



**TOWN OF LOS GATOS
FINANCE COMMISSION AGENDA
FEBRUARY 09, 2026
110 EAST MAIN STREET
TOWN COUNCIL CHAMBERS
5:30 PM**

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

IMPORTANT NOTICE

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

To watch and participate via Zoom, please go to:

<https://losgatosca-gov.zoom.us/j/84834011781?pwd=rHVGVpbWjNaaM6U6ZB5AbaZUF1ToV9.1>

Enter passcode: 998589

CALL MEETING TO ORDER

ROLL CALL

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

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

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

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

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

ADJOURNMENT

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

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

HOW TO PARTICIPATE

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

Zoom Webinar (Online): Join from a PC, Mac, iPad, iPhone or Android device. Please click this URL to join: [https://losgatosca-](https://losgatosca.gov.zoom.us/j/84834011781?pwd=rHVGVpbwJNaaM6U6ZB5AbaZUF1ToV9.1)

[gov.zoom.us/j/84834011781?pwd=rHVGVpbwJNaaM6U6ZB5AbaZUF1ToV9.1](https://losgatosca.gov.zoom.us/j/84834011781?pwd=rHVGVpbwJNaaM6U6ZB5AbaZUF1ToV9.1)

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

When the Chair announces the item for which you wish to speak, click the "raise hand" feature in Zoom. If you are participating by phone on the Zoom app, press *9 on your telephone keypad to raise your hand.

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

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

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

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

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

Deadlines to submit written comments are:

-11:00 a.m. the business day before the Commission meeting for inclusion in an addendum.

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



**TOWN OF LOS GATOS
FINANCE COMMISSION
MINUTES**

MEETING DATE: 1/12/2026

ITEM NO: 1

Item 1.

**Minutes of the Finance Commission Regular Meeting
January 12, 2026**

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

THE MEETING WAS CALLED TO ORDER AT 5:34 P.M.

ROLL CALL

Present: Chair Linda Reiners, Vice Chair Ashby Monk, Commissioner Adam Fischer, Commissioner Joe Rodgers, Vice Mayor Maria Ristow, and Council Member Matthew Hudes.

Absent: Commissioner Phil Koen

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

CONSENT ITEMS

1. Approve the Minutes of the December 8, 2025, Finance Commission Regular Meeting
2. Receive the Monthly Financial and Investment Reports for November 2025

There was no public comment.

MOTION: Motion by Commissioner Fischer to approve the consent items. **Seconded by Vice Chair Monk**

VOTE: Motion passed unanimously.

VERBAL COMMUNICATIONS

There was no public comment.

OTHER BUSINESS

3. Select a Chair and Vice Chair

Commissioner Reiners opened the item.

MOTION: Motion by Chair Reiners to nominate Vice Chair Monk [to Chair]. **Seconded by Commissioner Fischer**

SUBJECT: Draft Minutes of the Finance Commission Regular Meeting of January 12, 2026

DATE: February 4, 2026

VOTE: Motion passed unanimously.

MOTION: Motion by Chair Monk to nominate Commissioner Fischer to Vice Chair. Seconded by Commissioner Reiners

VOTE: Motion passed unanimously.

There was no public comment.

4. Discuss and confirm the Finance Commission Meeting Dates for 2026, and If Necessary, Adopt a Resolution setting the Meeting Time and Location

Commissioner Reiners opened the item for discussion.

The Commission discussed the item and asked questions.

Staff addressed the Commissioners' questions.

There was no public comment.

No changes were made to the proposed meeting dates.

5. Review the Town's Draft FY 2024-25 Financial Transaction Report for Submittal to the State Controller

The Finance & Accounting Manager, Eric Lemon, presented the item and introduced the Independent Auditor, Sheldon Chavan.

The Commission discussed the item and asked questions.

Staff and the auditor addressed the Commissioners' questions.

There was no public comment.

No changes were made to the Draft FY 2024-25 Financial Transaction Report.

6. Adopt the Finance Commission 2026 Workplan

Commissioner Reiners opened the item for discussion.

The Commission discussed the item and asked questions.

PAGE 3 OF 3

SUBJECT: Draft Minutes of the Finance Commission Regular Meeting of January 12, 2026

DATE: February 4, 2026

Staff addressed the Commissioners' questions.

There was no public comment.

MOTION: Motion by Chair Monk to adopt the work plan. Seconded by Vice Chair Fischer.

VOTE: Motion passed unanimously.

7. Discussion, consideration, and Possible Action to Provide Direction on Revenue Measure Options and Next Steps Including Engaging Professional Services to Support the Evaluation Effort in an amount Not to Exceed \$80,000

The Town Manager, Chris Constantin, gave a presentation on the item.

The Commission discussed the item, asked questions, and provided feedback.

Staff addressed the Commissioners' questions.

There was no public comment.

No action was taken.

ADJOURNMENT:

The meeting adjourned at 7:37 p.m.

This is to certify that the foregoing is a true and correct copy of the minutes of the January 12, 2026, regular meeting as approved by the Finance Commission.

Eric Lemon, Finance and Accounting Manager



**TOWN OF LOS GATOS
FINANCE COMMISSION
MINUTES**

MEETING DATE: 2/09/2026

ITEM NO: 2

Item 2.

**Minutes of the Finance Commission Special Meeting
February 2, 2026**

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

THE MEETING WAS CALLED TO ORDER AT 5:30 P.M.

ROLL CALL

Present: Vice Chair Adam Fischer, Commissioner Phil Koen, Commissioner Joe Rodgers, Vice Mayor Maria Ristow, and Council Member Matthew Hudes.

Absent: Chair Ashby Monk, and Commissioner Linda Reiners

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

VERBAL COMMUNICATIONS

There was no public comment.

OTHER BUSINESS

1. Receive the Preliminary Baseline Forecast Model Assumptions and Fiscal Analysis for the Housing Element from NHA advisors and Provide Feedback

Administrative Services Director, Kristina Alfaro, opened the item and introduced Jonathan Ingram, Vice President Raftelis; Emily Uselton, Senior Manager Raftelis; and Mark Northcross, Principal NHA Advisors, to present the item.

The Commission discussed the item and asked questions.

Staff and the consultants addressed the Commissioner's commissions

Lee Fagot

- Thanked everyone for their work and commented on concerns with new state legislation.

No Action Taken

PAGE 2 OF 2

SUBJECT: Draft Minutes of the Finance Commission Special Meeting of February 2, 2026

DATE: February 4, 2026

ADJOURNMENT:

The meeting adjourned at approximately 7:43 p.m.

This is to certify that the foregoing is a true
and correct copy of the minutes of the
February 2, 2026, special meeting as approved by the
Finance Commission.

Eric Lemon, Finance and Accounting Manager



TOWN OF LOS GATOS
FINANCE COMMISSION REPORT

MEETING DATE: 2/09/2026

ITEM NO: 3

Item 3.

DATE: February 4, 2026
TO: Finance Commission
FROM: Chris Constantin, Town Manager
SUBJECT: Receive the Monthly Financial and Investment Report for December 2025

RECOMMENDATION: Receive the Monthly Financial and Investment Reports for December 2025.

FISCAL IMPACT:

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

BACKGROUND:

California Government Code Section 41004 requires that the Town Treasurer submit to the Town Clerk and the legislative body a written report and accounting of all receipts, disbursements, and fund balances. The Administrative Services Director assumes the Town Treasurer role. Attachment 1 contains the December 2025 monthly Financial and Investment Report, which fulfills this requirement.

The December 2025 Monthly Financial and Investment Report will be presented to the Town Council at its February 17, 2026, regular meeting.

DISCUSSION:

The December 2025 Monthly Financial and Investment Report includes a Fund Balance Schedule, representing estimated funding available for all funds at the beginning of the fiscal year and at the end of the respective month.

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

PREPARED BY: Eric Lemon
Finance and Accounting Manager

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

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SUBJECT: Monthly Financial and Investment Report for December 2025

DATE: February 4, 2026

months and the timing of any estimates used in the presentation, based on the information available. This is demonstrated by the attached December 31, 2025, fund balance report. In the case that the differences are extraordinary and unanticipated, we will ensure we present more information to explain the differences.

The difference between the December 31 and November 30 estimated fund balance is due to normal day-to-day fluctuations in revenues and expenditures.

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

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

Reconciling Cash to Fund Balance - December 31, 2025		
Total Cash	\$	72,645,597
Plus: Assets	\$	13,558,398
Less: Liabilities	\$	(21,968,314)
Estimated Fund Balance	\$	64,235,681

As of December 31, 2025, the Town's financial position (Cash Plus Other Assets \$86.21M, Liabilities \$21.97M, and Fund Equity \$64.24M) remains strong, and the Town has sufficient funds to meet the cash demands for the next six months.

As of December 31, 2025, the Town's weighted portfolio yield for investments under management was 4.24%, which was 21 basis points above the Local Agency Investment Fund (LAIF) yield of 4.03% for the same reporting period. Currently, the LAIF portfolio's weighted average maturity (WAM) is 244 days versus the Town's longer WAM of 643 days. The Town's assets under management reflect the Town's selection of the 1-3 year benchmark investment strategy through the Town's investment advisor to lock in higher yields at the top of the interest rate cycle. The longer maturities are balanced with shorter-term yields available on investments held with the State's LAIF. The Town's weighted average rate of return on investments under management of 4.24% at the close of December was 3 basis points lower when compared to the prior month's return of 4.27% reported as of November 30, 2025.

Since December 2024, LAIF yields decreased from 443 basis points (4.43%) to 403 basis points (4.03%) through the end of December 2025. The State LAIF pool typically lags the market when current market yields are either increasing or decreasing.

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SUBJECT: Monthly Financial and Investment Report for December 2025

DATE: February 4, 2026

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

In the US, the unemployment rate rose to 4.6%, the highest since October 2021. However, jobless claims decreased over the month. Initial claims fell from 237,000 to 199,000 during December and continuing claims fell to 1.866m. Residual seasonality may have had a measure of impact.

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

CONCLUSION:

Receive the Monthly Financial and Investment Report for December 2025.

Attachments:

1. Financial and Investment Report (December 2025)

Town of Los Gatos
Summary Investment Information
December 31, 2025

Weighted Average YTM Portfolio Yield on Investments under Management

4.24%

Weighted Average Maturity (days)

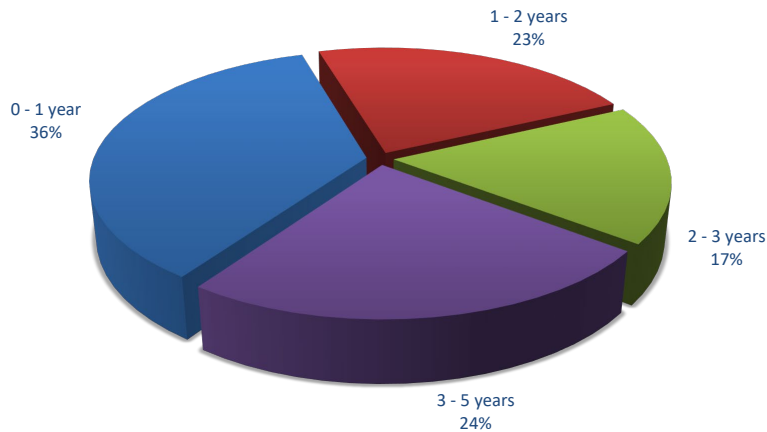
643

	This Month	Last Month	One year ago
Portfolio Allocation & Treasurer's Cash Balances	\$72,645,597	\$69,422,880	\$66,720,922
Managed Investments	\$52,793,844		
Local Agency Investment Fund	\$9,497,276		
Reconciled Demand Deposit Balances	\$10,354,476		
Portfolio Allocation & Treasurer's Cash Balances	<u>\$72,645,597</u>		

Benchmarks/ References:

Town's Average Yield	4.24%	4.27%	4.44%
LAIF Yield for month	4.03%	4.10%	4.43%
3 mo. Treasury	3.63%	3.80%	4.31%
6 mo. Treasury	3.60%	3.76%	4.27%
2 yr. Treasury	3.47%	3.49%	4.24%
5 yr. Treasury	3.73%	3.60%	4.38%
10 Yr. Treasury	4.17%	4.01%	4.57%

Portfolio Maturity Profile



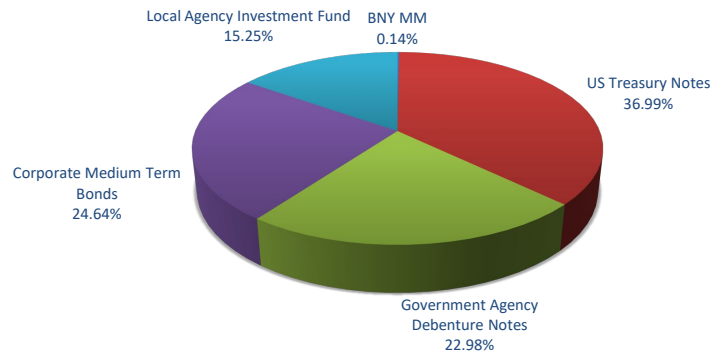
Compliance: The Town's investments are in compliance with the Town's investment policy dated March 18, 2025, and also in compliance with the requirements of Section 53600 at seq. of the California State Code. Based on the information available, the Town has sufficient funds to meet the cash demands for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

Town of Los Gatos
Portfolio Allocation & Treasurer's Cash Balances
December 31, 2025

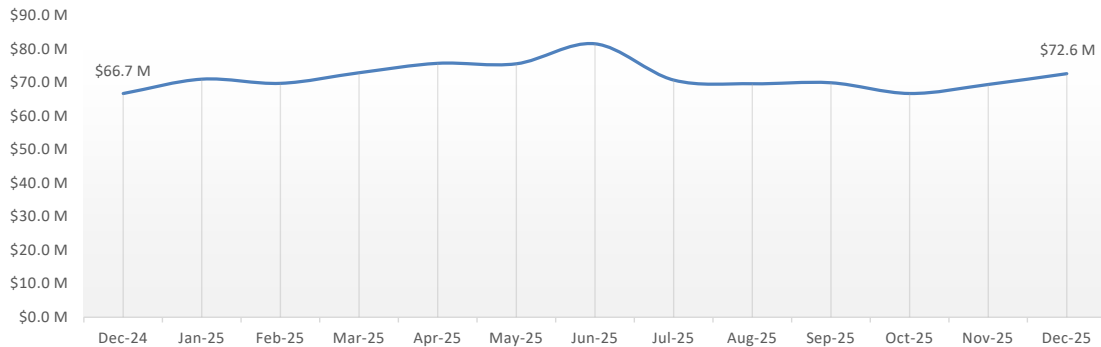
	Month	YTD
Cash & Investment Balances - Beginning of Month/Period	\$ 69,422,879.89	\$ 81,558,113.19
Receipts	7,235,971.88	40,802,746.65
Disbursements	(4,013,255.09)	(49,715,263.16)
Cash & Investment Balances - End of Month/Period	<u>\$72,645,596.68</u>	<u>\$72,645,596.68</u>

Portfolio Allocation	Amount	% of Portfolio	Max. % or \$ Allowed per State Law or Policy
BNY MM	\$88,866.54	0.14%	20% of Town Portfolio
US Treasury Notes	\$23,040,182.23	36.99%	No Max. on US Treasuries
Government Agency Debenture Notes	\$14,316,775.31	22.98%	No Max. on Non-Mortgage Backed
Corporate Medium Term Bonds	\$15,348,020.30	24.64%	30% of Town Portfolio
Local Agency Investment Fund	\$9,497,275.92	15.25%	\$75 M per State Law
Subtotal - Investments	62,291,120.30	100.00%	
Reconciled Demand Deposit Balances	<u>10,354,476.38</u>		
Total Portfolio Allocation & Treasurer's Cash Balances	<u>\$72,645,596.68</u>		

Portfolio Investment Allocation



Treasurer's Fund Balances



Town of Los Gatos
Non-Treasury Restricted Fund Balances
December 31, 2025

	Beginning Balance	December 2025 Deposits Realized Gain/Adj.	December 2025 Interest/ Earnings	December 2025 Withdrawals	Ending Balance	
Non-Treasury Funds:						
Cert. of Participation 2002 Ser A Reserve Fund	\$ 694,887.73	\$ -	\$ 1,964.76	\$ -	\$ 696,852.49	Note 1
Cert. of Participation 2010 Ser Lease Payment Fund	2,641.87	-	8.34	-	2,650.21	Note 2
Cert. of Participation 2002 Ser A Lease Payment Fund	14,427.09	-	40.78	-	14,467.87	Note 1
Cert. of Participation 2010 Ser Reserve Fund	1,299,272.02	-	4,082.35	-	1,303,354.37	Note 2
Total Restricted Funds:	<u>\$ 2,011,228.71</u>	<u>\$ -</u>	<u>\$ 6,096.23</u>	<u>\$ -</u>	<u>\$ 2,017,324.94</u>	
CEPPT IRS Section 115 Trust	3,237,625.32	-	(3,471.98)	-	\$ 3,234,153.34	Note 3
Grand Total COP's and CEPPT Trust	<u>\$ 5,248,854.03</u>	<u>\$ -</u>	<u>\$ 2,624.25</u>	<u>\$ -</u>	<u>\$ 5,251,478.28</u>	

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

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

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

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

Town of Los Gatos
Statement of Interest Earned
December 31, 2025

July 2025	\$	238,713.97
August 2025	\$	238,367.28
September 2025	\$	259,685.13
October 2025	\$	228,769.00
November 2025	\$	220,968.79
December 2025	\$	234,197.60
January 2026	\$	-
February 2026	\$	-
March 2026	\$	-
April 2026	\$	-
May 2026	\$	-
June 2026	\$	-
	\$	<u>1,420,701.77</u>

**Town of Los Gatos
Investment Schedule
December 31, 2025**

Institution	CUSIP #	Security	Coupon	Deposit Date	Par Value	Original Cost	Original Issue (Discount) Premium	Market Value	Market Value Above (Under) Cost	Purchased Interest	Maturity Date or Call Date	Yield to Maturity or Call	Interest Received to Date	Interest Earned Prior Yrs.	Interest Earned Current FY	Days to Maturity
Apple	037833DB3	Corporate Bond	2.90%	12/20/2022	1,300,000.00	1,228,591.00	(71,409.00)	1,284,244.00	55,653.00		6/21/2027	4.19%	\$ 102,837.22	\$ 135,426.07	\$ 26,997.18	537
Home Depot	437076BM3	Corporate Bond	3.00%	8/4/2022	1,000,000.00	991,960.00	(8,040.00)	998,130.00	6,170.00		1/1/2026	3.04%	\$ 94,750.00	\$ 94,051.74	\$ 16,310.57	1
FFCB	3133ENSV8	Gov. Agency Debenture	4.13%	1/17/2023	236,000.00	239,174.20	3,174.20	237,290.92	(1,883.28)		1/17/2027	3.76%	\$ 24,175.25	\$ 21,918.24	\$ 4,506.10	376
US Treasury	91282CBT7	US Treasury Note	0.75%	9/30/2022	800,000.00	712,565.18	(87,434.82)	794,736.00	82,170.82		3/31/2026	4.14%	\$ 18,000.00	\$ 85,193.12	\$ 15,613.08	90
JP Morgan Chase	46625HRS1	Corporate Bond	3.20%	9/23/2022	500,000.00	474,660.00	(25,340.00)	498,510.00	23,850.00		3/15/2026	4.70%	\$ 51,644.44	\$ 64,505.94	\$ 11,739.95	74
FHLB	3130AQF65	Gov. Agency Debenture	1.25%	11/30/2022	1,300,000.00	1,160,559.40	(139,440.60)	1,271,959.00	111,399.60		12/21/2026	4.15%	\$ 49,697.92	\$ 130,709.25	\$ 25,504.24	355
FHLB	3130APIH9	Gov. Agency Debenture	1.00%	1/17/2023	1,000,000.00	907,010.00	(92,990.00)	989,670.00	82,660.00		10/28/2026	4.17%	\$ 28,354.17	\$ 84,829.28	\$ 17,439.76	301
FFCB	3133ENSN6	Gov. Agency Debenture	4.00%	2/8/2023	1,700,000.00	1,706,732.00	6,732.00	1,716,456.00	9,724.00		1/6/2028	3.91%	\$ 163,955.56	\$ 159,363.33	\$ 33,588.61	736
American Honda	02665WED9	Corporate Bond	4.70%	5/11/2023	600,000.00	608,856.00	8,856.00	608,304.00	(552.00)		1/12/2028	4.34%	\$ 61,178.33	\$ 56,288.41	\$ 13,261.29	742
US Treasury	91282CEF4	US Treasury Note	2.50%	6/9/2023	1,500,000.00	1,416,626.12	(83,373.88)	1,481,490.00	64,863.88		3/31/2027	4.09%	\$ 86,577.87	\$ 122,333.72	\$ 29,932.72	455
Colgate-Palmolive	194162AR4	Corporate Bond	4.60%	7/14/2023	500,000.00	504,655.00	4,655.00	507,840.00	3,185.00		2/1/2028	4.37%	\$ 49,002.79	\$ 43,173.83	\$ 11,079.48	762
FFCB	3133EPQC2	Gov. Agency Debenture	4.63%	7/17/2023	500,000.00	501,957.50	1,957.50	502,405.00	447.50		7/17/2026	4.48%	\$ 46,250.00	\$ 43,961.07	\$ 11,328.90	198
FFCB	3133EPBM6	Gov. Agency Debenture	4.13%	7/14/2023	600,000.00	596,220.00	(3,780.00)	605,964.00	9,744.00		8/23/2027	4.29%	\$ 52,181.25	\$ 50,424.13	\$ 12,940.08	600
PNC Bank	69353RFJ2	Corporate Bond	3.25%	7/25/2023	1,000,000.00	921,490.00	(78,510.00)	989,380.00	67,890.00		12/23/2027	5.23%	\$ 64,729.17	\$ 97,247.67	\$ 25,345.00	722
US Treasury	91282CFU0	US Treasury Note	4.13%	7/31/2023	1,300,000.00	1,290,660.60	(9,339.40)	1,314,573.00	23,912.40		10/31/2027	4.31%	\$ 120,656.25	\$ 107,052.11	\$ 28,139.41	669
Toyota Motor Credit	89236TKL8	Corporate Bond	5.45%	8/25/2023	1,600,000.00	1,617,168.00	17,168.00	1,647,920.00	30,752.00		11/10/2027	5.16%	\$ 192,566.67	\$ 153,725.55	\$ 41,904.45	679
US Treasury	912810FE3	US Treasury Note	5.50%	10/3/2023	1,200,000.00	1,238,207.14	38,207.14	1,259,580.00	21,372.86		8/15/2028	4.76%	\$ 123,211.96	\$ 101,335.84	\$ 29,317.29	958
PepsiCo Inc	713448DF2	Corporate Bond	2.85%	10/16/2023	1,000,000.00	947,570.00	(52,430.00)	998,470.00	50,900.00		2/24/2026	5.24%	\$ 85,838.33	\$ 86,538.35	\$ 25,558.68	55
FFCB	3133EPUW3	Gov. Agency Debenture	4.75%	10/13/2023	1,000,000.00	994,338.00	(5,662.00)	1,007,370.00	13,032.00		9/1/2026	4.96%	\$ 89,458.33	\$ 84,828.57	\$ 24,933.64	244
US Treasury	91282CEW7	US Treasury Note	3.25%	10/16/2023	1,000,000.00	950,039.06	(49,960.94)	996,640.00	46,600.94		6/30/2027	4.73%	\$ 71,711.96	\$ 78,477.53	\$ 23,177.95	546
US Treasury	91282CEN7	US Treasury Note	2.75%	10/31/2023	1,300,000.00	1,214,336.39	(85,663.61)	1,287,455.00	73,118.61		4/30/2027	4.82%	\$ 71,500.00	\$ 100,336.49	\$ 30,364.99	485
US Treasury	91282CC2H	US Treasury Note	1.25%	12/21/2023	900,000.00	798,647.55	(101,352.45)	852,012.00	53,364.55		6/30/2028	3.99%	\$ 22,805.71	\$ 51,319.84	\$ 16,953.05	912
FNMA	3135G0Q22	Gov. Agency Debenture	1.88%	12/21/2023	900,000.00	845,676.00	(54,324.00)	888,966.00	43,290.00		9/24/2026	4.22%	\$ 29,671.88	\$ 57,700.03	\$ 18,423.14	267
US Treasury	91282CFB2	US Treasury Note	2.75%	1/2/2024	1,000,000.00	960,354.91	(39,645.09)	988,790.00	28,435.09		7/31/2027	3.95%	\$ 43,417.12	\$ 57,605.73	\$ 19,448.54	577
US Treasury	91282CHE4	US Treasury Note	3.63%	1/17/2024	1,800,000.00	1,775,185.72	(24,814.28)	1,805,130.00	29,944.28		5/31/2028	3.97%	\$ 121,942.63	\$ 102,986.91	\$ 35,753.94	882
JP Morgan Chase	46647PDG8	Corporate Bond	4.85%	2/1/2024	1,400,000.00	1,396,528.00	(3,472.00)	1,418,172.00	21,644.00		7/25/2027	4.93%	\$ 100,739.10	\$ 97,231.80	\$ 34,739.13	571
US Bancorp	91159HJF8	Corporate Bond	4.55%	2/5/2024	1,000,000.00	989,200.00	(10,800.00)	1,008,430.00	19,230.00		7/22/2027	4.89%	\$ 66,577.67	\$ 68,041.60	\$ 24,500.30	568
Treasury	91282CHB0	US Treasury Note	3.63%	2/23/2024	1,175,000.00	1,151,962.92	(23,037.08)	1,175,317.25	23,354.33		5/15/2026	4.56%	\$ 73,485.92	\$ 71,517.53	\$ 26,692.14	135
FHLB	3130AXB31	Gov. Agency Debenture	4.88%	2/27/2024	1,000,000.00	1,003,060.00	3,060.00	1,002,490.00	(570.00)		3/13/2026	4.72%	\$ 76,104.17	\$ 63,303.13	\$ 23,819.58	72
FFCB	3133EP5U5	Gov. Agency Debenture	4.13%	3/28/2024	1,700,000.00	1,687,981.00	(12,019.00)	1,726,588.00	38,607.00		3/20/2029	4.28%	\$ 103,629.17	\$ 91,219.09	\$ 36,567.13	1175
US Treasury	91282SM88	US Treasury Note	3.13%	4/30/2024	1,200,000.00	1,123,832.14	(76,167.86)	1,187,016.00	63,183.86		11/15/2028	4.69%	\$ 57,795.34	\$ 63,313.82	\$ 27,346.81	1050
Cisco Systems	17275RBR2	Corporate Bond	4.85%	5/15/2024	1,000,000.00	999,130.00	(870.00)	1,027,080.00	27,950.00		1/26/2029	4.87%	\$ 62,106.94	\$ 54,402.58	\$ 25,452.55	1122
Home Depot	437076CW0	Corporate Bond	4.90%	5/17/2024	1,000,000.00	1,001,790.00	1,790.00	1,029,630.00	27,840.00		4/15/2029	4.86%	\$ 69,144.44	\$ 54,498.76	\$ 24,517.78	1201
Treasury	91282CJR3	US Treasury Note	3.75%	5/31/2024	1,200,000.00	1,215,629.02	(45,370.98)	1,207,722.00	52,642.98		12/31/2028	4.68%	\$ 71,208.79	\$ 59,398.06	\$ 27,668.97	1096
American Honda	02665WEY3	Corporate Bond	4.95%	6/27/2024	1,000,000.00	995,640.00	(4,360.00)	1,000,180.00	4,540.00		1/9/2026	5.25%	\$ 51,287.50	\$ 52,766.88	\$ 26,383.44	9
FHLB	3130B1BT3	Gov. Agency Debenture	4.88%	7/2/2024	1,150,000.00	1,156,966.00	966.00	1,156,911.50	5,945.50		6/12/2026	4.82%	\$ 75,372.92	\$ 55,261.42	\$ 28,011.30	163
Citibank	17325FBK3	Corporate Bond	4.84%	8/15/2024	1,250,000.00	1,263,062.50	13,062.50	1,280,162.50	17,100.00		7/6/2029	4.60%	\$ 58,963.12	\$ 50,520.38	\$ 29,140.28	1283
FNMA	3135G05Y5	Gov. Agency Debenture	0.75%	9/10/2024	1,100,000.00	1,010,724.00	(89,276.00)	1,048,795.00	38,071.00		10/8/2027	3.56%	\$ 8,891.67	\$ 29,915.45	\$ 18,786.49	646
US Treasury	91282CFU0	US Treasury Note	3.88%	12/3/2024	1,100,000.00	1,088,144.31	(11,855.69)	1,110,142.00	21,997.69		9/30/2029	4.12%	\$ 35,130.49	\$ 25,813.46	\$ 22,725.72	1369
FHLB	3130ATUT2	Gov. Agency Debenture	4.50%	2/12/2025	505,000.00	508,253.21	3,253.21	521,023.65	12,770.44		12/14/2029	4.35%	\$ 19,063.75	\$ 8,337.70	\$ 11,116.94	1444
FFCB	3133ER5X5	Gov. Agency Debenture	3.88%	3/12/2025	1,000,000.00	998,480.00	(1,520.00)	1,006,100.00	7,620.00		3/7/2028	3.93%	\$ 18,836.81	\$ 11,831.34	\$ 19,790.60	797
Treasury	91282CFJ9	US Treasury Note	4.88%	3/31/2025	1,100,000.00	1,139,358.00	30,167.75	1,139,358.00	9,190.25		10/31/2028	4.04%	\$ 31,256.56	\$ 11,273.90	\$ 22,795.57	1035
State Street Corp	857477CD3	Corporate Bond	5.27%	4/30/2025	800,000.00	811,184.00	11,184.00	805,112.00	(6,072.00)		8/3/2026	4.04%	\$ 10,895.47	\$ 5,565.50	\$ 16,787.73	215
Freddie Mac	3134HAW33	Gov. Agency Debenture	4.75%	4/30/2025	1,000,000.00	1,003,940.00	5,644.00	1,003,940.00	(1,704.00)		12/18/2029	4.23%	\$ 30,743.07	\$ 7,735.00	\$ 23,331.80	1448
US Treasury	91282CNG2	US Treasury Note	4.00%	6/30/2025	660,000.00	665,184.24	5,184.24	668,949.60	3,765.36		5/31/2030	3.82%	\$ 11,036.08	-	\$ 12,777.37	1612
US Treasury	91282CMG3	US Treasury Note	4.25%	8/4/2025	825,000.00	842,308.43	17,308.43	843,917.25	1,608.82	381.11	1/31/2030	3.74%	\$ (381.11)	-	\$ 12,741.61	1492
US Treasury	91282CMA6	US Treasury Note	4.13%	8/25/2025	1,200,000.00	1,218,847.77	18,847.77	1,221,516.00	2,668.23		11/30/2029	3.72%	\$ 13,118.86	-	\$ 15,810.44	1430
US Treasury	91282CHR5	US Treasury Note	4.00%	9/23/2025	950,000.00	967,036.38	17,036.38	962,882.00	(4,154.38)	5,576.08	7/31/2030	3.59%	\$ (5,576.08)	-	\$ 9,355.04	1673
US Treasury	91282CGQ8	US Treasury Note	4.00%	10/3/2025	1,000,000.00	1,013,362.72	13,362.72	1,013,480.00	117.28	3,646.41	2/28/2030	3.67%	\$ (3,646.41)	-	\$ 9,014.28	1520
State Street Corp	857477DB6	Corporate Bond	4.83%	11/10/2025	580,000.00	596,535.80	16,535.80	597,655.20	1,119.40	1,246.09	4/24/2030	4.13%	\$ (1,246.09)			

Town of Los Gatos
Investment Transaction Detail
December 31, 2025

Date	Cusip/Id	Description	Transaction Type	Trade Date	Settlement Date	Par	Coupon	Maturity Date	Price	Principal	Interest	Transaction Total
12/1/2025	91282CNG2	USA TREASURY 4% 31MAY2030	BOND INTEREST	11/30/2025	11/30/2025	660,000.00	4.000%	5/31/2030	-	-	13,200.00	13,200.00
12/1/2025	91282CHE4	USA TREASURY 3.625% 31MAY2028	BOND INTEREST	11/30/2025	11/30/2025	1,800,000.00	3.625%	5/31/2028	-	-	32,625.00	32,625.00
12/1/2025	91282CMA6	USA TREASURY 4.125% 30NOV2029	BOND INTEREST	11/30/2025	11/30/2025	1,200,000.00	4.125%	11/30/2029	-	-	24,750.00	24,750.00
12/2/2025	Cash-USD	Cash-USD	SHORT TERM INVESTMENT FUND INCOME	12/2/2025	12/2/2025	484.69	0.000%		100.00	-	-	484.69
12/12/2025	3130B1BT3	FEDERAL HOME LOAN BANK 4.875% 12JUN2026	BOND INTEREST	12/12/2025	12/12/2025	1,150,000.00	4.875%	6/12/2026	-	-	28,031.25	28,031.25
12/15/2025	3130ATUT2	FEDERAL HOME LOAN BANK 4.5% 14DEC2029	BOND INTEREST	12/14/2025	12/14/2025	505,000.00	4.500%	12/14/2029	-	-	11,362.50	11,362.50
12/15/2025	91282CGA3	USA TREASURY 4% 15DEC2025	REDEMPTION	12/15/2025	12/15/2025	2,100,000.00	0.000%	12/15/2025	100.00	2,100,000.00	-	2,100,000.00
12/15/2025	46625HRS1	JPMORGAN CHASE & CO 3.2% 15JUN2026 (CALLABLE 15MAR26)	BOND INTEREST	12/15/2025	12/15/2025	500,000.00	3.200%	6/15/2026	-	-	8,000.00	8,000.00
12/15/2025	91282CGA3	USA TREASURY 4% 15DEC2025	BOND INTEREST	12/15/2025	12/15/2025	2,100,000.00	0.000%	12/15/2025	-	-	42,000.00	42,000.00
12/17/2025	91282CHW4	USA TREASURY 4.125% 31AUG2030	PURCHASE	12/16/2025	12/17/2025	1,150,000.00	4.125%	8/31/2030	101.77	1,170,308.54	14,152.62	1,184,461.16
12/17/2025	91282CKA8	USA TREASURY 4.125% 15FEB2027	PURCHASE	12/16/2025	12/17/2025	1,150,000.00	4.125%	2/15/2027	100.68	1,157,775.34	15,984.38	1,173,759.72
12/18/2025	3134HAW33	FREDDIE MAC 4.75% 18DEC2029 (CALLABLE 18JUN26)	BOND INTEREST	12/18/2025	12/18/2025	1,000,000.00	4.750%	12/18/2029	-	-	23,750.00	23,750.00
12/22/2025	3130AQF65	FEDERAL HOME LOAN BANK 1.25% 21DEC2026	BOND INTEREST	12/21/2025	12/21/2025	1,300,000.00	1.250%	12/21/2026	-	-	8,125.00	8,125.00
12/31/2025	91282CEW7	USA TREASURY 3.25% 30JUN2027	BOND INTEREST	12/31/2025	12/31/2025	1,000,000.00	3.250%	6/30/2027	-	-	16,250.00	16,250.00
12/31/2025	91282CJR3	USA TREASURY 3.75% 31DEC2028	BOND INTEREST	12/31/2025	12/31/2025	1,200,000.00	3.750%	12/31/2028	-	-	22,500.00	22,500.00
12/31/2025	91282CCH2	USA TREASURY 1.25% 30JUN2028	BOND INTEREST	12/31/2025	12/31/2025	900,000.00	1.250%	6/30/2028	-	-	5,625.00	5,625.00

TOWN OF LOS GATOS, CA

Insight ESG ratings as of December 31, 2025

CUSIP	Security description	Maturity date	Par/Shares	Total market value (\$)	S&P rating	Moody's rating	Insight ESG rating	Environment	Social	Governance
02665WEY3	AMERICAN HONDA FINANCE 4.95% 09JAN2026	1/9/2026	1,000,000	1,023,830	A-	A3	3	3	3	3
02665WED9	AMERICAN HONDA FINANCE 4.7% 12JAN2028	1/12/2028	600,000	621,540	A-	A3	3	3	3	3
037833DB3	APPLE INC 2.9% 12SEP2027 (CALLABLE 12JUN27)	9/12/2027	1,300,000	1,295,658	AA+	Aaa	5	2	5	5
17275RBR2	CISCO SYSTEMS INC 4.85% 26FEB2029 (CALLABLE 26JAN29)	2/26/2029	1,000,000	1,043,923	AA-	A1	2	1	3	3
17325FBK3	CITIBANK NA 4.838% 06AUG2029 (CALLABLE 06JUL29)	8/6/2029	1,250,000	1,304,517	A+	Aa3	3	1	2	4
194162AR4	COLGATE-PALMOLIVE CO 4.6% 01MAR2028 (CALLABLE 01FEB28)	3/1/2028	500,000	515,507	A+	Aa3	3	3	3	2
437076CW0	HOME DEPOT INC 4.9% 15APR2029 (CALLABLE 15MAR29)	4/15/2029	1,000,000	1,039,970	A	A2	3	3	3	3
437076BM3	HOME DEPOT INC 3% 01APR2026 (CALLABLE 30JAN26)	4/1/2026	1,000,000	1,005,632	A	A2	3	3	3	3
46625HRS1	JPMORGAN CHASE & CO 3.2% 15JUN2026 (CALLABLE 15MAR26)	6/15/2026	500,000	499,223	A	A1	3	2	3	4
46647PDG8	JPMORGAN CHASE & CO 4.851% 25JUL2028 (CALLABLE 25JUL27)	7/25/2028	1,400,000	1,447,598	A	A1	3	2	3	4
713448DF2	PEPSICO INC 2.85% 24FEB2026 (CALLABLE 30JAN26)	2/24/2026	1,000,000	1,008,529	A+	A1	3	2	2	4
69353RFJ2	PNC BANK NA 3.25% 22JAN2028 (CALLABLE 23DEC27)	1/22/2028	1,000,000	1,003,739	A	A2	3	3	4	2
857477CD3	STATE STREET CORP 5.272% 03AUG2026 (CALLABLE 03JUL26)	8/3/2026	800,000	822,447	A	Aa3	2	1	2	2
857477DB6	STATE STREET CORP 4.834% 24APR2030 (CALLABLE 24MAR30)	4/24/2030	580,000	602,872	A	Aa3	2	1	2	2
89236TKL8	TOYOTA MOTOR CREDIT CORP 5.45% 10NOV2027	11/10/2027	1,600,000	1,660,280	A+	A1	3	1	2	4
91159HJF8	US BANCORP 4.548% 22JUL2028 (CALLABLE 22JUL27)	7/22/2028	1,000,000	1,028,514	A	A3	3	3	3	3
Total Corporate / weighted average			15,530,000	15,923,778			3	2	3	3

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 3.

Fund Number	Fund Description	Prior Year Carryforward 7/1/2025*	Increase/ (Decrease) July-November	December 2025				Estimated Fund Balance 12/31/2025*
				Current Revenue	Current Expenditure	Transfer In	Transfer Out	
111	GENERAL FUND							
	Non-Spendable:							
	Loans Receivable	159,000	-	-	-	-	-	159,000
	Restricted Fund Balances:							
	Pension	3,090,731	-	-	-	-	-	3,090,731
	Land Held for Resale	-	-	-	-	-	-	-
	Committed Fund Balances:							
	Budget Stabilization	7,870,639	-	-	-	-	-	7,870,639
	Catastrophic	7,870,639	-	-	-	-	-	7,870,639
	Pension/OPEB	1,300,000	-	-	-	-	-	1,300,000
	Measure G District Sales Tax	-	-	-	-	-	-	-
	Assigned Fund Balances:							
	Open Space	410,000	-	-	-	-	-	410,000
	Sustainability	140,553	-	-	-	-	-	140,553
	Capital/Special Projects	1,983,271	-	-	-	-	-	1,983,271
	Carryover Encumbrances	6,367	-	-	-	-	-	6,367
	Compensated Absences	1,519,243	-	-	-	-	-	1,519,243
	ERAF Risk Reserve	-	-	-	-	-	-	-
	Market Fluctuations	1,201,824	-	-	-	-	-	1,201,824
	Council Priorities - Economic Recovery	-	-	-	-	-	-	-
	Unassigned Fund Balances:							
	Other Unassigned Fund Balance Reserve (Pre YE distribution)	10,211,049	(4,720,943)	5,110,854	(4,821,185)	-	-	5,779,775
	General Fund Total	35,763,316	(4,720,943)	5,110,854	(4,821,185)	-	-	31,332,042

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

Fund Schedule

Item 3.

Fund Number	Fund Description	Prior Year Carryforward 7/1/2025*	Increase/ (Decrease) July-November	December 2025				Estimated Fund Balance 12/31/2025*
				Current Revenue	Current Expenditure	Transfer In	Transfer Out	
	SPECIAL REVENUE							
211/212	CDBG	166,653	-	-	-	-	-	166,653
222	Urban Runoff (NPDES)	664,168	(4,780)	13,641	(10,933)	-	-	662,096
231-236	Landscape & Lighting Districts	193,606	(10,517)	-	(2,071)	-	-	181,018
251	Los Gatos Theatre	381,120	51,926	15,070	(5,323)	-	-	442,793
261-264,269	Library Trusts	559,745	47,850	-	(397)	-	-	607,198
	Special Revenue Total	1,965,292	84,479	28,711	(18,724)	-	-	2,059,758
	CAPITAL PROJECTS							
411	GFAR - General Fund Appropriated Reserve	16,974,946	929,426	82,377	(19,774)	-	-	17,966,975
412	Community Center Development	819,604	-	-	-	-	-	819,604
421	Grant Funded Projects	(1,577,430)	848,927	25,935	(16,024)	-	-	(718,592)
461-463	Storm Basin Projects	2,825,234	85,561	46,741	(105,320)	-	-	2,852,216
471	Traffic Mitigation Projects	676,482	-	-	-	-	-	676,482
472	Utility Undergrounding Projects	3,763,913	8,848	-	-	-	-	3,772,761
481	Gas Tax Projects	2,130,548	(358,921)	146,742	-	-	-	1,918,369
	Capital Projects Total	25,613,297	1,513,841	301,795	(141,118)	-	-	27,287,815
	INTERNAL SERVICE FUNDS							
611	Town General Liability	208,746	(1,538,849)	840,773	(28,943)	-	-	(518,273)
612	Workers Compensation	1,259,972	(641,907)	865,744	(120,354)	-	-	1,363,455
621	Information Technology	2,585,103	(423,677)	205,651	(13,832)	-	-	2,353,245
631	Vehicle & Equipment Replacement	3,890,428	128,053	291,886	-	-	-	4,310,367
633	Facility Maintenance	820,099	(146,176)	296,079	(142,044)	-	-	827,958
	Internal Service Funds Total	8,764,348	(2,622,556)	2,500,133	(305,173)	-	-	8,336,752
	Trust/Agency							
942	RDA Successor Agency	(3,037,146)	(1,743,392)	-	(148)	-	-	(4,780,686)
	Trust/Agency Fund Total	(3,037,146)	(1,743,392)	-	(148)	-	-	(4,780,686)
	Total Town	69,069,107	(7,488,571)	7,941,493	(5,286,348)	-	-	64,235,681

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

Deposit Accounts of Interest:

111-23541 General Plan Update deposit account balance \$536,589.49
111-23521 BMP Housing deposit account balance \$3,723,190.79



TOWN OF LOS GATOS
FINANCE COMMISSION REPORT

MEETING DATE: 02/09/2026

ITEM NO: 4

Item 4.

DATE: February 9 2026
TO: Finance Commission
FROM: Chris Constantin, Town Manager
SUBJECT: Receive the FY 2025-26 Mid-Year Budget Report and the Draft FY 2025-26 Forecast.

RECOMMENDATION:

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

BACKGROUND:

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

- (a) The Finance Commission shall:
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.

DISCUSSION:

On February 17, 2026, the Town Council will consider the FY 2025-26 Mid-Year Budget Report, the updated Five-Year Forecast, and recommendations for budget adjustments (see Attachment 1). Staff will provide the Finance Commission comments to the Town Council for the February 17, 2026, meeting.

PREPARED BY: Kristina Alfaro
Administrative Services Director

Reviewed by: Town Manager and Town Attorney

PAGE 2 OF 2

SUBJECT: Receive the Town's Draft FY 2025-26 Mid-Year Report and Forecast

DATE: February 6, 2026

Attachment:

1. Town Council Draft FY 2025-26 Mid-Year Budget Report
2. Draft Updated FY 2026-27 Forecast with Forecast History Updated 2-6-2026
3. Revenue Forecast Assumptions
4. Expenditure Forecast Assumptions



**TOWN OF LOS GATOS
MID-YEAR BUDGET REPORT
JULY 1 - DECEMBER 31, 2025**

February 5, 2026

**FINANCIAL OVERVIEW AND EXECUTIVE SUMMARY: STATUS OF FY 2025-26
ADOPTED BUDGET**

The purposes of the Mid-Year Report are to provide the Town Council with a status of the Adopted Fiscal Year (FY) 2025-26 Operating Budget after the first six months and to make any adjustments to ensure the continuity of municipal services and operations for the remainder of the fiscal year. The Report is one of several periodic updates to the Town Council on the status of the current year's revenues and expenditures and the projected financial condition of all Town funds compared with the Adopted Operating Budget. The updates typically focus on the Town's General Fund.

In February 2025, the Town Council determined the Strategic Priorities for 2025-2027, providing guidance to Town staff and Commissions on workload prioritization. This included prioritizing emergency preparedness, particularly regarding wildfire risks, ensuring prudent financial management, and preserving the community's unique small-town charm. Even with the budgetary challenges of the last several years, many of Council's primary goals and priorities have been programmed in the FY 2025-26 Operating and Capital Budgets. Town Council will review its strategic priorities at its February 10, 2026, Special Meeting.

Staff has started budget development work for the next fiscal year, including updating the Five-Year Financial Forecast, identifying critical Town needs, contractual obligations, unfunded mandates, potential adjustments to the Fee and Fine Schedule, and other analyses. Staff is actively engaged in the FY 2025-26 budget process with the primary focus of ensuring that the available Town resources are allocated to meet the priority service needs of the community. The Town Council is tentatively scheduled to hold a public hearing on the Proposed FY 2026-27 Budget on May 19, 2026.

During FY 2024-25, the General Fund had an excess of revenues over expenditures of \$5.7 million, excluding transfers. Transfers out exceeded transfers in by \$1.2 million. The principal purpose of the Town's interfund transfers was contributions toward capital projects (\$1.1 million) and general liability (\$0.06 million). Fund Balance in the General Fund increased by \$4.7 million to \$35.8 million at the close of the prior fiscal year. This increase includes \$1.2 million unrealized gains from mark-to-market adjustment and a \$0.7 million increase to the Town's restricted Pension Trust. The \$1.2 million unrealized gain is an increase in the value of the asset that has not been sold and is not available for spending. In addition, the Council previously allocated \$1.0 million for Emergency Management. Out of the \$1.0 million, \$31,400 were utilized in FY 2024-25; the rest will be spent in FY 2025-26 and future fiscal years.

For FY 2025–26, the budget was balanced by incorporating a 4.6% vacancy factor, an additional \$255,000 in pension benefit savings, potential revenue enhancements, tiered departmental reductions, and the use of \$0.9 million in reserve funds. Current year-end projections indicate an anticipated surplus of \$4.3 million when combining estimated operating revenues over expenditures. Of this amount, \$3.0 million represents estimated proceeds from a one-time property sale.

In addition, departments are requesting \$3,575,371 General Fund revenue budget adjustments and \$1,350,141 expenditure budget adjustments. As discussed in greater detail later in this Report, the primary drivers of the projected surplus are increased revenue projections for property tax, sales tax, interest, business license tax, and permit revenues offset by increases in retiree health care expenditures, legal services, and various contractually obligated services.

As mentioned earlier, the Town Council balanced the budget with a 4.6% vacancy factor. Staff continues to monitor each Department's budget because while overall Townwide General Fund savings are predicted due to vacancies, the individual Departments' current personnel expenditure budgets may not be sufficient for the remainder of the year. Staff will recommend the necessary expenditure budget adjustments as needed.

Providing services to the community in this and future fiscal years will require strong revenue performance of the Town's economically sensitive revenues to offset continued projected cost increases. The FY 2026-27 budget development process will endeavor to maintain essential public services while controlling operational costs and considering the five-year fiscal forecast, which predicts operating revenue shortfalls in subsequent fiscal years with certain assumptions.

CONTENT OVERVIEW

The remainder of this Report focuses on the General Fund and provides analyses of key revenues and expenditures, including historical data by Town Department/Service Area. The next section describes recommended revenue and expenditure budget adjustments. The Report also includes financial summaries of other funds, as well as a table of General Fund Operating Revenues Versus Operating Expenditures through the second quarter of FY 2025-26, including comparison information from the prior year.

GENERAL FUND FINANCIAL SUMMARIES AND ESTIMATES

The following table is the *Schedule of General Fund Operating Revenues Versus Operating Expenditures* for the second quarter of FY 2025-26, which includes comparison information from the prior year.

The FY 2025-26 Adopted Budget represents the original adopted budget.

The FY 2025-26 Adjusted Budget as of 12/31/2025 column includes the adopted budget and items that the Council approved during the first two quarters of the fiscal year, such as additional funding for salaries and benefits, janitorial services, road closures related to special events, and miscellaneous carryover grants from the prior fiscal year.

The FY 2025-26 Estimated column contains projections of final balances for the current fiscal year based upon staff analysis, the early trends observed through the second quarter in sales tax and property tax projections, and the proposed mid-year adjustments as listed in this report. The FY 2025-26 Estimated figures also include an analysis of potential salary and other expenditure savings; however, budget adjustments are only recommended as identified in this Report.

Staff continues to fine-tune the detailed analysis of the FY 2025-26 year-end estimated revenue and expenditure numbers, and an update will be provided with the presentation of the Proposed Fiscal Year 2026-27 Operating Budget.

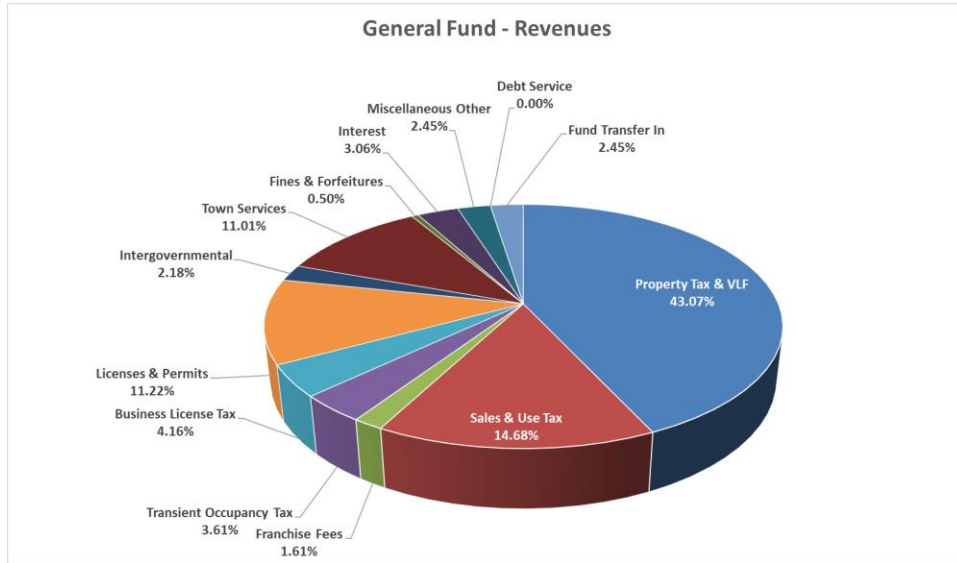
The table on the next page provides details of General Fund Revenues, Reserve Use, total Expenditures, and Reserve Allocations.

GENERAL FUND									
SUMMARY OF REVENUES AND EXPENDITURES									
	FY 2024-25 Actuals	FY 2024-25 Q2	2Q % of FY 2024-25 Actuals	2Q % of FY 2025-26 Adjusted Budget as of 12/31/2025	FY 2025-26 Q2	FY 2025-26 Adopted Budget	FY 2025-26 Adjusted Budget as of 12/31/2025	Proposed Mid-Year Adjustments	FY 2025-26 Year End Estimates Including Proposed Mid-Year Adjustments
Revenues									
Property Tax	\$ 20,157,765	\$ 6,687,445	33.2%	32.5%	\$ 6,981,476	\$ 21,450,971	\$ 21,450,971	\$ 68,164	\$ 21,519,135
VLF Backfill Property Tax	5,109,100	-	0.0%	0.0%	-	5,377,328	5,377,328	28,672	5,406,000
Sales & Use Tax	6,992,336	2,082,120	29.8%	32.2%	2,138,351	6,639,081	6,639,081	1,207,436	7,840,000
Measure G Sales & Use Tax	1,338,642	428,741	32.0%	33.5%	435,464	1,298,825	1,298,825	30,175	1,329,000
Franchise Fees	1,057,484	113,842	10.8%	9.8%	101,773	1,043,730	1,043,730	(34,892)	1,008,838
Transient Occupancy Tax	2,417,630	941,711	39.0%	31.0%	749,774	2,422,390	2,422,390	(166,585)	2,255,805
Business License Tax	2,975,721	153,569	5.2%	16.0%	399,756	2,493,992	2,493,992	107,508	2,601,500
Licenses & Permits	6,681,607	2,983,426	44.7%	60.1%	3,800,214	6,322,712	6,322,712	689,959	7,014,459
Intergovernmental	1,357,593	796,630	58.7%	72.3%	778,450	838,936	1,076,042	(38,691)	1,307,778
Town Services	5,749,945	3,732,385	64.9%	88.4%	5,285,486	5,736,735	5,980,545	967,821	6,957,561
Fines & Forfeitures	420,127	187,733	44.7%	73.4%	231,288	315,200	315,200	(3,000)	312,775
Interest	1,949,418	374,836	19.2%	39.2%	615,033	1,567,774	1,567,774	345,487	1,913,261
GASB 31 to Market	1,201,824	-	0.0%	-	-	-	-	-	-
Use of Property	76,161	-	0.0%	-	-	-	-	-	-
Miscellaneous Other	190,104	533,750	280.8%	14.1%	270,499	3,795,501	1,920,471	379,834	1,533,255
Other Taxes - Park Construc	5,004	-	-	-	-	-	-	-	-
Sale of Property	-	-	-	-	-	-	3,000,000	-	3,000,000
Total Revenues	\$ 57,680,461	\$ 19,016,188			\$ 21,787,564	\$ 59,303,175	\$ 60,909,061	\$ 3,581,888	\$ 63,999,367
Debt Service - Entry Elimina	1,902,300	-	0.0%	0.0%	-	1,901,850	1,901,850	-	1,901,850
Planning Pass Through Services - Entry Eliminated for ACFR	79,400	-	-	-	-	-	-	-	-
Pension Trust Income - Entry Eliminated for ACFR	690,000	-	-	-	-	-	-	-	-
Measure G for Operations - Entry Eliminated for ACFR	652,396	-	-	-	-	-	-	-	-
Other Financial Sources									
Fund Transfer In	\$ 812,411	\$ -	0.0%	0.0%	\$ -	\$ 562,411	\$ 562,411	\$ -	\$ 562,411
Total Revenues & Transfers	\$ 61,816,968	\$ 19,016,188	31%	34%	\$ 21,787,564	\$ 61,767,436	\$ 63,373,322	\$ 3,581,888	\$ 66,463,628
Expenditures									
Town Council	\$ 222,954	\$ 104,644	46.9%	49.7%	\$ 110,352	\$ 222,115	\$ 222,115	\$ -	\$ 233,667
Attorney	1,076,252	398,986	37.1%	50.3%	594,515	830,884	1,180,884	100,000	1,293,243
Administrative Services	6,428,009	3,161,963	49.2%	40.5%	3,367,328	7,338,116	8,308,150	153,305	7,245,642
Non- Departmental	3,157,197	1,641,596	52.0%	24.1%	1,391,498	5,345,295	5,775,829	300,191	5,977,662
Community Development	5,637,743	2,646,092	46.9%	50.1%	3,020,911	6,021,135	6,027,635	502,500	6,368,565
Police	20,827,880	10,269,947	49.3%	46.2%	10,992,545	23,504,430	23,768,356	93,370	23,095,918
Parks & Public Works	10,717,232	4,920,014	45.9%	43.5%	5,068,319	11,404,963	11,653,693	200,775	11,649,244
Library	3,568,498	1,722,056	48.3%	47.8%	1,747,675	3,655,823	3,655,823	-	3,652,651
Capital Outlay	65,000	-	-	-	-	-	-	-	-
Principal	206,380	-	-	-	-	156,034	-	-	156,034
Interest and Fees	41,403	-	-	-	-	-	-	-	-
Total Department Expenditu	\$ 51,948,548	\$ 24,865,298	48%	43%	\$ 26,293,143	\$ 58,478,795	\$ 60,592,485	\$ 1,350,141	\$ 59,672,626
Debt Service - Entry Eliminated for ACFR	\$ 1,902,300	\$ -	0.0%	0.0%	\$ -	\$ 1,901,850	\$ 1,901,850	\$ -	\$ 1,901,850
Transfer to Pension Trust Fund - Entry Eliminated for ACFR	690,000	-	-	-	-	-	-	-	-
Measure G Transfer - Entry Eliminated for ACFR	652,396	-	-	-	-	-	-	-	-
Other Financing Uses									
Transfers Out	\$ 1,843,080	\$ -	0.0%	-	\$ -	\$ -	\$ -	\$ -	\$ -
Total Additional Non-Depar	\$ 5,087,776	\$ -	0%	0%	\$ -	\$ 1,901,850	\$ 1,901,850	\$ -	\$ 1,901,850
Total Operating Expenditure	\$ 57,036,324	\$ 24,865,298	44%	42%	\$ 26,293,143	\$ 60,380,645	\$ 62,494,335	\$ 1,350,141	\$ 61,574,476
Revenues Over									
Expenditures	\$ 5,731,913	\$ (5,849,110)			\$ (4,505,579)	\$ 824,380	\$ 316,576	\$ 2,231,747	\$ 4,326,741

FY 24-25 and FY 2025-26 2Q Net Operating Revenues are negative because some revenues budgeted for the entire fiscal year are received in the third or fourth quarters and expended in the first or second quarters.

GENERAL FUND - KEY REVENUE ANALYSIS FY 2025-26

The following information provides a recap of the General Fund budgeted significant revenue sources, including estimated year end collection as of the second quarter ending December 31, 2025. Staff is monitoring developments in each major revenue source closely for potential adjustments to budgeted revenues as recommended in this Report.



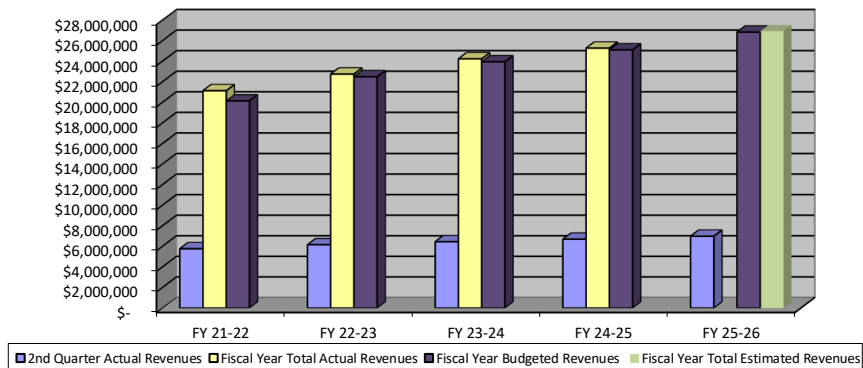
Property Tax and Motor Vehicle in Lieu Fee (VLF)

Property tax and VLF are the single largest revenue sources for the Town and comprise approximately 42.09% of total Town General Fund estimated revenues for FY 2025-26. Property tax is levied by the Santa Clara County Assessor's Office at 1% of a property's assessed value, of which the Town receives approximately 9.3 cents per dollar paid on property located within the municipal limits of Los Gatos. In compliance with Proposition 13, the assessed value of real property is based on the 1975/76 assessment roll value, adjusted by a 2% inflation factor annually thereafter. However, when property changes hands or new construction occurs, it is reassessed at its current market value.

The County of Santa Clara provides property tax collection updates and projections throughout the year. The current County estimate shows a \$96,836 increase in estimated collections over the Adopted Budget.

Property tax distributions are largely received in the third and fourth quarters. Second-quarter receipts are trending similarly to those received during the second quarter of the previous fiscal year and are at 27% of budgeted totals. Based on current County projections, staff recommends a \$96,836 increase in estimated General Property Tax and Motor Vehicle in Lieu Fee collections.

**Property Tax and VLF - Quarterly and Annual Revenues
5-Year History**



	FY 21-22	FY 22-23	FY 23-24	FY 24-25	FY 25-26
2nd Quarter Actual Revenues	\$ 5,761,081	\$ 6,155,317	\$ 6,446,869	\$ 6,687,445	\$ 6,981,476
Fiscal Year Total Actual Revenues	\$ 21,129,080	\$ 22,743,088	\$ 24,227,166	\$ 25,266,865	
Fiscal Year Total Estimated Revenues					\$ 26,925,135
Fiscal Year Budgeted Revenues	\$ 20,138,320	\$ 22,484,118	\$ 23,938,717	\$ 25,102,070	\$ 26,828,299
2nd Quarter Percent of Total	27%	27%	27%	27%	26%
Recommended Budget Revision					\$ 96,836

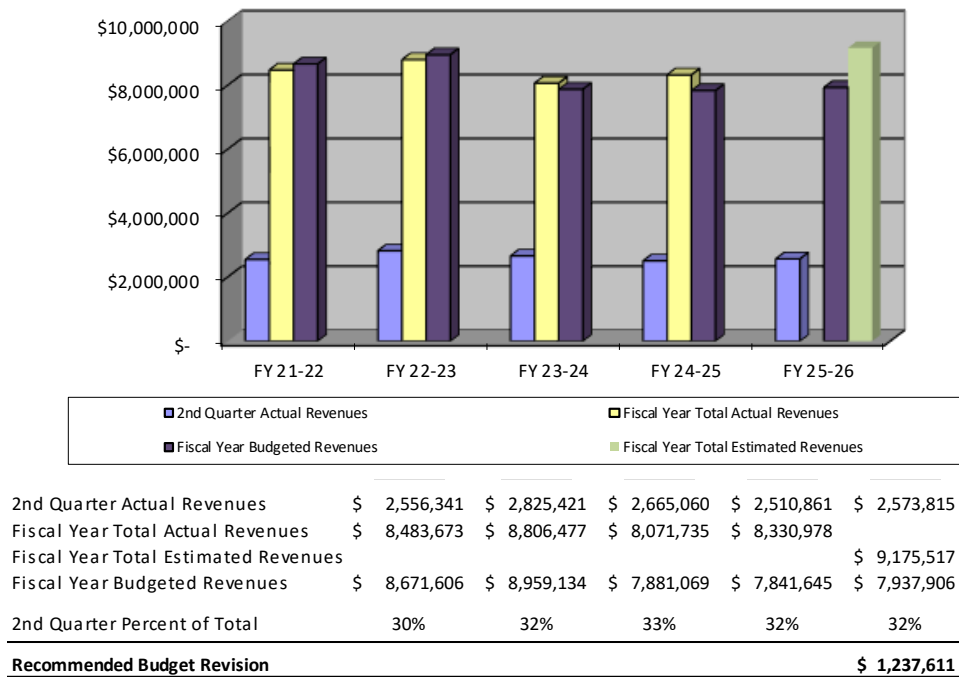
Sales Tax

Sales tax is the second largest revenue source for the Town's General Fund, accounting for 14.3% of budgeted General Fund projected revenues for FY 2025-26. The Town currently receives 1.125 cents for every 9.125 cents of sales tax paid per dollar on retail sales and taxable services transacted within Los Gatos, including the Town of Los Gatos residents' approved ballot Measure G in 2018 enacting a one-eighth cent (0.125%) district sales tax for 20 years.

Sales tax estimates are based on actual sales tax data and annual sales tax estimates for five years provided by the Town's sales tax consultant, HdL. In addition to brick-and-mortar sales tax generation, the HdL estimates include several online sales tax projections. Regular sales tax collected through online transactions are distributed through the Santa Clara County pool for which the Town receives a pro rata share of the sales tax generated in Santa Clara County for that particular quarter. The Town directly receives the one-eighth district tax portion of the sales tax generated by the residents of Los Gatos. Current total sales tax estimates are estimated at \$7,846,517 (a \$1,207,436 increase from the Adopted Budget) in proceeds from regular sales tax and \$1,329,000 (a \$30,175 increase) in proceeds from the Measure G one-eighth cent district tax. Actual receipts net of administrative fees collected by the State will be confirmed at the close of the fiscal year.

While FY 2025-26 second quarter receipts are trending in line with those in the same period last fiscal year, staff recommends a \$1,237,611 budget increase to reflect the HdL's current estimates that are driven by new businesses and updated forecast based on most recent collection for 2025 quarter 3 collection which are collections from Jul through September.

**Sales Tax & Measure G Tax - Quarterly and Annual Revenues
5-Year History**



\$ 322,804	\$ (734,742)	\$ 259,243	\$ 844,539
3.81%	-8.34%	3.21%	10.14%

Franchise Fees

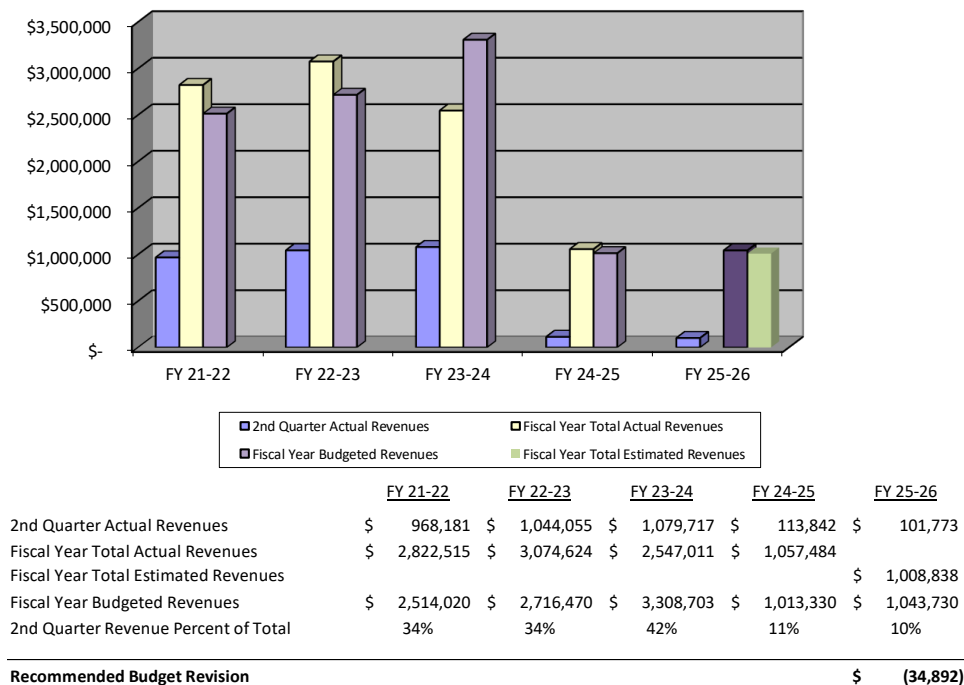
Franchise fees are collected by the Town for the privilege of operating a utility service within Los Gatos, and as a fee in lieu of a business license tax. Franchise fees are currently received from Comcast for cable television, PG&E for gas and electric services, and AT&T and Comcast for video services. Franchise fees represent 1.6% of projected General Fund revenues in FY 2025-26.

Historically, franchise payments are not remitted equally throughout the fiscal year; therefore, second quarter receipts are not necessarily predictive of future receipts. Total franchise fee revenues are trending lower than those of the second quarter in FY 2025-26.

The Town serves on the Board of the West Valley Solid Waste Management Authority (WVSWMA), a Joint Powers Authority that oversees solid waste contracts. Following a recent Franchise Fee Valuation Study, the new agreement reclassified the Franchise Fee Payment as an Encroachment Permit because collection vehicles use Town streets. Starting with FY 2024–25, revenue previously recorded under Franchise Fees is now reported under Licenses and Permits. While collections are expected to remain consistent with prior years, this change affects how revenues are categorized.

Comcast franchise fees are trending below budget due to the growing shift from traditional broadcasting to streaming services, while PG&E franchise fees are trending above budget. To reflect the combined impact of these trends, staff recommends a \$34,892 budget decrease in the Franchise Fee category.

**Franchise Fees - Quarterly and Annual Revenues
5-Year History**



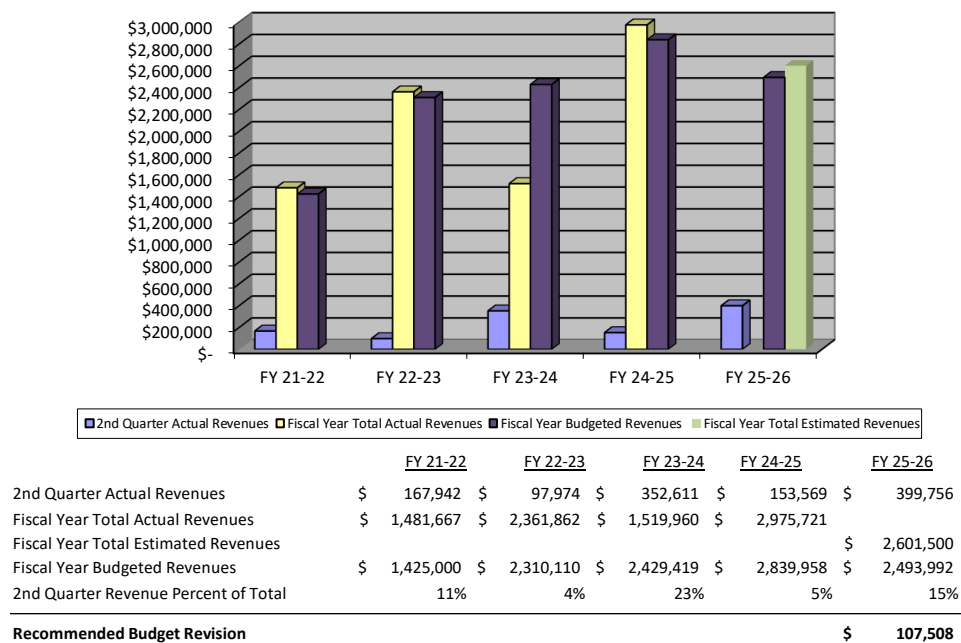
Business License Tax

The Town requires all businesses located within Los Gatos and/or those that operate within Los Gatos to obtain a business license. The amount of business license tax paid by each business is based on its business activity. In November 2022, Los Gatos voters approved Measure J, which modernized the Town's business license tax program. This was the first update to the program since 1991, strengthening funding for core Town services that benefit Town businesses. Measure J included a 30% increase on flat rate fees, a 40% increase in retailing gross receipts, and a 120% increase in e-commerce, manufacturing, and wholesaling gross receipts. Fees for activities such as wholesale sales and manufacturing are charged on a sliding scale based on gross receipts, as is retail, with retail being capped at \$1,365. These gross receipt activities account for approximately 25% of annual business licenses, while the remaining 75% are flat fee businesses. Annual renewal payments are due on January 2 of each year. Payments for new flat-fee-based businesses are prorated by quarter.

The Town is partnering with HdL Companies (HdL) to provide dedicated business license support to Los Gatos businesses. The Town's business license application and renewal process is now streamlined by offering online business license applications and renewals. FY 2025-26 collection is forecasted at \$2.6 million based on current business license activities.

Staff anticipate collecting the majority of the business license revenue during the third quarter. Business license tax revenue projections provided by HdL are trending higher than the adopted budget due to current business license activities. Staff is recommending a \$107,508 increase to this revenue source.

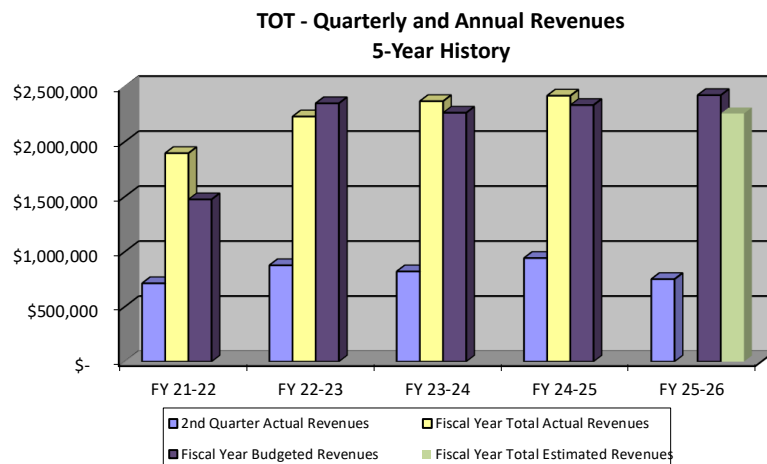
**Business License Tax - Quarterly and Annual Revenues
5-Year History**



Transient Occupancy Tax

TOT is an important revenue source for the Town and comprises approximately 3.5% of the total Town's estimated revenues in the amount of \$2.3 million for FY 2025-26. The Town levies a 12% transient occupancy tax (TOT) on all hotel and motel rooms within the municipal limits of Los Gatos. The 12% rate has been in effect since January 1, 2017, after the voters approved a ballot measure to increase the TOT from 10% to 12% during the November 8, 2016, election.

During the pandemic, TOT experienced the most significant percentage decline relative to historically adopted budgets. Due to a significant rebound in leisure “staycation” travel and modest improvements in business travel, TOT collections are trending lower than the prior year due to one of the hotel closures. Staff recommends a \$166,585 revenue budget decrease in this category.



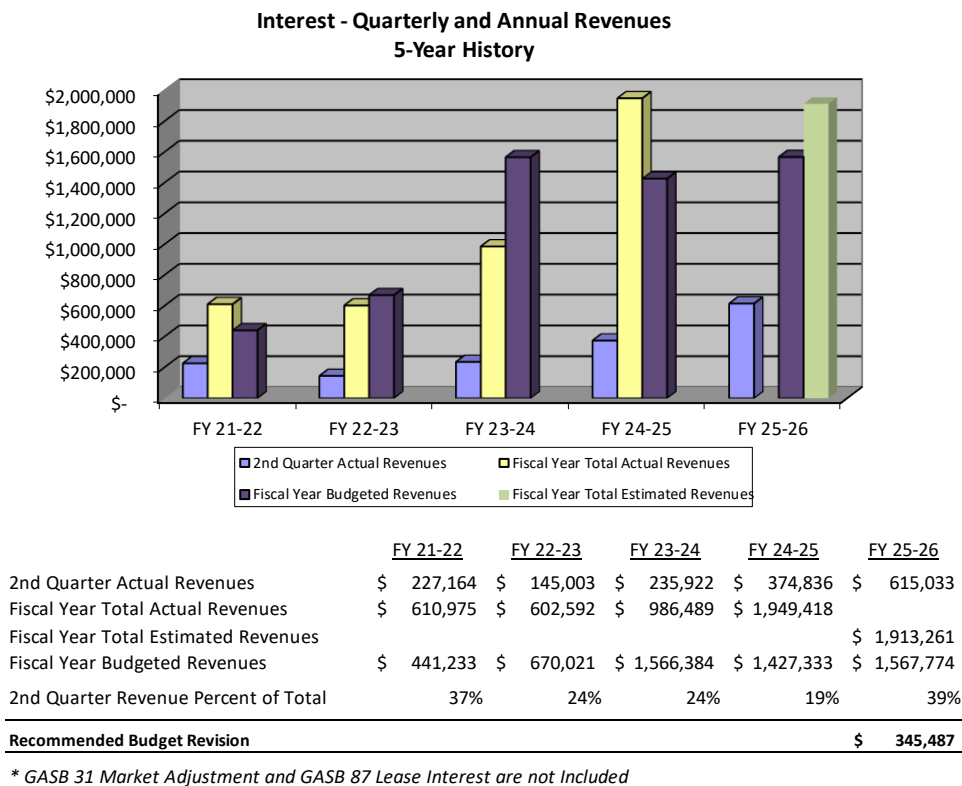
	<u>FY 21-22</u>	<u>FY 22-23</u>	<u>FY 23-24</u>	<u>FY 24-25</u>	<u>FY 25-26</u>
2nd Quarter Actual Revenues	\$ 711,861	\$ 875,715	\$ 819,683	\$ 941,711	\$ 749,774
Fiscal Year Total Actual Revenues	\$ 1,895,064	\$ 2,228,190	\$ 2,367,653	\$ 2,417,630	
Fiscal Year Total Estimated Revenues					\$ 2,255,805
Fiscal Year Budgeted Revenues	\$ 1,475,000	\$ 2,348,547	\$ 2,262,528	\$ 2,332,419	\$ 2,422,390
2nd Quarter Revenue Percent of Total	38%	39%	35%	40%	31%
Recommended Budget Revision					\$ (166,585)

Interest Income

The Town earns interest income by investing monies not immediately required for daily operations in a number of fixed income and money market instruments. These investments are made within the parameters stated in the Town Council's Investment Policy and State regulation. The Town's investment goal is to protect the safety of its funds, maintain liquidity, and achieve a competitive rate of return. Interest income revenue is primarily dependent on two factors: the cash balance in the Town's investment portfolio and the yield on those funds.

As of December 31, 2025, the Town's weighted portfolio yield for investments under management was 4.24%, which was 21 basis point above the Local Agency Investment Fund (LAIF) yield of 4.03% for the same reporting period. Currently, the LAIF portfolio's weighted average maturity (WAM) is 244 days versus the Town's longer WAM of 643 days. The longer 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 4.24% at the close of December was 3 basis points lower when compared to the prior month's return of 4.27% reported as of November 30, 2025.

Interest is trending higher than prior year actuals. Staff is recommending \$345,487 revenue budget increase in the General Fund interest collection.

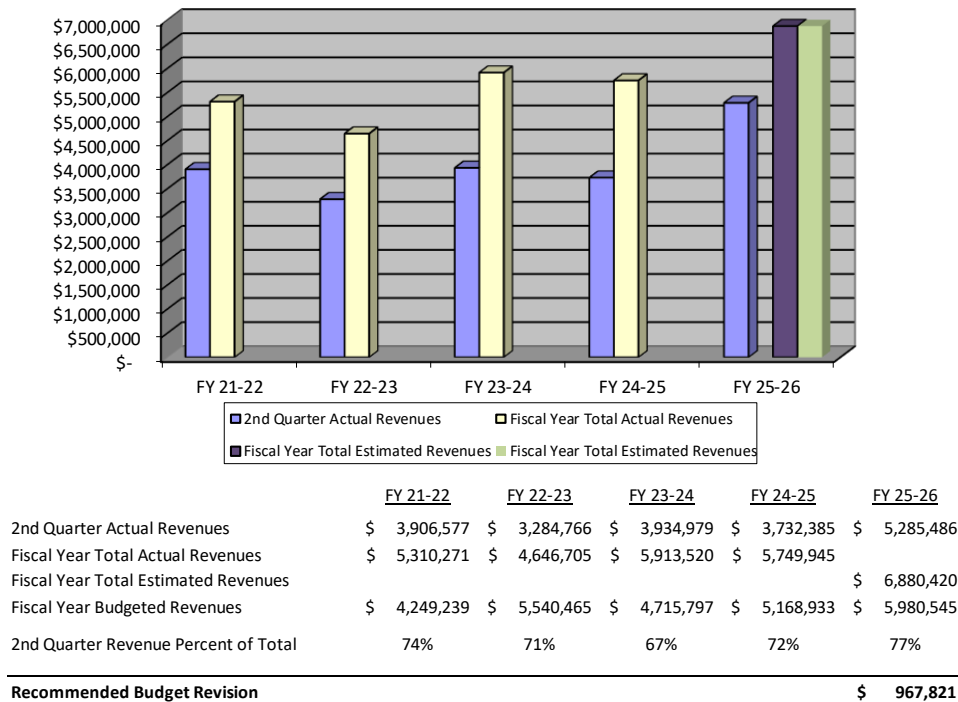


Charges for Services

Town Service revenues consist primarily of planning, building, inspections, and engineering fees assessed on local building and development activity. Development fees and charges are assessed based on cost recovery formulas, which reflect the approximate costs of providing these regulatory services. This category includes charges for the Monte Sereno police services, the School Resource Officer and crossing guard services.

Second quarter Town Service revenues, particularly Charges for Services, are trending higher compared to the same period in the previous fiscal year. Development fees are typically collected in advance for projects but recognized as revenue in the fiscal year when the work is performed. Fiscal year estimated revenues include all line items within this category. To reflect increased planning and engineering activities, staff recommends a budget increase of \$967,821 in selected items, as detailed in the Budget Adjustment section of this report. Of this amount, \$615,500 relates to development pass-through activities, which will have corresponding expenditure budget adjustments, resulting in a net-neutral impact to the General Fund balance.

**Charges for Services - Quarterly and Annual Revenues
5-Year History**

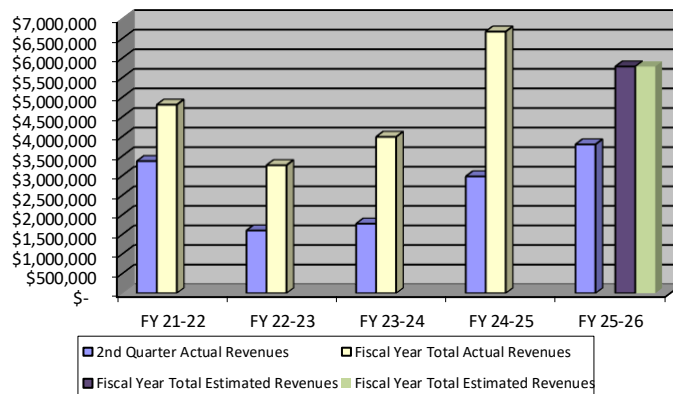


Licenses and Permits

Licenses and Permits consist mainly of planning, engineering, and building permit fees which are collected by the Town to offset administrative costs associated with evaluating development proposals to ensure compliance with codes and policies.

Second quarter License and Permit revenue is trending 54% of budgeted revenue. Fiscal Year estimated revenues includes all revenue line items in this category. Staff recommends a \$689,959 increase in selected items in this category as explained in the next section of this Report.

**Licenses & Permits - Quarterly and Annual Revenues
5-Year History**



	FY 21-22	FY 22-23	FY 23-24	FY 24-25	FY 25-26
2nd Quarter Actual Revenues	\$ 3,373,287	\$ 1,602,633	\$ 1,777,085	\$ 2,983,426	\$ 3,800,214
Fiscal Year Total Actual Revenues	\$ 4,814,650	\$ 3,268,498	\$ 3,993,247	\$ 6,681,607	
Fiscal Year Total Estimated Revenues					\$ 5,789,497
Fiscal Year Budgeted Revenues	\$ 3,052,907	\$ 2,830,574	\$ 3,255,155	\$ 6,247,213	\$ 7,014,459
2nd Quarter Revenue Percent of Total	70%	49%	45%	48%	54%
Recommended Budget Revision					\$ 689,959

GENERAL FUND – EXPENDITURE ANALYSIS

For FY 2025–26, General Fund operating expenditures (excluding debt payments) are programmed at \$58.3 million. The delivery of Town services is highly dependent on personnel, which accounts for 68.6% of the budgeted General Fund operating expenditures for the fiscal year. Throughout the year, the Town Council has approved several budget adjustments, which are tracked against the Adopted Budget to form the Adjusted Budget. General Fund expenditure totals are trending in line with the Adjusted Budget, with total operational expenditures at the end of the second quarter at approximately 46% of the Adjusted Budget. With six months of data now available, staff anticipate that some departmental expenditure budgets may not be sufficient for the remainder of the year. If necessary, staff will recommend additional expenditure budget adjustments, which may require future Council action.

Salaries and Benefits

As with most municipalities, services are provided directly by employees to the Town’s residents, businesses, and visitors. As a service delivery enterprise, the cost of salaries and benefits is a significant portion of the budget. As the table below illustrates, at mid-year, actual salaries are trending at 46% of budgeted salaries; overtime is trending at 84% of the Adjusted Budget; and pension benefits and other benefits are trending at 43% and 42% of the Adjusted Budget, respectively.

General Fund Salaries & Benefits								
	FY 2024-25 Actuals	FY 2024-25 2Q	2Q % of FY 2024-25 Actuals	2Q % of FY 2025-26 Adjusted Budget	FY 2025-26 2Q	FY2025-26 Estimated	FY 2025-26 Adjusted Budget	FY 2025-26 Adopted Budget
Salaries	\$ 22,368,951	\$ 10,910,118	49%	48%	\$ 11,100,505	\$ 23,405,209	\$ 23,182,932	\$ 23,182,932
Overtime	\$ 1,333,709	\$ 747,234	56%	84%	\$ 595,047	\$ 1,384,604	\$ 704,376	\$ 657,310
Pension Benefits	\$ 8,262,903	\$ 4,051,720	49%	43%	\$ 4,299,360	\$ 8,790,965	\$ 9,907,119	\$ 9,907,119
Other Benefits	\$ 4,948,141	\$ 2,413,604	49%	42%	\$ 2,620,451	\$ 5,349,271	\$ 6,265,770	\$ 6,265,770
Total Salary & Benefit	\$ 36,913,704	\$ 18,122,676	49%	46%	\$ 18,615,363	\$ 38,930,049	\$ 40,060,197	\$ 40,013,131

The FY 2025-26 budget was balanced including 4.6% vacancy factor and \$255,000 pension benefit savings, while Council directed that staff continue to hire for all vacant positions. The 4.6% salary and benefit savings represents approximately \$2.2 million projected savings. Current year end general Fund salaries and benefits expenditure estimates include about \$1.1 million salary savings compared to the adjusted budget that already includes the projected savings. Fully staffed Departments are trending over budget due to the 4.6% vacancy factor that was built in. Staff will continue to monitor the Salaries and Benefits and request adjustment as needed to ensure that all programs remain within its allocated budget before Fiscal Year end.

Vacancy Factor Evaluation

FY 2023-24

FY 2023-24 presented the first year when the budget was balanced with the 4.6% vacancy factor. For FY 2023-24 the final General Fund salaries and benefits budgets of \$35,611,692, include a negative \$1,670,530 original salary savings and a positive \$714,666 budget restoration for Departments that were fully staffed. In addition, the General Fund had \$1,041,299 salaries and benefits savings. While individual Departments had various savings, the Townwide General Fund salaries and benefits savings would translate to 5.5% increase if all positions are budgeted without vacancy savings factors.

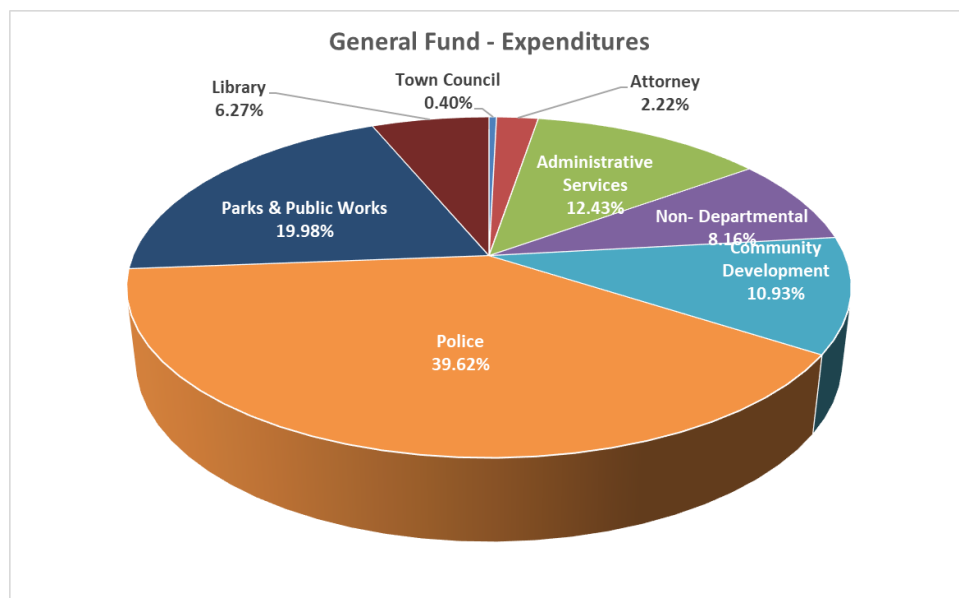
FY 2024-25

During Fiscal Year 2024–25, the Town’s revised General Fund salaries and benefits budget totaled \$38,441,072, including a negative adjustment of \$1,798,984 to reflect anticipated vacancy savings based on a 4.6% vacancy saving rate. Actual expenditures for salaries and benefits amounted to \$36,913,705. However, several departments remained fully staffed throughout the fiscal year and did not realize vacancy-related savings. In response, the Town Council authorized budget adjustments for these departments, allowing for a partial restoration of the previously reduced budget—up to the full amount of the anticipated vacancy savings. These budget adjustments totaled \$300,304, increasing the final adjusted budget to \$38,741,376. With this adjustment, the final budget savings increased to \$1,827,671, representing the difference between the adjusted budget and actual expenditures.

Note: If the original 4.6% vacancy savings factor had not been applied, the “full” budget would amount to (\$38,441,078 + \$1,798,984), the Town would have realized total savings of \$3,305,656 equating to an 8.96% vacancy savings rate.

The FY 2024-25 budget included a significant hire ahead budget for the Police Department. Those hire ahead funding were not included in the FY 2025-26 adopted budget, so staff recommends to keep the 4.6% vacancy factor at this time.

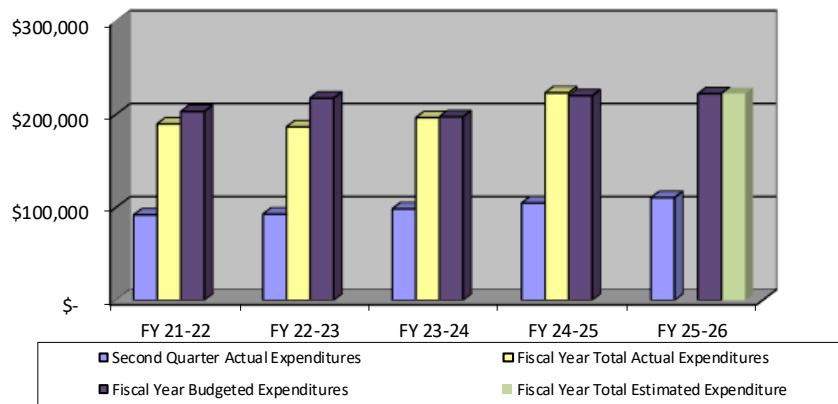
The pie chart below represents the Departmental proportion of the Town’s General Fund estimated operating expenditures. The subsequent pages review program expenditures and any anticipated savings are provided for each program. Also provided are historical program costs, year over year (YOY) percentage changes in actual expenditures, and five-year average changes per the Finance Commission’s suggestion. YOY percentage changes are, in many cases, impacted by the timing of one-time expenditures that occur during the fiscal year. Historical analysis has been provided in selected cases to provide explanations for some of the fluctuations between fiscal years. The FY 2025-26 estimated figures also include analysis on potential salary and other expenditure savings; however, budget adjustments are only recommended as identified in this Report.



Town Council

The Town Council is the elected legislative body that represents the residents and provides policy direction for the delivery of services and capital improvements for the Town of Los Gatos. Town Council expenditures are trending higher than the same quarter in the prior year. Total estimated expenditures are also trending higher than budget because this Department is fully staffed. Staff will monitor this program and request a budget adjustment, if necessary, before Fiscal Year end.

**Town Council - Quarterly and Annual Expenditures
5-Year History**



	<u>FY 21-22</u>	<u>FY 22-23</u>	<u>FY 23-24</u>	<u>FY 24-25</u>	<u>FY 25-26</u>
Second Quarter Actual Expenditures	\$ 91,800	\$ 92,674	\$ 98,255	\$ 104,644	\$ 110,352
Fiscal Year Total Actual Expenditures	\$ 189,569	\$ 186,337	\$ 196,368	\$ 222,954	
Fiscal Year Total Estimated Expenditure					\$ 222,115
Fiscal Year Budgeted Expenditures	\$ 202,891	\$ 217,238	\$ 197,261	\$ 219,814	\$ 222,115
Second Quarter Percentage of Total	48%	50%	50%	48%	50%

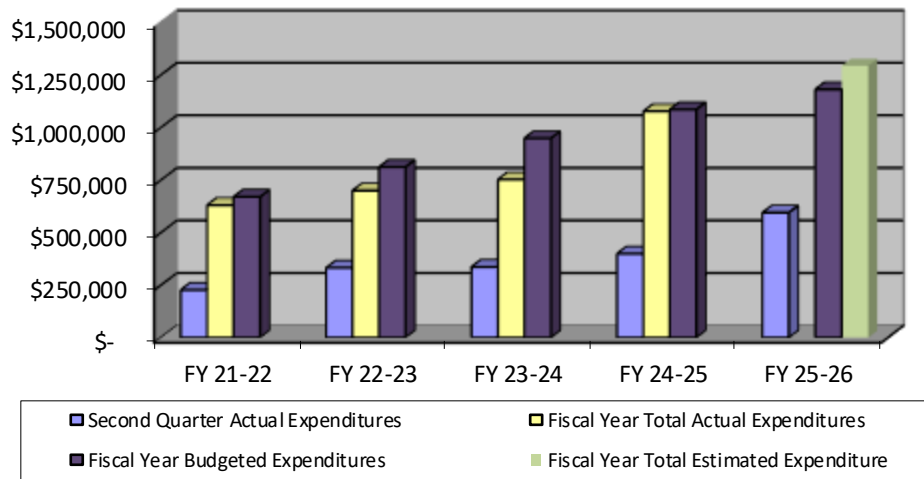
Recommended Budget Revision	\$ -
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YOY Percentage Changes	-7.93%	-1.70%	5.38%	13.54%	-0.38%
5-year Average Percentage Change					1.78%

Town Attorney

The Town Attorney is the legal advisor to the Town Council, Successor Agency to the former Redevelopment Agency, and Town staff. In this capacity, the office of the Town Attorney provides a wide range of legal services to ensure that Town actions and activities are legally sound. Town Attorney program expenditures are trending at 50% at the second quarter. Staff recommends a \$100,000 expenditure budget increase to provide additional legal support anticipated for the Department.

**Town Attorney - Quarterly and Annual Expenditures
5-Year History**



	<u>FY 21-22</u>	<u>FY 22-23</u>	<u>FY 23-24</u>	<u>FY 24-25</u>	<u>FY 25-26</u>
Second Quarter Actual Expenditures	\$ 226,377	\$ 332,183	\$ 336,063	\$ 398,986	\$ 594,515
Fiscal Year Total Actual Expenditures	\$ 629,935	\$ 699,143	\$ 751,614	\$1,076,252	
Fiscal Year Total Estimated Expenditure					\$1,293,243
Fiscal Year Budgeted Expenditures	\$ 669,733	\$ 811,426	\$ 947,963	\$1,085,157	\$1,180,884
Second Quarter Percentage of Total	36%	48%	45%	37%	50%
Recommended Budget Revision					\$ 100,000

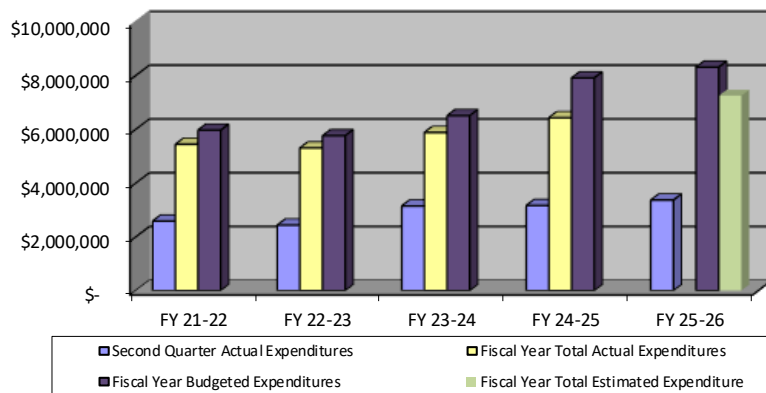
YOY Percentage Changes	11.98%	10.99%	7.51%	43.19%	20.16%
5-year Average Percentage Change					18.77%

Administrative Services

The Town Manager provides overall management, administration, and direction for the entire Town organization, reporting to the full Town Council. Administrative Services incorporates five key programs: Town Manager's Office, Emergency Management Program, Economic and Community Vitality Program, Clerk Department, Finance Department, Human Resources Department, and Information Technology.

Administrative Services program expenditures are trending at 41% of the adopted budget at mid-year, and staff estimates approximately \$1 million in expenditure savings within this program. Most of these savings are attributable to the emergency management spending plan, for which \$1,000,000 was previously allocated but, based on current-year expenditures, is expected to yield \$900,000 in savings. The projected savings are earmarked for potential grant match and will be spent in the appropriate fiscal year. Additional savings are expected in staff salaries and benefits, travel and training, and office supplies. Staff requests a \$58,933 expenditure budget adjustment to account for Finance Department transition costs, increased business license processing fees, and decreases in special event-related road closure costs. This adjustment also reflects reductions in grant expenditures, as a multi-year grant previously expected to extend into FY 2025–26 concluded in the prior fiscal year.

**Administrative Services - Quarterly and Annual Expenditures
5-Year History**



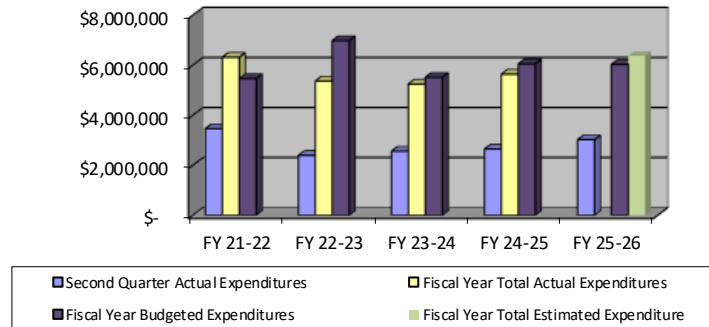
	FY 21-22	FY 22-23	FY 23-24	FY 24-25	FY 25-26
Second Quarter Actual Expenditures	\$ 2,583,281	\$ 2,435,224	\$ 3,144,181	\$ 3,161,963	\$ 3,367,328
Fiscal Year Total Actual Expenditures	\$ 5,441,605	\$ 5,302,277	\$ 5,877,879	\$ 6,428,009	\$ 7,245,452
Fiscal Year Total Estimated Expenditure					\$ 7,245,452
Fiscal Year Budgeted Expenditures	\$ 5,965,801	\$ 5,759,393	\$ 6,506,131	\$ 7,906,038	\$ 8,308,150
Second Quarter Percentage of Total	47%	46%	53%	40%	41%
Recommended Budget Revision					\$ 58,993
YOY Percentage Changes	27.75%	-2.56%	10.86%	9.36%	12.72%
5-year Average Percentage Change					11.62%

Community Development Services

The Community Development Department works with elected and appointed officials, other Departments, and the community to guide the physical growth, development, and preservation of the Town.

Community Development program expenditures are trending higher than the same quarter in the prior year due to increased development activities in the Building and Pass-Through programs. The Pass-Through program collects developer deposits for various review services, which are provided through consultants and paid from the applicant's account. At the close of a project, any remaining fees are refunded to the applicant, making these transactions net neutral for the General Fund balance. Staff recommends a \$615,500 increase in the development pass-through budget for activities anticipated during the fiscal year. In addition, staff recommends an expenditure budget increase of \$7,500 to cover additional special noticing requirements, a \$75,000 budget decrease for contract planner services to reflect the reduced need for external support in a fully staffed department, and a \$45,000 budget decrease for contract building inspection services to align with current inspection activity. A further \$45,000 reduction in the budget for contract building inspection services is recommended to align with current inspection activity. Additional details on all the requested items are provided in the Budget Adjustments section of this report. Staff will continue to monitor this program and request further adjustments, if necessary, before the end of the fiscal year.

**Community Development - Quarterly and Annual Expenditures
5-Year History**



	FY 21-22	FY 22-23	FY 23-24	FY 24-25	FY 25-26
Second Quarter Actual Expenditures	\$ 3,460,301	\$ 2,394,537	\$ 2,559,684	\$ 2,646,092	\$ 3,020,911
Fiscal Year Total Actual Expenditures	\$ 6,313,505	\$ 5,365,410	\$ 5,246,729	\$ 5,637,743	
Fiscal Year Total Estimated Expenditure					\$ 6,368,565
Fiscal Year Budgeted Expenditures	\$ 5,461,716	\$ 6,978,617	\$ 5,509,853	\$ 6,050,448	\$ 6,027,635
Second Quarter Percentage of Total	55%	45%	49%	44%	50%
Recommended Budget Revision					\$ 577,500

YOY Percentage Changes	27.50%	-15.02%	-2.21%	7.45%	12.96%
5-year Average Percentage Change					6.14%

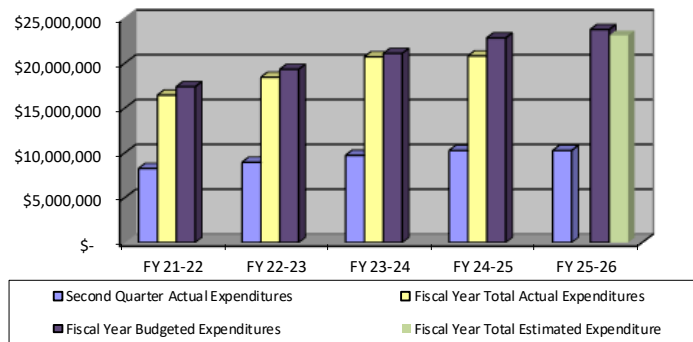
Community Development Department expenditures vary year to year based on the development activity and pass-through services.

Police Services

The Los Gatos-Monte Sereno Police Department provides Police services to the Town of Los Gatos and contractually to the City of Monte Sereno. The Department is committed to ensuring public safety with integrity, compassion, and professionalism, by providing exceptional law enforcement services, building community partnerships, and engaging the community in problem solving.

Staff continues to monitor Police Services program revenues and expenditures. The Police Department has dedicated additional resources to ongoing recruitment efforts for open positions. Whenever feasible, vacancies are temporarily filled with trainees, per diem staff, and temporary employees until permanent hires are made, which has contributed to increased costs. Staff recommends an expenditure budget increase of \$75,000 for consultation services on police operations, a \$15,000 increase for additional drug testing costs, and a \$3,370 grant revenue adjustment to align actual grant spending with receipts across fiscal years. Despite these adjustments, total estimated expenditures are trending lower than budget due to partial vacancies throughout the Department. Staff will continue to monitor this program and may request additional budget adjustments, if necessary, before the end of the fiscal year.

**Police - Quarterly and Annual Expenditures
5-Year History**



	<u>FY 21-22</u>	<u>FY 22-23</u>	<u>FY 23-24</u>	<u>FY 24-25</u>	<u>FY 25-26</u>
Second Quarter Actual Expenditures	\$ 8,266,432	\$ 8,957,541	\$ 9,732,572	\$ 10,269,947	\$ 10,268,293
Fiscal Year Total Actual Expenditures	\$ 16,451,189	\$ 18,446,040	\$ 20,718,871	\$ 20,827,880	
Fiscal Year Total Estimated Expenditure					\$ 23,095,918
Fiscal Year Budgeted Expenditures	\$ 17,390,969	\$ 19,331,331	\$ 21,107,570	\$ 22,832,439	\$ 23,768,536
Second Quarter Percentage of Total	50%	49%	47%	45%	43%
Recommended Budget Revision					\$ 93,370
YOY Percentage Changes	9.13%	12.13%	12.32%	0.53%	10.89%
5-year Average Percentage Change					9.00%

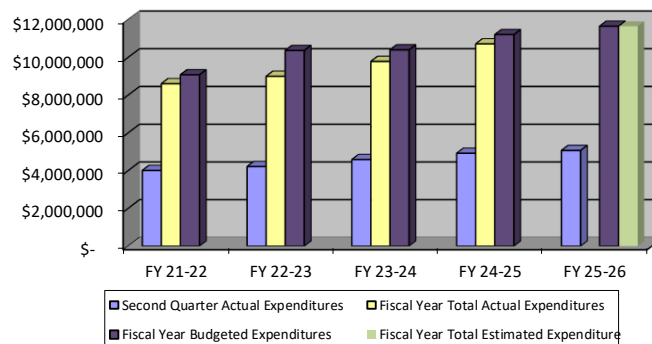
*GASB 96 Subscription-Based Information Technology Arrangement Adjustments, Capital Outlay not included

Parks and Public Works Services

The Parks and Public Works Department constructs and maintains the Town's public parks, facilities, roadways, right-of-way, and other infrastructure. Six organizational units work in coordination to achieve the Department's overarching goal of ensuring the Town's facilities are safe, functional, and attractive.

Parks and Public Works Services program expenditures are currently trending at 43% of the adopted budget. Staff recommends an expenditure budget increase of \$200,755, primarily due to additional contractual obligations related to waste management, traffic signalization, tree pruning, and various miscellaneous and safety repair services. Staff will continue to monitor this program and may request further budget adjustments, if necessary, before the end of the fiscal year.

**Parks and Public Works - Quarterly and Annual Expenditures
5-Year History**



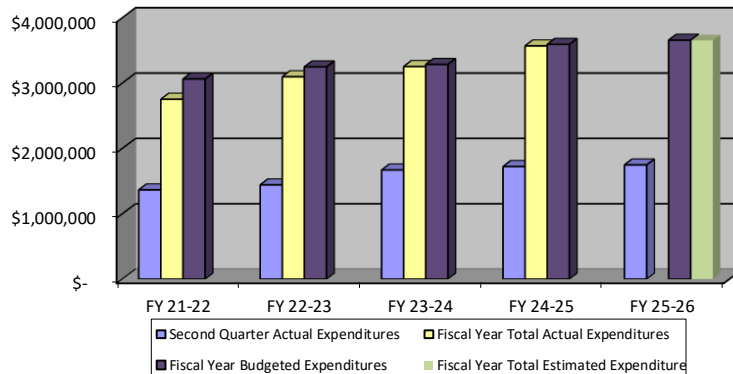
	FY 21-22	FY 22-23	FY 23-24	FY 24-25	FY 25-26
Second Quarter Actual Expenditures	\$ 4,010,181	\$ 4,215,979	\$ 4,589,535	\$ 4,920,014	\$ 5,068,319
Fiscal Year Total Actual Expenditures	\$ 8,605,455	\$ 8,998,082	\$ 9,789,656	\$ 10,717,232	\$ 11,649,244
Fiscal Year Total Estimated Expenditure					\$ 11,649,244
Fiscal Year Budgeted Expenditures	\$ 9,080,662	\$ 10,368,194	\$ 10,401,796	\$ 11,210,621	\$ 11,653,693
Second Quarter Percentage of Total	47%	47%	47%	44%	43%
Recommended Budget Revision					\$ 200,755
YOY Percentage Changes	7.39%	4.56%	8.80%	9.48%	8.70%
5-year Average Percentage Change					7.78%

Library Services

The Los Gatos Library fosters curiosity and community connection and strives to be at the heart of an engaged and vibrant community.

Library services program expenditures are trending similarly to prior-year same-quarter expenditures. Total estimated expenditures are also trending slightly below budget. Staff will monitor this program and request an additional budget adjustment, if necessary, before the fiscal year end.

**Library - Quarterly and Annual Expenditures
5-Year History**



	FY 21-22	FY 22-23	FY 23-24	FY 24-25	FY 25-26
Second Quarter Actual Expenditures	\$ 1,365,415	\$ 1,442,417	\$ 1,669,629	\$ 1,722,056	\$ 1,747,675
Fiscal Year Total Actual Expenditures	\$ 2,752,401	\$ 3,096,485	\$ 3,253,389	\$ 3,568,498	\$ 3,652,651
Fiscal Year Total Estimated Expenditure					\$ 3,652,651
Fiscal Year Budgeted Expenditures	\$ 3,062,708	\$ 3,247,731	\$ 3,285,841	\$ 3,591,990	\$ 3,655,823
Second Quarter Percentage of Total	50%	47%	51%	48%	48%
Recommended Budget Revision	\$ -				
YOY Percentage Changes	9.40%	12.50%	5.07%	9.69%	2.36%
5-year Average Percentage Change	7.80%				

FY 2025-26 RECOMMENDED BUDGET ADJUSTMENTS

Budget adjustments are recommended for the following revenues and expenditures at the second quarter as described below:

SUMMARY OF BUDGET ADJUSTMENTS BY FUND AND DEPARTMENT

General Fund	Expenditures	Revenues
Town Attorney	\$ 100,000	\$ -
Administrative Services	\$ 153,305	\$ 472,995
Community Development	\$ 502,500	\$ 1,527,500
Police	\$ 93,370	\$ 36,892
Parks and Public Works	\$ 200,775	\$ 143,472
Library	\$ -	\$ 6,495
Townwide/Non-Departmental	\$ 300,191	\$ 1,394,534
TOTAL GENERAL FUND	\$ 1,350,141	\$ 3,581,888
All Other Funds	Expenditures	Revenues
Special Revenue	\$ 1,328	\$ 4,000
Capital Project	\$ 559,564	
Internal Service	\$ (1,816,453)	\$ (100,000)
TOTAL ALL OTHER FUNDS	\$ (1,255,561)	\$ (96,000)
TOTAL ALL FUNDS	\$ 94,580	\$ 3,485,888

Detailed Budget Adjustments

FY 2025-26 MID-YEAR BUDGET ADJUSTMENT REQUESTS - GENERAL FUND

Program Account

1201	411**	Property Tax	\$ 68,164	Based on Santa Clara County Property Tax Estimates February 2026
1201	41141	Motor Vehicle In Lieu Fee (VLF)	28,672	Based on Santa Clara County Property Tax Estimates February 2026
1201	41211	Sales & Use Tax	1,207,436	Based on HdL Sales Tax Estimate January 2026
1221	41214	Measure G - District Sales Tax	30,175	Based on HdL Sales Tax Estimate January 2026
1201	41311	Transient Occupancy Tax	(166,585)	Based on Past Receipts and Current Trend
1201	41611	Cable Franchise Fee	(95,772)	Based on Past Receipts and Current Trend
1201	42542	PG&E Franchise Fee	60,880	Based on Past Receipts and Current Trend
1201	42212	Credit Card Convenience Fee	9,410	Based on Past Receipts and Current Trend
2101	43513	SCC Unhoused Services Grant	(54,696)	Funds Received and Spent in Prior Fiscal Year
2106	44316	Leadership Los Gatos	6,850	Based on Current Enrollment
1232	45964	Pension Trust Contribution	300,000	Funds Anticipated from Available Reserves
2301	4***	Interest	345,487	Funds partially Received
2301	41411	Business License Tax	107,508	Funds Anticipated
2301	42321	Business License Processing Fee	20,000	Funds Anticipated

FY 2025-26 MID-YEAR BUDGET ADJUSTMENT REQUESTS - GENERAL FUND

Program	Account			
3201	42413	Planning Permits	235,000	Funds Anticipated
3201	44214	Other Planning Service Fees	20,000	Funds Anticipated
3202	44414	Plan Check Planning	35,000	Funds Anticipated
3301	42411	Building Permit Fees	220,000	Funds Anticipated
3301	42412	Title 24 Fee	40,000	Funds Anticipated
3301	44415	Address Processing Fee	40,000	Funds Anticipated
3301	44421	Plan Check Building	350,000	Funds Anticipated
3301	44422	Building Inspections	(45,000)	Funds are not Received, Matching Expenditures
3301	44625	NPDES inspections	20,000	Funds Anticipated
3401	45111	Code Compliance - Admin Citation	(3,000)	Funds are not Received
3999	48411	Environmental Impact - Pass Through Services	400,000	Funds Anticipated
3999	48412	Architect Review- Pass Through Services	30,000	Funds Anticipated
3999	48413	Arborist Review - Pass Through Services	80,000	Funds Anticipated
3999	48415	Transcription - Pass Through Services	2,000	Funds Anticipated
3999	48418	Water Efficiency Review - Pass Through Services	50,000	Funds Anticipated
3999	48426	Building Standard - Pass Through Services	3,500	Funds Anticipated
3999	48428	Video Rendering - Pass Through Services	30,000	Funds Anticipated
3999	48434	SMIP @ 95%	20,000	Funds Anticipated
4202	43336	Prop 172 - Public Safety Sales Tax	(7,715)	Based on HdL January 2026 Sales Tax Estimates
4301	44213	Special Event Reimbursement	11,062	Funds Received
4301	48218	Measure G - District Sales Tax	30,175	Funds Anticipated, Matching Tracking Expenditures
4816	45813	BSCC Wellness Grant	3,370	Funds Anticipated, Matching Expenditure
5101	43101	Federal Emergency Management Grant - 2023 Storms	919	Funds Received
5202	44214	Other Service Fees	(33,760)	Funds are not Received
5202	44621	Engineering Services	67,000	Funds Anticipated
5202	44623	Engineering Review Surcharge	(134,731)	Funds are not Received
5202	44624	Grading Inspection	(37,000)	Funds are not Received
5202	44626	NPDES inspections	32,900	Funds Anticipated
5301	41512	Construction Tax - Capital Parks	10,781	Funds Received
5301	42515	Tree Removal Permit	180,000	Funds Anticipated

FY 2025-26 MID-YEAR BUDGET ADJUSTMENT REQUESTS - GENERAL FUND

Program	Account			
5301	43101	Federal Emergency Management Grant - 2023 Storms	4,100	Funds Received
5301	43531	PLAN JPA Safety and Risk Management	12,206	Funds Received
5301	45421	Benches	(500)	Funds are not Received, Matching Expenditures
5302	42522	HHW Solid Waste Fee	14,959	Funds are Anticipates, Matching Tracking Expenditures
5405	45922	Insurance Claim Reimbursement	26,598	Funds are Received
7204	45930	Public Library Fund Grant	6,495	Grant Reimbursement Received
TOTAL GENERAL FUND REVENUES			\$ 3,581,888	

FY 2025-26 MID-YEAR BUDGET ADJUSTMENT REQUESTS - GENERAL FUND

Program	Account	General Fund Expenditures		
1201	62113	Town Share of Retiree Medical Additional Payment to IRS Pension Trust	\$ 48,606	Funds are Partially Expended
1201	62119		300,000	From Available Reserve
1201	62227	Credit Card Merchant Fee Los Gatos Chamber Contract is Budgeted in Economic Vitality Program	9,410	Funds are Expended, Matching Revenue
1201	67102		(88,000)	Funds are not Expended
2101	67229	SCC Unhouse Services Grant	(54,307)	Funds Received and Spent in Prior Fiscal Year
2106	62434	Leadership Los Gatos	4,300	Funds are Partially Expended, Based on Current Enrollment
2106	62435	Road Closures	(11,000)	Funds are not Expended
1221	68218	Measure G Sales Tax - Pass Thru	30,175	Funds are Partially Expended, Matching Revenue
1301	63215	Legal Services	100,000	Funds are not Expended
2301	5****	Salaries and Benefits	194,312	Funds are Partially Expended
2301	62335	Business License Processing Fee	20,000	Funds are Partially Expended, Matching Revenue
3201	61114	Postage	2,500	Funds are Partially Expended
3201	62318	Contract Employee Services	(75,000)	Funds are not Expended
3201	62310	Transcript Services	(2,500)	Funds are not Expended
3201	62311	Special Noticing	5,000	Funds are Partially Expended
3301	63381	Building Inspections	(45,000)	Funds are not Expended

FY 2025-26 MID-YEAR BUDGET ADJUSTMENT REQUESTS - GENERAL FUND

Program	Account	General Fund Expenditures		
3301	64111	Employee Training	2,000	Funds are Partially Expended
3999	68411	Environmental Impact - Pass Through Services	400,000	Funds are Partially Expended
3999	68412	Architect Review- Pass Through Services	30,000	Funds are Partially Expended
3999	68413	Arborist Review - Pass Through Services	80,000	Funds are Partially Expended
3999	68415	Transcription - Pass Through Services	2,000	Funds are Partially Expended
3999	68419	Water Efficiency Review - Pass Through Services	50,000	Funds are Partially Expended
3999	68424	SMIP @ 95% - Pass Through Services	20,000	Funds are Partially Expended
3999	68426	Building Standard @ 90% - Pass Through Services	3,500	Funds are Partially Expended
3999	68428	Video Rendering - Pass Through Services	30,000	Funds are Partially Expended
4101	64212	Org Development - Police Services Study	75,000	Funds are not Expended
4303	63322	Drug Testing Services	15,000	Funds are Partially Expended
4816	68513	BSCC Wellness Grant	3,370	Funds are Expended, Matching Revenue
5301	61234	Playground Safety Parts and Equipment	12,206	Funds are Expended, Matching Revenue
5301	62378	Miscellaneous Services and Repairs	82,110	Funds are not Expended
5301	63332	Software Annual Support	1,000	Funds are Partially Expended
5301	68622	Benches	(500)	Funds are not Received, Matching Tracking Expenditures
5302	63121	SCC- Household Waste Fee	14,959	Funds are Partially Expended, Matching Revenue
5401	62354	Tree Pruning Services	51,000	Funds are not Expended
5401	63364	Traffic Signalization	40,000	Funds are not Expended

TOTAL GENERAL FUND EXPENDITURES	\$	1,350,141
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FY 2025-26 MID-YEAR BUDGET ADJUSTMENT REQUESTS - OTHER FUNDS

Fund	Account	Other Fund Revenues		
261				
7301		Library Trust		
	45411	Donation	\$ 4,000	Additional Donation Received
			\$ 4,000	

633

423

Facilities Maintenance

45313	Los Gatos Saratoga Recreation District	\$ (100,000)	Funds are not Received - Rent Abatement
		<u>\$ (100,000)</u>	

TOTAL OTHER FUNDS REVENUES	\$ (96,000)
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FY 2025-26 MID-YEAR BUDGET ADJUSTMENT REQUESTS - OTHER FUNDS

Fund	Program	Account	Other Fund Expenditures		
411			GFAR		
4118104		82405	Use of Excess VRF Reserves including Interest	\$ 70,462	Funds are not Expended
4118414		82405	Sport Court Resurfacing	50,000	Funds are not Expended
4118741		82405	Auto Gate Replacements	1,602	Funds are not Expended
				<u>\$ 122,064</u>	
412			GFAR - Interim Community Center		
4128736		82405	Interim Community Center	437,500	
				<u>\$ 437,500</u>	
631					
5404			Equipment Replacement		
		8****	Equipment Replacement	\$ (1,846,453)	Funds are not Expended
				<u>\$ (1,846,453)</u>	
633			Facilities Maintenance		
5404		62371	Staffroom Supplies	5,000	Funds are not Expended
5404		62631	Telephone	25,000	Funds are Partially Expended
				<u>\$ 30,000</u>	
			Library Trust Fund		
7301		62420	Additional Donation Received		Funds are not Expended
7301		62424	Additional Donation Received		Funds are not Expended
231					
5501			Blackwell L&L District		
		62613	Utilities - Water	\$ 690	Funds are Partially Expended
				<u>\$ 690</u>	
232					
5502			Kennedy Meadows L&L District		
		62613	Utilities - Water	\$ 638	Funds are Partially Expended
				<u>\$ 638</u>	
TOTAL OTHER FUNDS EXPENDITURES				\$ (1,255,561)	

SUMMARY OF RECOMMENDED BUDGET ADJUSTMENTS

- General Property Tax and Motor Vehicle in Lieu Fee: Staff recommends a increase in projected revenues of approximately \$68,164 in General Property Tax and an increase of \$28,672 Motor Vehicle in Lieu fee which are in line with the estimates and forecasts provided to the Town from Santa Clara County.
- Sales and Use Tax: Staff recommends a \$1,200,919 revenue budget increase to reflect current sales tax trends and new businesses based on HdL' current projections.
- Measure G – District Sales Tax: Staff recommends a \$30,175 revenue budget increase to reflect the current trends of the one-eight cent sales tax based on HdL' projections and the matching \$30,175 pass through revenue and expenditure budget adjustments to track the Measure G allocation.
- Transient Occupancy Tax (TOT): Staff recommends a decrease in projected revenues by \$166,585 in TOT fee based on current collection trend.
- Cable Franchise Fee: Staff recommends a decrease in projected revenues of \$95,722 in cable franchise fee based on current collection trend.
- PG&E Franchise Fee: Staff recommends an increase in projected revenues by \$60,880 in PG&E franchise fee based on current collection trend.
- Credit Card Convenience Fee: Staff recommends a \$9,410 revenue and expenditure budget increase based on the current convenience fees collected by the Town, with matching expenditures for third-party credit card processing services.
- Unhoused Service Grant: Staff recommends a decrease in projected revenues and expenditures in the amount of \$54,696, as a multi-year grant previously expected to extend into FY 2025–26 concluded in the prior fiscal year.
- Leadership Los Gatos: Staff recommends a \$6,850 revenue budget increase and a \$4,300 expenditure budget increase for the Leadership Los Gatos Program to reflect current participation levels and additional associated program expenses.
- IRS Pension Trust: Staff recommends a revenue and expenditure budget increase of \$300,000 to make an additional payment to the IRS Pension Trust from the available Pension/OPEB Reserve.
- Interest: Staff recommends a \$345,487 revenue budget increase based on anticipated interest collection during this fiscal year.
- Business License Tax: Staff recommends a \$107,508 revenue budget increase based on current trend and HdL's, the Town business license consultant's projection.

- Planning Permits, Plan Check and Other Planning Services Fees: Staff recommends a \$390,000 revenue budget increase to reflect increased planning application activities based on current and anticipated receipts.
- Building Permits and Related Activities: Staff recommends a \$625,000 revenue budget increase based on the current and anticipated receipts collections.
- Development Application – Pass Through Services: Staff recommends \$615,000 revenue expenditure budget increase based on the current development activity.
- Prop 172 – Public Safety Sales Tax: Staff recommends a \$7,715 revenue budget decrease to reflect the current trends of the tax based on HdI’s current projections.
- Special Event Reimbursement: Staff recommends a \$11,062 revenue budget increase based on the current receipts collected for Police Services at special events.
- Police Operating Grant: Staff recommend \$3,370 revenue and expenditure budget increases based on the use of deferred grant receipts.
- FEMA Reimbursement: Staff recommends a \$5,019 revenue budget increase to recognize current year reimbursement proceeds for the 2023 storm.
- Engineering Permits and Related Activities: Staff recommends a \$105,591 revenue budget decrease to reflect decreased engineering application activities based on current and anticipated receipts.
- Park Construction Tax: Staff recommends a \$10,781 revenue budget increase based on the current receipts collected.
- Tree Removal Permit: Staff recommends a \$180,000 revenue budget increase based on the current receipts collected.
- Plan JPA – Safety Risk Management: Staff recommends a \$12,206 revenue and expenditure budget increase to reflect the current PlanJPA grant receipt and associated spending for playground safety upgrades.
- HHW Solid Waste Fee: Staff recommends a \$14,959 revenue and expenditure budget adjustment to reflect the current costs paid to Santa Clara County. These fees are reimbursed through the Solid Waste Joint Powers Authority (JPA).
- Benches: Staff recommends a \$500 revenue and expenditure budget decrease due to the decision not to launch the Memorial Bench Program before the end of this fiscal year.
- Insurance Claim Reimbursement: Staff recommends a \$16,818 revenue budget increase to recognize the reimbursement received for property damage.

- Library Operating Grants: Staff recommends a \$6,495 revenue budget increase to recognize reimbursement collected in the current year for prior-year grant expenditures.
- Retire Medical: Staff recommends a \$48,606 expenditure budget increase based on current estimates.
- Los Gatos Chamber of Commerce Contract: Staff recommends an \$88,000 expenditure budget decrease because management of the contract has been transferred to the newly established Economic Community Vitality Program. The expenditures were erroneously included in both the legacy program and the new program, resulting in duplication.
- Legal Services Support: Staff recommends a \$100,000 expenditure budget increase to provide additional legal support for the Town Attorney.
- Salaries and Benefits: Staff recommends a \$194,312 expenditure budget increase related to the Director transition in the Finance Department. A portion of this increased cost will be offset by a reversal in the Town's Compensated Absences Reserve.
- Special Noticing and Postage: Staff recommends a \$7,500 expenditure budget increase for a increased cost related the change in the special noticing requirement.
- Transcription Services: Staff recommends a \$2,500 expenditure budget decrease for transcription services based on the current trend.
- Contract Employee Services: Staff recommends a \$75,000 expenditure budget decrease for contract planning employee services, since the full budgeted amount will not be utilized in the current fiscal year.
- Building Inspection Services: Staff recommends a \$45,000 expenditure budget decrease for contract building inspection services, since the full budgeted amount will not be utilized in the current fiscal year.
- Building Program Training: Staff recommends a \$2,000 expenditure budget increase for staff training.
- Police Service Study: Staff recommends a \$75,000 expenditure budget increase to consult with Meliora on Police operations and services.
- Drug Testing Services: Staff recommends a \$15,000 expenditure budget increase due to rising costs in Drug Testing Services. The expenditures associated with the Police Department's Blood Draw Service, and its frequency, have increased during FY 2025–26. In response to these overages, the Police Department has reallocated funds from other areas within its budget on two separate occasions.
- Miscellaneous Services and Repairs: Staff recommends an increase in projected expenditures for miscellaneous park services and repairs of \$82,110 to address playground inspection outcomes

(\$30,000), Blossom Hill Park lighting improvements (\$20,000), and Town Plaza holiday tree and park lighting improvements (\$32,110).

- Software Annual Support: Staff recommends an increase in projected expenditures for Park Services reservation software of \$1,000 to implement a reservation system for tennis and pickleball reservations.
- Tree Pruning Services: Staff recommends an increase in projected expenditures of \$51,000 for emergency tree services.
- Traffic Signalization: Staff recommends a \$40,000 expenditure budget increase for increased cost for traffic signalization.

Other Fund Revenues and Expenditures

- Library Trust Fund: Staff recommends a \$4,000 revenue budget increase to recognize an increase in donations.
- Facilities Maintenance Fund - Revenue: Staff recommends a decrease in projected revenues of \$100,000 for the Facilities Maintenance Program based on the current agreement terms with the Los Gatos Saratoga Recreation Center.
- GFAR Project Costs: Staff recommends a \$70,642 expenditure budget increase to use available excess Vehicle Registration Fund reserves and a \$1,602 expenditure budget increase to the Auto Gate Replacement Project.
- Sport Park Court Resurfacing: Staff recommends an increase in projected expenditure of \$50,000 for sound mitigation at La Rinconada Park based on the service quotes from vendors. Upon further assessment of court conditions, additional sound netting is recommended than was originally proposed. The additional funds will support this additional material cost and associated installation. Project bidding is scheduled for February 6, 2026, with work planned for April 2026.
- Interim Community Center: Staff recommends moving the Adult Recreation Center Interim Community Center Project from Tier 2 to Tier 1 status and an associated increased expenditure projection of \$437,500 for various improvements, including mold abatement, replacement of select windows, and roof replacement. This work will address aging building infrastructure.
- Equipment Replacement: Staff recommends a \$1,846,453 expenditure budget decrease for the Equipment Replacement Fund. In May 2025, one of the Council's directions to staff was to review the equipment replacement list. Staff have begun this analysis and identified items that can be deferred from replacement in the current fiscal year. As a result, the staff recommends reducing the current equipment replacement budget. During the development of the FY 2026–27 budget, staff will continue to reevaluate all items on the list and either remove them from the replacement schedule or move them to their planned replacement year.

- Facilities Maintenance: Staff recommends a \$30,000 expenditure budget increase for increased telephone services (\$25,000) and increased cost of staffroom supplies (\$5,000).
- Blackwell L&L District: Staff recommends a \$690 expenditure budget increase for increased water utility costs.
- Kennedy Meadows L&L District: Staff recommends a \$638 expenditure budget increase for increased water utility costs.

FINANCIAL SUMMARIES OF OTHER FUNDS

The group of financial summaries on the following pages present data by governmental, proprietary, and fiduciary fund types. For each, the fund information starts with a beginning fund balance, adds current year revenues, and subtracts current year expenditures, resulting in an ending fund balance. Adopted budget amounts are provided as a basis for comparison of actuals to date.

Special Revenue Funds (Governmental Fund Type)

Special Revenue Funds are used to account for revenues that are legally restricted or designated for specific purposes. The Town's Special Revenue Funds include the Community Development Block Grant Fund, Housing Conservation Program Fund, Urban Runoff Source Fund (Non-Point Source), several Landscaping and Lighting District (LLD) Funds, the Theatre Fund, and Library Trust Funds. Staff recommends increasing the revenue budget by \$4,000 to reflect additional donations to the Library Trust Fund. Additionally, an increase of \$1,328 in the expenditure budget is recommended to cover higher water utility costs for the Kennedy Meadows and Blackwell Landscaping and Lighting Districts.

Special Revenue Funds Budget to Actuals Comparisons

	CDBG Grants	Non-Point Source	LLD's	THEATRE	LIBRARY TRUSTS
Beginning Fund Balance	\$ 166,653	\$ 664,168	\$ 193,606	\$ 381,122	\$ 559,744
Budgeted Revenues	-	163,690	39,230	121,100	79,400
Total Actual Revenues - 2nd Qtr	\$ -	\$ 68,204	\$ -	\$ 90,420	\$ 70,230
Budgeted Expenditures	-	221,318	40,400	55,814	82,000
Total Actual Expenditures - 2nd Qtr	-	70,277	12,588	28,747	22,778
2nd Quarter Ending Fund Balance	\$ 166,653	\$ 662,095	\$ 181,018	\$ 442,795	\$ 607,196

Capital Projects Funds (Governmental Fund Type)

Capital Projects Funds account for resources used for the acquisition and construction of capital facilities by the Town. These funds include the General Fund Appropriated Reserve (GFAR) Fund, Community Center Fund, Traffic Mitigation Fund, Grant-Funded CIP Projects Fund, Utility Underground Fund, Gas Tax Fund, and three Storm Drain Funds. Staff recommends reopening the Tier 2 Interim Community Center Project with a budget of \$437,500, increasing the Sport Court Resurfacing Project budget by \$50,000, and making expenditure budget adjustments of \$70,462 to utilize excess Vehicle Registration Fee reserves for additional street work. Additionally, staff recommends a \$1,602 expenditure adjustment for the Auto Gate Replacement Project. The Grant-Funded CIP Fund currently reflects a deficit balance because grant-funded projects require the Town to expend its own dollars first and then submit documentation to the State of California or other granting agencies for reimbursement. These reimbursements ultimately result in the fund breaking even with a zero balance.

Capital Project Funds Budget to Actuals Comparisons

	GFAR*	Community Center Development	Traffic *	Grant Funds*	Storm Drains	Utility Undergd	Gas Tax
	Fund		Mitigation	CIP			
Beginning Fund Balance	\$ 16,974,945	\$ 819,604	\$ 676,481	\$ (1,577,430)	\$ 2,825,234	\$ 3,763,913	\$ 2,130,548
Budgeted Revenues	4,367,396	-	-	10,053,709	153,242	45,870	1,822,989
Total Actual Revenues - 2nd Qtr	2,507,708	-	-	1,401,539	162,657	8,848	718,471
Budgeted Expenditures	16,844,699	-	10,000	6,198,983	1,880,615	-	3,463,170
Total Actual Expenditures - 2nd Qtr	1,515,679	-	-	542,700	135,675	-	930,650
2nd Quarter Ending Fund Balance	\$ 17,966,974	\$ 819,604	\$ 676,481	\$ (718,591)	\$ 2,852,216	\$ 3,772,761	\$ 1,918,369

* GFAR, Community Center Development, Traffic Mitigation, and Grant Funds balances are combined in the FY 2025 ACFR. The combined balance of \$16,893,600 is presented as an Appropriated Reserve.

Internal Service Funds (Proprietary Fund Type)

Internal Service Funds are used to finance and account for specialized activities and services provided by designated Town departments to other Town departments on a cost-reimbursement basis. These funds include the Equipment Replacement Fund, Workers' Compensation Fund, Liability Self-Insurance Fund, Information Technology Fund, and Facilities Maintenance Fund.

The Self-Insurance Fund currently reflects a deficit balance because insurance premiums are paid at the beginning of the fiscal year, while departmental reimbursements are recorded on a bi-monthly basis. Additionally, higher premium rates and increased claim activity required the Town to raise its Liability Internal Service charges in the FY 2025–26 budget. Staff continues to monitor insurance costs and is implementing a change to the Town's liability insurance policy effective July 1, 2026, which is expected to generate potential savings. Furthermore, staff recommends reducing the revenue budget for the Facility Maintenance Program by \$100,000 to account for the rent abatement provided to the Recreation Center, and increasing the expenditure budgets for telephone line services needed for resiliency by \$25,000 and for staff room supplies by \$5,000. In May 2025, one of the Council's directions to staff was to review the equipment replacement list. Staff have begun this analysis and identified items that can be deferred from replacement in the current fiscal year. As a result, the staff recommends reducing the current equipment replacement budget by \$1,846,453. During the development of the FY 2026–27 budget, staff will continue to reevaluate all items on the list and either remove them from the replacement schedule or move them to their planned replacement year.

Internal Service Funds Budget to Actuals Comparisons					
	Equipment Replacemt	Workers Compensation	Self Insurance	Information Technology	Facility Maint.
Beginning Fund Balance	\$ 3,890,429	\$ 1,259,972	\$ 208,747	\$ 2,585,104	\$ 820,099
Budgeted Revenues	1,187,544	1,901,696	1,825,348	954,554	1,519,570
Total Actual Revenues - 2nd Qtr	583,772	999,555	840,773	395,714	690,616
Budgeted Expenditures	2,280,123	1,846,050	1,758,736	1,593,457	1,419,567
Total Actual Expenditures - 2nd Qtr	163,833	896,072	1,567,792	627,572	682,757
2nd Quarter Ending Fund Balance	\$ 4,310,368	\$ 1,363,455	\$ (518,272)	\$ 2,353,246	\$ 827,958
	7%	49%	89%	39%	48%

Trust and Agency Funds (Fiduciary Fund Type)

AB1x26 is the “Dissolution Bill” that eliminated the Town’s Redevelopment Agency effective February 1, 2012. AB 1484 is the “clean-up” bill that revised and attempted to clarify AB1x26. In accordance with the law, the Successor Agency continues to wind down the affairs and operations of the former Redevelopment Agency by implementing programs and activities in accordance with the State-approved Recognized Obligation payment Schedule (ROPS). The Successor Agency monies are now accounted for in a Private Purpose Trust fund and no longer part of the Town’s Financial Statements. The fund balance reported is the actual fund balance that incorporates the full accrual of long-term debt related to the outstanding bonds payable to the 2002 and 2010 Certificates of Participation. The approved ROPS schedule includes full funding for this debt obligation.

Trust & Agency Fund Budget to Actuals Comparisons

	SA Trust
Beginning Fund Balance	\$ (3,037,145)
Budgeted Revenues	3,923,926
Total Actual Revenues - 2nd Qtr	-
Budgeted Expenditures	3,817,112
Total Actual Expenditures - 2nd Qtr	1,743,541
2nd Quarter Ending Fund Balance	\$ (4,780,686)

Conclusion

Overall, the Town is well positioned to end the fiscal year in a positive. The recommended adjustments included in the Mid-Year Financial Report to increase estimated revenues across all funds by \$3.5M and to decrease budgeted appropriations by \$.09M.

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General Fund 5-Year Forecast
Updated 2-5-2026
(in \$ million)

Revenue Category	FY 2021-22 Actuals	FY 2022-23 Actuals	FY 2023-24 Actuals	FY 2024-25 Adjusted Budget	FY 2024-25 Actuals	FY 2025-26 Adjusted Budget	FY 2025-26 Estimates	FY 2026-27 Forecast	FY 2027-28 Forecast	FY 2028-29 Forecast	FY 2029-30 Forecast	FY 2030-31 Forecast
Property Tax	\$ 16.9	\$ 18.2	\$ 19.3	\$ 20.0	\$ 20.2	\$ 21.5	\$ 21.5	\$ 22.2	\$ 23.1	\$ 24.1	\$ 25.0	\$ 26.1
VLF Backfill Property Tax	4.2	4.6	4.9	5.1	5.1	5.4	5.4	5.7	6.0	6.3	6.6	6.9
Sales & Use Tax	7.2	7.5	6.8	6.5	7.0	6.6	7.9	8.4	8.6	8.9	9.2	9.4
Measure G District Sales Tax	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.4	1.4	1.4	1.5
Franchise Fees	2.8	3.1	2.5	1.0	1.1	1.0	1.0	1.1	1.1	1.2	1.2	1.2
Transient Occupancy Tax	1.9	2.2	2.4	2.3	2.4	2.4	2.3	2.3	2.3	2.3	2.3	2.4
Business License Tax	1.5	2.4	1.5	2.8	3.0	2.5	2.6	2.7	2.8	2.8	2.9	3.0
Licenses & Permits	4.8	3.3	4.0	6.2	6.7	6.3	7.0	6.1	6.2	6.3	6.4	6.5
Intergovernmental	1.3	1.6	1.2	1.2	1.3	1.1	1.3	0.8	0.8	0.8	0.8	0.8
Town Services	5.3	4.6	5.9	5.2	5.7	6.0	7.0	5.3	5.5	5.6	5.8	6.0
Fines & Forfeitures	0.3	0.4	0.5	0.3	0.4	0.3	0.3	0.3	0.1	0.1	0.1	0.1
Interest	(1.4)	0.6	2.7	1.4	3.1	1.6	1.9	1.4	1.5	1.5	1.6	1.7
Other Sources	7.7	8.1	4.9	4.2	3.6	6.8	6.3	3.8	3.9	4.0	2.8	2.7
Fund Transfers In	0.6	0.5	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
TOTAL OPERATING REVENUES &	\$ 54.4	\$ 58.4	\$ 58.5	\$ 58.1	\$ 61.5	\$ 63.4	\$ 66.4	\$ 62.0	\$ 63.9	\$ 65.9	\$ 66.7	\$ 68.9
Use of Capital/Special Projects	0.6	\$ 2.4	\$ 1.6	\$ 3.7	\$ 1.1	\$ -		\$ -	\$ -	\$ -	\$ -	\$ -
Use of Measure G Sales Tax -		-	-	0.6								
Use of Pension/OPEB Reserve	0.3	0.3	0.3	-	0.3	-	-	-	-	-	-	-
Use of Council Priorities - Economic	-	-	1.5	-	-	-	-	-	-	-	-	-
TOTAL REVENUES, TRANSFERS, AND USE OF RESERVES*	\$ 57.6	\$ 61.1	\$ 61.9	\$ 62.4	\$ 62.9	\$ 63.4	\$ 66.4	\$ 62.0	\$ 63.9	\$ 65.9	\$ 66.7	\$ 68.9
Expenditure Category	FY 2021-22 Actuals	FY 2022-23 Actuals	FY 2023-24 Actuals	FY 2024-25 Adjusted Budget	FY 2024-25 Actuals	FY 2025-26 Adjusted Budget	FY 2025-26 Estimates	FY 2026-27 Forecast	FY 2027-28 Forecast	FY 2028-29 Forecast	FY 2029-30 Forecast	FY 2030-31 Forecast
Salary	\$ 18.9	\$ 20.5	\$ 21.5	\$ 25.2	\$ 22.4	\$ 25.4	\$ 23.4	\$ 26.8	\$ 27.6	\$ 28.2	\$ 28.8	\$ 29.4
Overtime	1.1	1.3	1.3	0.6	1.3	0.7	1.4	0.7	0.7	0.7	0.7	0.7
CalPERS Benefits	6.5	7.1	7.4	8.8	8.3	9.9	8.8	10.3	11.0	11.8	12.0	12.3
All Other Benefits	3.7	3.8	4.3	5.6	4.9	6.3	5.3	5.9	6.2	6.4	6.6	6.9
4.6% Salary and Benefits Savings	-	-	-	(1.5)	-	(2.2)	-	(2.0)	(2.1)	(2.2)	(2.2)	(2.3)
OPEB Pay as You Go	1.4	1.5	1.6	2.0	1.9	2.1	2.2	2.2	2.2	2.3	2.3	2.4
Operating Expenditures	10.4	11.7	9.8	10.6	8.1	11.6	11.7	11.6	10.8	11.1	11.4	11.8
Grants & Awards	1.8	0.6	0.7	0.7	0.7	0.5	0.3	0.3	0.3	0.3	0.3	0.3
Utilities	0.6	0.6	0.7	0.7	0.8	0.7	0.7	0.9	0.9	0.9	0.9	1.0
Internal Service Charges	2.6	2.6	3.2	4.4	4.2	4.9	4.7	5.6	6.0	6.2	6.5	6.7
Debt Service	2.1	2.0	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1
TOTAL OPERATING EXPENDITURES	\$ 49.0	\$ 51.8	\$ 52.9	\$ 59.2	\$ 54.6	\$ 61.9	60.6	\$ 64.3	\$ 65.6	\$ 67.8	\$ 68.2	\$ 70.1
Pension	0.7	0.7	0.7	0.4	0.7	0.4	0.7	0.4	0.4	0.4	0.4	0.4
TOTAL OPERATING & DISCRETIONARY EXPENDITURES	\$ 49.8	\$ 52.5	\$ 53.5	\$ 59.6	\$ 55.3	\$ 62.3	\$ 61.3	\$ 64.7	\$ 66.0	\$ 68.2	\$ 68.6	\$ 70.5
Capital Transfers Out to GFAR	1.2	\$ 2.4	\$ 1.6	\$ 1.1	\$ 1.1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfer to General Liability		-	0.4	-	0.1	-	-	-	-	-	-	-
GASB 65			0.6	-	-	-	-	-	-	-	-	-
Fixed Assets/ Equipment			0.1	0.4	-	-	0.2	-	-	-	-	-
1/2 of Measure G Proceeds to Capital	0.6	0.6	0.7	0.6	0.6	-	-	-	-	-	-	-
Allocate to ERAF Risk Reserve	-	0.7	0.7	-	-	-	-	-	-	-	-	-
Allocate to GASB 31 Reserve					1.2	-	-	-	-	-	-	-
Allocate to Pension Trust	-	0.7	0.7	0.7	0.7	0.4	0.6	0.4	0.4	0.4	0.4	0.4
TOTAL EXPENDITURES & RESERVE	\$ 52.1	\$ 56.2	\$ 57.6	\$ 62.1	\$ 59.0	\$ 62.7	62.1	\$ 65.1	\$ 66.4	\$ 68.6	\$ 69.0	\$ 70.9
NET REVENUES, TRANSFERS IN, USE OF RESERVES LESS EXPENDITURES, TRANSFERS IN, AND RESERVE ALLOCATIONS	\$ 5.5	\$ 4.9	\$ 4.3	\$ 0.3	\$ 3.9	\$ 0.7	\$ 4.3	\$ (3.1)	\$ (2.5)	\$ (2.7)	\$ (2.3)	\$ (2.0)

* Due to rounding of individual categories total revenues, expenditures, and reserve allocations may include \$0.1 million.

FY 2026-27 UPDATED DRAFT FORECAST COMPARISON AS IT PUBLISHED WITH
THE FY 2025-26 ADOPTED BUDGET COMPARED TO AS IT WAS PREPARED ON 2-6-2026

Item 4.

	A	B	C	D
	Revenue Category	FY 2026-27 Forecast Updated 2-6-2026	FY 2026-27 Forecast Published with the Adopted Budget	VARIANCE
1	Property Tax	\$ 22.2	\$ 22.2	\$ -
2	VLF Backfill Property Tax	5.7	5.7	-
3	Sales & Use Tax	8.4	6.8	1.6
4	Measure G District Sales Tax	1.3	1.3	(0.0)
5	Franchise Fees	1.1	1.1	-
6	Transient Occupancy Tax	2.3	2.4	(0.1)
7	Business License Tax	2.7	2.6	0.1
8	Licenses & Permits	6.1	6.3	(0.2)
9	Intergovernmental	0.8	0.8	-
10	Town Services	5.3	5.0	0.3
11	Fines & Forfeitures	0.3	0.3	-
12	Interest	1.4	1.1	0.3
13	Other Sources	3.8	3.7	0.1
14	Fund Transfers In	0.6	0.6	-
15	TOTAL OPERATING REVENUES &	\$ 62.0	\$ 59.9	\$ 2.1
	Use of Capital/Special Projects	-	-	
	Use of Measure G Sales Tax -	-	-	
	Use of Pension/OPEB Reserve	-	-	
	Use of Council Priorities - Economic	-	-	
	Use of Unassigned Fund Balance	-	-	
16	TOTAL REVENUES, TRANSFERS, AND USE OF RESERVES*	\$ 62.0	\$ 59.9	
	Expenditure Category	FY 2026-27 Forecast Updated 2-6-2026	FY 2026-27 Forecast Published with the Adopted Budget	Variance
17	Salaries	\$ 26.8	\$ 26.8	\$ (0.0)
18	Overtime	0.7	0.7	(0.0)
19	CalPERS Benefits	10.3	10.4	(0.1)
20	All Other Benefits	5.9	6.3	(0.4)
21	4.6% Salaries and Benefits Savings	(2.0)	(2.0)	(0.0)
22	OPEB Pay as You Go	2.2	2.2	(0.0)
23	Operating Expenditures	11.6	9.9	1.7
24	Grants & Awards	0.3	0.3	(0.0)
25	Utilities	0.9	0.7	0.2
26	Internal Service Charges	5.6	5.3	0.4
27	Debt Service	2.1	2.1	(0.0)
28	TOTAL OPERATING EXPENDITURES	\$ 64.3	\$ 62.7	\$ 1.6
30	Pension	0.4	0.4	
31	TOTAL OPERATING & DISCRETIONARY EXPENDITURES	\$ 64.7	\$ 63.1	
32	Allocate to Pension Trust	0.4	0.4	
	TOTAL EXPENDITURES & RESERVE	\$ 65.1	\$ 63.5	
	NET REVENUES , TRANSFERS IN, USE OF RESERVES LESS EXPENDITURES, TRANSFERS IN, AND RESERVE ALLOCATIONS	\$ (3.1)	\$ (3.6)	

* Due to rounding of individual categories total revenues, expenditures, and reserve allocations may include \$0.1 million.

Below is the list of variances/or no changes in the Revenue and Expenditure estimates (2-6-2026).

Revenues:

Row 1 and Row 2 Column A – Property Tax and VLF Property Tax Backfill - Projected Variance – No Projected Variance

No change based on SCCAO February 2026 and HdL Coren and Cane January 2026 Property Tax Update.

Row 3 and Row 4

Column A – Sales Tax and Measure G District Sales Tax - Projected Variance \$1.6 million increase

In January 2026 HdL, the Town's Sales Tax consultant, provided an updated Sales Tax revenue projection indicating an increase of approximately \$1.6 million. This revised estimate reflects stronger-than-anticipated local economic activity.

Row 5 - Column A – Franchise Fees – No Projected Variance

No Projected Change.

Row 6 - Column A – Transient Occupancy Tax (TOT) – Projected Variance (\$0.1) million decrease

Current TOT trend estimates based on the number of hotels in Town.

Row 7 - Column A – Business License Tax – Projected Variance \$0.1 million increase

Based on the most recent estimates, the FY 2026-27 Business License Tax is anticipated to increase by \$0.1 million.

Row 8 - Column A – Licenses and Permits – Projected Variance (\$0.2) million decrease

Based on the most recent estimates, the FY 2026-27 License and Permits is anticipated to decrease by \$0.2 million.

Row 9 - Column A – Intergovernmental - No Projected Variance

Row 10 - Column A – Town Services - Projected Variance - \$0.3 million increase

Based on Development activities, pass-through revenues are expected to increase by \$0.3 million. The corresponding pass-through expenditures are expected to grow by the same amount.

Row 11 - Column A – Fines and Forfeitures - No Projected Variance

Row 12 - Column A – Interest - \$0.3 million increase

Based on updated interest rate estimates as of January 2026, staff have conducted a comprehensive evaluation of the current interest rate environment in relation to the Town's existing investment portfolio. The interest rate assumptions have been updated accordingly to reflect current market conditions. As the market environment continues to evolve, projected interest rates will fluctuate. Staff are actively monitoring the investment rate environment and will continue to update interest rate assumptions on a periodic basis

Row 13 - Column A – Other Sources - \$0.1 million increase

Based on FY 2024-25 Actuals revenue collections, such as credit card merchant fees, and updated Measure G sales Tax tracking Revenue.

Row 14 - Column A – Fund Transfers In - No Projected Variance**Expenditures:****Row 17 - Column A – Salaries - No Projected Variance****Row 18 - Column A – Overtime - No Projected Variance****Row 19 - Column A – CalPERS Benefits - Projected Variance (\$0.1) million decreases****Row 20 - Column A – All Other Benefits - Projected Variance (\$0.4) million decreases****Row 21 - Column A – 4.6 % Salaries and Benefit Savings - No Projected Variance**

Based on the 12/31/2025 Actual Salary Steps, Pension Benefits, and Medical Insurance selection, the projected Salaries and Benefits are \$0.5 million less. Staff will update pension rates and actual salaries and benefits with the Proposed FY 2026-27 Budget.

Row 22 - Column A – OPEB Pay as You Go - No Projected Variance

No Projected Change.

Row 23 - Column A – Operating Expenditure - Projected Variance \$1.7 million increase

Operating expenditures for FY 2026-27 are projected to increase by approximately \$1.7 million. This increase is primarily driven by town-wide growth in contractually obligated expenditures, a shift to a subscription-based model for various public safety equipment, and an increase in the Town's share of retiree medical reimbursements. In addition, \$0.9 million of funding originally allocated to Emergency Management in FY 2024-25 is expected to be used in FY 2026-27.

Row 24 - Column A – Grants and Awards - No Projected Variance

No Projected Change.

Row 25 - Column A – Utilities - Projected Variance \$0.2 million increase

Operating expenditure expected to increase by \$0.2 million based on FY 2024-25 actual utilities expenditures.

Row 26 - Column A – Internal Service Charges - \$0.4 million increase

Expenditure expected to increase by \$0.4 million based on FY 2024-25 actual expenditures.

Row 27 - Column A – Debt Services - No Projected Variance

FY 2026-27 DRAFT FORECAST UPDATED ON 12-29-2025

General Fund 5-Year Forecast Updated 12-29-2025 (in \$ million)

Revenue Category	FY 2021-22 Actuals	FY 2022-23 Actuals	FY 2023-24 Actuals	FY 2024-25 Adjusted Budget	FY 2024-25 Actuals	FY 2025-26 Adjusted Budget	FY 2025-26 Estimates	FY 2026-27 Forecast	FY 2027-28 Forecast	FY 2028-29 Forecast	FY 2029-30 Forecast	FY 2030-31 Forecast
Property Tax	\$ 16.9	\$ 18.2	\$ 19.3	\$ 20.0	\$ 20.2	\$ 21.5	\$ 21.4	\$ 21.4	\$ 22.3	\$ 23.2	\$ 24.1	\$ 25.1
VLF Backfill Property Tax	4.2	4.6	4.9	5.1	5.1	5.4	5.4	5.6	5.9	6.2	6.5	6.8
Sales & Use Tax	7.2	7.5	6.8	6.5	7.0	6.6	6.9	7.1	7.3	7.4	7.5	7.6
Measure G District Sales Tax	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.4	1.4	1.5
Franchise Fees	2.8	3.1	2.5	1.0	1.1	1.0	1.0	1.1	1.1	1.2	1.2	1.2
Transient Occupancy Tax	1.9	2.2	2.4	2.3	2.4	2.4	2.4	2.0	2.0	2.0	2.0	2.0
Business License Tax	1.5	2.4	1.5	2.8	3.0	2.5	2.8	2.7	2.8	2.9	3.0	3.1
Licenses & Permits	4.8	3.3	4.0	6.2	6.7	6.3	6.3	6.1	6.2	6.3	6.4	6.5
Intergovernmental	1.3	1.6	1.2	1.2	1.3	0.8	0.8	0.8	0.8	0.9	0.9	0.9
Town Services	5.3	4.6	5.9	5.2	5.7	5.7	5.7	5.3	5.4	5.5	5.6	5.8
Fines & Forfeitures	0.3	0.4	0.5	0.3	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Interest	(1.4)	0.6	2.7	1.4	3.1	1.6	1.6	1.2	1.1	1.1	1.1	1.2
Other Sources	7.7	8.1	4.9	4.2	3.6	3.8	3.9	3.7	3.9	3.9	2.7	2.7
Fund Transfers In	0.6	0.5	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
TOTAL OPERATING REVENUES &	\$ 54.4	\$ 58.4	\$ 58.5	\$ 58.1	\$ 61.5	\$ 59.8	\$ 60.4	\$ 59.2	\$ 61.0	\$ 62.9	\$ 63.3	\$ 65.3
Use of Capital/Special Projects Reserve	0.6	2.4	1.6	3.7	1.1	-	-	-	-	-	-	-
Use of Measure G Sales Tax - Operating	-	-	-	0.6	-	-	-	-	-	-	-	-
Use of Pension/OPEB Reserve	0.3	0.3	0.3	-	0.3	-	-	-	-	-	-	-
Recovery	-	-	1.5	-	-	-	-	-	-	-	-	-
Use of Unassigned Fund Balance	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL REVENUES, TRANSFERS, AND USE OF RESERVES*	\$ 57.6	\$ 61.1	\$ 61.9	\$ 62.4	\$ 62.9	\$ 59.8	\$ 60.4	\$ 59.2	\$ 61.0	\$ 62.9	\$ 63.3	\$ 65.3
Expenditure Category	FY 2021-22 Actuals	FY 2022-23 Actuals	FY 2023-24 Actuals	FY 2024-25 Adjusted Budget	FY 2024-25 Actuals	FY 2025-26 Adjusted Budget	FY 2025-26 Estimates	FY 2026-27 Forecast	FY 2027-28 Forecast	FY 2028-29 Forecast	FY 2029-30 Forecast	FY 2030-31 Forecast
Salary	\$ 18.9	\$ 20.5	\$ 21.5	\$ 25.2	\$ 22.4	\$ 25.4	\$ 25.4	\$ 26.8	\$ 27.6	\$ 28.2	\$ 28.8	\$ 29.4
Overtime	1.1	1.3	1.3	0.6	1.3	0.7	0.7	0.7	0.7	0.7	0.7	0.7
CalPERS Benefits	6.5	7.1	7.4	8.8	8.3	9.7	9.7	10.3	11.0	11.8	12.0	12.3
All Other Benefits	3.7	3.8	4.3	5.6	4.9	6.3	6.3	5.9	6.2	6.4	6.6	6.9
4.6% Salary and Benefits Savings	-	-	-	(1.5)	-	(1.9)	(1.9)	(2.0)	(2.1)	(2.2)	(2.2)	(2.3)
OPEB Pay as You Go	1.4	1.5	1.6	2.0	1.9	2.1	2.1	2.2	2.3	2.4	2.5	2.6
Operating Expenditures	10.4	11.7	9.8	10.6	8.2	9.9	9.9	10.2	10.3	10.6	10.8	11.2
Grants & Awards	1.8	0.6	0.7	0.7	0.7	0.4	0.4	0.3	0.3	0.3	0.3	0.3
Utilities	0.6	0.6	0.7	0.7	0.8	0.7	0.7	0.9	0.9	0.9	0.9	1.0
Internal Service Charges	2.6	2.6	3.2	4.4	4.2	4.9	4.9	5.3	5.6	5.8	6.1	6.3
Debt Service	2.1	2.0	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	0.8	0.8
TOTAL OPERATING EXPENDITURES	\$ 49.0	\$ 51.8	\$ 52.9	\$ 59.2	\$ 54.7	\$ 60.1	\$ 60.1	\$ 62.5	\$ 64.8	\$ 67.0	\$ 67.5	\$ 69.3
Pension	0.7	0.7	0.7	0.4	0.7	0.4	0.4	0.4	0.4	0.4	0.4	0.4
TOTAL OPERATING & DISCRETIONARY EXPENDITURES	\$ 49.8	\$ 52.5	\$ 53.5	\$ 59.6	\$ 55.4	\$ 60.5	\$ 60.5	\$ 62.9	\$ 65.2	\$ 67.4	\$ 67.9	\$ 69.7
Capital Transfers Out to GFAR	1.2	2.4	1.6	1.1	1.1	-	-	-	-	-	-	-
Transfer to General Liability	-	-	0.4	-	0.1	-	-	-	-	-	-	-
GASB 65	-	-	0.6	-	-	-	-	-	-	-	-	-
Fixed Assets/ Equipment	-	-	0.1	0.4	-	-	-	-	-	-	-	-
1/2 of Measure G Proceeds to Capital	0.6	0.6	0.7	0.6	0.6	-	-	-	-	-	-	-
Allocate to ERAF Risk Reserve	-	0.7	0.7	-	-	-	-	-	-	-	-	-
Allocate to GASB 31 Reserve	-	-	-	1.2	-	-	-	-	-	-	-	-
Allocate to Pension Trust	-	0.7	0.7	0.7	0.7	0.4	0.4	0.4	0.4	0.4	0.4	0.4
TOTAL EXPENDITURES & RESERVE	\$ 52.1	\$ 56.2	\$ 57.6	\$ 62.1	\$ 59.1	\$ 60.9	\$ 60.9	\$ 63.3	\$ 65.6	\$ 67.8	\$ 68.3	\$ 70.1
NET REVENUES, TRANSFERS IN, USE OF RESERVES LESS EXPENDITURES, TRANSFERS IN, AND RESERVE ALLOCATIONS	\$ 5.5	\$ 4.9	\$ 4.3	\$ 0.3	\$ 3.8	\$ (1.1)	\$ (0.5)	\$ (4.1)	\$ (4.6)	\$ (4.9)	\$ (5.0)	\$ (4.8)

* Due to rounding of individual categories total revenues, expenditures, and reserve allocations may include \$0.1 million.

FY 2026-27 UPDATED DRAFT FORECAST COMPARISON AS IT PUBLISHED WITH
THE FY 2025-26 ADOPTED BUDGET COMPARED TO AS IT WAS PREPARED ON
12-29-2025

A		B	C	D
Revenue Category		FY 2026-27 Forecast Updated 12-29-2025	FY 2026-27 Forecast Published with the Adopted Budget	VARIANCE
1	Property Tax	\$ 21.4	\$ 22.2	\$ (0.8)
2	VLF Backfill Property Tax	5.6	5.7	(0.1)
3	Sales & Use Tax	7.1	6.8	0.3
4	Measure G District Sales Tax	1.3	1.3	(0.0)
5	Franchise Fees	1.1	1.1	-
6	Transient Occupancy Tax	2.0	2.4	(0.4)
7	Business License Tax	2.7	2.6	0.1
8	Licenses & Permits	6.1	6.3	(0.2)
9	Intergovernmental	0.8	0.8	-
10	Town Services	5.3	5.0	0.3
11	Fines & Forfeitures	0.3	0.3	-
12	Interest	1.2	1.1	0.1
13	Other Sources	3.7	3.7	0.0
14	Fund Transfers In	0.6	0.6	-
15	TOTAL OPERATING REVENUES &	\$ 59.2	\$ 59.9	\$ (0.7)
	Use of Capital/Special Projects Reserve	\$ -	\$ -	
	Use of Measure G Sales Tax - Operating	-	-	
	Use of Pension/OPEB Reserve	-	-	
	Recovery	-	-	
	Use of Unassigned Fund Balance	-	-	
16	TOTAL REVENUES, TRANSFERS, AND USE OF RESERVES*	\$ 59.2	\$ 59.9	
Expenditure Category		FY 2026-27 Forecast Updated 12-29-2025	FY 2026-27 Forecast Published with the Adopted Budget	Variance
17	Salaries	\$ 26.8	\$ 26.8	\$ (0.0)
18	Overtime	0.7	0.7	(0.0)
19	CalPERS Benefits	10.3	10.4	(0.1)
20	All Other Benefits	5.9	6.3	(0.4)
21	4.6% Salaries and Benefits Savings	(2.0)	(2.0)	(0.0)
22	OPEB Pay as You Go	2.2	2.2	0.0
23	Operating Expenditures	10.2	9.9	0.3
24	Grants & Awards	0.3	0.3	(0.0)
25	Utilities	0.9	0.7	0.2
26	Internal Service Charges	5.3	5.3	0.0
27	Debt Service	2.1	2.1	(0.0)
28	TOTAL OPERATING EXPENDITURES	\$ 62.5	\$ 62.7	\$ (0.2)
30	Pension	0.4	0.4	
31	TOTAL OPERATING & DISCRETIONARY EXPENDITURES	\$ 62.9	\$ 63.1	
32	Allocate to Pension Trust	0.4	0.4	
	TOTAL EXPENDITURES & RESERVE	\$ 63.3	\$ 63.5	
	NET REVENUES , TRANSFERS IN, USE OF RESERVES LESS EXPENDITURES, TRANSFERS IN, AND RESERVE ALLOCATIONS	\$ (4.1)	\$ (3.6)	

Below is the list of variances/or no changes in the Revenue and Expenditure estimates (12-29-2025).

Revenues:

Row 1 and Row 2 Column A – Property Tax and VLF Property Tax Backfill - Projected Variance - (\$0.9) million decrease

*Based on SCCAO November 12, 2025 and HdL Coren and Cane 12-19-2025 Preliminary Property Tax Update the 2026-27 Property Tax estimates are projected lower. This is a preliminary estimate, staff will further discuss and fine tune the property tax estimates with HdL Coren and Cane before the mid-year analysis. **Row 3 and Row 4***

Column A – Sales Tax and Measure G District Sales Tax - Projected Variance \$0.3 million increase

As of October 10, 2025, Muniservices, the Town's Sales Tax consultant, provided an updated Sales Tax revenue projection indicating an increase of approximately \$300,000. This revised estimate reflects stronger-than-anticipated local economic activity.

The Town is in the process of signing a Sales Tax Forecasting agreement with HdL. HdL will provide an updated look for the Sales Tax forecast.

Row 5 - Column A – Franchise Fees – No Projected Variance

No Projected Change.

Row 6 - Column A – Transient Occupancy Tax (TOT) – Projected Variance (\$0.4) million decrease

The Finance Department has received the closing notification from one of the hotels. Staff is recommending decreasing the TOT base by \$0.4 million.

Row 7 - Column A – Business License Tax – Projected Variance \$0.1 million increase

Based on the most recent estimates, the FY 2026-27 Business License Tax is anticipated to increase by \$0.1 million.

Row 8 - Column A – Licenses and Permits – Projected Variance (\$0.2) million decrease

Based on the most recent estimates, the FY 2026-27 License and Permits is anticipated to decrease by \$0.2 million.

Row 9 - Column A – Intergovernmental - No Projected Variance

Row 10 - Column A – Town Services - Projected Variance - \$0.3 million increase

Based on Development activities, it is anticipated that the pass-through revenues will increase by \$0.3 million. The corresponding pass-through expenditures are expected to grow by the same amount.

Row 11 - Column A – Fines and Forfeitures - No Projected Variance

Row 12 - Column A – Interest - \$0.1 million increase

Based on updated interest rate estimates as of October 21, 2025, staff have conducted a comprehensive evaluation of the current interest rate environment in relation to the Town's existing investment portfolio. The interest rate assumptions have been updated accordingly to reflect current market conditions. As the market environment continues to evolve, projected interest rates will fluctuate. Staff are actively monitoring the investment rate environment and will continue to update interest rate assumptions on a periodic basis

Row 13 - Column A – Other Sources - No Projected Variance

Row 14 - Column A – Fund Transfers In - No Projected Variance

Expenditures:

Row 17 - Column A – Salaries - No Projected Variance

Row 18 - Column A – Overtime - No Projected Variance

Row 19 - Column A – CalPERS Benefits - Projected Variance (\$0.1) million decreases

Row 20 - Column A – All Other Benefits - Projected Variance (\$0.4) million decreases

Row 21 - Column A – 4.6 % Salaries and Benefit Savings - No Projected Variance

Based on the 10/7/2025 Actual Salary Steps, Pension Benefits, and Medical Insurance selection, the projected Salaries and Benefits are \$0.5 million less.

Row 22 - Column A – OPEB Pay as You Go - No Projected Variance

No Projected Change.

Row 23 - Column A – Operating Expenditure - Projected Variance \$0.3 million increase

Operating expenditure expected to increase by \$0.3 million based on estimated pass-through activities.

Row 24 - Column A – Grants and Awards - No Projected Variance

No Projected Change.

Row 25 - Column A – Utilities - Projected Variance \$0.2 million increase

Operating expenditure expected to increase by \$0.2 million based on FY 2024-25 actual utilities expenditures.

Row 26 - Column A – Internal Service Charges - No Projected Variance

Row 27 - Column A – Debt Services - No Projected Variance

General Fund 5-Year Forecast
Updated 10-17-2025
(in \$ million)

Revenue Category	2021/22 Actuals	FY 2022/23 Actuals	FY 2023-24 Actuals	FY 2024-25 Adjusted Budget	FY 2025-26 Adjusted Budget	FY 2026-27 Forecast	FY 2027-28 Forecast	FY 2028-29 Forecast	FY 2029-30 Forecast	FY 2030-31 Forecast
Property Tax	\$ 16.9	\$ 18.2	\$ 19.3	\$ 20.0	\$ 21.5	\$ 22.2	\$ 23.1	\$ 24.0	\$ 24.9	\$ 25.9
VLF Backfill Property Tax	4.2	4.6	4.9	5.1	5.4	5.7	5.9	6.2	6.5	6.9
Sales & Use Tax	7.2	7.5	6.8	6.5	6.6	7.1	7.3	7.4	7.5	7.6
Measure G District Sales Tax	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.4	1.4	1.5
Franchise Fees	2.8	3.1	2.5	1.0	1.0	1.1	1.1	1.2	1.2	1.2
Transient Occupancy Tax	1.9	2.2	2.4	2.3	2.4	2.0	2.0	2.0	2.0	2.0
Business License Tax	1.5	2.4	1.5	2.8	2.5	2.7	2.8	2.9	3.0	3.1
Licenses & Permits	4.8	3.3	4.0	6.2	6.3	6.1	6.2	6.3	6.4	6.5
Intergovernmental	1.3	1.6	1.2	1.2	0.8	0.8	0.8	0.9	0.9	0.9
Town Services	5.3	4.6	5.9	5.2	5.7	5.3	5.4	5.5	5.6	5.8
Fines & Forfeitures	0.3	0.4	0.5	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Interest	(1.4)	0.6	2.6	1.4	1.6	1.2	1.1	1.1	1.1	1.2
Other Sources	7.7	8.1	5.0	4.2	3.8	3.7	3.9	3.9	2.7	2.7
Fund Transfers In	0.6	0.5	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
TOTAL OPERATING REVENUES &	\$ 54.4	\$ 58.4	\$ 58.5	\$ 58.1	\$ 59.8	\$ 60.1	\$ 61.8	\$ 63.7	\$ 64.1	\$ 66.2
Use of Capital/Special Projects	0.6	\$ 2.4	\$ 1.6	\$ 3.7	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Use of Measure G Sales Tax -	-	-	-	0.6	-	-	-	-	-	-
Use of Pension/OPEB Reserve	0.3	0.3	0.3	-	-	-	-	-	-	-
Use of Council Priorities - Economic	-	-	1.5	-	-	-	-	-	-	-
Use of Unassigned Fund Balance	-	-	-	-	-	-	-	-	-	-
TOTAL REVENUES, TRANSFERS, AND USE OF RESERVES*	\$ 57.6	\$ 61.1	\$ 61.9	\$ 62.4	\$ 59.8	\$ 60.1	\$ 61.8	\$ 63.7	\$ 64.1	\$ 66.2
Expenditure Category	2021/22 Actuals	FY 2022/23 Actuals	FY 2023-24 Actuals	FY 2024-25 Adjusted Budget	FY 2025-26 Adjusted Budget	FY 2026-27 Forecast	FY 2027-28 Forecast	FY 2028-29 Forecast	FY 2029-30 Forecast	FY 2030-31 Forecast
Salary	\$ 18.9	\$ 20.5	\$ 21.5	\$ 25.2	\$ 25.4	\$ 26.8	\$ 27.6	\$ 28.2	\$ 28.8	\$ 29.4
Overtime	1.1	1.3	1.3	0.6	0.7	0.7	0.7	0.7	0.7	0.7
CalPERS Benefits	6.5	7.1	7.4	8.8	9.7	10.3	11.0	11.8	12.0	12.3
All Other Benefits	3.7	3.8	4.3	5.6	6.3	5.9	6.2	6.4	6.6	6.9
4.6% Salary and Benefits Savings	-	-	-	(1.5)	(1.9)	(2.0)	(2.1)	(2.2)	(2.2)	(2.3)
OPEB Pay as You Go	1.4	1.5	1.6	2.0	2.1	2.2	2.3	2.4	2.5	2.6
Operating Expenditures	10.4	11.7	9.8	10.6	9.9	10.2	10.3	10.6	10.8	11.2
Grants & Awards	1.8	0.6	0.7	0.7	0.4	0.3	0.3	0.3	0.3	0.3
Utilities	0.6	0.6	0.7	0.7	0.7	0.9	0.9	0.9	0.9	1.0
Internal Service Charges	2.6	2.6	3.2	4.4	4.9	5.3	5.6	5.8	6.1	6.3
Debt Service	2.1	2.0	2.1	2.1	2.1	2.1	2.1	2.1	0.8	0.8
TOTAL OPERATING EXPENDITURES	\$ 49.0	\$ 51.8	\$ 52.9	\$ 59.2	\$ 60.1	\$ 62.5	\$ 64.8	\$ 67.0	\$ 67.5	\$ 69.3
Pension	0.7	0.7	0.7	0.4	0.4	0.4	0.4	0.4	0.4	0.4
TOTAL OPERATING & DISCRETIONARY EXPENDITURES	\$ 49.8	\$ 52.5	\$ 53.5	\$ 59.6	\$ 60.5	\$ 62.9	\$ 65.2	\$ 67.4	\$ 67.9	\$ 69.7
Capital Transfers Out to GFAR	1.2	\$ 2.4	\$ 1.6	\$ 1.1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfer to General Liability	-	-	0.4	-	-	-	-	-	-	-
GASB 65	-	-	0.6	-	-	-	-	-	-	-
Fixed Assets/ Equipment	-	-	0.1	0.4	-	-	-	-	-	-
1/2 of Measure G Proceeds to Capital	0.6	0.6	0.7	0.6	-	-	-	-	-	-
Allocate to ERAF Risk Reserve	-	0.7	0.7	-	-	-	-	-	-	-
Allocate to GASB 31 Reserve	-	-	-	-	-	-	-	-	-	-
Allocate to Pension Trust	-	0.7	0.7	0.7	0.4	0.4	0.4	0.4	0.4	0.4
TOTAL EXPENDITURES & RESERVE	\$ 52.1	\$ 56.2	\$ 57.6	\$ 62.1	\$ 60.9	\$ 63.3	\$ 65.6	\$ 67.8	\$ 68.3	\$ 70.1
NET REVENUES , TRANSFERS IN, USE OF RESERVES LESS EXPENDITURES, TRANSFERS IN, AND RESERVE ALLOCATIONS	\$ 5.5	\$ 4.9	\$ 4.3	\$ 0.3	\$ (1.1)	(3.2)	(3.8)	(4.1)	(4.2)	(3.9)

* Due to rounding of individual categories total revenues, expenditures, and reserve allocations may include \$0.1 million.

FY 2026-27 UPDATED DRAFT FORECAST COMPARISON AS IT PUBLISHED WITH THE FY 2025
ADOPTED BUDGET COMPARED TO AS IT WAS PREPARED ON 10-21-2025

Item 4.

A		B		C		D	
Revenue Category		FY 2026-27 Forecast Updated 10-21-2025		FY 2026-27 Forecast Published with the Adopted Budget		VARIANCE	
1	Property Tax	\$	22.2	\$	22.2	\$	-
2	VLF Backfill Property Tax		5.7		5.7		-
3	Sales & Use Tax		7.1		6.8		0.3
4	Measure G District Sales Tax		1.3		1.3		-
5	Franchise Fees		1.1		1.1		-
6	Transient Occupancy Tax		2.0		2.4		(0.4)
7	Business License Tax		2.7		2.6		0.1
8	Licenses & Permits		6.1		6.3		(0.2)
9	Intergovernmental		0.8		0.8		-
10	Town Services		5.3		5.0		0.3
11	Fines & Forfeitures		0.3		0.3		-
12	Interest		1.2		1.1		0.1
13	Other Sources		3.7		3.7		-
14	Fund Transfers In		0.6		0.6		-
TOTAL OPERATING REVENUES &		\$	60.1	\$	59.9	\$	0.2
15	Use of Capital/Special Projects	\$	-	\$	-		
16	Use of Unassigned Fund Balance		-		-		
TOTAL REVENUES, TRANSFERS, AND USE OF RESERVES*		\$	60.1	\$	59.9		
Expenditure Category		FY 2026-27 Forecast Updated 10-21-2025		FY 2026-27 Forecast Published with the Adopted Budget		Variance	
17	Salaries	\$	26.8	\$	26.8	\$	(0.1)
18	Overtime		0.7		0.7		-
19	CalPERS Benefits		10.3		10.4		(0.2)
20	All Other Benefits		5.9		6.3		(0.4)
21	4.6% Salaries and Benefits Savings		(2.0)		(2.0)		-
22	OPEB Pay as You Go		2.2		2.2		-
23	Operating Expenditures		10.2		9.9		0.2
24	Grants & Awards		0.3		0.3		-
25	Utilities		0.9		0.7		0.2
26	Internal Service Charges		5.3		5.3		-
27	Debt Service		2.1		2.1		-
28	TOTAL OPERATING EXPENDITURES	\$	62.5	\$	62.7	\$	(0.2)
30	Pension		0.4		0.4		
TOTAL OPERATING & DISCRETIONARY EXPENDITURES		\$	62.9	\$	63.1		
32	Capital Transfers Out to GFAR	\$	-	\$	-		
33	Allocate to GASB 31 Mark to Market		-		-		
34	Allocate to Pension Trust		0.4		0.4		
TOTAL EXPENDITURES & RESERVE		\$	63.3	\$	63.5		
NET REVENUES , TRANSFERS IN, USE OF RESERVES LESS EXPENDITURES, TRANSFERS IN, AND RESERVE ALLOCATIONS		\$	(3.2)	\$	(3.6)		

Below is the list of variances/or no changes in the Revenue and Expenditure estimates.

Revenues:

Row 1 and Row 2 Column A – Property Tax and VLF Property Tax Backfill - No Projected Variance

As of the September 12, 2025 estimate from the Santa Clara County Assessor's Office (SCCAO), projected revenues are \$27,739 lower than the FY 2025–26 Adopted Budget. This is a small variance; the Finance staff does not recommend any adjustment to the FY 2026–27 Property Tax forecast at this time.

The next update from the SCCAO is scheduled for November 12, 2025, and the HdL Coren & Cone Property Tax Update is expected in January 2026.

Row 3 and Row 4 Column A – Sales Tax and Measure G District Sales Tax - Projected Variance **\$0.3 million increase**

As of October 10, 2025, Muniservices, the Town's Sales Tax consultant, provided an updated Sales Tax revenue projection indicating an increase of approximately \$300,000. This revised estimate reflects stronger-than-anticipated local economic activity.

The Town is in the process of signing a Sales Tax Forecasting agreement with HdL. HdL will provide an updated look for the Sales Tax forecast.

Row 5 - Column A – Franchise Fees – No Projected Variance

No Projected Change.

Row 6 - Column A – Transient Occupancy Tax (TOT) – Projected Variance **(\$0.4) million decrease**

The Finance Department has received the closing notification from one of the hotels. Staff is recommending decreasing the TOT base by \$0.4 million.

Row 7 - Column A – Business License Tax – Projected Variance **\$0.1 million increase**

Based on the most recent estimates, the FY 2026-27 Business License Tax is anticipated to increase by \$0.1 million.

Row 8 - Column A – Licenses and Permits – Projected Variance **(\$0.2) million decrease**

Based on the most recent estimates, the FY 2026-27 License and Permits is anticipated to decrease by \$0.2 million.

Row 9 - Column A – Intergovernmental - No Projected Variance

Row 10 - Column A – Town Services - Projected Variance - **\$0.3 million increase**

Based on Development activities, it is anticipated that the pass-through revenues will increase by \$0.3 million. The corresponding pass-through expenditures are expected to grow by the same amount.

Row 11 - Column A – Fines and Forfeitures - No Projected Variance

Row 12 - Column A – Interest - \$0.1 million increase

Based on updated interest rate estimates as of October 21, 2025, staff have conducted a comprehensive evaluation of the current interest rate environment in relation to the Town's existing investment portfolio. The interest rate assumptions have been updated accordingly to reflect current market conditions. As the market environment continues to evolve, projected interest rates will fluctuate. Staff are actively monitoring the investment rate environment and will continue to update interest rate assumptions on a periodic basis

Row 13 - Column A – Other Sources - No Projected Variance**Row 14 - Column A – Fund Transfers In - No Projected Variance****Expenditures:****Row 17 - Column A – Salaries - No Projected Variance****Row 18 - Column A – Overtime - No Projected Variance****Row 19 - Column A – CalPERS Benefits - Projected Variance (\$0.1) million decreases****Row 20 - Column A – All Other Benefits - Projected Variance (\$0.4) million decreases****Row 21 - Column A – 4.6 % Salaries and Benefit Savings - No Projected Variance**

Based on the 10/7/2025 Actual Salary Steps, Pension Benefits, and Medical Insurance selection, the projected Salaries and Benefits are \$0.5 million less.

Row 22 - Column A – OPEB Pay as You Go - No Projected Variance

No Projected Change.

Row 23 - Column A – Operating Expenditure - Projected Variance \$0.3 million increase

Operating expenditure expected to increase by \$0.3 million based on estimated pass-through activities.

Row 24 - Column A – Grants and Awards - No Projected Variance

No Projected Change.

Row 25 - Column A – Utilities - Projected Variance \$0.2 million increase

Operating expenditure expected to increase by \$0.2 million based on FY 2024-25 actual utilities expenditures.

Row 26 - Column A – Internal Service Charges - No Projected Variance**Row 27 - Column A – Debt Services - No Projected Variance**

Type of Revenue Base Line Estimate	FY 2025-26 Budget	FY 2026-27 Forecast	FY 2027-28 Forecast	FY 2028-29 Forecast	FY 2029-30 Forecast	FY 2030-31 Forecast
Property Tax SCC Assessor Office February 2025 Report and HdL Coren and Cone April 2025 Forecast	5.29% Net Taxable Value Change Plus \$220,000	5.42% Net Taxable Value Change	4.89% Net Taxable Value Change	4.89% Net Taxable Value Change	4.89% Net Taxable Value Change	4.89% Net Taxable Value Change
VLF Backfill HdL Coren and Cone April 2025 Forecast	5.25% Net Taxable Value Change	5.41% Net Taxable Value Change	4.90% Net Taxable Value Change	4.90% Net Taxable Value Change	4.89% Net Taxable Value Change	4.89% Net Taxable Value Change
Other Property Tax SCC Assessor Office February 2025 Report	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
ERAF SCC Assessor Office March 2025 Notification	\$3,220,000 Including 30% to Reserve	\$3,220,000	\$3,220,000	\$3,220,000	\$3,220,000	\$3,220,000
Sales Tax	MuniServices March 2025 Most Likely Estimates	MuniServices March 2025 Most Likely Estimates	MuniServices March 2025 Most Likely Estimates	MuniServices March 2025 Most Likely Estimates	MuniServices March 2025 Most Likely Estimates	MuniServices March 2025 Most Likely Estimates
Sales Tax - Measure G	MuniServices March 2025 Most Likely Estimates	MuniServices March 2025 Most Likely Estimates	MuniServices March 2025 Most Likely Estimates	MuniServices March 2025 Most Likely Estimates	MuniServices March 2025 Most Likely Estimates	MuniServices March 2025 Most Likely Estimates
Franchise Fee Current baseline set by	3%	3%	3%	3%	3%	3%

Type of Revenue Base Line Estimate	FY 2025-26 Budget	FY 2026-27 Forecast	FY 2027-28 Forecast	FY 2028-29 Forecast	FY 2029-30 Forecast	FY 2030-31 Forecast
FY 2024-25 Year-End Estimates						

Type of Revenue Base Line Estimates	FY 2025-26 Budget	FY 2026-27 Forecast	FY 2027-28 Forecast	FY 2028-29 Forecast	FY 2029-30 Forecast	FY 2030-31 Forecast
Transient Occupancy Tax Current baseline set by FY 2024-25 Year-End Estimates	3% Plus \$20,000 from anticipated audit	3%	0%	0%	0%	0%
Business License Tax Current baseline set by FY 2024-25 Year-End Estimates	2% Plus \$110,000 from anticipated audit	2%	2%	2%	2%	2%
License & Permits Current baseline set by FY 2024-25 Year-End Estimates	3%	3%	3%	3%	3%	3%
Town Services Current baseline set by FY 2024-25 Year-End Estimates	3%	3%	0%	3%	3%	3%
Fine & Forfeitures Current baseline set by FY 2024-25 Year-End Estimates	1%	Varies	Varies	Varies	Varies	Varies

Type of Revenue Base Line Estimates	FY 2025-26 Budget	FY 2026-27 Forecast	FY 2027-28 Forecast	FY 2028-29 Forecast	FY 2029-30 Forecast	FY 2030-31 Forecast
Interest Varies, based on Portfolio	Weighted Portfolio Yield 3.64%	Weighted Portfolio Yield 3.56%	Weighted Portfolio Yield 3.45%	Weighted Portfolio Yield 3.36%	Weighted Portfolio Yield 3.30%	Weighted Portfolio Yield 3.30%
Other Sources Current baseline set by FY 2024- 25 Year-End Estimates	Varies	Varies	Varies	Varies	Varies	Varies

EXPENDITURE BASELINE AND PROJECTION FACTORS (PROPOSED FY 2025-26 BUDGET - PUBLISHED 4/21/2025)

Beginning in FY 2020-21, the Town is budgeting salaries at the actual salary plus a one-step increase. 68% of the workforce is already at top step or one step below top step. In the Five-Year Forecast, positions are forecasted at the actual rate of pay including salaries and benefits as of March 1, 2025 and rate is increasing in the actual anniversary date. The FY 2025-26 Budget and the FY 2026-27 – FY 30-31 Forecast includes 4.6% vacancy savings.

Type of Expenditure	FY 2025-26 Budget	FY 2026-27 Forecast	FY 2027-28 Forecast	FY 2028-29 Forecast	FY 2029-30 Forecast	FY 2030-31 Forecast
Salaries (TEA, Conf, Temp)*	3%	3%	2%	2%	2%	2%
Salaries (POA)*	5%	4%	2%	2%	2%	2%
Salaries (AFSCME)*	4%	4%	2%	2%	2%	2%
Salaries (Management)*	3%	3%	2%	2%	2%	2%
Benefit - Medical**	7%	7%	7%	7%	7%	7%
Vacancy Savings	4.6%	4.6%	4.6%	4.6%	4.6%	4.6%
Operating Expenditures***	Varies	3%	3%	3%	3%	3%
Grants & Awards	0%	0%	0%	0%	0%	0%
Utilities***	Varies	3%	3%	3%	3%	3%

Internal Service Charges***	Based on operating cost and scheduled replacement	Based on operating cost and scheduled replacement	Based on operating cost and scheduled replacement	Based on operating cost and scheduled replacement	Based on operating cost and scheduled replacement	Based on operating cost and scheduled replacement
Debt Service	Debt Service Schedules					

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

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

***Based on historical trends.

The Town's required employer contribution rate estimates were developed using data provided by each plan's most recent CalPERS actuarial valuation. The employer contribution rates reflect percentages of covered payroll. Forecasted rates for FY 2055-26 and subsequent years are based on the most recent CalPERS actuarial valuation Reports as adjusted by the impact related to the FY 2022-23 CalPERS 5.8% investment return and forecasted payroll.

Type of Expenditure	FY 2025-26 Budget	FY 2026-27 Forecast	FY 2027-28 Forecast	FY 2028-29 Forecast	FY 2029-30 Forecast	FY 2030-31 Forecast
Safety POA	109.09%	109.92%	112.95%	121.16%	121.75%	124.52%
Safety Management POA	112.09%	112.92%	115.95%	124.16%	124.75%	127.52%
Safety POA - PEPRA	15.84%	14.96%	20.99%	21.74%	22.04%	25.76%
Miscellaneous TEA/Confidential/ Management	30.02%	30.52%	30.82%	31.78%	31.92%	32.21%
Miscellaneous TEA/Confidential/ Management PEPRA Separate PEPRA rate for Miscellaneous has not been	30.02%	30.52%	30.82%	31.78%	31.92%	32.21%

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

FY 2026-27 FORECAST IN THE FY 2025-26 ADOPTED BUDGET

General Fund 5-Year Forecast
Updated 5-14-2025
(in \$ million)

Revenue Category	FY 2022/23 Actuals	FY 2023-24 Actuals	FY 2024-25 Adjusted Budget	FY 2024-25 Estimates	FY 2025-26 Proposed Budget	FY 2026-27 Forecast	FY 2027-28 Forecast	FY 2028-29 Forecast	FY 2029-30 Forecast	FY 2030-31 Forecast
Property Tax	\$ 18.2	\$ 19.3	\$ 20.2	\$ 20.0	\$ 21.5	\$ 22.2	\$ 23.1	\$ 24.0	\$ 24.9	\$ 25.9
VLF Backfill Property Tax	4.6	4.9	5.0	5.1	5.4	5.7	5.9	6.2	6.5	6.9
Sales & Use Tax	7.5	6.8	6.6	6.4	6.7	6.8	7.0	7.1	7.2	7.3
Measure G District Sales Tax	1.3	1.3	1.3	1.3	1.2	1.3	1.3	1.4	1.4	1.5
Franchise Fees	3.1	2.5	1.0	1.0	1.0	1.1	1.1	1.1	1.2	1.2
Transient Occupancy Tax	2.2	2.4	2.3	2.3	2.4	2.4	2.4	2.4	2.4	2.4
Business License Tax	2.4	1.5	2.4	2.8	2.5	2.6	2.6	2.7	2.8	2.9
Licenses & Permits	3.3	4.0	5.8	6.1	6.3	6.3	6.4	6.5	6.6	6.7
Intergovernmental	1.6	1.2	1.1	1.2	0.8	0.8	0.9	0.9	0.9	0.9
Town Services	4.6	5.9	4.7	5.0	5.7	5.0	5.1	5.2	5.4	5.5
Fines & Forfeitures	0.4	0.5	0.3	0.4	0.3	0.3	0.3	0.3	0.3	0.3
Interest	0.6	2.6	1.8	1.4	1.6	1.1	1.0	0.8	0.7	1.0
Other Sources	8.1	5.0	4.1	4.7	3.8	3.7	3.9	3.9	2.7	2.6
Fund Transfers In	0.5	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
TOTAL OPERATING REVENUES & USE OF CAPITAL/SPECIAL PROJECTS	\$ 58.4	\$ 58.5	\$ 57.2	\$ 58.3	\$ 59.8	\$ 59.9	\$ 61.6	\$ 63.1	\$ 63.6	\$ 65.7
Use of Capital/Special Projects	\$ 2.4	\$ 1.6	\$ 3.7	\$ 2.1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Use of Measure G Sales Tax -	-	-	0.6	0.1	-	-	-	-	-	-
Use of Pension/OPEB Reserve	0.3	0.3	-	0.3	-	-	-	-	-	-
Use of Council Priorities - Economic	-	1.5	-	-	-	-	-	-	-	-
Use of Unassigned Fund Balance	-	-	-	-	-	-	-	-	-	-
TOTAL REVENUES, TRANSFERS, AND USE OF RESERVES*	\$ 61.1	\$ 61.9	\$ 61.5	\$ 60.8	\$ 59.8	\$ 59.9	\$ 61.6	\$ 63.1	\$ 63.6	\$ 65.7
Expenditure Category	FY 2022/23 Actuals	FY 2023-24 Actuals	FY 2024-25 Adjusted Budget	FY 2024-25 Estimates	FY 2025-26 Proposed Budget	FY 2026-27 Forecast	FY 2027-28 Forecast	FY 2028-29 Forecast	FY 2029-30 Forecast	FY 2030-31 Forecast
Salary	\$ 20.4	\$ 21.5	\$ 25.2	\$ 22.6	\$ 25.4	\$ 26.8	\$ 27.4	\$ 28.0	\$ 28.5	\$ 29.2
Overtime	1.4	1.3	0.6	1.5	0.7	0.7	0.7	0.7	0.7	0.7
CalPERS Benefits	7.1	7.4	8.8	8.3	9.7	10.4	11.1	12.0	12.1	12.4
All Other Benefits	3.8	4.3	5.6	4.9	6.3	6.3	6.7	7.0	7.4	7.0
4.6% Salary and Benefits Savings	-	-	(1.8)	-	(1.9)	(2.0)	(2.1)	(2.2)	(2.2)	(2.3)
OPEB Pay as You Go	1.5	1.6	1.7	2.0	2.1	2.2	2.3	2.4	2.5	2.6
Operating Expenditures	11.7	9.8	10.2	9.8	9.7	9.9	10.1	10.4	10.6	11.0
Grants & Awards	0.6	0.7	0.7	0.7	0.4	0.3	0.3	0.4	0.4	0.4
Utilities	0.6	0.7	0.7	0.7	0.7	0.7	0.8	0.8	0.8	0.8
Internal Service Charges	2.6	3.2	4.4	4.1	4.8	5.2	5.5	5.8	6.0	6.3
Debt Service	2.0	2.1	2.1	2.1	2.1	2.1	2.1	2.1	0.8	0.8
TOTAL OPERATING EXPENDITURES	\$ 51.8	\$ 52.9	\$ 58.2	\$ 56.7	\$ 59.9	\$ 62.7	\$ 64.9	\$ 67.3	\$ 67.6	\$ 68.9
Pension	0.7	0.7	0.4	0.7	0.4	0.4	0.4	0.4	0.4	0.4
TOTAL OPERATING & DISCRETIONARY EXPENDITURES	\$ 52.5	\$ 53.6	\$ 58.6	\$ 57.4	\$ 60.3	\$ 63.1	\$ 65.3	\$ 67.7	\$ 68.0	\$ 69.3
Capital Transfers Out to GFAR	\$ 2.4	\$ 1.6	\$ 1.1	\$ 1.1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfer to General Liability	-	0.4	-	0.1	-	-	-	-	-	-
GASB 65	-	0.6	-	-	-	-	-	-	-	-
Fixed Assets/ Equipment	-	0.1	0.5	0.9	-	-	-	-	-	-
1/2 of Measure G Proceeds to Capital	0.6	0.7	0.6	0.6	-	-	-	-	-	-
Allocate to ERAF Risk Reserve	0.7	0.7	-	-	-	-	-	-	-	-
Allocate to Pension Trust	0.7	0.7	0.7	0.7	0.4	0.4	0.4	0.4	0.4	0.4
TOTAL EXPENDITURES & RESERVE	\$ 56.2	\$ 57.7	\$ 61.0	\$ 60.8	\$ 60.7	\$ 63.5	\$ 65.7	\$ 68.1	\$ 68.4	\$ 69.7
NET REVENUES, TRANSFERS IN, USE OF RESERVES LESS EXPENDITURES, TRANSFERS IN, AND RESERVE ALLOCATIONS	\$ 4.9	\$ 4.2	\$ 0.5	\$ -	(0.9)	(3.6)	(4.1)	(5.0)	(4.8)	(4.0)

* Due to rounding of individual categories total revenues, expenditures, and reserve allocations may include \$0.1 million.

FY 2025-26 BUDGET/FORECAST COMPARISON AS IT PUBLISHED ON 4/22/2024 COMPARED TO AS IT PUBLISHED ON 4/21/2025

This rest of this document includes forecasts for FY 2025-26, starting with the FY 2020-21 Proposed Budget forecast when FY 2025-26 was first forecasted. The forecast is updated periodically as the base, economy, and other factors evolve. The table on page X shows the variance between the FY 2025-26 Forecast (published on

4/22/2024) and the FY 2025-26 Proposed Budget (published on 4/21/2025). The assumptions for the FY 2025-26 Forecast (published on 4/22/2024) and the FY 2025-26 Proposed (published on 4/21/2025) can be located on pages B and Y of this document, as well as in the Adopted FY 2024-25 and Proposed FY 2025-26 budgets.

Below is the list of significant variances in Revenue and Expenditure estimates:

Row 8 – Column E - Licenses and Permits: \$2.4 million variance.

*The \$2.4 million Waste hauler Encroachment fee was categorized under Town Services in the **Column C Forecast**. Staff recategorized the estimated proceeds under Licenses and Permits in the **Column D Forecast**.*

Row 10 – Column E – Town Services: **(\$1.1)** million variance.

Considering the recategorization above, the Town Services increased by \$1.3 million. The increase includes \$647,000 development-related pass-through activities, \$255,000 increase for the Monte Sereno Police Services Contract, \$318,000 increased engineering services revenue, \$46,000 increases for School Resource Officer support from the School Districts.

Row 13 – Column E – Other Sources: **\$0.7** million variance.

*Since all Measure G Revenue is programmed to provide for public safety services, the pass-through tracking revenue is characterized as other revenue. In the Column C Forecast, only half of the Measure G revenue (\$0.6 million) was characterized as **Other sources**, and the entire proceeds are characterized as Other sources in the **Column D Forecast**.*

Row 18 – Column E – Salaries: **\$1.6** million variance.

***Column C Forecast** assumes 2% salary increases for TEA, AFSCME, Confidential, Management, and Temporary employees. The actual increase, as estimated in **Column D Forecast** for TEA, ASCME, Confidential, Management, and Temporary employees, was 5% in FY 2024-25, 3% in FY 2025-26, and 4% in FY 2024-25 and FY 2025-26 for AFSCME. In addition, there were equity adjustments for certain job classes that were not included in **the Column C Forecast**.*

Row 20 – Column E – CalPERS Benefits: **\$0.8** million variance.

*CalPERS rates are based on actual payroll, so increased salaries will cause increased CalPERS contributions. In addition, while the Miscellaneous Group rates remained relatively flat, growing from 29.6% (**Column C Forecast**) to 30.02% (**Column D Forecast**), the Classic Safety Group required contribution changed from 98.74% (**Column C Forecast**) to 109.09% (**Column D Forecast**), and the Classic Safety Management Group estimated contribution changed 101.74% (**Column C Forecast**) to 112.09% (**Column D Forecast**)*

Row 24 – Column E – Operating Expenditures: **\$2.03** million variance.

Operating expenditures experience inflationary factors as well. The prior year assumed a 3% increases; however, certain services and product prices increased by more than 3%. The variance is added up from many different items:

- *This item shows half of the Measure G Expenditure under Row 31 – Column C in the **Column C Forecast**, while it is included in the Operating Expenditures in **Column D Forecast**. Measure G Fund is a subfund in General Fund, and all proceeds are expended in a given year and part of the operating expenditures.*
- *The following increases listed as an example in this category that contribute to the difference between the two forecast: \$647,000 development related pass through activities, \$215,000 in legal services, \$190,000 special studies, \$150,000 temporary employee services, 127,000 in engineering services; \$70,000 miscellaneous services and repairs, \$54,000 in street closures, \$53,000 street sweeping services, \$50,000 in tree trimming services, \$37,000 townwide meetings and events, 30,000 in auto parts, \$27,000 software licenses,*

A		B	C	D	E
	Account	Revenue Category	FY 2025-26 Forecast Published 4/22/2024	FY 2025-26 Proposed Budget Published 4/21/2025	Variance
1	4100	Property Tax	\$ 21.3	\$ 21.2	\$ (0.10)
2	4110	VLF Backfill Property Tax	5.3	5.4	0.10
3	4200	Sales & Use Tax	6.7	6.6	(0.16)
4	4200	Measure G District Sales Tax	1.3	1.2	(0.04)
5	4250	Franchise Fees	1.1	1.0	(0.10)
6	4251	Transient Occupancy Tax	2.4	2.4	-
7	4400	Business License Tax	2.5	2.4	(0.10)
8	4400	Licenses & Permits	3.0	5.4	2.40
9	4500	Intergovernmental	0.9	0.8	(0.10)
10	4600	Town Services	6.7	5.6	(1.10)
11	4700	Fines & Forfeitures	0.3	0.3	-
12	4800	Interest	1.4	1.4	-
13	4850	Other Sources	3.1	3.8	0.70
14	4900	Fund Transfers In	0.6	0.6	-
15	TOTAL OPERATING REVENUES & TRANSFERS		\$ 56.6	\$ 58.1	\$ 1.50
16		Use of Capital/Special Projects Reserve	\$ 1.1	\$ -	
		Use of Measure G Sales Tax - Operating	-	-	
		Use of Pension/OPEB Reserve	-	-	
		Use of OPEB Trust	-	-	
		Use of Property Surplus Reserve	-	-	
		Use of Measure G Reserve	-	-	
		ARPA Replacement Revenue	-	-	
		Use of Council Priorities - Economic Recovery	-	-	
17	TOTAL REVENUES, TRANSFERS, AND USE OF RESERVES*		\$ 57.7	\$ 58.1	
	Account	Expenditure Category	FY 2025/26 Forecast	FY 2025-26 Proposed Budget	Variance
18	5110	Salary	\$ 23.8	\$ 25.4	\$ 1.63
19		Overtime	0.7	0.7	0.01
20	5120	CalPERS Benefits	9.1	9.9	0.81
21	5200	All Other Benefits	6.1	6.3	0.13
22		4.6% Salary and Benefits Savings	(1.8)	(1.9)	(0.12)
23	6211	OPEB Pay as You Go	1.9	2.1	0.24
24	6000	Operating Expenditures	8.3	10.3	2.03
25	7200	Grants & Awards	0.2	0.4	0.19
26	7400	Utilities	0.7	0.7	(0.01)
27	8060	Internal Service Charges	5.2	5.0	(0.19)
28	8900	Debt Service	2.1	2.1	-
	TOTAL OPERATING EXPENDITURES		\$ 56.2	\$ 61.0	\$ 4.72
		GASB 45 Retiree Medical Actuarial	-	-	
29		Additional Discretionary Payment - Pension	0.4	0.4	
	TOTAL OPERATING & DISCRETIONARY EXPENDITURES		\$ 56.6	\$ 61.4	
30		Capital Transfers Out to GFAR	\$ 1.1	\$ -	
31		1/2 of Measure G Proceeds to Capital	0.6	-	
	AMOUNTS AVAILABLE FOR RESERVE ALLOCATIONS				
32		Allocate to ERAF Risk Reserve	0.8	-	
33		Allocate to Pension Trust	0.4	0.4	
34	TOTAL EXPENDITURES & RESERVE ALLOCATIONS*		\$ 59.5	61.8	
35	NET REVENUES, TRANSFERS IN, USE OF RESERVES LESS		\$ (1.8)	(3.7)	

General Fund 5-Year Forecast (in \$ million)										
Revenue Category	FY 2022/23 Actuals	FY 2023-24 Actuals	FY 2024-25 Adjusted Budget	FY 2024-25 Estimates	FY 2025-26 Proposed Budget	FY 2026-27 Forecast	FY 2027-28 Forecast	FY 2028-29 Forecast	FY 2029-30 Forecast	FY 2030-31 Forecast
Property Tax	\$ 18.2	\$ 19.3	\$ 20.2	\$ 20.0	\$ 21.2	\$ 22.2	\$ 23.1	\$ 24.0	\$ 24.9	\$ 25.9
VLF Backfill Property Tax	4.6	4.9	5.0	5.1	5.4	5.7	5.9	6.2	6.5	6.9
Sales & Use Tax	7.5	6.8	6.6	6.4	6.6	6.6	6.8	7.0	7.0	7.1
Measure G District Sales Tax	1.3	1.3	1.3	1.3	1.2	1.3	1.3	1.3	1.4	1.4
Franchise Fees	3.1	2.5	1.0	1.0	1.0	1.1	1.1	1.1	1.2	1.2
Transient Occupancy Tax	2.2	2.4	2.3	2.3	2.4	2.4	2.4	2.4	2.4	2.4
Business License Tax	2.4	1.5	2.4	2.8	2.4	2.5	2.5	2.6	2.7	2.8
Licenses & Permits	3.3	4.0	5.8	6.1	5.4	5.5	5.6	5.7	5.8	5.9
Intergovernmental	1.6	1.2	1.1	1.2	0.8	1.0	1.1	1.1	1.1	1.1
Town Services	4.6	5.9	4.7	5.0	5.6	4.8	4.9	5.1	5.2	5.3
Fines & Forfeitures	0.4	0.5	0.3	0.4	0.3	0.3	0.3	0.3	0.3	0.3
Interest	0.6	2.6	1.8	1.4	1.4	1.1	1.0	0.7	0.6	1.0
Other Sources	8.1	5.0	4.1	4.7	3.8	3.7	3.8	3.9	2.7	2.6
Fund Transfers In	0.5	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
TOTAL OPERATING REVENUES &	\$ 58.4	\$ 58.5	\$ 57.2	\$ 58.3	\$ 58.1	\$ 58.8	\$ 60.4	\$ 62.0	\$ 62.4	\$ 64.5
Use of Capital/Special Projects	\$ 2.4	\$ 1.6	\$ 3.7	\$ 2.1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Use of Measure G Sales Tax -	-	-	0.6	0.1	-	-	-	-	-	-
Use of Pension/OPEB Reserve	0.3	0.3	-	0.3	-	-	-	-	-	-
Use of Council Priorities - Economic	-	1.5	-	-	-	-	-	-	-	-
Use of Unassigned Fund Balance	-	-	-	-	-	-	-	-	-	-
TOTAL REVENUES, TRANSFERS, AND USE OF RESERVES*	\$ 61.1	\$ 61.9	\$ 61.5	\$ 60.8	\$ 58.1	\$ 58.8	\$ 60.4	\$ 62.0	\$ 62.4	\$ 64.5
Expenditure Category	FY 2022/23 Actuals	FY 2023-24 Actuals	FY 2024-25 Adjusted Budget	FY 2024-25 Estimates	FY 2025-26 Proposed Budget	FY 2026-27 Forecast	FY 2027-28 Forecast	FY 2028-29 Forecast	FY 2029-30 Forecast	FY 2030-31 Forecast
Salary	\$ 20.4	\$ 21.5	\$ 25.2	\$ 22.6	\$ 25.4	\$ 26.8	\$ 27.4	\$ 28.0	\$ 28.5	\$ 29.2
Overtime	1.4	1.3	0.6	1.5	0.7	0.7	0.7	0.7	0.7	0.7
CalPERS Benefits	7.1	7.4	8.8	8.3	9.9	10.7	11.4	12.2	12.4	12.7
All Other Benefits	3.8	4.3	5.6	4.9	6.3	6.3	6.7	7.0	7.4	7.0
4.6% Salary and Benefits Savings	-	-	(1.8)	-	(1.9)	(2.0)	(2.1)	(2.2)	(2.3)	(2.3)
OPEB Pay as You Go	1.5	1.6	1.7	2.0	2.1	2.2	2.3	2.4	2.5	2.6
Operating Expenditures	11.7	9.8	10.2	9.8	10.3	9.9	10.0	10.4	10.5	10.9
Grants & Awards	0.6	0.7	0.7	0.7	0.4	0.3	0.3	0.4	0.4	0.4
Utilities	0.6	0.7	0.7	0.7	0.7	0.7	0.8	0.8	0.8	0.8
Internal Service Charges	2.6	3.2	4.4	4.1	5.0	5.3	5.7	5.9	6.1	6.4
Debt Service	2.0	2.1	2.1	2.1	2.1	2.1	2.1	2.1	0.8	0.8
TOTAL OPERATING EXPENDITURES	\$ 51.8	\$ 52.9	\$ 58.2	\$ 56.7	61.0	\$ 63.0	\$ 65.3	\$ 67.7	\$ 67.9	\$ 69.3
Pension	0.7	0.7	0.4	0.7	0.4	0.4	0.4	0.4	0.4	0.4
TOTAL OPERATING & DISCRETIONARY EXPENDITURES	\$ 52.5	\$ 53.6	\$ 58.6	\$ 57.4	\$ 61.4	\$ 63.4	\$ 65.7	\$ 68.1	\$ 68.3	\$ 69.7
Capital Transfers Out to GFAR	\$ 2.4	\$ 1.6	\$ 1.1	\$ 1.1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfer to General Liability	-	0.4	-	0.1	-	-	-	-	-	-
GASB 65	-	0.6	-	-	-	-	-	-	-	-
Fixed Assets/ Equipment	-	0.1	0.5	0.9	-	-	-	-	-	-
1/2 of Measure G Proceeds to Capital	0.6	0.7	0.6	0.6	-	-	-	-	-	-
Allocate to ERAF Risk Reserve	0.7	0.7	-	-	-	-	-	-	-	-
Allocate to Pension Trust	0.7	0.7	0.7	0.7	0.4	0.4	0.4	0.4	0.4	0.4
TOTAL EXPENDITURES & RESERVE NET REVENUES, TRANSFERS IN, USE OF RESERVES LESS EXPENDITURES, TRANSFERS IN, AND RESERVE ALLOCATIONS	\$ 56.2	\$ 57.7	\$ 61.0	\$ 60.8	61.8	\$ 63.8	\$ 66.1	\$ 68.5	\$ 68.7	\$ 70.1
	\$ 4.9	\$ 4.2	\$ 0.5	\$ -	(3.7)	\$ (5.0)	\$ (5.7)	\$ (6.5)	\$ (6.3)	\$ (5.6)

* Due to rounding of individual categories total revenues, expenditures, and reserve allocations may include \$0.1 million.

Town of Los Gatos General Fund Historical Year-End Results (in \$ million)								
Account	Revenue Category	FY 2015/16 Actuals	FY 2016/17 Actuals	FY 2017/18 Actuals	FY 2018/19 Actuals	FY 2019/20 Actuals	FY 2020/21 Actuals	FY 2021/22 Actuals
4100	Property Tax	\$ 10.8	\$ 11.5	\$ 12.5	\$ 13.6	\$ 14.5	\$ 15.8	\$ 16.9
4110	VLF Backfill Property Tax	3.0	3.2	3.4	3.7	3.9	4.1	4.2
4200	Sales & Use Tax	7.5	9.2	7.6	8.0	6.5	6.8	7.2
4200	Measure G District Sales Tax	-	-	-	0.2	1.0	1.1	1.3
4250	Franchise Fees	2.3	2.4	2.5	2.5	2.5	2.5	2.8
4251	Transient Occupancy Tax	1.9	2.3	2.6	2.7	1.9	1.0	1.9
4400	Business License Tax	1.5	1.7	1.7	1.5	1.4	1.4	1.5
4400	Licenses & Permits	3.5	3.0	3.0	3.1	2.7	3.1	4.8
4500	Intergovernmental	1.0	0.9	1.0	0.9	1.0	1.6	1.3
4600	Town Services	4.0	3.3	4.4	4.4	4.4	4.6	5.3
4700	Fines & Forfeitures	0.9	0.9	0.7	0.5	0.3	0.1	0.3
4800	Interest	0.6	0.2	0.2	1.4	2.2	0.1	(1.4)
4850	Other Sources	2.3	4.3	3.2	4.6	2.7	3.7	7.0
4900	Fund Transfers In	2.4	0.3	0.8	1.6	0.6	0.7	0.6
TOTAL OPERATING REVENUES & TRANSFERS*		\$ 41.7	\$ 43.2	\$ 43.6	\$ 48.7	\$ 45.6	\$ 46.6	\$ 53.7
	Capital	-	1.4	3.2	2.8	8.0	3.4	0.6
	Use of Pension/OPEB Reserve	-	-	-	-	-	4.5	0.3
	Use of Property Surplus Reserve	-	-	-	-	-	-	1.2
	Use of Almond Grove Reserve	-	5.9	-	-	-	-	-
	Use of Measure G Reserve	-	-	-	-	-	-	1.1
TOTAL REVENUES, TRANSFERS, AND USE OF RESERVES		\$ 41.7	\$ 50.5	\$ 46.8	\$ 51.5	\$ 53.6	\$ 54.5	\$ 56.9
Account	Expenditure Category	FY 2015/16 Actuals	FY 2016/17 Actuals	FY 2017/18 Actuals	FY 2018/19 Actuals	FY 2019/20 Actuals	FY 2020/21 Actuals	2021/22 Actuals
5110	Salary	14.5	14.8	16.0	17.9	19.3	20.2	20.0
5120	CalPERS Benefits	3.6	3.9	4.3	5.3	6.1	6.4	6.5
5200	All Other Benefits	3.2	3.2	3.3	3.6	3.6	3.7	3.7
6211	OPEB Pay as You Go	0.9	1.0	1.1	1.2	1.2	1.3	1.4
6000	Operating Expenditures	4.7	4.8	5.0	5.6	5.1	5.7	10.4
7200	Grants & Awards	0.7	0.2	0.2	0.3	0.3	0.3	1.8
7400	Utilities	0.4	0.6	0.5	0.5	0.5	0.6	0.6
8060	Internal Service Charges	3.5	3.6	3.9	2.5	2.2	2.3	2.6
8900	Debt Service	1.9	1.9	1.9	1.9	1.9	2.0	2.1
TOTAL OPERATING EXPENDITURES		\$ 33.6	\$ 34.0	\$ 36.2	\$ 38.8	\$ 40.2	\$ 42.4	\$ 49.0
	GASB 45 Retiree Medical Actuarial	1.5	2.6	1.6	1.1	1.1	0.6	0.1
	Additional Discretionary Payment - Pension	-	-	-	-	-	5.6	0.7
TOTAL OPERATING & DISCRETIONARY EXPENDITURES		\$ 35.1	\$ 36.6	\$ 37.8	\$ 39.9	\$ 41.3	\$ 48.6	\$ 49.8
	Capital Transfers Out to GFAR	0.5	7.3	2.6	2.3	7.0	3.4	1.2
	Operating Transfer Out	0.1	-	0.6	0.5	1.1	-	-
	1/2 of Measure G Proceeds to Capital	-	-	-	-	-	-	0.7
	Fixed Assets/ Equipment	0.4	-	-	-	0.1	-	-
	Fund	-	-	1.2	3.6	0.4	-	-
AMOUNTS AVAILABLE FOR RESERVE ALLOCATIONS		\$ 5.6	\$ 6.6	\$ 4.6	\$ 5.2	\$ 3.7	\$ 2.5	\$ 5.9
	Allocate to Almond Grove Reserve	2.5	-	-	-	-	-	-
	Stabilization/Catastrophic	-	-	-	-	-	0.1	1.1
	Allocate to Compensated Absences	-	-	-	-	-	0.1	(0.2)
	Allocate to Market Fluctuations Reserve	0.3	0.3	-	-	1.2	-	(0.4)
	Allocate to CalPERS/Pension Reserve	-	1.8	-	-	-	0.3	0.3
	Allocate to Measure G Reserve	-	-	-	-	1.2	-	-
	Allocate to VM & Stores Surplus Reserve	-	-	-	1.0	-	-	-
	Allocate to Authorized Carryforwards	0.1	-	-	-	-	-	0.03
	Sales Tax Prior - Year Adjustments	-	0.4	-	-	-	-	-
	Allocate to Property Surplus Reserve	-	-	-	1.9	-	1.2	-
TOTAL EXPENDITURES & RESERVE ALLOCATIONS		\$ 39.0	\$ 46.4	\$ 42.2	\$ 49.2	\$ 52.2	\$ 53.7	\$ 52.2
NET REVENUES RESERVE TRANSFERS LESS EXPENDITURES & RESERVE ALLOCATIONS FOR FINAL ALLOCATION AFTER YEAR END CLOSE		\$ 2.7	\$ 4.1	\$ 4.6	\$ 2.3	\$ 1.4	\$ 0.8	\$ 4.7
* Due to rounding of individual categories Total Expenditures and Reserve Allocations may include \$0.1 million. General Fund (111) Historical presentation does not include Pension Trusts activities.								

Type of Revenue Base Line Estimate	FY 2025-26 Budget	FY 2026-27 Forecast	FY 2027-28 Forecast	FY 2028-29 Forecast	FY 2029-30 Forecast	FY 2030-31 Forecast
Property Tax SCC Assessor Office February 2025 Report and HdL Coren and Cone April 2025 Forecast	5.29% Net Taxable Value Change	5.42% Net Taxable Value Change	4.89% Net Taxable Value Change	4.89% Net Taxable Value Change	4.89% Net Taxable Value Change	4.89% Net Taxable Value Change
VLF Backfill HdL Coren and Cone April 2025 Forecast	5.25% Net Taxable Value Change	5.41% Net Taxable Value Change	4.90% Net Taxable Value Change	4.90% Net Taxable Value Change	4.89% Net Taxable Value Change	4.89% Net Taxable Value Change
Other Property Tax SCC Assessor Office February 2025 Report	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
ERAF SCC Assessor Office March 2025 Notification	\$3,220,000	\$3,220,000	\$3,220,000	\$3,220,000	\$3,220,000	\$3,220,000
Sales Tax	MuniServices January 2025 Most Likely Estimates	MuniServices January 2025 Most Likely Estimates	MuniServices January 2025 Most Likely Estimates	MuniServices January 2025 Most Likely Estimates	MuniServices January 2025 Most Likely Estimates	MuniServices January 2025 Most Likely Estimates
Sales Tax - Measure G	MuniServices January 2025 Most Likely Estimates	MuniServices January 2025 Most Likely Estimates	MuniServices January 2025 Most Likely Estimates	MuniServices January 2025 Most Likely Estimates	MuniServices January 2025 Most Likely Estimates	MuniServices January 2025 Most Likely Estimates
Franchise Fee Current baseline set by FY 2024-25 Year-End Estimates	Current baseline set by FY 2024-25 Year-End Estimates	3%	3%	3%	3%	3%

Type of Revenue Base Line Estimates	FY 2025-26 Budget	FY 2026-27 Forecast	FY 2027-28 Forecast	FY 2028-29 Forecast	FY 2029-30 Forecast	FY 2030-31 Forecast
Transient Occupancy Tax Current baseline set by FY 2024- 25 Year-End Estimates	3%	3%	0%	0%	0%	0%
Business License Tax Current baseline set by FY 2024- 25 Year-End Estimates	2%	2%	2%	2%	2%	2%
License & Permits Current baseline set by FY 2024- 25 Year-End Estimates	3%	3%	3%	3%	3%	3%
Town Services Current baseline set by FY 2024- 25 Year-End Estimates	3%	3%	0%	3%	3%	3%
Fine & Forfeitures Current baseline set by FY 2024- 25 Year-End Estimates	1%	Varies	Varies	Varies	Varies	Varies
Interest Varies, based on Portfolio	Weighted Portfolio Yield 3.64%	Weighted Portfolio Yield 3.56%	Weighted Portfolio Yield 3.45%	Weighted Portfolio Yield 3.36%	Weighted Portfolio Yield 3.30%	Weighted Portfolio Yield 3.30%
Other Sources Current baseline set by FY 2024- 25 Year-End Estimates	Varies	Varies	Varies	Varies	Varies	Varies

Beginning in FY 2020-21, the Town is budgeting salaries at the actual salary plus a one-step increase. 68% of the workforce is already at top step or one step below top step. In the Five-Year Forecast, positions are forecasted at the actual rate of pay including salaries and benefits as of March 1, 2025 and rate is increasing in the actual anniversary date. The FY 2025-26 Budget and the FY 2026-27 – FY 30-31 Forecast includes 4.6% vacancy savings.

Type of Expenditure	FY 2025-26 Budget	FY 2026-27 Forecast	FY 2027-28 Forecast	FY 2028-29 Forecast	FY 2029-30 Forecast	FY 2030-31 Forecast
Salaries (TEA, Conf, Temp)*	3%	3%	2%	2%	2%	2%
Salaries (POA)*	5%	4%	2%	2%	2%	2%
Salaries (AFSCME)*	4%	4%	2%	2%	2%	2%
Salaries (Management)*	3%	3%	2%	2%	2%	2%
Benefit - Medical**	7%	7%	7%	7%	7%	7%
Vacancy Savings	4.6%	4.6%	4.6%	4.6%	4.6%	4.6%
Operating Expenditures***	Varies	3%	3%	3%	3%	3%
Grants & Awards	0%	0%	0%	0%	0%	0%
Utilities***	Varies	3%	3%	3%	3%	3%
Internal Service Charges***	Based on operating cost and scheduled replacement	Based on operating cost and scheduled replacement	Based on operating cost and scheduled replacement	Based on operating cost and scheduled replacement	Based on operating cost and scheduled replacement	Based on operating cost and scheduled replacement
Debt Service	Debt Service Schedules					

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

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

***Based on historical trends.

The Town's required employer contribution rate estimates were developed using data provided by each plan's most recent CalPERS actuarial valuation. The employer contribution rates reflect percentages of covered payroll. Forecasted rates for FY 2055-26 and subsequent years are based on the most recent CalPERS actuarial valuation Reports as adjusted by the impact related to the FY 2022-23 CalPERS 5.8% investment return and forecasted payroll.

Type of Expenditure	FY 2025-26 Budget	FY 2026-27 Forecast	FY 2027-28 Forecast	FY 2028-29 Forecast	FY 2029-30 Forecast	FY 2030-31 Forecast
Safety POA	109.09%	109.92%	112.95%	121.16%	121.75%	124.52%
Safety Management POA	112.09%	112.92%	115.95%	124.16%	124.75%	127.52%
Safety POA - PEPRA	15.84%	14.96%	20.99%	21.74%	22.04%	25.76%
Miscellaneous TEA/Confidential/Management	30.02%	30.52%	30.82%	31.78%	31.92%	32.21%
Miscellaneous TEA/Confidential/Management PEPRA						
Separate PEPRA rate for Miscellaneous has not been established yet by CalPERS.	30.62%	29.65%	31.01%	32.28%	33.81%	34.49%

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

General Fund 5-Year Forecast (in \$ million)								
Revenue Category	FY 2023-24 Actuals	FY 2024-25 Adjusted Budget	FY 2024-25 Estimates	FY 2025-26 Forecast	FY 2026-27 Forecast	FY 2027-28 Forecast	FY 2028-29 Forecast	FY 2029-30 Forecast
Property Tax	\$ 19.3	\$ 20.2	\$ 20.0	\$ 20.6	\$ 21.3	\$ 22.0	\$ 22.8	\$ 23.6
VLF Backfill Property Tax	4.9	5.0	5.1	5.3	5.5	5.8	6.0	6.2
Sales & Use Tax	6.8	6.6	6.4	6.6	6.6	6.8	7.0	7.0
Measure G District Sales Tax	1.3	1.3	1.3	1.2	1.3	1.3	1.3	1.4
Franchise Fees	2.5	1.0	1.0	1.0	1.1	1.1	1.1	1.2
Transient Occupancy Tax	2.4	2.3	2.3	2.4	2.5	2.5	2.6	2.7
Business License Tax	1.5	2.4	2.8	2.5	2.6	2.6	2.7	2.8
Licenses & Permits	3.3	3.5	3.5	3.1	3.2	3.2	3.3	3.4
Intergovernmental	1.2	1.1	1.1	0.8	0.9	0.9	0.9	0.9
Town Services	6.6	7.0	7.3	6.6	6.7	6.8	6.9	7.0
Fines & Forfeitures	0.5	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Interest	2.6	1.8	1.4	1.0	1.0	1.0	0.7	0.7
Other Sources	5.0	4.1	4.6	3.1	3.1	3.2	3.2	2.0
Fund Transfers In	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
TOTAL OPERATING REVENUES & TRANSFERS	\$ 58.5	\$ 57.2	\$ 57.7	\$ 55.1	\$ 56.7	\$ 58.1	\$ 59.4	\$ 59.8
Use of Capital/Special Projects Reserve	\$ 1.6	\$ 2.7	\$ 2.7	\$ 1.1	\$ 1.1	\$ 1.1	\$ 1.1	\$ 1.1
Use of Measure G Sales Tax - Operating	-	0.6	0.6	-	-	-	-	-
Use of Pension/OPEB Reserve	0.3	-	0.3	-	-	-	-	-
Use of Council Priorities - Economic Recovery	1.5	-	-	-	-	-	-	-
TOTAL REVENUES, TRANSFERS, AND USE OF RESERVES*	\$ 61.9	\$ 60.5	\$ 61.3	\$ 56.2	\$ 57.8	\$ 59.2	\$ 60.5	\$ 60.9
Expenditure Category	FY 2023-24 Actuals	FY 2024-25 Adjusted Budget	FY 2024-25 Estimates	FY 2025-26 Forecast	FY 2026-27 Forecast	FY 2027-28 Forecast	FY 2028-29 Forecast	FY 2029-30 Forecast
Salary	\$ 21.5	\$ 25.2	\$ 22.6	\$ 26.0	\$ 27.2	\$ 27.7	\$ 28.3	\$ 28.9
Overtime	1.3	0.6	1.5	0.6	0.7	0.7	0.7	0.7
CalPERS Benefits	7.4	8.8	8.3	9.5	10.7	10.9	11.9	12.1
All Other Benefits	4.3	5.6	4.9	6.0	6.3	6.5	6.6	6.8
4.6% Salary and Benefits Savings	-	(1.8)	-	(1.9)	(2.1)	(2.1)	(2.2)	(2.2)
OPEB Pay as You Go	1.6	1.7	2.0	2.3	2.4	2.5	2.6	2.7
Operating Expenditures	9.8	9.2	8.8	8.2	8.5	8.6	9.0	9.1
Grants & Awards	0.7	0.7	0.7	0.3	0.3	0.3	0.3	0.3
Utilities	0.7	0.7	0.7	0.7	0.7	0.8	0.8	0.8
Internal Service Charges	3.2	4.4	4.1	4.7	4.9	5.1	5.3	5.5
Debt Service	2.1	2.1	2.1	2.1	2.1	2.1	2.1	0.8
TOTAL OPERATING EXPENDITURES	\$ 52.9	\$ 57.2	\$ 55.7	\$ 58.5	\$ 61.7	\$ 62.9	\$ 65.3	\$ 65.5
Additional Discretionary Payment - Pension	0.7	0.4	0.7	0.4	0.4	0.4	0.4	0.4
TOTAL OPERATING & DISCRETIONARY EXPENDITURES	\$ 53.6	\$ 57.6	\$ 56.4	\$ 58.9	\$ 62.1	\$ 63.3	\$ 65.7	\$ 65.9
Capital Transfers Out to GFAR	\$ 1.6	\$ 1.1	\$ 1.1	\$ 1.1	\$ 1.1	\$ 1.1	\$ 1.1	\$ 1.1
Transfer to General Liability	0.4	-	-	-	-	-	-	-
GASB 65	0.6	-	-	-	-	-	-	-
Fixed Assets/ Equipment	0.1	0.5	0.9	-	-	-	-	-
1/2 of Measure G Proceeds to Capital	0.7	0.6	0.6	0.6	0.6	0.6	0.7	0.7
Allocate to ERAF Risk Reserve	0.7	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Allocate to Pension Trust	0.7	0.4	0.7	0.4	0.4	0.4	0.4	0.4
TOTAL EXPENDITURES & RESERVE ALLOCATIONS*	\$ 57.7	\$ 60.5	\$ 60.5	\$ 61.8	\$ 65.0	\$ 66.2	\$ 68.7	\$ 68.9
NET REVENUES, TRANSFERS IN, USE OF RESERVES LESS EXPENDITURES, TRANSFERS IN, AND RESERVE ALLOCATIONS	\$ 4.2	\$ -	\$ 0.8	\$ (5.6)	\$ (7.2)	\$ (7.0)	\$ (8.2)	\$ (8.0)
* Due to rounding of individual categories total revenues, expenditures, and reserve allocations may include \$0.1 million.								

Type-of-Revenues	FY-2024-25 Estimates Baseline	FY-2025-26 Forecast	FY-2026-27 Forecast	FY-2027-28 Forecast	FY-2028-29 Forecast	FY-2029-30 Forecast
Property-Tax/VLF-Backfill	Current-baseline-set-by-SCC-Assessor-Office-February-2025-report	4.1%	4.1%	4.1%	4.1%	4.1%
Motor-Vehicle-License-in-Lieu-(VLF)	Current-baseline-set-by-SCC-Assessor-Office-February-2025-report	4.1%	4.1%	4.1%	4.1%	4.1%
ERAF	Current-baseline-set-100%-of-SCC-Assessor-Office-February-2024-Update-Reserving-30%-to-ERAF-Risk-Reserve	\$1.83-million	\$1.83-million	\$1.83-million	\$1.83-million	\$1.83-million
Sales-Tax	MuniServices-January-2025-Most-Likely-Estimates	MuniServices-January-2025-Most-Likely-Estimates	MuniServices-January-2025-Most-Likely-Estimates	MuniServices-January-2025-Most-Likely-Estimates	MuniServices-January-2025-Most-Likely-Estimates	MuniServices-January-2025-Most-Likely-Estimates
Sales-Tax--Measure-G	MuniServices-January-2025-Most-Likely-Estimates	MuniServices-January-2025-Most-Likely-Estimates	MuniServices-January-2025-Most-Likely-Estimates	MuniServices-January-2025-Most-Likely-Estimates	MuniServices-January-2025-Most-Likely-Estimates	MuniServices-January-2025-Most-Likely-Estimates
Franchise-Fee	Current-baseline-set-by-FY2024-25-Estimates	3%	3%	3%	3%	3%
Transient-Occupancy-Tax	Current-baseline-set-by-FY-2024-25-Estimates	2%	2%	2%	2%	2%
Business-License-Tax	Current-baseline-set-by-FY-2024-25-Estimates	3%	3%	3%	3%	3%
License-&Permits	Current-baseline-set-by-FY-2024-25-Estimates	3%	3%	3%	3%	3%

Type-of-Revenues	FY-2024-25 Estimates Baseline	FY-2025-26 Forecast	FY-2026-27 Forecast	FY-2027-28 Forecast	FY-2028-29 Forecast	FY-2029-30 Forecast
Town-Services	Current-baseline-set-by-FY-2024-25-Estimates	3%	3%	3%	3%	3%
Fine-&Forfeitures	Current-baseline-set-by-FY-2024-25-Estimates	Varies	Varies	Varies	Varies	Varies
Yield-to-Maturity-Assumptions	Current-baseline-set-by-FY-2024-25-Actuals	3.51%	3.45%	3.37%	3.31%	3.28%
Other-Sources	Current-baseline-set-by-FY-2024-25-Estimates	Varies	Varies	Varies	Varies	Varies

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EXPENDITURE BASELINE AND PROJECTION FACTORS (FY 2024-25 MID-YEAR REPORT AND FORECAST –
PUBLISHED 2/7/2025)

Item 4.

Beginning in FY 2020-21, the Town started budgeting salaries at the actual salary plus a one-step increase. In the Five-Year Forecast, positions are forecasted at the actual rate of pay including salaries and benefits as of December 31, 2024.

Beginning FY 2023-24 the total salaries and benefits budget includes 4.6% vacancy factor.

Type-of-Expenditures	FY-2024-25 Budget	FY-2025-26 Forecast	FY-2026-27 Forecast	FY-2027-28 Forecast	FY-2028-29 Forecast	FY-2029-30 Forecast
Salaries*(TEA)	5%	3%	3%	2%	2%	2%
Salaries*(POA)	6.5%	5%	4%	2%	2%	2%
Salaries*(AFSCME)	4%	4%	4%	2%	2%	2%
Salaries* (Management, Confidential, Temp)	5%	3%	3%	2%	2%	2%
Benefit-- Medical**	4%	4%	4%	4%	4%	4%
Operating- Expenditures***	3%	3%	3%	3%	3%	3%
Grants-&Awards	0%	0%	0%	0%	0%	0%
Utilities***	Varies	3%	3%	3%	3%	3%
Workers-Comp- Charges	Based-on- projected- payroll	3%	3%	3%	3%	3%
General-Liability- Charges	Based-on- projected- payroll	3%	3%	3%	3%	3%
Other-Internal- Service- Charges***	Based-on- operating- cost-and- scheduled- replacement	Based-on- operating- cost-and- scheduled- replacement	Based-on- operating- cost-and- scheduled- replacement	Based-on- operating- cost-and- scheduled- replacement	Based-on- operating- cost-and- scheduled- replacement	Based-on- operating- cost-and- scheduled- replacement
Debt-Service	Debt-Service-Schedules					

*Salary-increases-are-based-on-actual-step-increases-and-approved-Memoranda-of-Understanding-with-the-bargaining-units-from-FY-2024-25-through-FY-2026-27. Beyond FY-2027-28 the assumption is 2% per year cost-of-living adjustment.

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

***Based-on-historical-trends.

The Town's required employer contribution rate estimates were developed using data provided by each plan's most recent CalPERS actuarial valuation. The employer contribution rates reflect percentages of covered payroll. Rates shown for FY 2024-25 are actual rates as prescribed by CalPERS. Forecasted rates for FY 2025-26 and subsequent years are based on the most recent CalPERS actuarial valuation Reports as adjusted by the impact related to the FY 2022-23 CalPERS 6.1% investment return and forecasted payroll.

Beginning in FY 2021-22, the estimates of employer contributions were credited with an anticipated reductions associated with the approximate \$4.8 million additional discretionary payment (ADP) toward the 2016 unfunded amortization base paid off in October 2019 and the total of approximately \$5.8 million in ADPs toward unfunded 2013 and 2015 amortization bases that were paid off in FY 2020-21.

Type-of-Expenditures	FY-2024-25 Budget	FY-2025-26 Forecast	FY-2026-27 Forecast	FY-2027-28 Forecast	FY-2028-29 Forecast	FY-2029-30 Forecast
Safety POA	94.98%	98.72%	102.27%	106.14%	115.00%	117.32%
Safety Management POA	97.98%	101.72%	105.27%	109.14%	118.00%	120.32%
Safety POA--PEPRA	15.56%	15.56%	15.68%	15.69%	16.32%	16.61%
Miscellaneous TEA/AFSCME/Confidential/Management	30.62%	29.65%	31.01%	32.28%	33.81%	34.49%
Miscellaneous TEA/AFSCME/Confidential/Management PEPRA	30.62%	29.65%	31.01%	32.28%	33.81%	34.49%
Separate PEPRA rate for Miscellaneous has not been established yet by CalPERS.	30.62%	29.65%	31.01%	32.28%	33.81%	34.49%

General Fund 5-Year Forecast
(in \$ million)

Revenue Category	FY 2022/23 Actuals	FY 2023/24 Adjusted Budget	FY 2023/24 Estimates	FY 2024/25 Budget	FY 2025/26 Forecast	FY 2026/27 Forecast	FY 2027/28 Forecast	FY 2028/29 Forecast	FY 2029/30 Forecast
Property Tax	\$ 18.2	\$ 19.0	\$ 19.0	\$ 20.2	\$ 21.3	\$ 22.5	\$ 23.7	\$ 25.0	\$ 26.5
VLF Backfill Property Tax	4.6	4.9	4.9	5.0	5.3	5.6	5.9	6.3	6.7
Sales & Use Tax	7.5	7.0	6.7	6.6	6.7	6.9	6.9	7.0	7.1
Measure G District Sales Tax	1.3	1.2	1.2	1.3	1.3	1.3	1.4	1.4	1.4
Franchise Fees	3.1	3.3	3.3	1.0	1.1	1.1	1.1	1.2	1.2
Transient Occupancy Tax	2.2	2.3	2.3	2.3	2.4	2.4	2.4	2.4	2.4
Business License Tax	2.4	2.4	2.4	2.4	2.5	2.6	2.6	2.7	2.8
Licenses & Permits	3.3	3.3	3.3	3.0	3.0	3.1	3.2	3.3	3.4
Intergovernmental	1.6	1.3	1.3	1.4	0.9	1.0	0.9	0.9	1.0
Town Services	4.6	4.6	5.0	7.0	6.7	6.8	7.0	7.2	7.4
Fines & Forfeitures	0.4	0.4	0.4	0.3	0.3	0.3	0.3	0.3	0.3
Interest	0.6	1.6	1.6	1.8	1.4	1.3	1.2	1.1	1.1
Other Sources	8.1	4.0	4.1	3.5	3.1	3.2	3.3	3.2	2.0
Fund Transfers In	0.5	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
TOTAL OPERATING REVENUES & TRANSFERS	\$ 58.4	\$ 55.9	\$ 56.1	\$ 56.4	\$ 56.6	\$ 58.7	\$ 60.5	\$ 62.6	\$ 63.9
Use of Capital/Special Projects Reserve	\$ 2.4	\$ 1.6	\$ 2.0	\$ 1.1	\$ 1.1	\$ 1.1	\$ 1.1	\$ 1.1	\$ 1.1
Use of Measure G Sales Tax - Operating	-	-	-	0.6	-	-	-	-	-
Use of Pension/OPEB Reserve	0.3	0.3	0.3	-	-	-	-	-	-
Use of Council Priorities - Economic Recovery	-	1.5	1.5	-	-	-	-	-	-
TOTAL REVENUES, TRANSFERS, AND USE OF RESERVES*	\$ 61.1	\$ 59.3	\$ 59.9	\$ 58.1	\$ 57.7	\$ 59.8	\$ 61.6	\$ 63.7	\$ 65.0
Expenditure Category	FY 2022/23 Actuals	FY 2023/24 Adjusted Budget	FY 2023/24 Estimates	FY 2024/25 Budget	FY 2025/26 Forecast	FY 2026/27 Forecast	FY 2027/28 Forecast	FY 2028/29 Forecast	FY 2029/30 Forecast
Salary	\$ 20.4	\$ 21.3	\$ 21.9	\$ 23.6	\$ 23.8	\$ 24.5	\$ 25.1	\$ 25.7	\$ 26.2
Overtime	1.4	0.6	1.3	0.6	0.7	0.7	0.7	0.7	0.7
CalPERS Benefits	7.1	8.2	7.2	8.8	9.1	9.7	10.4	11.2	11.8
All Other Benefits	3.8	4.7	4.4	5.6	6.1	6.3	6.5	6.7	6.8
4.6% Salary and Benefits Savings	-	-	-	(1.8)	(1.8)	(1.9)	(2.0)	(2.0)	(2.1)
OPEB Pay as You Go	1.5	1.6	1.6	1.7	1.9	2.0	2.0	2.0	2.0
Operating Expenditures	11.7	11.0	10.6	8.8	8.3	8.6	8.7	9.0	9.2
Grants & Awards	0.6	1.0	0.7	0.3	0.2	0.2	0.2	0.2	0.3
Utilities	0.6	0.7	0.7	0.7	0.7	0.8	0.8	0.8	0.8
Internal Service Charges	2.6	3.4	3.4	4.4	5.2	5.4	5.6	5.8	6.1
Debt Service	2.0	2.1	2.1	2.1	2.1	2.1	2.1	2.1	0.8
TOTAL OPERATING EXPENDITURES	\$ 51.8	\$ 54.5	\$ 53.9	\$ 54.8	\$ 56.2	\$ 58.4	\$ 60.1	\$ 62.2	\$ 62.7
Additional Discretionary Payment - Pension	0.7	0.7	0.7	0.4	0.4	0.4	0.4	0.4	0.4
TOTAL OPERATING & DISCRETIONARY EXPENDITURES	\$ 52.5	\$ 55.2	\$ 54.6	\$ 55.2	\$ 56.6	\$ 58.8	\$ 60.5	\$ 62.6	\$ 63.1
Capital Transfers Out to GFAR	\$ 2.4	\$ 1.6	\$ 1.6	\$ 1.1	\$ 1.1	\$ 1.1	\$ 1.1	\$ 1.1	\$ 1.1
Transfer to General Liability	-	-	0.4	-	-	-	-	-	-
1/2 of Measure G Proceeds to Capital	0.6	0.6	0.7	0.6	0.6	0.7	0.7	0.7	0.7
Allocate to ERAF Risk Reserve	0.7	0.7	0.7	0.8	0.8	0.8	0.8	0.8	0.8
Allocate to Pension Trust	0.7	0.7	0.7	0.4	0.4	0.4	0.4	0.4	0.4
TOTAL EXPENDITURES & RESERVE ALLOCATIONS*	\$ 56.2	\$ 58.8	\$ 58.7	\$ 58.1	\$ 59.5	\$ 61.8	\$ 63.5	\$ 65.6	\$ 66.1
NET REVENUES, TRANSFERS IN, USE OF RESERVES LESS EXPENDITURES, TRANSFERS IN, AND RESERVE ALLOCATIONS	\$ 4.9	\$ 0.5	\$ 1.1	\$ -	\$ (1.8)	\$ (2.0)	\$ (1.9)	\$ (1.9)	\$ (1.1)

* Due to rounding of individual categories total revenues, expenditures, and reserve allocations may include \$0.1 million.

Town of Los Gatos General Fund Historical Year-End Results (in \$ million)								
Account	Revenue Category	FY 2015/16 Actuals	FY 2016/17 Actuals	FY 2017/18 Actuals	FY 2018/19 Actuals	FY 2019/20 Actuals	FY 2020/21 Actuals	FY 2021/22 Actuals
4100	Property Tax	\$ 10.8	\$ 11.5	\$ 12.5	\$ 13.6	\$ 14.5	\$ 15.8	\$ 16.9
4110	VLF Backfill Property Tax	3.0	3.2	3.4	3.7	3.9	4.1	4.2
4200	Sales & Use Tax	7.5	9.2	7.6	8.0	6.5	6.8	7.2
4200	Measure G District Sales Tax	-	-	-	0.2	1.0	1.1	1.3
4250	Franchise Fees	2.3	2.4	2.5	2.5	2.5	2.5	2.8
4251	Transient Occupancy Tax	1.9	2.3	2.6	2.7	1.9	1.0	1.9
4400	Business License Tax	1.5	1.7	1.7	1.5	1.4	1.4	1.5
4400	Licenses & Permits	3.5	3.0	3.0	3.1	2.7	3.1	4.8
4500	Intergovernmental	1.0	0.9	1.0	0.9	1.0	1.6	1.3
4600	Town Services	4.0	3.3	4.4	4.4	4.4	4.6	5.3
4700	Fines & Forfeitures	0.9	0.9	0.7	0.5	0.3	0.1	0.3
4800	Interest	0.6	0.2	0.2	1.4	2.2	0.1	(1.4)
4850	Other Sources	2.3	4.3	3.2	4.6	2.7	3.7	7.0
4900	Fund Transfers In	2.4	0.3	0.8	1.6	0.6	0.7	0.6
TOTAL OPERATING REVENUES & TRANSFERS*		\$ 41.7	\$ 43.2	\$ 43.6	\$ 48.7	\$ 45.6	\$ 46.6	\$ 53.7
	Capital	-	1.4	3.2	2.8	8.0	3.4	0.6
	Use of Pension/OPEB Reserve	-	-	-	-	-	4.5	0.3
	Use of Property Surplus Reserve	-	-	-	-	-	-	1.2
	Use of Almond Grove Reserve	-	5.9	-	-	-	-	-
	Use of Measure G Reserve	-	-	-	-	-	-	1.1
TOTAL REVENUES, TRANSFERS, AND USE OF RESERVES		\$ 41.7	\$ 50.5	\$ 46.8	\$ 51.5	\$ 53.6	\$ 54.5	\$ 56.9
Account	Expenditure Category	FY 2015/16 Actuals	FY 2016/17 Actuals	FY 2017/18 Actuals	FY 2018/19 Actuals	FY 2019/20 Actuals	FY 2020/21 Actuals	2021/22 Actuals
5110	Salary	14.5	14.8	16.0	17.9	19.3	20.2	20.0
5120	CalPERS Benefits	3.6	3.9	4.3	5.3	6.1	6.4	6.5
5200	All Other Benefits	3.2	3.2	3.3	3.6	3.6	3.7	3.7
6211	OPEB Pay as You Go	0.9	1.0	1.1	1.2	1.2	1.3	1.4
6000	Operating Expenditures	4.7	4.8	5.0	5.6	5.1	5.7	10.4
7200	Grants & Awards	0.7	0.2	0.2	0.3	0.3	0.3	1.8
7400	Utilities	0.4	0.6	0.5	0.5	0.5	0.6	0.6
8060	Internal Service Charges	3.5	3.6	3.9	2.5	2.2	2.3	2.6
8900	Debt Service	1.9	1.9	1.9	1.9	1.9	2.0	2.1
TOTAL OPERATING EXPENDITURES		\$ 33.6	\$ 34.0	\$ 36.2	\$ 38.8	\$ 40.2	\$ 42.4	\$ 49.0
	GASB 45 Retiree Medical Actuarial	1.5	2.6	1.6	1.1	1.1	0.6	0.1
	Additional Discretionary Payment - Pension	-	-	-	-	-	5.6	0.7
TOTAL OPERATING & DISCRETIONARY EXPENDITURES		\$ 35.1	\$ 36.6	\$ 37.8	\$ 39.9	\$ 41.3	\$ 48.6	\$ 49.8
	Capital Transfers Out to GFAR	0.5	7.3	2.6	2.3	7.0	3.4	1.2
	Operating Transfer Out	0.1	-	0.6	0.5	1.1	-	-
	1/2 of Measure G Proceeds to Capital	-	-	-	-	-	-	0.7
	Fixed Assets/ Equipment	0.4	-	-	-	0.1	-	-
	Fund	-	-	1.2	3.6	0.4	-	-
AMOUNTS AVAILABLE FOR RESERVE ALLOCATIONS		\$ 5.6	\$ 6.6	\$ 4.6	\$ 5.2	\$ 3.7	\$ 2.5	\$ 5.9
	Allocate to Almond Grove Reserve	2.5	-	-	-	-	-	-
	Stabilization/Catastrophic	-	-	-	-	-	0.1	1.1
	Allocate to Compensated Absences	-	-	-	-	-	0.1	(0.2)
	Allocate to Market Fluctuations Reserve	0.3	0.3	-	-	1.2	-	(0.4)
	Allocate to CalPERS/Pension Reserve	-	1.8	-	-	-	0.3	0.3
	Allocate to Measure G Reserve	-	-	-	-	1.2	-	-
	Allocate to VM & Stores Surplus Reserve	-	-	-	1.0	-	-	-
	Allocate to Authorized Carryforwards	0.1	-	-	-	-	-	0.03
	Sales Tax Prior - Year Adjustments	-	0.4	-	-	-	-	-
	Allocate to Property Surplus Reserve	-	-	-	1.9	-	1.2	-
TOTAL EXPENDITURES & RESERVE ALLOCATIONS		\$ 39.0	\$ 46.4	\$ 42.2	\$ 49.2	\$ 52.2	\$ 53.7	\$ 52.2
NET REVENUES RESERVE TRANSFERS LESS EXPENDITURES & RESERVE ALLOCATIONS FOR FINAL ALLOCATION AFTER YEAR END CLOSE		\$ 2.7	\$ 4.1	\$ 4.6	\$ 2.3	\$ 1.4	\$ 0.8	\$ 4.7
* Due to rounding of individual categories Total Expenditures and Reserve Allocations may include \$0.1 million. General Fund (111) Historical presentation does not include Pension Trusts activities.								

Type-of-Revenue-Base-Line-Estimate	FY2024/25 Budget	FY-2025/26 Forecast	FY-2026/27 Forecast	FY2027/28 Forecast	FY2028/29 Forecast	FY-2029/30 Forecast
Property-Tax SCC-Assessor-Office-February-2024-Report	6.6%	6.6%	6.6%	6.6%	6.6%	6.6%
VLF-Backfill SCC-Assessor-Office-February-2024-Report	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%
Other-Property-Tax SCC-Assessor-Office-February-2024-Report	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
ERAF SCC-Assessor-Office-March-2024-Notification	\$2,534,820 Including-30%-to-Reserve	\$2,617,000 Including-30%-to-Reserve	\$2,617,000 Including-30%-to-Reserve	\$2,617,000 Including-30%-to-Reserve	\$2,617,000 Including-30%-to-Reserve	\$2,617,000 Including-30%-to-Reserve
Sales-Tax	<u>MuniServices-March-2024</u> Most-Likely-Estimates	<u>MuniServices-March-2024</u> Most-Likely-Estimates	<u>MuniServices-March-2024</u> Most-Likely-Estimates	<u>MuniServices-March-2024</u> Most-Likely-Estimates	<u>MuniServices-March-2024</u> Most-Likely-Estimates	<u>MuniServices-March-2024</u> Most-Likely-Estimates
Sales-Tax--Measure-G	<u>MuniServices-March-2024</u> Most-Likely-Estimates	<u>MuniServices-March-2024</u> Most-Likely-Estimates	<u>MuniServices-March-2024</u> Most-Likely-Estimates	<u>MuniServices-March-2024</u> Most-Likely-Estimates	<u>MuniServices-March-2024</u> Most-Likely-Estimates	<u>MuniServices-March-2024</u> Most-Likely-Estimates
Franchise-Fee	Current-baseline-set-by-FY-2023/24-Year-End-Estimates	3%	3%	3%	3%	3%
Encroachment-Permit-Fee-from-Waste-Hauler-Provider	Current-baseline-set-by-FY-2023/24-Year-End-Estimates	3%	3%	3%	3%	3%

Type-of-Revenue-Base-Line-Estimates	FY2024/25 Budget	FY-2025/26 Forecast	FY-2026/27 Forecast	FY2027/28 Forecast	FY2028/29 Forecast	FY-2029/30 Forecast
Transient-Occupancy-Tax Current-baseline-set-by-FY-2023/24-Year-End-Estimates	3%	3%	0%	0%	0%	0%
Business-License-Tax Current-baseline-set-by-FY-2023/24-Year-End-Estimates	2%	2%	2%	2%	2%	2%
License-&Permits Current-baseline-set-by-FY-2023/24-Year-End-Estimates	3%	3%	3%	3%	3%	3%
Town-Services Current-baseline-set-by-FY-2023/24-Year-End-Estimates	3%	3%	0%	3%	3%	3%
Fine-&Forfeitures Current-baseline-set-by-FY-2023/24-Year-End-Estimates	1%	Varies	Varies	Varies	Varies	Varies
Interest Varies-based-on-Portfolio	Weighted-Portfolio-Yield 3.77%	Weighted-Portfolio-Yield 3.59%	Weighted-Portfolio-Yield 3.37%	Weighted-Portfolio-Yield 3.05%	Weighted-Portfolio-Yield 3.03%	Weighted-Portfolio-Yield 3.01%
Other-Sources Current-baseline-set-by-FY-2023/24-Year-End-Estimates	Varies	Varies	Varies	Varies	Varies	Varies

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Beginning in FY 2020/21, the Town is budgeting salaries at the actual salary plus a one-step increase. 71% of the workforce is already at top step or one step below top step. In the Five-Year Forecast, positions are forecasted at the actual rate of pay including salaries and benefits as of April 1, 2024 and rate is increasing in the actual anniversary date. The FY 2024/25 Budget and the FY 2025/26 – FY 29/30 Forecast includes 4.6% salary savings. ¶

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Type of Expenditure	FY2024/25 Budget	FY 2025/26 Forecast	FY 2026/27 Forecast	FY2027/28 Forecast	FY2028/29 Forecast	FY 2029/30 Forecast
Salaries (TEA, Conf, Temp)*	0%	2%	2%	2%	2%	2%
Salaries (POA)*	6.5%	5%	4%	2%	2%	2%
Salaries (AFSCME)*	0%	2%	2%	2%	2%	2%
Salaries (Management)*	0%	2%	2%	2%	2%	2%
Benefit – Medical**	7%	7%	7%	7%	7%	7%
Salary Savings	4.6%	4.6%	4.6%	4.6%	4.6%	4.6%
Operating Expenditures***	Varies	3%	3%	3%	3%	3%
Grants & Awards	0%	0%	0%	0%	0%	0%
Utilities***	Varies	3%	3%	3%	3%	3%
Internal Service Charges***	Based on operating cost and scheduled replacement	Based on operating cost and scheduled replacement	Based on operating cost and scheduled replacement	Based on operating cost and scheduled replacement	Based on operating cost and scheduled replacement	Based on operating cost and scheduled replacement
Debt Service	Debt Service Schedules					

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*Salary increases are based on actual step increases and approved Memoranda of Understanding with the bargaining units. 6.5% is effective from 4/1/2024. ¶

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

***Based on historical trends. ¶

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The Town's required employer contribution rate estimates were developed using data provided by each plan's most recent CalPERS actuarial valuation. The employer contribution rates reflect percentages of covered payroll. Forecasted rates for FY 2024/25 and subsequent years are based on the most recent CalPERS actuarial valuation Reports as adjusted by the impact related to the FY 2022/23 CalPERS 6.1% investment return and forecasted payroll. ¶

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Beginning in FY 2021/22, the estimates of employer contributions were credited with an anticipated reductions associated with the approximate \$4.8 million additional discretionary payment (ADP) toward the 2016 unfunded amortization base paid off in October 2019 and the total of approximately \$5.8 million in ADPs toward unfunded 2013 and 2015 amortization bases that were paid off in FY 2020/21. ¶

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Type of Expenditure	FY2024/25 Budget	FY2025/26 Forecast	FY2026/27 Forecast	FY2027/28 Forecast	FY2028/29 Forecast	FY2029/30 Forecast
Safety POA	94.98%	98.72%	102.27%	106.14%	115.00%	117.32%
Safety Management POA	97.98%	101.72%	105.27%	109.14%	118.00%	122.32%
Safety POA--PEPRA	15.56%	15.56%	15.68%	15.69%	16.32%	16.61%
Miscellaneous TEA/Confidential/Management	30.62%	29.65%	31.01%	32.28%	33.81%	34.49%
Miscellaneous TEA/Confidential/Management PEPRA						
Separate PEPRA rate for Miscellaneous has not been established yet by CalPERS.	30.62%	29.65%	31.01%	32.28%	33.81%	34.49%

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

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**SUMMARY OF CHANGES FY 2024-25
FROM PROPOSED TO ADOPTED**

Item 4.

Per Measure A, the Finance Commission received the Proposed FY 2023/24 Operating and Capital Budgets 21 business days before May 16, 2023, which was the first meeting at which the Proposed Budgets were considered by the Town Council. The Finance Commission held three public meetings at which Commissioners discussed the Proposed Budgets and provided recommendations to the Town Council per Measures A and G. On May 16, 2023, the Town Council conducted a public hearing to discuss the proposed FY 2023/24 Operating and Capital Summary Budget and Proposed FY 2023/24 – 2027/28 Capital Improvement Program. The Town Council considered public testimony, discussed both documents, considered the Finance Commission recommendations, and directed staff to bring back the documents for final approval incorporating the Council recommendations.

The Town Council adopted a balanced budget on June 6, 2023. The Adopted Budget includes a 4.6% vacancy factor, while Council directed that staff continue to hire for all vacant positions. The 4.6% salary savings represents approximately \$1.7 million projected saving that eliminates a need for Other Post Employment Benefits (OPEB) Trust withdrawal. The Adopted Budget fully recognizes the Educational Revenue Augmentation Fund (ERAF) proceeds for FY 2023/24. The Council programmed 70% of the estimated revenue and reserved 30% as the “at risk” amount until the lawsuit between the State and the School Districts is resolved.

The following table represent the changes from the proposed budget to the adopted budget.

	2023/24 Proposed Budget	Estimated Budget Revision	2023/24 Recommended Budget
REVENUES			
General Fund	\$54,130,896	\$ (914,326) (1)	\$ 53,216,570
Special Revenue Funds	542,380	-	\$ 542,380
Internal Service Funds	4,947,389	-	\$ 4,947,389
Capital Project Funds (does not include carryforwards)	8,547,920	-	\$ 8,547,920
Successor Agency Funds	3,811,664	-	\$ 3,811,664
TOTAL REVENUES	\$71,980,249	\$ (914,326)	\$ 71,065,923
OTHER FUNDING SOURCES			
Designated One-Time Use of General Fund Reserves	2,361,000	\$ 33,000	2,394,000 (2)
TOTAL TOWN REVENUES & OTHER FUNDING SOURCES	\$74,341,249	\$ (881,326)	\$ 73,459,923
TOTAL TOWN EXPENDITURES, TRANSFERS OUT & CARRYFORWARD APPROPRIATION			
General Fund	\$56,101,896	\$ (1,586,649) (3)	\$ 54,515,247
Special Revenue Funds	469,381	(9,794) (4)	459,587
Internal Service Funds	6,132,798	-	6,132,798
Capital Project Funds (does not include carryforwards)	10,658,747	- (5)	10,658,747
Successor Agency Funds	3,801,021	(87) (6)	3,800,934
TOTAL TOWN EXPENDITURE & OTHER FUNDING USES	\$77,163,843	\$ (1,596,530)	\$ 75,567,313
GENERAL FUND SOURCE(USE) OF FUND BALANCES	\$ 390,000	\$ 660,900	\$ 1,095,323
OTHER FUNDS SOURCE(USE) OF FUND BALANCES	(3,212,594)		(3,202,713) (7)
TOTAL SOURCE(USE) OF FUND BALANCES	\$ (2,822,594)	\$ 715,204	\$ (2,107,390)

(1) Additional General Fund Revenues

\$1,608,226 Decreases OPEB Trust Reimbursement for Retiree Medical
\$660,900 Increases Additional ERAF Proceeds to Reserve At Risk
\$33,000 - Increase ARPA Replacement Pass Through Revenue - Tracking

(2) Designated One-Time Use of the General Fund Reserves during FY 2023/24

\$1,615,000 - Transfer to Capital Projects (GFAR)
\$779,000 - ARPA Revenue Replacement Tracking

(3) General Fund Expenditures

\$1,663,649 - Decrease - 4.6% Salary Saving Factor
\$11,000- Increase Project Based Boards and Commissions Support
\$33,000 - Increase Chamber Agreement
\$33,000 - Increase ARPA Replacement Pass Through Expenditure - Tracking

(4) Special Revenue Fund Expenditures

\$9,794 - Decrease - 4.6% Salary Saving Factor

(5) Capital Project Funds Expenditures

No Change in Total Expenditures, \$35,000 transferred from the Lynn Avenue Pedestrian Path
Design Project (411-832-4510) to Emergency Preparedness Project (411-821-2012)

(6) Successor Agency Funds Expenditures

\$87 - Decrease - 4.6% Salary Saving Factor

(7) Other Funds Source (Use) represents planned one-time uses of Internal Service Funds, Special Revenue Funds, Trust Funds, and Capital Project Funds primary for infrastructure and equipment investment.

Numbers may differ between exhibits due to rounding.

While the Adopted Budget document reflects all of the approved changes, the Town Manager Transmittal Letter dated April 17, 2023 represents the proposed FY 2023/24 Operating and Capital Budgets as it was submitted on April 17, 2023. The five-year forecast on the following page has been updated to reflect the adjustments to revenues and expenditures in the FY 2023/24 Adopted Budget.

Account	Revenue Category	FY 2022/23 Adjusted Budget	FY 2022/23 Estimates	FY 2023/24 Adopted Budget	FY 2024/25 Forecast	FY 2025/26 Forecast	FY 2026/27 Forecast	FY 2027/28 Forecast	FY 2028/29 Forecast
4100	Property Tax	\$ 17.0	\$ 17.2	\$ 17.9	\$ 17.8	\$ 18.5	\$ 18.9	\$ 19.5	\$ 20.1
4110	VLF Backfill Property Tax	4.6	4.6	4.7	4.8	5.0	5.1	5.3	5.4
4200	Sales & Use Tax	7.5	7.7	7.9	8.1	8.5	8.7	9.0	9.3
4200	Measure G District Sales Tax	1.3	1.3	1.3	1.3	1.3	1.4	1.4	1.4
4250	Franchise Fees	2.7	2.7	2.1	1.9	1.9	1.9	2.0	2.0
4251	Transient Occupancy Tax	2.0	2.3	2.4	2.5	2.6	2.6	2.6	2.7
4400	Business License Tax	2.4	2.3	2.4	2.5	2.5	2.6	2.6	2.7
4400	Licenses & Permits	2.9	2.9	2.9	2.9	3.0	3.1	3.2	3.3
4500	Intergovernmental	1.3	1.3	0.9	0.9	0.9	1.0	1.0	1.0
4600	Town Services	4.8	5.1	4.4	4.2	4.2	4.3	4.4	4.6
4700	Fines & Forfeitures	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
4800	Interest	0.4	0.7	1.0	0.9	0.9	0.9	0.9	0.9
4850	Other Sources	3.5	7.1	3.6	2.8	2.8	3.0	2.9	2.9
4900	Fund Transfers In	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
TOTAL OPERATING REVENUES & TRANSFERS*		\$ 51.1	\$ 55.9	\$ 52.2	\$ 51.3	\$ 52.8	\$ 54.2	\$ 55.5	\$ 57.0
	Capital	2.4	2.4	1.6	0.8	0.8	0.8	0.8	0.8
	Use of Pension/OPEB Reserve	0.3	0.3	-	-	-	-	-	-
	Use of OPEB Trust	-	-	-	-	-	-	-	-
	ARPA Replacement Revenue	1.6	-	-	-	-	-	-	-
	Vitalities	-	6.1	0.7	-	-	-	-	-
TOTAL REVENUES, TRANSFERS, AND USE OF RESERVES		\$ 55.4	\$ 64.7	\$ 54.5	\$ 52.1	\$ 53.6	\$ 55.0	\$ 56.3	\$ 57.8
Account	Expenditure Category	FY 2022/23 Adjusted Budget	FY 2022/23 Estimates	FY 2023/24 Adopted Budget	FY 2024/25 Forecast	FY 2025/26 Forecast	FY 2026/27 Forecast	FY 2027/28 Forecast	FY 2028/29 Forecast
5110	Salary	23.0	22.5	23.2	23.8	24.4	25.0	25.5	26.0
5120	CalPERS Benefits	7.7	6.8	8.2	8.6	8.9	9.6	10.2	11.1
5200	All Other Benefits	4.6	3.9	4.7	4.8	4.9	5.0	5.1	5.2
	4.6% Salary and Benefits Savings	-	-	(1.7)	(1.7)	(1.8)	(1.8)	(1.9)	(1.9)
6211	OPEB Pay as You Go	1.6	1.6	1.6	1.8	1.9	2.0	2.0	2.0
6000	Operating Expenditures	8.0	11.7	9.0	8.8	8.9	9.2	9.3	9.7
7200	Grants & Awards	0.5	1.2	0.8	0.6	0.6	0.3	0.3	0.3
7400	Utilities	0.6	0.6	0.6	0.6	0.7	0.7	0.7	0.7
8060	Internal Service Charges	2.7	2.6	3.4	3.6	3.7	3.9	4.1	4.2
8900	Debt Service	2.0	2.0	2.1	2.1	2.1	2.1	2.1	2.1
TOTAL OPERATING EXPENDITURES		\$ 50.8	\$ 53.0	\$ 51.9	\$ 52.9	\$ 54.2	\$ 55.9	\$ 57.4	\$ 59.4
	GASB 45 Retiree Medical Actuarial	-	-	-	-	-	-	-	-
	Additional Discretionary Payment - Pension	0.7	0.7	0.4	0.4	0.4	0.4	0.4	0.4
TOTAL OPERATING & DISCRETIONARY EXPENDITURES		\$ 51.5	\$ 53.7	\$ 52.3	\$ 53.3	\$ 54.6	\$ 56.3	\$ 57.8	\$ 59.8
	Capital Transfers Out to GFAR	2.4	2.4	1.6	1.1	1.1	1.1	1.1	1.1
	1/2 of Measure G Proceeds to Capital	0.6	0.6	0.6	0.7	0.7	0.7	0.7	0.7
	Fund	0.4	0.7	-	-	-	-	-	-
AMOUNTS AVAILABLE FOR RESERVE ALLOCATIONS									
	Recovery	-	5.7	-	-	-	-	-	-
TOTAL EXPENDITURES & RESERVE ALLOCATIONS		\$ 54.9	\$ 63.1	\$ 54.5	\$ 55.1	\$ 56.4	\$ 58.1	\$ 59.6	\$ 61.6
NET REVENUES RESERVE TRANSFERS LESS EXPENDITURES & RESERVE ALLOCATIONS FOR FINAL ALLOCATION AFTER YEAR END CLOSE		\$ 0.5	\$ 1.6	\$ -	\$ (3.0)	\$ (2.8)	\$ (3.1)	\$ (3.3)	\$ (3.8)
* Due to rounding of individual categories FY 2022/23 Estimated Total Expenditures and Reserve Allocations includes \$0.1 million. General Fund (111) Forecast does not include Pension Trust activities.									

The following table illustrates the previous projected deficits relative to the updated Forecast.

Original 5 Year Forecast	2024/25 Forecast (\$M)	2025/26 Forecast (\$M)	2026/27 Forecast (\$M)	2027/28 Forecast (\$M)	2028/29 Forecast (\$M)
Proposed Surplus/Deficit	(\$3.1)	(\$2.8)	(\$3.2)	(\$3.5)	(\$4.0)
Adopted Surplus/Deficit	(\$3.0)	(\$2.8)	(\$3.1)	(\$3.3)	(\$3.8)

General Fund 5-Year Forecast - Base Case
(in \$ million)

Revenue Category	FY 2022/23 Actuals	FY 2023/24 Adjusted Budget	FY 2023/24 Estimates	FY 2024/25 Forecast	FY 2025/26 Forecast	FY 2026/27 Forecast	FY 2027/28 Forecast	FY 2028/29 Forecast
Property Tax	\$ 18.2	\$ 18.6	\$ 19.0	\$ 18.6	\$ 19.5	\$ 20.4	\$ 21.3	\$ 22.3
VLF Backfill Property Tax	4.6	4.7	4.9	4.9	5.2	5.4	5.7	6.0
Sales & Use Tax	7.5	7.9	7.0	7.0	7.2	7.2	7.3	7.5
Measure G District Sales Tax	1.3	1.3	1.2	1.3	1.3	1.4	1.4	1.4
Franchise Fees	3.1	2.1	3.3	3.4	3.5	3.6	3.7	3.8
Transient Occupancy Tax	2.2	2.4	2.3	2.3	2.4	2.5	2.5	2.6
Business License Tax	2.4	2.4	2.4	2.5	2.6	2.7	2.7	2.8
Licenses & Permits	3.3	2.9	3.3	2.9	3.0	3.1	3.2	3.3
Intergovernmental	1.6	1.2	1.4	0.9	0.9	1.0	0.9	0.9
Town Services	4.6	4.4	5.1	4.2	4.3	4.4	4.5	4.6
Fines & Forfeitures	0.4	0.2	0.4	0.4	0.4	0.4	0.4	0.4
Interest	0.6	1.0	1.6	1.7	1.6	1.5	1.4	1.3
Other Sources	8.1	3.9	4.1	3.1	3.1	3.2	3.3	3.2
Fund Transfers In	0.5	0.5	0.6	0.5	0.5	0.5	0.5	0.5
TOTAL OPERATING REVENUES & TRANSFERS*	\$ 58.4	\$ 53.5	\$ 56.6	\$ 53.7	\$ 55.5	\$ 57.3	\$ 58.8	\$ 60.6
Use of Capital/Special Projects Reserve	2.4	2.1	0.8	0.8	0.8	0.8	0.8	0.8
Use of Pension/OPEB Reserve	0.3	-	0.3	-	-	-	-	-
Use of Council Priorities - Economic Recovery	-	1.6	1.5	-	-	-	-	-
TOTAL REVENUES, TRANSFERS, AND USE OF RESERVES	\$ 61.1	\$ 57.2	\$ 59.2	\$ 54.5	\$ 56.3	\$ 58.1	\$ 59.6	\$ 61.4

Expenditure Category	FY 2022/23 Actuals	FY 2023/24 Adjusted Budget	FY 2023/24 Estimates	FY 2024/25 Forecast	FY 2025/26 Forecast	FY 2026/27 Forecast	FY 2027/28 Forecast	FY 2028/29 Forecast
Salary	\$ 20.4	21.3	21.5	23.2	23.7	24.2	24.8	25.3
Overtime	1.4	0.6	1.2	0.6	0.6	0.6	0.6	0.6
CalPERS Benefits	7.1	8.2	7.3	9.0	9.1	9.7	10.3	11.2
All Other Benefits	3.8	4.7	4.2	5.6	5.8	6.0	6.2	6.4
4.6% Salary and Benefits Savings	-	-	-	(1.8)	(1.8)	(1.9)	(1.9)	(2.0)
OPEB Pay as You Go	1.5	1.6	1.6	1.8	1.9	2.0	2.0	2.0
Operating Expenditures	11.7	10.0	10.9	8.7	8.8	9.2	9.4	9.7
Grants & Awards	0.6	0.9	0.9	0.4	0.3	0.3	0.3	0.3
Utilities	0.6	0.6	0.7	0.7	0.7	0.8	0.8	0.8
Internal Service Charges	2.6	3.4	3.3	4.0	4.2	4.4	4.6	4.8
Debt Service	2.0	2.1	2.1	2.1	2.1	2.1	2.1	2.1
TOTAL OPERATING EXPENDITURES	\$ 51.8	\$ 53.4	\$ 53.8	\$ 54.2	\$ 55.5	\$ 57.5	\$ 59.1	\$ 61.2
Additional Discretionary Payment - Pension	0.7	0.4	0.7	0.4	0.4	0.4	0.4	0.4
TOTAL OPERATING & DISCRETIONARY	\$ 52.5	\$ 53.8	\$ 54.5	\$ 54.6	\$ 55.9	\$ 57.9	\$ 59.5	\$ 61.6
Capital Transfers Out to GFAR	2.4	1.6	1.6	1.1	1.1	1.1	1.1	1.1
Allocate ERAF Risk Reserve	0.7	0.7	0.8	-	-	-	-	-
Allocate to Pension Trust	0.7	0.4	0.7	0.4	0.4	0.4	0.4	0.4
TOTAL EXPENDITURES & RESERVE ALLOCATIONS	\$ 56.2	\$ 57.2	\$ 57.5	\$ 56.8	\$ 58.1	\$ 60.1	\$ 61.7	\$ 63.8
NET REVENUES , TRANSFERS IN, USE OF RESERVES LESS EXPENDITURES, TRANSFERS IN, AND RESERVE ALLOCATIONS	\$ 4.9	\$ -	\$ 1.7	\$ (2.3)	\$ (1.8)	\$ (2.0)	\$ (2.1)	\$ (2.4)

* Due to rounding of individual categories FY 2022/23 Actual total revenues, and FY 2023/24 Estimated total expenditures includes \$0.1 million.

REVENUE BASELINE AND PROJECTION FACTORS (FY 2023-24 MID-YEAR REPORT AND FORECAST – PUBLISHED 2/10/2024)

Item 4.



Type-of-Revenue	FY-2023/24 Estimates Baseline	FY-2024/25 Forecast	FY-2025/26 Forecast	FY-2026/27 Forecast	FY-2027/28 Forecast	FY-2028/29 Forecast
Property-Tax/VLF-Backfill	Current-baseline-set-by-SCC-Assessor-Office-February-2024-report	5.1%	5.1%	5.1%	5.1%	5.1%
Motor-Vehicle-License-in-Lieu-(VLF)	Current-baseline-set-by-SCC-Assessor-Office-February-2024-report	5.1%	5.1%	5.1%	5.1%	5.1%
ERAF	Current-baseline-set-100%-of-SCC-Assessor-Office-November-2023-report-Reserving-30%-to-ERAF-Risk-Reserve	\$1.25-million	\$1.25-million	\$1.25-million	\$1.25-million	\$1.25-million
Sales-Tax	MuniServices-January-2024 Most-Likely-Estimates	MuniServices-January-2024 Most-Likely-Estimates	MuniServices-January-2024 Most-Likely-Estimates	MuniServices-January-2024 Most-Likely-Estimates	MuniServices-January-2024 Most-Likely-Estimates	MuniServices-January-2024 Most-Likely-Estimates
Sales-Tax--Measure-G	MuniServices-January-2024 Most-Likely-Estimates	MuniServices-January-2024 Most-Likely-Estimates	MuniServices-January-2024 Most-Likely-Estimates	MuniServices-January-2024 Most-Likely-Estimates	MuniServices-January-2024 Most-Likely-Estimates	MuniServices-January-2024 Most-Likely-Estimates
Franchise-Fee	Current-baseline-set-by-FY-2023/24-Estimates	3%	3%	3%	3%	3%
Transient-Occupancy-Tax	Current-baseline-set-by-FY-2023/24-Estimates	3%	3%	3%	3%	3%
Business-License-Tax	Current-baseline-set-by-FY-2023/24-Estimates	2%	2%	2%	2%	2%
License-&Permits	Current-baseline-set-by-FY-2023/24-Estimates	3%	3%	3%	3%	3%

Type-of-Revenue	FY-2023/24 Estimates Baseline	FY-2024/25 Forecast	FY-2025/26 Forecast	FY-2026/27 Forecast	FY-2027/28 Forecast	FY-2028/29 Forecast
Town-Services	Current-baseline-set-by-FY-2023/24-Estimates	3%	3%	3%	3%	3%
Fine-&Forfeitures	Current-baseline-set-by-FY-2023/24-Estimates	Varies	Varies	Varies	Varies	Varies
Interest	Current-baseline-set-by-FY-2023/24-Actuals	4%	4%	3%	3%	3%
Other-Sources	Current-baseline-set-by-FY-2023/24-Estimates	Varies	Varies	Varies	Varies	Varies

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Beginning in FY 2020/21, the Town started budgeting salaries at the actual salary plus a one-step increase. In the Five-Year Forecast, positions are forecasted at the actual rate of pay including salaries and benefits as of December 31, 2023. Beginning FY 2023/24 the total budget includes 4.6% vacancy factor. ¶

Type of Expenditure	FY 2023/24 Budget	FY 2024/25 Forecast	FY 2025/26 Forecast	FY 2026/27 Forecast	FY 2027/28 Forecast	FY 2024/25 Forecast
Salaries* (TEA, Conf, Temp)	3%	2%	2%	2%	2%	2%
Salaries* (POA)	3%	2%	2%	2%	2%	2%
Salaries* (AFSCME) ¶	3%	2%	2%	2%	2%	2%
Salaries* (Management)	3%	2%	2%	2%	2%	2%
Benefit-- Medical**	7%	7%	7%	7%	7%	7%
Operating Expenditures***	3%	3%	3%	3%	3%	3%
Grants & Awards	0%	0%	0%	0%	0%	0%
Utilities***	Varies	3%	3%	3%	3%	3%
Workers Comp Charges	Based on projected payroll	Additional \$0.5 M to the base	3%	3%	3%	3%
General Liability Charges	Based on projected payroll	Additional \$0.45 M to the base	3%	3%	3%	3%
Other Internal Service Charges***	Based on operating cost and scheduled replacement	Based on operating cost and scheduled replacement	Based on operating cost and scheduled replacement	Based on operating cost and scheduled replacement	Based on operating cost and scheduled replacement	Based on operating cost and scheduled replacement
Debt Service	Debt Service Schedules					

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*Salary increases are based on actual step increases and approved Memoranda of Understanding with the bargaining units plus the Council's assumption of 2% per year cost of living adjustment. ¶

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

***Based on historical trends. ¶

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The Town's required employer contribution rate estimates were developed using data provided by each plan's most recent CalPERS actuarial valuation. The employer contribution rates reflect percentages of covered payroll. Rates shown for FY 2023/24 are actual rates as prescribed by CalPERS. Forecasted rates for FY 2024/25 and subsequent years are based on the most recent CalPERS actuarial valuation Reports as adjusted by the impact related to the FY 2022/23 CalPERS 6.1% investment return and forecasted payroll.

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Beginning in FY 2021/22, the estimates of employer contributions were credited with an anticipated reductions associated with the approximate \$4.8 million additional discretionary payment (ADP) toward the 2016 unfunded amortization base paid off in October 2019 and the total of approximately \$5.8 million in ADPs toward unfunded 2013 and 2015 amortization bases that were paid off in FY 2020/21.

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Type of Expenditure	FY 2023/24 Forecast	FY 2024/25 Forecast	FY 2025/26 Forecast	FY 2026/27 Forecast	FY 2027/28 Forecast	FY 2028/29 Forecast
Safety POA	81.31%	96%	98.7%	102.3%	106.1%	116.0%
Safety Management POA	84.31%	99%	101.7%	105.3%	109.1%	118%
Safety POA -- PEPRAs	14.5%	15.6%	15.6%	15.7%	16.0%	16.0%
Miscellaneous TEA/AFSCME/Confidential/Management	29.97%	30.6%	29.6%	31.0%	32.3%	33.8%
Miscellaneous TEA/AFSCME/Confidential/Management PEPRAs						
Separate PEPRAs for Miscellaneous has not been established yet by CalPERS.	29.97%	30.6%	29.6%	31.0%	32.3%	33.8%

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FY 2023-24 PROPOSED BUDGET FORECAST- PUBLISHED 4/17/2023

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

Account	Revenue Category	FY 2022/23 Adjusted Budget	FY 2022/23 Estimates	FY 2023/24 Proposed Budget	FY 2024/25 Forecast	FY 2025/26 Forecast	FY 2026/27 Forecast	FY 2027/28 Forecast	FY 2028/29 Forecast
4100	Property Tax	\$ 17.0	\$ 17.2	\$ 17.9	\$ 17.8	\$ 18.5	\$ 18.9	\$ 19.5	\$ 20.1
4110	VLF Backfill Property Tax	4.6	4.6	4.7	4.8	5.0	5.1	5.3	5.4
4200	Sales & Use Tax	7.5	7.7	7.9	8.1	8.5	8.7	9.0	9.3
4200	Measure G District Sales Tax	1.3	1.3	1.3	1.3	1.3	1.4	1.4	1.4
4250	Franchise Fees	2.7	2.7	2.1	1.9	1.9	1.9	2.0	2.0
4251	Transient Occupancy Tax	2.0	2.3	2.4	2.5	2.6	2.6	2.6	2.7
4400	Business License Tax	2.4	2.3	2.4	2.5	2.5	2.6	2.6	2.7
4400	Licenses & Permits	2.9	2.9	2.9	2.9	3.0	3.1	3.2	3.3
4500	Intergovernmental	1.3	1.3	0.9	0.9	0.9	1.0	1.0	1.0
4600	Town Services	4.8	5.1	4.4	4.2	4.2	4.3	4.4	4.6
4700	Fines & Forfeitures	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
4800	Interest	0.4	0.7	1.0	0.9	0.9	0.9	0.9	0.9
4850	Other Sources	3.5	7.1	3.6	2.8	2.8	3.0	2.9	2.9
4900	Fund Transfers In	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
TOTAL OPERATING REVENUES & TRANSFERS*		\$ 51.1	\$ 55.9	\$ 52.2	\$ 51.3	\$ 52.8	\$ 54.2	\$ 55.5	\$ 57.0
	Capital	2.4	2.4	1.6	0.8	0.8	0.8	0.8	0.8
	Use of Pension/OPEB Reserve	0.3	0.3	-	-	-	-	-	-
	Use of OPEB Trust			1.6	-	-	-	-	-
	ARPA Replacement Revenue	1.6	-	-	-	-	-	-	-
	Vitalities	-	6.1	0.7	-	-	-	-	-
TOTAL REVENUES, TRANSFERS, AND USE OF RESERVES		\$ 55.4	\$ 64.7	\$ 56.1	\$ 52.1	\$ 53.6	\$ 55.0	\$ 56.3	\$ 57.8
Account	Expenditure Category	FY 2022/23 Adjusted Budget	FY 2022/23 Estimates	FY 2023/24 Proposed Budget	FY 2024/25 Forecast	FY 2025/26 Forecast	FY 2026/27 Forecast	FY 2027/28 Forecast	FY 2028/29 Forecast
5110	Salary	23.0	22.5	23.2	23.8	24.4	25.0	25.5	26.0
5120	CalPERS Benefits	7.7	6.8	8.2	8.6	8.9	9.6	10.2	11.1
5200	All Other Benefits	4.6	3.9	4.7	4.8	4.9	5.0	5.1	5.2
	4% Salary and Benefits Savings	-	-	-	(1.5)	(1.5)	(1.6)	(1.6)	(1.7)
6211	OPEB Pay as You Go	1.6	1.6	1.6	1.8	1.9	2.0	2.0	2.0
6000	Operating Expenditures	8.0	11.7	8.9	8.7	8.9	9.2	9.3	9.7
7200	Grants & Awards	0.5	1.2	0.7	0.6	0.3	0.2	0.2	0.3
7400	Utilities	0.6	0.6	0.6	0.6	0.7	0.7	0.7	0.7
8060	Internal Service Charges	2.7	2.6	3.4	3.6	3.7	3.9	4.1	4.2
8900	Debt Service	2.0	2.0	2.1	2.1	2.1	2.1	2.1	2.1
TOTAL OPERATING EXPENDITURES		\$ 50.8	\$ 53.0	\$ 53.5	\$ 53.0	\$ 54.2	\$ 56.0	\$ 57.6	\$ 59.6
	GASB 45 Retiree Medical Actuarial	-	-	-	-	-	-	-	-
	Additional Discretionary Payment - Pension	0.7	0.7	0.4	0.4	0.4	0.4	0.4	0.4
TOTAL OPERATING & DISCRETIONARY EXPENDITURES		\$ 51.5	\$ 53.7	\$ 53.9	\$ 53.4	\$ 54.6	\$ 56.4	\$ 58.0	\$ 60.0
	Capital Transfers Out to GFAR	2.4	2.4	1.6	1.1	1.1	1.1	1.1	1.1
	1/2 of Measure G Proceeds to Capital	0.6	0.6	0.6	0.7	0.7	0.7	0.7	0.7
	Fund	0.4	0.7	-	-	-	-	-	-
AMOUNTS AVAILABLE FOR RESERVE ALLOCATIONS									
	Recovery	-	5.7	-	-	-	-	-	-
TOTAL EXPENDITURES & RESERVE ALLOCATIONS		\$ 54.9	\$ 63.1	\$ 56.1	\$ 55.2	\$ 56.4	\$ 58.2	\$ 59.8	\$ 61.8
NET REVENUES RESERVE TRANSFERS LESS EXPENDITURES & RESERVE ALLOCATIONS FOR FINAL ALLOCATION AFTER YEAR END CLOSE		\$ 0.5	\$ 1.6	\$ -	\$ (3.1)	\$ (2.8)	\$ (3.2)	\$ (3.5)	\$ (4.0)
* Due to rounding of individual categories FY 2022/23 Estimated Total Expenditures and Reserve Allocations includes \$0.1 million. General Fund (111) Forecast does not include Pension Trust activities.									

REVENUE BASELINE AND PROJECTION FACTORS (FY 2023-24 PROPOSED BUDGET - PUBLISHED 4/17/2023)

Type of Revenue Base Line Estimate	FY2023/24 Budget	FY 2024/25 Forecast	FY 2025/26 Forecast	FY 2026/27 Forecast	FY2027/28 Forecast	FY 2028/29 Forecast
Property Tax/VLF Backfill SCC Assessor Office January 2023 report.	3%	3%	3%	3%	3%	3%
North 40 Property Sales Additional	\$187K	\$327K Cumulative	\$467K Cumulative	3%	3%	3%
ERAF SCC Assessor Office March 2023 report	SCCAO Recommends 70% of FY 2022/23 Anticipated Proceeds	50% of FY 2023/24 Anticipated Proceeds \$770K	50% of FY 2023/24 Anticipated Proceeds \$770K	50% of FY 2023/24 Anticipated Proceeds \$770K	50% of FY 2023/24 Anticipated Proceeds \$770K	50% of FY 2023/24 Anticipated Proceeds \$770K
Sales Tax	MuniServices March 2023 Most Likely Estimates	MuniServices March 2023 Most Likely Estimates	MuniServices March 2023 Most Likely Estimates	MuniServices March 2023 Most Likely Estimates	MuniServices March 2023 Most Likely Estimates	MuniServices March 2023 Most Likely Estimates
Sales Tax - Measure G	MuniServices March 2023 Most Likely Estimates	MuniServices March 2023 Most Likely Estimates	MuniServices March 2023 Most Likely Estimates	MuniServices March 2023 Most Likely Estimates	MuniServices March 2023 Most Likely Estimates	MuniServices March 2023 Most Likely Estimates
Franchise Fee (Not Including Garbage Franchise Fees)	Current baseline set by FY 2022/23 Year End Estimates	3%	3%	3%	3%	3%
Garbage Franchise Fee	Partial proceeds from July 2023 – Feb 2024 \$1.2M	50% of FY 2022/23 anticipated proceeds \$940K	50% of FY 2022/23 anticipated proceeds \$940K	50% of FY 2022/23 anticipated proceeds \$940K	50% of FY 2022/23 anticipated proceeds \$940K	50% of FY 2022/23 anticipated proceeds \$940K

Type of Revenue Base Line Estimates	FY 2023/24 Budget	FY 2024/25 Forecast	FY 2025/26 Forecast	FY 2026/27 Forecast	FY2027/28 Forecast	FY 2028/29 Forecast
Transient Occupancy Tax Current baseline set by FY 2022/23 Year End Estimates	3%	3%	3%	3%	1%	1%
Business License Tax Current baseline set by FY 2022/23 Year End Estimates	2%	2%	2%	2%	2%	2%
License & Permits Current baseline set by FY 2022/23 Year End Estimates	4.4%	3%	3%	3%	3%	3%
Town Services Current baseline set by FY 2022/23 Year End Estimates	3%	3%	0%	3%	3%	3%
Fine & Forfeitures Current baseline set by FY 2022/23 Year End Estimates	1%	Varies	Varies	Varies	Varies	Varies
Interest	Varies based on portfolio	1%	1%	1%	1%	1%
Other Sources Current baseline set by FY 2022/23 Year End Estimates	Varies	Varies	Varies	Varies	Varies	Varies

EXPENDITURE BASELINE AND PROJECTION FACTORS (FY 2023-24 PROPOSED BUDGET - PUBLISHED 4/17/2023)

Beginning in FY 2020/21, the Town is budgeting salaries at the actual salary plus a one-step increase. 70% of the workforce is already at top step or one step below top step. In the Five-Year Forecast, positions are forecasted at the actual rate of pay including salaries and benefits as of March 1, 2022 and rate is increasing in the actual anniversary date. The FY 2024/25 – FY 2028/29 Forecast includes 4% salary savings. All positions are fully budgeted in FY 2023/24 Proposed Budget.

Type of Expenditure	FY2023/24 Budget	FY 2024/25 Forecast	FY 2025/26 Forecast	FY 2026/27 Forecast	FY2027/28 Forecast	FY 2028/29 Forecast
Salaries*	3%	2%	2%	2%	2%	2%
Benefit - Medical**	7%	7%	7%	7%	7%	7%
Salary Savings	0%	4%	4%	4%	4%	4%
Operating Expenditures***	Varies	3%	3%	3%	3%	3%
Grants & Awards	0%	0%	0%	0%	0%	0%
Utilities***	Varies	3%	3%	3%	3%	3%
Internal Service Charges***	Based on operating cost and scheduled replacement	Based on operating cost and scheduled replacement	Based on operating cost and scheduled replacement	Based on operating cost and scheduled replacement	Based on operating cost and scheduled replacement	Based on operating cost and scheduled replacement
Debt Service	Debt Service Schedules					

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

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

***Based on historical trends.

The Town's required employer contribution rate estimates were developed using data provided by each plan's most recent CalPERS actuarial valuation. The employer contribution rates reflect percentages of covered payroll. Rates shown for FY 2023/24 are actual rates as prescribed by CalPERS. Forecasted rates for FY 2024/25 and subsequent years are based on the most recent CalPERS actuarial valuation Reports as adjusted by the impact related to the FY 2021/22 CalPERS negative 7.5% investment return and forecasted payroll.

Beginning in FY 2021/22, the estimates of employer contributions were credited with an anticipated reductions associated with the approximate \$4.8 million additional discretionary payment (ADP) toward the 2016 unfunded amortization base paid off in October 2019 and the total of approximately \$5.8 million in ADPs toward unfunded 2013 and 2015 amortization bases that were paid off in FY 2020/21. Estimates were also informed by recent rate estimates developed by the Town's actuary using the most recent actuarial valuation updated with current year projections of covered payrolls by plan type.

Type of Expenditure	FY2023/24 Budget	FY 2024/25 Forecast	FY 2025/26 Forecast	FY 2026/27 Forecast	FY2027/28 Forecast	FY 2028/29 Forecast
Safety POA	81.30%	87.00%	90.90%	90.80%	99.30%	108.40%
Safety Management POA	84.30%	90.00%	93.90%	93.80%	102.30%	111.40%
Safety POA - PEPRA	14.50%	14.70%	15.00%	15.40%	15.90%	16.40%
Miscellaneous TEA/Confidential/Management	29.97%	29.20%	28.30%	29.80%	31.00%	32.50%
Miscellaneous TEA/Confidential/Management PEPRA						
Separate PEPRA rate for Miscellaneous has not been established yet by CalPERS.	29.97%	29.20%	28.30%	29.80%	31.00%	32.50%

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

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

Account	Revenue Category	2021/22 Actuals	2022/23 Adjusted Budget	2022/23 Estimates	2023/24 Forecast	2024/25 Forecast	2025/26 Forecast	2026/27 Forecast	2027/28 Forecast
4100	Property Tax	\$ 16.9	\$ 16.6	\$ 17.0	\$ 16.3	\$ 16.8	\$ 17.3	\$ 17.8	\$ 18.4
4110	VLF Backfill Property Tax	4.2	4.4	4.6	4.5	4.6	4.8	4.9	5.1
4200	Sales & Use Tax	7.2	7.9	7.5	7.7	8.0	8.2	8.4	8.7
4200	Measure G District Sales Tax	1.3	1.3	1.3	1.3	1.3	1.3	1.4	1.4
4250	Franchise Fees	2.8	2.5	2.7	2.7	2.8	2.9	3.0	3.1
4251	Transient Occupancy Tax	1.9	1.6	2.0	2.1	2.2	2.2	2.3	2.4
4400	Business License Tax	1.5	1.4	2.4	2.5	2.5	2.6	2.6	2.7
4400	Licenses & Permits	4.8	2.8	2.9	2.9	3.0	3.1	3.2	3.3
4500	Intergovernmental	1.3	1.1	1.3	1.0	1.0	1.0	1.2	1.1
4600	Town Services	5.3	4.4	5.1	3.8	3.8	3.9	4.0	4.1
4700	Fines & Forfeitures	0.3	0.2	0.2	0.2	0.2	0.2	0.3	0.3
4800	Interest	(1.4)	0.4	0.5	0.4	0.4	0.4	0.4	0.4
4850	Other Sources	7.0	3.2	2.5	2.2	2.2	2.2	2.3	2.2
4900	Fund Transfers In	0.6	0.5	0.5	0.5	0.5	0.5	0.5	0.5
TOTAL OPERATING REVENUES & TRANSFERS*		\$ 53.7	\$ 48.3	\$ 50.5	\$ 48.1	\$ 49.3	\$ 50.6	\$ 52.3	\$ 53.7
	Capital	0.6	2.4	2.4	0.8	0.8	0.8	0.8	0.8
	Use of Pension/OPEB Reserve	0.3	0.3	0.3	-	-	-	-	-
	Use of Property Surplus Reserve	1.2	1.2	-	-	-	-	-	-
	Use of Measure G Reserve	1.1	0.7	-	-	-	-	-	-
	ARPA Replacement Revenue	-	1.6	-	-	-	-	-	-
TOTAL REVENUES, TRANSFERS, AND USE OF RESERVES		\$ 56.9	\$ 54.5	\$ 53.2	\$ 48.9	\$ 50.1	\$ 51.4	\$ 53.1	\$ 54.5
Account	Expenditure Category	2021/22 Actuals	2022/23 Adjusted Budget	2022/23 Estimates	2023/24 Forecast	2024/25 Forecast	2025/26 Forecast	2026/27 Forecast	2027/28 Forecast
5110	Salary	20.0	23.3	22.0	23.1	23.6	24.1	24.6	25.2
5120	CalPERS Benefits	6.5	7.7	7.1	8.1	8.4	8.5	9.0	9.4
5200	All Other Benefits	3.7	4.6	3.9	4.4	4.5	4.6	4.7	4.8
6211	OPEB Pay as You Go	1.4	1.5	1.6	1.5	1.6	1.7	1.8	1.9
6000	Operating Expenditures	10.4	7.1	7.8	6.9	7.2	7.3	7.6	7.7
7200	Grants & Awards	1.8	0.2	0.6	0.2	0.2	0.2	0.2	0.3
7400	Utilities	0.6	0.6	0.6	0.6	0.7	0.7	0.7	0.7
8060	Internal Service Charges	2.6	2.7	2.4	2.9	3.1	3.3	3.7	3.8
8900	Debt Service	2.1	1.9	2.0	2.1	2.1	2.1	1.9	2.1
TOTAL OPERATING EXPENDITURES		\$ 49.0	\$ 49.5	\$ 48.1	\$ 49.8	\$ 51.3	\$ 52.5	\$ 54.3	\$ 55.8
	GASB 45 Retiree Medical Actuarial	0.1	-	-	-	-	-	-	-
	Additional Discretionary Payment - Pension	0.7	0.4	0.7	0.4	0.4	0.4	0.4	0.4
TOTAL OPERATING & DISCRETIONARY EXPENDITURES		\$ 49.8	\$ 49.9	\$ 48.8	\$ 50.2	\$ 51.7	\$ 52.9	\$ 54.7	\$ 56.2
	Capital Transfers Out to GFAR	1.2	2.3	2.4	0.8	0.8	0.8	0.8	0.8
	1/2 of Measure G Proceeds to Capital	0.6	0.7	0.6	0.6	0.7	0.7	0.7	0.7
	Fund	-	0.4	0.7	-	-	-	-	-
AMOUNTS AVAILABLE FOR RESERVE ALLOCATIONS									
	Stabilization/Catastrophic	1.1	-	-	-	-	-	-	-
	Allocate to Compensated Absences	(0.2)	-	-	-	-	-	-	-
	Allocate to Market Fluctuation	(0.4)	-	-	-	-	-	-	-
	Allocate to CalPERS/Pension	0.3	-	-	-	-	-	-	-
	Allocate from CalPERS/Pension	(0.3)	-	-	-	-	-	-	-
	Allocate to Authorized Carryforwards	0.03	-	-	-	-	-	-	-
TOTAL EXPENDITURES & RESERVE ALLOCATIONS		\$ 52.1	\$ 53.3	\$ 52.5	\$ 51.6	\$ 53.2	\$ 54.4	\$ 56.2	\$ 57.7
NET REVENUES RESERVE TRANSFERS LESS EXPENDITURES & RESERVE ALLOCATIONS FOR FINAL ALLOCATION AFTER YEAR END CLOSE		\$ 4.7	\$ 1.2	\$ 0.7	\$ (2.7)	\$ (3.1)	\$ (3.0)	\$ (3.1)	\$ (3.2)
* Due to rounding of individual categories FY 2022/23 Estimated Total Expenditures and Reserve Allocations includes \$0.1 million. General Fund (111) Forecast does not include Pension Trusts activities.									

REVENUE BASELINE AND PROJECTION FACTORS (FY 2022-23 MID-YEAR REPORT AND FORECAST – PUBLISHED 2/10/2023)

Type of Revenue	FY 2022/23 Estimates Baseline	FY 2023/24 Forecast	FY 2024/25 Forecast	FY 2025/26 Forecast	FY 2026/27 Forecast	FY 2027/28 Forecast
Property Tax/VLF Backfill	Current baseline set by SCC Assessor Office November 2022 report	3%	3%	3%	3%	3%
ERAF	Current baseline set 70% of SCC Assessor Office November 2022 report	\$400K	\$400K	\$400K	\$400K	\$400K
Sales Tax	<u>MuniServices</u> January 2023 Most Likely Estimates	<u>MuniServices</u> January 2023 Most Likely Estimates	<u>MuniServices</u> January 2023 Most Likely Estimates	<u>MuniServices</u> January 2023 Most Likely Estimates	<u>MuniServices</u> January 2023 Most Likely Estimates	<u>MuniServices</u> January 2023 Most Likely Estimates
Sales Tax - Measure G	<u>MuniServices</u> January 2023 Most Likely Estimates	<u>MuniServices</u> January 2023 Most Likely Estimates	<u>MuniServices</u> January 2023 Most Likely Estimates	<u>MuniServices</u> January 2023 Most Likely Estimates	<u>MuniServices</u> January 2023 Most Likely Estimates	<u>MuniServices</u> January 2023 Most Likely Estimates
Franchise Fee	Current baseline set by FY 2022/23 Estimates	3%	3%	3%	3%	3%
Transient Occupancy Tax	Current baseline set by FY 2022/23 Estimates	5%	3%	3%	3%	3%
Business License Tax	Current baseline set by FY 2022/23 Estimates	2%	2%	2%	2%	2%
License & Permits	Current baseline set by FY 2022/23 Estimates	3%	3%	3%	3%	3%
Town Services	Current baseline set by FY 2022/23 Estimates	3%	3%	3%	3%	3%

Type of Revenue	FY 2022/23 Estimates Baseline	FY 2023/24 Forecast	FY 2024/25 Forecast	FY 2025/26 Forecast	FY 2026/27 Forecast	FY 2027/28 Forecast
Fine & Forfeitures	Current baseline set by FY 2022/23 Estimates	Varies	Varies	Varies	Varies	Varies
Interest	Current baseline set by FY 2021/22 Actuals	1%	1%	1%	1%	1%
Other Sources	Current baseline set by FY 2022/23 Estimates	Varies	Varies	Varies	Varies	Varies

EXPENDITURE BASELINE AND PROJECTION FACTORS (FY 2022-23 MID-YEAR REPORT AND FORECAST – PUBLISHED 2/10/2023)

Beginning in FY 2020/21, the Town started budgeting salaries at the actual salary plus a one-step increase. In the Five-Year Forecast, positions are forecasted at the actual rate of pay including salaries and benefits as of January 20, 2023, and rate is increasing in the actual anniversary date.

Type of Expenditure	FY 2022/23 Budget	FY 2023/24 Forecast	FY 2024/25 Forecast	FY 2025/26 Forecast	FY 2026/27 Forecast	FY 2027/28 Forecast
Salaries*(TEA, Conf, Temp)	3-8%	3%	2%	2%	2%	2%
Salaries *(POA)	7.25%	3%	2%	2%	2%	2%
Salaries*(AFSCME)	7.5%	3%	2%	2%	2%	2%
Salaries *(Management)	3%	3%	2%	2%	2%	2%
Benefit - Medical**	7%	7%	7%	7%	7%	7%
Operating Expenditures***	Varies	3%	3%	3%	3%	3%
Grants & Awards	0%	0%	0%	0%	0%	0%
Utilities***	Varies	3%	3%	3%	3%	3%
Internal Service Charges***	Based on operating cost and scheduled replacement	Based on operating cost and scheduled replacement	Based on operating cost and scheduled replacement	Based on operating cost and scheduled replacement	Based on operating cost and scheduled replacement	Based on operating cost and scheduled replacement
Debt Service	Debt Service Schedules					

*Salary increases are based on actual step increases and approved Memoranda of Understanding with the bargaining units plus the Council's assumption of 2% per year cost of living adjustment.

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

*** Based on historical trends.

The Town's required employer contribution rate estimates were developed using data provided by each plan's most recent CalPERS actuarial valuation. The employer contribution rates reflect percentages of covered payroll. Rates shown for FY 2023/24 are actual rates as prescribed by CalPERS. Forecasted rates for FY 2023/24 and subsequent years are based on the most recent CalPERS actuarial valuation Reports as adjusted by the impact related to the FY 2021/22 CalPERS negative 7.5% investment return and forecasted payroll.

Beginning in FY 2021/22, the estimates of employer contributions were credited with an anticipated reductions associated with the approximate \$4.8 million additional discretionary payment (ADP) toward the 2016 unfunded amortization base paid off in October 2019 and the total of approximately \$5.8 million in ADPs toward unfunded 2013 and 2015 amortization bases that were paid off in FY 2020/21.

Type of Expenditure	FY 2022/23 Budget	FY 2023/24 Forecast	FY 2024/25 Forecast	FY 2025/26 Forecast	FY 2026/27 Forecast	FY 2027/28 Forecast
Safety POA	69.44%	81.31%	86.65%	90.15%	93.71%	96.09%
Safety Management POA	72.44%	84.31%	89.65%	93.15%	96.71%	99.09%
Safety POA - PEPRA	14.62%	14.5%	14.5%	14.5%	14.5%	14.5%
Miscellaneous TEA/AFSCME/Confidential/Management	29.92%	29.97%	28.67%	27.53%	28.58%	29.06%
Miscellaneous TEA/AFSCME/Confidential/Management PEPRA						
Separate PEPRA rate for Miscellaneous has not been established yet by CalPERS.	29.92%	29.97%	28.67%	27.53%	28.58%	29.06%

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

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

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

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

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

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

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

***Based on historical trends.

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

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

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

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

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

Account	Revenue Category	2020/21 Actuals	2021/22 Adjusted Budget	2021/22 Estimates	2022/23 Forecast	2023/24 Forecast	2024/25 Forecast	2025/26 Forecast	2026/27 Forecast
4100	Property Tax	\$ 15.8	\$ 15.9	\$ 15.4	\$ 15.5	\$ 15.7	\$ 16.1	\$ 16.6	\$ 17.1
4110	VLF Backfill Property Tax	4.1	4.2	4.2	4.4	4.5	4.6	4.8	4.9
4200	Sales & Use Tax	6.8	7.2	7.0	7.5	7.7	7.9	8.1	8.2
4200	Measure G District Sales Tax	1.1	1.0	1.2	1.2	1.2	1.3	1.3	1.4
4250	Franchise Fees	2.5	2.6	2.5	2.6	2.7	2.7	2.8	2.9
4251	Transient Occupancy Tax	1.0	0.9	1.4	1.4	1.5	1.5	1.6	1.6
4400	Business License Tax	1.4	1.3	1.3	1.3	1.4	1.4	1.4	1.4
4400	Licenses & Permits	3.1	2.7	3.2	2.8	2.9	3.0	3.0	3.1
4500	Intergovernmental	1.6	4.4	1.6	1.0	1.0	1.0	1.0	1.1
4600	Town Services	4.6	3.6	3.9	3.4	3.5	3.6	3.7	3.7
4700	Fines & Forfeitures	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2
4800	Interest	0.1	0.4	0.4	0.2	0.2	0.2	0.2	0.2
4850	Other Sources	3.7	2.3	2.5	2.2	2.2	2.2	2.2	2.3
4900	Fund Transfers In	0.7	0.6	0.6	0.5	0.5	0.5	0.5	0.5
TOTAL OPERATING REVENUES & TRANSFERS*		\$ 46.6	\$ 47.3	\$ 45.4	\$ 44.2	\$ 45.2	\$ 46.2	\$ 47.4	\$ 48.6
	Capital	3.4	0.6	0.6	0.8	0.8	0.8	0.8	0.8
	Use of Pension/OPEB Reserve	4.5	-	-	-	-	-	-	-
	Other	-	-	0.3	-	-	-	-	-
	Use of Property Surplus Reserve	-	1.2	1.2	-	-	-	-	-
	Use of Measure G Reserve	-	0.6	0.6	0.6	0.6	0.6	0.7	0.7
	ARPA Replacement Revenue	-	-	1.4	-	-	-	-	-
TOTAL REVENUES, TRANSFERS, AND USE OF RESERVES		\$ 54.5	\$ 49.7	\$ 49.2	\$ 45.6	\$ 46.6	\$ 47.6	\$ 48.9	\$ 50.1
Account	Expenditure Category	2020/21 Actuals	2020/21 Budget	2021/22 Estimates	2022/23 Forecast	2023/24 Forecast	2024/25 Forecast	2025/26 Forecast	2026/27 Forecast
5110	Salary	20.2	20.8	20.6	20.6	21.2	21.8	22.3	22.8
5120	CalPERS Benefits	6.4	7.3	6.6	6.9	7.3	7.7	7.6	7.9
5200	All Other Benefits	3.7	4.2	3.8	4.0	4.1	4.2	4.3	4.4
6211	OPEB Payas You Go	1.3	1.3	1.5	1.5	1.6	1.8	1.9	1.9
6000	Operating Expenditures	5.7	6.2	6.6	6.3	6.3	6.5	6.5	6.8
7200	Grants & Awards	0.3	1.0	1.1	0.2	0.2	0.3	0.3	0.3
7400	Utilities	0.6	0.6	0.6	0.6	0.6	0.7	0.7	0.7
8060	Internal Service Charges	2.3	2.7	2.6	2.9	3.1	3.2	3.5	3.6
8900	Debt Service	2.0	1.9	1.9	1.9	1.9	1.9	1.9	1.9
TOTAL OPERATING EXPENDITURES		\$ 42.4	\$ 46.1	\$ 45.3	\$ 45.0	\$ 46.5	\$ 48.0	\$ 48.9	\$ 50.3
	GASB 45 Retiree Medical Actuarial	0.6	0.1	0.1	0.4	0.3	0.2	0.2	0.2
	Additional Discretionary Payment - Pension	5.6	0.4	0.4	0.4	0.4	0.4	0.4	0.4
TOTAL OPERATING & DISCRETIONARY EXPENDITURES		\$ 48.6	\$ 46.6	\$ 45.8	\$ 45.8	\$ 47.2	\$ 48.6	\$ 49.5	\$ 50.9
	Capital Transfers Out to GFAR	3.4	2.8	2.8	1.4	1.4	1.4	1.5	1.5
AMOUNTS AVAILABLE FOR RESERVE ALLOCATIONS									
	Stabilization/Catastrophic	0.1	-	-	-	-	-	-	-
	Allocate to Compensated Absences	0.1	-	-	-	-	-	-	-
	Allocate to Property Surplus Reserve	1.2	-	-	-	-	-	-	-
	Allocate to CalPERS/Pension	0.3	-	-	-	-	-	-	-
	Allocate to Measure G - Capital	-	0.5	0.6	-	-	-	-	-
	Allocate to ARPA Reserve	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES & RESERVE ALLOCATIONS		\$ 53.7	\$ 49.9	\$ 49.2	\$ 47.2	\$ 48.6	\$ 50.0	\$ 51.0	\$ 52.4
NET REVENUES RESERVE TRANSFERS LESS EXPENDITURES & RESERVE ALLOCATIONS FOR FINAL ALLOCATION AFTER YEAR END CLOSE		\$ 0.8	\$ (0.2)	\$ -	\$ (1.6)	\$ (2.0)	\$ (2.4)	\$ (2.1)	\$ (2.3)
* Due to rounding of individual categories FY 2021/22 Total Expenditures and Reserve Allocations includes \$0.1 million. General Fund (111) Forecast does not include Pension Trusts activities. (\$37,810 in interest proceeds in FY 2020/21)									

Type of Revenue	Base Line Estimate	FY 2022/23 Forecast	FY 2023/24 Forecast	FY 2024/25 Forecast	FY 2025/26 Forecast	FY 2026/27 Forecast
Property Tax/VLF Backfill	Current baseline set by SCC Assessor Office 2/4 2022 report	3%	3%	3%	3%	3%
North 40 Property Sales	Starting in 2021/22	North 40 Phase 1 Sales	3%	3%	3%	3%
ERAF	Current baseline set 70% of SCC Assessor Office 2/4 2022 report	\$400K	\$400K	\$400K	\$400K	\$400K
Sales Tax	MuniServices 1/11/2022 Most Likely Estimates	MuniServices 1/11/2022 Most Likely Estimates	MuniServices 1/11/2022 Most Likely Estimates	MuniServices 1/11/2022 Most Likely Estimates	MuniServices 1/11/2022 Most Likely Estimates	MuniServices 1/11/2022 Most Likely Estimates
Sales Tax - Measure G	MuniServices 1/11/2022 Most Likely Estimates	MuniServices 1/11/2022 Most Likely Estimates	MuniServices 1/11/2022 Most Likely Estimates	MuniServices 1/11/2022 Most Likely Estimates	MuniServices 1/11/2022 Most Likely Estimates	MuniServices 1/11/2022 Most Likely Estimates
Franchise Fee	Current baseline set by FY 2021/22 Estimates	3%	3%	3%	3%	3%
Transient Occupancy Tax	Current baseline set by FY 2021/22 actual estimated proceeds	3%	3%	3%	3%	3%
Business License Tax	Current baseline set by FY 2021/22 Estimates	5%	5%	0%	0%	0%
License & Permits	Current baseline set by FY 2021/22 Estimates	3%	3%	3%	3%	3%

Town Services	Current baseline set by FY 2021/22 Estimates	3%	3%	3%	3%	3%
Fine & Forfeitures	Current baseline set by FY 2021/22 Estimates	Varies	Varies	Varies	Varies	Varies
Interest	Based on Portfolio Analysis and Current and Expected Yields during the forecast period	\$217K	\$222K	\$227K	\$232K	\$237K
Other Sources	Current baseline set by FY 2021/22 Estimates	Varies	Varies	Varies	Varies	Varies

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

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

*Salary increases are based on actual step increases and approved Memoranda of Understanding with the bargaining units plus the Council's assumption of 2% per year cost of living adjustment.

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

*** Based on historical trends.

The Town's required employer contribution rate estimates were developed using estimates provided by each plan's most recent actuarial valuation received from CalPERS. The employer contribution rates illustrated below reflect percentages of covered payroll. Beginning in FY 2021/22, the estimates of employer contributions were credited with an anticipated reduction associated with the approximate \$5.6M 2015 unfunded amortization base were paid off in early FY 2020/21.

Type of Expenditure	FY 2022/23 Forecast	FY 2023/24 Forecast	FY 2024/25 Forecast	FY 2025/26 Forecast	FY 2026/27 Forecast
Safety POA	69.44%	72.01%	74.61%	75.68%	76.66%
Safety Management POA	72.44%	75.01%	77.61%	78.68%	79.66%
Safety POA - PEPRA	14.62%	14.65%	13.78%	13.75%	13.76%
Miscellaneous TEA/Confidential/Management	29.43%	30.04%	30.64%	28.45%	28.73%
<i>Miscellaneous TEA/Confidential/Management PEPRA</i>	29.43%	30.04%	30.64%	28.45%	28.73%

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

Account	Revenue Category	2020/21 Adjusted Budget	2020/21 Estimates	2021/22 Proposed Budget	2022/23 Forecast	2023/24 Forecast	2024/25 Forecast	2025/26 Forecast	2026/27 Forecast
4100	Property Tax	\$ 13.9	\$ 14.7	\$ 15.7	\$ 15.8	\$ 16.3	\$ 16.8	\$ 17.3	\$ 17.8
4110	VLF Backfill Property Tax	4.1	4.1	4.2	4.3	4.4	4.5	4.7	4.8
4200	Sales & Use Tax	6.7	6.2	7.2	7.4	7.7	7.8	8.0	8.2
4200	Measure G District Sales Tax	1.0	0.9	1.0	1.0	1.0	1.1	1.1	1.1
4250	Franchise Fees	2.5	2.5	2.6	2.7	2.8	2.8	2.9	3.0
4251	Transient Occupancy Tax	0.7	0.7	0.9	1.1	1.2	1.3	1.4	1.5
4400	Business License Tax	1.1	1.3	1.3	1.3	1.4	1.4	1.4	1.4
4400	Licenses & Permits	3.0	3.0	2.7	2.8	2.9	3.0	3.0	3.1
4500	Intergovernmental	1.5	4.3	3.9	0.9	0.9	0.9	0.9	0.9
4600	Town Services	3.9	3.7	3.6	3.4	3.5	3.6	3.7	3.8
4700	Fines & Forfeitures	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2
4800	Interest	0.6	0.6	0.4	0.3	0.2	0.2	0.2	0.2
4850	Other Sources	3.4	3.5	2.4	2.3	2.3	2.2	2.2	2.2
4900	Fund Transfers In	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
TOTAL OPERATING REVENUES & TRANSFERS*		\$ 43.1	\$ 46.2	\$ 46.7	\$ 44.1	\$ 45.4	\$ 46.4	\$ 47.6	\$ 48.8
	Capital	3.4	3.4	0.6	0.8	0.8	0.8	0.8	0.8
	Use of Pension/OPEB Reserve	4.5	4.5	-	-	-	-	-	-
	Other	0.9	0.9	-	-	-	-	-	-
TOTAL REVENUES, TRANSFERS, AND USE OF RESERVES		\$ 51.9	\$ 55.0	\$ 47.3	\$ 44.9	\$ 46.2	\$ 47.2	\$ 48.4	\$ 49.6
									0
									-
Account	Expenditure Category	2020/21 Adjusted Budget	2020/21 Estimates	2021/22 Proposed Budget	2022/23 Forecast	2023/24 Forecast	2024/25 Forecast	2025/26 Forecast	2026/27 Forecast
5110	Salary	20.3	20.6	20.2	20.0	20.1	20.2	20.4	20.4
5120	CalPERS Benefits	7.3	6.4	7.3	7.5	7.9	8.2	8.0	8.2
5200	All Other Benefits	4.1	3.8	4.2	3.9	4.0	4.1	4.2	4.2
6211	OPEB Pay as You Go	1.3	1.3	1.3	1.4	1.5	1.7	1.8	1.9
6000	Operating Expenditures	6.6	6.1	6.1	6.1	6.1	6.4	6.4	6.7
7200	Grants & Awards	0.2	0.6	0.5	0.2	0.3	0.3	0.3	0.3
7400	Utilities	0.6	0.6	0.6	0.6	0.6	0.7	0.7	0.7
8060	Internal Service Charges	2.4	2.4	2.7	2.9	3.1	3.3	3.4	3.4
8900	Debt Service	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9
TOTAL OPERATING EXPENDITURES		\$ 44.6	\$ 43.7	\$ 44.9	\$ 44.6	\$ 45.5	\$ 46.6	\$ 46.9	\$ 47.7
	GASB 45 Retiree Medical Actuarial	0.6	0.6	0.5	0.4	0.3	0.2	0.2	0.2
	Additional Discretionary Payment - Pension	4.9	4.9	0.4	0.4	0.4	0.4	0.4	0.4
TOTAL OPERATING & DISCRETIONARY EXPENDITURES		\$ 50.1	\$ 49.2	\$ 45.8	\$ 45.4	\$ 46.2	\$ 47.2	\$ 47.5	\$ 48.3
	Capital Transfers Out to GFAR	3.4	3.4	0.6	0.8	0.8	0.8	0.8	0.8
	Allocate to Property Surplus Reserve	1.2	1.2	-	-	-	-	-	-
	Allocate to ARPA Reserve	-	1.2	0.9	-	-	-	-	-
TOTAL EXPENDITURES & RESERVE ALLOCATIONS		\$ 54.7	\$ 55.0	\$ 47.3	\$ 46.2	\$ 47.0	\$ 48.0	\$ 48.3	\$ 49.1
NET REVENUES RESERVE TRANSFERS LESS EXPENDITURES & RESERVE ALLOCATIONS FOR FINAL ALLOCATION AFTER YEAR END CLOSE		\$ (2.8)	\$ -	\$ -	\$ (1.3)	\$ (0.8)	\$ (0.8)	\$ 0.1	\$ 0.5

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

Type of Revenue	Base Line Estimate	FY 2021/22 Budget	FY 2022/23 Forecast	FY 2023/24 Forecast	FY 2024/25 Forecast	FY 2025/26 Forecast
Property Tax/VLF Backfill	Current baseline set by SCC Assessor Office January 2020 report.	3%	3%	3%	3%	3%
North 40 Property Sales	Starting in FY 2021/22	North 40 Phase 1 Sales	3%	3%	3%	3%
ERAF	Current baseline set by SCC Assessor Office March 2021 report	SCCA recommend 50% of FY 2020/21 anticipated proceeds	\$400K	\$400K	\$400K	\$400K
Sales Tax	MuniServices 3/19/2021	MuniServices 3/19/2021 Optimistic Estimates	MuniServices 3/19/2021 Most Likely Estimates	MuniServices 3/19/2021 Most Likely Estimates	MuniServices 3/19/2021 Most Likely Estimates	MuniServices 3/19/2021 Most Likely Estimates
Sales Tax - Measure G	MuniServices 3/19/2021	MuniServices 3/19/2021 Most Likely Estimates	MuniServices 3/19/2021 Most Likely Estimates	MuniServices 3/19/2021 Most Likely Estimates	MuniServices 3/19/2021 Most Likely Estimates	MuniServices 3/19/2021 Most Likely Estimates
Franchise Fee	Current baseline set by FY 2020/21 Year End Estimates	3%	3%	3%	3%	3%
Transient Occupancy Tax	Current baseline set by FY 2020/21 Year End Estimates	20%	10%	10%	5%	5%

Type of Revenue	Base Line Estimate	FY 2021/22 Budget	FY 2022/23 Forecast	FY 2023/24 Forecast	FY 2024/25 Forecast	FY 2025/26 Forecast
Business License Tax	Current baseline set by FY 2020/21 Year End Estimates	5%	5%	0%	0%	0%
License & Permits	Current baseline set by FY 2020/21 Year End Estimates	3%	3%	3%	3%	3%
Town Services	Current baseline set by FY 2020/21 Year End Estimates	3%	0%	3%	3%	3%
Fine & Forfeitures	Current baseline set by FY 2020/21 Year End Estimates	Varies	Varies	Varies	Varies	Varies
Interest	Current baseline set by FY 2020/21 Year End Estimates	0%	0%	0%	0%	0%
Other Sources	Current baseline set by FY 2020/21 Year End Estimates	Varies	Varies	Varies	Varies	Varies

Beginning in FY 2020/21, the Town is budgeting salaries at the actual salary plus a one-step increase. 68% of the workforce is already top step or one step below top step. As of mid-April 2021, the Town has nine vacant positions and is actively recruiting eight of these positions. In the Five-Year Forecast, positions are forecasted at the actual rate of pay including salaries and benefits as of April 1, 2021 and rate is increasing in the actual anniversary date.

Type of Expenditure	FY 2021/22 Budget	FY 2022/23 Forecast	FY 2023/24 Forecast	FY 2024/25 Forecast	FY 2025/26 Forecast	FY 2026/27 Forecast
Salaries*	0%	0%	0%	0%	0%	0%
Benefit - Medical**	7%	7%	7%	7%	7%	7%
Operating Expenditures***	Varies	3%	3%	3%	3%	3%
Grants & Awards	0%	0%	0%	0%	0%	0%
Utilities***	Varies	3%	3%	3%	3%	3%
Internal Service Charges***	Based on operating cost and scheduled replacement	Based on operating cost and scheduled replacement	Based on operating cost and scheduled replacement	Based on operating cost and scheduled replacement	Based on operating cost and scheduled replacement	Based on operating cost and scheduled replacement
Debt Service	Debt Service Schedules					

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

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

*** Based on historical trends.

The Town's required employer contribution rate estimates were developed using estimates provided by each pension plan's most recent actuarial valuation received from CalPERS. The employer contribution rates illustrated below reflect percentages of covered payroll. Rates shown for FY 2021/22 are actual rates as prescribed by CalPERS. Forecasted rates for FY 2022/23 and subsequent years are based on the most recent CalPERS actuarial valuation reports and staff assumptions regarding staff's current estimate of returns for FY 2020/21 which are presently expected to exceed the 7% discount rate.

Beginning in FY 2021/22, the estimates of employer contributions were credited with an anticipated reductions associated with the approximate \$4.8M 2016 unfunded amortization base paid off in October 2019 and the total of approximately \$5.8 million (2013 partial and 2015) unfunded amortization bases that were paid off in FY 2020/21. Employer contribution rate projections also include small percentage increases reflecting the anticipation of CalPERS gradually lowering its discount rate over the five-year forecast period in accordance with the CalPERS adopted risk mitigation strategy, lowering its discount rate from the present rate of 7.0% to 6.6% as of the 6/30/27 actuarial valuation. Estimates were also informed by recent rate estimates developed by the Town's actuary using the most recent actuarial valuation updated with current year projections of covered payrolls by plan type.

Type of Expenditure	FY 2021/22 Budget	FY 2022/23 Forecast	FY 2023/24 Forecast	FY 2024/25 Forecast	FY 2025/26 Forecast	FY 2026/27 Forecast
Safety POA	62.94%	74.89%	78.61%	82.33%	84.63%	86.78%
Safety Management POA	65.94%	77.89%	81.61%	85.33%	87.63%	89.78%
Safety POA - PEPRA	15.74%	15.07%	15.07%	14.03%	14.05%	14.06%
Miscellaneous TEA/Confidential/ Management	33.54%	31.37%	32.29%	33.31%	31.25%	31.94%
Miscellaneous TEA/Confidential/ Management PEPRA						
Separate PEPRA rate for Miscellaneous has not been established yet by CalPERS.	33.54%	31.37%	32.29%	33.31%	31.25%	31.94%

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

Town of Los Gatos General Fund 5-Year Forecast (in \$ million)								
Account	Revenue Category	2020/21 Budget	2020/21 Estimates	2021/22 Forecast	2022/23 Forecast	2023/24 Forecast	2024/25 Forecast	2025/26 Forecast
4100	Property Tax	\$ 14.7	\$ 13.9	\$ 14.1	\$ 15.2	\$ 15.6	\$ 16.2	\$ 16.6
4110	VLF Backfill Property Tax	4.0	4.1	4.2	4.3	4.4	4.5	4.7
4200	Sales & Use Tax	7.0	6.7	7.3	7.5	7.7	7.8	7.9
4200	Measure G District Sales Tax	1.0	1.0	1.0	1.0	1.1	1.1	1.1
4250	Franchise Fees	2.5	2.5	2.6	2.7	2.8	2.8	2.8
4251	Transient Occupancy Tax	2.3	0.7	1.0	1.1	1.2	1.2	1.3
4400	Business License Tax	1.3	1.1	1.2	1.2	1.2	1.2	1.2
4400	Licenses & Permits	3.1	3.0	2.9	2.9	3.0	3.1	3.1
4500	Intergovernmental	1.0	1.3	0.7	0.8	0.8	0.8	0.9
4600	Town Services	4.0	3.8	3.5	3.5	3.5	3.5	3.6
4700	Fines & Forfeitures	0.4	0.1	0.3	0.3	0.3	0.3	0.3
4800	Interest	0.6	0.6	0.5	0.3	0.2	0.2	0.3
4850	Other Sources	2.3	3.5	2.3	2.3	2.3	2.3	2.3
4900	Fund Transfers In	0.6	0.6	0.5	0.5	0.5	0.5	0.5
TOTAL OPERATING REVENUES & TRANSFERS*		\$ 44.8	\$ 42.9	\$ 42.1	\$ 43.6	\$ 44.5	\$ 45.5	\$ 46.6
	Use of Capital/Special Project Reserve - Capital	3.4	3.4	0.6	0.6	0.6	0.6	0.6
	Use of Pension/OPEB Reserve	4.2	4.5	0	0	0	0	0
	Use of Capital/Special Project Reserve - Other	0.9	0.9	0	0	0	0	0
TOTAL REVENUES, TRANSFERS, AND USE OF RESERVES		\$ 53.3	\$ 51.7	\$ 42.7	\$ 44.2	\$ 45.1	\$ 46.1	\$ 47.2
Account	Expenditure Category	2020/21 Budget	2020/21 Estimates	2021/22 Forecast	2022/23 Forecast	2023/24 Forecast	2024/25 Forecast	2025/26 Forecast
5110	Salary	20.2	20.3	19.7	19.7	19.9	20.1	20.2
5120	CalPERS Benefits	7.3	6.4	7.5	7.5	7.2	7.5	7.6
5200	All Other Benefits	4.1	3.7	3.9	3.9	4.0	4.1	4.2
6211	OPEB Pay as You Go	1.3	1.3	1.4	1.4	1.4	1.5	1.8
6000	Operating Expenditures	6.7	6.1	5.4	5.4	5.6	5.7	5.8
7200	Grants & Awards	0.2	0.2	0.2	0.2	0.2	0.2	0.3
7400	Utilities	0.6	0.6	0.6	0.6	0.6	0.6	0.6
8060	Internal Service Charges	2.4	2.4	2.6	2.6	2.8	3.0	3.2
8900	Debt Service	1.9	1.9	1.9	1.9	1.9	1.9	1.9
TOTAL OPERATING EXPENDITURES		\$ 44.7	\$ 42.8	\$ 43.1	\$ 43.1	\$ 43.7	\$ 44.6	\$ 45.7
	GASB 45 Retiree Medical Actuarial	0.6	0.6	0.6	0.5	0.4	0.3	0.2
	Additional Discretionary Payment - Pension	4.6	4.9	0.4	0.4	0.4	0.4	0.4
TOTAL OPERATING & DISCRETIONARY EXPENDITURES		\$ 49.9	\$ 48.3	\$ 44.1	\$ 44.0	\$ 44.5	\$ 45.3	\$ 46.3
	Capital Transfers Out to GFAR	3.4	3.4	0.6	0.6	0.6	0.6	0.6
	Transfer to Internal Service Funds	0	0	0	0	0	0	0
	Pension/OPEB Transfer to Pension Trust Fund	0	0	0	0	0	0	0
	Allocate to Compensated Absences	0	0	0	0	0	0	0
	Allocate to Vehicle Maintenance and Stores Surplus	0	0	0	0	0	0	0
	Allocate to Property Surplus Reserve	0	1.2	0	0	0	0	0
TOTAL EXPENDITURES & RESERVE ALLOCATIONS		\$ 53.3	\$ 52.9	\$ 44.7	\$ 44.6	\$ 45.1	\$ 45.9	\$ 46.9
NET REVENUES RESERVE TRANSFERS LESS EXPENDITURES & RESERVE ALLOCATIONS		\$ -	\$ (1.2)	\$ (2.0)	\$ (0.4)	\$ -	\$ 0.2	\$ 0.3
* Due to rounding of individual categories FY 2020/21 Total Expenditures and Reserve Allocations omits \$0.1 million.								

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REVENUE BASELINE AND PROJECTION FACTORS (FY 2020-21 MID-YEAR AND FORECAST - PUBLISHED 2/12/2021)

Item 4.

Type-of-Revenue	Base-Line-Estimate	FY-2021/22 Forecast	FY-2022/23 Forecast	FY-2023/24 Forecast	FY-2024/25 Forecast	FY-2025/26 Forecast
Property-Tax/VLF-Backfill	Current-baseline-set-by-SCC-Assessor-Office-2/14-2020-report	2.5%	2.5%	3%	3%	3%
North-40 Property-Sales	Starting-in-2021/22	North-40-Phase-1-Sales	North-40-Phase-1-Sales	3%	3%	3%
ERAF	Current-baseline-set-50%-of-SCC-Assessor-Office-February-6-2021-report	\$400K	\$400K	\$400K	\$400K	\$400K
Sales-Tax	MuniServices-1/29/2021-Conservative-Estimates	MuniServices-1/29/2021-Conservative-Estimates	MuniServices-1/29/2021-Conservative-Estimates	MuniServices-1/29/2021-Conservative-Estimates	MuniServices-1/29/2021-Conservative-Estimates	MuniServices-1/29/2021-Conservative-Estimates
Sales-Tax--Measure-G	MuniServices-Date-Conservative-Estimates	MuniServices-1/29/2021-Conservative-Estimates	MuniServices-1/29/2021-Conservative-Estimates	MuniServices-1/29/2021-Conservative-Estimates	MuniServices-1/29/2021-Conservative-Estimates	MuniServices-1/29/2021-Conservative-Estimates
Franchise-Fee	Current-baseline-set-by-FY-2020/21-Estimates	3%	3%	3%	3%	3%
Transient-Occupancy-Tax	Current-baseline-set-by-FY-2020/21-actual-estimated-proceeds-69%-decrease-from-adopted-budget	30%	20%	5%	5%	5%
Business-License-Tax	Current-baseline-set-by-FY-2020/21-Activities	5%	5%	0%	0%	0%

Type of Revenue	Base Line Estimate	FY 2021/22 Forecast	FY 2022/23 Forecast	FY 2023/24 Forecast	FY 2024/25 Forecast	FY 2025/26 Forecast
License & Permits	Current baseline set by FY 2020/21 Estimates	0%	3%	3%	3%	3%
Town Services	Current baseline set by FY 2020/21 Estimates	0%	3%	3%	3%	3%
Fine & Forfeitures	Current baseline set by FY 2020/21 Estimates	Varies	Varies	Varies	Varies	Varies
Interest	Based on Portfolio Analysis and Current and Expected Yields during the forecast period	\$400K	\$300K	\$250K	\$250K	\$250K
Other Sources	Current baseline set by FY 2020/21 Estimates	Varies	Varies	Varies	Varies	Varies

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Beginning in FY 2020/21, the Town is budgeting salaries at the actual salary plus a one-step increase. 68% of the workforce is already top step or one step below to step. Currently the Town has five vacant positions and is actively recruiting of these positions. In the Five-Year Forecast, positions are forecasted at the actual rate of pay including salaries and benefits as of December 31, 2020 and rate is increasing in the actual anniversary date.

Type of Expenditure	FY 2021/22 Forecast	FY 2022/23 Forecast	FY 2023/24 Forecast	FY 2024/25 Forecast	FY 2025/26 Forecast
Salaries	0%	0%	0%	0%	0%
Benefit-- Medical	7%	7%	7%	7%	7%
Operating Expenditures	3%	3%	3%	3%	3%
Grants & Awards	0%	0%	0%	0%	0%
Utilities	3%	3%	3%	3%	3%
Internal Service Charges	Based on operating cost and scheduled replacement	Based on operating cost and scheduled replacement	Based on operating cost and scheduled replacement	Based on operating cost and scheduled replacement	Based on operating cost and scheduled replacement
Debt Service	Debt Service Schedules				

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

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

***Based on historical trends.

The Town's required employer contribution rate estimates were developed using estimates provided by each plan's most recent actuarial valuation received from CalPERS. The employer contribution rates illustrated below reflect percentages of covered payroll. Beginning in FY 2021/22, the estimates of employer contributions were credited with an anticipated reduction associated with the approximate \$4.8M 2016 unfunded amortization base paid off in October 2019 and the approximate \$3.7M 2015 unfunded amortization base expected to be paid off in early FY 2020/21.

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Type of Expenditure	FY 2021/22 Forecast	FY 2022/23 Forecast	FY 2023/24 Forecast	FY 2024/25 Forecast	FY 2025/26 Forecast
Safety POA	69.36%	69.41%	71.79%	75.01%	76.79%
Safety Management POA	72.36%	72.41%	74.79%	78.01%	79.79%
Safety POA - PEPR	15.04%	15.06%	15.05%	14.01%	14.01%
Miscellaneous TEA/Confidential/Management	33.54%	30.87%	31.67%	32.69%	30.69%
Miscellaneous TEA/Confidential/Management PEPR	33.54%	30.87%	31.67%	32.69%	30.69%

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

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Town of Los Gatos General Fund 5-Year Forecast (in \$ million)							
Account	Revenue Category	2020/21 Budget	2021/22 Forecast	2022/23 Forecast	2023/24 Forecast	2024/25 Forecast	2025/26 Forecast
4100	Property Tax	\$ 14.7	\$ 15.1	\$ 15.8	\$ 16.2	\$ 16.7	\$ 16.5
4110	VLF Backfill Property Tax	4.0	4.0	4.1	4.2	4.3	4.3
4200	Sales & Use Tax	8.0	8.1	8.2	8.4	8.5	8.6
4250	Franchise Fees	2.5	2.6	2.7	2.8	2.9	2.9
4251	Transient Occupancy Tax	2.3	2.2	2.2	2.2	2.2	2.2
4400	Business License Tax	1.3	1.3	1.3	1.4	1.4	1.4
4400	Licenses & Permits	3.1	2.9	3.0	3.0	3.1	3.1
4500	Intergovernmental	1.0	0.7	0.8	0.8	0.9	0.9
4600	Business License Tax	4.0	4.1	4.2	4.2	4.2	4.3
4700	Fines & Forfeitures	0.4	0.4	0.4	0.5	0.5	0.5
4800	Interest	0.6	0.8	0.2	0.7	0.2	0.2
4850	Other Sources	2.3	2.2	2.2	2.2	2.2	2.2
4900	Fund Transfers In	0.6	0.5	0.5	0.5	0.5	0.5
TOTAL OPERATING REVENUES & TRANSFERS*		\$ 44.8	\$ 44.9	\$ 45.6	\$ 47.1	\$ 47.6	\$ 47.6
	Use of Capital/Special Project Reserve - Capital	3.4	0.6	0.6	0.6	0.6	0.6
	Use of Pension/OPEB Reserve	4.2	0	0	0	0	0
	Use of Capital/Special Project Reserve - Other	0.8	0	0	0	0	0
TOTAL REVENUES, TRANSFERS, AND USE OF RESERVES		\$ 53.2	\$ 45.5	\$ 46.2	\$ 47.7	\$ 48.2	\$ 48.2
Account	Expenditure Category	2020/21 Budget	2021/22 Forecast	2022/23 Forecast	2023/24 Forecast	2024/25 Forecast	2025/26 Forecast
5110	Salary	20.2	19.9	19.9	20.0	20.1	20.1
5120	CalPERS Benefits	7.3	7.3	8.2	8.7	9.0	9.0
5200	All Other Benefits	4.1	4.1	4.2	4.3	4.4	4.5
6211	OPEB Pay as You Go	1.3	1.4	1.4	1.5	1.7	1.8
6000	Operating Expenditures	6.6	5.8	6.1	6.2	6.5	6.5
7200	Grants & Awards	0.2	0.2	0.3	0.3	0.3	0.3
7400	Utilities	0.6	0.6	0.6	0.7	0.7	0.7
8060	Internal Service Charges	2.4	2.7	2.8	3.0	3.2	3.4
8900	Debt Service	1.9	1.9	1.9	1.9	1.9	1.9
TOTAL OPERATING EXPENDITURES		\$ 44.6	\$ 44.0	\$ 45.4	\$ 46.5	\$ 47.7	\$ 48.1
	GASB 45 Retiree Medical Actuarial	0.6	0.5	0.4	0.3	0.2	0.2
	Additional Discretionary Payment - Pension	4.6	0.4	0.4	0.4	0.4	0.4
TOTAL OPERATING & DISCRETIONARY EXPENDITURES		\$ 49.8	\$ 44.9	\$ 46.2	\$ 47.2	\$ 48.3	\$ 48.7
	Capital Transfers Out to GFAR	3.4	0.6	0.6	0.6	0.6	0.6
	Transfer to Internal Service Funds	0	0	0	0	0	0
	Pension/OPEB Transfer to Pension Trust Fund	0	0	0	0	0	0
	Allocate to Compensated Absences	0	0	0	0	0	0
	Surplus	0	0	0	0	0	0
	Allocate to Property Surplus Reserve	0	0	0	0	0	0
TOTAL EXPENDITURES & RESERVE ALLOCATIONS		\$ 53.2	\$ 45.5	\$ 46.8	\$ 47.8	\$ 48.9	\$ 49.3
NET REVENUES RESERVE TRANSFERS LESS EXPENDITURES & RESERVE ALLOCATIONS		\$ -	\$ -	\$ (0.6)	\$ (0.1)	\$ (0.7)	\$ (1.1)
* Due to rounding of individual categories FY 2020/21 Total Expenditures and Reserve Allocations omits \$0.1 million.							

Type of Revenue	Base Line Estimate	FY 2020/21 Forecast	FY 2021/22 Forecast	FY 2022/23 Forecast	FY 2023/24 Forecast	FY 2024/25 Forecast
Property Tax/VLF Backfill	Current baseline set by SCC Assessor Office May 2020 report.	2%	0%	3%	3%	3%
Annexation Additional	\$1,000,000 starting FY 2020/21	0%	0%	3%	3%	3%
North 40 Property Sales	Starting in 2021/22	N/A	North 40 Phase 1 Sales	North 40 Phase 1 Sales	3%	3%
ERAF	Current baseline set by SCC Assessor Office May 2020 report 40% decline	SCCA recommend 50% of FY 2019/20 anticipated proceeds	\$400K	\$400K	\$400K	\$400K
Sales Tax	MuniServices 5/1/2020 COVID-19 Estimates	MuniServices 5/1/2020 COVID-19 Estimates	MuniServices 5/1/2020 COVID-19 Estimates	MuniServices 5/1/2020 COVID-19 Estimates	MuniServices 5/1/2020 COVID-19 Estimates	MuniServices 5/1/2020 COVID-19 Estimates
Sales Tax - Measure G	MuniServices 5/1/2020 COVID-19 Estimates	MuniServices 5/1/2020 COVID-19 Estimates	MuniServices 5/1/2020 COVID-19 Estimates	MuniServices 5/1/2020 COVID-19 Estimates	MuniServices 5/1/2020 COVID-19 Estimates	MuniServices 5/1/2020 COVID-19 Estimates
Franchise Fee	Current baseline set by FY 2019/20 Adopted Budget.	3%	3%	3%	3%	3%
Transient Occupancy Tax	Current baseline set by FY 2018/19 actual proceeds	-15%	-5%	0%	0%	0%

Type of Revenue	Base Line Estimate	FY 2020/21 Forecast	FY 2021/22 Forecast	FY 2022/23 Forecast	FY 2023/24 Forecast	FY 2024/25 Forecast
Business License Tax	Current baseline set by FY 2019/20 Activity	0%	0%	3%	3%	3%
License & Permits	Current baseline set by FY 2019/20 Adopted Budget.	-8.7%	0%	3%	3%	3%
Town Services	Current baseline set by FY 2019/20 Adopted Budget.	-7.3%	0%	3%	3%	3%
Fine & Forfeitures	Current baseline set by FY 2019/20 Adopted Budget.	Varies	Varies	Varies	Varies	Varies
Interest	Current baseline set by FY 2019/20 Adopted Budget.	1%	1%	2%	2%	2%
Other Sources	Current baseline set by FY 2019/20 Adopted Budget.	Varies	Varies	Varies	Varies	Varies

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

Type of Expenditure	FY 2020/21 Forecast	FY 2021/22 Forecast	FY 2022/23 Forecast	FY 2023/24 Forecast	FY 2024/25 Forecast	FY 2025/26 Forecast
Salaries*	1% increase & 2% Non-PERSable Cash Bonus	0%	0%	0%	0%	0%
Benefit - Medical**	7%	7%	7%	7%	7%	7%
Operating Expenditures***	Varies	3%	3%	3%	3%	3%
Grants & Awards	0%	0%	0%	0%	0%	0%
Utilities***	Varies	3%	3%	3%	3%	3%
Internal Service Charges***	Based on operating cost and scheduled replacement	Based on operating cost and scheduled replacement	Based on operating cost and scheduled replacement	Based on operating cost and scheduled replacement	Based on operating cost and scheduled replacement	Based on operating cost and scheduled replacement
Debt Service	Debt Service Schedules					

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

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

*** Based on historical trends.

The Town's required employer contribution rate estimates were developed using estimates provided by each plan's most recent actuarial valuation received from CalPERS. The employer contribution rates illustrated below reflect percentages of covered payroll. All plans reflect estimates of increased contributions beginning in FY 2022/23 related to the current estimate of zero return on investments for FY 2019/20. Beginning in FY 2021/22, the estimates of employer contributions were credited with an anticipated reduction associated with the approximate \$4.8M 2016 unfunded amortization base paid off in October 2019 and the approximate \$3.7M 2015 unfunded amortization base expected to be paid off in early FY 2020/21.

Type of Expenditure	FY 2020/21 Budget	FY 2021/22 Forecast	FY 2022/23 Forecast	FY 2023/24 Forecast	FY 2024/25 Forecast	FY 2025/26 Forecast
Safety POA	58.98%	67.67%	72.14%	75.91%	79.46%	81.56%
Safety Management POA	61.98%	66.67%	75.14%	78.91%	82.46%	84.56%
Safety POA - PEPRA	15.95%	15.99%	16.58%	17.14%	15.29%	15.71%
Miscellaneous TEA/Confidential/ Management	34.23%	31.59%	33.66%	35.46%	37.12%	35.50%
Miscellaneous TEA/Confidential/ Management PEPRA	37.43% Separate PEPRA rate for Miscellaneous has not been established yet by CalPERS.	36.30%	36.30%	36.30%	42.43%	40.82%

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

Revenue Baselines and Projection Factors

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Type of Revenues	FY 2025-26 Estimates Baseline	FY 2026-27 Forecast	FY 2027-28 Forecast	FY 2028-29 Forecast	FY 2029-30 Forecast	FY 2030-31 Forecast
Property Tax/VLF Backfill	Current baseline set by SCC Assessor Office February 2026 report	4.34%	5.09%	5.08%	5.07%	5.06%
Motor Vehicle License in Lieu (VLF)	Current baseline set by SCC Assessor Office, February 2026 report	4.78%	5.14%	5.13%	5.11%	5.10%
ERAF	Current baseline set 100% of SCC Assessor Office February 2026Update	\$3.2 million	\$3.2 million	\$3.2 million	\$3.2 million	\$3.2 million
Sales Tax	HdL January 2026 Estimates	HdL January 2026 Estimates	HdL January 2026 Estimates	HdL January 2026 Estimates	HdL January 2026 Estimates	HdL January 2026 Estimates
Sales Tax - Measure G	HdL January 2026 Estimates	HdL January 2026 Estimates	HdL January 2026 Estimates	HdL January 2026 Estimates	HdL January 2026 Estimates	HdL January 2026 Estimates
Franchise Fee	Current baseline set by FY 2024-25 Actuals	3%	3%	3%	3%	3%
Transient Occupancy Tax	Current baseline set by FY 2024-25 Actuals	1%	1%	1%	1%	1%
Business License Tax	Current baseline set by FY 2025-26 Estimates	3%	3%	3%	3%	3%
License & Permits	Current baseline set by FY 2025-26 Estimates Adjusting to One-Time Items	3%	3%	3%	3%	3%

Revenue Baselines and Projection Factors

Item 4.

Town Services	Current baseline set by FY 2025-26 Estimates Adjusting to One-Time Items	3%	3%	3%	3%	3%
Fine & Forfeitures	Current baseline set by FY 2025-26 Estimates	Varies	Varies	Varies	Varies	Varies
Yield to Maturity Assumptions	Average Portfolio Yield 4.26%	Average Portfolio Yield 4.14%	Average Portfolio Yield 4.06%	Average Portfolio Yield 3.97%	Average Portfolio Yield 3.96%	Average Portfolio Yield 4.03%
Other Sources	Current baseline set by FY 2025-26 Estimates	Varies	Varies	Varies	Varies	Varies

EXPENDITURE BASELINE AND PROJECTION FACTORS

Beginning in FY 2020-21, the Town started budgeting salaries at the actual salary plus a one-step increase. In the Five-Year Forecast, positions are forecasted at the actual rate of pay including salaries and benefits as of December 31, 2025. Beginning FY 2023-24 the total salaries and benefits budget includes 4.6% vacancy factor.

Type of Expenditures	FY 2025-26 Budget	FY 2026-27 Forecast	FY 2027-28 Forecast	FY 2028-29 Forecast	FY 2029-30 Forecast	FY 2030-31 Forecast
Salaries*(TEA)	3%	3%	3%	2%	2%	2%
Salaries *(POA)	5%	4%	4%	2%	2%	2%
Salaries*(AFSCME)	4%	4%	4%	2%	2%	2%
Salaries * (Management, Confidential, Temp)	3%	3%	3%	2%	2%	2%
Benefit - Medical**	4%	4%	4%	4%	4%	4%
Operating Expenditures***	3%	3%	3%	3%	3%	3%
Grants & Awards	0%	0%	0%	0%	0%	0%
Utilities***	Varies	3%	3%	3%	3%	3%
Workers Comp Charges	Based on projected payroll	3%	3%	3%	3%	3%
General Liability Charges	Based on projected payroll	3%	3%	3%	3%	3%
Other Internal Service Charges***	Based on operating cost and scheduled replacement	Based on operating cost and scheduled replacement	Based on operating cost and scheduled replacement	Based on operating cost and scheduled replacement	Based on operating cost and scheduled replacement	Based on operating cost and scheduled replacement
Debt Service	Debt Service Schedules					

*Salary increases are based on actual step increases and approved Memoranda of Understanding with the bargaining units from FY 2024-25 through FY 2026-27. Beyond FY 2027-28 the assumption is 2% per year cost of living adjustment.

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

*** Based on historical trends.

The Town's required employer contribution rate estimates were developed using data provided by each plan's most recent CalPERS actuarial valuation. The employer contribution rates reflect percentages of covered payroll. Forecasted rates for FY 2025-26 and subsequent years are based on the most recent CalPERS actuarial valuation Reports as adjusted by the impact related to the FY 2022-23 CalPERS 5.8% investment return and forecasted payroll. In addition, staff will update the rates based on the February forecasted payroll for the FY 2026-27 Proposed Budget.

Type of Expenditure	FY 2025-26 Budget	FY 2026-27 Forecast	FY 2027-28 Forecast	FY 2028-29 Forecast	FY 2029-30 Forecast	FY 2030-31 Forecast
Safety POA	109.09%	109.92%	112.95%	121.16%	121.75%	124.52%
Safety Management POA	112.09%	112.92%	115.95%	124.16%	124.75%	127.52%
Safety POA - PEPRA	15.84%	14.96%	20.99%	21.74%	22.04%	25.76%
Miscellaneous TEA/Confidential/ Management	30.02%	30.52%	30.82%	31.78%	31.92%	32.21%
Miscellaneous TEA/Confidential/ Management PEPRA						
Separate PEPRA rate for Miscellaneous has not been established yet by CalPERS.	30.02%	30.52%	30.82%	31.78%	31.92%	32.21%

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