

**TOWN OF LOS GATOS  
FINANCE COMMISSION AGENDA  
MARCH 11, 2024  
110 EAST MAIN STREET  
TOWN COUNCIL CHAMBERS  
5:00 PM**

*Phil Koen, Chair  
Linda Reiners, Vice Chair  
Andrew Howard, Commissioner  
Ashby Monk, Commissioner  
Joe Rodgers, Commissioner  
Matthew Hudes, Vice Mayor  
Rob Rennie, 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 through the Zoom Webinar by following the instructions listed below.

This meeting will be teleconferenced pursuant to Government Code Section 54953(b)(3). Council Member Rob Rennie will be participating from a teleconference location at 400 Fairview Blvd # 172, Incline Village, NV 89451. The teleconference location shall be accessible to the public and the agenda will be posted at the teleconference locations 72 hours before the meeting.

**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/84900234481?pwd=yU0df-8jrAkCWM\\_LI83-iQY6qEV7gg.IQR-LAZX1jg9DnoC](https://losgatosca.gov.zoom.us/j/84900234481?pwd=yU0df-8jrAkCWM_LI83-iQY6qEV7gg.IQR-LAZX1jg9DnoC)

Passcode: 347436 You can also type in 84900234481 in the “Join a Meeting” page on the Zoom website at and use passcode 347436.

- When the Mayor 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 (877) 3361839 for US Toll-free or (636) 651-0008 for US Toll. (Conference code: 1052180)

- If you are participating by calling in, press #2 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:** (1) Comments will be limited to three (3) minutes or less at the Chair’s discretion.

(2) 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.

(3) Deadlines to submit written comments are:

- 11:00 a.m. the Thursday before the Commission meeting for inclusion in the agenda packet.
- 11:00 a.m. the Friday 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.

(4) Persons wishing to make an audio/visual presentation must submit the presentation electronically to Clerk@losgatosca.gov no later than 3:00 p.m. on the day of the Commission meeting.

## CALL MEETING TO ORDER

## ROLL CALL

**APPROVE REMOTE PARTICIPATION** *(This item is listed on the agenda in the event there is an emergency circumstance requiring a Commissioner to participate remotely under AB 2449 (Government Code 54953)).*

**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.)*

- [1.](#) Approve the Minutes of the February 12, 2024, Finance Commission Regular Meeting
- [2.](#) Receive the Monthly Financial and Investment Report for January 2024
- [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, 2022 to June 30, 2023
- [4.](#) Receive FY 2022/23 Federal Single Audit Report
- [5.](#) Receive the California Employer's Retiree Benefit Trust (CERBT) Strategy 1 Market Value Summary Report for the Period Ending December 31, 2023 and the Performance Report as of January 31, 2024.
- [6.](#) Receive the California Employer's Pension Prefunding Trust (CEPPT) Strategy 2 Market Value Summary Report for the Period Ending December 31, 2023 and Performance as of January 31, 2024
- [7.](#) Receive the Investment Policy and Recommend No Changes to the Town Council Regarding the Town's Investment Policy

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

- [8.](#) Review and Adopt the Finance Commission 2024 Workplan and Meeting Dates
- [9.](#) Discuss and Establish Three Ad Hoc Subcommittees Comprised of Less Than a Quorum of the Commission's Citizen Appointees to Address the Five-Year Capital Plan, the Unfunded Pension Liability/CalPERS, and the Council Priority Score Card
- [10.](#) Review and Provide Feedback on the Reasonableness and Completeness of the Town's Five-Year Capital Plan Taken as a Whole

## ADJOURNMENT

**ADA NOTICE** In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the Clerk's Office at (408) 354- 6834. Notification at least two (2) business days prior to the meeting date 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  
MINUTES**

MEETING DATE: 03/11/2024

Item 1.

ITEM NO: 1

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**Minutes of the Finance Commission Meeting  
February 12, 2024**

The Finance Commission of the Town of Los Gatos conducted a meeting in person and utilizing teleconferencing means on Monday, February 12, 2024, at 5:00 p.m.

**THE MEETING WAS CALLED TO ORDER AT 5:00 P.M.**

**ROLL CALL**

Present: Chair Phil Koen, Vice Chair Linda Reiners, Commissioner Andrew Howard, Commissioner Ashby Monk, Commissioner Joe Rodgers, Vice Mayor Matthew Hudes, and Council Member Rob Rennie

Absent: None

Town Staff Present: Town Manager Laurel Prevetti, Assistant Town Manager Katy Nomura, Finance Director Gitta Ungvari, Finance and Accounting Manager Eric Lemon, and Town Clerk Wendy Wood.

**CONSENT ITEMS**

1. Approve the Minutes of the January 8, 2024, Finance Commission Regular Meeting
2. Receive the Monthly Financial and Investment Report for December 2023
3. Receive the Town's Final Financial Transactions Reports for Fiscal Year (FY) 2022/23 and FY 2021/22

Chair Koen pulled Item 3.

There was no public comment.

**MOTION:** Motion by Vice Chair Reiners to approve the consent Items 1 and 2. **Seconded** by Commissioner Howard.

**VOTE:** Motion passed 3-0 -2 (Commissioners Monk and Rodgers abstained).

**VERBAL COMMUNICATIONS**

No one spoke.

**OTHER BUSINESS**

- 4. Review and Make a Recommendation to the Town Council to Accept as Presented or Accept with Modification the FY 24 Five-Year Forecast and Supporting Work Product

Chair Koen provided background information on the item.

Finance Director Gitta Ungvari presented the staff report.

The Commission asked questions and discussed the item.

Staff addressed the Commissioners’ questions.

Chair Koen opened public comment.

Jak Van Nada

- Commented on General Fund surpluses in the past four years.

Chair Koen closed public comment.

**MOTION:** **Motion by Chair Koen** (motion language distributed to the Commission in hard copy format) to recommend the Town Council to not accept, nor rely upon the current version of the FY 24 Five-Year Plan; given the importance of the Five-Year Forecast in establishing tax policy, the Finance Commission makes a finding the draft forecast of a 2.9% CAGR in total revenue is too conservative compared to historic growth rates and the 4.9% CAGR in operating expenditures needs to be reduced through cost containment and productivity measures; and the Finance Commission does not agree with staff’s conclusion that “the persistent presence of a deficit indicates that the Town needs to consider new revenue measures if it wants to maintain high levels of municipal services” as stated on page one of the staff report. **Seconded by Vice Commissioner Howard.**

**VOTE:** **Motion passed unanimously.**

The Commission had further discussion.

**MOTION:** **Motion by Chair Koen** (motion language distributed to the Commission in hard copy format) to recommend the Town Council request staff to adopt a consistent format for reporting revenues, expenditures, and changes in funds balance which will be used in the annual plan, the Five-Year Forecast and mid-year update reports to improve visibility and comparability; and all reports must be prepared in accordance with GAAP. **Seconded by Vice Chair Reiners.**

**VOTE:** **Motion passed unanimously.**



SUBJECT: Draft Minutes of the Finance Commission Regular Meeting of February 12, 2024

DATE: March 6, 2024

The Commission took a recess at 7:12 p.m.

The Commission reconvened at 7:20 p.m.

5. Consider NBS Revenue Modeling Report and Make Recommendations to the Town Council Regarding the NBS Revenue Modeling Report and Budget Balancing Strategies Including Any Revenue Ballot Measures and Polling for Potential Revenue Ballot Measures

Assistant Town Manager Katy Nomura presented the staff report.

Chair Koen opened public comment.

Jak Van Nada

- Commented on the ratio of revenues to expenditures.

Chair Koen closed public comment.

**MOTION:** Motion by Chair Koen (motion language distributed to the Commission in hard copy format) to recommend the Town Council not rely upon the NBS report's conclusion regarding deficit reductions because the financial analysis was based on an outdated Five-Year Forecast which did not include actual results for the FY 23; and the Finance Commission does find that the incremental revenue contribution for the revenue options analyzed are credible and can be used for modeling purposes. **Seconded** by Commissioner Monk.

**VOTE:** Motion passed unanimously.

6. Review and Make Recommendations to the Town Council to accept as Presented or Accept with Modifications the FY 24 Mid-Year Report and Supporting Work Product

The Commission asked questions and briefly discussed the item.

Staff addressed the Commissioners' questions.

No public comment.

7. Review and Adopt the Finance Commission 2024 Workplan, Meeting Dates, and Establish Subcommittees for Selected Projects

Item 7 was not discussed and continued to the next meeting.

Item 3 was not discussed.

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SUBJECT: Draft Minutes of the Finance Commission Regular Meeting of February 12, 2024

DATE: March 6, 2024

**ADJOURNMENT:**

The meeting adjourned at 8:08 p.m.

This is to certify that the foregoing is a true and correct copy of the minutes of the February 12, 2024, meeting as approved by the Finance Commission.

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Wendy Wood, Town Clerk



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

MEETING DATE: 03/11/2024

ITEM NO: 2

Item 2.

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DATE: March 5, 2024  
TO: Finance Commission  
FROM: Laurel Prevetti, Town Manager  
SUBJECT: Receive the Monthly Financial and Investment Report for January 2024

**RECOMMENDATION:**

Receive the Monthly Financial and Investment Report for January 2024.

**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 Finance Director assumes the Town Treasurer role.

Attachment 1 contains the January 2024 Monthly Financial and Investment Report which fulfills this requirement. The January 2024 Monthly Financial and Investment Report will be presented to Town Council on March 19, 2024.

**DISCUSSION:**

The January 2024 Monthly Financial and Investment Report includes a Fund Balance Schedule, representing estimated funding available for all funds at the end of the respective month. The fund balances were estimated at a point in time and will be finalized at the final close of the fiscal year.

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.

**PREPARED BY:** Eric Lemon  
Finance and Accounting Manager

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

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DISCUSSION (continued):

As illustrated in the summary below, Total Cash is adjusted by the addition of Total Assets less the amount of Total Liabilities to arrive at the Ending Fund Balance – which represents the actual amount of funds available.

<b>Reconciling Cash to Fund Balance - January 31, 2024</b>		
Total Cash	\$	72,393,065
Plus: Assets	\$	13,785,471
Less: Liabilities	\$	(27,598,051)
<b>Estimated Fund Balance</b>	<b>\$</b>	<b>58,580,485</b>

As of January 31, 2024, the Town's financial position (Assets \$86.18M, Liabilities \$27.60M, and Fund Equity \$58.58M) remains strong and there are no issues meeting financial obligations in the near future.

As of January 31, 2024, the Town's weighted portfolio yield for investments under management was 4.23% which was 22 basis points above the Local Agency Investment Fund (LAIF) yield of 4.01% for the same reporting period. Currently, the LAIF portfolio's weighted average maturity (WAM) is 212 days versus the Town's longer WAM of 628 days. The longer maturity (WAM) for Town assets under management reflects the Town's strategy to take advantage of higher yields associated with longer maturities 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 4.23% remained consistent with the prior month.

Since January 2023, LAIF yields had climbed from 243 basis points (2.43%) to 401 basis points (4.01%) through the end of January 2024.

Staff, in coordination with the Town's investment advisor, primarily replaced maturing investments with long term maturities in the three-to-five-year maturity range. These investments capture current yields that exceed the rates expected to be earned in the LAIF pool during that same time period. The State LAIF pool typically lags the market when current market yields are either increasing or decreasing.

On March 22, 2023, the Federal Reserve voted to approve a ¼ percentage basis point increase from 4.75% to 5.00%. This action was followed with additional hikes in May 2023 from 5.00% to 5.25% and July from 5.25% to 5.5%. Through these actions over time, the Federal Open Market Committee's (FOMC) goal is to bring year to year inflation to its targeted level of 2%.

The labor market data remained strong. The US economy added 216,000 new jobs in December, stronger than market expectations at 175,000. The unemployment rate held at 3.7%. Wage growth was stronger than expected at 4.1%, up from 4.0%.

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SUBJECT: Monthly Financial and Investment Report for January 2024

DATE: March 5, 2024

DISCUSSION (continued):

The Town's investments are in compliance with the Town's Investment Policy dated February 21, 2023, 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.

Staff identified a footing error on page 5 on several prior monthly investment reports for fiscal year 2024, where the summary of interest earned did not include all cells. The prior months interest is correctly listed on page 4 of Attachment 1. The details of the footing error are illustrated in Attachment 2.

CONCLUSION:

Receive Monthly Financial and Investment Report for January 2024.

Attachments:

1. Financial and Investment Report (January 2024)
2. Correction of Footing Error

**Town of Los Gatos  
Summary Investment Information  
January 31, 2024**

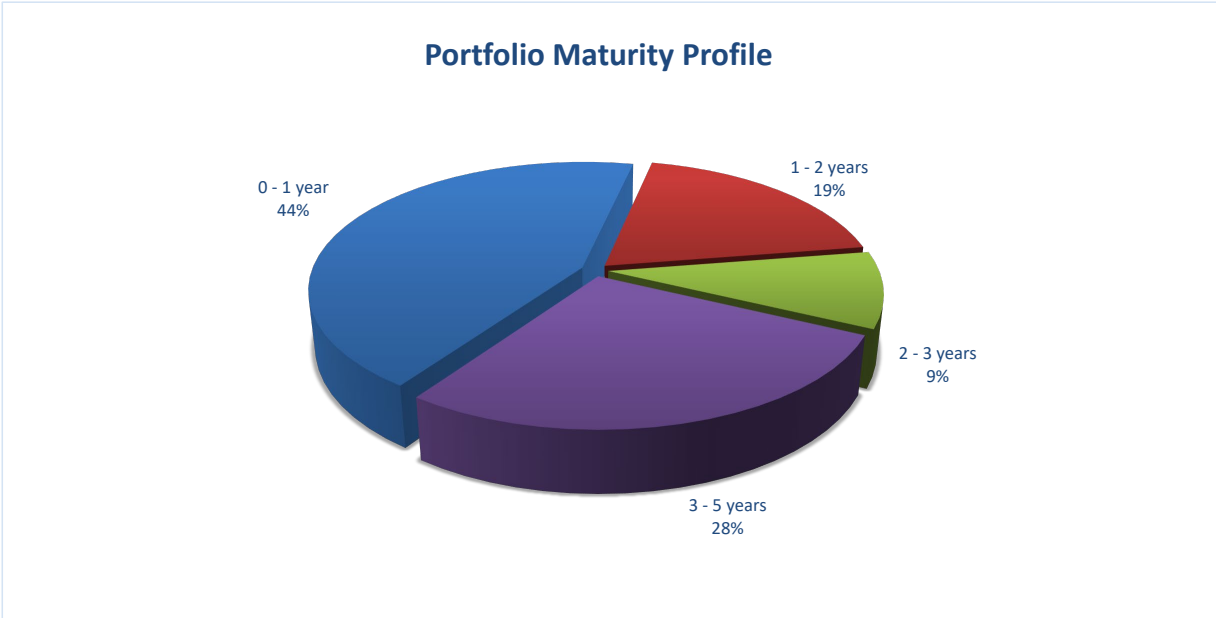
**Weighted Average YTM Portfolio Yield on Investments under Management** **4.23%**

**Weighted Average Maturity (days)** **628**

	This Month	Last Month	One year ago
<b>Portfolio Allocation &amp; Treasurer's Cash Balances</b>	\$72,393,065	\$67,640,642	\$68,295,974
<b>Cert. of Participation 2002 Lease Payment Fund</b>			
Managed Investments	\$49,508,334		
Local Agency Investment Fund	\$11,391,357		
Reconciled Demand Deposit Balances	\$11,493,374		
Portfolio Allocation & Treasurer's Cash Balances	\$72,393,065		

**Benchmarks/ References:**

Town's Average Yield	4.23%	4.23%	2.45%
LAIF Yield for month	4.01%	3.93%	2.43%
3 mo. Treasury	5.38%	5.36%	4.69%
6 mo. Treasury	5.20%	5.27%	4.86%
2 yr. Treasury	4.21%	4.25%	4.21%
5 yr. Treasury (most recent)	3.84%	3.85%	3.62%
10 Yr. Treasury	3.91%	3.88%	3.51%

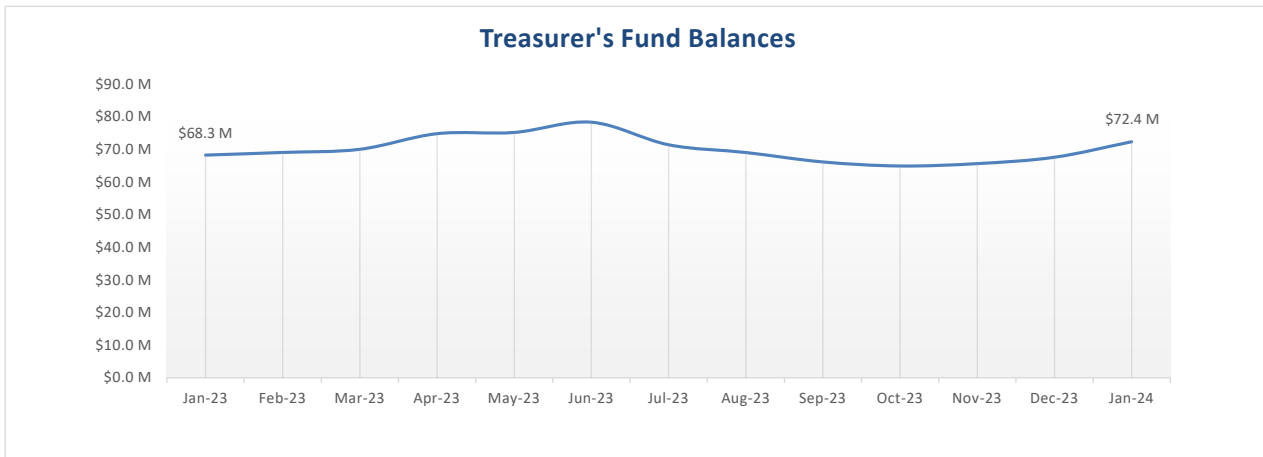
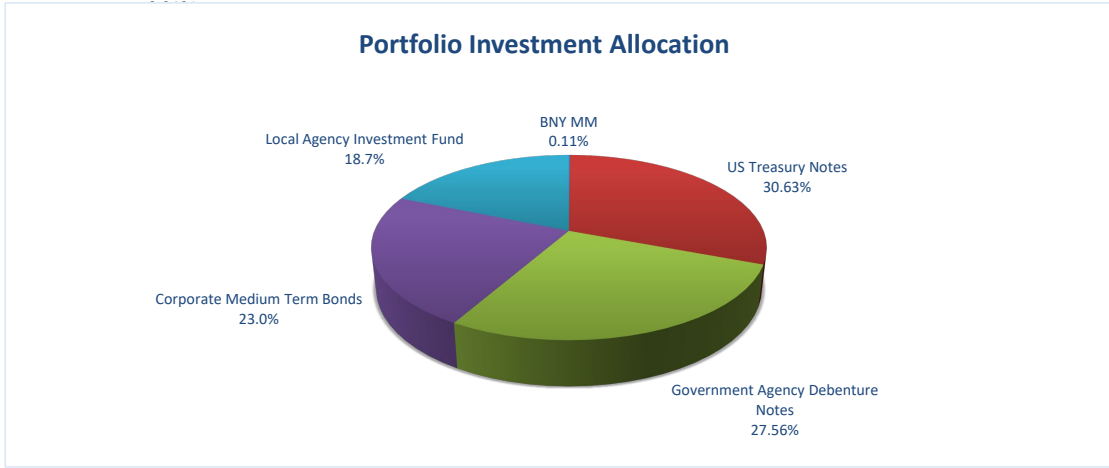


**Compliance:** The Town's investments are in compliance with the Town's investment policy dated February 21, 2023 and also in compliance with the requirements of Section 53600 at seq. of the California State Code. Based on the information available, the Town has sufficient funds to meet the cash demands for the next six months.

**Town of Los Gatos  
Portfolio Allocation & Treasurer's Cash Balances  
January 31, 2024**

	Month	YTD
Cash & Investment Balances - Beginning of Month/Period	\$ 67,640,642.20	\$ 78,384,947.79
Receipts	8,451,869.96	41,000,100.65
Disbursements	(3,699,447.44)	(46,991,983.72)
Cash & Investment Balances - End of Month/Period	<u>\$72,393,064.72</u>	<u>\$72,393,064.72</u>

Portfolio Allocation	Amount	% of Portfolio	Max. % or \$ Allowed per State Law or Policy
BNY MM	\$65,991.81	0.11%	20% of Town Portfolio
US Treasury Notes	\$18,650,546.39	30.63%	No Max. on US Treasuries
Government Agency Debenture Notes	\$16,786,911.90	27.56%	No Max. on Non-Mortgage Backed
Corporate Medium Term Bonds	\$14,004,884.01	23.00%	30% of Town Portfolio
Local Agency Investment Fund	\$11,391,356.50	18.71%	\$75 M per State Law
Subtotal - Ir Subtotal - Investments	<u>60,899,690.61</u>	100.00%	
Reconciled Demand Deposit Balances	<u>11,493,374.11</u>		
Total Portfolio Allocation & Treasurer's Cash Balances	<u>\$72,393,064.72</u>		



**Town of Los Gatos  
Non-Treasury Restricted Fund Balances  
January 31, 2024**

	Beginning Balance	January 2024 Deposits Realized Gain/Adj.	January 2024 Interest/ Earnings	January 2024 Withdrawals	Ending Balance	
Non-Treasury Funds:						
Cert. of Participation 2002 Series A Reserve Fund	\$ 712,521.88		\$ 2,932.46		\$ 715,454.34	Note 1
Cert. Of Participation 2010 Ser A Lease Pymt Fund	794.04	113,364.99	3.47		114,162.50	Note 1
Cert. of Participation 2002 Lease Payment Fund	438.64	110,061.36	1.86		110,501.86	Note 1
Cert. of Participation 2010 Series Reserve Fund	1,353,228.32		6,027.51		1,359,255.83	Note 2
Total Restricted Funds:	<u>\$ 2,066,982.88</u>	<u>\$ 223,426.35</u>	<u>\$ 8,965.30</u>	<u>\$ -</u>	<u>\$ 2,299,374.53</u>	
CEPPT IRS Section 115 Trust	1,462,577.40		(5,945.44)		\$ 1,456,631.96	Note 3
Grand Total COP's and CEPPT Trust	<u>\$ 3,529,560.28</u>	<u>\$ 223,426.35</u>	<u>\$ 3,019.86</u>	<u>\$ -</u>	<u>\$ 3,756,006.49</u>	

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

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

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

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



**Town of Los Gatos**  
**Statement of Interest Earned**  
**January 31, 2024**

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July 2023	\$	133,845.42
August 2023	\$	131,615.82
September 2023	\$	158,361.71
October 2023	\$	149,112.14
November 2023	\$	163,137.22
December 2023	\$	177,498.26
January 2024	\$	183,950.61
February 2024		-
March 2024		-
April 2024		-
May 2024		-
June 2024		-
	\$	<u>1,097,521.18</u>



Town of Los Gatos  
Investment Transaction Detail  
January 31, 2024

Date	Cusip/Id	Description	Transaction Type	Settlement Date	Par	Coupon	Maturity Date	Price	Principal	Interest	Transaction Total
1/2/2024	91282CFB2	USA TREASURY 2.75% 31JUL2027	PURCHASE	1/2/2024	1,000,000	275.000%	7/31/2027	96.04	960,354.91	11,582.88	971,937.79
1/2/2024	3135G0V75	FANNIE MAE 1.75% 02JUL2024	BOND INTEREST	1/2/2024	1,100,000	175.000%	7/2/2024	-	-	9,625.00	9,625.00
1/2/2024	912828V23	USA TREASURY 2.25% 31DEC2023	REDEMPTION		1,000,000	225.000%	12/31/2023	100.00	1,000,000.00	-	1,000,000.00
1/3/2024	Cash-USD	Cash-USD	SHORT TERM INVESTMENT FUND INCOME	1/3/2024	350	0.000%		100.00	-	-	349.60
1/8/2024	3133EN5N6	FEDERAL FARM CREDIT BANK 4% 06JAN2028	BOND INTEREST	1/6/2024	1,700,000	400.000%	1/6/2028	-	-	34,000.00	34,000.00
1/11/2024	3133EN5V8	FEDERAL FARM CREDIT BANK 4.125% 11JAN2027	BOND INTEREST	1/11/2024	236,000	412.500%	1/11/2027	-	-	4,867.50	4,867.50
1/12/2024	02665WED9	AMERICAN HONDA FINANCE 4.7% 12JAN2028	BOND INTEREST	1/12/2024	600,000	470.000%	1/12/2028	-	-	14,100.00	14,100.00
1/16/2024	91282CBE0	USA TREASURY 0.125% 15JAN2024	BOND INTEREST	1/15/2024	1,650,000	12.500%	1/15/2024	-	-	1,031.25	1,031.25
1/17/2024	91282CHE4	USA TREASURY 3.625% 31MAY2028	PURCHASE	1/17/2024	1,800,000	362.500%	5/31/2028	98.62	1,775,185.72	8,557.38	1,783,743.10
1/16/2024	91282CBE0	USA TREASURY 0.125% 15JAN2024	REDEMPTION	1/16/2024	1,650,000	12.500%	1/15/2024	100.00	1,650,000.00	-	1,650,000.00
1/17/2024	3133EPQC2	FEDERAL FARM CREDIT BANK 4.625% 17JUL2026	BOND INTEREST	1/17/2024	500,000	462.500%	7/17/2026	-	-	11,562.50	11,562.50
1/22/2024	69353RFJ2	PNC BANK NA 3.25% 22JAN2028	BOND INTEREST	1/22/2024	1,000,000	325.000%	1/22/2028	-	-	16,250.00	16,250.00
1/31/2024	91282CAB7	USA TREASURY 0.25% 31JUL2025	BOND INTEREST	1/31/2024	675,000	25.000%	7/31/2025	-	-	843.75	843.75
1/31/2024	91282CFB2	USA TREASURY 2.75% 31JUL2027	BOND INTEREST	1/31/2024	1,000,000	275.000%	7/31/2027	-	-	13,750.00	13,750.00

**Town of Los Gatos**  
**Insight ESG Ratings as of January 31, 2024**

Security Description	Maturity Date	Par/Shares	S&P Rating	Moody Rating	Insight ESG Rating	Environment	Social	Governance
JPMORGAN CHASE & CO 3.875% 01FEB2024	2/1/2024	\$ 1,400,000	A-	A1	3	1	3	4
US BANCORP 3.375% 05FEB2024 (CALLABLE 05JAN24)	2/5/2024	\$ 1,000,000	A	A3	4	3	4	4
IBM CORP 3.0% 15MAY2024	5/15/2024	\$ 1,000,000	A-	A3	2	1	2	3
CATERPILLAR FIN SERVICES 2.85% 17MAY24	5/17/2024	\$ 1,000,000	A	A2	4	4	3	4
AMERICAN HONDA FINANCE 2.4% 27JUN2024	6/27/2024	\$ 1,000,000	A-	A3	3	2	3	3
HONEYWELL INTERNATIONAL 2.3% 15AUG2024 (CALLABLE 15JUL24)	8/15/2024	\$ 1,000,000	A	A2	4	3	4	3
PEPSICO INC 2.85% 24FEB2026 (CALLABLE 24NOV25)	2/24/2026	\$ 1,000,000	A+	A1	2	2	2	2
HOME DEPOT INC. 3% 01APR2026 (CALLABLE 01JAN2026)	4/1/2026	\$ 1,000,000	A	A2	2	2	3	3
JPMORGAN CHASE & CO 3.2 15JUN2026 (CALLABLE 15MAR26)	6/15/2026	\$ 500,000	A-	A1	3	1	3	4
APPLE INC. 2.9% 12SEP2027 (CALLABLE 12JUN27)	9/12/2027	\$ 1,300,000	AA+	Aaa	5	1	4	5
TOYOTA MOTOR CREDIT CORP 5.45% 10NOV2027	11/10/2027	\$ 1,600,000	A+	A1	3	2	3	5
AMERICAN HONDA FINANCE 4.7% 12JAN2028	1/12/2028	\$ 600,000	A-	A3	3	2	3	3
PNC BANK NA 3.25% 22JAN2028 (CALLABLE 01 FEB28)	1/22/2028	\$ 1,000,000	A	A2	3	2	3	3
COLGATE-PALMOLIVE CO 4.6% 01MAR2028 (CALLABLE 01FEB28)	3/1/2028	\$ 500,000	AA-	Aa3	3	2	3	3
<b>Total/Average</b>		<b>\$ 13,900,000</b>			<b>3.1</b>	<b>2.0</b>	<b>3.1</b>	<b>3.5</b>

\*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 7/1/2023	Increase/ (Decrease) July - Dec	Jan 2024				Estimated Fund Balance 1/31/2024*
				Current Revenue	Current Expenditure	Transfer In	Transfer Out	
	<b>GENERAL FUND</b>							
	<b>Non-Spendable:</b>							
	Loans Receivable	159,000	-	-	-	-	-	159,000
	<b>Restricted Fund Balances:</b>							
	Pension	1,400,163	-	-	-	-	-	1,400,163
	Land Held for Resale	44,338	-	-	-	-	-	44,338
	<b>Committed Fund Balances:</b>							
	Budget Stabilization	6,129,774	-	-	-	-	-	6,129,774
	Catastrophic	6,129,775	-	-	-	-	-	6,129,775
	Pension/OPEB	300,000	-	-	-	-	-	300,000
	Measure G District Sales Tax	590,581	-	-	-	-	-	590,581
	<b>Assigned Fund Balances:</b>							
	Open Space	410,000	-	-	-	-	-	410,000
	Sustainability	140,553	-	-	-	-	-	140,553
	Capital/Special Projects	10,359,577	-	-	-	-	-	10,359,577
	Carryover Encumbrances	37,698	-	-	-	-	-	37,698
	Compensated Absences	1,580,623	-	-	-	-	-	1,580,623
	ERAF Risk Reserve	689,608	-	-	-	-	-	689,608
	Council Priorities - Economic Recovery	1,556,614	-	-	-	-	-	1,556,614
	<b>Unassigned Fund Balances:</b>							
111	Other Unassigned Fund Balance Reserve (Pre YE distribution)	-	(4,093,492)	7,747,425	(4,496,078)	-	-	( 842,145)
	<b>General Fund Total</b>	29,528,304	(4,093,492)	7,747,425	(4,496,078)	-	-	28,686,159

\* Interfund transfers and ARPA 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 7/1/2023	Increase/ (Decrease) July - Dec	Jan 2024				Estimated Fund Balance 1/31/2024*
				Current Revenue	Current Expenditure	Transfer In	Transfer Out	
<b>SPECIAL REVENUE</b>								
211/212	CDBG	166,653	-	-	-	-	-	166,653
222	Urban Runoff (NPDES)	629,843	28,905	29,996	(20,535)	-	-	668,209
231-236	Landscape & Lighting Districts	176,964	(13,774)	20,660	(4,325)	-	-	179,525
251	Los Gatos Theatre	74,991	3,084	40,735	(10,236)	-	-	108,574
711-716	Library Trusts	530,173	75,782	-	(3,304)	-	-	602,651
<b>Special Revenue Total</b>		<b>1,578,624</b>	<b>93,997</b>	<b>91,391</b>	<b>(38,400)</b>	<b>-</b>	<b>-</b>	<b>1,725,612</b>
<b>CAPITAL PROJECTS</b>								
411	GFAR - General Fund Appropriated Reserve	21,725,837	(1,035,335)	89,622	(152,018)	-	-	20,628,106
412	Community Center Development	-	866,281	-	-	-	-	866,281
421	Grant Funded Projects	(406,890)	(123,034)	590,377	(368,930)	-	-	(308,477)
461-463	Storm Basin Projects	3,218,331	76,142	3,854	-	-	-	3,298,327
471	Traffic Mitigation Projects	431,079	-	-	-	-	-	431,079
472	Utility Undergrounding Projects	3,438,996	11,736	1,229	-	-	-	3,451,961
481	Gas Tax Projects	1,671,245	(772,630)	126,978	-	-	-	1,025,593
<b>Capital Projects Total</b>		<b>30,078,598</b>	<b>(976,840)</b>	<b>812,060</b>	<b>(520,948)</b>	<b>-</b>	<b>-</b>	<b>29,392,870</b>
<b>INTERNAL SERVICE FUNDS</b>								
611	Town General Liability	212,022	3,189	-	-	-	-	215,211
612	Workers Compensation	514,813	(367,596)	-	(6,685)	-	-	140,532
621	Information Technology	2,474,618	(166,970)	8,336	(18,112)	-	-	2,297,872
631	Vehicle & Equipment Replacement	2,413,719	502,162	-	-	-	-	2,915,881
633	Facility Maintenance	927,700	269,739	8,163	(145,766)	-	-	1,059,836
<b>Internal Service Funds Total</b>		<b>6,542,872</b>	<b>240,524</b>	<b>16,499</b>	<b>(170,563)</b>	<b>-</b>	<b>-</b>	<b>6,629,332</b>
<b>Trust/Agency</b>								
942	RDA Successor Agency	(6,187,789)	(1,674,622)	233,663	(224,740)	-	-	(7,853,488)
<b>Trust/Agency Fund Total</b>		<b>(6,187,789)</b>	<b>(1,674,622)</b>	<b>233,663</b>	<b>(224,740)</b>	<b>-</b>	<b>-</b>	<b>(7,853,488)</b>
<b>Total Town</b>		<b>61,540,609</b>		<b>8,901,038</b>	<b>(5,450,729)</b>	<b>-</b>	<b>-</b>	<b>58,580,485</b>

\* Interfund transfers and ARPA 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 \$861,100.54
- 111-23521 BMP Housing deposit account balance \$4,021,280.60

### July-December Interest Earned Correction Summary

Interest by Month (Corrected)		Reported	Variance
July 2023	\$ 133,845.42	\$ 133,845.42	\$ -
August 2023	131,615.82	129,679.93	1,935.89
September 2023	158,361.71	158,361.71	-
October 2023	149,112.14	151,048.03	(1,935.89)
November 2023	163,137.22	154,152.18	8,985.04
December 2023	177,498.26	166,600.98	10,897.28
January 2024	-		
February 2024	-		
March 2024	-		
April 2024	-		
May 2024	-		
June 2024	-		
	<u>\$ 913,570.57</u>	<u>\$ 893,688.25</u>	<u>\$ 19,882.32</u>

### August Investment Report – Page 5 – Matured Assets Interest Earned

Maturity Date or Call Date	Yield to Maturity or Call	Interest Received to Date	Interest Earned Prior Yrs.	Interest Earned Current FY
		\$ 1,482,170.72	\$ 1,298,850.54	\$ 261,726.13
7/25/2023	1.49%	\$ 55,733.33	\$ 20,987.56	\$ 1,032.85
7/31/2023	0.75%	\$ 2,323.37	\$ 13,176.45	\$ 766.36
8/25/2023	0.45%	\$ 15,993.75	\$ 5,065.91	\$ 350.67
8/25/2023	0.94%	\$ 24,090.00	\$ 15,144.57	\$ 1,585.23
				<u>\$ 3,735.11</u>
				<u>\$ 265,461.24</u>

Reported  
\$1,799.21

Corrected

ATTACHMENT 2

**September Investment Report – Page 5 – Matured Assets Interest Earned**

<b>Maturity Date or Call Date</b>	<b>Yield to Maturity or Call</b>	<b>Interest Received to Date</b>	<b>Interest Earned Prior Yrs.</b>	<b>Interest Earned Current FY</b>
		\$ 1,567,711.35	\$ 1,298,850.54	\$ 420,087.84
7/25/2023	1.49%	\$ 55,733.33	\$ 20,987.56	\$ 1,032.85
7/31/2023	0.75%	\$ 2,323.37	\$ 13,176.45	\$ 766.36
8/25/2023	0.45%	\$ 15,993.75	\$ 5,065.91	\$ 350.67
8/25/2023	0.94%	\$ 24,090.00	\$ 15,144.57	\$ 1,585.23
				\$ 3,735.11
				\$ 423,822.95

Reported  
\$1,799.21

Corrected

**October Investment Report – Page 5 – Matured Assets Interest Earned**

<b>Maturity Date or Call Date</b>	<b>Yield to Maturity or Call</b>	<b>Interest Received to Date</b>	<b>Interest Earned Prior Yrs.</b>	<b>Interest Earned Current FY</b>
		\$ 1,516,683.08	\$ 1,238,499.95	\$ 559,228.72
7/25/2023	1.49%	\$ 55,733.33	\$ 20,987.56	\$ 1,032.85
7/31/2023	0.75%	\$ 2,323.37	\$ 13,176.45	\$ 766.36
8/25/2023	0.45%	\$ 15,993.75	\$ 5,065.91	\$ 350.67
8/25/2023	0.94%	\$ 24,090.00	\$ 15,144.57	\$ 1,585.23
9/30/2023	1.07%	\$ 4,570.74	\$ 16,417.94	\$ 2,932.91
10/10/2023	0.41%	\$ 71,362.15	\$ 7,316.05	\$ 1,141.03
10/13/2023	0.31%	\$ 16,753.33	\$ 16,950.71	\$ 1,803.27
10/15/2023	0.33%	\$ 2,865.44	\$ 6,520.12	\$ 955.69
10/31/2023	0.85%	\$ 7,406.77	\$ 13,599.56	\$ 3,138.36
				\$ 13,706.37
				\$ 572,935.09

OK



### November Investment Report – Page 5 – Matured Assets Interest Earned

Maturity Date or Call Date	Yield to Maturity or Call	Interest Received to Date	Interest Earned Prior Yrs.	Interest Earned Current FY
		\$ 1,507,303.37	\$ 1,159,625.58	\$ 713,380.90
7/25/2023	1.49%	\$ 55,733.33	\$ 20,987.56	1,032.85
7/31/2023	0.75%	\$ 2,323.37	\$ 13,176.45	766.36
8/25/2023	0.45%	\$ 15,993.75	\$ 5,065.91	350.67
8/25/2023	0.94%	\$ 24,090.00	\$ 15,144.57	1,585.23
9/30/2023	1.07%	\$ 4,570.74	\$ 16,417.94	2,932.91
10/10/2023	0.41%	\$ 71,362.15	\$ 7,316.05	1,141.03
10/13/2023	0.31%	\$ 16,753.33	\$ 16,950.71	1,803.27
10/15/2023	0.33%	\$ 2,865.44	\$ 6,520.12	955.69
10/31/2023	0.85%	\$ 7,406.77	\$ 13,599.56	3,138.36
11/15/2023	0.27%	\$ 7,002.72	\$ 6,348.21	1,225.25
11/30/2023	1.84%	\$ 92,083.33	\$ 72,526.17	7,759.79
				\$ 22,691.41
				\$ 736,072.31

Reported \$13,706.37

Corrected

### December Investment Report – Page 5 – Matured Assets Interest Earned

Maturity Date or Call Date	Yield to Maturity or Call	Interest Received to Date	Interest Earned Prior Yrs.	Interest Earned Current FY
		\$ 1,425,119.50	\$ 1,072,702.22	\$ 879,981.88
7/25/2023	1.49%	\$ 55,733.33	\$ 20,987.56	1,032.85
7/31/2023	0.75%	\$ 2,323.37	\$ 13,176.45	766.36
8/25/2023	0.45%	\$ 15,993.75	\$ 5,065.91	350.67
8/25/2023	0.94%	\$ 24,090.00	\$ 15,144.57	1,585.23
9/30/2023	1.07%	\$ 4,570.74	\$ 16,417.94	2,932.91
10/10/2023	0.41%	\$ 71,362.15	\$ 7,316.05	1,141.03
10/13/2023	0.31%	\$ 16,753.33	\$ 16,950.71	1,803.27
10/15/2023	0.33%	\$ 2,865.44	\$ 6,520.12	955.69
10/31/2023	0.85%	\$ 7,406.77	\$ 13,599.56	3,138.36
11/15/2023	0.27%	\$ 7,002.72	\$ 6,348.21	1,225.25
11/30/2023	1.84%	\$ 92,083.33	\$ 72,526.17	7,759.79
12/21/2023	2.12%	\$ 164,473.96	\$ 87,804.46	10,897.27
				\$ 33,588.68
				\$ 913,570.57

Reported \$13,706.37

Corrected



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

MEETING DATE: 3/11/2024

ITEM NO: 3

Item 3.

---

DATE: February 26, 2024  
TO: Finance Commission  
FROM: Laurel Prevetti, Town Manager  
SUBJECT: 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, 2022 to June 30, 2023

**RECOMMENDATION:**

Staff recommends that the Finance Commission recommend that the Town Council receive the Independent Accountants' Report on Agreed-Upon Procedures (AUP) on Measure G Revenues and Expenditures for the period July 1, 2022 to June 30, 2023.

**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:** Gitta Ungvari  
Finance Director

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

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SUBJECT: Receive Measure G AUP Report

DATE: February 26, 2024

DISCUSSION:

On January 23, 2024, 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, 2022 to June 30, 2023 (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 2022/23 Budgets:

FY 2022/23 Expenditures and Transfers		
State Admin Fees Withheld	July - Sept 2022	\$ 12,630
State Admin Fees Withheld	Oct - Dec 2021	\$ 12,630
State Admin Fees Withheld	Jan - March 2022	\$ 5,450
State Admin Fees Withheld	April - June 2022	\$ 10,570
<b>Total Collection Fees</b>		<b>\$ 41,280</b>
50% to Police Safety		629,065
<b>Total Expenditures</b>		<b>\$ 670,345</b>
Transfer to Capital Improvement Program (50% of prior years and current year collections)		629,064
<b>Total Transfers and Expenditures</b>		<b>\$ 1,299,409</b>

“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, 2022 to June 30, 2023.

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

**JUNE 30, 2023**

\* \* \*



**Chavan & Associates, LLP**  
Certified Public Accountants  
1475 Saratoga Ave, Suite 180  
San Jose, CA 95129

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

**MEASURE G  
JUNE 30, 2023**

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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, 2023. Town management is responsible for the Schedule of Measure G Revenues, Expenditures and Changes in Fund Balance for the fiscal year ended June 30, 2023.

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, 2023. 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, 2023 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, 2023.

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

7. We selected 14 Measure G expenditures from 28 transactions, which was 72% 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, 2023, 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*

January 23, 2024  
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, 2023**

---

**REVENUES**

Sales Taxes - Measure G	<u>\$ 1,299,409</u>
Total Revenues	<u>1,299,409</u>

**EXPENDITURES**

Public Safety	629,065
Collection Fees	<u>41,280</u>
Total Expenditures	<u>670,345</u>

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

	629,064
Transfers out to the Appropriated Reserves Fund	<u>(629,064)</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 \$629,064 remained unspent and was assigned for capital projects in the Appropriated Reserves Fund assigned fund balance as of June 30, 2023.

**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, 2023**

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**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: 03/11/2024

ITEM NO: 4

Item 4.

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DATE: February 26, 2024  
TO: Finance Commission  
FROM: Laurel Prevetti, Town Manager  
SUBJECT: Receive FY 2022/23 Federal Single Audit Report

**RECOMMENDATION:**

Staff recommends that the Finance Commission receive the Federal Single Audit Report for the fiscal year ending June 30, 2023, as prepared by Chavan & Associates, LLP.

**DISCUSSION:**

In performing the Single Audit for FY 2022/23, the Town's independent auditor Chavan & Associates, LLP concluded that the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

**Attachment:**

1. FY 2022/23 Single Audit

**PREPARED BY:** Gitta Ungvari  
Finance Director

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

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**TOWN OF LOS GATOS  
CALIFORNIA**

SINGLE AUDIT REPORT

FOR THE FISCAL YEAR  
ENDED JUNE 30, 2022



**Chavan & Associates, LLP**  
Certified Public Accountants  
15105 Concord Circle, Ste 130  
Morgan Hill, CA 95037

**TOWN OF LOS GATOS  
CALIFORNIA  
SINGLE AUDIT REPORT  
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**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and Members of the  
Town Council of the Town of Los Gatos  
Los Gatos, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Town of Los Gatos (the “Town”) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town’s basic financial statements, and have issued our report thereon dated December 6, 2022.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Town’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not



**Chavan and Associates, llp**  
Certified Public Accountants

express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

C & A LLP

Morgan Hill, California  
December 6, 2022



**INDEPENDENT AUDITORS REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE, AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

To the Honorable Mayor and Members of the  
Town Council of the Town of Los Gatos  
Los Gatos, California

**Report on Compliance for Each Major Federal Program**

*Opinion on Each Major Federal Program*

We have audited the Town of Los Gatos (the Town)'s compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town's major federal programs for the year ended June 30, 2022. The Town's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

**Basis for Opinion on Each Major federal programs**

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal programs. Our audit does not provide a legal determination of the Town's compliance with the compliance requirements referred to above.

**Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Town's federal programs.





### Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Town's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Town's compliance with the requirements of each major federal programs.

In performing an audit in accordance with GAAS, Government Auditing Standards, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Town's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Town's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### Report on Internal Control over Compliance

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance is a deficiency*, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.



**Chavan and Associates, llp**  
Certified Public Accountants

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

**Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of Town as of and for the year ended June 30, 2022, and have issued our report thereon dated December 6, 2022, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

*C & A LLP*

December 6, 2022  
Morgan Hill, California

**TOWN OF LOS GATOS, CALIFORNIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Federal Grantor/Pass-Through Grantor/Program Title	Federal Catalog Number (CFDA)	Pass-through Identifying Number	Expenditures to Subrecipients	Federal Expenditures
U.S. Department of Transportation				
Pass-through programs from the California Dept of Transportation				
<i>Highway Planning and Construction Cluster</i>				
Highway Planning and Construction	20.205	HSIPL-5067(022)	\$ -	\$ 555,994
Highway Planning and Construction	20.205	CML-5067(022)	-	44,442
<i>Total Highway Planning and Construction Cluster</i>			-	600,436
Total US Department of Transportation			-	600,436
U.S. Department of Treasury				
Pass-through program from the State of California				
Coronavirus State and Local Fiscal Recovery Funds (1)	21.027	N/A	-	3,413,961
Total U.S. Department of Treasury			-	3,413,961
U.S. Department of Justice				
Direct program:				
Bulletproof Vest Partnership Program	16.607	N/A	-	6,060
Total U.S. Department of Justice			-	6,060
Total Federal Programs			\$ -	\$ 4,020,457

(1) Audited as major program

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**TOWN OF LOS GATOS, CALIFORNIA**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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**Note 1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal grant activity of the Town of Los Gatos (the Town) under programs of the federal government for the year ended June 30, 2022. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Town, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town and some amounts in this schedule may differ from amounts presented in the Town's financial statements.

**Note 2. Summary of Significant Accounting Policies**

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available. The Town has elected not to use the 10 percent de-minimus indirect cost rate as allowed under Uniform Guidance.

**Note 3. Relationship to the Basic Financial Statements**

The amounts reported in the accompanying schedule agree, in all material respects, to amounts reported within the Town's financial statements. Federal award revenues are reported principally in the Town's financial statements as intergovernmental revenues.

**Note 4. Relationship to Federal Financial Reports**

Amounts reported in the accompanying schedule agree or can be reconciled with the amounts reported or to be reported in the federal financial reports.

**Note 5. Pass-Through Entities' Identifying Number**

When federal awards were received from a pass-through entity, the Schedule of Expenditures of Federal Awards shows, if available, the identifying number assigned by the pass-through entity. When no identifying number is shown, the Town has determined that no identifying number is assigned for the program, or the Town was unable to obtain an identifying number from the pass-through entity.

TOWN OF LOS GATOS, CALIFORNIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30,2022

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued Unmodified

Internal control over financial reporting:  
 Material weaknesses?      Yes   x   No  
 Significant deficiencies identified not  
 considered to be material weaknesses?      Yes   x   None Reported

Non-compliance material to financial statements noted?      Yes   x   No

Federal Awards

Internal control over major programs:  
 Material weaknesses?      Yes   x   No  
 Significant deficiencies identified not  
 considered to be material weaknesses?      Yes   x   None Reported

Type of auditor's report issued on compliance over major programs Unmodified

Any audit findings disclosed that are required to be reported in  
 accordance with 2 CFR 200.516(a)      Yes   x   No

Identification of Major Programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program</u>
21.027	Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between  
 type A and type B programs:      \$   750,000  

Auditee qualified as low risk auditee?      Yes   x   No

**TOWN OF LOS GATOS, CALIFORNIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30,2022**

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**Section II - Financial Statement Findings**

No findings noted.

**Section III - Federal Award Findings and Questioned Costs**

No findings noted.

**TOWN OF LOS GATOS, CALIFORNIA**  
**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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**Section II - Financial Statement Findings**

No findings noted.

**Section III - Federal Award Findings and Questioned Costs**

Finding: 2021-001

Condition: On April 21, 2020, the Town Council approved a waiver of rent and utilities for a set of nonprofit lessees. When preparing a listing of grant expenditures for reporting to the State, the Town chose to use their rent and utility waivers as a qualifying expenditure. Per the Coronavirus Relief Fund (Fund) program guidance in the Federal Register dated January 15, 2021, revenue replacement is not a permissible use of Funds under this program.

Status: Implemented.

The Town’s previous independent auditor had opined that the Town’s efforts to provide economic relief in the form of waivers of rent (rent forgiveness) to a number of non-profits and other entities should be considered as “lost revenue” and therefore disallowable because lost revenue is precluded as an expenditure for the CARES act. Based on the Town’s understanding of the CARES act rent forgiveness support was classified as eligible under the Small business assistance category of expenditures. As such, the Town Council opted to assist these groups by forgiving their rent (a voluntary write-off of rents due to the Town) to support these entities during the height of the pandemic. If the Federal Government determines that this cost were to be disallowed, the Town has significant other qualifying expenditures in categories such as payroll for public safety that could be substituted for the small business rental assistance.

In response to the questioned finding on waivers of rent, staff received approval from the State of California Department of Finance to re-allocate the questioned costs amount of \$94,988 from business support (rent waivers) to public safety payroll. The department reviewed the Town’s submittal and on June 1, 2022 the Town received the department’s approval of the re-allocation as corrected in the State’s Corona Virus Fund Reporting worksheet.



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

MEETING DATE:03/11/2024

ITEM NO: 5

Item 5.

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**DATE:** February 28, 2024  
**TO:** Finance Commission  
**FROM:** Laurel Prevetti, Town Manager  
**SUBJECT:** Receive the California Employer's Retiree Benefit Trust (CERBT) Strategy 1 Market Value Summary Report for the Period Ending December 31, 2023 and the Performance Report as of January 31, 2024.

**RECOMMENDATION:**

Receive California Employer's Retiree Benefit Trust (CERBT) Strategy 1 Market Value Summary Report for the Period Ending December 31, 2023 and the Performance Report as of January 31, 2024.

**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, 2023, was \$25,858,130.65 compared to \$23,366,797 as of September 30, 2023 (Attachment 1). As of January 31, 2024, the CERBT Strategy 1 fund had a net return of negative 0.75% for the month and 5.54% for Fiscal Year to Date (Attachment 2).

The Town Pension and OPEB Trust Oversight Committee received this report at its March 5, 2024 regular meeting.

**PREPARED BY:** Gitta Ungvari  
Finance Director

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

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PAGE 2 OF 2  
SUBJECT: CERBT  
DATE: February 28, 2024

Item 5.

Attachments:

1. OPEB 115 Trust Market Value Report as of December 31, 2023
2. CERBT Performance Report January 31, 2024

**Market Value Summary:**

	QTD Current Period	Fiscal Year to Date
Beginning Balance	\$23,366,796.63	\$24,318,329.86
Contribution	0.00	0.00
Disbursement	0.00	0.00
Transfer In	0.00	0.00
Transfer Out	0.00	0.00
Investment Earnings	2,496,460.16	1,550,112.14
Administrative Expenses	(2,961.10)	(5,956.30)
Investment Expense	(2,165.04)	(4,355.05)
Other	0.00	0.00
Ending Balance	\$25,858,130.65	\$25,858,130.65
FY End Contrib per GASB 74 Para 22	0.00	0.00
FY End Disbursement Accrual	0.00	0.00
Grand Total	\$25,858,130.65	\$25,858,130.65

**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	19.659870	20.460451
Period Ending Unit Value	21.755976	21.755976

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 12/31/2023

Town of Los Gatos

Entity #: SKB0-4589482285



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



January 31, 2024

## 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
\$16,799,117,001	0.10%

## Composition

### Asset Class Allocations and Benchmarks

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

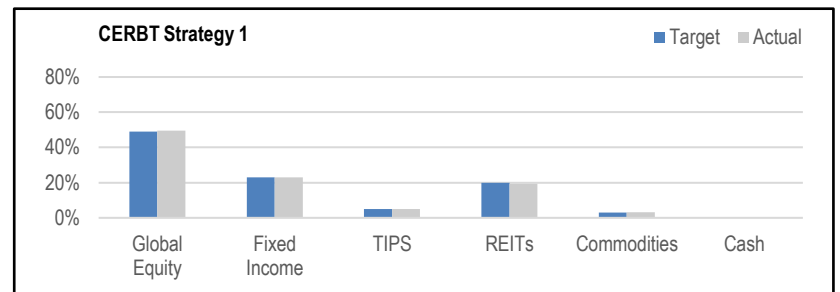
Asset Class	Target Allocation	Target Range	Benchmark
Global Equity	49%	± 5%	MSCI All Country World Index IMI (Net)
Fixed Income	23%	± 5%	Bloomberg Long Liability Index
Treasury Inflation-Protected Securities ("TIPS")	5%	± 3%	Bloomberg US TIPS Index, Series L
Real Estate Investment Trusts ("REITs")	20%	± 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, 2024

	1 Month	3 Months	Fiscal YTD	1 Year	3 Years*	5 Years*	10 Years*	Since Inception* (June 1, 2007)
Gross Return <sup>1,3</sup>	-0.74%	13.70%	5.59%	6.34%	2.12%	6.59%	6.04%	5.12%
Net Return <sup>2,3</sup>	-0.75%	13.68%	5.54%	6.25%	2.03%	6.50%	5.95%	5.04%
Benchmark Returns	-0.77%	13.66%	5.48%	6.10%	1.92%	6.35%	5.71%	4.73%
Standard Deviation <sup>4</sup>	-	-	-	-	14.12%	14.02%	11.31%	13.10%

\* Returns for periods greater than one year are annualized.

<sup>1</sup> Gross returns are net of SSGA operating expenses.

<sup>2</sup> Net returns are net of SSGA operating expenses, investment management, administrative and recordkeeping fees.

<sup>3</sup> Expenses are described in more detail on page 2 of this document.

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

# CERBT Strategy 1



January 31, 2024

## 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](http://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 Global Advisors (SSGA) manages all underlying investments for CERBT, which include: Global Equity, Fixed Income, Real Estate Investment Trusts, Treasury Inflation-Protected Securities, and Commodities.<sup>1</sup>

### 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 0.10% which consist of administrative expenses borne by CalPERS to administer and oversee the Trust assets, investment management and administrative fees paid to SSGA 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](http://www.calpers.ca.gov).

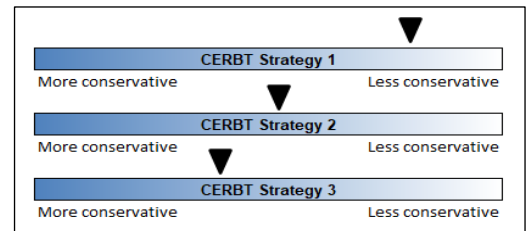
## Fund Performance

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](http://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	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%



<sup>1</sup> Since June 2018, SSGA 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: 3/11/2024

ITEM NO: 6

Item 6.

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**DATE:** February 28, 2024  
**TO:** Finance Commission  
**FROM:** Laurel Prevetti, Town Manager  
**SUBJECT:** Receive the California Employer's Pension Prefunding Trust (CEPPT) Strategy 2 Market Value Summary Report for the Period Ending December 31, 2023 and Performance as of January 31, 2024

**RECOMMENDATION:**

Receive the California Employer's Pension Prefunding Trust (CEPPT) Strategy 2 Market Value Summary Report for the period ending December 31, 2023 and performance as of January 31, 2024.

**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.

On April 14, 2021, the remaining CEPPT balance at the time of approximately \$700,000 was liquidated for inclusion in a \$2,050,942 additional discretionary payment. The CEPPT account continues to be maintained by the Town (at no cost) to accommodate annual account distributions associated with the Town's General Fund Reserve Policy.

**PREPARED BY:** Gitta Ungvari  
Finance Director

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

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PAGE 2 OF 2

SUBJECT: CEPPT Update

DATE: February 28, 2024

BACKGROUND (continued):

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 addition, in 2018 the Council updated the General Fund Reserve Policy to provide for additional discretionary payments (ADPs) of \$390,000 per year to address the unfunded pension liability. Under the updated Policy, a 20-year amortization equivalence will be achieved.

DISCUSSION:

The ending CEPPT 115 Trust account balance as of December 31, 2023, was \$1,462,577.40 (Attachment 1). As of January 31, 2024, the CEPPT Strategy 2 fund had a net return of negative 0.41% for the month and 4.03% for the Fiscal Year to Date (FYTD) (Attachment 2). Staff anticipates transferring an additional \$690,000 to the CEPPT Trust during FY 2023/24.

Per the March 2023 Pension/OPEB Oversight Committee action, the Town leaves the funds in the CEPPT Trust and continuously monitors and evaluates if an Additional Discretionary Payment should be made directly to CalPERS. This topic is tentatively scheduled for the May 2024 Finance Commission meeting with subsequent consideration by the Oversight Committee.

The Town Pension and OPEB Trust Oversight Committee received this report at its March 5, 2024 regular meeting.

Attachments:

1. CEPPT Market Value Summary Report as of December 31, 2023
2. CEPPT Strategy 2 Performance January 31, 2024

**Market Value Summary:**

	QTD Current Period	Fiscal Year to Date
Beginning Balance	\$1,351,902.66	\$1,400,162.56
Contribution	0.00	0.00
Disbursement	0.00	0.00
Transfer In	0.00	0.00
Transfer Out	0.00	0.00
Investment Earnings	111,473.56	64,016.66
Administrative Expenses	(526.87)	(1,056.53)
Investment Expense	(271.95)	(545.29)
Other	0.00	0.00
<b>Ending Balance</b>	<b>\$1,462,577.40</b>	<b>\$1,462,577.40</b>
FY End Contribution Accrual	0.00	0.00
FY End Disbursement Accrual	0.00	0.00
<b>Grand Total</b>	<b>\$1,462,577.40</b>	<b>\$1,462,577.40</b>

**Unit Value Summary:**

	QTD Current Period	Fiscal Year to Date
Beginning Units	138,648.200	138,648.200
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
<b>Ending Units</b>	<b>138,648.200</b>	<b>138,648.200</b>
Period Beginning Unit Value	9.750596	10.098671
Period Ending Unit Value	10.548837	10.548837

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 12/31/2023

Town of Los Gatos

Entity #: SKHE-4589482285-501P



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



January 31, 2024

## 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.

## Assets Under Management

As of the specified reporting month-end:

CEPPT Strategy 2	Annual Expense Ratio
\$49,187,934	0.25%

## Composition

### Asset Class Allocations and Benchmarks

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

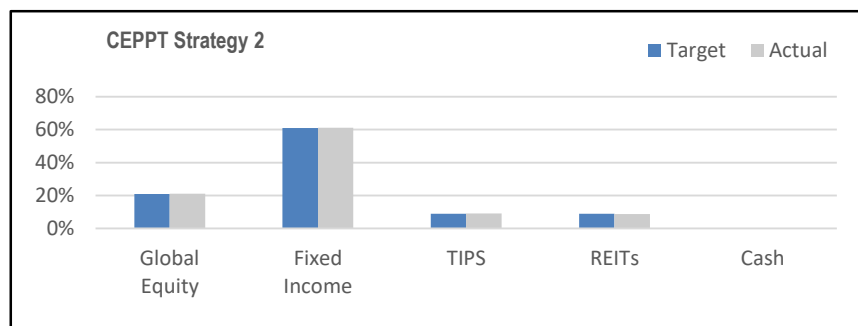
Asset Class	Target Allocation	Target Range	Benchmark
Global Equity	21%	± 5%	MSCI All Country World Index IMI (Net)
Fixed Income	61%	± 5%	Bloomberg US Aggregate Bond Index
Treasury Inflation-Protected Securities ("TIPS")	9%	± 3%	Bloomberg US TIPS Index, Series L
Real Estate Investment Trusts ("REITs")	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.



## CEPPT Strategy 2 Performance as of January 31, 2024

	1 Month	3 Months	Fiscal YTD	1 Year	3 Years*	5 Years*	10 Years*	Since Inception* (January 1, 2020)
Gross Return <sup>1,3</sup>	-0.39%	10.19%	4.17%	4.09%	-0.89%	-	-	1.30%
Net Return <sup>2,3</sup>	-0.41%	10.13%	4.03%	3.85%	-1.11%	-	-	1.07%
Benchmark Return	-0.47%	10.17%	4.08%	3.96%	-0.96%	-	-	1.19%
Standard Deviation <sup>4</sup>	-	-	-	-	9.14%	-	-	8.62%

\* Returns for periods greater than one year are annualized.

<sup>1</sup> Gross returns are net of SSGA operating expenses.

<sup>2</sup> Net returns are net of SSGA operating expenses, investment management, administrative and recordkeeping fees.

<sup>3</sup> Expenses are described in more detail on page 2 of this document.

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

# CEPPT Strategy 2



January 31, 2024

## 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](http://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 Global Advisors (SSGA) 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 SSGA 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](http://www.calpers.ca.gov).

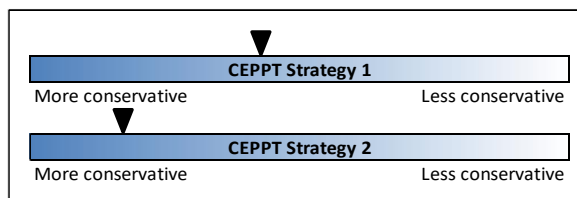
## Fund Performance

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](http://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: 3/11/2024

ITEM NO: 7

Item 7.

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DATE: February 28, 2024  
TO: Finance Commission  
FROM: Laurel Prevetti, Town Manager  
SUBJECT: Receive the Investment Policy and Recommend No Changes to the Town Council Regarding the Town's Investment Policy

**RECOMMENDATION:**

Receive the Investment Policy and recommend no changes to the Town Council regarding the Town's Investment Policy

**DISCUSSION:**

The Town's Investment Policy for its operating portfolio was last reviewed by the Finance Commission in February 2023 and adopted by Council in February of 2023, changing the frequency of the reporting from quarterly to monthly to comply with California Government Code Section 41004 and adding references to Government Code Sections 53607 and 53646(b).

The Investment Policy establishes the investment scope, objectives, delegation of authority, standards of prudence, reporting requirements, internal controls, State mandated eligible investments, transactions, diversification requirements, risk tolerance, and safekeeping and custodial procedures for the investment of the operating funds of the Town. All Town funds are invested and/or will be invested in accordance with the Investment Policy and with applicable sections of the California Government Code.

The Investment Policy requires an annual review. Staff is not recommending any changes to the Investment Policy this time.

**PREPARED BY:** Gitta Ungvari  
Finance Director

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Reviewed by: Town Manager and Town Attorney

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PAGE 2 OF 2

SUBJECT: Investment Policy Review and Recommendation to Town Council

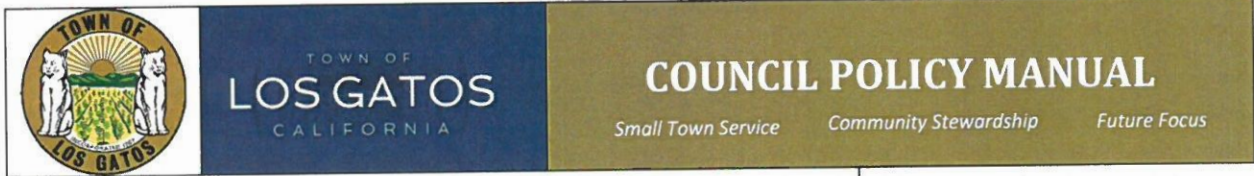
DATE: February 28, 2024

FISCAL IMPACT:

There is no fiscal impact of reviewing and modifying the Investment Policy.

Attachment:

1. Town Investment Policy



<b>TITLE: Investment Policy</b>		<b>POLICY NUMBER: 4-02</b>
<b>EFFECTIVE DATE: 11/1/16</b>		<b>PAGES: 8</b>
<b>ENABLING ACTIONS: 2016-063</b>	<b>REVISED DATES: 5/16/17;5/15/2018; 9/3/2019; 11/03/2020, 1/17/2023, 2/21/2023</b>	
<b>APPROVED:</b> <i>Mahesh R. Rao</i>		

**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 53607 and 53646(b).

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

**SCOPE**

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

- General Fund
- Special Revenue Funds
- Capital Project Funds
- Debt Service Funds
- Enterprise Fund
- Internal Service Funds
- Fiduciary Funds



<b>TITLE: Investment Policy</b>	<b>PAGE:</b> 2 of 10	<b>POLICY NUMBER:</b> 4-02
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Specifically excluded from this Investment Policy are amounts which are held by a trustee or fiscal agent and pledged as payment or security for bonds or other indebtedness, obligations under a lease, or obligations under certificates of participation. Such funds are invested in accordance with statutory provisions, ordinance, resolution, or indenture governing the issuance of the obligations. In addition, this Investment Policy is not applicable to the Town's Deferred Compensation Plan. These investments are directed by each employee participant in accordance with the rules of the Deferred Compensation Plan.

**POLICY**

**OBJECTIVES**

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

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

**DELEGATION OF AUTHORITY**

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

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

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

**PRUDENCE**

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

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

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

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

**ETHICS AND CONFLICTS OF INTEREST**

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

**SOCIALLY RESPONSIBLE INVESTING**

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



(1) Environmental, Social Responsibility and Governance Concerns

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

(2) Community Investments

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

**AUTHORIZED SECURITIES AND TRANSACTIONS**

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

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

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

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

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

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

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

Purchases of eligible commercial paper shall not exceed:

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

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

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6. Medium Term Notes (Corporate Notes) issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States, with a final maturity not exceeding five years from the date of trade settlement and rated at least "A" or the equivalent by a NRSRO. No more than 5% of the Town's total portfolio shall be invested in the medium-term notes of any one issuer and the aggregate investment in medium term notes shall not exceed 30% of the Town's total portfolio.

7. Municipal & State Obligations:

- A. Municipal bonds including registered notes or bonds of any of the 50 states, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the 50 states.
- B. In addition, bonds, notes, warrants, or other evidences of indebtedness of any local agency in California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, operated by the local agency, or by a department, board, agency, or authority of the local agency.

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

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

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

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

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

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

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

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

**PORTFOLIO MATURITIES AND LIQUIDITY**

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

**SELECTION OF BROKER/DEALERS**

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

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

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

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

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

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

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

**COMPETITIVE TRANSACTIONS**

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

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

**SELECTION OF BANKS**

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

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

**SAFEKEEPING AND CUSTODY**

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

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



<b>TITLE: Investment Policy</b>	<b>PAGE:</b> 9 of 10	<b>POLICY NUMBER:</b> 4-02
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The purchase and sale of securities and repurchase agreement transactions shall be settled on a delivery versus payment basis. All securities shall be perfected in the name of the Town. Sufficient evidence to title shall be consistent with modern investment, banking and commercial practices.

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

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

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

**PORTFOLIO PERFORMANCE**

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

**REPORTING**

Every month, the Treasurer shall prepare a report that conforms to Government Code Section 41004. The report shall be submitted to the Town Clerk within 45 days after the end of each month 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

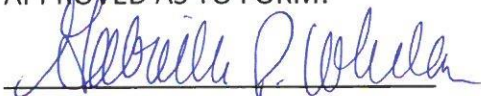
TITLE: Investment Policy	PAGE: 10 of 10	POLICY NUMBER: 4-02
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- 8. A statement of the ability to meet expenditure requirements for the next six months, and an explanation of why money will not be available if that is the case.

**PROCEDURES**

This Investment Policy shall be adopted by resolution of the Town Council. Annually the Town Manager 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:

  
\_\_\_\_\_  
Gabrielle Whelan, Town Attorney



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

MEETING DATE: 03/11/2024

ITEM NO: 8

Item 8.

DATE: February 28, 2024  
TO: Finance Commission  
FROM: Laurel Prevetti, Town Manager  
SUBJECT: Review and Adopt the Finance Commission 2024 Workplan and Meeting Dates

RECOMMENDATION:

Review and adopt the Finance Commission 2024 workplan and meeting dates

REMARKS:

Per Measure A, the Finance Commission has mandatory actions and other financial related areas for Commission consideration and review throughout the year (Attachment 1).

The Finance Commission has started discussing priorities and reviewing the workplan at its January 8, 2024 meeting.

Attachment 2 provides a draft 2024 Finance Commission workplan for Commission consideration and discussion based on priorities provided at the January Finance Commission and agenda setting meeting with the Chair and Vice-Chair. The draft workplan focuses on the requisite Measure A requirements and the priorities identified. Attachment 3 includes the Finance Commission 2024 Meeting Schedule.

The Chair suggested more detailed descriptions of the items and these have been included as Attachment 4 for the full Commission's discussion and consideration.

This item affords Commissioners an opportunity to further discuss other areas of potential interest in the coming year given staff capacity.

PREPARED BY: Gitta Ungvari  
Finance Director

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



PAGE 2 OF 2

SUBJECT: Finance Commission 2024 Workplan

DATE: February 28, 2024

Attachments:

1. Measure A
2. Draft 2024 Commission Workplan
3. Finance Commission 2024 Meeting Schedule
4. Draft 2024 Commission Workplan- Additional Details from Chair

DIVISION 3. - FINANCE COMMISSION.

Sec. 2.50.200. - Finance Commission established.

- (a) The Finance Commission shall be established to serve in an advisory capacity to the Town Council by reviewing Town finances, including but not limited to the annual budget, Comprehensive Annual Financial Report, and capital expenditures, and making recommendations about the Town's financial, budgetary and investment matters and operations related thereto to the Town Council and any other Town department, agency, committee, commission or other body as the Town Council directs.
- (b) The Council Finance Committee is disbanded.
- (c) The Sales Tax Oversight Committee established by section 25.60.140 of the Town Code is disbanded and all powers and duties of that Committee are transferred to the Finance Commission.

( [Ord. No. 2314](#), § 3(§ 1), 11-3-20)

Sec. 2.50.205. - Composition, appointment, terms.

- (a) The Finance Commission shall consist of five (5) voting citizen members ("Citizen Appointees") and two (2) non-voting Council Liaisons.
- (b) Council Liaisons.
  - (1) The Town Council shall appoint two (2) Town Council members as non-voting Council Liaisons.
  - (2) The Council Liaisons shall serve on the Finance Commission until replaced by the Town Council but shall not serve beyond their terms on the Town Council.
  - (3) One Council Liaison shall be the Mayor or Vice-Mayor of the Town.
- (c) Citizen Appointees.
  - (1) Except with respect to initial appointments as provided for in section 2.50.25(c)(5), each member of the Town Council shall appoint one Citizen Appointee, upon expiration of terms described in section 2.50.205(c)(4).
  - (2) Citizen Appointees must be residents and registered voters of the Town.
  - (3) No member of the Town Council may serve as a Citizen Appointee.
  - (4) Citizen Appointees shall serve four-year terms. which shall expire on a staggered basis such that every year one (1) term shall expire, except that once every four (4) years. Two (2) terms shall expire. The term of each Citizen Appointee shall commence on the first day of January (or as soon as practicable after the effective date of this Division for initial Citizen Appointees) and shall expire on the thirty-first day of the fourth successive December.
  - (5) As soon as practicable after the effective date of this Division, the initial appointment of the first Citizen Appointees shall be carried out as follows: Town Council members shall draw lots to determine the order of expiration for the terms of the first five (5) Citizen Appointees such that one (1) Citizen Appointee's term shall expire each year for four (4) years after the effective date of this Division, and one (1) additional Citizen Appointee's term shall expire in the fourth year after the effective date of this Division. Following the expiration of each of the first five (5) Citizen Appointees' terms. a Citizen Appointee shall be appointed to serve a four-year term.
  - (6) Citizen Appointees must be certified public accountants, chartered financial analysts, or have a business, finance, economics or accounting degree. and must have at least five (5) years of experience in at least one (1) of the following:
    - a. Financial experience in a corporate. business, or government setting;
    - b. Principal or officer at a financial auditing firm;

- c. Investment banking; or
- d. Finance or budget management.

(7) Should a Citizen Appointee resign or otherwise leave office prior to the end of his or her term, the appointing Town Council member for that Citizen Appointee shall, as soon as practicable, appoint a new Citizen Appointee to serve the remainder of the term.

- (d) Section 2.40.030 of the Town Code shall not apply to the Finance Commission.
- (e) Administrative support for the Finance Commission shall be provided by the Town Manager, the Director of Finance and by other Town staff as necessary.

( [Ord. No. 2314](#), § 3(§ 1), 11-3-20)

Sec. 2.50.210. - Meetings and records.

- (a) The Finance Commission shall hold at least one (1) meeting per calendar quarter.
- (b) Meetings shall be held as required by the business needs of the Finance Commission in the Town Council chamber in the Town Hall or such other locations as allowed by the Ralph M. Brown Act, at a time that is convenient for the Finance Commission and the public to encourage public participation.
- (c) Meetings shall be subject to the Ralph M. Brown Act.
- (d) Nothing in this Division shall be construed as excluding any documents from the California Public Records Act.

( [Ord. No. 2314](#), § 3(§ 1), 11-3-20)

Sec. 2.50.215. - Chair.

- (a) The Finance Commission shall appoint and prescribe the term of office for its Chair.
- (b) The Chair must be a Citizen Appointee.
- (c) All Finance Commission meetings shall be called by the Chair.
- (d) The Chair shall set all Finance Commission meeting agendas.

( [Ord. No. 2314](#), § 3(§ 1), 11-3-20)

Sec. 2.50.220. - Quorum.

A majority of the Citizen Appointees of the Finance Commission shall constitute a quorum. Except as otherwise prescribed by ordinance or State law, a vote by a majority of a quorum shall be sufficient to transact business.

( [Ord. No. 2314](#), § 3(§ 1), 11-3-20)

Sec. 2.50.225. - Duties.

- (a) The Finance Commission shall:
  - (1) Serve as an on-going, substantive and expert advisory body to the Town and Town Council so that the Town and Town Council can make informed decisions about the Town's financial, budgetary and investment matters and operations related thereto.

- (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.
  - 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.
- (3) Review the Town Manager's draft Comprehensive Annual Financial Report (CAFR) for the preceding fiscal year and provide written comments and recommendations to the Town Manager.
  - a. The Town Manager shall respond in writing to the Finance Commission providing his or her rationale for accepting or rejecting each of the Finance Commission's comments and recommendations prior to presenting the CAFR to the Town Council for formal consideration.
  - b. The Town Manager may not present the CAFR to the Town Council for formal consideration unless or until he or she considers and responds in writing to all of the Finance Commission's comments and recommendations.
- (4) Review the Director of Finance's summary of the Town's financial report required by section 53891 of the California Government Code and prepared in accordance with section 2.50.010(c) of the Town Code. and provide written comments and recommendations to the Director of Finance prior to the publishing of the summary of the report.
- (5) Review the financial policies and procedures manual developed in accordance with section 2.50.010(f) of the Town Code and provide written comments and recommendations to the Director of Finance.
- (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.
- (8) Make recommendations to the Town Council about policies and programs:
  - a. To maximize the Town's revenues consistent with existing taxation structures and inter-governmental funding opportunities;
  - b. To maximize fee generation consistent with market rate charges for Town- provided services and market rate fees for utilization of Town-owned assets;
  - c. To minimize the City's cost to provide core services and required activities. Consistent with the desired service level for residents and other internal and external customers;
  - d. To set funding goals for reserves. and review on-going progress related thereto;
  - e. To assess the risk associated with the structure and documentation of any proposed debt financing;

- f. To fund the Town's long-term compensation and benefit program liabilities in the most responsible and cost-effective way; and
  - g. To monitor investment performance and make recommendations related to the Town's investment policy and performance.
- (9) Provide written comments and recommendations regarding the selection of auditors for the CAFR.
- (10) Participate in pre-audit meetings with auditors. provided that the Finance Commission shall not participate in those portions of any meetings which pertain to confidential employment or attorney client privileged matters.
- (11) Review and monitor any events or issues which may affect the financial status of the Town.
- (b) The duties of the Finance Commission shall not be altered, abridged or abrogated in any way by any body except by a vote of the majority of the voters of the Town.
- (c) The Town Council shall make changes to the budgetary and all other Town processes and calendars as necessary to allow for consideration of the comments and recommendations of the Finance Commission outlined herein.

( [Ord. No. 2314](#), § 3(§ 1), 11-3-20)

Sec. 2.50.230. - Conflicting provisions.

Should any provision of this Division be found to conflict with the Los Gatos Town Code, this Division shall prevail, consistent with the purposes of the Finance Commission as set forth herein.

( [Ord. No. 2314](#), § 3(§ 1), 11-3-20)

Items	Projects	Assignments	Frequency	Finance Commission Target Date(s)	Notes
1	Five-Year Forecast	Discuss Assumptions for the Five-Year Forecast	Annually	2/12/2024; 3/11/2024 Report Back on Council Action	
2	Five-Year Capital Plan	Discuss Fully Funded Five-Year Capital Plan	Annually	3/11/2023; 10/14/2024 2nd Review	
3	Unfunded Pension Liability/CalPERS Pension Study	Receive Actuarial Presentation on CalPERS Actuarial Analysis for the Miscellaneous and Safety Plan. Recommend to Town Council a plan to reduce unfunded Miscellaneous and Safety Plan Pension Liabilities	Annually	5/13/2024	Hold a Joint Study Session with the Pension and OPEB Trusts Oversight Committee Tentative, Pending Mayor Approval
4	Key Performance Indicators	Discuss Potential Revisions to Key Performance Indicators to Include Operational Measures	Quarterly	5/13/2024, 9/9/2024; 12/9/2024	Iterative Process During the Year, Starting 5/13/2024
5	Operating and Capital Budget	Review and Make Recommendations on the Proposed Annual Budgets	Annually	4/29/2024; 5/6/2024; 5/13/2024 (Published on 4/22/2024 - No Meeting)	
6	Mid-Year Budget	Review and Make Recommendation on the Mid-Year Report	Annually	2/12/2024	
7	Audit Plan Review	Pre-Audit Meeting	Annually	9/9/2024	
8	Mangement Discussion and Analysis (MD&A)-ACFR	Review and Make Recommendations on the MD&A Format		10/14/2024	
9	Annual Comprehensive Financial Report	Review and Make Recommendations on the Draft Annual Comprehensive Financial Report	Annually	12/2/2024; 12/9/2024	
10	State Controller Financial Transaction Report	Review and Make Recommendations on the Town Draft Financial Transaction Report	Annually	1/8/2024	
11	Measure G Revenue and Expenditure Report	Receive Measure G Revenue and Expenditure Report	Annually	3/11/2024	
12	Single Audit Report	Receive Single Audit Report if applicable	Annually	3/11/2024	
13	Financial Policies	Review and Make Recommendations on the Investment Policy	Annually	3/11/2024	Consent Item
14	Financial Policies	Review and Make Recommendation on the General Fund Reserve Policy	As Needed	5/13/2024	
15	Investment Performance	Receive Monthly Financial and Investment Report	Monthly	1/8/2024; 2/12/2024; 3/11/2024; 4/8/2024; 5/13/2024; 9/9/2024; 10/14/2024; 11/11/2024; 12/9/2024	Consent Item
16	Pension and OPEB Trust Funds Performance	Receive Performance and Account Summary Reports for CERBT and CEPPT	Quarterly	3/11/2024; 9/9/2024; 12/9/2024	Consent Item
17	CalPERS Actuarial Reports	Receive CalPERS Annual Actuarial Reports	Annually	10/9/2024	Consent Item
18	OPEB Actuarial Analysis	Receive OPEB Actuarial Analysis	Every Two Year	9/9/2024	
19	CalPERS Performance	Receive CalPERS Public Employees' Retirement Fund (PERF) Preliminary Performance Report	Annually	12/9/2024	Consent Item



## FINANCE COMMISSION TENTATIVE MEETING SCHEDULE 2024

January 8, 2024 5 p.m.	Regular Finance Commission Meeting
February 12, 2024 5 p.m.	Regular Finance Commission Meeting
March 11, 2024 5 p.m.	Regular Finance Commission Meeting
April 8, 2024 5 p.m.	Regular Finance Commission Meeting
April 29, 2024 5 p.m.	Special Finance Commission Meeting
May 6 2024 5 p.m.	Special Finance Commission Meeting
May 13, 2024 5 p.m.	Regular Finance Commission Meeting
<del>June 10, 2024</del>	<del>Regular Finance Commission Meeting</del> <b>CANCELLED</b>
<del>July 8, 2024</del>	<del>Regular Finance Commission Meeting</del> <b>CANCELLED</b>
<del>August 12, 2024</del>	<del>Regular Finance Commission Meeting</del> <b>CANCELLED</b>
September 9, 2024 5 p.m.	Regular Finance Commission Meeting
October 14, 2024 5 p.m.	Regular Finance Commission Meeting
November 11, 2024 5 p.m.	Regular Finance Commission Meeting
December 2, 2024 5 p.m.	Special Finance Commission Meeting
December 9, 2024 5 p.m.	Regular Finance Commission Meeting

**ATTACHMENT 3**

Items	Projects	Assignments	Frequency	Finance Commission Target Date(s)	Notes
1	Five-Year Forecast	Review and recommend a Five Year Financial forecast based on most likely assumptions. Review and recommend alternative scenarios which stress test financial flexibility. If funding gap is projected, recommend corrective actions for Councils consideration and action.	Annually	2/12/2024; 3/11/2024 Report Back on Council Action	
2	Five-Year Capital Plan	Review and recommend a Fully Funded Five-Year Capital Plan which time phases capital spending and funding, and addresses funding risk to avoid stranding capital or delaying projects. A subcommittee will be established to drive this project.	Annually	3/11/2023; 10/14/2024 2nd Review	Subcommittee may meet more often
3	Unfunded Pension Liability/CalPERS Pension Study	Review Foster and Foster actuarial analysis of CalPERS Actuarial Report for the Miscellaneous and Safety Plan. Develop recommendations to reduce unfunded Miscellaneous and Safety Plan Pension Liabilities for the Town Councils consideration and action.	Annually	5/13/2024	Hold a Joint Study Session with the Pension and OPEB Trusts Oversight Committee Tentative, Pending Mayor Approval
4	Council Priority Score Card	Commence joint development with Staff of a governance level tool for reporting outcome and performance measures in addition to execution progress to help drive continuous improvement. Outcomes and performance measures would be collected quarterly. The Council priority scorecard would provide a snapshot into the most important measures for the top 2 to 5 Town Council's Priorities 2024 - 2026. At the highest level the score card should answer "how are we doing" and "how do we know" for each of the top 4 Council priorities. A subcommittee will be established to drive this project.	Quarterly	5/13/2024, 9/9/2024; 12/9/2024	Iterative Process During the Year, Starting 5/13/2024 - subcommittee may meet more often
5	Annual Operating and Capital Budget	Review and Make Recommendations on the Proposed Annual Budgets	Annually	4/29/2024; 5/6/2024; 5/13/2024 (Published on 4/22/2024 - No Meeting)	
6	Mid-Year Budget	Review and Make Recommendation on the Mid-Year Report	Annually	2/12/2024	
7	Audit Plan Review	Review auditors work plan and discuss audit risks	Annually	9/9/2024	
8	Management Discussion and Analysis (MD&A)-ACFR	Review and Make Recommendations on the MD&A Format		10/14/2024	
9	Annual Comprehensive Financial Report	Review and Make Recommendations on the Draft Annual Comprehensive Financial Report	Annually	12/2/2024; 12/9/2024	
10	State Controller Financial Transaction Report	Review and Make Recommendations on the Town Draft Financial Transaction Report	Annually	1/8/2024	
11	Measure G Revenue and Expenditure Report	Receive Measure G Revenue and Expenditure Report	Annually	3/11/2024	
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17	CalPERS Actuarial Reports	Receive CalPERS Annual Actuarial Reports	Annually	10/9/2024	Consent Item
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**From:** [Phil Koen](#)  
**To:** [Gitta Ungvari](#); [Linda Reiners](#)  
**Subject:** revised work plan  
**Date:** Tuesday, January 23, 2024 9:41:13 AM  
**Attachments:** [Copy of Finance Commission Draft 2024 Workplan.xlsx](#)

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[EXTERNAL SENDER]

Gitta and Linda,

I have made some revisions to the draft work plan that Gitta circulated. Please review and let me know your thoughts.

Regarding item #4 – Council Score Card, I think the only way to tackle this is with a subcommittee that can work on this throughout the year. Linda I was hoping you could chair that sub-committee.

It is going to take time and we will need to work very closely with Staff and the Town Council to produce something that is useful. The model that I am thinking about is what SJ is attempting to do.

Looking forward to finalizing this.

Phil

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**From:** [Phil Koen](#)  
**To:** [Gitta Ungvari](#); [Linda Reiners](#)  
**Subject:** RE: revised work plan  
**Date:** Monday, February 5, 2024 6:48:02 AM  
**Attachments:** [image001.png](#)  
[image002.png](#)  
[Copy of Finance Commission Draft 2024 Workplan.pdf](#)

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[EXTERNAL SENDER]

Hello Gitta,

Please include this version of the 2023 work plan in the February FC meeting package. This is the version I would like to present to the full commission. I have fine tuned some of the assignment wording to make it clearer.

Regarding your email concerning the performance indicators, I do not understand your comment about “this initial discussion will need to be agendized, and at that time, next steps and best path forward can be determined by the full commission”. At the February meeting what I want to accomplish is approval of 1) the work plan and 2) an organizational structure to address the work plan. If there are questions which seek to clarify the work plan or the work plan assignments, we certainly will answer those questions, so everyone understands what they are being asked to approve. To be clear, there won’t be any substantive discussion about any one item on the work plan.

When the FC takes up each project, the project will be agendized so the public knows what we will be doing. I do not see any reason to single out one project on this list for an

“initial discussion” given all we are doing is approving the project and establish sub committees as shown on the attached schedule.

Hope that clarifies things.

Phil

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**From:** Gitta Ungvari <GUngvari@losgatosca.gov>  
**Sent:** Monday, January 29, 2024 6:14 PM  
**To:** Phil Koen <pkoen@monteropartners.com>; Linda Reiners <lreiners59@gmail.com>  
**Subject:** RE: revised work plan



External ([gungvari@losgatosca.gov](mailto:gungvari@losgatosca.gov))



Good evening Chair,

Thank you for your email. Regarding the key performance indicators/score card, after checking in with the Town Manager and Town Attorney, this initial discussion will need to be agendized, and at that time, next steps and best path forward can be determined by the full Commission. I know that it is currently scheduled for 5/13, but staff could prepare for the 3/11 or 4/8 Commission meeting in order to allow for the next steps to be determined earlier?

Thanks,

Gitta

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**From:** Phil Koen <[pkoen@monteropartners.com](mailto:pkoen@monteropartners.com)>  
**Sent:** Tuesday, January 23, 2024 9:41 AM  
**To:** Gitta Ungvari <[GUngvari@losgatosca.gov](mailto:GUngvari@losgatosca.gov)>; Linda Reiners <[lreiners59@gmail.com](mailto:lreiners59@gmail.com)>  
**Subject:** revised work plan

[EXTERNAL SENDER]

Gitta and Linda,

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Looking forward to finalizing this.

Phil



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

MEETING DATE: 03/11/2024

ITEM NO: 9

Item 9.

---

DATE: February 28, 2024  
TO: Finance Commission  
FROM: Laurel Prevetti, Town Manager  
SUBJECT: Discuss and Establish Three Ad Hoc Subcommittees Comprised of Less Than a Quorum of the Commission's Citizen Appointees to Address the Five-Year Capital Plan, the Unfunded Pension Liability/CalPERS, and the Council Priority Score Card

**RECOMMENDATION:**

Discuss and establish three ad hoc subcommittees comprised of less than a quorum of the Commission's Citizen Appointees to address the Five-Year Capital Plan, the Unfunded Pension Liability/CalPERS, and the Council Priority Score Card.

**REMARKS:**

The Chair requested an agenda item to consider subcommittees. There are two types of subcommittees, an ad hoc subcommittee and a standing subcommittee. Standing subcommittees are subject to the Brown Act and ad hoc subcommittees are not. Ad hoc subcommittees are temporary advisory committees composed solely of less than a quorum of the legislative body that serve a limited or single purpose, are not perpetual, and will be dissolved once their specific task is completed. Standing committees are longer-term committees created by formal action and are subject to the Brown Act. Staff does not have the capacity to support standing subcommittees.

If a subcommittee is desired, an ad hoc subcommittee would be the best option. An ad hoc subcommittee would include only the ad hoc subcommittee members and no members of the public. An ad hoc subcommittee can only be comprised of less than a quorum (up to 2) of the Citizen Appointees to the Finance Commission and cannot have staff or Council Liaisons as

**PREPARED BY:** Gitta Ungvari  
Finance Director

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

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PAGE 2 OF 2

SUBJECT: Discuss and Establish Ad Hoc Subcommittees

DATE: February 28, 2024

REMARKS (continued):

official members of the ad hoc subcommittee. However, Council Liaisons, staff, and anyone else may still attend ad hoc committee meetings. The work would be conducted outside of regular Commission meetings with only minor staff involvement. There is no staff capacity to create work products for the ad hoc subcommittees. The ad hoc subcommittee(s) would report back to the full Commission during regular meetings.

The first report out to the Finance Commission should be the ad hoc subcommittee's workplan and a description of the product(s) that the ad hoc subcommittee intends to complete. The Finance Commission should approve each ad hoc subcommittee workplan before the work begins. This is the Town's practice with its other Commissions that have ad hoc subcommittees.

Based on the workplan, the Chair is suggesting three subcommittees: Five-Year Capital Plan, the Unfunded Pension Liability/CalPERS, and the Council Priority Score Card.



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

MEETING DATE: 03/11/2024

ITEM NO: 10

Item 10.

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DATE: March 8, 2024  
TO: Finance Commission  
FROM: Laurel Prevetti, Town Manager  
SUBJECT: Review and Provide Feedback on the Reasonableness and Completeness of the Town's Five-Year Capital Plan Taken as a Whole

**RECOMMENDATION:**

Review and provide feedback on the Five-Year Capital Improvement Plan for Fiscal Years 2023/24 through 2027/28.

**BACKGROUND:**

The Town of Los Gatos Capital Improvement Plan (CIP) supports the safe and efficient operation and management of Town-owned infrastructure and assets. Town-owned assets include 17 park and open space areas that total 223 acres, nine miles of trail, 113 miles of roadways (236 lane miles), 576,000 linear feet of sidewalks, 31 traffic signals, 2,100 street lights, 12 public buildings totaling approximately 139,000 square feet, 23 surface parking lots (including lots in parks), and one underground parking structure. These major assets are supported by ancillary assets like restroom buildings (five total), storm drainage systems, retaining walls, guardrails, street trees, and traffic signs.

**DISCUSSION:**

**Existing Capital Program**

Each year, staff evaluates projects for inclusion in the five-year Capital Improvement Plan and makes recommendations to add or delete projects and/or increase funding for certain projects. Capital Projects are allocated by Programs and Project Types as noted in Table 1. The funding status of projects in the current CIP, funding sources and spending through January 24, 2024 is presented in Attachment 1.

**PREPARED BY:** Nicolle Burnham  
Parks and Public Works Director

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

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PAGE 2 OF 4

SUBJECT: Five-Year Capital Improvement Plan 2023/24 – 2027/28

DATE: March 8, 2024

DISCUSSION (continued):

At present there are 63 funded projects in the capital program, 11 of which are ongoing and funded annually or bi-annually. The ongoing projects are presented in Table 2. The remaining 52 are one-time projects with a discrete starting and ending point. The status of the one-time projects is presented in Attachment 2.

**Table 1. List of CIP Programs and Project Types**

Program Name	Project Type
Streets	Street Reconstruction and Resurfacing Street Repairs, Maintenance and Safety Street Improvements Bridges
Parks and Trails	Parks Trails
Public Facilities	Town Infrastructure Equipment

**Table 2. Ongoing and Annually Funded Capital Projects (2023/24 – 2027/28 CIP)**

Project Name	Project No.	Funding Program	Project Purpose <sup>1</sup>
Street Repair & Resurfacing	811-9901 / 811-9903	Streets	1,2,3,5
Unanticipated Repairs - Annual	811-9904	Streets	1,4
Roadside Fire Fuel Reduction	812-0130	Streets	1,5
Measure B Education & Encouragement	812-0134	Streets	1,2,3
Curb, Gutter, Sidewalk Maintenance	813-9921	Streets	1,3,4
Retaining Wall + Guardrails Repairs	815-9930	Streets	1,2,3,5
Annual Storm Drain Improvement Project	816-0420	Streets	1,3,4,5
Town Beautification	821-2002	Public Facilities	3,5
Annual ADA Compliance Work	821-2013	Public Facilities	1,3,4,5
Parks Playground Fibar Project (Bi-Annual)	831-4605	Parks and Trails	1,3,4
Vegetation Management Town-wide	832-4508	Parks and Trails	1,5

Notes: 1. Project Purposes are: (1) Safety, (2) Traffic/Transportation, (3) Quality of Life, (4) Regulatory or Legal Mandate, (5) Effective Management of Existing Assets and (6) Improvement

PAGE 3 OF 4

SUBJECT: Five-Year Capital Improvement Plan 2023/24 – 2027/28

DATE: March 8, 2024

DISCUSSION (continued):

Per Attachment 2, certain one-time projects are noted as being on hold. This is attributed to a vacancy in the lead Engineering position on the Capital Projects delivery team, and the need to address specific issues on other projects in the current fiscal year. The Shannon Road (Diduca Way to Santa Rosa) lane closure in August 2023 and subsequent temporary repair in December 2023 is an example of the unforeseen issues that required attention of the Engineering Team.

Staff expects to close the following projects before the end of the 2023/24 fiscal year:

- Traffic Signal Modernization (Project No. 813-0227)
- Storm Related Repairs (Project No. 813-0243)
- Downtown Parking Lots Seal Coat & Restriping (Project No. 817-0705)
- Downtown Restroom Feasibility Study (Project No. 821-2011)
- Adult Recreation Center - HVAC Unit Replacement (Project No. 821-2207)
- HVAC Improvements – POB (Project No. 821-2403)
- ADA Upgrade Public Restrooms - Adult Recreation Center (Project No. 821-2601)
- Americans with Disabilities Act (ADA) Transition Plan (Project No. 812-0129)
- Local Road Safety Plan (Project No. 812-0132)
- Winchester Boulevard Complete Streets Final Design (Project No. 813-0238)

**Project Delivery**

As demonstrated by the project list, PPW is responsible for delivering highly complex projects as well as implementing annual maintenance activities. There are a number of delivery methods for projects and PPW strategizes ways to deliver projects most efficiently within the legal requirements of the California Public Contracts Code and the Town's Purchasing Policy.

For example, storm drainage and roadway projects might utilize a traditional design-bid-build approach. For other projects (e.g., Oak Meadow Plane Recoating and Restriping for Parking Lots), PPW staff obtain three bids, award to the lowest bidder, and oversee the work of the contractor. If a project is related to Facilities, the Facilities staff may be the project manager. Similarly, the Traffic Engineering Team may be responsible for the delivery of traffic-related projects, among other duties. There are also different levels of support from staff throughout PPW.

**CIP Preparation**

In preparing the CIP, consideration is given to the amount of funding available and/or anticipated from a variety of various funding sources – Measure G, Construction Impact Fees, Gas Tax, Utility Undergrounding Fee, Refuse Vehicle Impact Fees, Measure B, Traffic Mitigation

PAGE 4 OF 4

SUBJECT: Five-Year Capital Improvement Plan 2023/24 – 2027/28

DATE: March 8, 2024

DISCUSSION (continued):

Fees, Storm Drainage Fees, Grant Funds and, when allocated by Town Council, the General Fund Special/Capital Projects Reserve. The availability of funding from these sources varies from year to year. Many of these sources have specific dedicated uses and so must be applied to specific project types (e.g., roadway resurfacing or storm drainage improvements).

On February 6, 2024, Town Council received a report on the status of the CIP and suggested projects for future consideration. In recommending projects for consideration, staff evaluates the need for the project and the risk associated with delay.

Staff is using Council's input from February 6, 2024 in the preparation of the Proposed Fiscal Year 2024/25 – 2028/29 Capital Improvement Program Budget. The Budget will be submitted to the Finance Commission review on April 22, 2024 consistent with the ordinance establishing the Finance Commission. The Commission will discuss both the Proposed Operating and Capital Budgets and make its recommendations to the Town Council. The Town Council holds its public hearing on the Proposed Budget documents on May 21, 2024 and considers their final adoption in June.

**Future Needs**

In addition to advancing the Council's priorities with respect to the Town's capital program, the Department of Parks and Public Works (PPW) maintains a working list of potential future capital needs (see Attachment 3). Projects are added to this list as Council, the Town Manager, the public, or staff identify a need. This list is a living document that is regularly reviewed and updated.

Staff is currently developing a forecast of projects for Town-owned buildings. The forecast is based on a combination of facility condition assessments and evaluation of Town facilities that was conducted by a Certified Access Specialist to evaluate compliance with the Americans with Disabilities Act. When this forecast is complete staff will have a detailed CIP needs list specific to facilities.

CONCLUSION:

Staff looks forward to the Finance Commission's discussion.

Attachments:

1. Current Funding of CIP FY 2023/24 to 2027/28
2. Status of Currently Funded One-Time Projects
3. Future Capital Needs Not Currently in the CIP

**Current Funding of CIP  
FY 2023/24 - 2027/28**

Project Number	Project Name	Funding Sources (Current and Past from Adopted CIP)	FY 2018/19 - 2022/23 Spending	FY 2023/24 Actual Spending Through 1/25/24	FY 2023/24 Adjusted Budget as of 12/31/2023	FY 2024/25 Budget	FY 2025/26 Budget	FY 2026/27 Budget	FY 2027/28 Budget	Total Budgeted
<b>STREETS PROGRAM SUMMARY</b>										
<b>Reconstruction</b>										
9901	Street Repair & Resurfacing 23/24 and Prior	GFAR; VTA Measure B; Gas Tax	\$ 12,128,469	\$ 2,670,468	\$ 7,755,984	\$ 3,243,947	\$ 3,243,947	\$ 3,243,947	\$ 3,243,947	\$ 32,860,240
9903	Pavement Rehab-Crack Seal	Vehicle License Fee 2010 Measure B	1,109,499	180,000	360,000	180,000	180,000	180,000	180,000	2,189,499
<b>Maintenance-Safety</b>										
9904	Unanticipated Repairs - Annual	GFAR	-	-	100,000	100,000	100,000	100,000	100,000	500,000
9930	Retaining Wall Repairs	GFAR	226,541	1,074	566,799	50,000	50,000	50,000	50,000	993,340
0008	Shannon Road Repair	ARPA; County; GFAR; Measure G	433,152	140,577	4,442,912	-	-	-	-	4,876,064
0129	ADA Transition Plan	Grant: \$35,000; GFAR	162,100	8,050	22,900	-	-	-	-	185,000
0130	Roadside Fire Fuel Reduction	USDA Grant: \$750,000; GFAR	999,809	340	1,572,191	100,000	100,000	100,000	100,000	2,972,000
0131	East Main Street Speed Table/Raised Crosswalk	ARPA; GFAR	43,700	-	271,300	-	-	-	-	315,000
0132	Local Road Safety Program	HSIP Grant: \$72,000; GFAR	103,307	12,082	25,000	-	-	-	-	128,307
0133	VMT Mitigation Program	GFAR	134,767	9,354	115,233	-	-	-	-	250,000
0134	Measure B Education & Encouragement	Measure B	18,671	-	119,674	-	-	-	-	138,345
0135	Town-wide Speed Studies	Traffic Mitigation Fund	-	-	80,000	-	-	-	-	80,000
<b>Street Improvements</b>										
9921	Curb, Gutter & Sidewalk Maintenance	GFAR	2,596,962	89,535	445,832	300,000	300,000	300,000	300,000	4,242,794
0218	Shannon Road Pedestrian and Bikeway Improvements	VERBS Grant: \$940,100; TFCA Grant: \$174,250; Measure B; Traffic Mitigation Fund; Storm Basin Fund; Utility Undergrounding Fund; GFAR; ARPA	263,304	78,979	2,043,823	-	-	-	-	2,307,127
0225	Utility Undergrounding Improvements	Developer Fees	2,852	-	299,573	-	-	-	-	302,425
0227	Traffic Signal Modernization	Grants: \$1,519,662; Traffic Mitigation Fund; GFAR	1,986,928	38,444	635,333	-	-	-	-	2,622,261
0235	Downtown Streetscape Revitalization/Economic Recovery Efforts	ARPA; GFAR	1,929,140	239,867	912,500	-	-	-	-	2,841,640
0237	Highway 17/9 Interchange and Capacity Improvements	GFAR/Measure G; Traffic Mitigation Fund	600,000	-	867,000	-	800,000	800,000	800,000	3,867,000
0238	Winchester Boulevard Complete Streets Final Design	GFAR	141,324	-	1,734,250	-	-	-	-	1,875,574
0240	Winchester Class IV Bikeway	TFCA Grant: \$293,900; GFAR	942,062	-	693,560	-	-	-	-	1,635,622
0241	Kennedy Sidewalk - LGB To Englewood	Measure B; GFAR	-	-	631,126	-	-	-	-	631,126
0242	Parking Program Implementation	GFAR	153,110	17,294	445,390	-	-	-	-	598,500
0243	Storm Related Repairs	GFAR (Unanticipated Repairs Project 9904)	5,250	18,065	39,050	-	-	-	-	44,300

Current Funding of CIP										
FY 2023/24 - 2027/28										
Project Number	Project Name	Funding Sources (Current and Past from Adopted CIP)	FY 2018/19 - 2022/23 Spending	FY 2023/24 Actual Spending Through 1/25/24	FY 2023/24 Adjusted Budget as of 12/31/2023	FY 2024/25 Budget	FY 2025/26 Budget	FY 2026/27 Budget	FY 2027/28 Budget	Total Budgeted
0414	Stormwater System - Pollution Prevention Compliance	GFAR	22,722	38,747	265,278	-	-	-	-	288,000
0420	Annual Storm Drain Improvement Project	Storm Basin Fund	291,181	-	252,219	-	-	-	-	543,400
0421	Loma Street Drainage	Storm Basin Fund	-	-	100,000	250,000	496,300	-	-	846,300
0422	Harwood/Belridge Drainage Study	Storm Basin Fund	-	-	100,000	-	-	-	-	100,000
0423	709 University Avenue Drainage System Replacement	Storm Basin Fund	-	-	200,000	-	-	-	-	200,000
0424	333 University Avenue Inlet Capacity Improvements	Storm Basin Fund	-	-	50,000	-	-	-	-	50,000
0705	Downtown Parking Lots Seal Coat & Restriping	GFAR;	59,924	-	15,161	10,000	-	10,000	-	95,085
0708	Parking Lot 4 Repair & Waterproofing	GFAR	199,800	-	50,200	-	-	-	-	250,000
<b>Bridges</b>										
0801	Quito Road - Bridge Replacement	GFAR	-	-	285,087	-	-	-	-	285,087
0803	Highway 17 Bicycle & Pedestrian Bridge - Design	Measure B; Traffic Mitigation Fund; GFAR	1,083,238	198,653	3,374,064	-	-	-	-	4,457,302
0804	Timber Bridge Inspection	GFAR	-	-	-	-	25,000	25,000	-	50,000
<b>Total Streets Projects</b>			<b>25,637,810</b>	<b>\$ 3,741,529</b>	<b>\$ 28,871,439</b>	<b>\$ 4,233,947</b>	<b>\$ 5,295,247</b>	<b>\$ 4,808,947</b>	<b>\$ 4,773,947</b>	<b>\$ 73,621,337</b>

Current Funding of CIP										
FY 2023/24 - 2027/28										
Project Number	Project Name	Funding Sources (Current and Past from Adopted CIP)	FY 2018/19 - 2022/23 Spending	FY 2023/24 Actual Spending Through 1/25/24	FY 2023/24 Adjusted Budget as of 12/31/2023	FY 2024/25 Budget	FY 2025/26 Budget	FY 2026/27 Budget	FY 2027/28 Budget	Total Budgeted
<b>PARK &amp; TRAILS PROGRAM SUMMARY</b>										
<b>Parks</b>										
4007	Oak Meadow Bandstand Area Improvements	Prop 68 Grant: \$196,730; GFAR	22,282	-	264,448	-	-	-	-	286,730
4202	Town Plaza Turf Repairs	GFAR	1,000	-	27,000	15,000	-	-	-	43,000
4404	Creekside Park Turf Replacement	ARPA / GFAR	-	-	500,000	-	-	-	-	500,000
4605	Parks Playground Fibar Project	GFAR	29,071	-	56,969	25,000	-	25,000	-	136,040
4610	Pinehurst Community Garden	ARPA / GFAR	14,314	22,524	270,686	100,000	-	-	-	385,000
<b>Trails</b>										
4503	Charter Oaks Trail Repair	GFAR	72,942	-	474,891	-	-	-	-	547,833
4504	Open Space Trail Upgrades	GFAR	-	-	152,000	-	-	-	-	152,000
4505	Los Gatos Creek Trail to Highway 9 Trailhead Connector Project	Measure B: \$693,500; TFCA: \$755,921; OBAG: \$6,536,000; TDA: \$68,884; GFAR: \$1,427,935	692,000	170,320	8,829,851	-	-	-	-	9,521,851
4508	Vegetation Management - Town Wide	GFAR	244,826	5,392	102,881	100,000	100,000	100,000	100,000	747,707
4510	Lynn Ave Pedestrian Path Design	ARPA / GFAR	-	16,017	190,000	100,000	-	-	-	290,000
<b>Total Parks Projects</b>			<b>1,076,436</b>	<b>\$ 214,253</b>	<b>\$ 10,868,726</b>	<b>\$ 340,000</b>	<b>\$ 100,000</b>	<b>\$ 125,000</b>	<b>\$ 100,000</b>	<b>\$ 12,610,161</b>

**Current Funding of CIP  
FY 2023/24 - 2027/28**

Project Number	Project Name	Funding Sources (Current and Past from Adopted CIP)	FY 2018/19 - 2022/23 Spending	FY 2023/24 Actual Spending Through 1/25/24	FY 2023/24 Adjusted Budget as of 12/31/2023	FY 2024/25 Budget	FY 2025/26 Budget	FY 2026/27 Budget	FY 2027/28 Budget	Total Budgeted
<b>PUBLIC FACILITIES PROGRAM SUMMARY</b>										
<b>Infrastructure</b>										
2002	Town Beautification	GFAR	44,797	9,958	25,203	15,000	15,000	15,000	15,000	130,000
2009	Public Art Gateway Project	ARPA / GFAR	50,000	20,500	81,500	37,500	37,500	-	-	206,500
2011	Downtown Restroom Feasibility Study	ARPA / GFAR	-	23,000	25,000	-	-	-	-	25,000
2012	Emergency Preparedness	ARPA / GFAR	-	-	96,780	-	-	-	-	96,780
2013	Annual ADA Compliance Work	GFAR	-	-	10,000	10,000	10,000	10,000	10,000	50,000
2117	ADA Restrooms And HR Offices	GFAR	74,924	69,203	905,076	-	-	-	-	980,000
2120	Civic Center Plumbing Repair	ARPA / GFAR	-	-	40,000	-	-	-	-	40,000
2206	Adult Rec Ctr Floor Repr	GFAR	155,170	877	-	-	-	-	-	155,170
2207	Adult Recreation Center HVAC	GFAR	195,404	-	114,596	-	-	-	-	310,000
2208	ARC - Interim Community Center	ARPA / GFAR	-	-	866,281	-	-	-	-	866,281
2302	Building Replacement at Corporation Yard	GFAR	2,139,969	133,386	507,033	-	-	-	-	2,647,002
2309	Termite Abatement at Water Tower	ARPA / GFAR	-	2,100	24,500	-	-	-	-	24,500
2310	Engineering Counter Modifications	ARPA / GFAR	-	-	40,000	-	-	-	-	40,000
2403	HVAC Improvement - POB Building	GFAR	-	-	25,000	-	-	-	-	25,000
2404	POB Space Study	GFAR	-	-	75,000	-	-	-	-	75,000
2504	Library Improvements	GFAR	-	-	22,000	-	-	-	-	22,000
2505	Battery Power Supply - Library	SVCE Grant: \$513,000; GFAR	439,466	100,716	103,534	-	-	-	-	543,000
2601	ADA Upgrade Public Restrooms - Adult Recreation Building	CDBG Funds: \$520,861; GFAR	52,081	-	599,898	-	-	-	-	651,979
<b>Equipment</b>										
6003	Town-Wide Document Imaging Project	GFAR	-	-	16,990	-	-	-	-	16,990
6101	Enterprise Resource Planning Upgrade	GFAR	281,154	166,900	1,132,425	-	-	-	-	1,413,579
6103	EOC Communications Upgrade	GFAR	24,717	-	25,283	-	-	-	-	50,000
6104	IT Disaster Recovery Improvements	GFAR	171,163	-	28,837	-	-	-	-	200,000
<b>Total Facilities Projects</b>			<b>3,628,845</b>	<b>\$ 526,640</b>	<b>4,764,935</b>	<b>62,500</b>	<b>62,500</b>	<b>25,000</b>	<b>25,000</b>	<b>8,568,780</b>
<b>Total Capital Improvement Allocations FY23/24 through 27/28</b>			<b>30,343,091</b>	<b>\$ 4,482,421</b>	<b>\$ 44,505,101</b>	<b>\$ 4,636,447</b>	<b>\$ 5,457,747</b>	<b>\$ 4,958,947</b>	<b>\$ 4,898,947</b>	<b>\$ 94,800,279</b>

**Attachment 2  
Status of Currently Funded One-Time Capital Projects**

Project Name	Project No.	Funding Program	Project Category <sup>1</sup>	Project Phase as of 12/31/23
Shannon Road Repair (Stabilization)	811-0008	Streets	1,2,3,5,6	100% Design
ADA Transition Plan	812-0129	Streets	1,3,4,5	Close Out
E. Main Street Speed Table/Raised Crosswalk	812-0131	Streets	1,2,3	Hold
Local Road Safety Plan (LRSP)	812-0132	Streets	1,2	Complete
VMT Mitigation Program	812-0133	Streets	2,4	95% Complete
Town-wide Speed Studies	812-0135	Streets	1,2,4	Hold
Shannon Road Ped & Bikeway Improvements	813-0218	Streets	1,2,3	100% Design
Utility Undergrounding Improvements - Rule 20A LGB	813-0225	Streets	1,6	Hold
Traffic Signal Modernization	813-0227	Streets	1,2,3,5,6	Close Out
Downtown Streetscape Revitalization / Economic Recovery Efforts	813-0235	Streets	3,5,6	Parklets Complete
Hwy 17/9 Interchange and Capacity Improvements - Hwy 17 Congestion Relief Project (@ SR 9)	813-0237	Streets	1,2,3,6	Concept Design
Winchester Blvd. Complete Streets Final Design	813-0238	Streets	1,2,3,6	CANCELLED
Winchester Class IV Bikeway	813-0240	Streets	1,2,3	Close Out
Kennedy Sidewalk - LGB to Englewood	813-0241	Streets	1,2,3	Hold
Parking Program Implementation	813-0242	Streets	3,5	Construction (Wayfinding and Signage)
Storm Related Repairs	813-0243	Streets	1,3,5	Complete
Stormwater System - Pollution Prevention Compliance	816-0414	Streets	4	Consultant Selection
Loma Street Drainage	816-0421	Streets	1,5	Hold
Harwood / Belridge Drainage Study	816-0422	Streets	3,5	Hold
709 University Avenue Drainage System Replacement	816-0423	Streets	1,3,5	Hold
333 University Avenue Inlet Capacity Improvements	816-0424	Streets	1,2,5	Hold
Downtown Parking Lots Seal coat & Restriping	817-0705	Streets	2,5	Complete
Parking Lot 4 Repair & Waterproofing	817-0708	Streets	5	Construction
Quito Road Bridge (Delivered via Town of Saratoga)	818-0801	Streets	1,2,5,6	100% Design
Highway 17 Bicycle & Pedestrian Bridge - Design	818-0803	Streets	1,2,3,6	35% Design
Timber Bridge Inspection	821-0804	Streets	1,2,3,4,5	Hold
Public Art Gateway	821-2009	Public Facilities	3,6	Locations Pending
Town Restroom Feasibility Study	821-2011	Public Facilities	3,6	95% Complete
Emergency Preparedness	821-2012	Public Facilities	1	10% Complete
ADA Restrooms and HR Offices	821-2117	Public Facilities	3,4,5,6	100% Design
Civic Center Plumbing Repair	821-2120	Public Facilities	5	Bidding
Adult Recreation Center - HVAC Unit Replacement	821-2207	Public Facilities	3,5	Complete
ARC - Interim Community Center	821-2208	Public Facilities	3, 6	Outreach Underway
Building Replacement at Corporation Yard	821-2302	Public Facilities	5,6	Close Out
Termite Abatement at Water Tower - 41 Miles Avenue	821-2309	Public Facilities	5	50% Complete
Engineering Counter Modifications	821-2310	Public Facilities	3,5,6	100% Design
HVAC Improvements - POB	821-2403	Public Facilities	3,5	Complete
POB Space Study	821-2404	Public Facilities		Hold
Sound Mitigation in Library Lobby	821-2504	Public Facilities	3,5	Concept Design
Battery Power Supply - Library	821-2505	Public Facilities	5,6	Construction
ADA Upgrade Public Restrooms - Adult Recreation Center	821-2601	Public Facilities	3,5,6	Construction
Oak Meadow Bandstand Area Improvements	831-4007	Parks and Trails	3,6	100% Design
Town Plaza Turf Repair	831-4202	Parks and Trails	3,5,6	Hold
Creekside Park Turf Replacement	831-4404	Parks and Trails		Hold
Pinehurst Community Garden	831-4610	Parks and Trails	3,5,6	Concept Design
Charter Oak Trail Improvements	832-4503	Parks and Trails	1,3,5	Hold
Open Space Trail Upgrades	832-4504	Parks and Trails	1,3	Hold
LGC Trail to Route 9 Trailhead Connector Project	832-4505	Parks and Trails	1,2,3,6	Construction
Lynne Avenue Pedestrian Path Design	832-4510	Parks and Trails	3,5,6	Concept Design



**Attachment 2  
Status of Currently Funded One-Time Capital Projects**

<b>Project Name</b>	<b>Project No.</b>	<b>Funding Program</b>	<b>Project Category<sup>1</sup></b>	<b>Project Phase as of 12/31/23</b>
Town-wide Document Imaging Project	841-6003	Public Facilities	4,5	In-progress
Enterprise Resource Planning (ERP) Upgrade	841-6101	Public Facilities	1,5	In-progress
EOC Communication Upgrade	841-6103	Public Facilities	1,5	In-progress
IT Disaster Recovery Improvements	841-6104	Public Facilities	1,5,6	In-progress

Notes: 1) Project Type: (1) Safety; (2) Traffic / Transportation; (3) Quality of Life; (4) Regulatory or Legal Mandate; (5) Effective Management of Assets; (6) Improvement

**Capital Needs Not Currently in the CIP**

Funding Program	Project	Year Need Identified	Potential Cost / Placeholder	NOTES	Safety	Equity	Quality of Life	Mandate	Maintenance	Improvement
Park Improvement	Blossom Hill Park Turf Rehab	2022	\$ 200,000						X	
Park Improvement	Civic Center Irrigation System Replacement	2022	\$ 200,000	would save repair work and remove asbestos piping			X		X	
Park Improvement	Creekside Park Restroom Building Repair	2023	\$ 50,000	Needs roof and soffit / eave repair					X	
Park Improvement	La Rinconada Furniture and General Upgrades	2022	\$ 50,000	Consolidate irrigation controllers; upgrade benches, receptacles, picnic tables			X		X	
Park Improvement	La Rinconada Park Turf Renovation + Irrigation system upgrades	2022	\$ 200,000	Improve grass, remove some grass for water ruse reduction					X	
Park Improvement	La Rinconada Play Structure Replacement	2022	\$ 300,000	Cost will depend on design	X		X		X	
Park Improvement	Live Oak Manor Park Turf Rehab	2022	\$ 200,000						X	
Park Improvement	Oak Hill Play Lot Replacement / Hardscape Upgrades	2022	\$ 350,000	Cost will depend on design	X		X		X	
Park Improvement	Oak Meadow Park Bocce Courts Reconstruction	2022	\$ 50,000			X	X		X	
Park Improvement	Oak Meadow Park Fencing Replacement	2022		Failing due to erosion along University and Blossom Hill					X	X
Park Improvement	Oak Meadow Park General Improvements and Upkeep	2022	\$ 250,000	Upgrade asphalt pathways to remove root intrusion; replace RR tie stairs; upgrade handrails; Would be beneficial to complete master plan for this park before making improvemetns	X	X	X		X	
Park Improvement	Oak Meadow Park Parking Kiosk	2022		To implement paid parking program						X
Park Improvement	Oak Meadow Park Playground Replacement	2022	\$ 500,000	Cost will depend on design	X		X			X
Park Improvement	Oak Meadow Park Restroom Expansion	2022	\$ 750,000			X	X			X
Park Improvement	Town-wide drinking fountain to hydration station	2022	\$ 50,000	need to get pdated count of remaining stations	X		X		X	X
Park Improvement / Trail	Guadalupe River Trail near Hicks Road	2022		in County Trail Master Plan - joint with SJC - would need feasibility study			X			X
Park Improvement / Trail	LGC Trail Pavement Rehab	2024		Trail pavement is deteriorating	X		X			X
Park Improvement / Trail	LGC Trail signage	2022		Update Signage for Improved Wayfinding	X		X			
Park Improvement / Trail	LGCT Lighting at Undercrossings; BHR and Hwy 85	2022		community request; transition from light to dark during day limits visibility	X					X
Park Improvement / Trail	LGCT repair wooden bridge on LG Creek Trail	2022		wooden planks are showing wear and tear from sun exposure and age; pending structural evaluation	X		X		X	
Park Improvement / Trail	Southern Pacific Rail Trail (Hwy 85 Corridor)	2022		In County Trail Master Plan. Needs Feasibility Study			X			X
Storm Drainage	Ashler Avenue	2022	\$ 3,410,000	2019 Study: Provide outlet for dead end system at Fancher Court + San Benito; add new inlets to Ashler; Alt 2 - Alt 1 + Thurston, Olive and San Mateo Street drainage; Include GSI					X	
Storm Drainage	Bachman at Massol	2022	\$ 60,000	2019 Study: Replace trash rack and improve inlet					X	
Storm Drainage	Bayview Court / Bayview Avenue @ Main; Penn Ave at Peralta / Fairview	2022	\$ 2,530,000	2019 Study: Upgrade Trash rack and culvert inlet at Bayview (alt 1); Alt 2: add parallel drainage pipe to channel along Main, install drainage in FV Plaza and connect to Bayview; replace conc channel along PA with drainage pipe					X	

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Storm Drainage	Euclid Avenue	2022	\$ 990,000	2019 Study: Upgrade and extend sytem on Oak Grove and Euclid to convey 10 year event					X	
Storm Drainage	Foster Road	2022	\$ 202,000	2019 Study: Add two inlets on Sund and connect to existing system in intersection; needs curb - possibly in place of inlets.					X	
Storm Drainage	Kennedy between Englewood and LGB	2022	\$ 746,000	2019 Study: Extend storm drain on Kennedy from near Vista del Monte to Gem Avenue					X	
Storm Drainage	LG Creek Trail at Forbes Mill	2022	\$ 226,000	2019 Study: Correct deficiencies in two systems and outlets					X	
Storm Drainage	Los Gatos -Almaden Road	2022	\$ 5,216,000	2019 Study: install inlets on LGAR near Gardenia and Longwood, upsize pipes from Camino del Cerro to south of Escobar Ave; connect system from Cherry Blossom / Lester to south system; require construction on private property					X	
Storm Drainage	Replace frames and grates on structures	2022		various locations around town; old grates	X				X	
Storm Drainage	Replace Manholes of BHR	2022		Existing brick risers awere rerapiored in 2022, will need replacement	X				X	
Storm Drainage	Shannon Road at Short Road	2022	\$ 325,000	2019 Study: Extend drainage on shannon road to provide inlets; excavate Short Creek Channel to lessen backwater on system					X	
Storm Drainage	Shannon Road from Englewood to LGB	2022	\$ 3,669,000	2019 Study: Alt 2: add drainage on Shannon from Robie to Englewood; upsize piping on Shannon from Englewood to Del Carlo					X	
Storm Drainage	University at Roberts	2022	\$ 1,672,000	2019 Study: Alt 2 (eliminates flow on provate property and placed drainage in ROW): Add drainage on University from Roberts to BHR + 150' east on BHR to connect to existing system; Include GSI					X	
Storm Drainage	University Avenue at Vasona Oaks Drive	2022	\$ 256,000	2019 Study: replace undersized culvert with open channel per recommendation in 2021 Stormwater Master Plan ON COUNTY PROPERTY	X		X		X	
Storm Drainage	195 Jackson	2022		Repair Pipe on Private Property					X	
Storm Drainage	Kennedy Meadows	2022		eliminate misligned pipe and replace with open channel					X	
Storm Drainage	Oak Grove Storm Drainage Project	2022		Temporary repair completed 2022; Needs Permanent solution						X
Storm Drainage	Overlook Road Drainage	2022		Add inlets to reduce runoff to Wisahickon						X
Street Improvement	North SC Drainage Improvements and Reconstruction BHR to Hwy 9	2022		Santa Cruz will be on paving list for 2025; additional improvements are needed	X		X			X
Street Improvement	North SC Drainage Improvements and Reconstruction Hwy 9 to Broadway	2022		Santa Cruz will be on paving list for 2025; additional improvements are needed	X				X	
Street Improvement	Union Avenue Sidewalks Repair and Fill Gaps - East and West Side	2022		On TIF List	X	X	X			X

**Capital Needs Not Currently in the CIP**

Funding Program	Project	Year Need Identified	Potential Cost / Placeholder	NOTES	Safety	Equity	Quality of Life	Mandate	Maintenance	Improvement
Street Repair/ Maintenance / Safety	Blossom Hill Road Safety Improvements Construction - signal replacement at Cherry Blossom	2022	\$ 4,322,000	OBAG3 Grant Denied; Cost is 2022 Dollars	x					x
Street Repair/ Maintenance / Safety	Blossom Hill Road Sidewalk Gap Closure - Union ot Meadowbrook	2023		on TIF List	x					x
Street Repair/ Maintenance / Safety	Blossom Hill Road Slide Repair	2024		Egineering analysis to be completed in 2024	x				x	
Street Repair/ Maintenance / Safety	Comprehensive Sign Management Downtown	2023					x			
Street Repair/ Maintenance / Safety	Evacuation Routes for Wildfire Zones	2024		Requires planning / analysis to identify locations for pull outs	x	x	x			x
Street Repair/ Maintenance / Safety	Heritage Grove Pathways	2022	\$ 80,000	may do in house if resources allow OR could include in annual roadway	x		x		x	
Street Repair/ Maintenance / Safety	Los Gatos Almaden Road Sidewalk Infill and Drainage Improvements	2022	\$ 6,000,000	On TIF List	x	x	x			x
Street Repair/ Maintenance / Safety	Pave fire roads at Harwood	2023			x					
Street Repair/ Maintenance / Safety	Quito at Bicknell - Repair Embankment	2023							x	
Street Repair/ Maintenance / Safety	Sidewalk Infill Across from Fisher MS	2022	\$ 250,000		x	x				x
Street Repair/ Maintenance / Safety	Signage improvements and upgrades in school zones	2022			x		x		x	
Street Repair/ Maintenance / Safety	Townwide Traffic Signal Replacements	2022	\$ 16,000,000	\$1M per signal; 31 signals owned by the Town	x				x	
Street Repair/ Maintenance / Safety	Townwide Traffic Signal Safety Upgrades	2024	\$ 660,000	Reflective backing and back up power	x					x
Street Repair/ Maintenance / Safety	Union Avenue Sidewalks Repair and Fill Gaps - East and West Side			On TIF List	x		x			x
Town Infrastructure and Facilities	All Assets	2022	\$ 20,000,000	Detailed list / project work plan being developed	x	x	x	x	x	x
Town Infrastructure and Facilities	Civic Center Rehabilitation / Reconstruction	2024		mentioned by CM Rennie; staff acknowledges significant improvements are needed	x		x	x	x	x
Town Infrastructure and Facilities	Comprehensive Bike Rack Installations	2023					x			
Town Infrastructure and Facilities	Downtown Restroom	2024	\$ 500,000	Feasibility Study Complete		x	x			x
Town Infrastructure and Facilities	LGS Rec - ADA Improvements to Entrance	2023		will be included in separate list of facilities needs						
Town Infrastructure and Facilities	Library - Test and certify main electrical panel	2023	\$ 50,000		x				x	
Town Infrastructure and Facilities	POB - Charging Stations (2)	2022	\$ 40,000	for use by staff; located within staff parking area			x			x
Town Infrastructure and Facilities	POB - Reconstruction	2023		Expected outcome of space assessment is the need for reconstruction; Campbell new HQ = \$31.8M construction	x		x			x
Town Infrastructure and Facilities	POB Roof Replacement	2024	\$ 350,000				x		x	
Town Infrastructure and Facilities	PPW Corp Yard Pavement Repair	2023	\$ 400,000	Consdier funding in two phases of \$200K each			x		x	
Town Infrastructure and Facilities	PPW Yard - Charging Station for Town Vehicles	2024		to support fleet electrification mandates				x	x	
Town Infrastructure and Facilities	PPW Yard - CNG station decommission + Reclaimed Water Tank for Yard	2022	\$ 200,000		x				x	
Town Infrastructure and Facilities	PPW Yard Carport Painting	2023	\$ 25,000	existing paint is peeling					x	
Town Infrastructure and Facilities	PPW Yard Replace Switch Gear and Generator	2023	\$ 500,000	Proposed for 24/25	x				x	x