



TOWN OF LOS GATOS
***AMENDED FINANCE COMMISSION AGENDA**
MARCH 9, 2026
110 EAST MAIN STREET
TOWN COUNCIL CHAMBERS
5:30 PM

Ashby Monk, Chair
Adam Fischer, Vice Chair
Phil Koen, Commissioner
Linda Reiners, Commissioner
Joseph Rodgers, Commissioner
Maria Ristow, Vice Mayor
Matthew Hudes, Council Member

IMPORTANT NOTICE

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

Commissioner Joe Rodgers will be participating via teleconference pursuant to Government Code Section 54953(b)(3) from a location at 77-6371 Kupuna Street, Kailua Kona, HI 96740. The teleconference location shall be accessible to the public and the agenda will be posted at the teleconference location 72 hours before the meeting.

To watch and participate via Zoom, please go to:

<https://losgatosca-gov.zoom.us/j/84834011781?pwd=rHVGvPbwjNaaM6U6ZB5AbaZUF1ToV9.1>

Enter passcode: 998589

CALL MEETING TO ORDER

ROLL CALL

CONSENT ITEMS (*Items appearing on the Consent are considered routine Town business and may be approved by one motion. Members of the public may provide input on any Consent Item(s) when the Chair asks for public comment on the Consent Items. Each speaker is limited to no more than three (3) minutes or such time as authorized by the Chair.*)

- [1.](#) Approve the Minutes of the February 9, 2026, Finance Commission Regular Meeting
- [2.](#) Receive the Monthly Financial and Investment Report for January 2026
- [3.](#) Recommend that the Town Council Receive the Independent Accountants' Report on Agreed-Upon Procedures on Measure G Revenues and Expenditures for the Period July 1, 2024, to June 30, 2025
- [4.](#) Receive the California Employer's Retiree Benefit Trust (CERBT) Strategy 1 Market Value Summary Report for the Period Ending December 31, 2025, and the Performance Report as of January 31, 2026.
- [5.](#) Receive the California Employer's Pension Prefunding Trust (CEPPT) Strategy Market Value Summary Report for the Period Ending December 31, 2025, and Performance as of January 31, 2026

VERBAL COMMUNICATIONS (*Members of the public are welcome to address the Commission on any matter that is not listed on the agenda and is within the subject matter jurisdiction of the Commission. During special meetings, members of the public are welcome to address the Commission only on items listed on the agenda. Town resources may not be used to facilitate audio or visual presentations. To ensure all agenda items are heard, this portion of the agenda is limited to 30 minutes. In the event additional speakers were not able to be heard during the initial Verbal Communications portion of the agenda, an additional Verbal Communications will be opened prior to adjournment. Each speaker is limited to no more than three (3) minutes or such time as authorized by the Chair.*)

OTHER BUSINESS (*Each speaker is limited to no more than three (3) minutes or such time as authorized by the Chair.*)

6. Establishing the Structure of a Multi-Year Capital Improvement Program

ADJOURNMENT

ADA NOTICE - In compliance with the Americans with Disabilities Act, if you require special assistance to participate in this meeting, please contact the Clerk's Office at (408) 354-6834. Please notify the Clerk's Office at least two (2) business days prior to the meeting so that reasonable arrangements can be made to ensure accessibility in compliance with 28 CFR §35.102-35.104 and related provisions.

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

HOW TO PARTICIPATE

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

Zoom Webinar (Online): Join from a PC, Mac, iPad, iPhone or Android device. Please click this URL to join: <https://losgatosca.gov.zoom.us/j/84834011781?pwd=rHVGvPbwjNaaM6U6ZB5AbaZUF1ToV9.1>

Passcode: **998589** You can also type in **848 3401 1781** in the "Join a Meeting" page on the Zoom website at zoom.com and use passcode **998589**.

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.

Telephone: Please dial 1 (855) 758-1310 for US Toll-free or 1 (408) 961-3927 for US Toll. (Meeting ID: 848 3401 1781)

If you are participating by calling in, press *9 on your telephone keypad to raise your hand.

In-Person: Please complete a "speaker's card" located on the back of the chamber benches and return it to the Town Clerk before the meeting or when the Chair announces the item for which you wish to speak.

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

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

Deadlines to submit written comments are:

-3:00 p.m. the business day before the Commission meeting for inclusion in an addendum.

-11:00 a.m. on the day of the Commission meeting for inclusion in a desk item.

* The Agenda was amended to add the remote participation location for Commissioner Rodgers.



**TOWN OF LOS GATOS
FINANCE COMMISSION
MINUTES**

MEETING DATE: 3/9/2026

Item 1.

ITEM NO: 1

**Minutes of the Finance Commission Regular Meeting
February 9, 2026**

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

THE MEETING WAS CALLED TO ORDER AT 5:33 P.M.

ROLL CALL

Present: Chair Ashby Monk, Vice Chair Adam Fischer, Commissioner Joe Rodgers, Commissioner Phil Koen, Commissioner Linda Reiners, and Vice Mayor Maria Ristow

Absent: Council Member Matthew Hudes

Town Staff Present: Town Manager, Chris Constantin; Administrative Services Director, Kristina Alfaro; and Finance and Accounting Manager, Eric Lemon.

CONSENT ITEMS

1. Approve the Minutes of the January 12, 2026, Finance Commission Regular Meeting
2. Approve the Minutes of the February 2, 2026, Finance Commission Special Meeting
3. Receive the Monthly Financial and Investment Report for December 2025

There was no public comment.

MOTION: Motion by Commissioner Reiners to approve the consent items. **Seconded by Commissioner Rodgers**

VOTE: Motion passed unanimously.

VERBAL COMMUNICATIONS

There was no public comment.

OTHER BUSINESS

4. Receive the FY 2025-26 Mid-Year Budget Report and the Draft FY 2025-26 Forecast.

The Administrative Services Director, Kristina Alfaro, presented the item.

The Commission discussed the item and asked questions.

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SUBJECT: Draft Minutes of the Finance Commission Regular Meeting of February 9, 2026

DATE: March 9, 2026

Staff addressed the Commissioners' questions.

Lee Fagot

- Thanked everyone for their work.

No action was taken.

ADJOURNMENT:

The meeting adjourned at 7:12 p.m.

This is to certify that the foregoing is a true and correct copy of the minutes of the February 9, 2026, regular meeting as approved by the Finance Commission.

Eric Lemon, Finance and Accounting Manager



TOWN OF LOS GATOS
FINANCE COMMISSION REPORT

MEETING DATE: 3/09/2026

ITEM NO: 2

Item 2.

DATE: March 9, 2026
TO: Finance Commission
FROM: Chris Constantin, Town Manager
SUBJECT: Receive the Monthly Financial and Investment Report for January 2026

RECOMMENDATION: Receive the Monthly Financial and Investment Reports for January 2026.

FISCAL IMPACT:

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

BACKGROUND:

California Government Code Section 41004 requires that the Town Treasurer submit to the Town Clerk and the legislative body a written report and accounting of all receipts, disbursements, and fund balances. The Administrative Services Director assumes the Town Treasurer role. Attachment 1 contains the January 2026 monthly Financial and Investment Report, which fulfills this requirement.

The January 2026 Monthly Financial and Investment Report will be presented to the Town Council at its March 17, 2026, regular meeting.

DISCUSSION:

The January 2026 Monthly Financial and Investment Report includes a Fund Balance Schedule, representing estimated funding available for all funds at the beginning of the fiscal year and at the end of the respective month.

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

PREPARED BY: Eric Lemon
Finance and Accounting Manager

Reviewed by: Town Manager, Town Attorney, and Administrative Services Director

months and the timing of any estimates used in the presentation, based on the information available. This is demonstrated by the attached January 31, 2026, fund balance report. In the case that the differences are extraordinary and unanticipated, we will ensure we present more information to explain the differences.

The difference between the January 31 and December 31 estimated fund balance is due to normal day-to-day fluctuations in revenues and expenditures.

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

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

Reconciling Cash to Fund Balance - January 31, 2026		
Total Cash	\$	78,053,230
Plus: Assets	\$	13,265,421
Less: Liabilities	\$	(23,324,860)
Estimated Fund Balance	\$	67,993,791

As of January 31, 2026, the Town’s financial position (Cash Plus Other Assets \$91.32M, Liabilities \$23.33M, and Fund Equity \$67.99M) remains strong, and the Town has sufficient funds to meet the cash demands for the next six months.

As of January 31, 2026, the Town’s weighted portfolio yield for investments under management was 4.21%, which was 28 basis points above the Local Agency Investment Fund (LAIF) yield of 3.93% for the same reporting period. Currently, the LAIF portfolio’s weighted average maturity (WAM) is 244 days versus the Town’s longer WAM of 645 days. The Town’s assets under management reflect the Town’s selection of the 1-3 year benchmark investment strategy through the Town’s investment advisor to lock in higher yields at the top of the interest rate cycle. The longer maturities are balanced with shorter-term yields available on investments held with the State’s LAIF. The Town’s weighted average rate of return on investments under management of 4.21% at the close of January was 3 basis points lower when compared to the prior month’s return of 4.24% reported as of December 31, 2025.

Since January 2025, LAIF yields decreased from 437 basis points (4.37%) to 393 basis points (3.93%) through the end of January 2026. The State LAIF pool typically lags the market when current market yields are either increasing or decreasing.

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SUBJECT: Monthly Financial and Investment Report for January 2026

DATE: March 9, 2026

The Federal Open Market Committee implemented three rate cuts in 2025. The first, on September 17, reduced the federal funds target range by 25 basis points to 4.00%–4.25% amid slower economic growth in the first half of the year and emerging signs of labor-market softening. A second 25-basis-point cut on October 29 brought the range down to 3.75%–4.00% as labor-market weakness and broader economic uncertainty persisted. At its December 10 meeting, the Committee approved a final 25-basis-point reduction to 3.50%–3.75%, reflecting ongoing concerns about the economic outlook. These adjustments align with the FOMC's objective to promote maximum employment and achieve a year-over-year inflation target of 2%.

The labor market remained solid, with payrolls growth stronger than expected at 256,000. The unemployment rate ticked down from 4.2% to 4.1%, while the participation rate remained stable. Private employment rose 223,000 while government employment was up 33,000. Private goods-producing employment fell by 8,000, primarily dragged down by a 13,000 fall in manufacturing jobs. The November JOLTS report showed the job openings rate rising to 4.8%, with the layoff rate remaining low at 1.1%. The ratio of job openings to unemployed remained at approximately 1.1, in line with pre-pandemic levels.

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

CONCLUSION:

Receive the Monthly Financial and Investment Report for January 2026.

Attachments:

1. Financial and Investment Report (January 2026)

**Town of Los Gatos
Summary Investment Information
January 31, 2026**

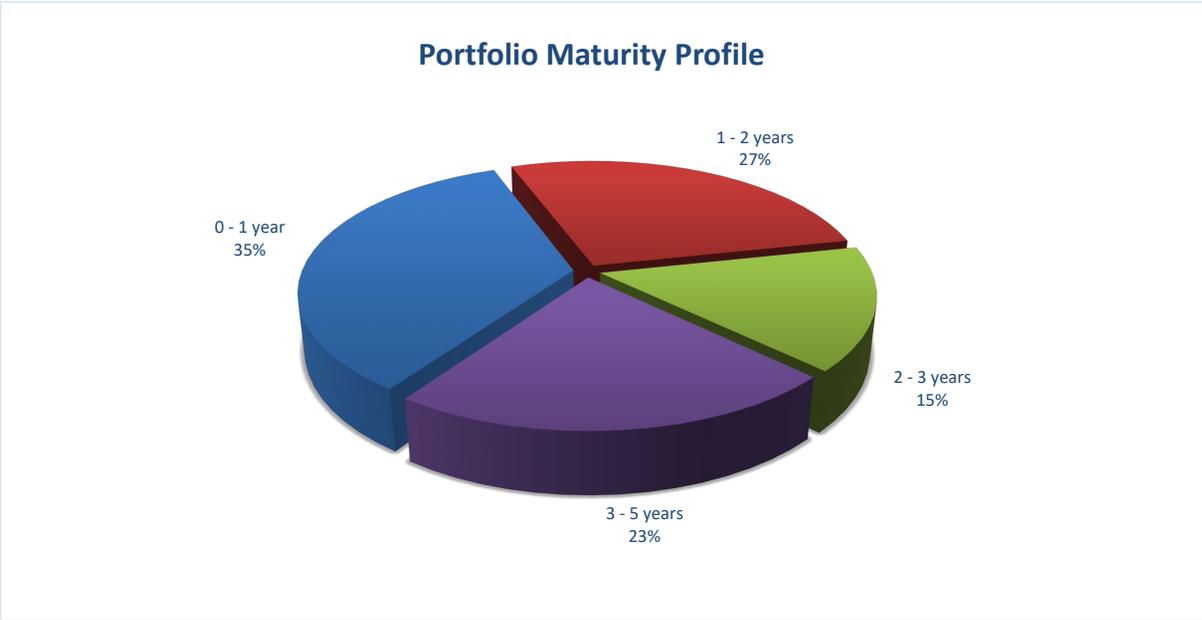
Weighted Average YTM Portfolio Yield on Investments under Management **4.21%**

Weighted Average Maturity (days) **645**

	This Month	Last Month	One year ago
Portfolio Allocation & Treasurer's Cash Balances	\$78,053,230	\$72,645,597	\$71,009,516
Managed Investments	\$52,947,226		
Local Agency Investment Fund	\$9,605,206		
Reconciled Demand Deposit Balances	\$15,500,797		
Portfolio Allocation & Treasurer's Cash Balances	\$78,053,230		

Benchmarks/ References:

Town's Average Yield	4.21%	4.24%	4.44%
LAIF Yield for month	3.93%	4.03%	4.37%
3 mo. Treasury	3.65%	3.63%	4.28%
6 mo. Treasury	3.62%	3.60%	4.30%
2 yr. Treasury	3.52%	3.47%	4.20%
5 yr. Treasury	3.79%	3.73%	4.33%
10 Yr. Treasury	4.24%	4.17%	4.54%

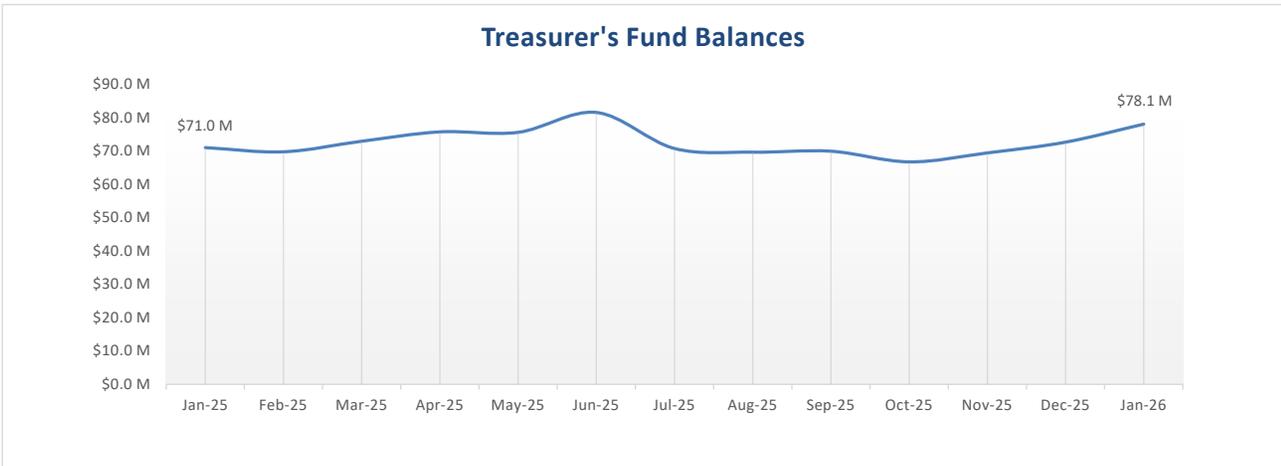
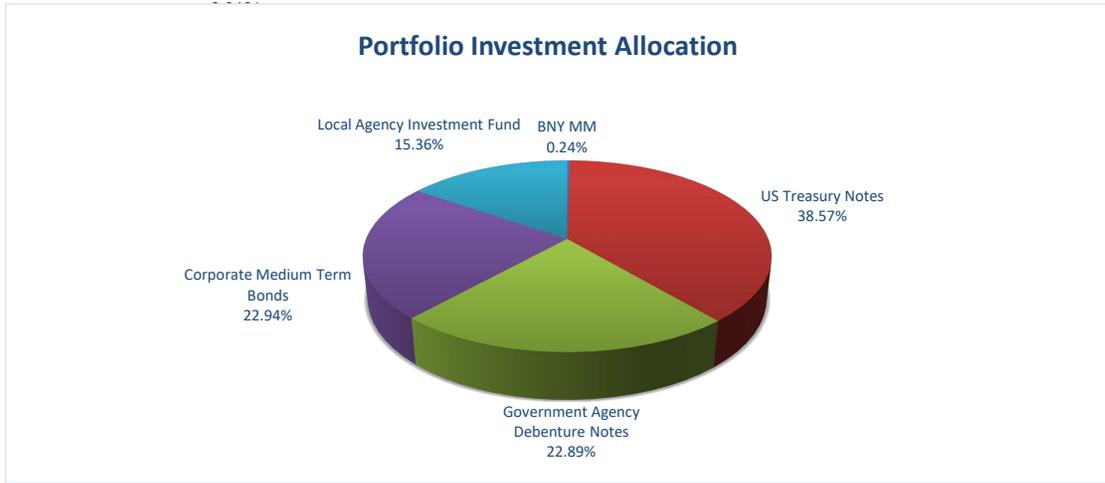


Compliance: The Town's investments are in compliance with the Town's investment policy dated March 18, 2025, and also in compliance with the requirements of Section 53600 at seq. of the California State Code. Based on the information available, the Town has sufficient funds to meet the cash demands for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

**Town of Los Gatos
Portfolio Allocation & Treasurer's Cash Balances
January 31, 2026**

	Month	YTD
Cash & Investment Balances - Beginning of Month/Period	\$ 72,645,596.68	\$ 81,558,113.19
Receipts	9,592,323.34	50,395,069.99
Disbursements	(4,184,690.35)	(53,899,953.51)
Cash & Investment Balances - End of Month/Period	<u>\$78,053,229.67</u>	<u>\$78,053,229.67</u>

Portfolio Allocation	Amount	% of Portfolio	Max. % or \$ Allowed per State Law or Policy
BNY MM	\$148,800.64	0.24%	20% of Town Portfolio
US Treasury Notes	\$24,129,270.12	38.57%	No Max. on US Treasuries
Government Agency Debenture Notes	\$14,316,775.31	22.89%	No Max. on Non-Mortgage Backed
Corporate Medium Term Bonds	\$14,352,380.30	22.94%	30% of Town Portfolio
Local Agency Investment Fund	\$9,605,206.08	15.36%	\$75 M per State Law
Subtotal - Investments	62,552,432.45	100.00%	
Reconciled Demand Deposit Balances	<u>15,500,797.22</u>		
Total Portfolio Allocation & Treasurer's Cash Balances	<u>\$78,053,229.67</u>		



**Town of Los Gatos
Non-Treasury Restricted Fund Balances
January 31, 2026**

	Beginning Balance	January 2026 Deposits Realized Gain/Adj.	January 2026 Interest/ Earnings	January 2026 Withdrawals/ Fees	Ending Balance	
Non-Treasury Funds:						
Cert. of Participation 2002 Ser A Reserve Fund	\$ 696,852.49	\$ -	\$ 1,967.40	\$ -	\$ 698,819.89	Note 1
Cert. of Participation 2010 Ser Lease Payment Fund	2,650.21	69,812.29	8.31	-	72,470.81	Note 2
Cert. of Participation 2002 Ser A Lease Payment Fund	14,467.87	72,282.13	40.82	-	86,790.82	Note 1
Cert. of Participation 2010 Ser Reserve Fund	1,303,354.37	-	4,100.49	-	1,307,454.86	Note 2
Total Restricted Funds:	<u>\$ 2,017,324.94</u>	<u>\$ 142,094.42</u>	<u>\$ 6,117.02</u>	<u>\$ -</u>	<u>\$ 2,165,536.38</u>	
CEPPT IRS Section 115 Trust	3,234,153.34	-	38,812.84	636.55	\$ 3,272,329.63	Note 3
Grand Total COP's and CEPPT Trust	<u>\$ 5,251,478.28</u>	<u>\$ 142,094.42</u>	<u>\$ 44,929.86</u>	<u>\$ 636.55</u>	<u>\$ 5,437,866.01</u>	

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

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

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

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

Town of Los Gatos
Statement of Interest Earned
January 31, 2026

July 2025	\$	238,713.97
August 2025	\$	238,367.28
September 2025	\$	259,685.13
October 2025	\$	228,769.00
November 2025	\$	220,968.79
December 2025	\$	234,197.60
January 2026	\$	228,526.08
February 2026	\$	-
March 2026	\$	-
April 2026	\$	-
May 2026	\$	-
June 2026	\$	-
	\$	<u>1,649,227.85</u>

Town of Los Gatos
Investment Schedule
January 31, 2026

Institution	CUSIP #	Security	Coupon	Deposit Date	Par Value	Original Cost	Original Issue (Discount) Premium	Market Value	Market Value (Above Under) Cost	Purchased Interest	Maturity Date or Call Date	Yield to Maturity or Call	Interest Received to Date	Interest Earned Prior Yrs.	Interest Earned Current FY	Days to Maturity
Apple	037833D3B	Corporate Bond	2.90%	12/20/2022	1,300,000.00	1,278,591.00	(71,409.00)	1,286,025.00	5,434.00		6/21/2027	4.19%	\$ 102,837.22	\$ 135,426.07	\$ 31,545.62	506
Home Depot	437076B3M	Corporate Bond	3.00%	8/4/2022	1,000,000.00	991,960.00	(8,040.00)	998,810.00	6,850.00		4/1/2026	3.04%	\$ 94,750.00	\$ 93,590.54	\$ 18,965.10	60
FFCB	3133ENSV8	Gov. Agency Debenture	4.13%	1/17/2023	236,000.00	239,174.20	3,174.20	237,163.48	(2,010.72)		1/11/2027	3.76%	\$ 29,042.75	\$ 21,918.24	\$ 5,265.28	345
US Treasury	91282CBT7	US Treasury Note	0.75%	9/30/2022	800,000.00	712,565.18	(87,434.82)	796,296.00	83,730.82		3/31/2026	4.14%	\$ 18,000.00	\$ 85,193.12	\$ 18,243.55	59
JP Morgan Chase	46625HRS1	Corporate Bond	3.20%	9/23/2022	500,000.00	474,660.00	(25,340.00)	498,985.00	24,325.00		3/15/2026	4.70%	\$ 51,644.44	\$ 64,505.94	\$ 13,717.88	43
FHLB	3130AQF65	Gov. Agency Debenture	1.25%	11/30/2022	1,300,000.00	1,160,559.40	(139,440.60)	1,274,052.00	113,492.60		12/21/2026	4.15%	\$ 49,697.92	\$ 130,709.25	\$ 29,801.15	324
FHLB	3130APJH9	Gov. Agency Debenture	1.00%	1/17/2023	1,000,000.00	990,010.00	(92,990.00)	990,720.00	83,710.00		10/28/2026	4.17%	\$ 28,354.17	\$ 84,829.28	\$ 20,377.98	270
FFCB	3133ENS56	Gov. Agency Debenture	4.00%	2/8/2023	1,700,000.00	1,706,732.00	6,732.00	1,714,093.00	7,361.00		1/6/2028	3.91%	\$ 197,955.56	\$ 159,363.33	\$ 39,247.56	705
American Honda	02665WED9	Corporate Bond	4.70%	5/11/2023	600,000.00	608,856.00	8,856.00	608,628.00	(228.00)		1/12/2028	4.34%	\$ 75,278.33	\$ 56,288.41	\$ 15,495.53	711
US Treasury	91282CF4	US Treasury Note	2.50%	6/9/2023	1,500,000.00	1,416,626.12	(83,373.88)	1,482,195.00	65,568.88		3/31/2027	4.09%	\$ 86,577.87	\$ 122,333.72	\$ 34,975.73	424
Colgate-Palmolive	194162AR4	Corporate Bond	4.60%	7/14/2023	500,000.00	504,655.00	4,655.00	508,470.00	3,815.00		2/1/2028	4.37%	\$ 49,002.79	\$ 43,173.83	\$ 12,946.13	731
FFCB	3133PQC2	Gov. Agency Debenture	4.63%	7/17/2023	500,000.00	501,957.50	1,957.50	501,850.00	(107.50)		7/17/2026	4.48%	\$ 57,812.50	\$ 43,961.07	\$ 13,237.58	167
FFCB	31335PBM6	Gov. Agency Debenture	4.13%	7/14/2023	600,000.00	596,220.00	(3,780.00)	605,388.00	9,168.00		8/23/2027	4.29%	\$ 52,181.25	\$ 50,424.13	\$ 15,120.21	569
PNC Bank	69353RFR2	Corporate Bond	3.25%	7/25/2023	1,000,000.00	921,490.00	(78,510.00)	989,400.00	67,910.00		12/23/2027	5.23%	\$ 80,979.17	\$ 97,247.67	\$ 29,615.08	691
US Treasury	91282CFU0	US Treasury Note	4.13%	7/31/2023	1,300,000.00	1,290,660.60	(9,339.40)	1,312,792.00	22,131.40		10/31/2027	4.31%	\$ 120,656.25	\$ 107,052.11	\$ 32,880.29	638
Toyota Motor Credit	89236TKL8	Corporate Bond	5.45%	8/25/2023	1,600,000.00	1,617,168.00	17,168.00	1,646,592.00	29,424.00		11/10/2027	5.16%	\$ 192,566.67	\$ 153,725.55	\$ 48,964.44	648
US Treasury	912810EF3	US Treasury Note	5.50%	10/3/2023	1,200,000.00	1,238,207.14	38,207.14	1,255,548.00	17,340.86		8/15/2028	4.76%	\$ 123,211.96	\$ 101,335.84	\$ 34,256.61	927
Pepsico Inc	713448DF2	Corporate Bond	2.85%	10/16/2023	1,000,000.00	947,570.00	(52,430.00)	999,430.00	51,860.00		2/24/2026	5.24%	\$ 52,883.33	\$ 86,538.35	\$ 29,864.76	24
FFCB	3133EPUW3	Gov. Agency Debenture	4.75%	10/13/2023	1,000,000.00	994,338.00	(5,662.00)	1,006,660.00	12,322.00		9/1/2026	4.96%	\$ 89,458.33	\$ 84,828.57	\$ 29,134.41	213
US Treasury	91282CEW7	US Treasury Note	3.25%	10/16/2023	1,000,000.00	950,039.06	(49,960.94)	996,250.00	46,210.94		6/30/2027	4.73%	\$ 71,711.96	\$ 78,477.53	\$ 27,082.94	515
US Treasury	91282CEN7	US Treasury Note	2.75%	10/31/2023	1,300,000.00	1,214,336.39	(85,663.61)	1,287,767.00	73,430.61		4/30/2027	4.82%	\$ 71,500.00	\$ 100,336.49	\$ 35,480.83	454
US Treasury	91282CH2	US Treasury Note	1.25%	12/21/2023	900,000.00	798,647.55	(101,352.45)	852,363.00	53,715.45		6/30/2028	3.99%	\$ 22,805.71	\$ 51,319.84	\$ 19,809.28	881
FNMA	3135GQQ22	Gov. Agency Debenture	1.88%	12/21/2023	900,000.00	845,676.00	(54,324.00)	890,325.00	44,649.00		9/24/2026	4.22%	\$ 29,671.88	\$ 55,770.03	\$ 21,527.03	236
US Treasury	91282CFB2	US Treasury Note	2.75%	1/2/2024	1,000,000.00	960,354.91	(39,645.09)	988,790.00	28,435.09		7/31/2027	3.95%	\$ 57,167.12	\$ 57,605.73	\$ 22,725.20	546
US Treasury	91282CFE4	US Treasury Note	3.63%	1/17/2024	1,800,000.00	1,775,185.72	(24,814.28)	1,802,538.00	27,352.28		5/31/2028	3.97%	\$ 121,942.63	\$ 102,986.91	\$ 41,777.71	851
JP Morgan Chase	46647PDE8	Corporate Bond	4.85%	2/1/2024	1,400,000.00	1,396,528.00	(3,472.00)	1,417,346.00	20,818.00		7/25/2027	4.93%	\$ 134,696.10	\$ 97,231.80	\$ 40,591.92	540
US Bancorp	91159HJF8	Corporate Bond	4.55%	2/5/2024	1,000,000.00	989,200.00	(10,800.00)	1,008,140.00	18,940.00		7/22/2027	4.89%	\$ 89,317.67	\$ 68,041.60	\$ 26,628.07	537
US Treasury	91282CHB0	US Treasury Note	3.63%	2/23/2024	1,175,000.00	1,174,788.52	(2,211.48)	1,174,788.52	22,225.58		5/15/2026	4.56%	\$ 73,485.92	\$ 71,517.53	\$ 31,189.19	104
FHLB	3130AXB31	Gov. Agency Debenture	4.88%	2/27/2024	1,000,000.00	1,003,060.00	3,060.00	1,001,480.00	(1,580.00)		3/13/2026	4.72%	\$ 76,104.17	\$ 63,303.13	\$ 27,832.67	41
FFCB	3133EPU5U	Gov. Agency Debenture	4.13%	3/28/2024	1,700,000.00	1,687,981.00	(12,019.00)	1,722,695.00	34,714.00		3/20/2029	4.28%	\$ 103,629.17	\$ 91,219.09	\$ 42,727.90	1144
US Treasury	9128285M8	US Treasury Note	3.13%	4/30/2024	1,200,000.00	1,123,832.14	(76,167.86)	1,185,324.00	61,491.86		11/15/2028	4.69%	\$ 57,795.34	\$ 63,313.82	\$ 31,954.16	1019
Cisco Systems	17275RBR2	Corporate Bond	4.85%	5/15/2024	1,000,000.00	999,130.00	(870.00)	1,025,650.00	26,520.00		1/26/2029	4.87%	\$ 62,106.94	\$ 58,677.43	\$ 28,677.43	1091
Home Depot	437076C6W	Corporate Bond	4.90%	5/17/2024	1,000,000.00	1,001,790.00	1,790.00	1,028,880.00	27,090.00		4/15/2029	4.86%	\$ 69,144.44	\$ 54,498.76	\$ 26,648.49	1170
Treasury	91282CJ83	US Treasury Note	3.75%	5/31/2024	1,200,000.00	1,154,628.02	(45,371.98)	1,208,920.00	50,291.98		12/31/2028	4.68%	\$ 71,208.79	\$ 59,398.06	\$ 32,330.59	1065
FHLB	3130BIBT3	Gov. Agency Debenture	4.88%	7/2/2024	1,150,000.00	1,150,966.00	966.00	1,154,853.00	3,887.00		6/12/2026	4.82%	\$ 75,372.92	\$ 55,261.42	\$ 32,730.60	132
Citibank	17325FBK3	Corporate Bond	4.84%	8/15/2024	1,250,000.00	1,263,062.50	13,062.50	1,279,400.00	16,337.50		7/6/2029	4.60%	\$ 58,963.12	\$ 50,520.38	\$ 34,049.79	1252
FNMA	3135G05Y5	Gov. Agency Debenture	0.75%	9/10/2024	1,100,000.00	1,010,724.00	(89,276.00)	1,050,368.00	39,644.00		10/8/2027	3.56%	\$ 8,891.67	\$ 29,915.45	\$ 21,951.61	615
US Treasury	91282CFU0	US Treasury Note	3.88%	12/3/2024	1,100,000.00	1,088,144.31	(11,855.69)	1,107,216.00	19,071.69		9/30/2029	4.12%	\$ 35,130.49	\$ 25,813.46	\$ 26,554.51	1338
FHLB	3130ATUT2	Gov. Agency Debenture	4.50%	2/12/2025	505,000.00	508,253.21	3,253.21	519,387.45	11,134.24		12/14/2029	4.35%	\$ 19,063.75	\$ 8,337.70	\$ 12,989.90	1413
FFCB	3133ERS5X	Gov. Agency Debenture	3.88%	3/12/2025	1,000,000.00	998,480.00	(1,520.00)	1,004,850.00	6,370.00		3/7/2028	3.93%	\$ 18,836.81	\$ 11,831.34	\$ 23,124.88	766
Treasury	91282CFJ9	US Treasury Note	4.88%	3/31/2025	1,100,000.00	1,130,167.75	30,167.75	1,136,476.00	6,308.25		10/31/2028	4.04%	\$ 31,256.56	\$ 11,273.90	\$ 26,636.13	1004
State Street Corp	857477CD3	Corporate Bond	5.27%	4/30/2025	800,000.00	811,184.00	11,184.00	804,896.00	(6,288.00)		8/3/2026	4.04%	\$ 10,895.47	\$ 5,565.50	\$ 19,616.09	184
Freddie Mac	3134HAW33	Gov. Agency Debenture	4.75%	4/30/2025	1,000,000.00	1,005,644.00	5,644.00	1,001,710.00	(3,934.00)		12/18/2029	4.23%	\$ 30,743.07	\$ 7,735.00	\$ 27,262.70	1417
US Treasury	91282CNG2	US Treasury Note	4.00%	6/30/2025	660,000.00	665,184.24	5,184.24	666,751.80	1,567.56		5/31/2030	3.82%	\$ 11,036.08	\$ -	\$ 14,930.08	1581
US Treasury	91282CMG3	US Treasury Note	4.25%	8/4/2025	825,000.00	842,308.43	17,308.43	841,310.25	(998.18)		1/31/2030	3.74%	\$ 17,150.14	\$ -	\$ 15,392.55	1461
US Treasury	91282CM6	US Treasury Note	4.13%	8/25/2025	1,200,000.00	1,218,847.77	18,847.77	1,218,048.00	(799.77)		11/30/2029	3.72%	\$ 13,118.86	\$ -	\$ 19,639.52	1399
US Treasury	91282CHR5	US Treasury Note	4.00%	9/23/2025	950,000.00	959,036.38	9,036.38	959,462.00	(7,574.38)		7/31/2030	3.59%	\$ 13,423.92	\$ -	\$ 12,284.40	1642
US Treasury	91282CG08	US Treasury Note	4.00%	10/3/2025	1,000,000.00	1,013,362.72	13,362.72	1,010,430.00	(2,932.72)	3,646.41	2/28/2030	3.67%	\$ (3,646.41)	\$ -	\$ 12,154.09	1489
State Street Corp	857477D6	Corporate Bond	4.83%	11/10/2025	580,000.00	596,535.80	16,535.80	595,996.40	(539.40)	1,246.09	4/24/2030	4.13%	\$ (1,246.09)	\$ -	\$ 5,464.86	1544
US Treasury	91282CKA8	US Treasury Note	4.13%	12/17/2025	1,150,000.00	1,157,775.34	7,775.34	1,156,601.00	(1,174.34)	15,984.38	2/15/2027	3.52%	\$ (15,984.38)	\$ -	\$ 5,025.19	380
US Treasury	91282CHW4	US Treasury Note	4.13%	12/17/2025	1,150,000.00	1,170,308.54	20,308.54	1,166,801.50	(3,507.04)	14,152.62	8/31/2030	3.71%	\$ (14,152.62)	\$ -	\$ 5,316.51	1673
US Treasury	91282CHZ7	US Treasury Note	4.63%	1/13/2026	1,050,000.00	1,089,087.89	39,087.89	1,087,737.00	(1,350.89)	14,008.41	9/30/2030	3.75%	\$ (14,008.41)	\$ -	\$ 1,986.04	1703
Subtotal					\$ 53,781,000.0											

Town of Los Gatos
 Investment Transaction Detail
 January 31, 2026

Date	Cusip/Id	Description	Transaction Type	Trade Date	Settlement Date	Par	Coupon	Maturity Date	Price	Principal	Interest	Transaction Total
1/5/2026	Cash-USD	Cash-USD	SHORT TERM INVESTMENT FUND INCOME	1/5/2026	1/5/2026	803.40	0.000%		100.00	-	-	803.40
1/6/2026	3133EN5N6	FEDERAL FARM CREDIT BANK 4% 06JAN2028	BOND INTEREST	1/6/2026	1/6/2026	1,700,000.00	4.000%	1/6/2028	-	-	34,000.00	34,000.00
1/9/2026	02665WEY3	AMERICAN HONDA FINANCE 4.95% 09JAN2026	REDEMPTION	1/9/2026	1/9/2026	1,000,000.00	0.000%	1/9/2026	100.00	1,000,000.00	-	1,000,000.00
1/9/2026	02665WEY3	AMERICAN HONDA FINANCE 4.95% 09JAN2026	BOND INTEREST	1/9/2026	1/9/2026	1,000,000.00	0.000%	1/9/2026	-	-	24,750.00	24,750.00
1/12/2026	3133EN5V8	FEDERAL FARM CREDIT BANK 4.125% 11JAN2027	BOND INTEREST	1/11/2026	1/11/2026	236,000.00	4.125%	1/11/2027	-	-	4,867.50	4,867.50
1/12/2026	02665WED9	AMERICAN HONDA FINANCE 4.7% 12JAN2028	BOND INTEREST	1/12/2026	1/12/2026	600,000.00	4.700%	1/12/2028	-	-	14,100.00	14,100.00
1/13/2026	91282CHZ7	USA TREASURY 4.625% 30SEP2030	FI-PUR	1/12/2026	1/13/2026	1,050,000.00	4.625%	9/30/2030	103.72	1,089,087.89	14,008.41	1,103,096.30
1/20/2026	3133EPQC2	FEDERAL FARM CREDIT BANK 4.625% 17JUL2026	BOND INTEREST	1/17/2026	1/17/2026	500,000.00	4.625%	7/17/2026	-	-	11,562.50	11,562.50
1/22/2026	69353RFJ2	PNC BANK NA 3.25% 22JAN2028 (CALLABLE 23DEC27)	BOND INTEREST	1/22/2026	1/22/2026	1,000,000.00	3.250%	1/22/2028	-	-	16,250.00	16,250.00
1/22/2026	91159HJF8	US BANCORP 4.548% 22JUL2028 (CALLABLE 22JUL27)	BOND INTEREST	1/22/2026	1/22/2026	1,000,000.00	4.548%	7/22/2028	-	-	22,740.00	22,740.00
1/26/2026	46647PDG8	JPMORGAN CHASE & CO 4.851% 25JUL2028 (CALLABLE 25JUL27)	BOND INTEREST	1/25/2026	1/25/2026	1,400,000.00	4.851%	7/25/2028	-	-	33,957.00	33,957.00

TOWN OF LOS GATOS, CA

Insight ESG ratings as of January 31, 2026

CUSIP	Security description	Maturity date	Par/Shares	Total market value (\$)	S&P rating	Moody's rating	Insight ESG rating	Environment	Social	Governance
02665WED9	AMERICAN HONDA FINANCE 4.7% 12JAN2028	1/12/2028	600,000	610,059	A-	A3	3	2	4	3
037833DB3	APPLE INC 2.9% 12SEP2027 (CALLABLE 12JUN27)	9/12/2027	1,300,000	1,300,456	AA+	Aaa	5	2	5	5
17275RBR2	CISCO SYSTEMS INC 4.85% 26FEB2029 (CALLABLE 26JAN29)	2/26/2029	1,000,000	1,046,457	AA-	A1	2	1	3	3
17325FBK3	CITIBANK NA 4.838% 06AUG2029 (CALLABLE 06JUL29)	8/6/2029	1,250,000	1,308,881	A+	Aa3	3	1	2	4
194162AR4	COLGATE-PALMOLIVE CO 4.6% 01MAR2028 (CALLABLE 01FEB28)	3/1/2028	500,000	517,860	A+	Aa3	3	3	3	2
437076CW0	HOME DEPOT INC 4.9% 15APR2029 (CALLABLE 15MAR29)	4/15/2029	1,000,000	1,043,195	A	A2	3	3	3	3
437076BM3	HOME DEPOT INC 3% 01APR2026 (CALLABLE 01MAR26)	4/1/2026	1,000,000	1,008,804	A	A2	3	3	3	3
46625HRS1	JPMORGAN CHASE & CO 3.2% 15JUN2026 (CALLABLE 15MAR26)	6/15/2026	500,000	501,035	A	A1	3	2	3	5
46647PDG8	JPMORGAN CHASE & CO 4.851% 25JUL2028 (CALLABLE 25JUL27)	7/25/2028	1,400,000	1,418,286	A	A1	3	2	3	5
713448DF2	PEPSICO INC 2.85% 24FEB2026 CALLABLE	2/24/2026	1,000,000	1,011,856	A+	A1	3	3	2	4
69353RFJ2	PNC BANK NA 3.25% 22JAN2028 (CALLABLE 23DEC27)	1/22/2028	1,000,000	990,093	A	A2	3	3	4	2
857477CD3	STATE STREET CORP 5.272% 03AUG2026 (CALLABLE 03JUL26)	8/3/2026	800,000	825,748	A	Aa3	1	1	2	2
857477DB6	STATE STREET CORP 4.834% 24APR2030 (CALLABLE 24MAR30)	4/24/2030	580,000	603,422	A	Aa3	1	1	2	2
89236TKL8	TOYOTA MOTOR CREDIT CORP 5.45% 10NOV2027	11/10/2027	1,600,000	1,666,117	A+	A1	3	1	3	4
91159HJF8	US BANCORP 4.548% 22JUL2028 (CALLABLE 22JUL27)	7/22/2028	1,000,000	1,009,218	A	A3	3	2	3	3
Total Corporate / weighted average			14,530,000	14,861,485			3	2	3	4

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

Fund Schedule

Item 2.

Fund Number	Fund Description	Prior Year Carryforward 7/1/2025*	Increase/ (Decrease) July-December	January 2026				Estimated Fund Balance 1/31/2026*
				Current Revenue	Current Expenditure	Transfer In	Transfer Out	
	GENERAL FUND							
	Non-Spendable:							
	Loans Receivable	159,000	-	-	-	-	-	159,000
	Restricted Fund Balances:							
	Pension	3,090,731	-	-	-	-	-	3,090,731
	Land Held for Resale	-	-	-	-	-	-	-
	Committed Fund Balances:							
	Budget Stabilization	7,870,639	-	-	-	-	-	7,870,639
	Catastrophic	7,870,639	-	-	-	-	-	7,870,639
	Pension/OPEB	1,300,000	-	-	-	-	-	1,300,000
	Measure G District Sales Tax	-	-	-	-	-	-	-
	Assigned Fund Balances:							
	Open Space	410,000	-	-	-	-	-	410,000
	Sustainability	140,553	-	-	-	-	-	140,553
	Capital/Special Projects	1,983,271	-	-	-	-	-	1,983,271
	Carryover Encumbrances	6,367	-	-	-	-	-	6,367
	Compensated Absences	1,519,243	-	-	-	-	-	1,519,243
	ERAF Risk Reserve	-	-	-	-	-	-	-
	Market Fluctuations	1,201,824	-	-	-	-	-	1,201,824
	Council Priorities - Economic Recovery	-	-	-	-	-	-	-
	Unassigned Fund Balances:							
111	Other Unassigned Fund Balance Reserve (Pre YE distribution)	10,211,049	(5,414,451)	8,664,821	(4,112,689)	-	-	9,348,730
	General Fund Total	35,763,316	(5,414,451)	8,664,821	(4,112,689)	-	-	34,900,997

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

Fund Schedule

Item 2.

Fund Number	Fund Description	Prior Year Carryforward 7/1/2025*	Increase/ (Decrease) July-December	January 2026				Estimated Fund Balance 1/31/2026*
				Current Revenue	Current Expenditure	Transfer In	Transfer Out	
SPECIAL REVENUE								
211/212	CDBG	166,653	-	-	-	-	-	166,653
222	Urban Runoff (NPDES)	664,168	(2,072)	13,641	(10,732)	-	-	665,005
231-236	Landscape & Lighting Districts	193,606	(12,588)	19,338	(3,468)	-	-	196,888
251	Los Gatos Theatre	381,120	61,673	48,770	(5,304)	-	-	486,259
261-264,269	Library Trusts	559,745	46,932	-	(2,628)	-	-	604,049
Special Revenue Total		1,965,292	93,945	81,749	(22,132)	-	-	2,118,854
CAPITAL PROJECTS								
411	GFAR - General Fund Appropriated Reserve	16,974,946	1,050,767	91,815	(73,398)	-	-	18,044,130
412	Community Center Development	819,604	-	-	-	-	-	819,604
421	Grant Funded Projects	(1,577,430)	858,839	-	(6,738)	-	-	(725,329)
461-463	Storm Basin Projects	2,825,234	47,457	10,066	(510)	-	-	2,882,247
471	Traffic Mitigation Projects	676,482	-	-	-	-	-	676,482
472	Utility Undergrounding Projects	3,763,913	20,096	-	-	-	-	3,784,009
481	Gas Tax Projects	2,130,548	(212,179)	138,906	-	-	-	2,057,275
Capital Projects Total		25,613,297	1,764,980	240,787	(80,646)	-	-	27,538,418
INTERNAL SERVICE FUNDS								
611	Town General Liability	208,746	(727,019)	-	(7,343)	-	-	(525,616)
612	Workers Compensation	1,259,972	103,483	22,706	-	-	-	1,386,161
621	Information Technology	2,585,103	(213,423)	4,473	(158,057)	-	-	2,218,096
631	Vehicle & Equipment Replacement	3,890,428	408,484	-	-	-	-	4,298,912
633	Facility Maintenance	820,099	16,672	53,803	(59,490)	-	-	831,084
Internal Service Funds Total		8,764,348	(411,803)	80,982	(224,890)	-	-	8,208,637
Trust/Agency								
942	RDA Successor Agency	(3,037,146)	(1,743,540)	166,925	(159,354)	-	-	(4,773,115)
Trust/Agency Fund Total		(3,037,146)	(1,743,540)	166,925	(159,354)	-	-	(4,773,115)
Total Town		69,069,107	(5,710,869)	9,235,264	(4,599,711)	-	-	67,993,791

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

Deposit Accounts of Interest:

- 111-23541 General Plan Update deposit account balance \$616,696.15
- 111-23521 BMP Housing deposit account balance \$3,723,190.79



TOWN OF LOS GATOS
FINANCE COMMISSION REPORT

MEETING DATE: 3/9/2026

ITEM NO: 3

Item 3.

DATE: March 9, 2026
TO: Finance Commission
FROM: Chris Constantin, Town Manager
SUBJECT: Recommend that the Town Council Receive the Independent Accountants' Report on Agreed-Up On Procedures on Measure G Revenues and Expenditures for the Period July 1, 2024 to June 30, 2025

RECOMMENDATION:

Staff recommends that the Finance Commission recommend that the Town Council receive the Independent Accountants' Report on Agreed-Up On Procedures (AUP) on Measure G Revenues and Expenditures for the period July 1, 2024 to June 30, 2025.

BACKGROUND:

On June 19, 2018, the Los Gatos Town Council adopted Ordinance No. 2274 establishing a General Transaction and Use Tax ("Ordinance 2274") for a period of twenty years and put forth the required ballot measure for voter consideration. On November 6, 2018, the voters of the Town approved the 1/8 cent sales tax dedicated to Los Gatos (Measure G). Among other items, Ordinance 2274 and Measure G required Citizens Oversight to ensure funds are spent according to the Measure's stated intent.

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. Among other responsibilities, the Finance Commission is charged with:

- (7) Issue an annual public report of the expenditures and appropriations of sales tax revenues approved by the Town Council during each fiscal year.

PREPARED BY: Eric Lemon
Finance & Accounting Manager

Reviewed by: Town Manager, Town Attorney, and Administrative Services Director

PAGE 2 OF 2
SUBJECT: Receive Measure G AUP Report
DATE: March 9, 2026

DISCUSSION:

On February 13, 2026, Chavan & Associates, LLP finished the review process and provided the Independent Accountants’ Report on Agreed-Upon Procedures on Measure G Revenues and Expenditures for the Period July 1, 2024 to June 30, 2025 (Attachment 1). During this period, there were collection fees, and police safety and capital transfers that utilized Measure G funds consistent with the Town Council’s adopted FY 2024/25 Budgets:

FY 2024-25 Expenditures and Transfers		
State Admin Fees Withheld	July - Sept 2024	\$ 8,290
State Admin Fees Withheld	Oct - Dec 2024	\$ 8,290
State Admin Fees Withheld	Jan - March 2025	\$ 6,640
State Admin Fees Withheld	April - June 2025	\$ 10,630
Total Collection Fees		\$ 33,850
50% to Police Safety		\$ 652,396
Total Expenditures		\$ 686,246
Transfers to Capital Improvement Program (50% of prior years and current year collections)		\$ 652,396
Total Transfers and Expenditures		\$ 1,338,642

“State Admin Fees Withheld” is the administration fee imposed by the State Department of Tax Fee Administration to Los Gatos that is deducted from collected Measure G sales tax. Chavan & Associates, LLP found that the expenditures were consistent with the voter approved Measure G.

CONCLUSION AND NEXT STEPS:

The Finance Commission should forward a recommendation to the Town Council to receive the Independent Accountants’ Report. During the budget process, the Council approves the expenditures and appropriations of the sales tax revenues with consideration of the Finance Commission’s recommendation(s).

Attachment:

1. Independent Accountants’ Report on Agreed-Upon Procedures for Measure G Revenues and Expenditures for the period July 1, 2024 to June 30, 2025.

TOWN OF LOS GATOS
INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING
AGREED-UPON PROCEDURES ON MEASURE G REVENUES
AND EXPENDITURES

JUNE 30, 2025

* * *



Chavan & Associates, LLP
Certified Public Accountants
16450 Monterey Road, Suite 5
Morgan Hill, CA 95037

**TOWN OF LOS GATOS
INDEPENDENT ACCOUNTANT’S REPORT ON APPLYING
AGREED-UPON PROCEDURES**

**MEASURE G
JUNE 30, 2025**

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INDEPENDENT ACCOUNTANT'S REPORT

To the City Council and Management of the
Town of Los Gatos
Los Gatos, California

We have performed the procedures enumerated below on the accompanying Schedule of Measure G Revenues, Expenditures and Changes in Fund Balance of the Town of Los Gatos (the Town) for the fiscal year ended June 30, 2025. Town management is responsible for the Schedule of Measure G Revenues, Expenditures and Changes in Fund Balance for the fiscal year ended June 30, 2025.

The Town has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of determining whether Measure G sales taxes were used and accounted for in accordance with specified laws, regulations, and recommendations of the Finance Commission for the fiscal year ended June 30, 2025. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and the associated findings are as follows:

1. We obtained and reviewed Town Ordinance 2274, Amending Chapter 2.60 of the Town's Municipal Code, "'Transactions and Use Tax' to Extend the One-Eighth Cent Transactions and Use Tax Term for Twenty Years."

Finding: No exceptions were noted as a result of our procedures.

2. We obtained and reviewed Town Ordinance 2314, adding Article 5 to Chapter Two and amending Chapter 25.60.140 of the Town's Municipal Code.

Finding: No exceptions were noted as a result of our procedures.

3. We obtained a schedule of Measure G revenues and expenditures for the fiscal year ended June 30, 2025 and agreed totals reported on the schedule to the Town's audited trial balance.

Finding: No exceptions were noted as a result of our procedures.

4. We compared Measure G revenues reported to monthly sales tax reports from the California Department of Tax and Fee Administration (CDTFA).

Finding: No exceptions were noted as a result of our procedures.



5. We inquired as to whether or not the Finance Commission reviewed and recommended usage of Measure G revenues to the Town Council, to meet the following objectives.
- Maintaining and enhancing neighborhood police patrols and local crime prevention programs;
 - Improving traffic flow to reduce congestion;
 - Repairing potholes and maintaining the Town's streets, roads, and sidewalks; and
 - Maintaining the Town's long-term financial stability.

Finding: No exceptions were noted as a result of our procedures.

6. We inquired as to whether the Town Council received the Finance Commission's recommendation and adopted a Council authorized expenditure plan directing the use of Measure G revenues for the fiscal year ended June 30, 2025.

Finding: No exceptions were noted as a result of our procedures.

7. We selected 15 Measure G expenditures from 27 transactions, which was 63% coverage in terms of dollars, to verify if they were for allowable purposes. We also verified that the 4 administrative fee charges were accurate and appropriate within the measure by vouching those charges to the statement of tax distribution from the California Department of Tax and Fee Administration. Per Measure G Ordinance 2314, eligible expenditures include:
- Maintaining and enhancing neighborhood police patrols and local crime prevention programs;
 - Improving traffic flow to reduce congestion;
 - Repairing potholes and maintaining the Town's streets, roads, and sidewalks; and
 - Maintaining the Town's long-term financial stability.

Finding: No exceptions were noted as a result of our procedures.

8. We agreed amounts held in the General Fund Reserve sub-fund for Measure G to the Measure G sales tax collections for the fiscal year ended June 30, 2025, less any amounts reduced for Town Council authorized uses.

Finding: No exceptions were noted as a result of our procedures.

We were engaged by the Town of Los Gatos to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the AICPA. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the accompanying Schedule of Measure G Revenues, Expenditures and Changes in Fund Balance. Accordingly, we do not express such an opinion or conclusion. Had we performed additional



Chavan and Associates, LLP
Certified Public Accountants

procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of the Town Council and management of the Town and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

C & A LLP

February 13, 2026
Morgan Hill, California

**TOWN OF LOS GATOS
MEASURE G**

**SCHEDULE OF MEASURE G
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

REVENUES

Sales Taxes - Measure G	<u>\$ 1,338,642</u>
Total Revenues	<u>1,338,642</u>

EXPENDITURES

Public Safety	652,396
Collection Fees	<u>33,850</u>
Total Expenditures	<u>686,246</u>

**EXCESS (DEFICIENCY) OF REVENUES
OVER EXPENDITURES**

	652,396
Transfers out to the Appropriated Reserves Fund	<u>(652,396)</u>
Change in Fund Balance	-
Beginning Fund Balance	<u>590,581</u>
Ending Fund Balance	<u><u>\$ 590,581</u></u>

Note:

The transfer of \$652,396 remained unspent and was assigned for capital projects in the Appropriated Reserves Fund as of June 30, 2025.

**TOWN OF LOS GATOS
MEASURE G**

**NOTES TO SCHEDULE OF MEASURE G
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

1. MEASURE G

Measure G is a 1/8 percent transaction and use tax approved by voters in November 2018 for a twenty-year period. The Town of Los Gatos (Town) received the first taxes in May 2019 which represented sales in March 2019. In November 2020, voters approved a second measure which codified Measure G's objectives:

- a. Maintaining and enhancing neighborhood police patrols and local crime prevention programs;
- b. Improve traffic flow to reduce traffic congestion;
- c. Repairing potholes and maintaining the Town's streets, roads, and sidewalks;
- d. Maintaining the Town's long-term financial stability.

2. COLLECTION FEES

Collection fees are fees imposed by the State for collecting the Measure G sales tax and distributing it to the Town. Cash received by the Town is net of these fees. The Town has elected to record the gross sales taxes as revenue and the collection fees as expenditures.



**TOWN OF LOS GATOS
FINANCE COMMISSION REPORT**

MEETING DATE: 03/9/2026

ITEM NO: 4

Item 4.

DATE: March 9, 2026
TO: Finance Commission
FROM: Chris Constantin, Town Manager
SUBJECT: Receive the California Employer's Retiree Benefit Trust (CERBT) Strategy 1 Market Value Summary Report for the Period Ending December 31, 2025, and the Performance Report as of January 31, 2026.

RECOMMENDATION:

Receive California Employer's Retiree Benefit Trust (CERBT) Strategy 1 Market Value Summary Report for the Period Ending December 31, 2025, and the Performance Report as of January 31, 2026.

BACKGROUND:

In 2009, the Council approved participating in the CERBT Fund. The CERBT Fund is an IRS Section 115 trust fund dedicated to the prefunding of other post-employment benefits ("OPEB"). The CERBT Strategy 1 is the single investment vehicle for the Town's OPEB Plan ("OPEB Plan").

DISCUSSION:

The ending OPEB 115 Trust account balance as of December 31, 2025, was \$32,526,434.78 compared to \$30,284,763.02 as of June 30, 2025 (Attachment 1). As of January 31, 2026, the CERBT Strategy 1 fund had a net return of 2.72% for the month and 10.32% as of Fiscal Year to Date (Attachment 2).

This report was presented to the Town Pension and OPEB Trusts Oversight Committee at its regular meeting on March 3, 2026.

PREPARED BY: Eric Lemon
Accounting and Finance Manager

Reviewed by: Town Manager, Town Attorney, and Administrative Services Director

PAGE 2 OF 2
SUBJECT: CERBT
DATE: March 9, 2026

Item 4.

Attachments:

1. OPEB 115 Trust Market Value Summary Report as of December 31, 2025
2. CERBT Strategy 1 Performance Report January 31, 2026

Market Value Summary:

	QTD Current Period	Fiscal Year to Date
Beginning Balance	\$31,980,602.70	\$30,284,763.02
Contribution	0.00	0.00
Disbursement	0.00	0.00
Transfer In	0.00	0.00
Transfer Out	0.00	0.00
Investment Earnings	551,518.47	2,252,825.41
Administrative Expenses	(2,193.31)	(4,302.12)
Investment Expense	(3,493.08)	(6,851.53)
Other	0.00	0.00
Ending Balance	\$32,526,434.78	\$32,526,434.78
FY End Contrib per GASB 74 Para 22	0.00	0.00
FY End Disbursement Accrual	0.00	0.00
Grand Total	\$32,526,434.78	\$32,526,434.78

Unit Value Summary:

	QTD Current Period	Fiscal Year to Date
Beginning Units	1,188,552.988	1,188,552.988
Unit Purchases from Contributions	0.000	0.000
Unit Sales for Withdrawals	0.000	0.000
Unit Transfer In	0.000	0.000
Unit Transfer Out	0.000	0.000
Ending Units	1,188,552.988	1,188,552.988
Period Beginning Unit Value	26.907175	25.480364
Period Ending Unit Value	27.366416	27.366416

Please note the Grand Total is your actual fund account balance at the end of the period, including all contributions per GASB 74 paragraph 22 and accrued disbursements. Please review your statement promptly. All information contained in your statement will be considered true and accurate unless you contact us within 30 days of receipt of this statement. If you have questions about the validity of this information, please contact CERBT4U@calpers.ca.gov.

Statement of Transaction Detail for the Quarter Ending 12/31/2025

Town of Los Gatos

Entity #: SKB0-4589482285



Date	Description	Amount	Unit Value	Units	Check/Wire	Notes
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CERBT Strategy 1



January 31, 2026

Objective

The CERBT Strategy 1 portfolio seeks to provide capital appreciation and income consistent with its strategic asset allocation. There is no guarantee that the portfolio will achieve its investment objective.

Strategy

The CERBT Strategy 1 portfolio is invested in various asset classes. CalPERS periodically adjusts the composition of the portfolio in order to match the target allocations. Generally, equities are intended to help build the value of the employer's portfolio over the long term while bonds are intended to help provide income and stability of principal. Also, strategies invested in a higher percentage of equities seek higher investment returns (but assume more risk) compared with strategies invested in a higher percentage of bonds.

Compared with CERBT Strategy 2 and Strategy 3, this portfolio has a higher allocation to equities than bonds and other assets. Historically, equities have displayed greater price volatility and, therefore, this portfolio may experience greater fluctuation of value. Employers that seek higher investment returns, and are able to accept greater risk and tolerate more fluctuation in returns, may wish to consider this portfolio.

CalPERS Board may change the list of approved asset classes in composition as well as targeted allocation percentages and ranges at any time.

Assets Under Management

As of the specified reporting month-end:

CERBT Strategy 1	Annual Operating Ratio
\$24,699,844,544	0.085%

Composition

Asset Class Allocations and Benchmarks

The CERBT Strategy 1 portfolio consists of the following asset classes and corresponding benchmarks:

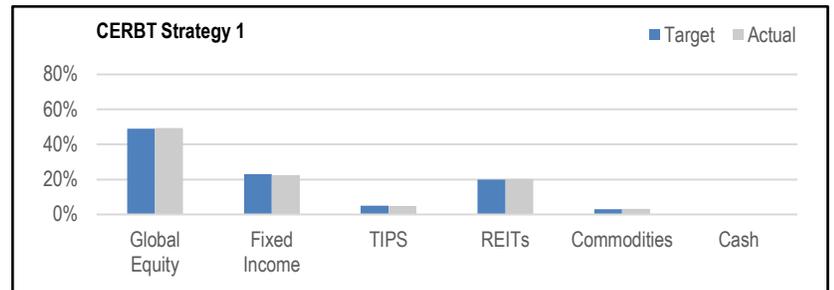
Asset Class	Target Allocation	Target Range	Benchmark
Global Equity	49%	± 5%	MSCI All Country World Index IMI (Net)
Fixed Income	23%	± 5%	Bloomberg Long Liability Index
Treasury Inflation-Protected Securities ("TIPS")	5%	± 3%	Bloomberg US TIPS Index, Series L
Real Estate Investment Trusts ("REITs")	20%	± 5%	FTSE EPRA/NAREIT Developed Index (Net)
Commodities	3%	± 3%	S&P GSCI Total Return Index
Cash	-	+ 2%	ICE BofA US 3-Month Treasury Bill Index

Portfolio Benchmark

The CERBT Strategy 1 benchmark is a composite of underlying asset class market indices, each assigned the target weight for the asset class it represents.

Target vs. Actual Asset Class Allocations

The following chart shows policy target allocations compared with actual asset allocations as of the specified reporting month-end. CalPERS may temporarily deviate from the target allocation to a particular asset class based on market, economic, or other considerations.



CERBT Strategy 1 Performance as of January 31, 2026

	1 Month	3 Months	Fiscal YTD	1 Year	3 Years*	5 Years*	10 Years*	Since Inception* (June 1, 2007)
Gross Return ^{1,3}	2.72%	3.49%	10.36%	16.21%	11.51%	6.78%	8.74%	6.06%
Net Return ^{2,3}	2.72%	3.47%	10.32%	16.13%	11.42%	6.70%	8.65%	5.98%
Benchmark Returns	2.67%	3.41%	10.20%	15.79%	11.20%	6.53%	8.40%	5.67%
Standard Deviation ⁴	-	-	-	-	9.85%	11.93%	11.24%	12.62%

* Returns for periods greater than one year are annualized.

¹ Gross returns are net of State Street Investment Management operating expenses.

² Net returns are net of State Street Investment Management operating expenses, investment management, administrative and recordkeeping fees.

³ Expenses are described in more detail on page 2 of this document.

⁴ Standard deviation is based on gross returns and is reported for periods greater than 3 years.

CERBT Strategy 1



January 31, 2026

General Information

Information Accessibility

The CERBT Strategy 1 portfolio consists of assets managed internally by CalPERS and/or by external advisors. Since it is not a mutual fund, a prospectus is not available and daily holdings are not published. CalPERS provides a quarterly statement of the employer's account and other information about the CERBT. For total market value, detailed asset allocation, investment policy and current performance information, please visit our website at: www.calpers.ca.gov.

Portfolio Manager Information

The CalPERS Board, through its Investment Committee, directs the CERBT investment strategy based on policies approved by the Board of Administration. State Street Investment Management manages all underlying investments for CERBT, which include: Global Equity, Fixed Income, Real Estate Investment Trusts, Treasury Inflation-Protected Securities, and Commodities.¹

Custodian and Record Keeper

State Street Bank serves as custodian for the CERBT. Northeast Retirement Services serves as recordkeeper.

Expenses

CERBT is a self-funded trust in which participating employers pay for all administrative and investment expenses. Expenses reduce the gross investment return by the fee amount. The larger the expenses, the greater the reduction of investment return. Currently, CERBT expenses are 0.085% which consist of administrative expenses borne by CalPERS to administer and oversee the Trust assets, investment management and administrative fees paid to State Street Investment Management to manage all asset classes, and recordkeeping fees paid to Northeast Retirement Services to administer individual employer accounts. The expenses described herein are reflected in the net asset value per unit. The expense ratio is subject to change at any time and without prior notification due to factors such as changes to average fund assets or market conditions. CalPERS reviews the operating expenses annually and changes may be made as appropriate. Even if the portfolio loses money during a period, the expenses will still be charged.

What Employers Own

Each employer invested in CERBT Strategy 1 owns units of this portfolio, which invests in pooled asset classes managed by CalPERS and/or external advisors. Employers do not have direct ownership of the securities in the portfolio.

Price

The value of the portfolio changes daily based upon the market value of the underlying securities. Just as prices of individual securities fluctuate, the portfolio's value also changes with market conditions.

Principal Risks of the Portfolio

The CalPERS CERBT Fund provides California government employers with a trust through which they may prefund retiree medical costs and other post-employment benefits (OPEB). CERBT is not, however, a defined benefit plan. There is no guarantee that the portfolio will achieve its investment objectives or provide sufficient funding to meet employer obligations. Further, CalPERS will not make up the difference between an employer's CERBT assets and the actual cost of OPEB provided to an employer's plan members.

An investment in the portfolio is not a bank deposit, nor is it insured or guaranteed by the Federal Deposit Insurance Corporation (FDIC), CalPERS, the State of California or any other government agency.

There are risks associated with investing, including possible loss of principal. The portfolio's risk depends in part on the portfolio's asset class allocations and the selection, weighting and risks of the underlying investments. For more information about investment risks, please see the document entitled "CERBT Principal Investment Risks" located at www.calpers.ca.gov.

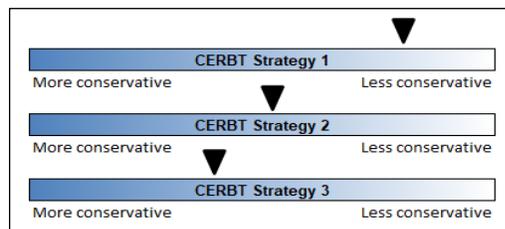
Fund Performance

Performance data shown on page 1 represents past performance and is no guarantee of future results. The investment return and principal value of an investment will fluctuate so that an employer's units, when redeemed, may be worth more or less than their original cost. Current performance may be higher or lower than historical performance data shown. For current performance information, please visit www.calpers.ca.gov and follow the links to California Employers' Retiree Benefit Trust.

CERBT Strategy Risk Levels

CalPERS offers employers the choice of one of three investment strategies. Projected risk levels among strategies vary, depending upon the target asset class allocations. Generally, equities carry more risk than fixed income securities.

Asset Class Target Allocations ¹	Strategy 1	Strategy 2	Strategy 3
Global Equity	49%	34%	23%
Fixed Income	23%	41%	51%
Treasury Inflation-Protected Securities	5%	5%	9%
Real Estate Investment Trusts	20%	17%	14%
Commodities	3%	3%	3%



¹ Since June 2018, State Street Investment Management has passively managed all CERBT asset classes. Previously, Fixed Income, TIPS and Commodity asset classes were managed internally by CalPERS.



TOWN OF LOS GATOS
FINANCE COMMISSION REPORT

MEETING DATE: 03/9/2026

ITEM NO: 5

Item 5.

DATE: March 9, 2026
TO: Finance Commission
FROM: Chris Constantin, Town Manager
SUBJECT: Receive the California Employer's Pension Prefunding Trust (CEPPT) Strategy Market Value Summary Report for the Period Ending December 31, 2025, and Performance as of January 31, 2026

RECOMMENDATION:

Receive the California Employer's Pension Prefunding Trust (CEPPT) Strategy 2 Market Value Summary Report for the period ending December 31, 2025, and performance as of January 31, 2026.

BACKGROUND:

On November 5, 2019, the Town Council authorized the Town Manager to enter into an agreement with CalPERS for participation in the California Employers' Pension Prefunding Trust (CEPPT) program.

The CEPPT Fund is a Section 115 trust fund dedicated to prefunding employer contributions to defined benefit pension systems for eligible California public agencies. On March 3, 2020, the Town Pension and OPEB Trusts Oversight Committee adopted CEPPT Strategy 2 as the asset allocation for the Town's Section 115 Trust pension assets.

DISCUSSION:

Effective Fiscal Year (FY) 2015/16, Council determined that if sufficient General Fund year-end savings are available and targeted reserve levels for the Catastrophic Reserve and Budget Stabilization Reserve have been met, upon the final close of the fiscal year, a minimum of \$300,000 annually shall be deposited into the Pension/OPEB Reserve Fund. In 2018, the Council updated the General Fund Reserve Policy to provide for additional discretionary payments

PREPARED BY: Eric Lemon
Finance and Accounting Manager

Reviewed by: Town Manager, Town Attorney, and Administrative Services Director

PAGE 2 OF 2

SUBJECT: CEPPT Update

DATE: March 9, 2026

Strategy 2 (ADPs) of \$390,000 per year to address the unfunded pension liability. Under the updated Policy, a 20-year amortization equivalence will be achieved.

The ending CEPPT 115 Trust account balance as of December 31, 2025, was \$3,234,153.34 (Attachment 1). In addition, staff transferred \$690,000 to the CEPPT Trust on February 24, 2026. As of January 31, 2026, the CEPPT Strategy 2 fund had a net return of 1.18% for the month and 5.88% for the Fiscal Year to Date (FYTD) (Attachment 2).

This report was presented to the Town Pension and OPEB Trusts Oversight Committee at its regular meeting on March 3, 2026.

A joint Study Session was held between the Town Pension and OPEB Trust Oversight Committee and the Finance Commission, led by a Financial Advisor, to review the Pension and OPEB Trusts.

The Finance Commission reiterated its prior recommendation to the Oversight Committee on March 10, 2025, to transfer the balance of the Pension IRS 115 Trust to CalPERS and pay off the Longest Base in the Safety Plan to maximize the interest savings. The Finance Commission also recommended that the Town move from Strategy 2 to Strategy 1.

According to the December 2, 2025, Pension/OPEB Oversight Committee action, the Town will retain the funds in the CEPPT Trust until the Town concludes its Fiscal Condition Analysis and Asset Liability Management studies. After receiving and considering the studies, staff plans to explore alternative providers and investment options through an RFP process. The information presented at the study session highlighted that several public sector trust providers offer varied investment structures, account configurations, reporting tools, and fiduciary support models. Alternative trust platforms may include daily valuation, customized portfolios, broader asset classes, and individualized reporting. These features differ from the structure offered through CalPERS and could provide the Town with expanded flexibility or different oversight mechanisms. An RFP would allow the Town to obtain comparable information on investment flexibility, fiduciary services, reporting features, trust governance, and account structure across interested providers. It would also allow the Town to evaluate costs and implementation requirements in a standardized manner. An RFP would not commit the Town to change providers but would ensure that any future decision is made with a full understanding of available alternatives.

Attachments:

1. CEPPT Market Value Summary Report as of December 31, 2025
2. CEPPT Strategy 2 Performance as of January 31, 2026

Market Value Summary:

	QTD Current Period	Fiscal Year to Date
Beginning Balance	\$3,196,227.83	\$3,090,730.98
Contribution	0.00	0.00
Disbursement	0.00	0.00
Transfer In	0.00	0.00
Transfer Out	0.00	0.00
Investment Earnings	39,811.90	147,157.43
Administrative Expenses	(1,244.22)	(2,463.50)
Investment Expense	(642.17)	(1,271.57)
Other	0.00	0.00
Ending Balance	\$3,234,153.34	\$3,234,153.34
FY End Contribution Accrual	0.00	0.00
FY End Disbursement Accrual	0.00	0.00
Grand Total	\$3,234,153.34	\$3,234,153.34

Unit Value Summary:

	QTD Current Period	Fiscal Year to Date
Beginning Units	266,043.432	266,043.432
Unit Purchases from Contributions	0.000	0.000
Unit Sales for Withdrawals	0.000	0.000
Unit Transfer In	0.000	0.000
Unit Transfer Out	0.000	0.000
Ending Units	266,043.432	266,043.432
Period Beginning Unit Value	12.013932	11.617392
Period Ending Unit Value	12.156486	12.156486

Please note the Grand Total is your actual fund account balance at the end of the period, including accrued contribution and disbursements. Please review your statement promptly. All information contained in your statement will be considered true and accurate unless you contact us within 30 days of receipt of this statement. If you have questions about the validity of this information, please contact CEPPT4U@calpers.ca.gov.

Statement of Transaction Detail for the Quarter Ending 12/31/2025

Town of Los Gatos

Entity #: SKHE-4589482285-501P



Date	Description	Amount	Unit Value	Units	Check/Wire	Notes
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CEPPT Strategy 2



January 31, 2026

Objective

The CEPPT Strategy 2 portfolio seeks to provide capital appreciation and income consistent with its strategic asset allocation. There is no guarantee that the portfolio will achieve its investment objective.

Strategy

The CEPPT Strategy 2 portfolio is invested in various asset classes that are passively managed to an index. CalPERS periodically adjusts the composition of the portfolio in order to match the target allocations. Generally, equities are intended to help build the value of the employer's portfolio over the long term while bonds are intended to help provide income and stability of principal. Also, strategies invested in a higher percentage of equities seek higher investment returns (but assume more risk) compared with strategies invested in a higher percentage of bonds.

Compared with CEPPT Strategy 1, this portfolio has a lower allocation to equities and a higher allocation to bonds. Historically, funds with a lower percentage of equities have displayed less price volatility and, therefore, this portfolio may experience comparatively less fluctuation of value. Employers that seek greater stability of value, in exchange for possible lower investment returns, may wish to consider this portfolio.

CalPERS Board may change the list of approved asset classes in composition as well as targeted allocation percentages and ranges at any time.

Composition

Asset Class Allocations and Benchmarks

The CEPPT Strategy 2 portfolio consists of the following asset classes and corresponding benchmarks:

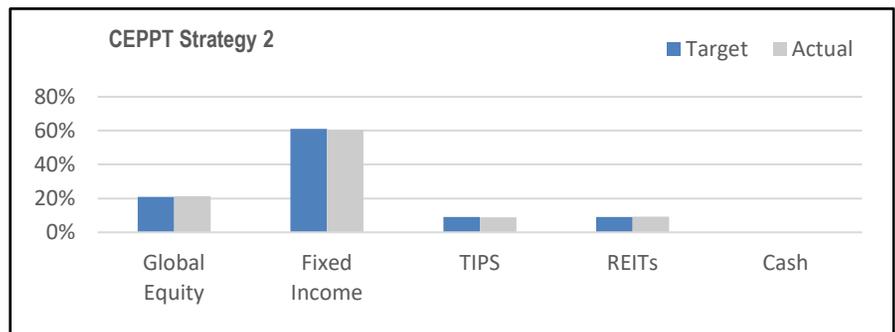
Asset Class	Target Allocation	Target Range	Benchmark
Global Equity	21%	± 5%	MSCI All Country World Index IMI (Net)
Fixed Income	61%	± 5%	Bloomberg US Aggregate Bond Index
Treasury Inflation-Protected Securities ("TIPS")	9%	± 3%	Bloomberg US TIPS Index, Series L
Real Estate Investment Trusts ("REITs")	9%	± 5%	FTSE EPRA/NAREIT Developed Index (Net)
Cash	-	+ 2%	ICE BofA US 3-Month Treasury Bill Index

Portfolio Benchmark

The CEPPT Strategy 2 benchmark is a composite of underlying asset class market indices, each assigned the target weight for the asset class it represents.

Target vs. Actual Asset Class Allocations

The following chart shows policy target allocations compared with actual asset allocations as of the specified reporting month-end. CalPERS may temporarily deviate from the target allocation for a particular asset class based on market, economic, or other considerations.



Assets Under Management

As of the specified reporting month-end:

CEPPT Strategy 2	Annual Expense Ratio
\$91,914,844	0.25%

CEPPT Strategy 2 Performance as of January 31, 2026

	1 Month	3 Months	Fiscal YTD	1 Year	3 Years*	5 Years*	10 Years*	Since Inception* (January 1, 2020)
Gross Return ^{1,3}	1.20%	1.74%	6.02%	10.59%	6.98%	2.75%	-	3.60%
Net Return ^{2,3}	1.18%	1.68%	5.88%	10.34%	6.73%	2.51%	-	3.36%
Benchmark Return	1.12%	1.71%	5.91%	10.39%	6.83%	2.65%	-	3.47%
Standard Deviation ⁴	-	-	-	-	6.95%	7.88%	-	7.70%

* Returns for periods greater than one year are annualized.

¹ Gross returns are net of State Street Investment Management operating expenses.

² Net returns are net of State Street Investment Management operating expenses, investment management, administrative and recordkeeping fees.

³ Expenses are described in more detail on page 2 of this document.

⁴ Standard deviation is based on gross returns and is reported for periods greater than 3 years.

CEPPT Strategy 2



January 31, 2026

General Information

Information Accessibility

The CEPPT Strategy 2 portfolio consists of assets managed internally by CalPERS and/or by external managers. Since it is not a mutual fund, a prospectus is not available and daily holdings are not published. CalPERS provides a quarterly statement of the employer's account and other information about the CEPPT. For total market value, detailed asset allocation, investment policy and performance information, please visit our website at www.calpers.ca.gov.

Portfolio Manager Information

The CalPERS Board, through its Investment Committee, directs the CEPPT investment strategy based on policies approved by the Board of Administration. State Street Investment Management manages all underlying investments for CEPPT, which include: Global Equity, Fixed Income, Real Estate Investment Trusts, and Treasury Inflation-Protected Securities.

Custodian and Record Keeper

State Street Bank serves as custodian for the CEPPT. Northeast Retirement Services serves as recordkeeper.

Expenses

CEPPT is a self-funded trust in which participating employers pay for all administrative and investment expenses. Expenses reduce the gross investment return by the fee amount. The larger the expenses, the greater reduction of investment return. Currently, CEPPT expense ratios are 0.25%. This equates to \$2.50 per \$1,000 invested. The expenses consist of administrative expenses borne by CalPERS to administer and oversee the Trust assets, investment management and administrative fees paid to State Street Investment Management to manage all asset classes, and recordkeeping fees paid to Northeast Retirement Services to administer individual employer accounts. The expenses described herein are reflected in the net asset value per unit. The expense ratio is subject to change at any time and without prior notification due to factors such as changes to average fund assets or market conditions. CalPERS reviews the operating expenses annually and changes may be made as appropriate. Even if the portfolio loses money during a period, the expenses will still be charged.

What Employers Own

Each employer invested in CEPPT Strategy 2 owns units of this portfolio, which invests in pooled asset classes managed by CalPERS and/or external advisors. Employers do not have direct ownership of the securities in the portfolio.

Price

The value of the portfolio changes daily based upon the market value of the underlying securities. Just as prices of individual securities fluctuate, the portfolio's value also changes with market conditions.

Principal Risks of the Portfolio

The CEPPT fund is a trust fund dedicated to prefunding employer contributions to defined benefit pension plans for eligible state and local agencies. CEPPT is not, however, a defined benefit plan. There is no guarantee that the portfolio will achieve its investment objectives or provide sufficient funding to meet employer obligations.

An investment in the portfolio is not a bank deposit, nor is it insured or guaranteed by the Federal Deposit Insurance Corporation (FDIC), CalPERS, the State of California or any other government agency.

There are risks associated with investing, including possible loss of principal. The portfolio's risk depends in part on the portfolio's asset class allocations and the selection, weighting and risks of the underlying investments. For more information about investment risks, please see the document entitled "CEPPT Principal Investment Risks" located at www.calpers.ca.gov.

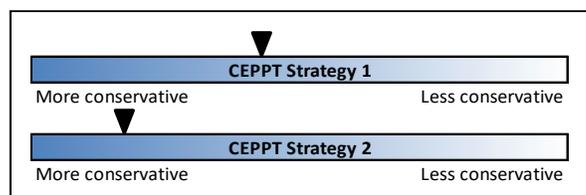
Fund Performance

Performance data shown on page 1 represents past performance and is no guarantee of future results. The investment return and principal value of an investment will fluctuate so that an employer's units, when redeemed, may be worth more or less than their original cost. Current performance may be higher or lower than historical performance data shown. For current performance information, please visit www.calpers.ca.gov and follow the links to California Employers' Pension Prefunding Trust.

CEPPT Strategy Risk Levels

CalPERS offers employers the choice of one of two investment strategies. Projected risk levels among risk strategies vary, depending upon the target asset class allocations. Generally, equities carry more risk than fixed income securities.

Asset Class Target Allocations	Strategy 1	Strategy 2
Global Equity	37%	21%
Fixed Income	44%	61%
Treasury-Inflation Protected Securities	5%	9%
Real Estate Investment Trusts	14%	9%





TOWN OF LOS GATOS
FINANCE COMMISSION REPORT

MEETING DATE: 03/09/2025

ITEM NO: 6

Item 6.

DATE: March 9, 2025
TO: Finance Commission
FROM: Chris Constantin, Town Manager
SUBJECT: Review and Input on a Comprehensive Framework and Workplan for the Town's Multi-Year Capital Improvement Program

RECOMMENDATION:

Receive a report on the workplan to develop a multi-year Capital Improvement Program that identifies current and future capital needs, determines the funding levels required to support those needs, and provides a comprehensive approach to capital planning.

Provide input on the workplan and elements of the Capital Improvement Program.

BACKGROUND:

The Town Council of Los Gatos annually adopts a Five-Year Capital Improvement Program (CIP) as part of the budget process. The adopted Fiscal Year (FY) 2025-26 – 2029-30 CIP identifies projects valued at \$25,000 or more with a minimum useful life of five years. The current five-year CIP totals approximately \$40.1 million over the planning horizon. Only the first year of the program is formally appropriated, with years two through five serving as planning estimates subject to available resources.

The CIP is organized into three primary program areas: Streets; Parks and Trails; and Public Facilities. As discussed later in this staff report, the Town will be adding overarching categories along with other elements to the CIP in the upcoming and future years to align with the Government Finance Officers Association (GFOA), best practices for multi-year capital planning.

For FY 2025-26, approximately 88 percent of total capital funding is allocated to the Streets Program, reflecting a Council priority to maintain core infrastructure. Of the Streets Program funding, 28% is allocated to stormwater projects from sources that are 100% restricted to stormwater related projects; and 21 percent (21%) is allocated to the Annual Street Repair and

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Resurfacing Project and the Annual Curb Gutter Sidewalk Project with 68% of the funding for these annual street projects coming from sources that are restricted for use on roadways only. Of the 32% of funding for that comes to the Annual Street Repair and Resurfacing Project and the Annual Curb Gutter Sidewalk Project from GFAR, the sources are 2010 Measure B funds, 2016 Measure B funds, and an impact fee paid by the Town's waste hauling contractor. In other words, there is no funding in these projects that is from the general fund or that can be rededicated to non-roadway work.

The CIP further acknowledges that the Town continues to face challenges in securing reliable ongoing revenue for capital improvements, and that a significant portion of the five-year program relies on one-time funding sources such as the General Fund Appropriated Reserve (GFAR), grants, and other special funds.

Project planning for the CIP has historically been based on needs identified by staff without a transparent method for defining project priorities. Three years ago, staff identified the need to develop a more comprehensive approach to CIP planning and began to develop a comprehensive list of projects for streets and parks based on known needs and on planning documents that were adopted by Town Council (e.g., General Plan 2040, the Bicycle and Pedestrian Master Plan, Pavement Maintenance Program, Stormwater Needs Assessment, Facilities Condition Assessments, ADA Transition Plan, and Local Road Safety Plan). Staff also developed a consolidated list of building needs from preliminary condition assessments that were completed in 2022. These actions are a rudimentary start to what will become a robust asset management and capital planning process.

In 2014, the International Organization for Standardization (ISO) published its ISO 5500X series to provide guidance for developing and implementing asset management programs across various industries. The American Public Works Association and other related international organizations, such as the Institute of Public Works Engineering Australasia (IPWEA), have also published guidance specifically related to asset management for public infrastructure. Recent studies and guidance documents from both organizations date to the late 2010's or early 2020's. These best practices will inform the improvements to the CIP planning process, with the CIP based on best practices as recommended by the GFOA.

DISCUSSION:

GFOA Best Practices and Changes to the CIP

Table 2 is a summary of GFOA Best Practices, the Town's status in meeting the criteria, and estimated completion dates to implement the best practices.

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Table 2. GFOA Best Practices for CIP			
CIP Framework	Description	Current Status	Estimated Completion
1. Defined Planning Horizon	Plan over a multi-year period , typically at least 3 years , ideally 5 to 25 years , to support long-term infrastructure and asset management	Complete, the Town's CIP spans a five-year horizon with funding being budgeted only for year one of the CIP.	NA
2. Needs Identification	<ul style="list-style-type: none"> • Inventory capital assets (facilities, infrastructure, equipment, and software) and define their life-cycle stages • Use strategic frameworks, facility/master/regional plans, and demographic projections to pinpoint current and future service needs 	In progress, Town will be updating categories.	FY29 CIP
3. Scope and Cost Estimation	<ul style="list-style-type: none"> • For each project, specify the scope and complete cost (including procurement, design, and construction) • Capture life-cycle costs: operating, maintenance, administration, renewal/replacement 	In progress, currently we identify the scope and costs for the actual project. We still need to include lifecycle costs associations.	FY31CIP
4. Financial Impact Analysis	<ul style="list-style-type: none"> • Quantify total capital and life-cycle costs, including future operating and maintenance impacts on the annual budget 	In progress, see comment above.	FY31

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Table 2. GFOA Best Practices for CIP			
CIP Framework	Description	Current Status	Estimated Completion
5. Prioritization Framework	<ul style="list-style-type: none"> • Implement priority ordering based on: <ul style="list-style-type: none"> - Health and safety risks - Service delivery or asset preservation - Financial return or revenue potential - Regulatory/legal requirements - Incorporate transparency in ranking decisions 	In progress, this is already done informally but needs to be discussed and coordinated.	FY27
6. Multi-Year Financial Strategy	<ul style="list-style-type: none"> • Build a comprehensive funding plan spanning the CIP horizon, using: <ul style="list-style-type: none"> - Pay-as-you-go, debt, reserve funds, grants, dedicated taxes, etc. - Align financing methods with project timing and maintain overall fiscal health 	Not started	FY31
7. Capital Policies & Governance	<ul style="list-style-type: none"> • Establish capital planning policies to define: <ul style="list-style-type: none"> - What qualifies as a capital project - Stakeholder roles and responsibilities - Debt vs. pay-go approaches - Reserve requirements - Monitoring, legal, and multi-year obligations 	Not started	FY27
8. Asset Management Coordination	<ul style="list-style-type: none"> • Integrate CIP with asset management, including: <ul style="list-style-type: none"> - Condition assessment - Service reliability metrics - Defined renewal and replacement thresholds 	In progress	FY29

Table 2. GFOA Best Practices for CIP			
CIP Framework	Description	Current Status	Estimated Completion
9. Communications Strategy	<ul style="list-style-type: none"> Share the plan via clear messaging to internal and external stakeholders—public meetings, online tools, reports—to ensure transparency and engagement 	Not started	FY27
10. Monitoring & Annual Updates	<ul style="list-style-type: none"> Continuously monitor project delivery, budgets, and timelines. Revisit and update the CIP annually to reflect completed, delayed, or new priorities 	Ongoing. System will be updated, revised, and made more robust as part of the overall CIP effort, including implementing project management software.	FY28

Work Plan for Developing and Updating the CIP

In alignment with best practices number two listed above, Table 3 is an updated Needs Identification structure that adds a new broader category to identify CIP projects but retains prior needs categories as a subcategory. In performing this work, staff is evaluating the procurement of project management software to improve project scoping and tracking of project budget and schedule.

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Table 3. Categories for Need Identification of CIP Projects

Categories	Lifecycle	Perpetual	Repair / Replace / Rebuild	New
Definition	Planned, periodic investments made to maintain an asset in good working conditions throughout its expected useful life. These projects are based on predictable maintenance cycles and prevent premature asset failure. They do not significantly change the asset's function, capacity, or footprint.	Projects are ongoing, continuous capital investments that occur every year and do not have a defined start or end point. These projects are typically system-wide or programmatic in nature, addressing recurring needs to keep infrastructure operational, compliant, or up to standard.	These projects address the rehabilitation, repair, replacement, or complete reconstruction of existing assets that have deteriorated, reached the end of their useful life, or require significant upgrades. They restore existing capacity and function but do not typically expand the system.	New projects create brand new assets or expand the capacity, service area, or functionality of existing assets. These projects add to the City's overall capital inventory and often address growth, service enhancements, or new community priorities.
Example of Project Type	<ul style="list-style-type: none"> • Scheduled HVAC system component replacements in Town Hall • Interior /exterior repainting of facilities on a recurring schedule • Asphalt slurry seals or crack sealing on local streets • Replacement of playground surfacing as part of routine safety maintenance 	<ul style="list-style-type: none"> • Citywide sidewalk maintenance and trip-hazard mitigation • Annual storm drain system cleaning and catch basin repair program • Ongoing IT network infrastructure updates and system hardening • Routine street sign replacement and traffic striping program 	<ul style="list-style-type: none"> • Full roadway reconstruction of a deteriorated arterial street • Replacement of a failing sewer main • Roof replacement for an aging community center • Structural repair or rebuild of a damaged pedestrian bridge 	<ul style="list-style-type: none"> • Construction of a new police station • Building a new neighborhood park • Installation of new traffic signals at previously uncontrolled intersections • Adding solar power infrastructure at municipal facilities
Subcategories	Streets; Parks and Trails; and Public Facilities and Software			

In alignment with best practice number eight in Table 2, the Parks and Public Works department is developing an asset management program for the Town of Los Gatos that will provide for more effective management of existing assets and associated costs, define preventive maintenance requirements versus capital needs, and provide cost projections for maintenance and capital work for existing assets. The Parks and Public Works Department has rearranged its staffing model to dedicate a staff member to asset management for approximately 60% of their time. A detailed implementation framework for developing the asset management program is in development.

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The general framework for this work will be as follows:

1. Define asset classes to be managed;
2. Set service levels for each asset (based on usage, warranty periods, and regulatory standards);
3. Collect asset data (Type of asset, geolocation, construction year, current condition, and replacement cost);
4. Define the risk level associated with the failure of each asset class;
5. Document required preventive maintenance measures, including the expected service life and operational expectations (e.g., key performance indicators) for each asset or asset class. This includes determining what is mandatory vs non-mandatory (can be deferred with limited risk) and defining subcategories of maintenance:
 - a. Corrective Maintenance. Repairs to restore function after a failure.
 - b. Predictive Maintenance. Using data analysis to predict and prevent failures.
 - c. Preventive Maintenance. Finding and fixing small issues before they're allowed to get worse.
 - d. Deferred Maintenance. Postponing maintenance activities due to budget or resource constraints. Learn more in this guide.
 - e. Condition-Based Maintenance. Performing maintenance based on the actual condition of equipment, not on a set schedule.
 - f. Emergency Maintenance. Unplanned repairs in response to urgent issues.
6. Develop a capital improvement strategy for existing assets;
7. Develop cost projections for each asset; and
8. Operationalize an Asset Management Plan.

The Town has used a work order management system for public works since the early 2000's. Some asset classes are fully built out in that system, while others are either partially defined or not defined at all. Vehicles, benches, and storm drainage assets are currently the most complete.

Examples of asset classes that will be incorporated (Step 1 in the above outline of steps) in the asset management system are shown in Table 4. This list will continue to be built out by staff as the asset management system is developed and may not currently represent all of the asset classes owned by the Town.

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Table 4. Preliminary List of Town of Los Gatos Asset Classes and Categories

Subcategory	Lifecycle	Perpetual	Repair / Replace / Rebuild
Buildings	HVAC	Structural Elements	Water Supply systems – backflow valves, piping, etc.
	Roofing		Sewer System pumps and pipes
	Interior Plumbing		Lighting
	On-Site Electric Generation		
	Electrical Systems		
Roads	Signage	Asphalt	Storm Drainage (Inlets, Piping, Treatment)
	Guardrails	Sidewalks / Handicap Ramps	Bridges and Culverts
	Retaining Walls	Parking Lots	
	Street Lights	Street Trees	
	Traffic Signals		
	Curb Markings		
	Striping and painting (centerlines, fog lines, bike lanes, etc.)		
Parks	Tables	Trees	Playground Equipment
	Benches	Pathways	
	Irrigation	Creek Trail	Landscaping
	Artificial Turf	Open Space Trails	
	Playground Safety Surfacing		
Fleet	Trucks and Maintenance Vehicles		
	Administrative Vehicles		
	Police Patrol Cars		
	Police Administrative Vehicles		
	Police Motorcycles and Bicycles		
	Generators		
	Small Equipment		
	Fuel Pumps		

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Staff will develop a priority order for the build-out of assets in the system and expect the task of data collection for all assets to require three to four years. Consideration will be given to consulting services and/or technology solutions (e.g., artificial intelligence, vehicle mounted cameras, etc.) to accelerate this work. Town vehicles and generators are generally already in the asset management system and so will be prioritized in spring and summer 2026. Buildings, facilities, and associated assets will be the second set of data developed in the asset management system.

As the asset management system is built out, staff will begin using it to recommend projects for the CIP. Projects will be categorized based on priority, funding availability, and staff delivery capacity. Over time, this information will be used to present a consolidated five-year lifecycle funding sufficiency comparison, aligning estimated infrastructure needs, programmed capital expenditures, and projected funding capacity.

Enhancements to the existing framework may include:

1. Five-Year Funding Sufficiency Analysis
2. Formal Asset Lifecycle Integration
3. Capital Sustainability Metrics
4. Alignment with Reserve Policy

COORDINATION:

This staff report was coordinated with the Town Manager's office and the Administrative Services Department.