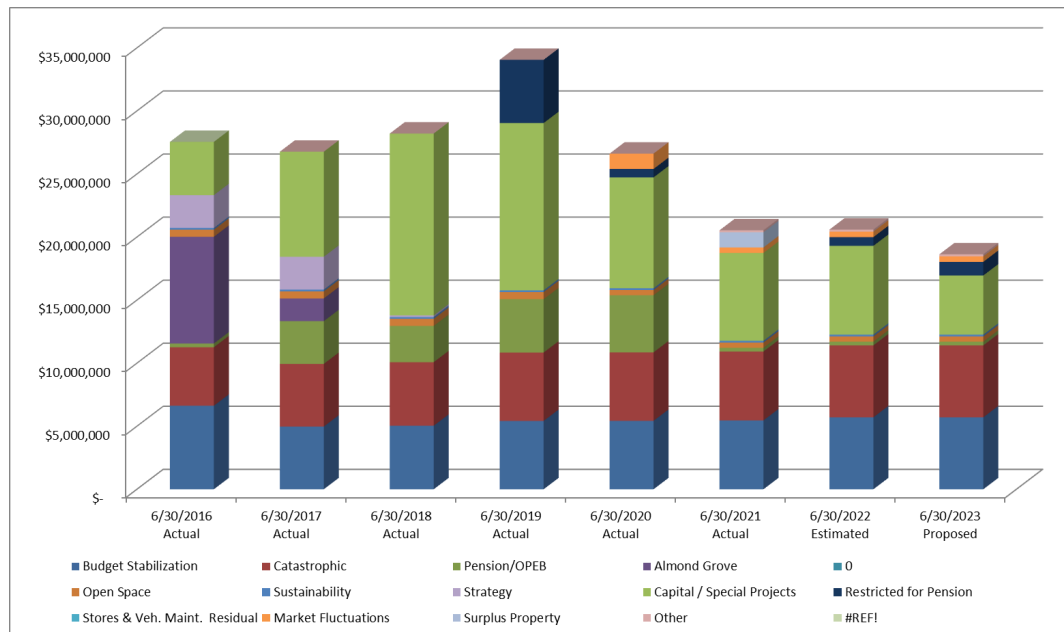
Special Revenue Funds are a fund type used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes including four trusts established to provide for the servicing of donations and bequests to the Town's Library program. Special Revenue Funds account for 0.9% of the Town-wide expenditure budget. The Town's largest Special Revenue Funds are the ARPA and the Urban Run-Off Source Fund. The total proposed Budget for Special Revenue Funds for FY 2022/23 is \$1,705,178.

Successor Agency to the Los Gatos RDA Funds

The Successor Agency to the Los Gatos Redevelopment Agency (RDA) is a private purpose trust fund that accounts for the assets, liabilities, and operations transferred from the dissolution of the Town's RDA. These funds include Certificates of Participation issued to finance several capital improvement projects throughout the Town and repayment of obligations incurred by the Town's RDA prior to its dissolution. The FY 2022/23 budgeted expenditures in this trust fund total \$3.8 million.

GENERAL FUND RESERVES

The total General Fund Reserves are forecasted at a balance of approximately \$20.9 million as of June 30, 2023. Additional information on the estimated FY 2021/22 and FY 2022/23 year-end General Fund balances can be found in the Financial Summaries section. As indicated in the chart on the next page, the General Fund reserves are decreasing from prior years due primarily to previous programmed payments toward the Town's unfunded pension/OPEB obligations and transfers to the CIP program. Past transfers to the CIP program include \$7.0 million (FY 2016/17), \$2.4 million (FY 2017/18), \$2.4 million (FY 2018/19), \$5.7 million (FY 2019/20), \$3.4 million (FY 2020/21), and \$2.8 million (FY 2021/22). The proposed transfer in FY 2022/23 is \$2.4 million. Pension/OPEB transfers of note include the \$4.5 million California Public Employees Retirement System (CalPERS) side-fund payoff in June 2014 and a \$4.8 million additional discretionary payment (ADP) in FY 2019/20. In FY 2020/21, additional ADPS of \$3.6 million and \$2.1 million were transferred in July and April, respectively.



General Fund Reserve	6/30/2016 Actual	6/30/2017 Actual	6/30/2018 Actual	6/30/2019 Actual	6/30/2020 Actual	6/30/2021 Actual	6/30/2022 Estimated	6/30/2023 Proposed
Restricted for:								
Pension				\$ 5,015,316	\$ 669,978	\$ -	\$ 690,000	\$ 1,080,000
Committed to:								
Budget Stabilization	\$ 6,621,808	\$ 4,969,847	\$ 5,037,243	\$ 5,419,222	\$ 5,427,603	\$ 5,460,485	\$ 5,703,957	\$ 5,703,957
Catastrophic	4,637,406	4,969,847	5,037,243	5,419,222	5,427,603	5,460,485	5,703,957	5,703,957
Pension/OPEB	300,000	3,388,913	2,878,913	4,232,500	4,532,500	300,000	300,000	300,000
Almond Grove	8,459,973	1,801,318	-	-	-	-	-	-
Assigned to:								
Open Space	562,000	562,000	562,000	562,000	410,000	410,000	410,000	410,000
Sustainability	140,553	140,553	140,553	140,553	140,553	140,553	140,553	140,553
Strategy	2,600,000	2,600,000	129,090	-	-	-	-	-
Capital / Special Projects	4,222,405	8,332,953	14,421,203	13,262,303	8,787,958	6,965,356	7,041,938	4,691,938
Authorized Carryforward	99,284	34,852	99,927	413,729	-	-	-	-
Compensated Absences		350,329	2,122,512	1,232,653	1,539,408	1,649,917	1,649,917	1,649,917
To Workers' Compensation				1,232,654				
Measure G District Sales Tax					1,181,162	1,730,490	679,443	679,443
Stores & Veh. Maint. Residual				1,040,375	-	-	-	-
Market Fluctuations					1,218,732	438,333	438,333	438,333
Surplus Property				-		1,200,000	-	-
Other						159,000	159,000	159,000
Total General Fund Reserve	\$ 27,643,429	\$ 27,150,612	\$ 30,428,684	\$ 37,970,527	\$ 29,335,497	\$ 23,914,619	\$ 22,917,098	\$ 20,957,098

Catastrophic and Budget Stabilization Reserves

As per the Town's General Fund Reserve Policy and reaffirmed by Council, the Catastrophic and Budget Stabilization Reserves are to be maintained at combined minimum funding level of 25% of General Fund ongoing operating expenditures. The funding requirement is equally divided between the Catastrophic Reserve (12.5%) and the Budget Stabilization Reserve (12.5%). Fund balance in these reserves is used to fund future fluctuations in the economy due to catastrophic events and mitigating cyclical changes in locally generated revenues from temporary downturns in the local economy. Staff recommends transferring \$486,944 from available prior year-end savings to meet the required 25% funding level, or \$11.4 million total for FY 2022/23.

Pension/OPEB Reserve

Committed fund balance in this reserve is used to fund pension and other post-employment benefits (OPEB) unfunded obligations. This reserve is primarily used to house additional discretionary payments budgeted for future allocation to CalPERS. The Town's Pension/OPEB Oversight Committee has determined that additional discretionary payments will be allocated directly to CalPERS.

With Council direction, upon the close of the fiscal year, the CalPERS/OPEB Reserve receives \$300,000 of the available year-end savings. In FY 2018/19, the Council modified the General Fund Reserve Policy to reduce the amortization period for prior pension amortization bases from 30 years to 20 years. Initial annual programming of \$390,000 was established subject to final adjustment based upon updated CalPERS actuarial valuations. The prior Council Finance Committee made recommendations for the allocation methodology for use of these funds for future Town Council/Oversight Committee consideration.

Capital/Special Projects

With Council direction, upon the close of the fiscal year, the Capital/Special Projects Reserve receives the Town's annual revenues above operating expenditures after funding all legally restricted reserves at their required levels. Fund balance is assigned for the acquisition and construction of capital facilities or special projects as determined by the Town Council. In FY 2022/23, the amount being allocated to the Capital Improvement Program is \$2.4 million. It is anticipated the Reserve will have approximately \$4.1 million as of June 30, 2023.

Compensated Absences Reserve

A reserve is maintained annually to fund 50% of all vested hours of vacation earnings. It is anticipated the reserve will have approximately \$1.6 million as of June 30, 2023.

Surplus Property Reserve

A reserve established for placing the proceeds from surplus property sales until further Town Council reallocation. It is anticipated the reserve will have approximately \$0.0 million as of June 30, 2023.

Measure G District Sales Tax Reserve

A reserve established tracking the receipt and the usage of the 1/8 cents District Tax funds collected by the Town. Pending Council direction on current unallocated reserve balance it is anticipated the reserve will have approximately \$0.0 million as of June 30, 2023.

Other

The Town has several other smaller reserves that have been classified as other. These reserves include an authorized carryforward, open space reserve which may be used to make selective open space acquisitions, and a sustainability reserve which will be used to fund projects that enhance the community environment. Please refer to the Financial Summaries section (C-1) for additional information.

American Rescue Plan Act (ARPA)

The ARPA proceeds are accounted in the special revenue fund and revenues are recognized as eligible expenses occurred.

KEY BUDGET ASSUMPTIONS

Revenues

The FY 2022/23 Budget incorporates the waning impacts of the COVID-19 pandemic and the subsequent economic disruption with the General Fund revenues (excluding debt payments, restricted pension trust activity, and fund transfers in) expected to increase by \$0.9 million to \$46.8 million (not including anticipated ARPA fund receipt) from prior year estimated revenues. Revenue projections for each category were based upon estimates provided to the Town by the Santa Clara County Assessor, the Town's sales tax consultant, and careful examination of revenue trends, patterns, and industry research.

The net increase from FY 2021/22 in overall revenues is mostly due to forecasted increases in some revenues such as property tax, sales tax, and transient occupancy tax. Licenses and permit revenues are expected to decrease in FY 2022/23 and then increase gradually over time. The sales tax projections include the voter approved one-eighth general purpose sales tax dedicated to the Town of Los Gatos. Revenue collection began in April 2019. Additional details regarding the assumptions used in the development of revenue estimates can be found in the Forecast Assumptions at the end of this section.

Expenditures - Staffing

The proposed Budget includes minor adjustments to staffing.

	FY 2021/22 Authorized/Funded Town Staff Position	FY 2022/23 Authorized/Funded Town Staff Position
Departments		
Town Council	0.50	0.50
Town Attorney	2.13	2.13
Administrative Services	20.18	20.18
Community Development	20.20	20.20
Police Department	60.00	60.00
Parks & Public Works	34.75	36.75
Library	12.50	13.50
Total Position	150.25	153.25
All Hourly Employee Staff Converted to FTE's	11.09	11.46
	161.34	164.71

The FY 2022/23 Operating Budget has 153.25 full time employees and an additional 11.47 full time equivalent (FTE) hourly employees for a total of 164.71 budgeted FTEs, including temporary staff. This reflects an increase of 3 FTE compared to the prior year. Two of the added positions provide important hire ahead capacities in the Parks and Public Works Department. The two positions will help bridge anticipated retirements with staffing returning to prior levels once transitions are completed. The one in the Library is a Senior Library Page as described below. The recommended FY 2022/23 staffing levels also reflect the following changes from the prior year's Adopted Budget:

- *Administrative Services and Town Offices* - The FY 2022/23 Budget reflects the continuation of a limited dated part time position to assist with the Town's emergency preparedness activities and regional emergency management engagement. The FY 2022/23 Budget also includes one-time temporary hours to help with special projects in the Information Technology Program.
- *Community Development Department (CDD)* –The FY 2022/23 Budget includes the part-time Code Compliance Officer position which will be continued for another year.
- *Police* – The FY 2022/23 Budget contains one-time temporary staff hour requests for Community Service Officer Intern, two Police Trainee recruit positions, Background Investigation Staff, and continuation of the Temporary Parking and Project Manager for implementation of the Comprehensive Parking Study.
- *Parks and Public Works (PPW)* – The FY 2022/23 budget includes a one-time (1 FTE) Urban Forest Manager to manage the Town's urban forest and fire safety program a one-time hire ahead Lead Parks and Maintenance worker, and additional 2080 hours for a Temporary Senior Civil Engineer to assist with the grant funded CIP projects. Upon retirement of one of the current Lead Maintenance Worker and the Town Arborist the two positions will be defunded and through a future Council budget action, will be removed from the number of authorized positions. In addition, the proposed budget includes a reclassification of an Executive Assistant position to an Administrative Technician position.
- *Library* – The FY 2022/23 budget includes an additional Senior Library Page position and a reclassification of a Library Technician position to a Library Assistant position. These changes were funded by reduction of temporary hours.

Non-Personnel Operating Expenditures

Non-Personnel expenditure budgets were developed based on actual expenditures in prior years, adjusted for FY 2022/23 funding needs. In light of limited available resources, the FY 2022/23 proposed budgeted non-personnel expenditures are conservative, with additions primarily limited to non-discretionary, contractually obligated, or mandated increases. Additional details regarding the assumptions used in the development of the expenditure estimates can be found in the Forecast Assumptions discussion later in this section.

STATE BUDGET IMPACTS

Preliminary data for the State of California FY 2022/23 Proposed Budget anticipate a \$31 billion surplus. The Legislative Analyst Office (LAO) offers that the \$31 billion surplus is driven by

revenue collections coming in over \$10 billion ahead of budget act expectations so far this year. Underlying this growth, the LAO states are significant increases in several measures of economic activity. Retail sales have posted double digit growth during 2021, stock prices have doubled from their pandemic low last spring, and several major firms have posted historically high earnings. As a result, the LAO projects State General Fund revenue will be \$28 billion higher than anticipated in the FY 2022/23 Budget.

Aside from tax payment deferral programs which are largely a question of cash flow, local revenues are well insulated from any State budgetary problem. Unlike in prior recessions, local governments have strong and encompassing constitutional protection from State actions that might affect revenues and mandates. Similarly, it is unlikely that the State will disburse any extra revenue to local governments.

The estimated Gas Tax revenue totals approximately \$1.6 million for FY 2022/23 due to the Road Recovery and Repair Act of 2017 (SB1). These funds can only be used for new construction and reconstruction of Town streets.

ONGOING BUDGET CONSIDERATIONS:

Fire Protection Services

Fire Protection Services for the Town of Los Gatos are provided by the Santa Clara County Central Fire Protection District. These services have been provided under an annexation agreement effective March 18, 1970 in which the tax rate then in effect for Town's fire protection services was essentially transferred to the County's Central Fire Protection District. Based upon the latest assessed valuation reports provided by the County of Santa Clara, the property tax collected from Los Gatos residents for FY 2022/23 and remitted to the Santa Clara County Central Fire Protection District for fire protection services is estimated to be approximately \$19.6 million.

Unfunded Other Post-Employment Benefits (OPEB) and Pension Liabilities

The Town's pension unfunded actuarial liability (UAL) as of June 30, 2020 (the "date of value" for our most up to date actuarial valuation from the California Public Employees Retirement System (or "PERS") is approximately \$61.8 million. The Town's unfunded actuarial OPEB liabilities are projected to total approximately \$8.7 million as of June 30, 2019.

On November 3, 2020, voters of Los Gatos approved the Measure A ballot initiative establishing a new Finance Commission and disbanding both the Finance Committee and Sales Tax Oversight Committee. The Commission is comprised of five resident voting members and two non-voting Council Members. Among other things, the Commission is tasked with providing guidance to the Town Council and staff in the development of long-term strategies to pay down and manage OPEB and pension liabilities.

CONCLUSION

While the Town and the nation appear to be emerging from the economic turmoil associated with COVID-19 pandemic, its impacts to the current Budget and Five-Year Forecast continue to

be felt. For this reason, the FY 2022/23 Budget maintains a conservative posture until greater clarity emerges on the Town's primary revenue sources. To ensure the Town's high service levels are maintained, Council Strategic Priorities are addressed, and essential infrastructure investments are made, the Town's primary revenue sources will need to return to pre-pandemic levels and/or new revenue sources secured.

Considering future anticipated deficits, opportunities to enhance service delivery, while lowering operating costs through resource and workload redeployments and organizational restructuring will continue to be explored, evaluated, and implemented. However, in the event pre pandemic revenue growth projections do not return, and new revenue sources are not identified, the current projected deficits may need to be addressed through service delivery reductions or service outsourcing. If this occurs, the Council will need significant input from the community to identify acceptable organizational changes and service levels.

In the interim, due to the proactive and conservative fiscal policies of the past, the Town is in an enviable position to manage the unprecedented nature of the pandemic. With this Budget, we continue to fund both the Catastrophic and Budget Stabilization Reserves per the Town's General Fund Reserve Policy at a combined minimum funding level of 25% of General Fund ongoing operating expenditures. The funding requirement is equally divided between the Catastrophic Reserve (12.5%) and the Budget Stabilization Reserve (12.5%) and currently approximates \$11.4 million in reserves. These contingencies provide ample resources in the event the nascent economic recovery stalls.

I wish to thank all Town Departments, including the Directors and the members of their management, analytical, and support staff, who worked diligently on the preparation of this Budget document. In addition, I would like to recognize the efforts of the entire Finance Department and the Assistant Town Manager:

Stephen Conway, Interim Finance Director
 Gitta Ungvari, Finance and Budget Manager
 Melissa Ynegas, Administrative Analyst
 Diane Howard, Administrative Analyst
 Mark Gaeta, Accountant
 Maurice De Castro, Accountant
 Wayne Chen, Administrative Technician
 Arn Andrews, Assistant Town Manager

Again, I wish to thank the current Council for your fiscal stewardship which has left the Town on firm footing to navigate the unprecedented nature of the current pandemic crisis.

Respectfully submitted,



Laurel Prevetti
 Town Manager

FORECAST ASSUMPTIONS

REVENUE BASELINE AND PROJECTION FACTORS

Type of Revenue Base Line Estimate	FY 2022/23 Budget	FY 2023/24 Forecast	FY 2024/25 Forecast	FY 2025/26 Forecast	FY 2026/27 Forecast	FY 2027/28 Forecast
Property Tax/VLF Backfill SCC Assessor Office January 2022 report.	3%	3%	3%	3%	3%	3%
North 40 Property Sales Starting in FY 2021/22	North 40 Sales	3%	3%	3%	3%	3%
ERAF SCC Assessor Office March 2022 report	SCCA recommend 70% of FY 2021/22 anticipated proceeds	\$400K	\$400K	\$400K	\$400K	\$400K
Sales Tax	MuniServices 3/16/2022 Most Likely Estimates	MuniServices 3/16/2022 Most Likely Estimates	MuniServices 3/16/2022 Most Likely Estimates	MuniServices 3/16/2022 Most Likely Estimates	MuniServices 3/16/2022 Most Likely Estimates	MuniServices 3/16/2022 Most Likely Estimates
Sales Tax - Measure G	MuniServices 3/16/2022 Most Likely Estimates	MuniServices 3/16/2022 Most Likely Estimates	MuniServices 3/16/2022 Most Likely Estimates	MuniServices 3/16/2022 Most Likely Estimates	MuniServices 3/16/2022 Most Likely Estimates	MuniServices 3/16/2022 Most Likely Estimates
Franchise Fee Current baseline set by FY 2021/22 Year End Estimates	Current baseline set by FY 2021/22 Year End Estimates	3%	3%	3%	3%	3%
Transient Occupancy Tax Current baseline set by FY 2021/22 Year End Estimates	Current baseline set by FY 2021/22 Year End Estimates	5%	5%	3%	3%	3%

FORECAST ASSUMPTIONS

REVENUE BASELINE AND PROJECTION FACTORS

Type of Revenue Base Line Estimates	FY 2022/23 Budget	FY 2023/24 Forecast	FY 2024/25 Forecast	FY 2025/26 Forecast	FY 2026/27 Forecast	FY 2027/28 Forecast
Business License Tax Current baseline set by FY 2021/22 Year End Estimates	3%	3%	3%	0%	0%	0%
License & Permits Current baseline set by FY 2021/22 Year End Estimates	3%	3%	3%	3%	3%	3%
Town Services Current baseline set by FY 2021/22 Year End Estimates	3%	3%	0%	3%	3%	3%
Fine & Forfeitures Current baseline set by FY 2021/22 Year End Estimates	3%	Varies	Varies	Varies	Varies	Varies
Interest Current baseline set by FY 2021/22 Year End Estimates	Varies based on portfolio	Varies based on portfolio	Varies based on portfolio	Varies based on portfolio	Varies based on portfolio	Varies based on portfolio
Other Sources Current baseline set by FY 2021/22 Year End Estimates	Varies	Varies	Varies	Varies	Varies	Varies

FORECAST ASSUMPTIONS

EXPENDITURE BASELINE AND PROJECTION FACTORS

Beginning in FY 2020/21, the Town is budgeting salaries at the actual salary plus a one-step increase. 68% of the workforce is already at top step or one step below top step. In the Five-Year Forecast, positions are forecasted at the actual rate of pay including salaries and benefits as of April 1, 2022 and rate is increasing in the actual anniversary date.

Type of Expenditure	FY 2022/23 Budget	FY 2023/24 Forecast	FY 2024/25 Forecast	FY 2025/26 Forecast	FY 2026/27 Forecast	FY 2027/28 Forecast
Salaries*	2%	2%	2%	2%	2%	2%
Benefit - Medical**	7%	7%	7%	7%	7%	7%
Operating Expenditures***	Varies	3%	3%	3%	3%	3%
Grants & Awards	0%	0%	0%	0%	0%	0%
Utilities***	Varies	3%	3%	3%	3%	3%
Internal Service Charges***	Based on operating cost and scheduled replacement	Based on operating cost and scheduled replacement	Based on operating cost and scheduled replacement	Based on operating cost and scheduled replacement	Based on operating cost and scheduled replacement	Based on operating cost and scheduled replacement
Debt Service	Debt Service Schedules					

*Salary increases are based on actual step increases and approved Memoranda of Understanding with the bargaining units.

**Benefit increase estimates are provided by CalPERS/Public Employees' Medical and Hospital Care Act (PEMHCA).

***Based on historical trends.

The Town's required employer contribution rate estimates were developed using data provided by each plan's most recent CalPERS actuarial valuation. The employer contribution rates reflect percentages of covered payroll. Rates shown for FY 2022/23 are actual rates as prescribed by CalPERS. Forecasted rates for FY 2023/24 and subsequent years are based on the most recent CalPERS actuarial valuation reports and staff assumptions regarding staff's current estimate of returns for FY 2021/22 which are presently expected to be below the 6.8% discount rate.

FORECAST ASSUMPTIONS

Beginning in FY 2021/22, the estimates of employer contributions were credited with an anticipated reductions associated with the approximate \$4.8 million additional discretionary payment (ADP) toward the 2016 unfunded amortization base paid off in October 2019 and the total of approximately \$5.8 million in ADPs toward unfunded 2013 and 2015 amortization bases that were paid off in FY 2020/21. Employer contribution rate projections also include small percentage increases reflecting the anticipation of CalPERS gradually lowering its discount rate over the Five-Year Forecast period in accordance with the CalPERS adopted risk mitigation strategy, and the lowering of the discount rate to the present rate of 6.8% as of 6/30/2022. Estimates were also informed by recent rate estimates developed by the Town's actuary using the most recent actuarial valuation updated with current year projections of covered payrolls by plan type.

Type of Expenditure	FY 2022/23 Budget	FY 2023/24 Forecast	FY 2024/25 Forecast	FY 2025/26 Forecast	FY 2026/27 Forecast	FY 2027/28 Forecast
Safety POA	69.44%	72.01%	74.61%	75.68%	76.69%	76.66%
Safety Management POA	72.44%	75.01%	77.61%	78.68%	79.69%	79.66%
Safety POA - PEPRA	14.62%	14.65%	13.78%	13.75%	13.76%	13.76%
Miscellaneous TEA/Confidential/ Management	29.92%	30.04%	30.64%	28.45%	28.73%	28.42%
Miscellaneous TEA/Confidential/ Management PEPRA						
Separate PEPRA rate for Miscellaneous has not been established yet by CalPERS.	29.92%	30.04%	30.64%	28.45%	28.73%	28.42%

**Safety Classic Rate reflects 3% decrease in employer's contribution rate to reflect 3% contribution as negotiated with the Town's POA during the collective bargaining process effective FY 2019/20.*



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

**Town of Los Gatos
California**

For the Fiscal Year Beginning

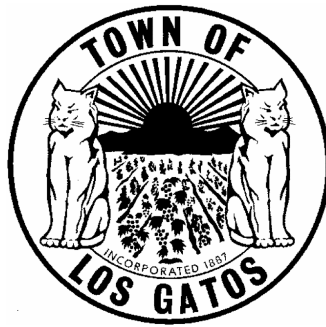
July 1, 2019

Christopher P. Morill

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) has presented a Distinguished Budget Presentation Award to the Town of Los Gatos, California for its annual budget since the fiscal year beginning July 1, 2003. In order to receive this award, a government unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device.

This award is valid for a period of one year only. We believe our current budget continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award.



FUND DESCRIPTIONS

The basic accounting and reporting entity for the Town is a fund. A fund is "an independent fiscal and accounting entity used to record all financial transactions related to the specific purpose for which the fund was created." Funds are established for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

Funds used in government are classified into three broad categories: governmental, proprietary, and fiduciary. Governmental funds include activities usually associated with a typical state or local government's operations (public safety, general government activities, etc.). Proprietary funds are used in governments to account for activities often found in the private sector (utilities, stadiums, and golf courses are prime examples). Trust and Agency funds are utilized in situations where the government is acting in a fiduciary capacity as a trustee or agent. The various funds are grouped in fund types and categories as follow:

MAJOR AND NON-MAJOR GOVERNMENTAL FUNDS

These funds support activities usually associated with the governmental entities' operation (police, fire, and general government functions).

General Fund

The **General Fund is a Major Fund** and is the chief operating fund of the Town. All general tax revenues and other receipts not allocated by law or some other contractual agreement to other funds are accounted for in the General Fund. Expenditures of this fund include the general operating expenses traditionally associated with governments such as administration, engineering, and public safety.

Special Revenue Funds

Special Revenues Funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes. The following funds are **Non-Major Special Revenue Funds**:

- **Non-Point Source Maintenance Fund** - budgets and accounts for environmental services such as storm water management.
- **Community Development Block Grant Fund** - budgets and accounts for federal Community Development Block Grant monies.
- **Landscape and Lighting Special Assessment District Funds** - budgets and accounts for revenues and expenditures within special districts. The Town provides maintenance of the trees, landscaping, irrigation systems, lighting, sound wall and fences for improvements in the public right-of-way, within specific district boundaries.
- **Library Trust Fund** - established to account for the accounts for assets held in trust, through receipt of donations and bequests. Funds received from individuals, services organizations, and a library specific non-profit organization.
- **Clelles Ness Trust Fund** – established to account for the accounts for a specific bequest subject to an agreement made for its use.

FUND DESCRIPTIONS

- **Susan McClendon Trust Fund** – established to account for the accounts for a specific bequest subject to an agreement made for its use.
- **Barbara Jones Cassin Trust Fund** – established to account for the accounts for a specific bequest subject to an agreement made for its use.

Capital Project Funds

Capital Project Funds are used to account for the acquisition, construction, and improvement of capital facilities other than those financed by proprietary funds. The Town accounts for the following **Major Capital Project Funds**:

- **General Fund Appropriated Reserve** – established to provide resources for capital projects not fully funded from other sources.

The Town also accounts for the following **Non-Major Capital Project Funds**:

- **Storm Drain Basin Project Funds** – established to account for fees paid in conjunction with the development in three drainage areas.
- **Construction Tax Fund** – established to levy a tax based upon building additions or alterations. The types of taxes imposed include Capital Improvement, Utility Underground, and Parks.
- **Gas Tax Fund** – established to budget and account for revenues and expenditures pertaining to the maintenance and construction of Town streets.

NON-MAJOR PROPRIETARY FUNDS

There are two classifications of Proprietary Funds: Enterprise Funds and Internal Service Funds. Enterprise Funds are used to account for activities that are operated in a manner similar to a private business enterprise, where the cost of the goods or services are to be financed or recovered primarily through user charges. The Town does not currently utilize Enterprise Funds.

Internal Service Funds

Used to account for the revenues and expenditures of services provided to Town Departments. The Town has several **Non-Major Internal Service Funds**:

- **Equipment Replacement Fund** – established to accumulate monies for the replacement of major Town equipment and vehicles. When vehicles and equipment are acquired at a cost greater than \$10,000, a normal life span is calculated, and replacement costs are charged directly to the Departments over that life span with funds accruing to the Equipment Reserve Fund.
- **Vehicle Maintenance Fund** – established to budget and account for the cost of operating, maintaining and replacing automotive equipment used by other Town Departments. This fund is discontinued with the Fiscal Year 2019/20 Budget. Any fund balance was added to the General Fund Assigned Vehicle Maintenance and Store Residual Reserve.
- **Information Technology (IT) Fund** – established to budget and account for the cost of maintaining, replacing, and updating existing information technology used by Town Departments.

FUND DESCRIPTIONS

- **Office Stores Fund** - established to budget and account for photocopy equipment, postage and bulk meter expenses are controlled at one source point and expended to the Departments as they requisition the goods or services. Photocopies are charged to Departments at \$.05/copy. This fund discontinued with the Fiscal Year 2019/20 Budget. Any fund balance was added to the General Fund Assigned Vehicle Maintenance and Store Residual Reserve.
- **Workers' Compensation Fund** – established to budget and account for revenues derived from charges made to operating Departments at rates based on the State Compensation Fund, annually adjusted to ensure an adequate reserve for future claims. This fund is charged for administrative costs of settling claims as well as material and other costs of job-related illness or injury.
- **The Pooled Liability Assurance Network (PLAN) Self-Insurance Fund** - established to ensure an adequate reserve for future property and liability claims.

FIDUCIARY FUNDS

Fiduciary Funds are used to account for assets held by the Town acting in a fiduciary capacity for other entities and individuals. Such funds are operated to carry out the specific actions of trust agreements, ordinances and other governing regulations. There are two categories of fiduciary funds, Trust and Agency.

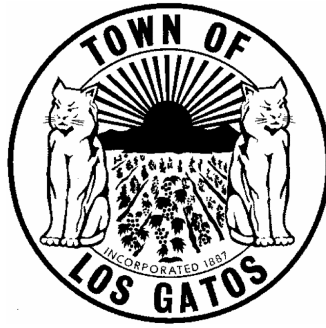
Trust Funds

Accounts for assets held by the Town in a trustee capacity under formal trust agreement. The Town currently administers the following fund:

- **RDA Successor Agency Private Purpose Trust Fund** – established to account for the assets and liabilities transferred from the dissolution of the Town's former Redevelopment Agency and the continuing operations related to the existing Redevelopment Agency obligations.

Debt Service Funds

A fund established to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.



FINANCIAL PRACTICES

REVENUE

- The Town maintains a diversified revenue base that is locally generated to shelter the community from fluctuations in any one revenue source.
- The Town audits and collects all locally generated taxes.
- The Town establishes and maintains all user charges and fees based on the cost of providing services.

BUDGETING and EXPENDITURE

- The Town Council considers and adopts an annual balanced budget effective from July 1st to June 30th of the following calendar year. A balanced budget requires current year operating expenses to be fully funded by current year revenues and identified undesignated/unreserved fund balance.
- Fund Balance Reserves are used only for non-recurring “one-time” and capital projects and not for on-going operations.
- Long-term debt is confined to capital improvements or special projects that cannot be financed from current revenues.
- The Town Manager is authorized to implement the programs as approved in the adopted budget. Within a specific fund the Town Manager may transfer appropriations between categories, Departments, projects, and programs as needed to implement the adopted budget.
- With the approval of the Town Manager, unexpected appropriations may be carried forward to the next fiscal year provided funds have been previously encumbered for a specific purpose.
- The annual budget includes a \$100,000 Designated Contingency for non-recurring, unanticipated expenditures. The Town Manager may approve expenditures from this contingency if needed during the fiscal year.
- A capital outlay (fixed asset) purchase is any single item or piece of equipment which costs more than \$10,000 and has an expected useful life exceeding one year.
- A mid-year budget report is submitted to the Town Council to provide information on the status of the Town’s financial condition.

FUND BALANCE RESERVES

Reserves are established, dedicated, and maintained annually to meet known and estimated unknown future liabilities through actions of the Town Council.

Restricted fund balance is either imposed by law or constrained by grantors, contributors, or other governmental.

FINANCIAL PRACTICES

- IRS 115 Trusts are established for management of the Town's unfunded pension and other post employment benefit obligations.
- The specific Fund Balance Reserves include but are not limited to a restricted Reserve for:
 - A fully funded workers' compensation and unemployment insurance
 - Liability insurance including one year's premium payment to the insurance carrier or pool
- Reserves are maintained at a minimum of 25% of General Fund ongoing operating expenditures, equally divided between the Catastrophic Reserve (12.5%) and the Budget Stabilization Reserve (12.5%).
- When either Reserve drops below the minimum, per Town Council adopted policy, Town Council is required to develop a one to five-year reserve replenishment plan to meet the minimum threshold of 25% of General Fund ongoing, operating expenditures, excluding one-time expenditures.
- A Reserve is maintained for the depreciation and replacement of equipment.
- A Reserve is maintained for the maintenance of buildings.
- Pension/Other Post Employment Benefits (Pension/OPEB) Reserve is maintained to use as a supplemental funding source to pay down unfunded pension and other post employment liabilities.

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. Examples of assigned fund reserves:

- Compensated Absences – A reserve is maintained annually to fund 50% of all vested hours of vacation earnings.
- Open Space – Town Council established this reserve in FY 1998/99 with an initial balance of \$500,000 to be used for the preservation of open space, connection of open space trails, the definition of the southern boundary of the Town with passive open space, and protection of unique natural features.
- Sustainability – Established by Town Council in FY 2008/09 budget by closing the Solid Waste Management Fund and placing the initial residual fund balance of \$296,554 in a General Fund reserve dedicated for conservation, recycling, and sustainability.
- Authorized Carry forward - A reserve is maintained for materials and services on approved purchase order and contracts which were issued but not finalized or fulfilled as of the end of the fiscal year but for which funds will be carried forward to the following fiscal year.
- Vehicle Maintenance and Stores Residual – A reserve established to hold the residual fund balances transferred to the Town's General Fund upon closing the Vehicle Maintenance and Stores Internal Service Funds for future Council reallocation.
- Surplus Property – A reserve established for placing the proceeds from surplus property sales until further Town Council reallocation.

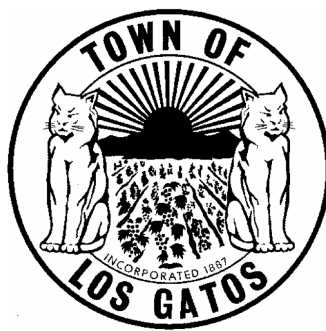
FINANCIAL PRACTICES

- Capital/Special Projects Reserve – Funds reserved under this category are designated for key infrastructure and capital/special projects as identified in the Town’s 5-year Capital Improvement Plan, as there is no ongoing funding source to support the Town’s capital needs. The Council may also allocate funds from this Reserve for other purposes.

CAPITAL IMPROVEMENT

Capital Improvement Projects are funded by the following revenue sources:

- Available General Fund Reserves
 - Gas Taxes
 - Construction Fund Fees
 - ▶ Utility
 - ▶ Capital
 - ▶ Parks
 - Storm Drain Basin Fees
 - Grant Funding
 - Other state and federal funding sources as they become available
- The multi-year plan for capital improvements is updated annually. Future capital expenditures will be projected annually for a 5-year period based on changes in Council priorities or replacement of the infrastructure.
 - The annual Capital Improvement Plan is based on the multi-year Capital Improvement Program.
 - The Town coordinates the development of the Capital Improvement Plan with the development of the Operating Budget.
 - The Town identifies the estimated costs and potential funding sources for each capital project proposed prior to its submittal to the Town Council for approval.
 - Capital projects financed by issuing bonds are paid back within a period not to exceed the useful life of the project.
 - The Town Manager is authorized to implement the projects as approved in the adopted Capital Improvement Plan. Within a specific fund, the Town Manager may transfer appropriations between projects as needed to implement the adopted Capital Improvement Plan.



GENERAL FUND RESERVE POLICY



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

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

GENERAL FUND RESERVE POLICY

- Changes in political environment
- Frequency of operating surpluses/deficits
- Cash flow management practices

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,

GENERAL FUND RESERVE POLICY

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 Projects Reserve.

Catastrophic Reserve

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

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.

Budget Stabilization Reserve

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

- An unplanned, major event such as a catastrophic disaster requiring expenditures which exceed the General Fund Catastrophic Reserve;
- Drop in projected/actual revenue of more than five percent in property or sales tax, or other economically sensitive revenues;
- Budgeted revenue taken over by another entity exceeding \$100,000;
- Loss of businesses considered to be significant sales tax generators;

GENERAL FUND RESERVE POLICY

- 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.

GENERAL FUND RESERVE POLICY

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 – unrealized investment gains that have been recorded in the financial statements in accordance with GASB 31.

GENERAL FUND RESERVE POLICY

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.

/S/ Robert Schultz, Town Attorney

LONG TERM DEBT POLICY



TITLE: Long Term Debt Policy

POLICY NUMBER: 4-01

EFFECTIVE DATE: 11/2/16

PAGES: 3

ENABLING ACTIONS: 2016-062

REVISED DATES:

APPROVED:

PURPOSE

The Long Term Debt Policy sets forth certain debt management objectives for the Town and establishes overall parameters for issuing and administering the debt for which the Town is financially obligated or is responsible for managing.

SCOPE

The following long term debt policy sets the considerations for issuing debt and provides guidance in the timing and structuring of long term debt commitments.

POLICY

GENERAL PRACTICES

1. The Town will seek to maintain and improve the current bond rating in order to minimize borrowing costs and preserve access to credit.
2. Bond issue proposals are to be accompanied by an analysis defining how the new issue, combined with current debt, impacts the Town's debt capacity and conformance with Town debt policies.
3. Debt Service costs [General Obligation (GO) Bond, Certificate of Participation (COP), Revenue Bond, and Contractual Debt] are not to exceed 25% of the Town's operating revenue.
4. A ratio of current assets to current liabilities of at least 2/1 will be maintained to ensure the Town's ability to pay short-term obligations.

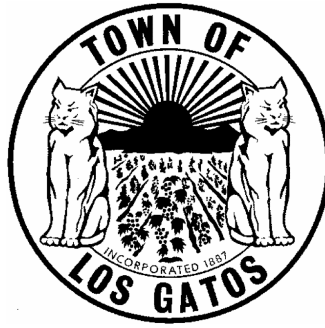
LONG TERM DEBT POLICY**THE TOWN WILL CONSIDER THE ISSUANCE OF LONG TERM OBLIGATIONS UNDER THE FOLLOWING CONDITIONS:**

1. The Town will use debt financing only for one-time capital improvement projects and unusual equipment purchases, and only under the following circumstances:
 - a. When the project is included in the Town's five-year capital improvement program and is in conformance with the Town's General Plan.
 - b. When the project is not included in the Town five-year capital improvement plan, but it is an emerging critical need whose timing was not anticipated in the five-year capital improvement program, or it is a project mandated immediately by State or Federal requirements.
 - c. When the project's useful life, or the projected service life of the equipment, will be equal to or exceed the term of the financing.
 - d. When there are designated revenues sufficient to service the debt, whether from project revenues, other specified and reserved resources, or infrastructure cost-sharing revenues.
 - e. Debt financing (other than tax and revenue anticipation notes) is not considered appropriate for any recurring purpose such as current operating and maintenance expenditures.
2. The costs of developing and maintaining the Successor Agency to the Town of Los Gatos Redevelopment Agency (Agency) long term debt policy will be borne by the Agency and will be developed in conjunction with amendments to existing redevelopment project area plans and/or new proposals to issue debt by the Successor Agency to the Town of Los Gatos Redevelopment Agency.
3. The Town will follow all State and Federal regulations and requirements regarding bond provisions, issuance, taxation and disclosure.
4. Costs incurred by the Town, such as bond counsel and financial advisor fees, printing, underwriters' discount, and project design and construction costs, will be charged to the bond issue to the extent allowable by law.
5. The Town will monitor compliance with bond covenants and adhere to federal arbitrage and disclosure regulations.



LONG TERM DEBT POLICY**PROCEDURES**

This Long Term Debt Policy shall be adopted by resolution of the Town Council. The Treasurer shall present this Long Term Debt Policy as needed to the Town Council for review to ensure its consistency with the Town's long term debt objectives, and current law. Any amendments to this Long Term Debt Policy shall be approved by the Town Council.

/S/ Robert Schultz, Town Attorney



INVESTMENT POLICY

		COUNCIL POLICY MANUAL <i>Small Town Service Community Stewardship Future Focus</i>
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

INVESTMENT POLICY

Special Revenue Funds

Capital Project Funds
Debt Service Funds
Enterprise Fund
Internal Service Funds
Fiduciary Funds

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

POLICY

OBJECTIVES

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

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

DELEGATION OF AUTHORITY

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

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

INVESTMENT POLICY

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.

INVESTMENT POLICY

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.

INVESTMENT POLICY

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.

INVESTMENT POLICY

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.

INVESTMENT POLICY

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.

INVESTMENT POLICY

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.

INVESTMENT POLICY

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

INVESTMENT POLICY

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 Finance 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

IRS SECTION 115 PENSION TRUST AND OPEB TRUST INVESTMENT POLICY



TITLE: Town of Los Gatos IRS Section 115 Pension Trust
and OPEB Trust Investment Policy

POLICY NUMBER: 4-04

EFFECTIVE DATE: 11/7/17

PAGES: 3

ENABLING ACTIONS: 2017-062

REVISED DATES: 12/18/2018; 12/03/2019

APPROVED:

PURPOSE

The Town of Los Gatos (the "Town") has established IRS Section 115 Trusts for both pension and other post-employment benefits (OPEB). The Pension Trust is administered by the CalPERS California Employers' Pension Prefunding Trust (the "CEPPT") and the OPEB trust is administered by the California Employers' Retiree Benefit Trust (the "CERBT"), collectively the "115 Trusts". The 115 Trusts provide for funding of pension, retiree health and other post-employment benefits for the City's eligible retirees. The CEPPT acts as an additional investment vehicle for the overall funding of pension liabilities associated with the Town's Miscellaneous and Safety Pension Plans (the "Pension Plans"). Funds in the 115 Pension Trust may be used for long-term capital accumulation and appreciation, additional discretionary payments (ADPs), and pension contribution management strategies. The CERBT is the single investment vehicle for the Town's OPEB Plan ("OPEB Plan"). The Town has established the 115 Trusts Oversight Committee (the "Oversight Committee") to oversee the assets of the 115 Trusts and to perform the duties and responsibilities set forth in this Investment Policy (IP).

COMPOSITION

The membership of the Oversight Committee is composed of the entire Town Council.

FIDUCIARY DUTIES AND RESPONSIBILITIES

1. The Oversight Committee has exclusive control of the investments of the 115 Trusts. The Oversight Committee will manage the funds under the Trusts:

IRS SECTION 115 PENSION TRUST AND OPEB TRUST INVESTMENT POLICY

- a) solely in the interest of, and for the exclusive purposes of providing for funding of benefits for participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the Trusts;
 - b) with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims; and
 - c) by diversifying the investments of the Trusts so as to minimize the risk of loss and to maximize the rate of return, unless under the circumstances it is clearly prudent not to do so.
2. The work of the Oversight Committee shall be consistent with written statement of Investment Policy (i.e., this Investment Policy for the Trusts). At least once every three years, the Oversight Committee will evaluate the appropriateness of the Investment Policy and, based on such evaluation, either confirm the tenets of the Investment Policy as then in effect, or amend the 115 Trusts Investment Policy as appropriate. The Investment Policy must include the following:
- a) document investment objectives, performance expectations and investment guidelines for assets under the Trusts;
 - b) establish an appropriate investment strategy for managing all assets under the Trusts, including an investment time horizon, risk tolerance ranges and asset allocation to provide sufficient diversification and overall return over the long-term time horizon of the Trusts; and
 - d) establish periodic performance reporting requirements that will effectively monitor investment results and ensure that the investment policy is being followed.

INVESTMENT OBJECTIVES

1. The primary objective of the 115 Trusts investment portfolios is to satisfy the Pension Plans and OPEB Plan obligations to pay benefits to members and their beneficiaries. To do so, the 115 Trusts will seek to achieve long-term net returns in excess of the actuarial investment return assumption while maintaining a reasonable level of investment risk.
2. The funds will be managed as an ongoing concern with a long-term investment horizon, consistent with demographic profile of the members and beneficiaries of the plans.

IRS SECTION 115 PENSION TRUST AND OPEB TRUST INVESTMENT POLICY

3. A range of risks will be managed in connection with the trusts, with an emphasis on the following:
 - a) The impact of the investment decisions on the funded status of the plans and the resulting volatility of contributions.
 - b) Risk of loss of plan assets.
4. In determining the investment strategies of the 115 Trusts, various factors will be considered including, but not limited to:
 - a) The structure and duration of the Pension Plans and OPEB Plan liabilities.
 - b) Modern Portfolio Theory.
 - c) The liquidity needs of Pension Plans and OPEB Plan.

INVESTMENT STRATEGY/ASSET ALLOCATION

The Oversight Committee has delegated the investment management function to third parties. These third parties offer multiple asset allocation options with varying degrees of risk return profiles. The Oversight Committee has the sole discretion to select the asset allocation which best aligns with the aforementioned fiduciary standards and investment objectives.

The Oversight Committee will review the selected asset allocations annually. However, the Oversight Committee can review the current asset allocation selections at any time in light of market conditions.

MONITORING AND REPORTING

1. Monitor the 115 Trusts investment managers on an ongoing basis and may be terminated by Oversight Committee at any time due to performance or other developments that call into question the investment manager's ability to continue to effectively manage assets of the 115 Trusts.
2. Review and assess the performance of any Investment Manager(s) appointed by the Oversight Committee to perform services related to the Trusts quarterly.
3. Measure and evaluate the annual and quarterly performance of investment managers relative to appropriate long-term performance benchmark.
4. Measure and evaluate annual and quarterly fees.

IRS SECTION 115 PENSION TRUST AND OPEB TRUST INVESTMENT POLICY

5. Review quarterly cash flow statements associated with the Trusts.
6. Review the actuarial pension evaluation annually.
7. Review the actuarial OPEB evaluation biennially.
8. Monitor compliance with this Investment Policy for the Trusts.

/S/ Robert Schultz, Town Attorney

BUDGET PROCESS OVERVIEW

The Town Council adopts an annual Operating and Capital Budget and an annual budget update of the five year Capital Improvement Plan for the Town of Los Gatos. The budgets contain summary level information for revenue and expenditure appropriations for the fiscal year beginning July 1st and ending June 30th. The budget documents are prepared in accordance with generally accepted accounting principles (GAAP).

Budget Purpose

The Operating and Capital Summary Budget and the Capital Improvement Plan serve as the Town's financial plan, as well as a policy document, a communications tool, and an operations guide. Developed with an emphasis on long range planning, service delivery, and program management, a fundamental purpose of these documents is to provide a linkage between the services and projects the Town intends to accomplish, and the resources committed to get the work done.

The format of the budget facilitates this linkage by clearly identifying the program purpose, key projects, and work plan goals in relation to revenue and expenditures appropriations.

Basis of Budgeting and Accounting

Developed on a program basis with fund level authority, the Operating and Capital Budgets represent services and functions provided by the Town in alignment with the resources allocated during the fiscal year.

The Town's Governmental Funds consist of the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Project Funds for both the Town and the Successor Agency.

Basis of Accounting and Budget refers to the timing factor concept in recognizing transactions. This basis is a key component of the overall financial system because the budget determines the accounting system. For example, if the budget anticipates revenues on a cash basis, the accounting system must record only cash revenues as receipts. If the budget uses an accrual basis, accounting must do likewise. The Town's budgeting and accounting systems both use a combination of modified accrual and full accrual basis in the accounting and budget systems.

Governmental Fund budgets are developed using the modified accrual basis of accounting. Under this basis, revenues are estimated for the period if they are susceptible to accrual, (e.g. amounts can be determined and will be collected within the current period). Principal and interest on general long term debt are budgeted as expenditures when due, whereas other expenditures are budgeted for liabilities expected to be incurred during the current period.

Proprietary Fund budgets use the full accrual basis of accounting whereby revenue budget projections are developed recognizing revenues expected to be earned during the period, and

BUDGET PROCESS OVERVIEW

expenditures are developed for expenses anticipated to be incurred in the fiscal year. The Town maintains one type of proprietary fund: Internal Service Funds.

The Town's Fiduciary Funds are also budgeted under the modified accrual basis. The Town administers five trust funds. The Town does not currently have any agency funds. Trust funds are subject to trust agreement guidelines.

Summary of Budget Development

The Town develops its budgets with a team-based approach. Town Management and the Finance Department guide the process through budget development; however program budgets and work plans are developed with each Department's Director, Analyst, and Program Manager's oversight and expertise. This approach allows for hands-on planning and creates a clearer understanding for both management and staff of a program's goals and functions to be accomplished in the next budget year.

The Development Process

Typically both the Operating and Capital Budget and Capital Improvement Plan (CIP) processes begin in the winter with the Town Council and Town Manager's cooperative development and refinement of initiatives and directives for the upcoming budget year. The CIP is reviewed during this time to determine funding capabilities, project priorities, and to refine project work plans. Although the CIP budget document is prepared separately from the Operating and Capital Budget, CIP program information is incorporated into the Operating and Capital Summary Budget document through the resulting financial appropriations and service level requirements.

In January, the budget preparation process begins officially for staff with a budget kickoff meeting. Budget assumptions, directives and initiatives developed by Town Council and Management are provided to set the Town's overall objectives and strategic priorities determined by the Council. Department staff identifies and analyzes program revenue and expenditure projections in coordination with Finance/Budget staff and Town Management. Capital improvement projects are assessed and refined, and CIP funding and appropriation requirements are finalized.

Through rounds of budget briefings and revisions, the final proposed program budget and work plans are developed by the end of April; operational and capital work plans are finalized, and the Finance/Budget staff prepares financial summary information. Per the Town Code, the Town Manager submits the entire proposed budget package to the Town Council for its consideration, including Departmental budgets and work plans. Beginning in 2021, per a recent voter initiative, the draft Budget documents are provided to the Town Finance Commission for its review and comment at least 20 days before the Council's first consideration of the Budgets. The Commission is advisory to the Town Council.

BUDGET PROCESS OVERVIEW

Budget Adoption

During the month of May, the Town Council reviews the proposed Operating and Capital Summary Budget, and the Capital Improvement Plan for the five-year period in a public hearing. Notice of the hearing is published in a local newspaper at least ten days prior to the Council's public hearing date. The public is invited to participate, and copies of the proposed budgets are available for review this year exclusively on the Town website due to COVID-19 pandemic.

Under requirements established in Section 65401 of the State Government Code, the Town's Planning Commission also reviews the proposed Capital Improvement Plan and reports back to the Town Council as to the conformity of the CIP with the Town's Adopted General Plan. Final Council-directed revisions to the proposed budget are made and the budget documents are resubmitted to the Town Council for adoption, consistent with Section 2.30.295(b) of the Los Gatos Town Code which requires the Town Manager to annually prepare and submit a budget to the Town Council. This is accomplished in June at a subsequent noticed public hearing.

The approved resolutions to adopt the CIP and operating budgets and the appropriation limitation (aka Gann Limit) follow this section with the publication of the adopted budget.

Budget Amendments

During the course of the fiscal year, work plan changes and unanticipated needs necessitate adjustments to the adopted budgets. The Town Manager is authorized to transfer appropriations between categories, Departments, projects, and programs within a fund in the adopted budget, whereas the Town Council holds the authority for budget increases and decreases and transfers between funds that may be approved at any Town Council meeting.

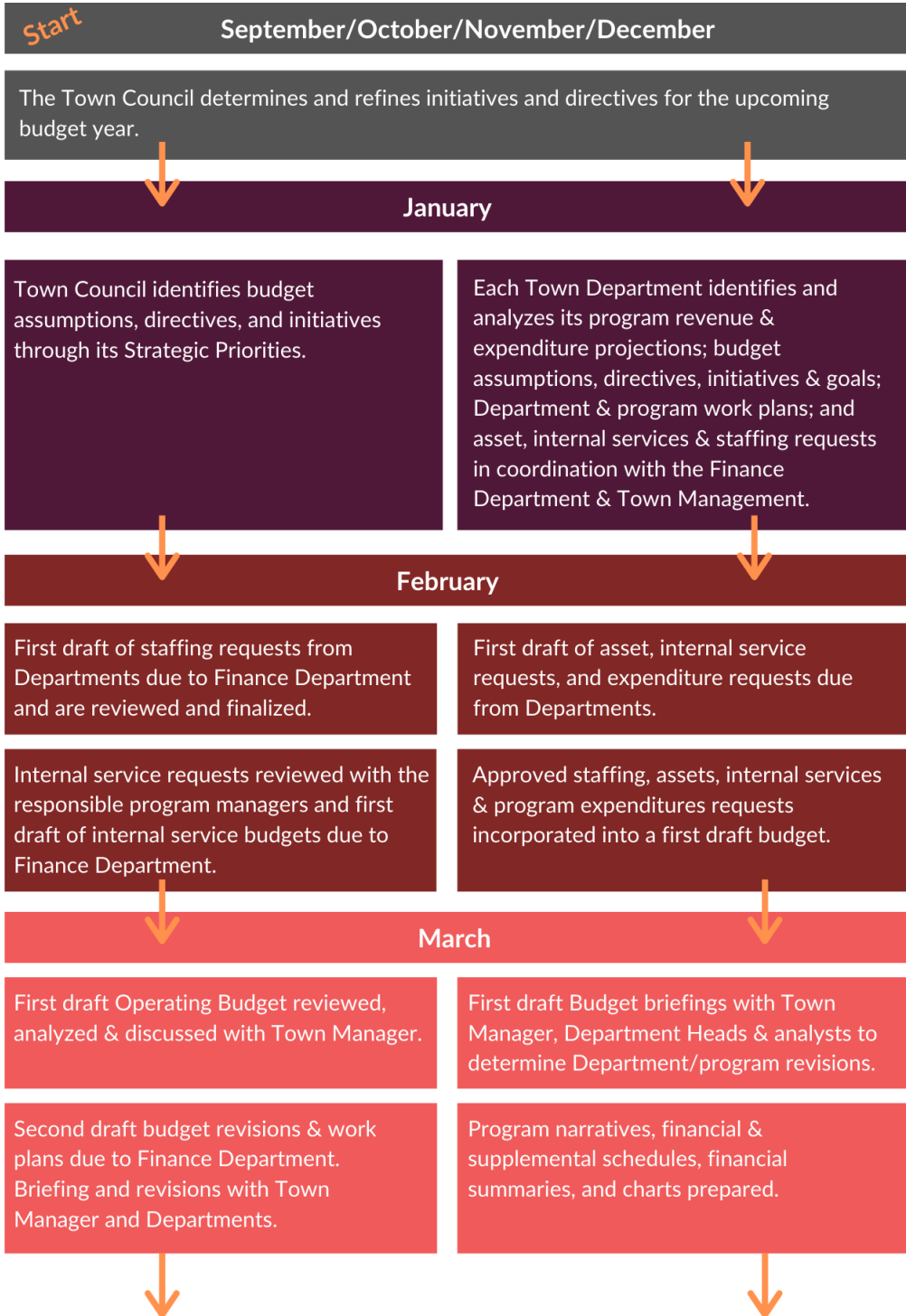
The Town Council considers the status of the revenues and expenditures as of December 31st during a Mid-Year Review. This typically occurs in February and the Council may act on additional budget modifications at that time.

BUDGET CALENDAR



Operating Budget Development Process

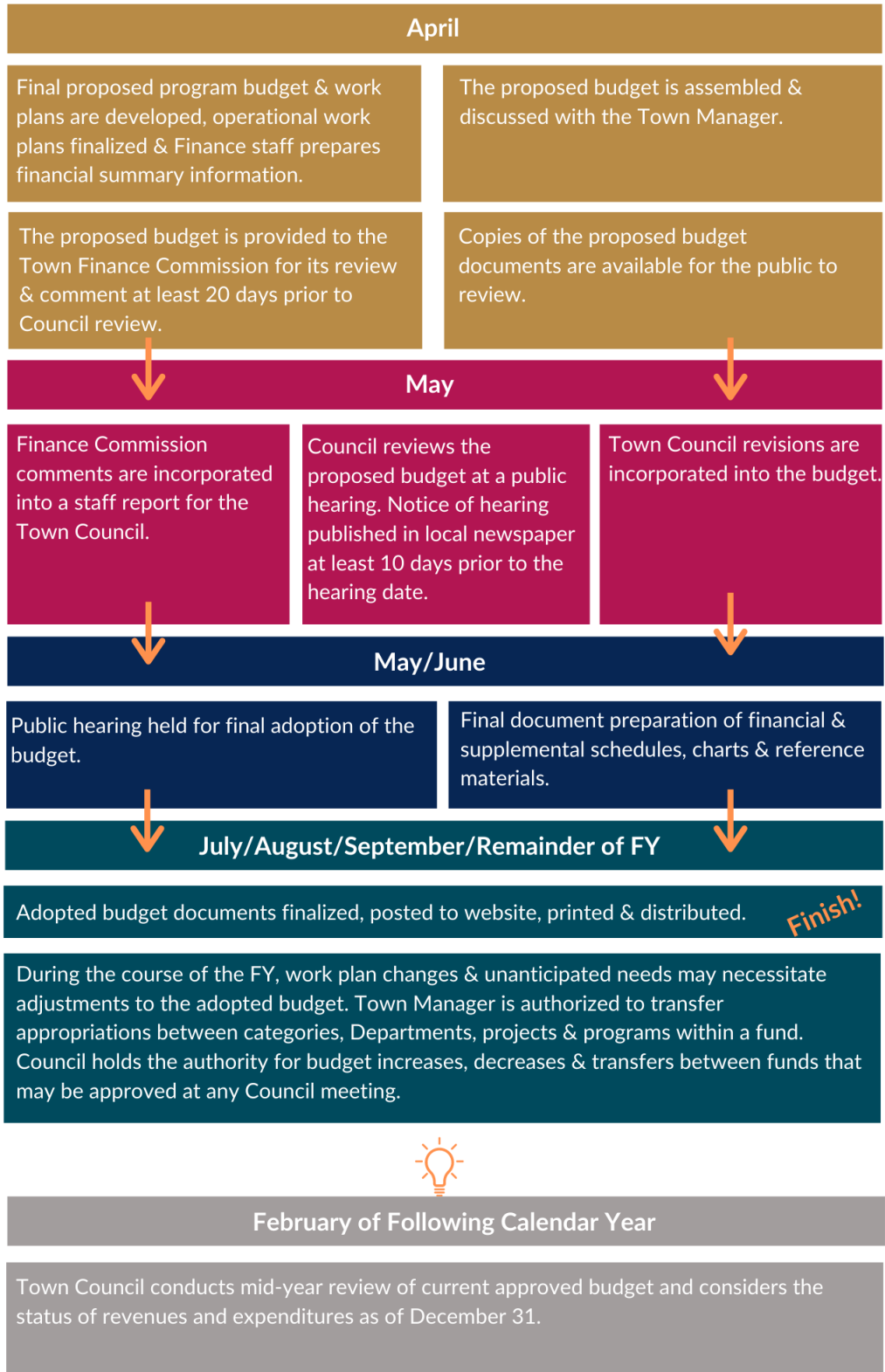
Team-Based Approach: Program budgets & work plans are developed with each Department's Director, Analyst, and Program Manager's oversight and expertise (guided by Town Management & the Finance Department)



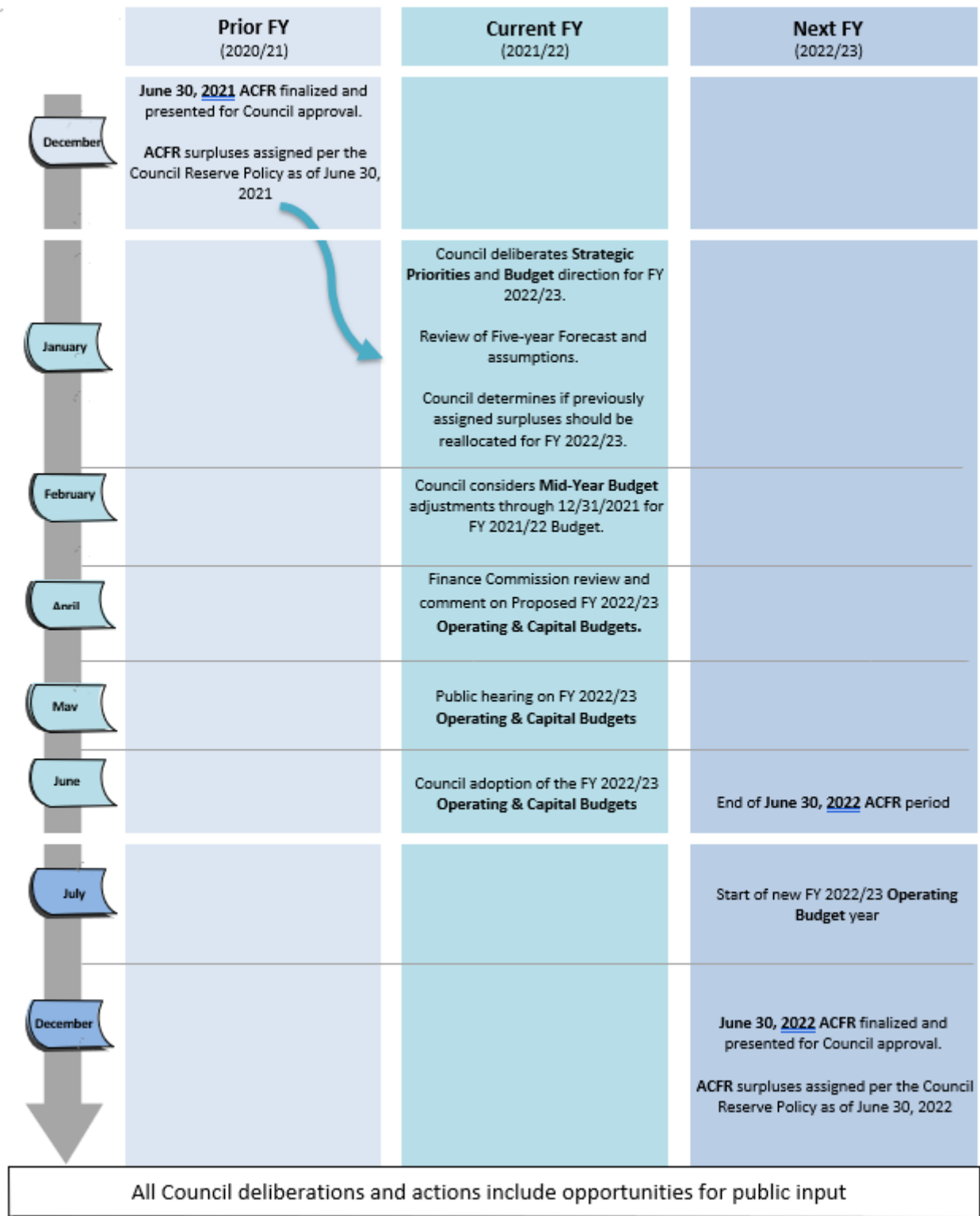
BUDGET CALENDAR

Operating Budget Development Process

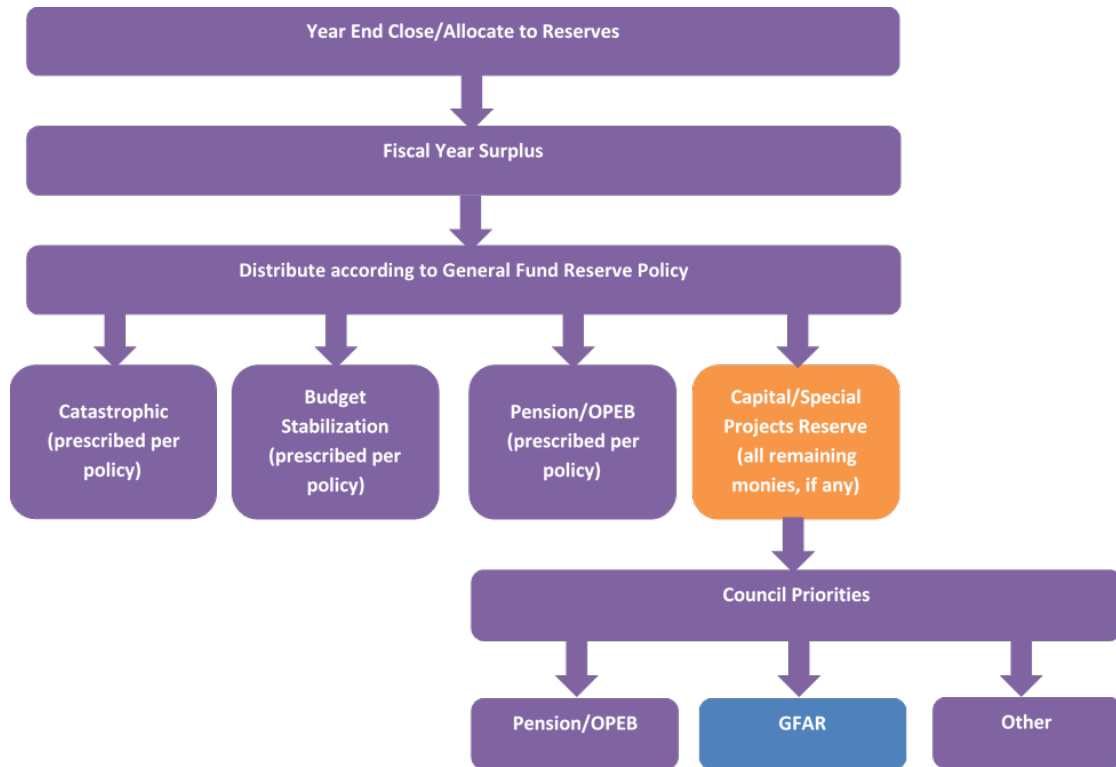
Team-Based Approach: Program budgets & work plans are developed with each Department's Director, Analyst, and Program Manager's oversight and expertise (guided by Town Management & the Finance Department)



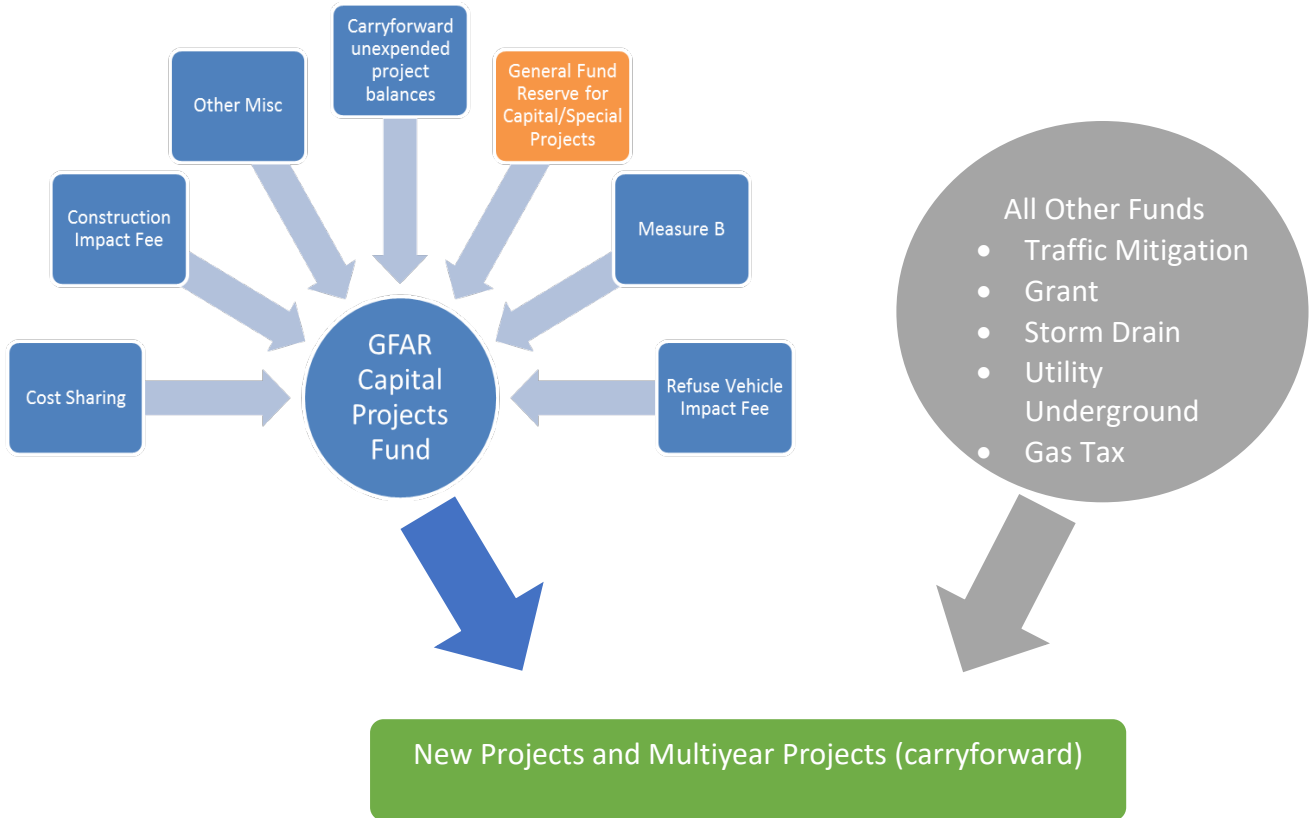
ANNUAL BUDGET/ACFR CYCLE



FISCAL YEAR SURPLUS FLOW OF FUNDS



CAPITAL IMPROVEMENT PROGRAM



GANN APPROPRIATION LIMIT

DATA NOT AVAILABLE YET

On November 6, 1979 California voters approved Proposition 4, commonly known as the Gann Spending Limitation Initiative, establishing Article XIII B of the State Constitution. This proposition, which became effective in Fiscal Year 1980/81, mandated an appropriations (spending) limit on the amount of tax revenues that the State and most local government jurisdictions may appropriate within a fiscal year. This limit grows annually by a population and cost-of-living factor.

The State Appropriation Limit was since modified by two subsequent initiatives – Proposition 98 in 1988 and Proposition 111 in 1990. Proposition 98 established the return of tax revenues exceeding appropriation limit levels to the State or citizens through a process of refunds, rebates, or other means. Proposition 111 allowed more flexibility in the appropriation calculation factors.

Only tax proceeds are subject to this limit. Charges for services, fees, grants, loans, donations and other non-tax proceeds are excluded. Exemptions are also made for voter-approved debt, debt which existed prior to January 1, 1979, and for the cost of compliance with court or Federal government mandates.

The Town Council adopts an annual resolution establishing an appropriations limit for the following fiscal year using population and per capita personal income data provided by the State of California's Department of Finance. Each year's limit is based on the amount of tax proceeds that were authorized to be spent in fiscal year 1978/79, with inflationary adjustments made annually to reflect increases in population and the cost of living.

APPROPRIATION LIMIT CALCULATION

The following schedule reflects historical appropriation factors for the prior ten years, and the calculation for FY 2020/21:

GANN APPROPRIATION LIMIT
DATA NOT AVAILABLE YET

APPROPRIATION LIMIT FACTORS

For YE June 30	Beginning Appropriation Limit	County Population Factor	Town Population Factor	Per Capita Income Factor	Ending Appropriation Limit	% Limit Increase
2010	28,426,367	1.0156	1.0108	1.0062	29,048,811	2.19%
2011	29,048,811	1.0126	1.0101	0.9746	28,667,689	-1.31%
2012	28,667,689	1.0089	1.0096	1.0251	29,669,366	3.49%
2013	29,669,366	1.0124	1.0081	1.0377	31,169,671	5.06%
2014	31,169,671	1.0157	1.0147	1.0512	33,279,977	6.77%
2015	33,279,977	1.0150	1.0102	0.9977	33,701,485	1.27%
2016	33,701,485	1.0113	1.0020	1.0382	35,384,256	4.99%
2017	35,384,256	1.0126	1.0070	1.0537	37,754,174	6.70%
2018	37,754,174	1.0081	1.0040	1.0369	39,464,396	4.53%
2019	39,464,396	1.0099	1.0050	1.0367	41,317,775	4.70%
2020	41,317,775	1.0033	0.9998	1.0385	43,050,108	4.19%
2021	43,050,108	1.0037	1.0234	1.0373	45,700,824	6.16%

In addition to the annual inflation and population adjustments, the Appropriations Limit must be adjusted in the event that the financial responsibility for providing services is transferred in whole or in part from one entity of government to another. Whenever financial responsibility for all or some part of a service is transferred between government agencies, the agencies must increase or decrease their limits "by such reasonable amount as the said entities shall mutually agree...." The amounts adjusted should be the same for the two agencies.

The Town recently signed an annexation agreement with the County of Santa Clara reflecting the annexation of multiple county pockets in 2019 and both parties are in a process of determining the mutually agreed amount for Gann Limit calculation purposes. Please note that the Town of Los Gatos FY 2020/21 Appropriation Limit will increase with the adjustment. Staff will present the updated calculation to Town Council as soon as the adjustment amount is available.

The Town of Los Gatos' appropriation limit for fiscal year 2020/21 is calculated as follows:

FY 2020/21 Calculation

Town Population Factor		Per Capita Income Factor		Appropriation Factor		2019/20 Appropriation Limit		2020/21 Appropriation Limit
1.0234	X	1.0373	=	1.061573	X	\$ 43,050,108	=	\$ 45,700,824

As illustrated above, the total amount of tax revenues appropriated to the Town in FY 2020/21 is not to exceed \$45,700,824. The FY 2020/21 budget anticipates \$30,447,571 in tax revenues. The Town of Los Gatos' appropriation limit for fiscal year 2020/21 is calculated as follows:

GANN APPROPRIATION LIMIT

DATA NOT AVAILABLE YET

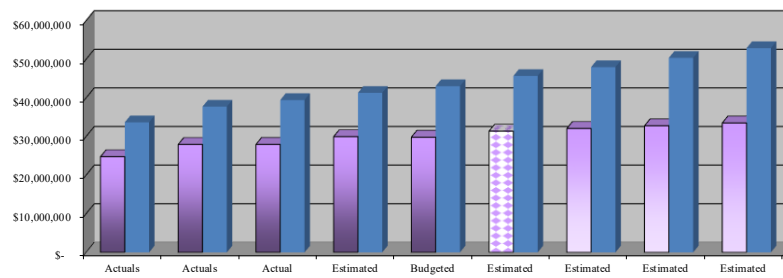
which equates to \$15,253,253 less than, or approximately 67% of, the appropriation limit for FY 2020/21. Therefore, the Town's tax revenues fall substantially below the appropriation limit.

APPROPRIATION TREND

Located in the Silicon Valley which has experienced significant job and population growth since the Great Recession, Los Gatos has benefited from a strong local and regional economy. A picturesque and charming town, Los Gatos is a desirable community known for its hometown feel and excellent schools, which is reflected in the steady increases in property values. Together, these factors contribute to a stable appropriation limit while maintaining a comfortable margin between tax revenues received and the revenue limitation established under the Gann Proposition. With a conservative forecast for an annual 2.22% revenue growth and 5.0% appropriation growth (based on prior year averages), there remains a strong expectation for an ongoing level of comfort in future year's appropriation margins.

GANN APPROPRIATION LIMIT

Tax Revenues to Appropriation Limit
10 Year Trend



	Actuals 2015/16	Actuals 2016/17	Actual 2017/18	Estimated 2018/19	Budgeted 2019/20	Estimated 2020/21	Estimated 2021/22	Estimated 2022/23	Estimated 2023/24	Estimated 2024/25
Tax Revenues	\$ 24,784,336	\$ 27,955,180	\$ 27,962,762	\$ 29,980,891	\$ 29,851,209	\$ 31,407,235	\$ 32,098,194	\$ 32,804,354	\$ 33,526,050	\$ 34,263,623
Appropriation Limit	\$ 33,701,485	\$ 37,754,174	\$ 39,464,396	\$ 41,317,775	\$ 43,050,108	\$ 45,700,824	\$ 47,985,865	\$ 50,385,159	\$ 52,904,417	\$ 55,549,638
Revenue to Limit %	74%	74%	71%	73%	69%	69%	67%	65%	63%	62%

APPROPRIATION LIMIT ADOPTION

The resolution to adopt the appropriation limit of \$45,700,824 will be presented for Council adoption on August 4, 2020.

GANN APPROPRIATION RESOLUTION

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TOWN OF LOS GATOS

ANNUAL BUDGET RESOLUTION

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ANNUAL BUDGET RESOLUTION

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**TOWN OF LOS GATOS
FINANCE COMMISSION REPORT**

MEETING DATE: 04/25/2022

ITEM NO: 2

ADDENDUM

Item 2.

DATE: April 22, 2022
TO: Finance Commission
FROM: Laurel Prevetti, Town Manager
SUBJECT: Discuss, Comment, and Begin to Make Recommendations to the Town Council Regarding the Proposed Fiscal Year (FY) 2022/23 Proposed Operating and Capital Budgets

REMARKS:

Attachment 3 contains public comments received between 11:01 a.m., Thursday, April 21, 2022, and 11:00 a.m., Friday, April 22, 2022.

Attachments Previously Received with the Staff Report:

1. FY 2021/22 Finance Commission Budget Recommendations
2. Public Comment

Attachments Received with this Addendum:

3. Public Comments received between 11:01 a.m., Thursday, April 21, 2022, and 11:00 a.m., Friday, April 22, 2022

PREPARED BY: Arn Andrews
Assistant Town Manager

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

From: Phil Koen
Sent: Thursday, April 21, 2022 1:03 PM
To: Arn Andrews <aandrews@losgatosca.gov>
Cc: jvannada; Ron Dickel; Kyle Park; Town Manager <Manager@losgatosca.gov>
Subject: FY 2023 Capital Plan Questions

Hello Arn,

I quickly reviewed the draft FY 2023 Capital Plan and had a few questions that perhaps you could answer.

1. The ending GFAR Balance is increasing by approximately \$800 - \$900K per year. This results in the June 30, 2027 GRAR balance growing to \$4.5m. Why not program additional capital projects so 100% of the annual capital revenue sources are fully programmed? There certainly appears to be unmet capital needs which could be addressed by the unspent revenue. For example there is no spending programmed for roadside fuel reduction beyond FY 22. Why was the capital plan programmed not to spend all capital sources each year?
2. The capital plan has programmed \$1.2m to upgrade the Town's ERP software. \$700k of funding is coming from a transfer from the Internal Services IT Fund which has a projected FY 23 ending balance of \$1.8m. Why not fund the entire \$1.2m program from the Internal Services IT Fund? The Internal Services IT Fund has capacity to do this and would allow the Town to reprogram \$500k to other pressing capital needs. Additionally the fund balance for the Internal Services IT Fund has remained unchanged for years suggesting that a large portion of the balance is surplus.
3. The GFAR has \$1.9m programmed for a Streetscape/Economic recovery project. There does not appear to be a specific plan to spend these programmed funds. Why not remove these funds from the GFAR project list and record them as a committed reserve in the General Fund? This would "clean up" the GFAR project list by removing a project that does not have a council approved program spend and properly segregates these funds in a General Fund Committed Reserve that is controlled by the Town Council. By doing this, it is more transparent to the public that these funds exist (currently it is hidden from sight as a project in the GFAR) and the funds are committed for a future capital improvement project. The current treatment frankly makes no sense if the goal is to improve transparency.

Thank you.

Phil Koen

From: Phil Koen

Sent: Friday, April 22, 2022 9:30 AM

To: Arn Andrews <aandrews@losgatosca.gov>; Town Manager <Manager@losgatosca.gov>

Cc: Ron Dickel; Kyle Park

Subject: Quick question on estimate

Hello Arn and Laurel,

Could you provide a quick explanation for the variance between the adjusted budget and estimate for Streets & Signals and Gas Tax Streets and Signals. The variances combine for over \$3 m.

Thank you.

Phil Koen

DEPARTMENTAL EXPENDITURES By PROGRAM

		2018/19 Actuals	2019/20 Actuals	2020/21 Actuals	2021/22 Adjusted	2021/22 Estimated	2022/23 Adopted
Parks & Public Works							
5101	Administration	\$ 570,096	\$ 614,753	\$ 636,015	\$ 628,201	\$ 627,119	\$ 595,779
5201	Engineering Program Services	1,215,300	1,480,068	1,385,830	1,311,552	1,442,088	1,551,610
5202	Engineering Development Svcs	742,264	757,990	759,203	842,533	855,663	844,226
5203	Non-Point Source Fund	628,241	162,839	166,173	221,045	185,952	178,666
5301	Park Services	1,737,287	1,965,843	2,013,263	2,206,816	2,102,442	2,275,527
5302	Environmental Services	337,937	278,918	362,378	477,128	246,955	438,062
5401	Street & Signals	2,220,248	2,084,477	1,950,873	2,484,223	1,019,490	2,667,362
5402	Equipment Replacement	601,961	540,036	254,194	713,267	733,421	816,240
5403	Vehicle Maintenance	252,204	-	-	-	-	-
5404	Facilities Maintenance	1,011,905	1,161,003	1,160,152	1,223,193	1,234,999	1,240,344
5405	Property Damage	56,226	18,632	5,197	25,000	25,000	25,000
5406	Vehicle Maintenance Management	221,062	199,072	251,390	268,729	302,190	247,015
5407	Facilities Maintenance Management	305,042	316,130	333,628	393,171	356,929	401,319
5501	Lighting & Landscape Districts	27,266	54,572	53,958	95,279	33,143	95,642
5999	Pass Thru Accounts	564,170	452,157	481,981	140,000	140,000	140,000
8011	GFAF	7,552,806	5,567,263	4,743,911	20,507,902	6,272,006	6,082,937
8021	Grant Funded CIP Projects	379,494	484,403	698,512	7,869,300	4,126,407	4,967,041
8031	Storm Drain #1	-	-	-	200,000	-	-
8032	Storm Drain #2	-	-	-	200,000	13,400	-
8033	Storm Drain #3	29,700	11,000	611	259,447	25,848	-
8041	Traffic Mitigation	64,626	76,290	354,436	1,431,246	541,315	-
8042	Utility Undergrounding	-	49,000	24,626	348,003	427	-
8051	Gas Tax - Street & Signals	960,881	1,719,384	43,241	2,544,576	868,215	1,497,689
Total Parks & Public Works		\$ 19,478,716	\$ 17,993,830	\$ 15,679,572	\$ 44,390,611	\$ 21,153,009	\$ 24,064,459
Library							
7101	Administration	\$ 451,284	\$ 469,563	\$ 512,166	\$ 540,756	\$ 518,065	\$ 531,661
7201	Adult Services	548,199	544,326	643,929	688,224	701,284	840,163
7202	Children's Services	502,330	510,064	570,048	630,300	533,812	608,497
7204	Circulation Services	969,174	1,149,220	1,091,598	1,194,427	982,965	994,171
7801	Operating Grant	22,632	27,629	11,133	9,000	9,000	-
7301	Library Trust	69,029	72,637	17,895	70,000	70,000	95,000
7302	Clelles Ness Bequest Trust	21,048	-	-	20,755	-	20,755
7304	Betty McClendon Trust	-	-	609	700	700	1,000
7305	Barbara J Cassin Trust	-	9,989	611	2,500	2,500	4,500
Total Library		\$ 2,583,696	\$ 2,783,428	\$ 2,847,989	\$ 3,156,662	\$ 2,818,326	\$ 3,095,747
Successor Agency to the Los Gatos RDA							
9402	SA- Housing Trust Others	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
9403	SA- Admin Services	109,556	108,276	104,747	8,043	7,959	8,006
9404	SA- Debt to 2002 COP	1,346,321	1,342,984	1,347,180	1,347,110	1,347,010	1,347,236
9405	SA-Debt to 2010 COP	2,417,921	2,412,222	2,413,838	2,456,310	2,456,210	2,444,510
Total SA to the Los Gatos RDA		\$ 3,873,798	\$ 3,863,482	\$ 3,865,765	\$ 3,811,463	\$ 3,811,179	\$ 3,799,752
Total Operating Expenditures		\$ 61,235,570	\$ 63,330,976	\$ 63,431,568	\$ 91,595,903	\$ 66,776,840	\$ 71,106,750
Transfers Out		4,714,131	9,996,516	5,267,697	3,436,186	4,056,563	4,245,514
Total Expenditures by Department:		\$ 65,949,701	\$ 73,327,492	\$ 68,699,265	\$ 95,032,089	\$ 70,833,403	\$ 75,352,264

From: Phil Koen

Sent: Friday, April 22, 2022 10:07 AM

To: Town Manager <Manager@losgatosca.gov>; Arn Andrews <aandrews@losgatosca.gov>

Cc: Ron Dickel; Kyle Park; jvannada; Rick Van Hoesen; Rob Rennie <RRennie@losgatosca.gov>; Matthew Hudes <MHudes@losgatosca.gov>; Rick Tinsley; Stacey Dell; Shelley Neis <sneis@losgatosca.gov>

Subject: Additional disclosure around the FY 23 draft operating budget

Hello Laurel and Arn,

Attached please find additional information the public and the FC received last year regarding the FY 22 operating budget. It would be very helpful if the Staff provided the same information for this year's budget discussions. The additional disclosure will provide valuable insight into the planned increase in salary and benefit expenditures for FY 23 vs. historical trends.

Also, could you please disclose whether the FY 22 GF salary and benefit expense estimate includes an estimate of any POA "make whole" payment that might be required as a result of the salary negotiation. In prior years the Town has made the POA "whole" for the period of time from the expiration of the labor agreement and the date of the new agreement. I believe the POA has been working for 7 months without an agreement. The "make whole" payment could be material.

Lastly, could you provide a best case and worse case outcome for FY 23 regarding the salary increases under negotiation. It appears that the draft budget is based on a 2% increase. This seems very optimistic given the current inflationary environment and increases other neighboring jurisdictions have recently approved for their bargaining units. If the actual increase agreed to exceed the planned increase, the FY 23 budget is not "balanced" and will require incremental funding to "rebalance the budget".

While I appreciate the Town is in confidential negotiations with various labor groups, these discussions should not prevent the Town from having a transparent discussion regarding the most likely aggregate outcome given the potential FY 23 financial impact.

Thank you.

Phil Koen

PAGE 4 OF 8

SUBJECT: Finance Commission Budget Recommendations to the Town Council per Measure A

DATE: May 11, 2021

DISCUSSION (continued):

Motion by Commissioner Rick Tinsley to recommend to Council the allocation of the \$1.2 million Surplus Property Reserve (Winchester property sale proceeds) to the Capital/Special Project Reserve for capital budgeting purposes as determined by the Town Council's priorities. **Seconded by Chair Ron Dickel.**

Motion passed unanimously

Motion by Commissioner Rick Tinsley to recommend to Council the allocation of the accumulated Measure G funds through June 30, 2020 in the Measure G Reserve (\$1.2 million) to the General Fund Appropriated Reserve (GFAR) for capital budgeting purposes as determined by the Town Council's priorities. **Seconded by Chair Ron Dickel.**

Motion passed 4 to 1, Commissioner Loreen Huddleston opposed.

Motion by Chair Ron Dickel to allocate 50% Measure G proceeds for capital purposes in FY 2020/21 and all periods after. **Seconded by Commissioner Stacey Dell.**

Motion passed 3 to 2, Commissioners Kyle Park and Rick Tinsley opposed.

Capital Improvement Plan Expenditure Recommendations

In addition to the recommended additional allocations to the Capital Program, the Commission believed that the continuation of the roadside vegetation management program was essential to be included in the workplan for FY 2021/22.

Motion by Chair Ron Dickel to add \$500k from the previously recommended additional allocations to the Capital Budget for continuation of the roadside vegetation management project. **Seconded by Commissioner Kyle Park.**

Motion passed unanimously.

Operating Budget Expense Recommendations

The Commission reviewed historical time series and other data provided by staff as it relates to the organization's base salary and benefit expenses. As previously mentioned, the Commission observed that higher percentage increases in the primary expenditures of Salary and Benefits relative to revenues is constraining other investments. The table on the following page illustrates the salary and benefit trends from FY 2014/15 through FY 2019/20 used by the Commission during their deliberations.

PAGE 5 OF 8

SUBJECT: Finance Commission Budget Recommendations to the Town Council per
Measure A

DATE: May 11, 2021

DISCUSSION (continued):

Combined GF & ISF Fund Salaries							
	2014_15	2015_16	2016_17	2017_18	2018_19	2019_20	
Salaries-Total	\$ 15,324,291	\$ 15,416,095	\$ 15,758,451	\$ 16,921,167	\$ 17,942,181	\$ 19,254,973	
Salaries-Temp	\$ 867,364	\$ 869,152	\$ 913,362	\$ 811,194	\$ 648,097	\$ 881,908	
Salaries-OT	\$ 436,917	\$ 415,372	\$ 545,427	\$ 583,001	\$ 707,046	\$ 708,955	
Benefits-Total	\$ 6,526,096	\$ 7,224,479	\$ 9,470,413	\$ 8,238,405	\$ 8,861,044	\$ 9,678,595	
Benefits-PERS	\$ 3,362,328	\$ 3,818,073	\$ 6,088,841	\$ 4,739,853	\$ 5,282,681	\$ 6,059,646	
Adjustments for Temporary & OT Salaries							
Salaries	\$ 15,324,291	\$ 15,416,095	\$ 15,758,451	\$ 16,921,167	\$ 17,942,181	\$ 19,254,973	
Less:Temp Salaries	(867,364)	(869,152)	(913,362)	(811,194)	(648,097)	(881,908)	
OT Salaries	(436,917)	(415,372)	(545,427)	(583,001)	(707,046)	(708,955)	
	\$ 14,020,010	\$ 14,131,571	\$ 14,299,662	\$ 15,526,972	\$ 16,587,038	\$ 17,664,110	
Year Over Year % Change							
Based Upon Actuals							
Salaries		0.80%	1.19%	8.58%	6.83%	6.49%	
Benefits		10.70%	31.09%*	-13.01%	7.56%	9.23%	
SALARY CHANGE ANALYSIS							
Total Change FY 14/15 to FY 19/20						\$ 3,644,100	
Total % Change							25.99%
Annual Change Unadjusted							5.20%
BENEFITS CHANGE ANALYSIS							
Total Change FY 14/15 to FY 19/20						\$ 3,152,499	
Total % Change							48.31%
Annual Change Unadjusted							9.66%
ADJUSTED ANALYSIS							
Total Change FY 14/15 to FY 19/20						\$ 3,644,100	
Less One-Time Equity Adjustments							
FY 18/19 & 19/20 (salary only)						\$ (1,558,864)	
Total Adjusted Change						\$ 2,085,236	
Total Five Year % Change Adjusted							14.87%
Annual Change Adjusted For One-Time Equity Adj.							2.97%
BENEFITS CHANGE ANALYSIS							
Total Change FY 14/15 to FY 19/20						\$ 3,152,499	
Total % Change							48.31%
Annual Change Unadjusted							9.66%
ADJUSTED ANALYSIS							
Total Change FY 14/15 to FY 19/20						\$ 3,152,499	
Less One-Time Equity Adjustments							
FY 18/19 & 19/20 (benefits only)						\$ (580,321)	
Total Adjusted Change						\$ 2,572,178	
Total Five Year % Change Adjusted							39.41%
Annual Change Adjusted For One-Time Equity Adj.							7.88%

* Benefits impacted by Implementation
beginning in FY 2016/17 of
annual calculated Pension Expense
for Internal Service Funds as
per provisions of GASB 68-
(Accounting and Financial Reporting
for Pensions)

PAGE 6 OF 8

SUBJECT: Finance Commission Budget Recommendations to the Town Council per Measure A

DATE: May 11, 2021

DISCUSSION (continued):

In addition, the Commission received information from staff regarding current staffing vacancies and associated savings if unfilled for six months.

Vacant Position	Department	Vacancy Date	Salary Range	Hourly Rate	Current Status	6 Mos. Salary/Benefits Cost
1 Communications Dispatcher	Police	Dec-20	TEA - 14	\$39.05 - \$50.41	New employee scheduled to start in May	\$ 76,902
2 Communications Dispatcher	Police	Jan-21	TEA - 14	\$39.05 - \$50.41	Background	\$ 76,902
3 Communications Dispatcher	Police	Mar-21	TEA - 14	\$39.05 - \$50.41	Background	\$ 76,902
4 Communications Dispatcher	Police	Apr-21	TEA - 14	\$39.05 - \$50.41	Recruitment in progress	\$ 76,902
5 Legal Administrative Assistant	Town Attorney	Jan-21	Conf - 02	\$33.43 - \$43.26	Dept Review of Applications	\$ 67,344
6 Parks & Maintenance Worker*	Parks & Public Works	Oct-20	AFSCME - 05	\$29.90 - \$38.17	Interviews Scheduling	\$ 59,794
7 Police Officer	Police	Dec-20	POA - 02-0710	\$48.90	New employee scheduled to start June - Police Officer Trainee	\$ 81,317
8 Police Officer	Police	Apr-21	POA - 02-0711	\$51.47 - 62.57	Final stages of background	\$ 133,224
* Recruitment Timeline Events:						
- Oral Board 12/8/20						
- Invited 6, 3 no show						
- 2 offers extended, both declined						
- Next Oral Board 5/13/21						

The following recommendations are based on the Commission's desire to slow the growth in expenses in FY 2021/22 and reflect historic trends in expense assumptions in the Five-Year Forecast:

Motion by Commissioner Park to freeze budgeted FTE's at 145 for six months.

Seconded by Chair Ron Dickel.

Motion passed unanimously.

Motion by Chair Ron Dickel to use a 2% inflation factor for development of base salary expenses for FY 2021/22 and the remaining forecast period, without implying a particular outcome for negotiations with bargaining units. **Seconded by Stacey Dell.**

Motion passed unanimously.

In addition, the Commission recommended the inclusion of a destination marketing allocation into the budget to expedite the return of Transient Occupancy Tax revenues.

Motion by Chair Ron Dickel to allocate \$55K to destination marketing utilizing ARPA funds. **Seconded by Loreen Huddleston.**

Motion passed 4-0-1, Rick Tinsley abstained.

Operating Budget Balancing Recommendations

Based on the recommendation to divide Measure G proceeds evenly (50%/50%) between eligible Operating and Capital uses, the Commission recommended utilizing anticipated Other Post-Employment Benefit (OPEB) actuarial contributions as the budget balancing strategy for FY 2020/21 through the forecast period. This recommendation would replace the proposed use of Measure G allocations for eligible 100% Operating purposes.



**TOWN OF LOS GATOS
FINANCE COMMISSION REPORT**

MEETING DATE: 04/25/2022

ITEM NO: 2

DESK ITEM

Item 2.

DATE: April 25, 2022
TO: Finance Commission
FROM: Laurel Prevetti, Town Manager
SUBJECT: Discuss, Comment, and Begin to Make Recommendations to the Town Council Regarding the Proposed Fiscal Year (FY) 2022/23 Proposed Operating and Capital Budgets

REMARKS:

Attachment 4 contains public comments received between 11:01 a.m., Friday, April 21, 2022, and 11:00 a.m., Monday, April 25, 2022.

Attachments Previously Received with the Staff Report:

1. FY 2021/22 Finance Commission Budget Recommendations
2. Public Comment

Attachments Received Previously Received with the Addendum:

3. Public Comments received between 11:01 a.m., Thursday, April 21, 2022, and 11:00 a.m., Friday, April 22, 2022

Attachments Received with this Desk Item:

4. Public Comments received between 11:01 a.m., Friday, April 22, 2022, and 11:00 a.m., Monday, April 24, 2022

PREPARED BY: Arn Andrews
Assistant Town Manager

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

From: Phil Koen

Sent: Friday, April 22, 2022 1:25 PM

To: Ron Dickel; Kyle Park

Cc: Rick Tinsley; Stacey Dell; Matthew Hudes <MHudes@losgatosca.gov>; Rob Rennie <RRennie@losgatosca.gov>; Laurel Prevetti <LPrevetti@losgatosca.gov>; Jak Van Nada; Rick Van Hoesen; David Weissman; Lee Fagot; Peter Hertan; Arn Andrews <aandrews@losgatosca.gov>; Catherine Somers <catherine@losgatoschamber.com>; Jim Foley; Shelley Neis <sneis@losgatosca.gov>; Rob Stump

Subject: 5 year Forecast - Finance Commission Special Meeting - Agenda item #2

EXTERNAL SENDER

Hello Ron and Kyle,

The five -year forecast found on page A-7 of the transmittal letter projects \$12.5m in cumulative operating deficits through FY 28. This number is most likely conservative since it contemplates only \$1.5m per year in capital transfers to the GFAR and assumes only 2% increase per year in total salary expenditures. Historically the Town has transferred a minimum of \$2.5m per year to the GFAR to fund critical infrastructure investment and salary expenditures have grown at a CAGR of 6.8% over the past 5 years. This leads to the conclusion that the \$12.5m is extremely conservative and probably should be viewed as a “best case” scenario.

If we adjust for only the capital transfers by increasing the estimate to \$2.5m per year (e.g., a \$1m per year increase), the cumulative operating deficit increases to \$17.5m. \$17.5m is the amount the Town needs to fund from FY 24 through FY 28. Where will this funding come from? How is the Staff thinking about this challenge? Unfortunately, this is not discussed in the transmittal letter. The LGCA thinks this is a very worthy conversation to have.

What we are told is “the deficits.....can currently be resolved through a combination of expenditure controls and the use of one-time funds”. Unfortunately, there is no discussion as to the detail nature of the “expenditure controls” nor is there any discussion as to the use of “one-time funds”. We are also told that “the current projected deficits may need to be addressed through service delivery reductions or service outsourcing”. While no specifics are given, this sounds very ominous, and the warnings should be taken seriously.

Since the FY 23 operating budget is the first year of the five-year forecast, the LGCA recommends that the Finance Commission fully evaluate the reasonableness of the five-year plan before acting on the specifics of the FY 23 operating budget. It is important that the Town Council and residents have a proper perspective regarding the longer-term outlook before making any decisions regarding the actions planned in the first year on a five-year financial journey.

The LGCA would like to point out that if \$17.5m in total operating deficits is realized, by the end of FY 28, the total amount of Assigned General Fund Reserves would be fully depleted and the Town Council would be forced to vote on tapping the Budget Stabilization Reserves, and the Catastrophic Reserves or the remaining ARPA funds to fully fund the projected operating deficits. To frame this, at the end of FY 23 Staff has projected the non-restricted General Fund Balance to be \$19.9m in addition to approximately \$2.7m in remaining ARPA funds. **\$22.6m is the total liquidity available to the Town to fund the \$17.5m projected operating deficits from FY 24 through FY 28.** Based on this, the Town’s non-restricted General Fund Balance would be \$5.7m at the end of FY 28, which would be untenable.

ATTACHMENT 4

In closing, there doesn't appear to be any plan to address the current five-year forecast other than to incur \$17.5m in deficit spending. The Finance Commission was created to provide the Town Council an independent viewpoint regarding the soundness of the Town's financial forecasts and to advise the Town Council regarding actions to be taken. It is clear to the LGCA that the Town, based on the Staff's projections, is facing a fiscal challenge never seen before. We strongly recommend that the Finance Commission fully evaluate the five-year plan and devise strategies which will avert the fiscal challenge that Staff is projecting. Once these strategies have been devised, then the FY 23 operating budget can be reviewed with an understanding that this is the first year of a five-year roadmap.

Thank you.

Phil Koen

Los Gatos Community Alliance

Town of Los Gatos General Fund 5-Year Forecast
(in \$ million)

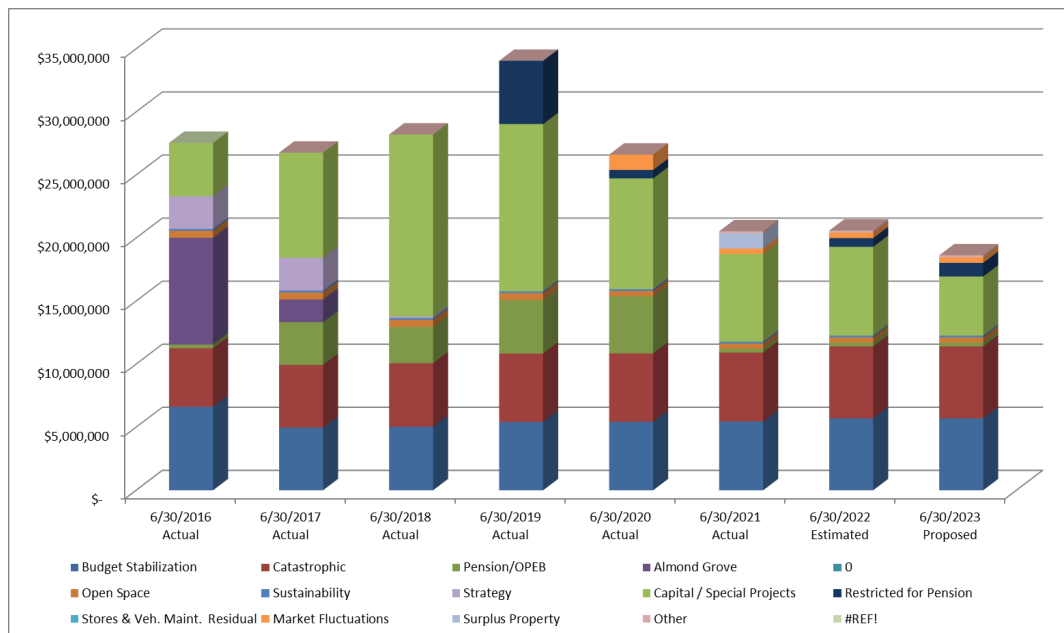
Account	Revenue Category	2021/22 Adjusted Budget	2021/22 Estimates	2022/23 Proposed Budget	2023/24 Forecast	2024/25 Forecast	2025/26 Forecast	2026/27 Forecast	2027/28 Forecast
4100	Property Tax	\$ 15.4	\$ 15.7	\$ 16.6	\$ 15.7	\$ 16.1	\$ 16.6	\$ 17.1	\$ 17.6
4110	VLF Backfill Property Tax	4.2	4.2	4.4	4.5	4.6	4.8	4.9	5.1
4200	Sales & Use Tax	7.0	7.5	7.9	8.2	8.5	8.8	9.1	9.3
4200	Measure G District Sales Tax	1.2	1.2	1.3	1.4	1.4	1.5	1.5	1.5
4250	Franchise Fees	2.5	2.4	2.5	2.6	2.6	2.7	2.8	2.9
4251	Transient Occupancy Tax	1.4	1.4	1.6	1.7	1.8	1.9	1.9	2.0
4400	Business License Tax	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3
4400	Licenses & Permits	3.1	3.1	2.8	2.8	2.9	3.0	3.1	3.2
4500	Intergovernmental	4.0	1.1	1.1	1.0	1.0	1.0	1.2	1.1
4600	Town Services	4.2	4.3	4.2	4.0	4.1	4.1	4.2	4.3
4700	Fines & Forfeitures	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
4800	Interest	0.4	0.4	0.4	0.3	0.3	0.3	0.3	0.3
4850	Other Sources	2.6	2.4	2.2	2.2	2.2	2.2	2.3	2.2
4900	Fund Transfers In	0.6	0.6	0.5	0.5	0.5	0.5	0.5	0.5
TOTAL OPERATING REVENUES & TRANSFERS*		\$ 48.1	\$ 45.8	\$ 47.0	\$ 46.4	\$ 47.5	\$ 48.9	\$ 50.4	\$ 51.5
	Capital	0.6	0.6	2.4	0.8	0.8	0.8	0.8	0.8
	Use of Pension/OPEB Reserve	-	0.3	-	-	-	-	-	-
	Use of Property Surplus Reserve	1.2	1.2	-	-	-	-	-	-
	Use of Measure G Reserve	1.1	1.1	-	-	-	-	-	-
	ARPA Replacement Revenue	-	-	1.0	-	-	-	-	-
TOTAL REVENUES, TRANSFERS, AND USE OF RESERVES		\$ 51.0	\$ 49.0	\$ 50.4	\$ 47.2	\$ 48.3	\$ 49.7	\$ 51.2	\$ 52.3
Account	Expenditure Category	2021/22 Adjusted Budget	2021/22 Estimates	2022/23 Proposed Budget	2023/24 Forecast	2024/25 Forecast	2025/26 Forecast	2026/27 Forecast	2027/28 Forecast
5110	Salary	20.9	19.2	21.5	21.6	22.2	22.5	23.0	23.5
5120	CalPERS Benefits	7.3	6.2	7.3	7.5	7.8	7.7	8.0	8.1
5200	All Other Benefits	4.2	3.4	4.4	4.6	4.7	4.8	5.0	5.1
6211	OPEB Pay as You Go	1.5	1.5	1.5	1.5	1.6	1.7	1.8	1.9
6000	Operating Expenditures	6.4	7.0	6.9	6.8	7.1	7.1	7.4	7.5
7200	Grants & Awards	1.0	0.8	0.2	0.2	0.2	0.2	0.2	0.3
7400	Utilities	0.6	0.6	0.6	0.6	0.7	0.7	0.7	0.7
8060	Internal Service Charges	2.7	2.6	2.7	2.9	3.1	3.4	3.7	3.8
8900	Debt Service	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9
TOTAL OPERATING EXPENDITURES		\$ 46.6	\$ 43.3	\$ 47.0	\$ 47.5	\$ 49.3	\$ 50.1	\$ 51.7	\$ 52.9
	GASB 45 Retiree Medical Actuarial	0.1	0.1	-	-	-	-	-	-
	Additional Discretionary Payment - Pension	0.4	0.7	0.4	0.4	0.4	0.4	0.4	0.4
TOTAL OPERATING & DISCRETIONARY EXPENDITURES		\$ 47.1	\$ 44.1	\$ 47.4	\$ 47.9	\$ 49.7	\$ 50.5	\$ 52.1	\$ 53.3
	Capital Transfers Out to GFAR	2.8	2.8	2.3	0.8	0.8	0.8	0.8	0.8
	Proceeds	0.6	0.6	0.7	0.7	0.7	0.7	0.8	0.8
AMOUNTS AVAILABLE FOR RESERVE ALLOCATIONS									
	Stabilization/Catastrophic	-	0.5	-	-	-	-	-	-
	Allocate to Compensated Absences	-	-	-	-	-	-	-	-
	Allocate to Market Fluctuation	-	-	-	-	-	-	-	-
	Allocate to CalPERS/Pension	-	0.3	-	-	-	-	-	-
TOTAL EXPENDITURES & RESERVE ALLOCATIONS		\$ 50.5	\$ 48.3	\$ 50.4	\$ 49.4	\$ 51.2	\$ 52.0	\$ 53.7	\$ 54.9
NET REVENUES RESERVE TRANSFERS LESS EXPENDITURES & RESERVE ALLOCATIONS FOR FINAL ALLOCATION AFTER YEAR END CLOSE		\$ 0.5	\$ 0.6	\$ -	\$ (2.2)	\$ (2.9)	\$ (2.3)	\$ (2.5)	\$ (2.6)
* Due to rounding of individual categories FY 2021/22 Total Expenditures and Reserve Allocations includes \$0.1 million. General Fund (111) Forecast does not include Pension Trusts activities.									

\$ 1.5m

\$ 12.5m

GENERAL FUND RESERVES

The total General Fund Reserves are forecasted at a balance of approximately \$20.9 million as of June 30, 2023. Additional information on the estimated FY 2021/22 and FY 2022/23 year-end General Fund balances can be found in the Financial Summaries section. As indicated in the chart on the next page, the General Fund reserves are decreasing from prior years due primarily to previous programmed payments toward the Town's unfunded pension/OPEB obligations and transfers to the CIP program. Past transfers to the CIP program include \$7.0 million (FY 2016/17), \$2.4 million (FY 2017/18), \$2.4 million (FY 2018/19), \$5.7 million (FY 2019/20), \$3.4 million (FY 2020/21), and \$2.8 million (FY 2021/22). The proposed transfer in FY 2022/23 is \$2.4 million. Pension/OPEB transfers of note include the \$4.5 million California Public Employees Retirement System (CalPERS) side-fund payoff in June 2014 and a \$4.8 million additional discretionary payment (ADP) in FY 2019/20. In FY 2020/21, additional ADPS of \$3.6 million and \$2.1 million were transferred in July and April, respectively.



General Fund Reserve	6/30/2016 Actual	6/30/2017 Actual	6/30/2018 Actual	6/30/2019 Actual	6/30/2020 Actual	6/30/2021 Actual	6/30/2022 Estimated	6/30/2023 Proposed
Restricted for:								
Pension				\$ 5,015,316	\$ 669,978	\$ -	\$ 690,000	\$ 1,080,000
Committed to:								
Budget Stabilization	\$ 6,621,808	\$ 4,969,847	\$ 5,037,243	\$ 5,419,222	\$ 5,427,603	\$ 5,460,485	\$ 5,703,957	\$ 5,703,957
Catastrophic	4,637,406	4,969,847	5,037,243	5,419,222	5,427,603	5,460,485	5,703,957	5,703,957
Pension/OPEB	300,000	3,388,913	2,878,913	4,232,500	4,532,500	300,000	300,000	300,000
Almond Grove	8,459,973	1,801,318	-	-	-	-	-	-
Assigned to:								
Open Space	562,000	562,000	562,000	562,000	410,000	410,000	410,000	410,000
Sustainability	140,553	140,553	140,553	140,553	140,553	140,553	140,553	140,553
Strategy	2,600,000	2,600,000	129,090	-	-	-	-	-
Capital / Special Projects	4,222,405	8,332,953	14,421,203	13,262,303	8,787,958	6,965,356	7,041,938	4,691,938
Authorized Carryforward	99,284	34,852	99,927	413,729	-	-	-	-
Compensated Absences		350,329	2,122,512	1,232,653	1,539,408	1,649,917	1,649,917	1,649,917
To Workers' Compensation				1,232,654				
Measure G District Sales Tax					1,181,162	1,730,490	679,443	679,443
Stores & Veh. Maint. Residual				1,040,375	-	-	-	-
Market Fluctuations					1,218,732	438,333	438,333	438,333
Surplus Property				-		1,200,000	-	-
Other						159,000	159,000	159,000
Total General Fund Reserve	\$ 27,643,429	\$ 27,150,612	\$ 30,428,684	\$ 37,970,527	\$ 29,335,497	\$ 23,914,619	\$ 22,917,098	\$ 20,957,098

$$\Sigma \textcircled{A} = 12,787,914$$

A - 13

$$\Sigma \textcircled{B} = 8,169,184$$

$$\begin{aligned} & \$ 8,169,184 \\ & - 1,649,917 \text{ S.A.} \\ & \hline & \$ 6,519,267 \end{aligned}$$

Catastrophic and Budget Stabilization Reserves

As per the Town's General Fund Reserve Policy and reaffirmed by Council, the Catastrophic and Budget Stabilization Reserves are to be maintained at combined minimum funding level of 25% of General Fund ongoing operating expenditures. The funding requirement is equally divided between the Catastrophic Reserve (12.5%) and the Budget Stabilization Reserve (12.5%). Fund balance in these reserves is used to fund future fluctuations in the economy due to catastrophic events and mitigating cyclical changes in locally generated revenues from temporary downturns in the local economy. Staff recommends transferring \$486,944 from available prior year-end savings to meet the required 25% funding level, or \$11.4 million total for FY 2022/23.

Pension/OPEB Reserve

Committed fund balance in this reserve is used to fund pension and other post-employment benefits (OPEB) unfunded obligations. This reserve is primarily used to house additional discretionary payments budgeted for future allocation to CalPERS. The Town's Pension/OPEB Oversight Committee has determined that additional discretionary payments will be allocated directly to CalPERS.

With Council direction, upon the close of the fiscal year, the CalPERS/OPEB Reserve receives \$300,000 of the available year-end savings. In FY 2018/19, the Council modified the General Fund Reserve Policy to reduce the amortization period for prior pension amortization bases from 30 years to 20 years. Initial annual programming of \$390,000 was established subject to final adjustment based upon updated CalPERS actuarial valuations. The prior Council Finance Committee made recommendations for the allocation methodology for use of these funds for future Town Council/Oversight Committee consideration.

Capital/Special Projects

With Council direction, upon the close of the fiscal year, the Capital/Special Projects Reserve receives the Town's annual revenues above operating expenditures after funding all legally restricted reserves at their required levels. Fund balance is assigned for the acquisition and construction of capital facilities or special projects as determined by the Town Council. In FY 2022/23, the amount being allocated to the Capital Improvement Program is \$2.4 million. It is anticipated the Reserve will have approximately \$4.1 million as of June 30, 2023.

Compensated Absences Reserve

A reserve is maintained annually to fund 50% of all vested hours of vacation earnings. It is anticipated the reserve will have approximately \$1.6 million as of June 30, 2023.

Surplus Property Reserve

A reserve established for placing the proceeds from surplus property sales until further Town Council reallocation. It is anticipated the reserve will have approximately \$0.0 million as of June 30, 2023.

Measure G District Sales Tax Reserve

A reserve established tracking the receipt and the usage of the 1/8 cents District Tax funds collected by the Town. Pending Council direction on current unallocated reserve balance it is anticipated the reserve will have approximately \$0.0 million as of June 30, 2023.

Other

The Town has several other smaller reserves that have been classified as other. These reserves include an authorized carryforward, open space reserve which may be used to make selective open space acquisitions, and a sustainability reserve which will be used to fund projects that enhance the community environment. Please refer to the Financial Summaries section (C-1) for additional information.

American Rescue Plan Act (ARPA)

The ARPA proceeds are accounted in the special revenue fund and revenues are recognized as eligible expenses occurred.

KEY BUDGET ASSUMPTIONS

Revenues

The FY 2022/23 Budget incorporates the waning impacts of the COVID-19 pandemic and the subsequent economic disruption with the General Fund revenues (excluding debt payments, restricted pension trust activity, and fund transfers in) expected to increase by \$0.9 million to \$46.8 million (not including anticipated ARPA fund receipt) from prior year estimated revenues. Revenue projections for each category were based upon estimates provided to the Town by the Santa Clara County Assessor, the Town's sales tax consultant, and careful examination of revenue trends, patterns, and industry research.

The net increase from FY 2021/22 in overall revenues is mostly due to forecasted increases in some revenues such as property tax, sales tax, and transient occupancy tax. Licenses and permit revenues are expected to decrease in FY 2022/23 and then increase gradually over time. The sales tax projections include the voter approved one-eighth general purpose sales tax dedicated to the Town of Los Gatos. Revenue collection began in April 2019. Additional details regarding the assumptions used in the development of revenue estimates can be found in the Forecast Assumptions at the end of this section.

Expenditures - Staffing

The proposed Budget includes minor adjustments to staffing.

	FY 2021/22 Authorized/Funded Town Staff Position	FY 2022/23 Authorized/Funded Town Staff Position
Departments		
Town Council	0.50	0.50
Town Attorney	2.13	2.13
Administrative Services	20.18	20.18
Community Development	20.20	20.20
Police Department	60.00	60.00
Parks & Public Works	34.75	36.75
Library	12.50	13.50
Total Position	150.25	153.25
All Hourly Employee Staff Converted to FTE's	11.09	11.46
	161.34	164.71

From: Phil Koen

Sent: Sunday, April 24, 2022 5:02 PM

To: Ron Dickel; Kyle Park

Cc: Matthew Hudes <MHudes@losgatosca.gov>; Rob Rennie <RRennie@losgatosca.gov>; Town Manager <Manager@losgatosca.gov>; Arn Andrews <aandrews@losgatosca.gov>; Jak Van Nada; Rick Van Hoesen; David Weissman; Lee Fagot; Rob Stump; Rick Tinsley

Subject: Inflation Threatens Impact of Infrastructure Law - The Wall Street Journal.

EXTERNAL SENDER

Hello Ron and Kyle,

I thought you would be interested in the following story from The Wall Street Journal.

[Inflation Threatens Impact of Infrastructure Law](#)

Download the Wall Street Journal app here: [WSJ](#).

This article raises the obvious question as how Staff factored in the impact of inflation on both the operating and capital plans over the 5 year planning period.

For example the annual paving budget (project 9901) is a constant \$3,240,122 over the 5 year period. Given the forecasted inflation levels, a constant dollar spend would result in less street miles maintained each year over the 5 year period. This means the PCI will be negatively impacted. By how much, we aren't told.

Bottomline the go forward investment required to maintain the Town's critical infrastructure is going to be materially higher over the planning horizon than what is reflected in the capital budget. As best as I can tell, there is no inflation factored into the capital spending requirements. Over the planning horizon, the capital requirements in the budget could easily be understated by 15% - 20%, if not more.

Until there is an understanding as to the impact inflation has on the required capital investment, the FY 2023 capital budget should not be approved.

Thank you.

Phil Koen

From: Jak Van Nada

Sent: Monday, April 25, 2022 5:35 AM

To: Shelley Neis <sneis@losgatosca.gov>; Town Manager <Manager@losgatosca.gov>; Arn Andrews <aandrews@losgatosca.gov>

Subject: Please Include in the Finance Commission Meeting of 4-25-22

EXTERNAL SENDER

The Los Gatos Community Alliance (LGCA) continues to advocate that a Fiscal Impact Analysis (FIA) of the 2040 General Plan be completed before the Planning Commission or Town Council take any action. **The FIA presented in the Alternative Land Use study did not evaluate the development in the 2040 General Plan.** We have attached a recent presentation that we gave at the Democracy Tent meeting on 4-18-22, which outlines our concerns.

Of special note:

- Using the actual historical growth rates in Salaries, Pension and Benefit costs would add nearly \$34 million to the cumulative deficit of the General Fund Balance over the next 5 years
- The General Fund would be completely wiped out by 2026 and have a deficit balance greater than - \$23 million at the end of 2027
- The potential for driving the deficit even higher with more development than necessary to meet the RHNA requirement is very high. Without an FIA, the Town cannot accurately forecast our Financial Future.
- The Town Has Refused To Do A Thoughtful Fiscal Impact Analysis, Yet They Have Agreed To A "High-Level" Report Based On Faulty Data
- The General Plan is the primary tool for guiding future development in the Town of Los Gatos for the next 20 years
- The General Plan is the framework of making CHOICES about growth, housing, transportation, neighborhood improvement and service delivery.
- A Fiscal Impact Analysis documents the General Fund revenues and costs and capital investment that are attributable to alternative land use scenarios considered by the General Plan Update process.
- Just like an Environmental Impact report documents the environmental impacts, a FIA documents the fiscal impacts.

For more information, please review our presentation attached. If you would like more information, please contact me at the address below, or, I strongly suggest that the Town's Finance Commission do an FIA to know where we're headed financially. A three minute speech would not adequately explain the problems.

--

*Jak Van Nada -
Los Gatos Community Alliance*



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Why A Fiscal Impact Analysis?

Looking Backwards To See Forward



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It's Not So Much What You See
But What You Don't See



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This Presentation Is To Show You What You Aren't Seeing



Data Used For This Report

- 2021 ACFR - Annual Comprehensive Financial Report
- Draft 2040 General Plan
- Mid-Year Budget Report - July 1 - December 31, 2021
- Five Year Forecast

Compound Annual Growth Rate (CAGR) Calculations					Actual CAGR 2016-2021	Actual CAGR 2018-2021	Total Growth 2016-2021						
Salaries & Wages		14.5	16.1	20.3	6.9%	8.1%	40%						Item 2.
Retirement Benefits		3.6	4.3	6.4	12.2%	14.2%	78%						
Other employee benefits		3.2	3.3	5.6	12.0%	19.5%	76%						
Total Salaries, Wages, Benefits		21.3	23.7	32.3	8.7%	11.0%	52%						
Full Time Equivalent (FTE) Headcount		144	148	150	0.8%	0.4%	4%						
Salaries, Wages & Benefits per FTE Head		148	160	203	6.5%	8.2%	37%						
Actuals (A) & Town Staff Forecast (F) - Base Case with 2% COLA													
		2016A	2017A	2018A	2019A	2020A	2021A	2022F	2023F	2024F	2025F	2026F	2027F
Salaries & Wages		14.5	14.8	16.1	17.9	19.3	20.3	20.6	20.6	21.2	21.8	22.3	22.8
Retirement Benefits		3.6	3.9	4.3	5.3	6.1	6.4	6.6	6.9	7.3	7.7	7.6	7.9
Other employee benefits		3.2	3.2	3.3	3.6	3.6	3.7	3.8	4.0	4.1	4.2	4.3	4.4
Total Salaries, Wages, Benefits		21.3	21.9	23.7	26.8	29.0	30.4	31.0	31.5	32.6	33.7	34.2	35.1
FTE Headcount		144	146	148	149	150	150	150					
Salaries, Wages & Benefits per FTE head (\$k)		148	150	160	180	193	203	207					
General Fund Inrease (decrease)				3.3	7.5	-8.6	-7.1	-1.5	-1.6	-2.0	-2.4	-2.1	-2.3
General Fund Balance			27.2	30.4	37.9	29.3	22.2	20.8	19.2	17.2	14.8	12.7	10.4
Revised Forecast (\$ million)									2023F*	2024F*	2025F*	2026F*	2027F*
Salaries & Wages - actuals and forecast using 6.9% 5-year actual historical CAGR for 2023 forward									22.0	23.6	25.2	26.9	28.8
Pension - actuals and forecast using 12.2% 5-year actual historical CAGR for 2023 forward									7.4	8.3	9.3	10.5	11.7
All Other Benefits - actuals and forecast using 6.9% 5-year actual historical CAGR for 2023 forward									4.3	4.8	5.3	6.0	6.7
Total Salaries, Pension & Wages - actuals and forecast using 5-year actual historical CAGR for 2023 forward									33.7	36.6	39.9	43.4	47.2
Page 169	Difference from Town staff forecast								(2.2)	(4.0)	(6.2)	(9.2)	(12.1)
	Cumulative difference from Town staff forecast								(2.2)	(6.2)	(12.4)	(21.6)	(33.7)
Revised General Fund Balance									17.0	10.9	2.4	(8.9)	(23.3)



The Town Is Forecasting Deficits

- In The Next 5 Years The Town Staff Is Forecasting That The General Fund Balance Will Decrease by 50% - From \$20.8M At The End Of 2022 To \$10.4M At The End Of 2027
- The Town Staff Forecast Assumed An Annual Growth Rate Of Just 2% For Salaries, Pension and Benefits.



- However, over the last 5 years salaries, wages and benefit costs have actually grown at 8.7% annually
- That is more than 4 times the growth rate the Town Staff is forecasting.
- Over the last 3 years the actual growth rate has accelerated to 11%
- We Are Entering An Inflationary Period
- What Happens If We Change The Forecast Assumption From 2% To 8.7%?



Modified Forecast Using Historical Growth Rates

- Using the actual historical growth rates in Salaries, Pension and Benefit costs would add nearly \$34 million to the cumulative deficit over the next 5 years
- The General Fund would be completely wiped out by 2026 and have a deficit balance greater than -\$23 million at the end of 2027



Town Spending on Headcount Has Increased Dramatically in the Last 5 Years

- Salaries Have Grown 6.9% per Year (up 40% in 5 years)
- Pension Expense has grown 12.1% per year (up 78% in 5 years)
- Benefits have grown 12.0 % per year (up 76% in 5 years)
- Total of the 3 costs have grown 11% per year (up 52% in 5 years)
- While headcount has grown by only 0.4% per year (up 4% in 5 years)



Some Concerns

- The ACFR of 2021 Said There Was A Salary Increase of 1% Plus A Bonus of 2%.
- Salaries, Wages and Benefits Actually Increased By 8.7% Over 5 Years, But Accelerated To 11% In The Last 3 Years.
- Unfortunately, You Won't See That Noted Anywhere In The ACFR.
- The Town Has Refused To Do A Thoughtful Fiscal Impact Analysis. Yet They Have Agreed To A "High-Level" Report Based On Faulty Data. Mr. Koen will tell you more shortly.
- The Council Pushed The Mute Button When Brought To A Council Meeting



Concerns, Cont'd

- The 2016 Council Rejected A \$4.8M Annual Sales Tax That 64% Of Those Polled By The Town Was Approved – That Would Total \$29M For Los Gatos Today.
- In 2016, we found the OPEB buried in Footnote 10 - \$12.5 M
- The Town Council Is In Charge, Not The Staff.
- We Gave The Town Council A Finance Commission Available to Them At Any Time.

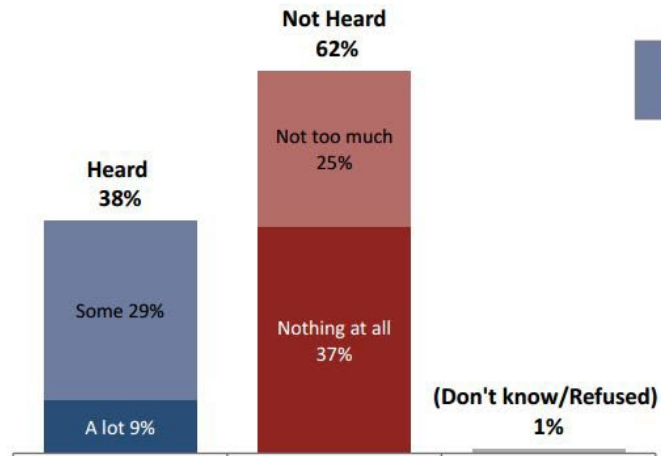


Awareness of General Plan



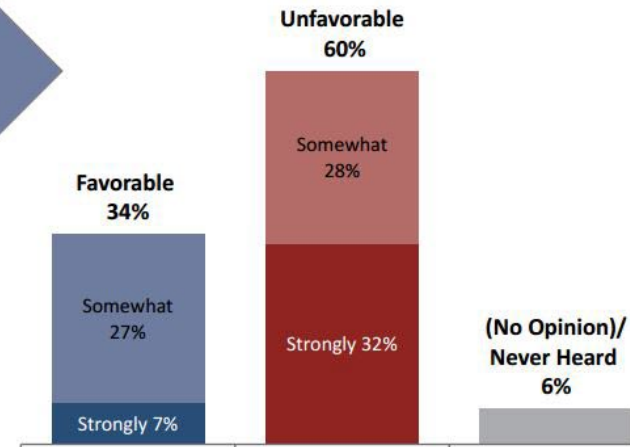
More than a third of voters have heard something about the General Plan, and among those who are familiar it is overwhelmingly unpopular.

How much, if anything, have you heard or seen recently about the Los Gatos 2040 General Plan?
Have you heard a lot, some, not too much, or nothing at all?



Heard (n=158)

And do you have a favorable or unfavorable opinion of the Los Gatos 2040 General Plan?



Q12 and 15.

21-8285 Los Gatos 2040 General Plan | 10

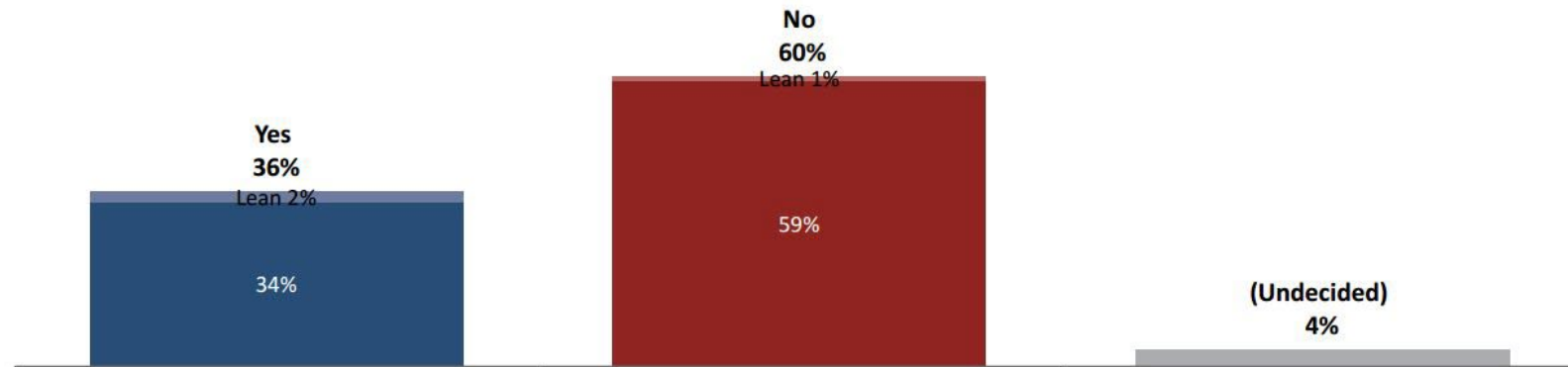


Informed Referendum Vote Preference



If the Town Council adopts the 2040 General Plan, voters may have an opportunity on a future ballot to vote in a referendum to approve or reject the plan.

If the election were held today, would you vote yes to approve or no to reject the proposed 2040 General Plan?



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What If The General Plan Costs More \$\$?



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Fiscal Impact Analysis

APRIL 2022



General Plan and Fiscal Impact Analysis

- The General Plan is the primary tool for guiding future development in the Town of Los Gatos for the next 20 years
- The General Plan is the framework of making CHOICES about growth, housing, transportation, neighborhood improvement and service delivery.
- A Fiscal Impact Analysis documents the General Fund revenues and costs and capital investment that are attributable to alternative land use scenarios considered by the General Plan Update process.
- Just like an Environmental Impact report documents the environmental impacts, a FIA documents the fiscal impacts.



Does Growth Impact Operations?

- The Town provides services and infrastructure to residents and workers as reflected in the Town's budget
- Residents and workers consume services, and pay for those services through taxes and fees
- Therefore, new growth will consume additional services and pay additional taxes and fees
- Big Question – What is the balance of new costs and revenues from new growth?
- A Fiscal Impact Analysis will provide the answer

Alternative Population Growth Scenarios

The Draft General Plan contains by far the highest Compound Annual Growth Rate (CAGR) assumption

Population Growth Scenarios	2018 Population (Estimate)	2040 Population (Projected)	Growth 2018 to 2040	CAGR 2018-2040
ABAG Projections 2040	31,472	33,050	1,578	0.2%
Alternative A: Low Growth	30,995	33,769	2,774	0.4%
Alternative B: Medium Growth	30,995	35,533	4,538	0.6%
Alternative C: Medium-High Growth	30,995	36,522	5,527	0.7%
Alternative D: High Growth	30,995	38,617	7,622	1.0%
General Plan	30,995	39,966	8,971	1.2%



So What Is A Fiscal Impact Analysis (FIA)?

- A fiscal impact analysis is a test to see whether or not the growth-related demand for services and infrastructure, as reflected in the city's budget expenditures, will be balanced by the additional revenues generated by growth





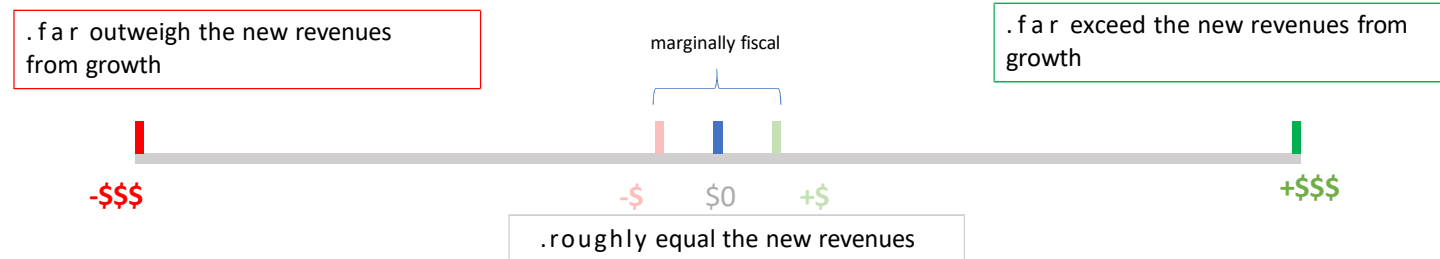
A FIA Provides Support To Decision Makers and Community Stakeholders

- Identifies projected changes to local services and revenues
- Helps define achievable levels of service
- Projects capital facility needs
- Clarifies development policy impacts
- Calculates revenues and helps in the development of revenue strategies
- Encourages “what if” questions
- Promotes public education of the connection between land use and fiscal conditions.



What Will The Findings Tell Us?

The costs that will be required to scale operations and/or provide new infrastructure to accommodate growth projected in the General Plan.



- There are **many potential interpretations** for the range of fiscal results
- The fiscal results **do not** provide a projection of future budget levels



Alternative Mix of Housing Analyzed

	Alt. A	Alt. B	Alt. C	Alt. D	General Plan
Net New Dwellings	681	1,416	1,828	2,700	2,763
Pending/Approved Dwelling Units	475	475	475	475	475
Subtotal	1,156	1,891	2,303	3,175	3,238
Accessory Dwelling Unit (ADU)	-	-	-	-	500
Total Residential Units	1,156	1,891	2,303	3,175	3,738
Single Family	391	328	371	550	550
Multi-Family	765	1,563	1,932	2,625	3,188
Below-Market Purchase (BMP) Units	149	238	293	464	847
BMP Units: % of Total Residential	13%	13%	13%	15%	23%



FIA Development Assumptions

Land Use Designation	Alternative D: High Growth						
	Redevelopment Percent		Density Range (DU/AC)		Typical Density (DU/AC)		FAR
	Outside OA	Inside OA	Outside OA	Inside OA	Outside OA	Inside OA	
LDR	10%	15%	5 to 12	12 to 20	10	16	0.75
MDR	15%	15%	14 to 24	14 to 24	20	20	1
HDR	15%	20%	20 to 30	30 to 40	26	36	1.5
NC	15%	15%	20 to 30	20 to 30	26	26	1
MU	15%	20%	30 to 40	30 to 40	36	36	1.5

- Redevelopment percentage is the percentage of the total area under each land use designation assumed to be redeveloped within the 2040 planning period



2040 General Plan

- Density changes Town wide

	Density Range (du/ac)		Typical Density		Redevelopment Assumptions		Draft General Plan	
Land Use Designation	Existing General Plan	Draft General Plan	Existing General Plan	Draft General Plan	Derived Draft GP Total Units	Assumed Redevelop %	New Housing (redev)	New Housing (vacant)
Low Density Residential	0 to 5	1 to 12	4	12	1,680	5%	84	283
Medium Density Residential	5 to 12	14 to 24	10	20	3,430	10%	343	224
High Density Residential	12 to 20	30 to 40	18	36	1,787	15%	268	110
Neighborhood Commercial	10 to 20	10 to 20	16	18	910	10%	91	26
Community Commercial	0	20 to 30	0	26	1,040	15%	156	
Mixed-Use	10 to 20	30 to 40	16	36	3,025	20%	605	126
Central Business District	10 to 20	20 to 30	16	26	753	15%	113	21
Office Professional	0	30 to 40	0	36	1,700	15%	255	4
Service Commercial	0	20 to 30	0	26	293	15%	44	10
Subtotal					14,618		1,959	804
Housing Units, New and Redeveloped								2,763
Housing Units, ADUs								500
Subtotal								3,263
Housing Units, Existing Projects								475
Total								3,738



Comparison of Alternatives – Net Fiscal Impact

	Alt. A	Alt. B	Alt. C	Alt. D	General Plan
Annual Revenues	\$ 4,320,000	\$ 5,796,000	\$ 6,564,000	\$ 8,378,000	???
Annual Costs	\$ (3,710,000)	\$ (5,280,000)	\$ (6,264,000)	\$ (8,413,000)	???
Net Fiscal Impact	\$ 610,000	\$ 516,000	\$ 300,000	\$ (35,000)	???
Residential Net Impact	\$ 190,000	\$ 96,000	\$ (120,000)	\$ (455,000)	???
Non-residential Net Impact	\$ 420,000	\$ 420,000	\$ 420,000	\$ 420,000	\$ 420,000

- Alternative C – 2,303 units – annual revenues exceed annual costs by \$300,000
- Alternative D – 3,175 units – annual costs exceed annual revenues by \$35,000
- General Plan – Unknown but must be worse than Alt D given higher growth and housing mix shift



Alternative D							
	Total	Single Family	Multi-Family	Commercial	Industrial	Office	Institutional
REVENUES							
Property Tax	\$3,419,046	\$744,996	\$2,186,673	\$391,559	\$29,284	\$60,067	\$6,467
Property Tax in lieu of VLF	\$915,576	\$199,500	\$585,563	\$104,854	\$7,842	\$16,085	\$1,732
Sales Tax	\$1,178,463	\$213,283	\$598,593	\$290,125	\$11,293	\$64,645	\$524
Franchise Fees	\$477,885	\$75,883	\$362,169	\$23,001	\$6,671	\$9,852	\$310
Transient Occupancy Tax	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other taxes	\$272,131	\$43,211	\$206,236	\$13,098	\$3,799	\$5,610	\$176
Licenses and Permits	\$657,495	\$104,403	\$498,287	\$31,646	\$9,179	\$13,555	\$426
Intergovernmental	\$228,500	\$39,583	\$188,917	\$0	\$0	\$0	\$0
Town Services	\$841,339	\$133,595	\$637,614	\$40,494	\$11,745	\$17,345	\$545
Fines and Forfeitures	\$92,376	\$14,644	\$69,891	\$4,528	\$1,313	\$1,939	\$61
Interest Earnings and Rents	\$121,642	\$23,534	\$80,524	\$13,372	\$1,231	\$2,839	\$153
Other Revenues	\$69,232	\$10,993	\$52,468	\$3,332	\$966	\$1,427	\$45
Transfers in	\$104,680	\$16,622	\$79,333	\$5,038	\$1,461	\$2,158	\$68
TOTAL REVENUES	\$8,378,365	\$1,620,237	\$5,546,267	\$921,048	\$84,785	\$195,521	\$10,507
EXPENDITURES							
General Government	\$1,426,709	\$223,897	\$1,068,600	\$90,283	\$17,380	\$25,712	\$836
Community Development	\$1,138,904	\$177,787	\$848,529	\$80,834	\$12,504	\$18,523	\$726
Police Dept.	\$3,289,855	\$512,610	\$2,446,546	\$237,738	\$36,776	\$54,478	\$1,707
Library	\$570,505	\$90,590	\$432,361	\$27,459	\$7,964	\$11,761	\$370
Parks and Public Works	\$479,596	\$76,028	\$362,859	\$23,507	\$6,818	\$10,068	\$316
Transfers Out	\$1,507,050	\$239,303	\$1,142,128	\$72,536	\$21,039	\$31,069	\$977
TOTAL EXPENDITURES	\$8,412,619	\$1,320,214	\$6,301,023	\$532,357	\$102,482	\$151,612	\$4,932
TOTAL BUDGET NET (DEFICIT)/SURPLUS	(\$34,253)	\$300,023	(\$754,755)	\$388,691	(\$17,697)	\$43,910	\$5,575

- The mix of single family VS. multi-family units has a material impact on the fiscal analysis



Major Shortcomings of The Town's FIA

- The fiscal analysis did not study the 2040 Draft General Plan –
 - Studied the impact of adding **3,175 total units** including **464 BMP** units and **0 ADU's**
 - 2040 GP consists of **3,738 total units** including **847 BMP** units and **500 ADU's**
- No base case or downside case scenarios were presented – consultants stated “consider a best-case scenario over the long run”
- Amount of property tax revenues and sales tax is extremely dependent on the mix of units in each land use alternative
- The revenue generating potential of development will decline as Prop 13 limits the escalation of assessed values compared to inflation of municipal service costs



Major Shortcomings of The Town's FIA

- The analysis is for full buildout at one point in time and does not consider effects of inflation over 20-year period, which will affect the Town's revenues and costs differently
 - From FY 2018 -21 total salaries, wages and benefits increased at a 11% CAGR VS Total General Fund Revenues increased at 1.8% CAGR
 - A 20 year build out of cost/revenue trends by year is required to determine fiscal impacts of inflation and growth
- The analysis is based on pre-pandemic financial information and does not reflect the Town's current budget and most recent five- year outlook
 - Five-year outlook is projecting annual operative deficits each year and a cumulative deficit of \$10.4m



Major Shortcomings of The Town's FIA

- Analysis did not evaluate current departmental capacity nor additional staff or facilities needed to support planned growth
 - Police and Fire safety costs are highly variable with growth
- Analysis did not evaluate the Town's ability to maintain service standards
 - A negative fiscal impact would suggest the Town would must reduce service standards



Major Shortcomings of The Town's FIA

- The analysis did not expand beyond the General Fund to the Appropriated Reserves Fund (GFAR) which is used to fund capital projects
 - Money transferred from the General Fund to GFAR
 - FY 19 - \$2.8m, FY 20 - \$8.1m, FY 21 - \$3.4m
 - Ability to fund \$80.0m of unfunded capital projects
- The analysis did not address cost of increasing facilities and infrastructure capabilities resulting from 2040 GP growth
 - A 25% growth in VMT will require more street and road maintenance expenditures
 - Storm water system is outdated, shallow and undersized



But....not all is lost.....some obvious conclusions

- Less residential growth is better – limit to RHNA 1,993 plus required buffer
- Land use mix should be planned to generate a fiscally neutral outcome – will be challenging given mix of BMP to total units
- Residential growth focused in Opportunity Areas will have a different fiscal impact than growth Town wide
- Commercial growth such as work/live units would appear to have a net positive fiscal impact
- Given the difference in historical growth rates in salary, wages and benefits vs total revenues, impact of inflation and large unfunded capital needs, substantial new sources of revenues will need to be found
 - How much and how quickly can be answered by a proper FIA.



In Closing – two key questions that need to be asked

- How do we really know if the 2040 draft General Plan is Fiscally Stable and Responsible?
- Who benefits from NOT doing a FIA of the 2040 General Plan ?



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Thank you

Proposed Operating and Capital Budgets April 25, 2022



PROPOSED FY 2022/23 OPERATING BUDGET



Key budget principles include:

- No significant new programming
- Maintains existing service levels with one-time temporary hours and modest staffing additions
- Provides for limited necessary infrastructure improvements
- Addresses many of Council's Strategic Priorities

PROPOSED FY 2022/23 OPERATING BUDGET



	Revenues & Reserve Transfers	Expenditures & Allocations
Total General Fund	\$50.4 Million	\$50.4 Million

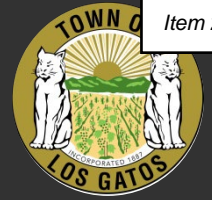
The FY 2022/23 Budget endeavored to maintain essential public services while controlling operational costs in light of the Five-Year Financial Forecast, which predicts operating shortfalls in subsequent fiscal years.

EVOLUTION OF PRIOR YEAR BUDGETS

Fiscal Year	Original Forecasted Surplus/(Deficit)	Ending Surplus/(Deficit)
FY 2020/21	(\$1,362,910)	\$0.0
FY 2021/22	(\$1,912,536)	\$600,000
FY 2022/23	(\$2,100,000)	(\$1,000,000)

To date, no ARPA funding has ultimately been expensed for revenue loss replacement.

BUDGET BALANCING STRATEGIES



Departments programmed existing resources by either maintaining current structures or realigning operations to remain effective while staying within prior year budgets. In addition, Departments were provided guidance to enhance capacity where necessary through limited, non-benefited personnel options when possible.

Use of \$1.0 million of the Town's \$7.2 million allocation from the American Rescue Plan Act to replace lost revenue. This is consistent with Council direction in FY 2020/21 (\$1.4 million) and FY 2021/22 (\$1.9 million).

ARPA ALLOCATIONS



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	Allocations/Commitments
Estimated ARPA Funds	\$7,229,744
Replace Lost Revenue (FY 2022/23)	\$1,000,000
Economic Development	
• Parklets	\$930,000
• CUP Fee waiver	\$50,000
• ADA Fee Waiver	\$25,000
• Destination Marketing	\$55,000
• K-Rail	\$25,000
• Promenades	\$200,000
Totals	\$1,285,000
Nonprofit/Community Assistance	
• Rent Waiver	\$625,208
• Direct Grants	\$110,000
• Enhanced Senior Services	\$500,000
Totals	\$1,235,208
Total Allocations	\$3,520,208
Total ARPA Funds Unallocated	\$3,709,536

EVOLUTION OF FORECASTED BUDGETS

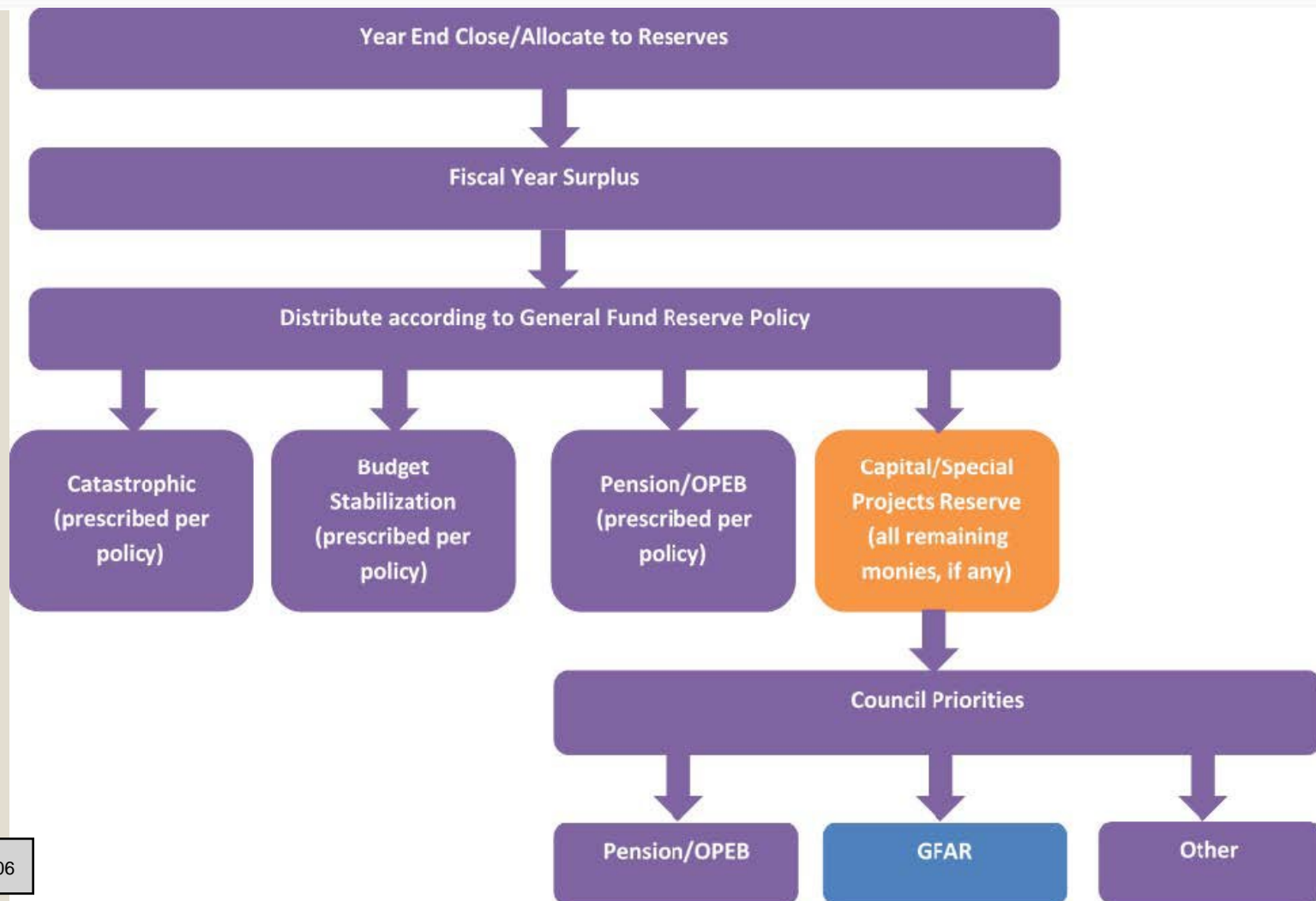
Forecast	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
June 1, 2021 (Final Adopted)	(\$2.1)	(\$2.2)	(\$2.7)	(\$2.5)	(\$2.8)	
Feb 15, 2022 (Mid-Year)	(\$1.6)	(\$2.0)	(\$2.4)	(\$2.1)	(\$2.3)	
April 18, 2022 (Proposed)	(\$1.0)	(\$2.2)	(\$2.9)	(\$2.3)	(\$2.5)	(\$2.6)

- Current FY continues to improve
- Outyear FY deficits persist
- Forecast includes 2% COLA assumption per Commission and Council
- Forecast assumes 100% staffing
- FY 2023/24 thru 2026/27 only programs \$400K ERAF

PROPOSED FY 2022/23 CIP

- Limited opportunity for new projects
- Concentrates on key ongoing maintenance commitments (e.g., street paving)
- Projects with grant funding and FY 2022/23 schedule obligation
- Unfunded future capital needs:
 - Facilities maintenance
 - Stormwater infrastructure
 - Pavement maintenance
 - ADA transition plan

FLOW OF FUNDS

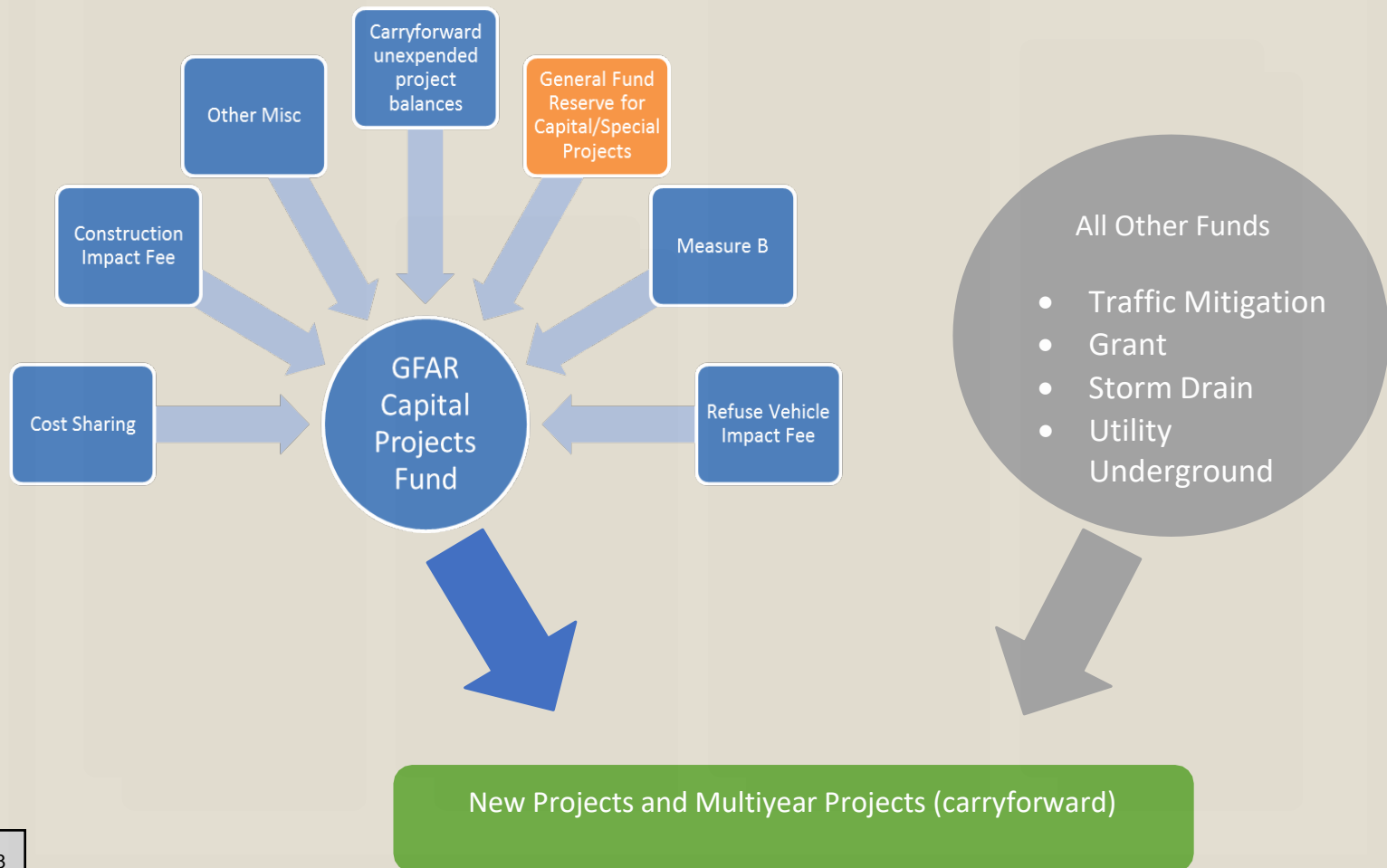


COUNCIL PRIORITIES - CIP RELATED



- Continued Vegetation Management
- Development of Measure B Transportation Projects
- Continued Bicycle and Pedestrian Improvements
- Phased Implementation of Comprehensive Parking Study
- Affirmed exploration of New Revenue Opportunities

CIP FUNDING SOURCES



CIP FUNDING SOURCES

Funding Sources for the FY 2022/23 - 2026/27 CIP				
		Carryforward	New Funding	Total
Ongoing	Gas Tax	\$ 1,676,425	\$ 7,488,443	\$ 9,164,868
One-Time	GFAR	13,511,686	14,657,673	28,169,359
	Utility Underground Funds	347,576	-	347,576
	Traffic Mitigation Funds	889,932	-	889,932
	Grant Funds	2,997,418	7,394,851	10,392,269
	Storm Drain Funds	556,900	65,000	621,900
Total Funding Available		\$ 19,979,937	\$ 29,605,967	\$ 49,585,904

FY 2022/23 CIP PROJECTS

Carry-forward & New FY 2022/23 CIP Projects

	GFAR	Grant and Awards	Gas Tax	Other *	Total Estimated
Street Projects	\$ 13,340,641	\$ 2,410,750	\$ 3,174,114	\$ 1,794,408	\$ 20,719,913
Park Projects	2,018,139	4,996,730	-	-	7,014,869
Public Facilities Projects	4,235,847	556,979	-	-	4,792,826
TOTAL OF CARRY-FORWARD & NEW PROJECTS	\$ 19,594,627	\$ 7,964,459	\$ 3,174,114	\$ 1,794,408	\$ 32,527,608

* Other Funds include Storm Drain Fund, Traffic Mitigation Funds, Utility Underground Funds