TOWN OF LOS GATOS
FINANCE COMMISSION AGENDA
NOVEMBER 08, 2021
TELECONFERENCE
5:00 PM

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

IMPORTANT NOTICE REGARDING THE NOVEMBER 8, 2021 FINANCE COMMISSION MEETING

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

PARTICIPATION

If you are interested in providing oral comments real-time during the meeting, you must join the Zoom webinar.

- Join from a PC, Mac, iPad, iPhone or Android device: Please click this URL to join. https://losgatosca-gov.zoom.us/j/88248810505?pwd=K1BvLzBwM08waFVXL3d0SGdhTndQUT09 Passcode: 367957. You can also type in 88248810505 in the "Join a Meeting" page on the Zoom website at https://zoom.us/join.
- Join by Telephone: Dial: 877-336-1829 US Toll-free or USA 636 651 0002 US Toll Conference code: 986172

During the meeting:

- When the Chair announces the item for which you wish to speak, click the "raise hand" feature in Zoom. If you are participating by phone on the Zoom app, press *9 on your telephone keypad to raise your hand. If you are participating by calling in, press #2 on your telephone keypad to raise your hand.
- When called to speak, please limit your comments to three (3) minutes, or such other time as the Chair may decide, consistent with the time limit for speakers at a Commission meeting.

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

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

MEETING CALL TO ORDER

ROLL CALL

COMMISSIONER REPORTS

CONSENT ITEMS *(Items appearing on the Consent Items are considered routine Town business and may be approved by one motion. Any member of the Commission may request to have an item removed from the Consent Items for comment and action. Members of the public may provide input on any or multiple Consent Item(s) when the Chair asks for public comments on the Consent Items. If you wish to comment, please follow the Participation Instructions contained on Page 2 of this agenda. If an item is removed, the Chair has the sole discretion to determine when the item will be heard.)*

1. Approve Minutes of October 11, 2021 Finance Commission Meeting.
2. Receive the First Quarter Investment Report (July through September 2021) for Fiscal Year 2021/22.

VERBAL COMMUNICATIONS *(Members of the public are welcome to address the Commission on any matter that is not listed on the agenda consistent with the Participation Instructions contained on Page 1 of this agenda. To ensure all agenda items are heard and unless additional time is authorized by the Chair, this portion of the agenda is limited to 30 minutes and no more than three (3) minutes per speaker. In the event additional speakers were not able to be heard during the initial Verbal Communications portion of the agenda, an additional Verbal Communications will be opened prior to adjournment.)*

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

3. Management Discussion & Analysis Review
4. Discussion of Key Performance Indicators (KPIs)
5. Discuss Topics for Future Commission Agendas

ADJOURNMENT

TOWN OF LOS GATOS
FINANCE COMMISSION
AGENDA REPORT

MEETING DATE: 11/8/2021

ITEM NO: 1

DRAFT
Minutes of the Finance Commission Meeting
October 11, 2021

The Finance Commission of the Town of Los Gatos conducted a regular meeting via teleconference via COVID-19 Guidelines on Monday, October 11, 2021, at 5:00 p.m.

MEETING CALLED TO ORDER AT 5:02 P.M.

ROLL CALL

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

Staff Present: Town Manager Laurel Prevetti, Town Attorney Robert Schultz, Assistant Town Manager Arn Andrews, Community Development Director Joel Paulson, Human Resource Director Lisa Velasco, Finance Director Stephen Conway, Finance and Budget Manager Gitta Ungvari.

COMMISIONER REPORTS

Receive Subcommittee Report

The Subcommittee has not met since the August 9, 2021 Finance Commission meeting and the Subcommittee sit-along is scheduled with Finance Department staff.

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

1. Approve Minutes of September 13, 2021 Finance Commission Meeting

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

VOTE: **Motion passed 5-0.**

VERBAL COMMUNICATIONS

Jak Van Nada

- Commented that a fiscal impact analysis on new development should be considered and the full Financial Impact Report (FIR) should be conducted before approving the 2040 General Plan.

OTHER BUSINESS

2. Presentation and Discussion Regarding Potentially Allowing Commercial Cannabis Businesses in the Town of Los Gatos.

Rob Schultz, Town Attorney, presented the report.

Opened Public Comment

Lee Fagot
- Commented that it should not be the Town Attorney who is working on the cannabis related revenue enhancement. He also commented that legalizing cannabis is a breach of Federal Law.

Closed Public Comment.

The Commission discussed the item.

3. Receive American Rescue Plan Act (ARPA) and Annual Financial Report Updates.

Arn Andrews, Assistant Town Manager, presented the report.

Opened Public Comment

None.

Closed Public Comment.

The Commission discussed the item.

4. Discussion of Key Performance Indicators (KPIs).

Arn Andrews, Assistant Town Manager, presented the report.

Opened Public Comment.

None.

Closed Public Comment.

Commissioners requested staff add total revenue, employee headcounts and vacancies by department, and affirmed that the dashboard can have multiple pages.

5. Receive Information on the Town Bargaining Groups.

Arn Andrews, Assistant Town Manager, presented the report.

Opened Public Comment.

None.

Closed Public Comment.

The Commission discussed the items.

6. Receive Information on North 40 Property Tax Projections.

Arn Andrews, Assistant Town Manager, presented the report.

Opened Public Comment.

None.

Closed Public Comment.

The Commission discussed the items.

7. Receive Information on the Relationship between Land Use and Town Revenues/Expenses.

Joel Paulson, Community Department Director, presented the report. Laurel Prevetti, Town Manager, provided additional information.

Opened Public Comment.

Lee Fagot

- Commented that North 40 Phase 2 is still not finalized. Finance Commission also should provide financial analysis on the General Plan 2040 update and aid the Town Council with decision making.

Jak Van Nada

- Commented that if there is no motion for the financial impact analysis right now it might be too late in two months.

Closed Public Comment.

Other Business Item #7 – continued

Commissioners stated that it is the Town Council's decision whether to request the financial impact analysis.

8. Receive Updates on the Community Survey and Audit Services RFPs.

Arn Andrews, Assistant Town Manager, presented the report.

Opened Public Comment.

None.

Closed Public Comment.

The Commission discussed the items.

9. Discuss Topics for Future Commission Agendas.

Chair Dickel acknowledged the items already in the working calendar and encouraged Commissioners to reach out to him for further topics of discussion.

Opened Public Comment.

None.

Closed Public Comment.

ADJOURNMENT:
The meeting adjourned at 7:10 p.m.

This is to certify that the foregoing is a true and correct copy of the minutes of the October 11, 2021 meeting as approved by the Finance Commission.

____
Gitta Ungvari, Finance and Budget Manager

TOWN OF LOS GATOS
FINANCE COMMISSION REPORT

MEETING DATE:11/8/2021
ITEM NO: 2

DATE: November 3, 2021

TO: Finance Commission

FROM: Laurel Prevetti, Town Manager

SUBJECT: Receive the First Quarter Investment Report (July through September 2021) for Fiscal Year 2021/22.

RECOMMENDATION:

Receive the First Quarter Investment Report (July through September 2021) for Fiscal Year 2021/22

DISCUSSION:

As of September 30, 2021, the Town's weighted portfolio yield was 1.27% which trended above the Local Agency Investment Fund (LAIF) yield of 0.21%. This favorable yield differential to LAIF was primarily due to the LAIF portfolio's lower weighted average maturity (WAM) of 321 days versus the Town's longer WAM of 519 days. The Town's weighted average rate of return of 1.27% at the close of the first quarter was 59 basis points lower when compared to the first quarter return of 1.86% in 2020.

In the Fourth quarter, LAIF yields continued their steady decline each month for the year. Staff in coordination with the Town's investment advisor primarily replaced maturing investments in shorter term maturities in the two- to three-year maturity range. These investments capture current yields that exceed the rates expected to be earned in the State Local Agency Investment Fund (LAIF) pool during that same time period. The State LAIF pool typically lags the market when current market yields are either increasing or decreasing.

At the conclusion of their November meeting, the Federal Reserve (Fed) announced a slowing (referred to by the Fed as a "taper") of its policy of buying back US Treasuries and agencies, stating "moderation in the pace of asset purchase may soon be warranted". In addition, the Fed left the target range for the federal funds rate at zero to ¼ percent. The Fed raised its inflation forecast from 3.4% to 4.2% for 2021 and from 2.1% to 2.2% for 2022, and above its 2%

PREPARED BY: Stephen Conway
Finance Director

Reviewed by: Town Manager and Assistant Town Manager

DISCUSSION (continued):

target through 2024. Nonetheless, the Fed Committee's 'dot plot' still reflected a majority expectation of no rate hikes until 2023.

CONCLUSION:

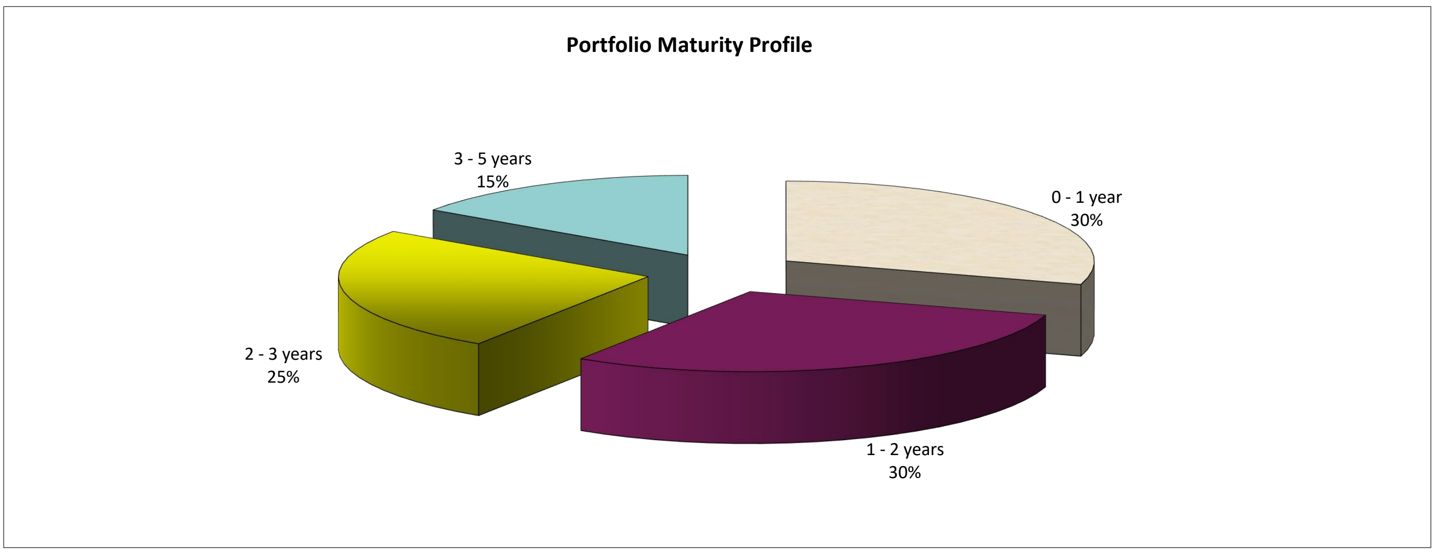
Staff recommends that the Finance Commission receive the First Quarter Investment Report (July through September 2021) for Fiscal Year 2021/22.

Attachment:
1. First Quarter Investment Report for FY 2021/22 (July through September 2021)

Town of Los Gatos
Summary Investment Information
September 30, 2021

Weighted Average YTM Portfolio Yield: **1.27%** **Weighted Average Maturity (days)** **519**

	This Month	Last Month	One year ago
Portfolio Balance	$59,898,959	$61,207,129	$59,981,525
Benchmarks/ References:			
Town's Average Yield	1.27%	1.32%	1.86%
LAIF Yield for month	0.21%	0.22%	0.69%
3 mo. Treasury	0.04%	0.05%	0.11%
6 mo. Treasury	0.05%	0.06%	0.10%
2 yr. Treasury	0.28%	0.21%	0.13%
5 yr. Treasury (most recent)	0.97%	0.78%	0.28%
10 Yr. Treasury	1.49%	1.31%	0.71%

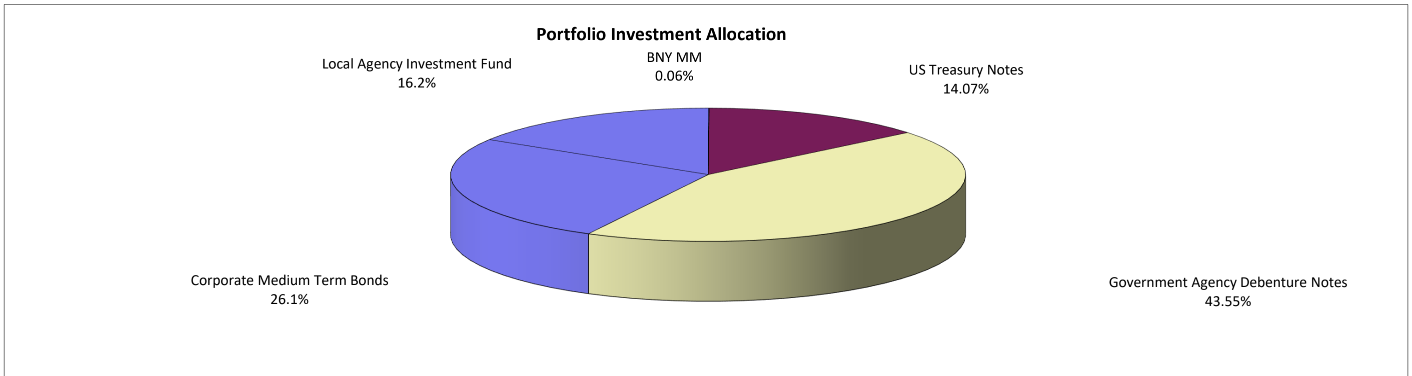


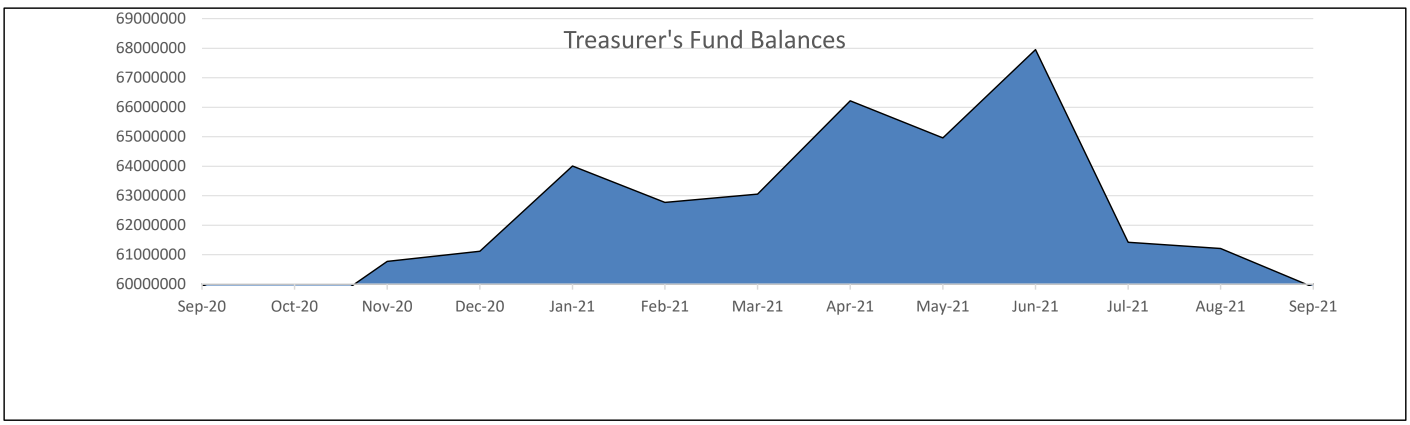
Compliance: The Town's investments are in compliance with the Town's investment policy dated September 21, 2021 and also in compliance with the requirements of Section 53601 of the California State Code. Based on the information available, the Town has sufficient funds to meet the cash demands for the next six months.

Town of Los Gatos
Portfolio Allocation & Treasurer's Fund Balances
September 30, 2021

	Month	YTD
Fund Balances - Beginning of Month/Period	$61,207,128.66	$67,951,235.09
Receipts	2,626,919.18	15,719,457.16
Disbursements	(3,935,088.50)	(23,771,732.91)
Fund Balances - End of Month/Period	$59,898,959.34	$59,898,959.34

Portfolio Allocation:		% of Portfolio	Max. % 0r $ Allowed Per State Law or Policy
BNY MM	$31,941.79	0.06%	20% of Town Portfolio
US Treasury Notes	$7,723,182.05	14.07%	No Max. on US Treasuries
Government Agency Debenture Notes	$23,909,091.15	43.55%	No Max. on Non-Mortgage Backed
Corporate Medium Term Bonds	$14,350,644.01	26.14%	30% of Town Portfolio
Local Agency Investment Fund	$8,888,929.23	16.19%	$75 M per State Law
Subtotal - Investments	54,903,788.23	100.00%	
Reconciled Demand Deposit Balances	4,995,171.11		
Total Treasurer's Fund	$59,898,959.34		





Town of Los Gatos
Non-Treasury Restricted Fund Balances
September 30, 2021

	Beginning Balance	SEP 21 Deposits Realized Gain/Adj.	SEP 21 Interest/ Earnings	SEP 21 Withdrawals	Ending Balance	
Non-Treasury Funds:						
Cert. of Participation 2002 Series A Reserve Fund	$ 686,285.39		$ 5.89		$ 686,291.28	**Note 1**
Cert. Of Participation 2010 Ser A Lease Pymt Fund	21,140.34		0.56		$ 21,140.90	**Note 1**
Cert. of Participation 2002 Lease Payment Fund	22.26		0.15		$ 22.41	**Note 1**
Cert. of Participation 2010 Series Reserve Fund	1,277,073.46		10.85		1,277,084.31	**Note 2**
Total Restricted Funds:	$ 1,984,521.45	$ -	$ 17.45	$ -	$ 1,984,538.90	
CEPPT IRS Section 115 Trust	0.00	0.00	0.00	0.00	0.00	
Grand Total COP's and CEPPT Trust	$ 1,984,521.45	$ -	$ 17.45	$ -	$ 1,984,538.90	

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

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

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

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

Town of Los Gatos
Statement of Interest Earned
September 30, 2021

Interest by Month

July 2021	$57,076.80
August 2021	56,600.18
September 2021	54,523.00
October 2021	
November 2021	
December 2021	
January 2022	
February 2022	
March 2022	
April 20202	
May 2022	
June 2022	
	$168,199.98

Town of Los Gatos Investment Schedule March 2021

Institution	CUSIP #	Security	Deposit Date	Par Value	Original Cost	Market Value	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
Treasury	91282CAP6	US Treasury Note	6/30/2021	1,000,000.00	995,390.63	996,406.25	259.56	10/15/2023	0.33%	$ (259.56)	$ -	$ 821.71	745
Toyota Motor Credit	89236TDP7	Corporate Bond	05/20/19	1,100,000.00	1,102,596.00	1,107,102.81		1/11/2022	2.50%	$ 61,251.67	$ 58,418.45	$ 6,961.78	103
Toyota Motor Credit	89236THA6	Corporate Bond	4/12/2021	500,000.00	510,580.00	509,229.08		8/25/2023	0.45%	$ 2,493.75	$ 494.69	$ 576.10	694
American Express Credit Corp.	0258M0EG0	Corporate Bond	4/5/2021	1,000,000.00	1,020,330.00	1,008,131.00		1/31/2022	0.46%	$ 11,100.00	$ 553.07	$ 591.66	123
FFCB	3133EKMX1	Gov. Agency Debenture	8/2/2019	1,000,000.00	1,014,400.00	1,042,838.40		2/23/2024	1.90%	$ 51,475.83	$ 36,611.80	$ 4,825.62	876
FFCB	3133EMBE1	Gov. Agency Debenture	10/8/2020	1,600,000.00	1,598,000.00	1,595,149.20		3/28/2024	0.34%	$ 4,653.34	$ 3,903.24	$ 1,355.09	910
FFCB	3133EMCQ3	Gov. Agency Debenture	10/16/2020	2,000,000.00	1,998,000.00	1,999,588.08		10/13/2024	0.31%	$ 2,753.33	$ 4,295.55	$ 1,537.71	1109
BankAmerica Corp	06051GHC6	Corporate Bond	10/9/2020	1,300,000.00	1,366,287.00	1,339,741.00		12/20/2023	0.66%	$ 27,227.92	$ 13,250.31	$ 4,617.53	811
IBM	459200HG9	Corporate Bond	8/8/2019	1,000,000.00	995,010.00	1,013,329.32		8/1/2022	2.05%	$ 37,135.42	$ 38,718.82	$ 5,147.59	305
IBM	459200JY8	Corporate Bond	3/25/2021	1,000,000.00	1,071,040.00	1,060,781.89		5/15/2024	0.71%	$ 4,166.67	$ 1,964.86	$ 1,863.58	958
US Treasury	912828R28	US Treasury Note	7/2/2019	500,000.00	497,246.09	511,191.41		4/30/2023	1.77%	$ 14,859.04	$ 17,663.79	$ 2,229.18	577
Freddie Mac	3137EAEN5	Gov. Agency Debenture	7/19/2019	2,000,000.00	2,072,358.00	2,085,885.82		6/19/2023	1.79%	$ 105,416.67	$ 71,285.65	$ 9,211.07	627
FFCB	3133EKVF0	Gov. Agency Debenture	7/22/2019	1,000,000.00	999,630.00	1,022,142.73		1/17/2023	1.89%	$ 37,239.58	$ 36,626.98	$ 4,752.73	474
Treasury	912828L57	US Treasury Note	7/22/2019	1,200,000.00	1,197,988.40	1,219,968.74		9/30/2022	2.09%	$ 46,016.39	$ 42,014.96	$ 5,451.87	365
Freddie Mac	3137EADB2	Gov. Agency Debenture	1/17/2020	2,100,000.00	2,132,039.70	2,113,734.00		1/13/2022	2.12%	$ 74,258.34	$ 49,063.54	$ 8,516.69	105
US Treasury	91282CAW1	Gov. Agency Debenture	7/15/2021	1,200,000.00	1,199,437.50	1,198,312.50	497.28	11/15/2023	0.27%	$ (497.28)	$ -	$ 683.65	776
American Honda	02665WCZ2	Corporate Bond	11/27/2019	1,000,000.00	1,012,410.01	1,043,768.01		6/27/2024	2.12%	$ 48,733.34	$ 33,895.56	$ 5,367.28	1001
JP Morgan Chase	46625HJE1	Gov. Agency Debenture	2/11/2020	900,000.00	934,587.00	926,345.54		9/23/2022	1.74%	$ 47,287.50	$ 22,179.72	$ 4,040.66	358
Honeywell Int'l.	438516BW5	Corporate Bond	11/20/2019	1,000,000.00	1,014,660.00	1,047,781.42		7/15/2024	1.64%	$ 39,483.33	$ 31,978.44	$ 5,003.43	1019
Caterpillar Financial Serv	14913Q2V0	Corporate Bond	2/23/2021	1,000,000.00	1,077,370.00	1,058,368.18		5/17/2024	0.44%	$ 6,650.00	$ 1,582.27	$ 1,146.21	960
FNMA	3135G0V75	Gov. Agency Debenture	10/17/2019	1,100,000.00	1,105,833.30	1,138,552.18		7/2/2024	1.63%	$ 33,206.25	$ 30,694.63	$ 4,540.04	1006
US Bancorp	91159HHV5	Corporate Bond	12/24/2019	1,000,000.00	1,049,040.00	1,062,962.09		1/5/2024	2.12%	$ 54,468.75	$ 32,781.93	$ 5,443.93	827
FHLB	3133834G3	Gov. Agency Debenture	3/11/2021	1,400,000.00	1,460,522.00	1,444,186.74		6/9/2023	0.19%	$ 7,272.22	$ 854.65	$ 708.36	617
FFCB	3133EKQA7	Gov. Agency Debenture	10/21/2019	1,000,000.00	1,019,780.00	1,044,682.33		9/10/2024	1.66%	$ 39,231.11	$ 28,373.17	$ 4,223.84	1076
PNC Financial	693476BN2	Corporate Bond	8/15/2019	1,000,000.00	1,029,280.00	1,010,773.70		2/6/2022	2.12%	$ 68,108.33	$ 39,793.76	$ 5,344.56	129
FHLB	313379Q69	Gov. Agency Debenture	7/22/2019	1,000,000.00	1,006,960.00	1,014,220.41		6/10/2022	1.87%	$ 40,020.83	$ 36,595.58	$ 4,748.65	253
FNMA	3135G0V59	Gov. Agency Debenture	11/27/2019	1,540,000.00	1,562,924.44	1,557,574.14		4/12/2022	1.61%	$ 47,643.75	$ 39,792.92	$ 6,301.12	194
JP Morgan Chase	46625HJT8	Corporate Bond	9/23/2019	1,400,000.00	1,485,414.00	1,505,405.10		2/1/2024	2.39%	$ 100,663.89	$ 61,355.87	$ 8,737.99	854
American Honda	02665WDH1	Corporate Bond	2/14/2020	600,000.00	603,756.00	614,482.69		5/10/2023	1.75%	$ 16,445.00	$ 14,494.97	$ 2,656.45	587
FHLB	3130AABG2	US Treasury Note	4/15/2019	1,000,000.00	988,250.00	1,002,925.61		11/29/2021	2.34%	$ 39,791.67	$ 51,343.12	$ 5,853.24	60
FNMA	3135G0Q89	Gov. Agency Debenture	2/10/2020	1,000,000.00	998,702.00	1,000,222.43		10/7/2021	1.38%	$ 15,927.08	$ 20,147.24	$ 3,663.14	7
FHLB	3130ALH98	Gov. Agency Debenture	2/26/2021	1,000,000.00	997,610.00	997,758.31		2/26/2024	0.33%	$ 1,250.00	$ 1,119.96	$ 830.94	879
Treasury	912828M80	US Treasury Note	7/22/2019	1,000,000.00	1,006,175.23	1,021,718.75		11/30/2022	1.81%	$ 37,158.47	$ 35,281.07	$ 4,578.08	426
Treasury	912828U57	US Treasury Note	7/31/2019	1,000,000.00	1,011,875.00	1,038,828.12		11/30/2023	1.84%	$ 38,958.33	$ 35,502.32	$ 4,666.02	791
Treasury	912828X70	US Treasury Note	12/30/2019	1,000,000.00	1,010,589.29	1,040,507.81		4/30/2024	1.75%	$ 29,703.30	$ 29,364.36	$ 4,929.78	943
Treasury	912828XT2	US Treasury Note	10/31/2019	1,000,000.00	1,015,667.41	1,041,093.75		5/31/2024	1.64%	$ 31,639.34	$ 27,624.64	$ 4,180.04	974
American Honda	02665WCQ2	Corporate Bond	9/14/2021	950,000.00	1,012,871.00	1,009,421.43	14,731.60	10/10/2023	0.41%	$ (14,731.60)	$ -	$ 178.99	740
FFCB	3133EJ3Q0	Gov. Agency Debenture	8/28/2019	1,500,000.00	1,587,503.75	1,582,619.60		12/21/2023	2.12%	$ 78,223.96	$ 42,086.02	$ 5,761.78	812
Freddie Mac	3133EKKT2	Gov. Agency Debenture	6/24/2019	1,550,000.00	1,573,188.00	1,593,409.89		2/8/2023	1.82%	$ 82,731.25	$ 57,521.06	$ 7,180.38	496
Treasury	91282CBE0	Gov. Agency Debenture	9/15/2021	650,000.00	647,615.46	646,521.49	136.88	1/15/2024	0.28%	$ (136.88)	$ -	$ 75.37	837
Subtotal				$ 45,090,000.00	$ 45,982,917.21	$ 46,267,661.95	$ 15,625.32			$ 1,369,020.33	$ 1,049,228.95	$ 159,303.82	
BNY MM		Money Market			31,941.79	31,941.79			0.00%				1
LAIF		State Investment Pool			8,888,929.23	8,888,929.23			0.21%			6,345.84	1
					$54,903,788.23	$55,188,532.97				$ 1,369,020.33	$ 1,049,228.95	$ 165,649.66	
Matured Assets													
US Treasury	912828Y20	Gov. Agency Debenture	1/31/2020	1,000,000.00	1,016,601.56			7/15/2021	1.47%	$ 38,221.16	$ 20,977.00	$ 609.80	0
Wells Fargo	94988J6A0	Corporate Bond	6/24/2020	1,350,000.00	1,370,749.50			9/9/2021	0.80%	$ 32,468.18	$ 10,139.92	$ 1,940.52	0

Total Investments "Matured" $ 2,550.32

Total Interest FY 20_21 Matured and Current $ 168,199.98

Maturity Profile

	Amount
0-1 year	$21,889,538.56
1-2 years	$8,723,455.32
2-3 years	$22,292,794.35
3-5 years	$ 1,998,000.00
	$54,903,788.23

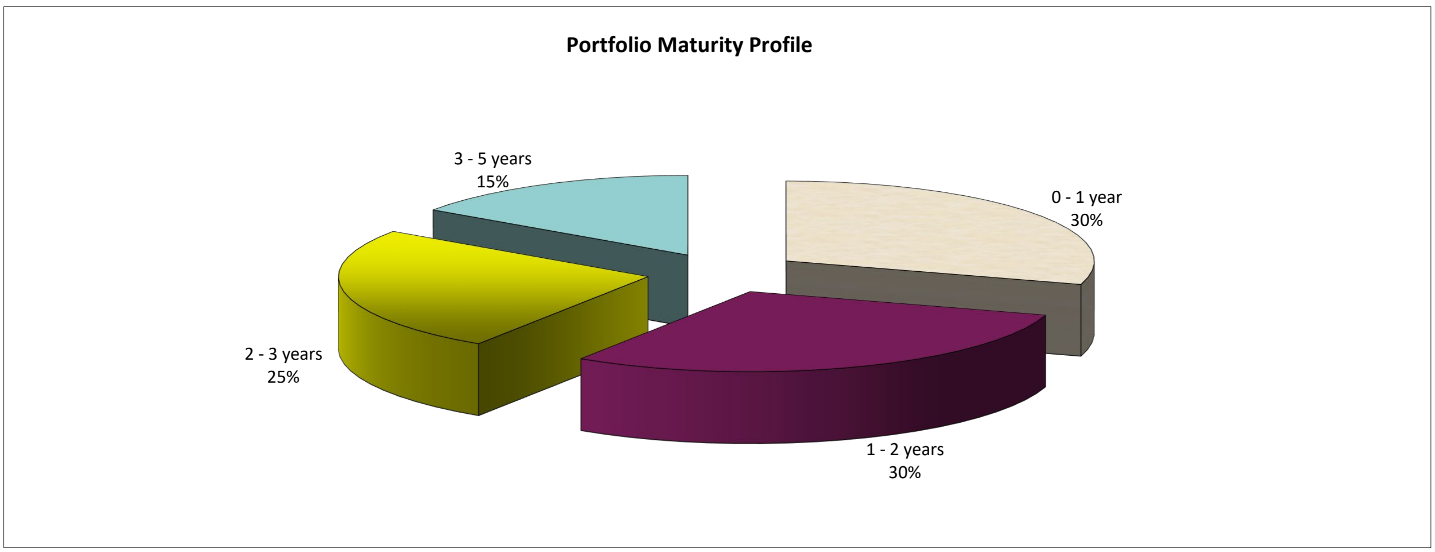
Market to Cost Position Report

Institution	Amortized Cost
BNY Assets	$45,982,917.21
BNY MM	31,941.79
LAIF	8,888,929.23
Total	$54,903,788.23

Town of Los Gatos
Summary Investment Information
August 31, 2021

Weighted Average YTM Portfolio Yield: **1.32%** **Weighted Average Maturity (days)** **521**

	This Month	Last Month	One year ago
Portfolio Balance	$61,207,129	$61,422,761	$60,272,540
Benchmarks/ References:			
Town's Average Yield	1.32%	1.32%	1.86%
LAIF Yield for month	0.22%	0.22%	0.92%
3 mo. Treasury	0.05%	0.05%	0.11%
6 mo. Treasury	0.06%	0.05%	0.12%
2 yr. Treasury	0.21%	0.19%	0.13%
5 yr. Treasury (most recent)	0.78%	0.69%	0.27%
10 Yr. Treasury	1.31%	1.47%	0.71%



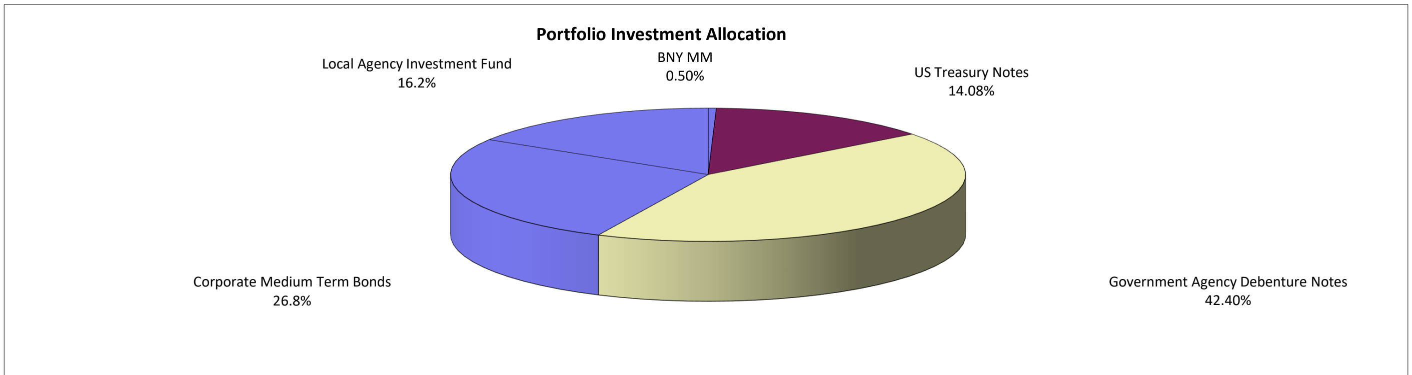
Compliance: The Town's investments are in compliance with the Town's investment policy dated September 21, 2021 and also in compliance with the requirements of Section 53601 of the California State Code. Based on the information available, the Town has sufficient funds to meet the cash demands for the next six months.

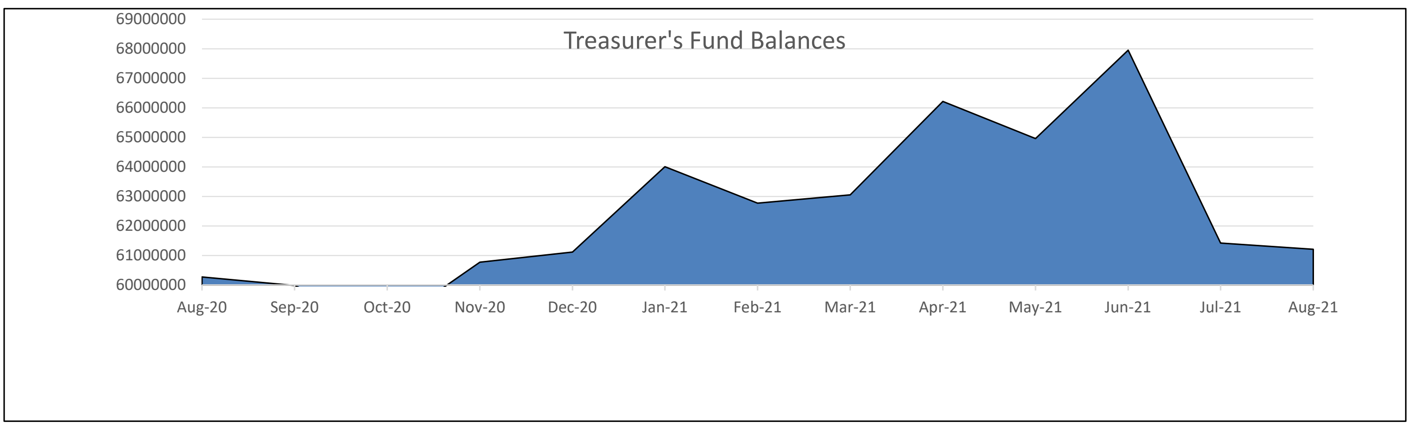
Item 2.

Town of Los Gatos
Portfolio Allocation & Treasurer's Fund Balances
August 31, 2021

	Month	YTD
Fund Balances - Beginning of Month/Period	$61,422,760.87	$67,951,235.09
Receipts	6,814,650.43	13,092,537.98
Disbursements	(7,030,282.64)	(19,836,644.41)
Fund Balances - End of Month/Period	$61,207,128.66	$61,207,128.66

Portfolio Allocation:		% of Portfolio	Max. % Or $ Allowed Per State Law or Policy
BNY MM	$275,316.10	0.50%	20% of Town Portfolio
US Treasury Notes	$7,723,182.05	14.08%	No Max. on US Treasuries
Government Agency Debenture Notes	$23,261,475.69	42.40%	No Max. on Non-Mortgage Backed
Corporate Medium Term Bonds	$14,708,522.51	26.81%	30% of Town Portfolio
Local Agency Investment Fund	$8,888,929.23	16.20%	$75 M per State Law
Subtotal - Investments	54,857,425.58	100.00%	
Reconciled Demand Deposit Balances	6,349,703.08		
Total Treasurer's Fund	$61,207,128.66		





Town of Los Gatos
Non-Treasury Restricted Fund Balances
August 31, 2021

Non-Treasury Funds:	Beginning Balance	AUG 21 Deposits Realized Gain/Adj.	AUG 21 Interest/ Earnings	AUG 21 Withdrawals	Ending Balance	
Cert. of Participation 2002 Series A Reserve Fund	$ 686,279.50		$ 5.89		$ 686,285.39	**Note 1**
Cert. Of Participation 2010 Ser A Lease Pymt Fund	1,095,998.03		4.81	1,074,862.50	$ 21,140.34	**Note 1**
Cert. of Participation 2002 Lease Payment Fund	541,182.21		2.55	541,162.50	$ 22.26	**Note 1**
Cert. of Participation 2010 Series Reserve Fund	1,277,062.50		10.96		1,277,073.46	**Note 2**
Total Restricted Funds:	$ 3,600,522.24	$ -	$ 24.21	$ 1,616,025.00	$ 1,984,521.45	
CEPPT IRS Section 115 Trust	0.00	0.00	0.00	0.00	0.00	
Grand Total COP's and CEPPT Trust	$ 3,600,522.24	$ -	$ 24.21	$ 1,616,025.00	$ 1,984,521.45	

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

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

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

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

Town of Los Gatos
Statement of Interest Earned
August 31, 2021

Interest by Month

July 2021	$57,076.80
August 2021	56,600.18
September 2021	
October 2021	
November 2021	
December 2021	
January 2022	
February 2022	
March 2022	
April 20202	
May 2022	
June 2022	
	$113,676.98

Town of Los Gatos Investment Schedule March 2021

Institution	CUSIP #	Security	Deposit Date	Par Value	Original Cost	Market Value	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
Treasury	91282CAP6	US Treasury Note	6/30/2021	1,000,000.00	995,390.63	997,617.19	259.56	10/15/2023	0.33%	$ (259.56)	$ -	$ 553.76	775
Toyota Motor Credit	89236TDP7	Corporate Bond	05/20/19	1,100,000.00	1,102,596.00	1,109,557.57		1/11/2022	2.50%	$ 61,251.67	$ 58,418.45	$ 4,691.64	133
Toyota Motor Credit	89236THA6	Corporate Bond	4/12/2021	500,000.00	510,580.00	509,588.65		8/25/2023	0.45%	$ 2,493.75	$ 494.69	$ 388.24	724
American Express Credit Corp.	0258M0EG0	Corporate Bond	4/5/2021	1,000,000.00	1,020,330.00	1,010,414.88	2,400.00	1/31/2022	0.46%	$ (2,400.00)	$ 553.07	$ 398.73	153
FFCB	3133EKMX1	Gov. Agency Debenture	8/2/2019	1,000,000.00	1,014,400.00	1,046,838.46		2/23/2024	1.90%	$ 51,475.83	$ 36,611.80	$ 3,252.05	906
FFCB	3133EMBE1	Gov. Agency Debenture	10/8/2020	1,600,000.00	1,598,000.00	1,596,864.70		3/28/2024	0.34%	$ 2,253.34	$ 3,903.24	$ 913.21	940
FFCB	3133EMCQ3	Gov. Agency Debenture	10/16/2020	2,000,000.00	1,998,000.00	2,000,178.96		10/13/2024	0.31%	$ 2,753.33	$ 4,295.55	$ 1,036.28	1139
BankAmerica Corp	06051GHC6	Corporate Bond	10/9/2020	1,300,000.00	1,366,287.00	1,342,250.00		12/20/2023	0.66%	$ 27,227.92	$ 13,250.31	$ 3,111.82	841
IBM	459200HG9	Corporate Bond	8/8/2019	1,000,000.00	995,010.00	1,015,532.47		8/1/2022	2.05%	$ 37,135.42	$ 38,718.82	$ 3,469.03	335
IBM	459200JY8	Corporate Bond	3/25/2021	1,000,000.00	1,071,040.00	1,064,430.77		5/15/2024	0.71%	$ 4,166.67	$ 1,964.86	$ 1,255.89	988
US Treasury	912828R28	US Treasury Note	7/2/2019	500,000.00	497,246.09	512,187.50		4/30/2023	1.77%	$ 14,859.04	$ 17,663.79	$ 1,502.27	607
Freddie Mac	3137EAEN5	Gov. Agency Debenture	7/19/2019	2,000,000.00	2,072,358.00	2,091,183.10		6/19/2023	1.79%	$ 105,416.67	$ 71,285.65	$ 6,207.46	657
FFCB	3133EKVF0	Gov. Agency Debenture	7/22/2019	1,000,000.00	999,630.00	1,024,102.11		1/17/2023	1.89%	$ 37,239.58	$ 36,626.98	$ 3,202.92	504
Treasury	912828L57	US Treasury Note	7/22/2019	1,200,000.00	1,197,988.40	1,221,234.37		9/30/2022	2.09%	$ 35,516.39	$ 42,014.96	$ 3,674.09	395
Freddie Mac	3137EADB2	Gov. Agency Debenture	1/17/2020	2,100,000.00	2,132,039.70	2,117,220.00		1/13/2022	2.12%	$ 74,258.34	$ 49,063.54	$ 5,739.51	135
US Treasury	91282CAW1	Gov. Agency Debenture	7/15/2021	1,200,000.00	1,199,437.50	1,200,046.87	497.28	11/15/2023	0.27%	$ (497.28)	$ -	$ 417.29	806
American Honda	02665WCZ2	Corporate Bond	11/27/2019	1,000,000.00	1,012,410.01	1,049,039.98		6/27/2024	2.12%	$ 48,733.34	$ 33,895.56	$ 3,617.08	1031
JP Morgan Chase	46625HJE1	Gov. Agency Debenture	2/11/2020	900,000.00	934,587.00	928,849.26		9/23/2022	1.74%	$ 32,662.50	$ 22,179.72	$ 2,723.05	388
Honeywell Int'l.	438516BW5	Corporate Bond	11/20/2019	1,000,000.00	1,014,660.00	1,051,181.38		7/15/2024	1.64%	$ 39,483.33	$ 31,978.44	$ 3,371.88	1049
Caterpillar Financial Serv	14913Q2V0	Corporate Bond	2/23/2021	1,000,000.00	1,077,370.00	1,064,795.04		5/17/2024	0.44%	$ 6,650.00	$ 1,582.27	$ 772.44	990
FNMA	3135G0V75	Gov. Agency Debenture	10/17/2019	1,100,000.00	1,105,833.30	1,142,220.24		7/2/2024	1.63%	$ 33,206.25	$ 30,694.63	$ 3,059.59	1036
US Bancorp	91159HHV5	Corporate Bond	12/24/2019	1,000,000.00	1,049,040.00	1,066,565.55		1/5/2024	2.12%	$ 54,468.75	$ 32,781.93	$ 3,668.74	857
FHLB	3133834G3	Gov. Agency Debenture	3/11/2021	1,400,000.00	1,460,522.00	1,448,238.05		6/9/2023	0.19%	$ 7,272.22	$ 854.65	$ 477.37	647
FFCB	3133EKQA7	Gov. Agency Debenture	10/21/2019	1,000,000.00	1,019,780.00	1,049,519.27		9/10/2024	1.66%	$ 28,831.11	$ 28,373.17	$ 2,846.50	1106
PNC Financial	693476BN2	Corporate Bond	8/15/2019	1,000,000.00	1,029,280.00	1,013,445.84		2/6/2022	2.12%	$ 51,608.33	$ 39,793.76	$ 3,601.77	159
FHLB	313379Q69	Gov. Agency Debenture	7/22/2019	1,000,000.00	1,006,960.00	1,015,624.18		6/10/2022	1.87%	$ 40,020.83	$ 36,595.58	$ 3,200.18	283
FNMA	3135G0V59	Gov. Agency Debenture	11/27/2019	1,540,000.00	1,562,924.44	1,560,529.97		4/12/2022	1.61%	$ 47,643.75	$ 39,792.92	$ 4,246.40	224
JP Morgan Chase	46625HJT8	Corporate Bond	9/23/2019	1,400,000.00	1,485,414.00	1,513,252.38		2/1/2024	2.39%	$ 100,663.89	$ 61,355.87	$ 5,888.64	884
American Honda	02665WDH1	Corporate Bond	2/14/2020	600,000.00	603,756.00	616,075.91		5/10/2023	1.75%	$ 16,445.00	$ 14,494.97	$ 1,790.22	617
FHLB	3130AABG2	US Treasury Note	4/15/2019	1,000,000.00	988,250.00	1,004,438.87		11/29/2021	2.34%	$ 39,791.67	$ 51,343.12	$ 3,944.58	90
FNMA	3135G0Q89	Gov. Agency Debenture	2/10/2020	1,000,000.00	998,702.00	1,001,317.69		10/7/2021	1.38%	$ 15,927.08	$ 20,147.24	$ 2,468.63	37
FHLB	3130ALH98	Gov. Agency Debenture	2/26/2021	1,000,000.00	997,610.00	998,437.18		2/26/2024	0.33%	$ 1,250.00	$ 1,119.96	$ 559.98	909
Treasury	912828M80	US Treasury Note	7/22/2019	1,000,000.00	1,006,175.23	1,023,515.62		11/30/2022	1.81%	$ 37,158.47	$ 35,281.07	$ 3,085.23	456
Treasury	912828U57	US Treasury Note	7/31/2019	1,000,000.00	1,011,875.00	1,041,796.88		11/30/2023	1.84%	$ 38,958.33	$ 35,502.32	$ 3,144.49	821
Treasury	912828X70	US Treasury Note	12/30/2019	1,000,000.00	1,010,589.29	1,044,414.06		4/30/2024	1.75%	$ 29,703.30	$ 29,364.36	$ 3,322.24	973
Treasury	912828XT2	US Treasury Note	10/31/2019	1,000,000.00	1,015,667.41	1,045,039.06		5/31/2024	1.64%	$ 31,639.34	$ 27,624.64	$ 2,816.99	1004
Wells Fargo	94988J6A0	Corporate Bond	6/24/2020	1,350,000.00	1,370,749.50	1,350,498.08		9/9/2021	0.80%	$ 18,912.83	$ 10,139.92	$ 1,694.54	9
FFCB	3133EJ3Q0	Gov. Agency Debenture	8/28/2019	1,500,000.00	1,587,503.75	1,588,544.91		12/21/2023	2.12%	$ 78,223.96	$ 42,086.02	$ 3,882.94	842
Freddie Mac	3133EKKT2	Gov. Agency Debenture	6/24/2019	1,550,000.00	1,573,188.00	1,597,006.71		2/8/2023	1.82%	$ 82,731.25	$ 57,521.06	$ 4,838.95	526
Treasury	xxxx												
Subtotal				$ 44,840,000.00	$ 45,693,180.25	$ 46,073,593.71	$ 3,156.84			$ 1,334,876.64	$ 1,059,368.87	$ 108,836.62	
BNY MM		Money Market			275,316.10	275,316.10			0.00%				1
LAIF		State Investment Pool			8,888,929.23	8,888,929.23			0.22%			4,230.56	1
					$54,857,425.58	$55,237,839.04				$ 1,334,876.64	$ 1,059,368.87	$ 113,067.18	
Matured Assets													
US Treasury	912828Y20	Gov. Agency Debenture	1/31/2020	1,000,000.00	1,016,601.56			7/15/2021	1.47%	$ 38,221.16	$ 20,977.00	$ 609.80	0

Total Investments "Matured" $ 609.80

Total Interest FY 20_21 Matured and Current $ 113,676.98

Maturity Profile

	Amount
0-1 year	$21,371,086.97
1-2 years	$10,345,450.72
2-3 years	$20,123,107.89
3-5 years	$ 3,017,780.00
	$54,857,425.58

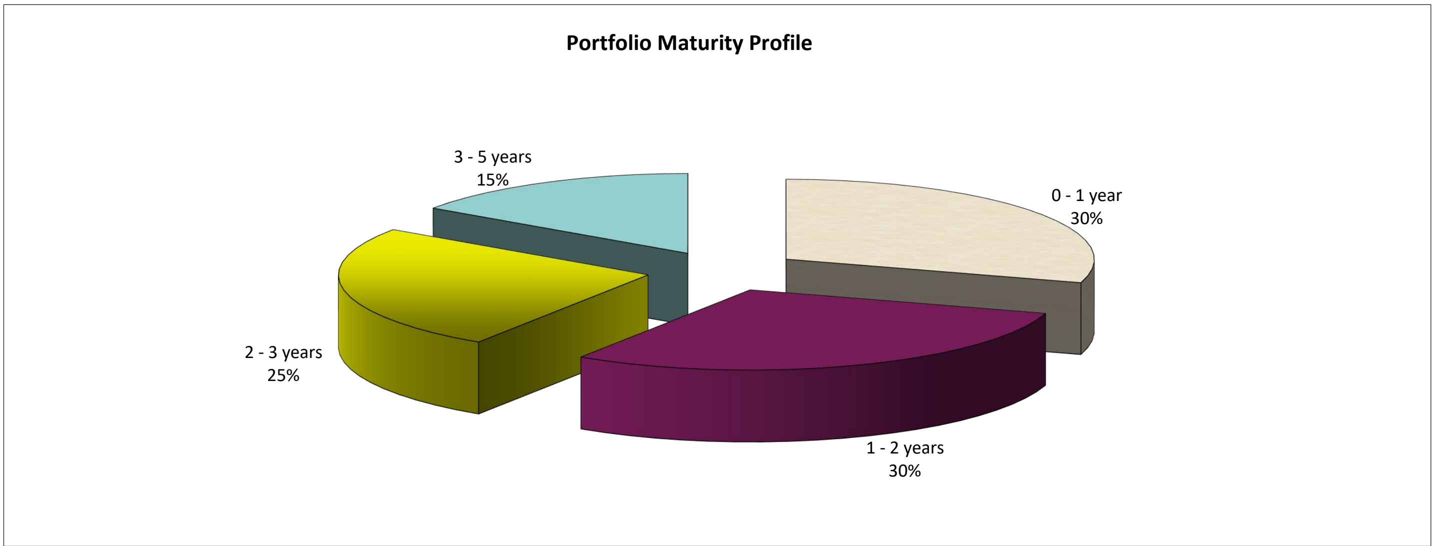
Market to Cost Position Report

Institution	Amortized Cost
BNY Assets	$45,693,180.25
BNY MM	275,316.10
LAIF	8,888,929.23
Total	$54,857,425.58

Town of Los Gatos
Summary Investment Information
July 31, 2021

Weighted Average YTM Portfolio Yield: **1.32%** **Weighted Average Maturity (days)** **519**

	This Month	Last Month	One year ago
Portfolio Balance	$61,422,761	$67,951,235	$60,339,136
Benchmarks/ References:			
Town's Average Yield	1.32%	1.37%	1.86%
LAIF Yield for month	0.22%	0.26%	0.92%
3 mo. Treasury	0.05%	0.05%	0.10%
6 mo. Treasury	0.05%	0.06%	0.10%
2 yr. Treasury	0.19%	0.25%	0.11%
5 yr. Treasury (most recent)	0.69%	0.89%	0.21%
10 Yr. Treasury	1.47%	1.50%	0.53%



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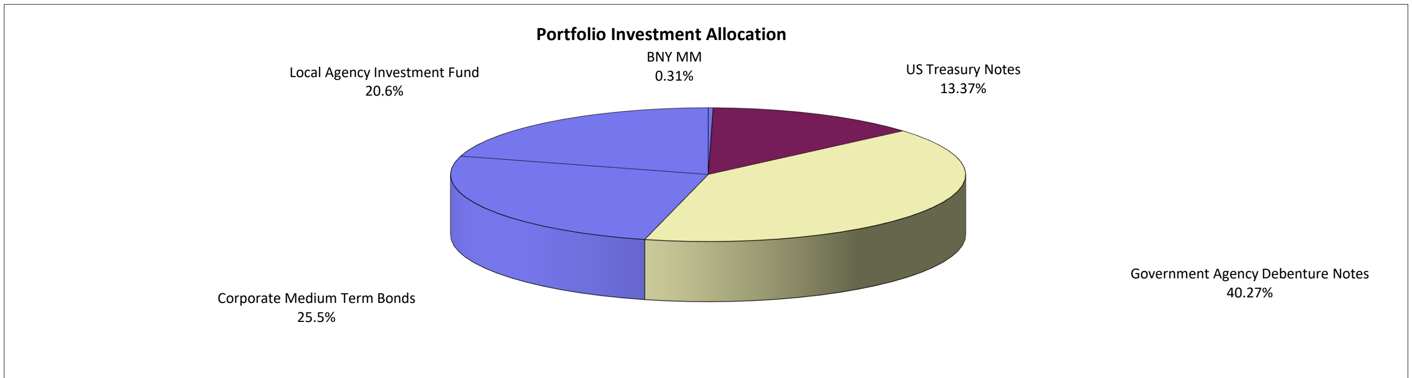
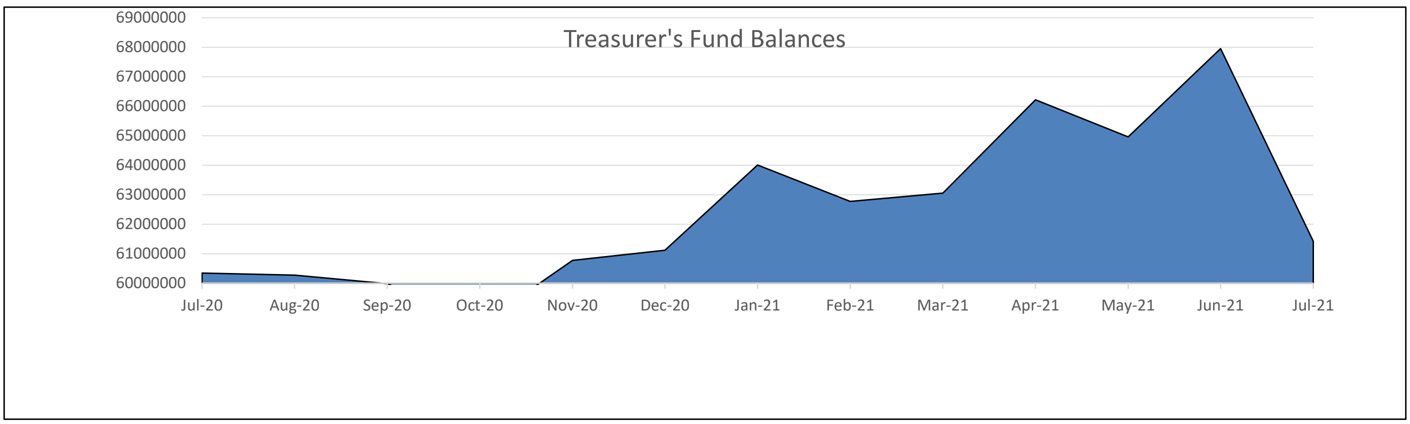
Item 2.

Town of Los Gatos
Portfolio Allocation & Treasurer's Fund Balances
July 31, 2021

	Month	YTD
Fund Balances - Beginning of Month/Period	$67,951,235.09	$67,951,235.09
Receipts	6,277,887.55	6,277,887.55
Disbursements	(12,806,361.77)	(12,806,361.77)
Fund Balances - End of Month/Period	$61,422,760.87	$61,422,760.87

Portfolio Allocation:		% of Portfolio	Max. % Or $ Allowed Per State Law or Policy
BNY MM	$177,226.21	0.31%	20% of Town Portfolio
US Treasury Notes	$7,723,182.05	13.37%	No Max. on US Treasuries
Government Agency Debenture Notes	$23,261,475.69	40.27%	No Max. on Non-Mortgage Backed
Corporate Medium Term Bonds	$14,708,522.51	25.47%	30% of Town Portfolio
Local Agency Investment Fund	$11,888,929.93	20.58%	$75 M per State Law
Subtotal - Investments	57,759,336.39	100.00%	
Reconciled Demand Deposit Balances	3,663,424.48		
Total Treasurer's Fund	$61,422,760.87		





Town of Los Gatos
Non-Treasury Restricted Fund Balances
July 31, 2021

		Beginning Balance		JULY 21 Deposits Realized Gain/Adj.		JULY 21 Interest/ Earnings		JULY 21 Withdrawals		Ending Balance	
Non-Treasury Funds:											
Cert. of Participation 2002 Series A Reserve Fund	$	686,273.80			$	5.70			$	686,279.50	Note 1
Cert. Of Participation 2010 Ser A Lease Pymt Fund		0.39		1,095,997.64					$	1,095,998.03	Note 1
Cert. of Participation 2002 Lease Payment Fund		19.71		541,162.50					$	541,182.21	Note 1
Cert. of Participation 2010 Series Reserve Fund		1,298,193.37				4.66		21,135.53		1,277,062.50	Note 2
Total Restricted Funds:	$	1,984,487.27	$	1,637,160.14	$	10.36	$	21,135.53	$	3,600,522.24	
CEPPT IRS Section 115 Trust		0.00		0.00		0.00		0.00		0.00	
Grand Total COP's and CEPPT Trust	$	1,984,487.27	$	1,637,160.14	$	10.36	$	21,135.53	$	3,600,522.24	

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

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

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

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

Town of Los Gatos
Statement of Interest Earned
July 31, 2021

Interest by Month

July 2021	$57,076.80
August 2021	
September 2021	
October 2021	
November 2021	
December 2021	
January 2022	
February 2022	
March 2022	
April 20202	
May 2022	
June 2022	
	$57,076.80

Town of Los Gatos Investment Schedule March 2021

Item 2.

Institution	CUSIP #	Security	Deposit Date	Par Value	Original Cost	Market Value	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
Treasury	91282CAP6	US Treasury Note	6/30/2021	1,000,000.00	995,390.63	997,890.62	259.56	10/15/2023	0.33%	$ (259.56)	$ -	$ 276.88	806
Toyota Motor Credit	89236TDP7	Corporate Bond	05/20/19	1,100,000.00	1,102,596.00	1,111,598.29		1/11/2022	2.50%	$ 61,251.67	$ 58,418.45	$ 2,345.82	164
Toyota Motor Credit	89236THA6	Corporate Bond	4/12/2021	500,000.00	510,580.00	509,622.97	881.25	8/25/2023	0.45%	$ (881.25)	$ 494.69	$ 194.12	755
American Express Credit Corp.	0258M0EG0	Corporate Bond	4/5/2021	1,000,000.00	1,020,330.00	1,012,686.03	2,400.00	1/31/2022	0.46%	$ (2,400.00)	$ 553.07	$ 199.36	184
FFCB	3133EKMX1	Gov. Agency Debenture	8/2/2019	1,000,000.00	1,014,400.00	1,048,965.80		2/23/2024	1.90%	$ 40,325.83	$ 36,611.80	$ 1,626.03	937
FFCB	3133EMBE1	Gov. Agency Debenture	10/8/2020	1,600,000.00	1,598,000.00	1,597,948.69		3/28/2024	0.34%	$ 2,253.34	$ 3,903.24	$ 456.61	971
FFCB	3133EMCQ3	Gov. Agency Debenture	10/16/2020	2,000,000.00	1,998,000.00	1,999,212.56		10/13/2024	0.31%	$ 2,753.33	$ 4,295.55	$ 518.14	1170
BankAmerica Corp	06051GHC6	Corporate Bond	10/9/2020	1,300,000.00	1,366,287.00	1,345,687.20		12/20/2023	0.66%	$ 27,227.92	$ 13,250.31	$ 1,555.91	872
IBM	459200HG9	Corporate Bond	8/8/2019	1,000,000.00	995,010.00	1,016,153.50		8/1/2022	2.05%	$ 27,760.42	$ 38,718.82	$ 1,734.51	366
IBM	459200JY8	Corporate Bond	3/25/2021	1,000,000.00	1,071,040.00	1,066,301.47		5/15/2024	0.71%	$ 4,166.67	$ 1,964.86	$ 627.95	1019
US Treasury	912828R28	US Treasury Note	7/2/2019	500,000.00	497,246.09	512,714.85		4/30/2023	1.77%	$ 14,859.04	$ 17,663.79	$ 751.14	638
Freddie Mac	3137EAEN5	Gov. Agency Debenture	7/19/2019	2,000,000.00	2,072,358.00	2,096,134.10		6/19/2023	1.79%	$ 105,416.67	$ 71,285.65	$ 3,103.73	688
FFCB	3133EKVF0	Gov. Agency Debenture	7/22/2019	1,000,000.00	999,630.00	1,025,368.59		1/17/2023	1.89%	$ 37,239.58	$ 36,626.98	$ 1,601.46	535
Treasury	912828L57	US Treasury Note	7/22/2019	1,200,000.00	1,197,988.40	1,222,968.74		9/30/2022	2.09%	$ 35,516.39	$ 42,014.96	$ 1,837.04	426
Freddie Mac	3137EADB2	Gov. Agency Debenture	1/17/2020	2,100,000.00	2,132,039.70	2,121,664.92		1/13/2022	2.12%	$ 74,258.34	$ 49,063.54	$ 2,869.75	166
US Treasury	91282CAW1	Gov. Agency Debenture	7/15/2021	1,200,000.00	1,199,437.50	1,200,656.26	497.28	11/15/2023	0.27%	$ (497.28)	$ -	$ 142.06	837
American Honda	02665WCZ2	Corporate Bond	11/27/2019	1,000,000.00	1,012,410.01	1,052,161.15		6/27/2024	2.12%	$ 36,733.34	$ 33,895.56	$ 1,808.54	1062
JP Morgan Chase	46625HJE1	Gov. Agency Debenture	2/11/2020	900,000.00	934,587.00	930,500.68		9/23/2022	1.74%	$ 32,662.50	$ 22,179.72	$ 1,361.53	419
Honeywell Int'l.	438516BW5	Corporate Bond	11/20/2019	1,000,000.00	1,014,660.00	1,051,329.26		7/15/2024	1.64%	$ 27,983.33	$ 31,978.44	$ 1,685.94	1080
Caterpillar Financial Serv	14913Q2V0	Corporate Bond	2/23/2021	1,000,000.00	1,077,370.00	1,064,889.27		5/17/2024	0.44%	$ 6,650.00	$ 1,582.27	$ 386.22	1021
FNMA	3135G0V75	Gov. Agency Debenture	10/17/2019	1,100,000.00	1,105,833.30	1,145,420.88		7/2/2024	1.63%	$ 33,206.25	$ 30,694.63	$ 1,529.80	1067
US Bancorp	91159HHV5	Corporate Bond	12/24/2019	1,000,000.00	1,049,040.00	1,070,768.58		1/5/2024	2.12%	$ 37,593.75	$ 32,781.93	$ 1,834.37	888
FHLB	3133834G3	Gov. Agency Debenture	3/11/2021	1,400,000.00	1,460,522.00	1,450,459.18		6/9/2023	0.19%	$ 7,272.22	$ 854.65	$ 238.69	678
FFCB	3133EKQA7	Gov. Agency Debenture	10/21/2019	1,000,000.00	1,019,780.00	1,051,977.99		9/10/2024	1.66%	$ 28,831.11	$ 28,373.17	$ 1,423.25	1137
PNC Financial	693476BN2	Corporate Bond	8/15/2019	1,000,000.00	1,029,280.00	1,015,632.12		2/6/2022	2.12%	$ 51,608.33	$ 39,793.76	$ 1,800.89	190
FHLB	313379Q69	Gov. Agency Debenture	7/22/2019	1,000,000.00	1,006,960.00	1,017,522.56		6/10/2022	1.87%	$ 40,020.83	$ 36,595.58	$ 1,600.09	314
FNMA	3135G0V59	Gov. Agency Debenture	11/27/2019	1,540,000.00	1,562,924.44	1,563,194.05		4/12/2022	1.61%	$ 47,643.75	$ 39,792.92	$ 2,123.20	255
JP Morgan Chase	46625HJT8	Corporate Bond	9/23/2019	1,400,000.00	1,485,414.00	1,516,765.59		2/1/2024	2.39%	$ 73,538.89	$ 61,355.87	$ 2,944.32	915
American Honda	02665WDH1	Corporate Bond	2/14/2020	600,000.00	603,756.00	617,168.09		5/10/2023	1.75%	$ 16,445.00	$ 14,494.97	$ 895.11	648
FHLB	3130AABG2	US Treasury Note	4/15/2019	1,000,000.00	988,250.00	1,006,017.77		11/29/2021	2.34%	$ 39,791.67	$ 51,343.12	$ 1,972.29	121
FNMA	3135G0Q89	Gov. Agency Debenture	2/10/2020	1,000,000.00	998,702.00	1,002,418.64		10/7/2021	1.38%	$ 15,927.08	$ 20,147.24	$ 1,234.32	68
FHLB	3130ALH98	Gov. Agency Debenture	2/26/2021	1,000,000.00	997,610.00	998,469.74		2/26/2024	0.33%	$ -	$ 1,119.96	$ 279.99	940
Treasury	912828M80	US Treasury Note	7/22/2019	1,000,000.00	1,006,175.23	1,025,078.12		11/30/2022	1.81%	$ 37,158.47	$ 35,281.07	$ 1,542.61	487
Treasury	912828U57	US Treasury Note	7/31/2019	1,000,000.00	1,011,875.00	1,043,828.12		11/30/2023	1.84%	$ 38,958.33	$ 35,502.32	$ 1,572.25	852
Treasury	912828X70	US Treasury Note	12/30/2019	1,000,000.00	1,010,589.29	1,046,328.12		4/30/2024	1.75%	$ 29,703.30	$ 29,364.36	$ 1,661.12	1004
Treasury	912828XT2	US Treasury Note	10/31/2019	1,000,000.00	1,015,667.41	1,047,226.56		5/31/2024	1.64%	$ 31,639.34	$ 27,624.64	$ 1,408.49	1035
Wells Fargo	94988J6A0	Corporate Bond	6/24/2020	1,350,000.00	1,370,749.50	1,352,525.78		9/9/2021	0.80%	$ 18,912.83	$ 10,139.92	$ 847.27	40
FFCB	3133EJ3Q0	Gov. Agency Debenture	8/28/2019	1,500,000.00	1,587,503.75	1,592,878.44		12/21/2023	2.12%	$ 78,223.96	$ 42,086.02	$ 1,941.47	873
Freddie Mac	3133EKKT2	Gov. Agency Debenture	6/24/2019	1,550,000.00	1,573,188.00	1,599,519.42		2/8/2023	1.82%	$ 65,293.75	$ 57,521.06	$ 2,419.47	557
Treasury	xxxx												
Subtotal				$ 44,840,000.00	$ 45,693,180.25	$ 46,147,654.70	$ 4,038.09			$ 1,224,789.14	$ 1,059,368.87	$ 54,351.72	
BNY MM		Money Market			177,226.21	177,226.21			0.00%				1
LAIF		State Investment Pool			11,888,929.93	11,888,929.93			0.22%			2,115.28	1
					$57,759,336.39	$58,213,810.84				$ 1,224,789.14	$ 1,059,368.87	$ 56,467.00	
Matured Assets													
US Treasury	912828Y20	Gov. Agency Debenture	1/31/2020	1,000,000.00	1,016,601.56			7/15/2021	1.47%	$ 38,221.16	$ 20,977.00	$ 609.80	0

Total Investments "Matured"	$ 609.80
Total Interest FY 20_21 Matured and Current	$ 57,076.80

Maturity Profile

	Amount
0-1 year	$23,277,987.78
1-2 years	$11,340,460.72
2-3 years	$20,123,107.89
3-5 years	$ 3,017,780.00
	$57,759,336.39

Market to Cost Position Report

Institution	Amortized Cost
BNY Assets	$45,693,180.25
BNY MM	177,226.21
LAIF	11,888,929.93
Total	$57,759,336.39

Town of Los Gatos

Insight ESG Ratings as of September 30, 2021

Security Description	Maturity Date	Par/Shares	Moody Rating	S&P Rating	Insight ESG Rating	Environment	Social	Governance
TOYOTA MOTOR CREDIT CORP 2.6% 11JAN2022	1/11/2022	$ 1,100,000	A1	A+	3	3	3	4
AMERICAN EXPRESS CREDIT 2.7% 03MAR2022 (CALLABLE 31JAN22)	3/3/2022	$ 1,000,000	A2	A-	2	1	2	3
PNC FINANCIAL SERVICES 3.3% 08MAR2022 (CALLABLE 06FEB22)	3/8/2022	$ 1,000,000	A3	A-	2	3	3	3
IBM CORP 1.875% 01AUG2022	8/1/2022	$ 1,000,000	A2	A-	3	2	3	4
JPMORGAN CHASE & CO 3.25% 23SEP2022	9/23/2022	$ 900,000	A2	A-	3	1	3	4
AMERICAN HONDA FINANCE 1.95% 10MAY2023	5/10/2023	$ 600,000	A3	A-	3	2	4	3
TOYOTA MOTOR CREDIT CORP 1.35% 25AUG2023	8/25/2023	$ 500,000	A1	A+	3	3	3	4
AMERICAN HONDA FINANCE 3.625% 10OCT2023	10/10/2023	$ 950,000	A3	A-	3	2	4	3
BANK OF AMERICA CORP 3.004% 20DEC2023 (CALLABLE 20DEC22)	12/20/2023	$ 1,300,000	A2	A-	3	1	4	4
JPMORGAN CHASE & CO 3.875% 01FEB2024	2/1/2024	$ 1,400,000	A2	A-	3	1	3	4
US BANCORP 3.375% 05FEB2024 (CALLABLE 05JAN24)	2/5/2024	$ 1,000,000	A2	A+	3	2	4	3
IBM CORP 3.0% 15MAY2024	5/15/2024	$ 1,000,000	A2	A-	3	2	3	4
CATERPILLAR FIN SERVICES 2.85% 17MAY24	5/17/2024	$ 1,000,000	A2	A	3	3	3	4
AMERICAN HONDA FINANCE 2.4% 27JUN2024	6/27/2024	$ 1,000,000	A3	A-	3	2	4	3
HONEYWELL INTERNATIONAL 2.3% 15AUG2024 (CALLABLE 15JUL24)	8/15/2024	$ 1,000,000	A2	A	4	3	5	3
Total/Average		**$ 14,750,000**			**2.9**	**2.0**	**3.3**	**3.6**

*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.

TOWN OF LOS GATOS
FINANCE COMMISSION REPORT

MEETING DATE: 11/08/2021
ITEM NO: 3

DATE: November 3, 2021

TO: Finance Commission

FROM: Laurel Prevetti, Town Manager

SUBJECT: Management Discussion and Analysis Review for the Annual Comprehensive Financial Report

RECOMMENDATION:

Management Discussion and Analysis (MD&A) review for the Annual Comprehensive Financial Report.

BACKGROUND:

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

(a) The Finance Commission shall:

(3) Review the Town Manager's draft Comprehensive Annual Financial Report (CAFR) for the preceding fiscal year and provide written comments and recommendations to the Town Manager.

(A) The Town Manager shall respond in writing to the Finance Commission providing his or her rationale for accepting or rejecting each of the Finance Commission's comments and recommendations prior to presenting the CAFR to the Town Council for formal consideration.

(B) The Town Manager may not present the CAFR to the Town Council for formal consideration unless or until he or she considers and responds in writing to all of the Finance Commission's comments and recommendations.

PREPARED BY: Arn Andrews
Assistant Town Manager

Reviewed by: Town Manager and Finance Director

DISCUSSION:

Prior to the final draft Annual Comprehensive Financial Report (ACFR) being presented to the Finance Commission, staff would appreciate input regarding the composition of the FY 2020 Management Discussion and Analysis (MD&A) (Attachment 1). To help facilitate the Commission's MD&A review, staff is providing the relevant section of GASB 34 (Attachment 2) which established the MD&A section and the Government Financial Officers Association award rating criteria for MD&A (Attachment 3). It is important to note that while management has some latitude in the composition of the MD&A, it is primarily structured through the framework of GASB 34 and the GFOA award criteria.

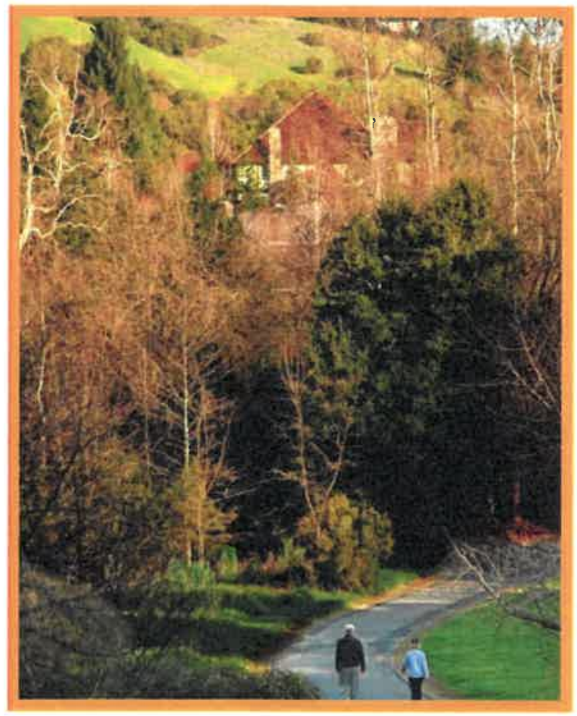
CONCLUSION:

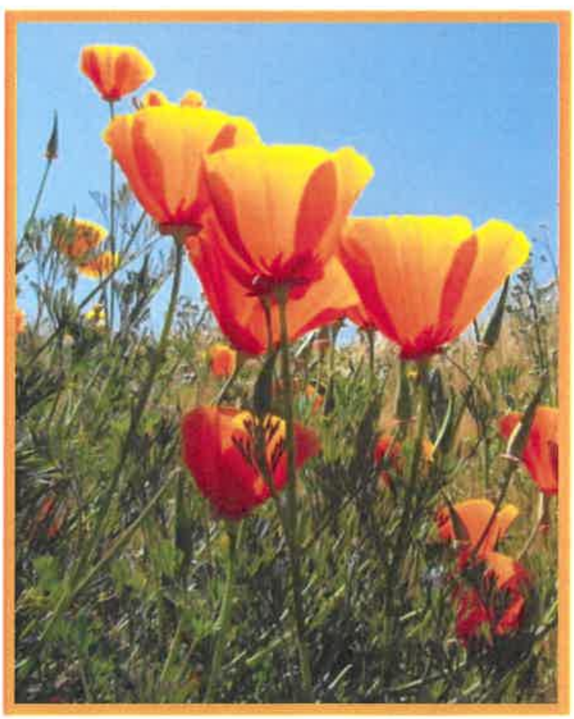
Staff looks forward to the Commission's MD&A review and input.

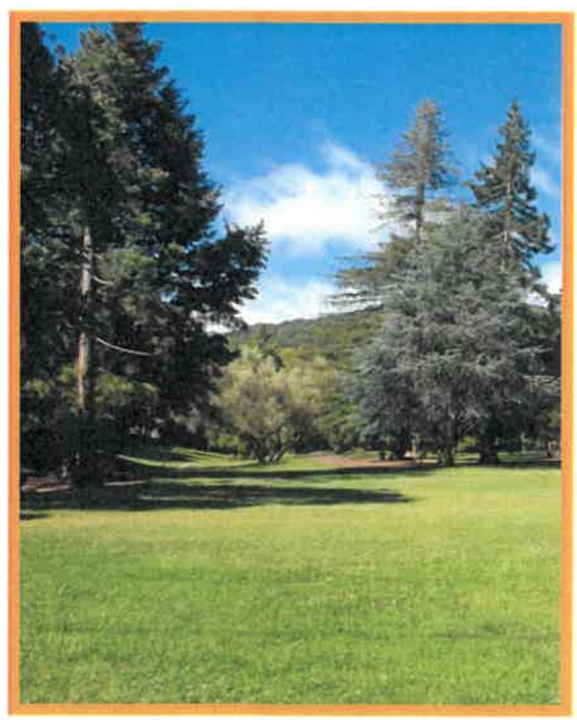
Attachments:
1. FY 2020 MD&A
2. GASB 34 MD&A
3. GFOA MD&A Award Criteria

TOWN OF LOS GATOS

CALIFORNIA







Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2020

ATTACHMENT 1

Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Town of Los Gatos's Comprehensive Annual Financial Report (CAFR) presents management's discussion and analysis of the Town's financial performance during the fiscal year that ended on June 30, 2020. This analysis should be read in conjunction with the Transmittal Letter at the front of this report and the accompanying Basic Financial Statements.

FINANCIAL HIGHLIGHTS

- Town assets exceeded liabilities at the close of FY 2019/20 by $114,851,031 (total net position).

- The Town's total net position increased by $32,000 during the fiscal year largely as a result of a small excess of total governmental activities revenues above governmental expenses and uses of financial resources.

- Reported unrestricted net position is negative ($3,967,178) compared to ($4,642,167) the prior year. The improvement in unrestricted net position resulted largely from the use of approximately $8.0 million in unrestricted cash balances in the Town's General Fund Appropriated Reserve (GFAR) fund during the year to invest in the Town's infrastructure and equipment. Unrestricted net position represents all resources not included as net investment in capital or restricted assets.

- The Town's economically sensitive major revenues of sales tax and transient occupancy taxes (TOT) were negatively impacted by the COVID-19 pandemic and its related disruptions to normal local economic activity. Sales taxes declined $0.6 million from the prior year while TOT declined $0.8million from the prior period. The impacts to revenues began in March 2020, as shelter-in-place orders were instituted and continued through the end of the fiscal year. Revenue impacts have continued into FY 2020/21 primarily evidenced by TOT revenue declines relative to prior years. For more information on COVID-19 impacts, please refer to Note 15.

- The decline in sales taxes and TOT was partially offset by continued growth in property tax revenues ($1.0 million).

- Total expenses as reported in the Statement of Activities increased $3.8 million from the prior year. The increase was driven by a combination of different factors detailed under the Government Activities Expenditures Discussion. A primary contributing factor was the increasing cost of negotiated salary and related benefit increases offered to all Town bargaining units during the fiscal year and lower amounts of vacant positions primarily in the public safety function.

- The cost of all governmental activities this year was $48.0 million. However, as shown in the Statement of Activities, the amount that the taxpayers ultimately supported for these activities was $33 million This is because those who directly benefited from the programs paid $10.3 million, and other governments and organizations subsidized certain programs with operating grants and contributions of $3.8 million and capital grants and contributions of $0.9 million. Overall, the Town 's governmental program revenues were $15.0 million. The Town paid for the remaining "public benefit" portion of governmental activities with $33 million in taxes and general revenues including interest and miscellaneous revenues. This $33 million in net cost of governmental activities is an approximate 9% increase from the prior fiscal year, resulting largely from the increasing cost of negotiated salary and related benefit increases offered to all Town bargaining units during the fiscal year and lower amounts of vacant positions primarily in the public safety function.

- At the end of FY 2019/20, General Fund balance was $29,335,497 compared to $38,343,155 in the prior year. The ending fund balance of $29,335,497 represents approximately 66.3% of General Fund expenditures for the current fiscal year excluding transfers-out to the Town's capital projects funds and internal service funds. The reduction in General Fund ending fund balances was primarily from:
    - $4.8 million of General Fund restricted cash balances for an additional discretionary payment (ADP) made to CalPERS in October 2019. The ADP to CalPERS was to pay down a portion of the Town's actuarially determined unfunded pension liability beyond the mandated annual payments.
    - Additionally, the General fund transferred approximately $7.0 to the Town's capital projects fund to provide funding for Town infrastructure improvements.
    - $1.0 million transfer to the Town's workers compensation internal service fund from General Fund reserves to provide additional funding available to meet ongoing claims activity.
    - This reduction of General fund balance was partially offset by an approximate $3.1 million excess operating revenues above operating expenditures (excluding the ADP payment and transfers out to other funds) for the year.

- Total fund balances for all governmental funds at year end were $50,170,882, a decrease of approximately $3.4 million or (6.4%) from the prior year. Governmental fund balances decreased primarily due to:
    - $7.8 million of capital outlay expenditures made from the Town's capital projects funds.
    - $4.8 million ADP payment made to CalPERS in October 2019 from the General fund.
    - These uses were partially offset by the Town's capital projects funds recording approximately $2.2 million in increases from the prior year's level of receipts of intergovernmental (grants) revenues during the fiscal year.

- At fiscal year end, the Town's General Fund restricted cash assets included $669,978 placed in its recently established Town's IRS Section 115 Pension Trust.

- The Town's total capital assets increased by $4,157,637 to $111,700,225 net of depreciation.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the CAFR contains the following information: Independent Auditor's Report, Management's Discussion and Analysis (this section), the Basic Financial Statements, and the Required Supplementary Information. The CAFR also includes a Supplementary Information section, which presents combining and budgetary schedules for individual non-major funds. The Basic Financial Statements are comprised of three components: 1) Government-Wide Financial Statements, 2) Fund Financial Statements, and 3) Notes to the Financial Statements. The Management's Discussion and Analysis is intended to be an introduction to the Basic Financial Statements.

Government-Wide Financial Statements

The Government-Wide Financial Statements present the financial picture of the Town from an economic resources measurement focus using the accrual basis of accounting. An economic resources measurement focus is when a body of financial statements report all inflows, outflows, and balances affecting or reflecting an entity's net position.

The Statement of Net Position presents information on all of the Town's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The Statement of Activities presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this Statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the Government-Wide Financial Statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues *(governmental activities)* from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business–type activity)*. The governmental activities of the Town include public safety, parks and public works, community development, library, community services, debt service, and general government. The Town has no business-type activities for accounting purposes.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the Town are segregated into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds – The Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using the modified accrual basis of accounting, which measures cash and other financial assets that can readily be converted to cash. The Governmental Fund Statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's operations. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities.*

Proprietary funds – The Town maintains one type of proprietary fund: Internal Service Funds. Proprietary funds are reported using the accrual basis of accounting. Internal Service Funds are an accounting tool used to accumulate and allocate costs internally among the Town's various functions. The Town uses Internal Service Funds to account for its fleet of vehicles, computer equipment, risk management activities, and other items. Internal Service Funds help smooth the variability of certain expenses and insulate the Town from large unanticipated costs. The Internal Service Funds are included within governmental activities in the Government-Wide Financial Statements.

Fiduciary funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the Town. Fiduciary funds are not reflected in the Government-Wide Financial Statements because the resources of those funds are not available to support the Town's own programs.

Included in fiduciary funds is the Redevelopment Successor Agency private-purpose Trust Fund created upon the dissolution of the former Redevelopment Agency (RDA) in 2012. The Trust Fund was created to hold the assets of the former Redevelopment Agency until they are transferred for governmental purposes to other entities or distributed to the underlying taxing jurisdictions in Santa Clara County after the payment of enforceable obligations. Additional information on the dissolution of the RDA and this fiduciary fund can be found in Note 12 in the notes to basic financial statements.

Notes to Basic Financial Statements

The notes provide additional information to facilitate a full understanding of the data provided in the Government-Wide and Fund Financial Statements. The notes to the Basic Financial Statements can be found on pages 60-98 of this report.

ANALYSIS OF GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Government-Wide Financial Statements provide long-term and short-term information about the Town's overall financial condition. This analysis addresses the financial statements of the Town as a whole, utilizing data from throughout the CAFR to describe the changes between 2019 and 2020.

Net Position Discussion

As shown below, the Town's combined net position for the year ended June 30, 2020 was $114.85 million, reflecting a small increase of approximately $30K to the prior years' net position of $114.82 million. In general, net position can serve as an important indicator of whether the Town's overall financial condition is improving or deteriorating over time.

Town of Los Gatos
Net Position
Governmental Activites
For the Year Ended June 30, 2020

	2020	2019
Current and other Assets	$ 75,995,161	$ 79,464,869
Capital Assets	111,700,225	107,542,588
Total Assets	$ 187,695,386	$ 187,007,457
Deferred Outflows - Pension/OPEB	17,441,310	13,521,349
Current Liabilities	18,093,199	17,002,972
Long-Term Liabilities Outstanding	69,465,025	66,521,231
Total Liabilities	$ 87,558,224	$ 83,524,203
Deferred Inflows - Pension/OPEB	2,727,441	2,185,494
Net Position		
Net Investment in Capital Assets	111,700,225	107,542,588
Restricted	7,117,984	11,918,688
Unrestricted	(3,967,178)	(4,642,167)
Total Net Position	$ 114,851,031	$ 114,819,109

Current and other assets decreased $3.5 million from the prior year, primarily due to an approximate $4.8 million decrease in restricted cash deposits. The decrease is primarily related to the budgeted October 2019 additional discretionary payment (ADP) made by the Town to CalPERS to reduce the Town's actuarial unfunded pension liability beyond the mandated annual payments. Capital assets increased $4.2 million net of depreciation expense totaling approximately $3.9 million for the year, much of which is related to the infrastructure investments made throughout the Town including:

- Approximately $5.8 million in street repair and resurfacing and curb and gutter work Town-wide,
- Approximately $0.7 million to complete the Almond Grove Street Rehabilitation project,
- $0.3 million in bicycle and pedestrian improvements, and
- $0.2 million in energy efficiency upgrades made to the Town's facilities among other current year capital projects.

Deferred Outflows increase of $3.9 million was primary due to the additional discretionary payment made in October 2019 to reduce the Town's unfunded pension liability.

Current liabilities increased $1.1 million from the prior year primarily due to increases in accounts payable ($400K) and accrued payroll ($285K), claims payable ($141K), and unearned revenue ($403K), offset by an decrease in deposits payable and amount due to other governments ($161K).

Long-term liabilities increased $3.0 million. The increase is primarily due to the $3.6 million increases in pension liabilities measured as of June 30, 2019. Due to the actuarial measurement date the ADP payment of approximately $4.8 made by the Town in October 2019 will be reflected in the subsequent actuarial valuation. There was an additional increase of $343K for compensated absences from the prior year. These increases were offset by a $900K reduction in net other post employment benefits (OPEB) liabilities due to the continued additional discretionary funding of the unfunded OPEB liability. See Note (9) and Note (10) of Notes to the Financial Statements for more information on Town's pension and other post retirement benefit plans.

Deferred Inflows increased by $0.5 million resulting primarily from the difference between projected and actual earnings on investments.

The largest segment of the Town's net position, representing $111.7 million of net position, reflects the net investment in capital assets (e.g., land, buildings, infrastructure, and equipment) less accumulated depreciation and related outstanding debt used to acquire those assets. The Town uses these capital assets to provide infrastructure and services to our residents. Therefore, they do not represent a liquid financial resource to the Town and consequently are not readily available for funding current obligations.

Restricted net position totaled approximately $7.1 million representing approximately $6.4 million for capital projects and $670K placed in trust for unfunded pension/OPEB obligations.

As of June 30, 2020, unrestricted net position reports an approximate $675K increase from a deficit of approximately (-$4.64 million) the prior year to an ending deficit balance of approximately (-$3.97 million). The deficit in governmental unrestricted net position is primarily due to the Town's outstanding long term pension and OPEB liabilities. It is not uncommon for governments with these types of long term liabilities to report a deficit in unrestricted net position. A deficit in unrestricted net position is not the only measure to assess the Town's fiscal health, other factors can also be important to consider such as an expanding and growing property tax base and the condition of the Town's infrastructure including streets, parklands, civic center and library, police operations building , neighborhood center, corporation yard and other improvements.

Governmental Activities

Governmental activities are generally financed through taxes, intergovernmental revenues, and other non-exchange revenues. The Statement of Activities is intended to illustrate how the cost of governmental activities is financed and determine the annual change in net position.

Town of Los Gatos
Statement of Activities
For the Year Ended June 30, 2020

	2020	2019	
Revenues:			
Program revenues:			
Charges for Services	$ 10,288,351	$ 11,350,345	
Operating Grants and Contributions	3,854,188	2,175,277	
Capital Grants and Contributions	850,113	146,792	
General Revenues:			
Property Taxes	18,330,426	17,321,347	
Sales Taxes	7,531,425	8,158,152	
Franchise Taxes	2,495,792	2,475,916	
Other Taxes	1,911,774	2,726,743	
Motor Vehicle in Lieu	24,526	14,689	
Investment Earnings	2,428,470	1,809,128	
Miscellaneous	323,940	2,407,840	
Total Revenues	48,039,005	48,586,229	
Expenses:			
Police Department	20,446,188	16,635,726	(1)
Parks and Public Works	11,803,005	10,627,716	
General Government	7,405,368	8,163,991	(1)
Community Development	5,001,958	5,064,637	
Library Services	3,347,523	3,059,294	
Sanitation	3,041	684,673	
Total Expenses	48,007,083	44,236,037	
Change in Net Position	31,922	4,350,192	
Net Position, beginning	114,819,109	110,468,917	
Net Position, Ending	$ 114,851,031	$114,819,109	

(1) *In staff's review of the prior year's Statement of Activities it was discovered an error had been made in the reversal of current year OPEB contributions which was allocated across all departments in error. The credit should have only been charged to general governmental expenses in the prior year. This correction has no effect on net position but changes the expense totals by function but no effect on total expenses on the Statement of Activities for the prior fiscal year ending June 30. 2019.*

Governmental Activities Revenue Discussion

The Statement of Activities shown above details how the $48.0 million in Governmental Activities revenue was derived. As categorized in the Statement of Activities as program revenues, approximately $10.3 million or 21.4% of the revenues were recorded from those who directly benefited from the program as a charge for service. Another $4.7 million or 9.8% of the revenues were sourced from operating/capital grants and contributions. The remaining $33.0 million or 68.8% represents general revenues of the Town, including taxes, intergovernmental revenues, and other miscellaneous revenues.

Program revenues increased by approximately $1.3 million from the prior year. This is largely due to the Town's effort to qualify for a number of new operational and capital grants from the federal and state government.

The Town's revenues related to Governmental Activities decreased by approximately $1.9 million from the prior year, a combination of approximately $1.0 million increase in property taxes and $620K increase in investment earnings offset by approximately $630K declines in sales taxes, $815K in other taxes the majority of the decline coming from loss of transient occupancy taxes, and a $2.0 million reduction in miscellaneous revenues explained largely by the $1.8 million one-time gain on the sale recorded to miscellaneous revenues in the prior fiscal year associated with the Winchester land sale.

Property tax is the largest individual revenue source for the Town and collections finished the year $1.0 million higher than the previous year. This increase was mostly due to an increase in secured taxes as strong demand for residential Town property continued, the approval of the annexations of County pockets with tax revenues accruing to the Town effective FY 2019/20, and new developments driving property values higher. It's important to note that assessed valuations for FY 2019/20 were established on the tax roll in January 2019 and collected in FY 2019/20 and accordingly do not reflect COVID-19 impacts to secured or unsecured property.

At $7.5 million, sales taxes represent the second largest individual revenue source for the Town. Sales taxes decreased $0.6 million from the previous year largely due to the economic impacts related to COVID-19 which began in March 2020. The decline was slowed by the receipt for the full fiscal year of FY 2019/20 of a new additional 1/8 cent District Sales Tax approved by the Los Gatos voters in the fall of 2018.

Franchise taxes, the Town's third largest revenue source, finished the year at $2.5 million, reflecting only a very small increase $20K from the previous fiscal year.

Investment earnings increased $619K from the prior year. The primary factor responsible for this growth was the increase in the value of portfolio investments due to the dramatic reduction in prevailing interest rates as a result of the market's reaction to COVID-19. As interest rates decline interest bearing investments increase in value which led to year end ($1.2M of which approximately $600K had been recognized in the previous fiscal year) additional investment gains. These non-cash or paper gains are recognized as investment income as a result of the "mark to market value" procedure required by GASB 31.

Miscellaneous revenues decreased by approximately $2.1 million from the prior year. The substantial decrease is due to a gain on sale of property recognized the prior fiscal year, the largest segment of which was the approximate $1.9 million gain on sale of the Winchester land sale finalized in May 2019.

Governmental Activities Expenses Discussion

The Town provides residents and visitors with the following functional services: General Government is comprised of six departments (Town Council, Town Clerk, Town Manager, Town Attorney, Human Resources, Information Technology, and Finance) providing services in general governance, information technology, executive management, economic vitality, legal, records management, risk management, human resources, finance, and accounting. The Town's Police Department (public safety) provides general law enforcement, crime prevention, dispatch and responses to emergency and non-emergency calls for services. Parks and Public Works provides engineering, construction and maintenance of public streets, street lighting, Town owned buildings, parks, and related infrastructure; as well as traffic engineering and engineering evaluation of private development proposals. Community Development provides planning and zoning services; and building plan check and inspection; and code enforcement services. The Library Department provides library, local history and cultural services to the community.

Total expenses increased $3.8 million from the prior year. The increase was driven largely by the combination of the following factors:

- Negotiated salary increases and subsequent benefit increases. All non-sworn and management employees received a 3% across the board salary increase and sworn employees received a 4% across the board salary increase.

- General Government expenses increased $1.2 million from the prior year. The largest share of this increase is a result of a $416K allocation of this cost center's share of Internal Service Fund expenses over revenues in FY 2019/20 for which the prior year allocation was a decrease to this cost center of $346K for its share of Internal Service Fund revenue above expenses. The net difference between fiscal years for this allocation is approximately $762K between fiscal years.

- Public safety expenses grew by approximately $2.7 million from the prior year. There are three chief drivers of this increase. First, $1.9 million of the increase is the pension expense calculated for the Town's safety risk pool pension plan for the current fiscal year of $5,646,706 compared to $3,706,313 expensed in the prior fiscal year. Second, lower position vacancies throughout the fiscal year compared to the prior year added to the increase. Third, the cost of negotiated salary increases and related benefits including the increased pension contributions for miscellaneous or "non-safety" pension plan positions contributed.

- Parks and Public Works expenses grew by approximately $0.7 million from the prior year driven primarily by negotiated salary increases and related benefits, increased required employer pension contributions, and increases to depreciation expenses for Town infrastructure.

- Community Development expenses decreased by $360K for the year due to approximately $221K lower volume in "pass-through" expenditures for private development activity offsetting cost increases from negotiated salary increases and related benefits and increased required employer pension contributions.

- Library Services expense increased approximately $288K from the prior year primarily from negotiated salary increases and related benefits and increased required employer pension contributions.

- Sanitation expenses for urban runoff decreased approximately $682K from the prior year. In the prior fiscal year, the Town received program management fees from the West Valley Sanitation District and expensed those fees for program management. Effective fiscal year 2019/20, the West Valley Clean Water Authority receives its funding through property tax bill assessments and related expenses are paid through the Authority.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

Governmental Funds

Recognizing the financial resources measurement focus, the Town's Governmental Funds provide information on near-term inflows and outflows, and balances of spendable resources. This information is useful in assessing the Town's financing requirements and may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Unlike the Statement of Activities which does not include transfers, the Governmental Funds Balance Sheet does include transfers in and out.

Fund Balance – As discussed below, the Town's Governmental Funds Balance Sheet reports the following fund balances.

Restricted Fund Balance – The Town has $7.2 million in fund balance classified as restricted to indicate that it has an externally imposed restriction on how the money may be spent. Of the $7.2 million restricted fund balance, $0.7 million is in the General Fund representing amounts placed in an IRS Section 115 trust dedicated as to use for pension expenses. $6.3 million is restricted for capital projects, and $0.2 million for maintenance and repairs.

Committed Fund Balance – The Town has $15.4 million in fund balance classified as committed to indicate that the Town Council previously committed how the money will be spent. Of the $15.4 million committed fund balance, $15.1 million is committed to the General Fund, of which $10.9 million is for budget stabilization and catastrophe response and $4.5 million is for additional discretionary payments toward pension and OPEB unfunded liabilities.

Assigned Fund Balance – The Town has $27.5 million in fund balance which is not restricted or committed and is classified as assigned to indicate the Town Council's intent to be used for specific purposes. The largest assigned fund balance is the Reserve for Capital and Special projects with a balance of approximately $10 million which is the primary funding source for the Town's five-year capital improvement plan and special projects as budgeted by the Town.

Additional information on the Town's Fund Balance can be found in Note (8) of the Notes to the Financial Statements.

Major Governmental Funds results for the year included the following:

TOWN OF LOS GATOS
TOTAL GOVERNMENTAL FUNDS REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2020

REVENUES	2020	2019
Property Taxes	18,368,466	17,359,435
Sales Taxes	7,531,425	8,158,152
Other Taxes	1,911,774	2,726,742
Licenses & Permits	4,818,671	5,173,876
Intergovernmental	4,292,453	2,310,655
Charges for Services	5,309,470	5,584,504
Fines and Forfeitures	271,117	510,266
Franchise Fees	2,495,792	2,475,916
Interest	2,428,453	1,809,164
Use of Property	31,039	32,960
Other	376,922	579,755
Total Revenues	47,835,582	46,721,425
EXPENDITURES		
Current:		
Public Safety	15,793,815	14,945,407
General Government	13,024,146	8,004,254
Parks and Public Works	8,168,599	7,962,135
Community Development	4,473,790	4,577,495
Library Services	2,700,802	2,493,617
Sanitation and Other	162,837	628,240
Capital Outlay	7,861,972	7,888,914
Total Expenditures	52,185,961	46,500,062
Excess Revenues over Expenditures	(4,350,379)	221,363
Proceeds from sales of assets	1,566	1,912,316
Transfers in	8,935,260	4,264,131
Tranfers out	(8,628,719)	(3,323,756)
Total Other Financing Sources (Uses)	308,107	2,852,691
Net Changes in Fund Balances	(4,042,272)	3,074,054
Beginning/Ending Fund Balances As Restated	54,007,454	50,560,772
Ending Fund Balances	49,965,182	53,634,826

Overall, Total Governmental Funds revenues finished $1.3 million or 2.8% higher than the prior year, while total expenditures finished $5.7 million or 12.2% higher than the prior year. The net result is that Governmental Funds income before transfers and other financing sources and uses decreased by $3.8 million. Of Total Governmental Funds revenues, General Fund revenues totaled $42. million or nearly 89% of the total $48.0 million. Total General Fund operating revenues decreased by $900K, resulting from the net effect of:

- $1.0 million increase in property tax collections,
- $600K increase in investment income,
- $150K increase in intergovernmental revenues for the year,
- $800K decreases in other taxes,
- $600K decrease in sales tax, and
- $500K decrease in licenses and permits.

The declines in revenues from the prior year were impacted by the COVID-19 pandemic and its related restrictions which began in March 2020 and continued through the end of the fiscal year. COVID-19 and its associated economic impacts are expected to continue across the entire spectrum of economic activity both locally and nationally.

General Fund expenditures represent approximately $44.3 million of the Total Governmental Fund expenditures of $52.2 million compared to $38.0 million of total Governmental Funds expenditures of $46.5 million in the prior year. The increase in governmental funds expenditures was led by an approximate $5.0M increase in general governmental and an $850K increase in public safety expenditures from the prior year. The increase in general governmental expenditures was largely attributable to a $4.8 million ADP paid in October 2019 to pay down an additional portion of the Town's actuarial unfunded pension liability beyond mandated annual payments. Increases in public safety expenditures from the prior year were influenced by lower levels of staff vacancy savings and associated increases in salary and benefits from the prior year. Additionally, salary and benefit cost increases resulting from labor negotiations and mandated increases in employer pension contribution rates were also a contributing factor to increases to all Town departments and services.

Proprietary Funds

The Town's Proprietary Funds (Internal Service Funds) presented in the Fund Financial Statements section basically provide the same type of information in the Government-Wide Financial Statements and include individual segment information.

Total net position in the Internal Service Funds decreased $0.7 million in the current year. This decrease reflects the use of approximately $788K transferred from the Town's Facilities Maintenance Fund to provide a funding source for the Town's Capital projects for the Civic center and Recreation building restroom renovations, waterproofing, deck railing repairs, and fire suppression for the Town's IT server room. Equipment Replacement net position was reduced by scheduled fleet and equipment replacements totaling approximately $540K and transfers out of approximately $580K to be used as a funding source for the computer aided dispatch system for the Police department ($525K) and the purchase of a new patrol vehicle ($55K). These uses of net position were offset by an approximate $1.1 million transfer from the Town's General Fund to the Town's Workers Compensation Internal Service fund.

GENERAL FUND BUDGETARY HIGHLIGHTS

Changes to the Original Budget

Comparing the FY 2019/20 original budget (or adopted) General Fund expenditures of $43,256,352 (excluding budgeted transfers-out and debt payments that are reimbursed) to the final adjusted budget of $47,997,219 indicates a net increase of approximately $4.7 million. Additions to the original expenditure budget included adjustments approved by Town Council throughout the fiscal year.

Original Budget GF Expenditures	+ Misc. Adjustments & Mid-Year Adjustments	= Final Budget
$43,256,352	$4,740,867	$47,997,219

The increase in General Fund appropriations occurred primarily from the following selected budget adjustments made during the fiscal year.

- Use of $4,232,500 of Pension/OPEB Reserve to make additional discretionary payments (ADPs)
- $122,820 expenditure budget adjustment for Transportation Analysis Guideline development consultation services from available General Plan Deposit Account
- $102,000 expenditure budget adjustment for police safety equipment utilizing grant received by the Town
- $54,797 budget expenditure for tasers and cameras from available Equipment Replacement Fund balance
- $50,000 expenditure budget increase due to increased water utility costs for Town Parks.
- $47,000 for tree service expenses from available Tree Replacement account
- $24,219 increase expenditures for Youth Collection to utilize Library Grant received by the Town
- $22,677expenditure budget adjustment traffic signal controller's equipment and service
- $22,669 increase to salary and benefits for the Town Manager and the Town Attorney
- $16,165 expenditure budget increase to move temporary FTE hours inadvertently budgeted in the Facilities Maintenance Internal Service Fund.
- $15,000 to fund additional services by the Town of Los Gatos Chamber of Commerce
- $10,800 expenditure budget increase for Emergency Operation Center equipment utilizing grant received by the Town

- $20,220 miscellaneous budget increase in various programs

Variance with the Final General Fund Budget

The General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual (GAAP) for Fiscal Year Ended June 30, 2020 reports an approximate overall favorable variance with the final budget of approximately $2.1 million. This favorable variance was created largely by the net effect of the following factors:

- Approximately $661K of expenditures below budget for FY 19/20 work paid from General Plan Update fees (a dedicated revenue source which funds this expenditure). All savings in this budget are carried over to the next fiscal year to be continue the General Plan Update project.

- Actual revenues ended the fiscal year at $1.6 million below final budgeted revenues. Unfavorable variances from budget were experienced beginning in March 2020 related to the COVID-19 pandemic and its related restrictions. The following economically sensitive revenues experienced declines:
    - An unfavorable variance of ($1.2 million) sales tax collections
    - An unfavorable variance of ($1.0 million) Transient Occupancy Tax collections
    - An unfavorable variance of ($619K) in licenses and permits
    - An unfavorable variance of (213K) in fines and forfeitures
    - An unfavorable variance of (202K) in charges for services

- A favorable variance of $1.6 million in investment earnings for year. The Town received additional investment earnings for the year in its pension/OPEB trust which was not anticipated during FY 19/20 budget development and a positive trend of interest rates leading to additional interest accrued in year end mark to market valuations.

Significant factors affecting actual expenditures include:

- Community Development expenditures reflected a $1.3 million favorable variance explained largely by staff vacancies with salary and benefit savings of approximately $332K, and the General Plan Update expenditures being approximately $661K lower than budgeted because the budget reflected the entire contract amount which has not been fully executed through the end of the fiscal year. An additional $208K favorable variance reflects the fiscal year actual activity in the Department pass through program that depends on the timing and the volume of the development projects.

- Public safety expenditures had a favorable variance of approximately $1.2 million. An $839K saving is reflecting limited term vacancies in Police Officer, Police Record Specialist, and Dispatcher positions, and savings of $363K due to decreased service cost of crossing guards and parking violation services, and travel activity due to the Shelter in Place order.

- Administrative Services reflected a favorable balance of approximately $501K in large measure due to savings in salary and benefits due to partial year vacancies in the Finance and Clerk Departments positions and savings in special events cost due to cancellation of events.

- Parks and Public Works reflects a favorable variance of approximately $190K reflecting partial vacancies during the year.

- Library services reflected a favorable variance of $260K due mainly to salary and benefit savings from staff vacancies in the Library Technology Specialist position and other temporary vacancies.

CAPITAL ASSETS

As of June 30, 2020, the Town's investment in capital assets for its governmental activity is recorded at $111,700,225 (net of accumulated depreciation). The investment in capital assets includes land, buildings and improvements, infrastructure, construction in progress, and machinery and equipment. Capital assets increased $4.2 million net of depreciation expense totaling approximately $3.9 million for the year.

During FY 2019/20, the Town's approximate $7.8 million investment in capital assets for the current year represented approximately 4.1% of total assets for governmental activities. Major capital asset events during the current fiscal year include the following:

- $5.8 million in street repair and resurfacing and curb and gutter work Town-wide, approximately $0.7 million to complete the Almond Grove Street Rehabilitation project;
- $0.7 million in equipment purchases, including $0.5 million in vehicle fleet replacements, and $0.2 million in mobile cash barriers, license plate recognition system, and other building improvements;
- $0.4 million in traffic signal improvements;
- $0.4 million expended on building improvements, retaining walls, park improvements, and parking lot improvement projects;
- $0.3 million in bicycle and pedestrian improvements; and
- $0.2 million in energy efficiency upgrades made to the Town's facilities among other current year capital projects.

Town of Los Gatos
Net Investment in Capital Assets
For the Year Ended June 30, 2020

	Governmental Activities
Infrastructure	$ 63,337,364
Buildings	23,341,210
Land	20,294,810
Equipment	2,682,698
Construction in Progress	2,044,143
	$ 111,700,225

Additional information on the Town's capital assets is found in Note 5 of this financial report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

A product of an ongoing examination of how the Town provides cost-effective services, the Town's budget emphasizes outcomes or results for the community and allows for longer-term financial planning decisions.

During the development and adoption of the Town's FY 2020/21 budget, the Town Council and management considered the following factors:

- In response to the economic impact of COVID-19 pandemic, the Town modified its revenue forecast downward in the FY 2020/21 Budget. For additional details, see Note 15. The FY 2020/21 operating budget is a balanced budget, with the use of General Fund reserves dedicated for one-time uses. The FY 2020/21 Budget reflect maintaining high service levels with little to no increases in the employee headcount. The budget identified contingencies should revenues come in below projected amounts. The Town is carefully monitoring its revenues sources and will identify any modification at the mid-year budget discussion.

- The Town continues to focus on priority issues that involve maintaining public safety and Town infrastructure including streets and parks; and providing library, community development, and other services. These priorities are coordinated with other Core Goals that protect the Town's fiscal health and ensure cost efficient and effective delivery of Town-wide administrative services. The Town's proactive approach to reducing operating expenditures, identifying revenue enhancements, and implementing operating efficiencies has been an effective fiscal approach.

- Specific trends affecting the fund balance forecast include:

    - General property tax collections represent approximately 32.1% (not including the State's property tax "backfill" shifts) of the Town's General Fund revenues. Property tax collections are expected to increase 3.9% in FY 2020/21 from the prior year's tax collections. This increase is primary due to the additional tax collection from the recently annexed parcels. This forecast is based on data from the Santa Clara County Tax Assessor's Office. The Town closely monitor its actual collection and other legislative changes regarding property tax. See Note 16 for more detail.

- The Town anticipates a decrease in general sales tax for FY 2020/21. Sales tax estimates of $7.9 million for FY 2020/21 were budgeted reflecting a 0.2% decrease from the prior year's adopted sales tax budget.

- The Town's investment portfolio experienced a slight decrease in its overall weighted average annual yield, reducing from 2.05% at June 30, 2019 to 1.86% at June 30, 2020. Prevailing interest rates at the end of fiscal year were at historic lows due to economic impacts of the COVID-19 pandemic and were anticipated to remain at these low levels for the foreseeable future which will likely lower yields on the investment portfolio in the future.

- Transient Occupancy Tax (TOT) revenues are expected to be significantly lower in FY 2020/21 as personal and business-related travel are susceptible to the economic impact of Covid-19 pandemic.

- The Town's pension plans over the past several decades, like all other CalPERS participants, have experienced unfavorable investment returns, changes in actuarial assumptions, and demographic shifts which have outweighed any positive plan experiences. To address this unfunded status, the Town took proactive steps including initiating the prefunding of OPEB obligations, budgeting and programming additional discretionary pension payments to accelerate reduction of unfunded liabilities, and recently partnering with the Town's employee groups to eliminate the existing retiree healthcare benefit for new employees. Even with these proactive steps, the Town continues to be impacted by the continuing rising cost of pension related benefits. Over the next five fiscal years, the Town's five-year forecast includes increasing pension costs due to further changes in actuarial assumptions or lowering the discount rate. The Town's net pension liability is $24.7 million for the safety cost sharing plan and $32.5 million for the miscellaneous plan based upon data from CalPERS. To illustrate the sensitivity of the net pension liability to changes in the discount rate, CalPERS estimates that a 1 % reduction in the discount rate from 7.15% to 6.15% would increase the total net pension liability for both Miscellaneous and Safety by $26.7 million. Conversely, an increase in the discount rate from 7.15% to 8.15% would decrease the total net pension liability for both Miscellaneous and Safety by $22.0 million.

- In addition, CalPERS provides a hypothetical termination liability estimate of the plans should the contract with CalPERS be terminated. The plan liability on a termination basis is calculated differently from the plans' ongoing funding liability. Since no future employer contributions would be made in the hypothetical termination, benefit payments are secured by risk-free assets. For the Miscellaneous plan, a 3.25%

termination return rate results in a $103.1 million termination liability. For the Safety plan, a 3.25% termination return rate results in a $91.9 million termination liability.

- For detailed information about the Town employees' retirement plan please refer to Note 9 of the Notes to Basic Financial Statements Section.

Requests for Information

This financial report is designed to provide residents, taxpayers, customers, investors, and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the money it receives. Questions about this report or requests for any additional information, should be directed to Stephen Conway, Director of Finance, at 110 East Main Street, Los Gatos, California, 95030; email at sconway@losgatosca.gov; or phone at (408) 354-6828.

Statement No. 34 of the
Governmental Accounting
Standards Board

Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments

June 1999

GASB

Governmental Accounting Standards Board
of the Financial Accounting Foundation
401 Merritt 7, P.O. Box 5116, Norwalk, Connecticut 06856-5116

ATTACHMENT 2

Management's Discussion and Analysis (MD&A)

8. The basic financial statements should be preceded by MD&A, which is required supplementary information (RSI). MD&A should provide an objective and easily readable analysis of the government's financial activities based on currently known[6] facts, decisions, or conditions. The financial managers of governments are knowledgeable about the transactions, events, and conditions that are reflected in the government's financial report and of the fiscal policies that govern its operations. MD&A provides financial managers with the opportunity to present both a short- and a long-term analysis of the government's activities.[7]

9. MD&A should discuss the current-year results in comparison with the prior year, with emphasis on the current year. This fact-based analysis should discuss the positive and negative aspects of the comparison with the prior year. The use of charts, graphs, and tables is encouraged to enhance the understandability of the information.

10. MD&A should focus on the primary government. Comments in MD&A should distinguish between information pertaining to the primary government and that of its component units. Determining whether to discuss matters related to a component unit is a matter of professional judgment and should be based on the individual component unit's significance to the total of all discretely presented component units and that component unit's relationship with the primary government. When appropriate, the reporting entity's MD&A should refer readers to the component unit's separately issued financial statements.

11. MD&A requirements established by this Statement are general rather than specific to encourage financial managers to effectively report only the most relevant information and avoid "boilerplate" discussion. At a minimum, MD&A should include:

a. A brief discussion of the basic financial statements, including the relationships of the statements to each other, and the significant differences in the information they provide. This discussion should include analyses that assist

[6]For purposes of MD&A, *currently known facts* are information that management is aware of as of the date of the auditor's report.

[7]If a letter of transmittal is presented in the introductory section of a comprehensive annual financial report (CAFR), governments are encouraged not to duplicate information contained in MD&A.

readers in understanding why measurements and results reported in fund financial statements either reinforce information in government-wide statements or provide additional information.

b. Condensed financial information derived from government-wide financial statements comparing the current year to the prior year. At a minimum, governments should present the information needed to support their analysis of financial position and results of operations required in c, below, including these elements:
   (1) Total assets, distinguishing between capital and other assets
   (2) Total liabilities, distinguishing between long-term liabilities and other liabilities
   (3) Total net assets, distinguishing among amounts invested in capital assets, net of related debt; restricted amounts; and unrestricted amounts
   (4) Program revenues, by major source
   (5) General revenues, by major source
   (6) Total revenues
   (7) Program expenses, at a minimum by function
   (8) Total expenses
   (9) Excess (deficiency) before contributions to term and permanent endowments or permanent fund principal, special and extraordinary items, and transfers
   (10) Contributions
   (11) Special and extraordinary items
   (12) Transfers
   (13) Change in net assets
   (14) Ending net assets

c. An analysis of the government's overall financial position and results of operations to assist users in assessing whether financial position has improved or deteriorated as a result of the year's operations. The analysis should address both governmental and business-type activities as reported in the government-wide financial statements and should include *reasons* for significant changes from the prior year, not simply the amounts or percentages of change. In addition, important economic factors, such as changes in the tax or employment bases, that significantly affected operating results for the year should be discussed.

d. An analysis of balances and transactions of individual funds. The analysis should address the reasons for significant changes in fund balances or fund net assets and whether restrictions, commitments, or other limitations significantly affect the availability of fund resources for future use.

e. An analysis of significant variations between original and final budget amounts and between final budget amounts and actual budget results for the general fund (or its equivalent). The analysis should include any currently known reasons for those variations that are expected to have a significant effect on future services or liquidity.
f. A description of significant capital asset and long-term debt activity[8] during the year, including a discussion of commitments made for capital expenditures, changes in credit ratings, and debt limitations that may affect the financing of planned facilities or services.
g. A discussion by governments that use the modified approach (paragraphs 23–25) to report some or all of their infrastructure assets including:
   (1) Significant changes in the assessed condition of eligible infrastructure assets from previous condition assessments
   (2) How the current assessed condition compares with the condition level the government has established
   (3) Any significant differences from the estimated annual amount to maintain/preserve eligible infrastructure assets compared with the actual amounts spent during the current period.
h. A description of currently known facts,[9] decisions, or conditions that are expected to have a significant effect on financial position (net assets) or results of operations (revenues, expenses, and other changes in net assets).

Government-wide Financial Statements

12. The government-wide financial statements consist of a statement of net assets and a statement of activities. Those statements should:

a. Report information about the overall government without displaying individual funds or fund types
b. Exclude information about fiduciary activities, including component units that are fiduciary in nature (such as certain public employee retirement systems)
c. Distinguish between the primary government and its discretely presented component units
d. Distinguish between governmental activities and business-type activities of the primary government

[8]Paragraphs 116 through 120 require certain disclosures about capital assets and long-term debt. It is sufficient for purposes of this discussion in MD&A to summarize that information and refer to it for additional details.

[9]See footnote 6.

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Comprehensive General-Purpose Checklist

For Use by All Government Types

other than Public Employee Retiree Benefit Plans and

Governmental Investment Pools

This checklist is available in electronic form at GFOA's website under the heading **Award Programs** in the **Certificate of Achievement for Excellence in Financial Reporting** section (https://www.gfoa.org/coa-award)

Entity Name **Fiscal Year End**

The checklist is based on the authoritative guidance of the Governmental Accounting Standards Board (GASB) through GASB Statement No. 92, *Omnibus*. Even though the implementation dates of GASB Statements 83 through 93 have been delayed with the issuance of GASB Statement 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, this checklist includes guidance from the standards through GASB Statement 92. The checklist includes the disclosure guidance for leases following pre- and post-GASB Statement 87, *Leases*, and references to agency funds (questions shaded in green) for governments that have not implemented GASB Statement No. 84, *Fiduciary Activities*.

NOTE TO READERS: The checklist is a reference tool to help preparers find the information necessary to prepare a Comprehensive Annual Financial Report, not an exhaustive list of every aspect of such reports required by Generally Accepted Accounting Principles (GAAP). The checklist provides preparers references to where the detailed required disclosures can be found in the authoritative literature and in the 2020 version of GFOA's *Governmental Accounting, Auditing and Financial Reporting* ("Blue Book" or "GAAFR"). For example, question 12-216-01 appears as follows

Question No.	Checklist Question	Citations	GAAFR reference
12-216-01	12.26 If the government has demand bonds outstanding at the end of the fiscal year, do the notes provide all of the disclosures required by GAAP, including a description of the take-out agreement including its expiration date? Note: Disclosures for direct borrowings and direct placements should be separated from other debt.	GASB Cod. Sec. D30.111-.112	GAAFR Chapter 30 - Liabilities-Demand bonds

The detailed list of disclosures required by GAAP can be found in the GASB codification section D30 (Demand Bonds) paragraphs 111-112, which are as follows:

.111 In addition to debt disclosures required by Section 2300, "Notes to Financial Statements," paragraphs .106 and .107, state and local governmental entities with demand bonds outstanding (regardless of when the demand provisions are exercisable) should disclose a general description of the demand bond program; terms of any letters of credit or other standby liquidity agreements outstanding, commitment fees to obtain the letters of credit, and any amounts drawn on them outstanding as

Yes	No	N/A	Special Unit	* Item	Question No.	Checklist Question	Citations	GAAFR reference
				*	3-001-05	3.5* Did the independent auditor express an unmodified opinion on the fair presentation of the basic financial statements? Explanation: The independent auditor's opinion is considered to be unmodified unless the auditor (1) offers an adverse opinion, (2) offers a modified opinion (i.e., fairly presented except for…), or (3) disclaims an opinion on all or a portion of the basic financial statements.	Certificate Program requirement	GAAFR Chapter 33 - GFOA Certi Achievement for Excellence in Financial Reporting
					3-001-06	3.6 Does the independent auditor indicate, at a minimum, that combining and individual fund financial statements and schedules are fairly presented "in relation to" the basic financial statements?	Certificate Program requirement	GAAFR Chapter 33 - Financial section-Report of the independent auditor
					3-001-07	3.7 Is there no indication by the independent auditor that RSI is either absent or otherwise potentially inadequate?	Certificate Program requirement	GAAFR Chapter 33 - Financial section-Report of the independent auditor
					3-001-08	3.8 Did the independent auditor sign and date the report?	AU-C Section 700.41-.43	
					3-001-09	3.9 If the independent auditor's report states that combining and individual fund financial statements are fairly presented in relation to the basic financial statements, has the government refrained from including any reference to the notes to the financial statements on the face of the combining and individual fund statements?	Certificate Program requirement	GAAFR Chapter 33 - Financial section-Formatting

FINANCIAL SECTION

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

				*	4-001-01	4.1* Is MD&A presented?	GASB Cod. Sec. 2200.106	GAAFR Chapter 31 - Background
				*	4-001-01-1	4.1a* Is MD&A presented preceding the basic financial statements and after the report of the independent auditor?	GASB Cod. Sec. 2200.703-1	GAAFR Chapter 31 - Background
					4-001-02	4.1b Does MD&A describe the basic government-wide financial statements and the basic fund financial statements, as well as the difference in the kind of information provided by each? Explanation: This description should either focus on how fund financial statements reinforce information in the government-wide financial statements (e.g., proprietary fund financial statements) or provide additional information (e.g., governmental fund financial statements and fiduciary fund financial statements). In particular, it should describe the relationship between the governmental fund financial statements and the data reported for governmental activities in the government-wide financial statements.	GASB Cod. Sec. 2200.109a and .704-7	GAAFR Chapter 31 - Discussion of the basic financial statements
					4-001-03	4.1c Does MD&A provide condensed financial data extracted from the government-wide financial statements? If so, does that information include: (1) Total assets (distinguishing between capital assets and other assets)? (2) Total deferred outflows of resources? (Note: Deferred outflows are a separate element and should be reported separately from total assets.) (3) Total liabilities (distinguishing between long-term liabilities and other liabilities)? (4) Total deferred inflows of resources? (Note: Deferred inflows are a separate element and should be reported separately from total liabilities.) (5) Total net position (distinguishing net investment in capital assets; restricted net position; and unrestricted net position)? (6) Program revenues (by major source)? (7) General revenues (by major source)? (8) Total revenues? (9) Program expenses (at least by function)? (10) Total expenses? (11) Excess or deficiency (before any contributions to term and permanent endowments, contributions to permanent fund principal, special items, extraordinary items, and transfers)? (12) Contributions? (13) Special and extraordinary items? (14) Transfers? (15) Change in net position? (16) Ending net position from the statement of activities?	GASB Cod. Sec. 2200.109b	GAAFR Chapter 31 - Condensed comparative financial data
			BTA	*	4-001-04	4.1d* Does MD&A present condensed financial data for both the current fiscal year and the preceding fiscal year (with governmental activities and business-type activities reported separately)? Note: For comparative financial statements the condensed financial data should be for three years – the current year, the prior year, and the year preceding the prior year however only the current year's and prior year's data must be explained.	GASB Cod. Sec. 2200.109b and .704-3	GAAFR Chapter 31 - Condensed comparative financial data
					4-001-05	4.1e Does MD&A provide an overall analysis (i.e., reasons for changes) of the government's financial position and results of operations?	GASB Cod. Sec. 2200.109c	GAAFR Chapter 31 - An analysis of the government's overall financial position and results of operations
					4-001-05-1	Are explanations appropriate to the measurement focus of the financial statements for which a change is being explained? For example, the purchase of a capital asset would decrease fund balance in the governmental funds, but have no effect on the net position reported in the government-wide statement of net position (e.g. the capital asset would be offset by a decrease in another asset and/or an increase in a liability).	Certificate Program requirement	
					4-001-05-2	4.1e1 Does the MD&A specifically address whether and why the government's overall financial position has improved/increased or deteriorated/decreased)?	GASB Cod. Sec. 2200.109c	GAAFR Chapter 31 - An analysis of the government's overall financial position and results of operations
					4-001-05-3	4.1e2 Does the MD&A address *governmental activities* separately from *business-type activities*? *If economic factors significantly affected the operating results of the current year, they should be discussed as part of this analysis.*	GASB Cod. Sec. 2200.109c	GAAFR Chapter 31 - An analysis of the government's overall financial position and results of operations
					4-001-06	4.1f Does MD&A provide an analysis (i.e., reasons for changes) of significant balances and transactions of individual major funds, and if applicable, whether restrictions, commitments, or other limitations significantly affect the availability of fund resources for future use?	GASB Cod. Sec. 2200.109d	GAAFR Chapter 31 - An analysis of the balances and transactions of individual funds

Yes	No	N/A	Special Unit	* Item	Question No.	Checklist Question	Citations	GAAFR reference
					4-001-07	4.1g Does MD&A provide an analysis of significant budgetary variations (both original budget versus final amended budget and final amended budget versus actual) for only the general fund? *If any currently known reasons for budgetary variations in the general fund are expected to have a significant effect on future liquidity or services, the MD&A should explain that fact.*	GASB Cod. Sec. 2200.109e	GAAFR Chapter 31 - Analysis of budgetary variations
					4-001-08	4.1h Does MD&A describe significant capital asset and long-term debt activity during the year (taking care to summarize rather than repeat information presented in the notes), including commitments made for capital expenditures, changes in credit ratings, and debt limitations that may affect the financing planned facilities or services?	GASB Cod. Sec. 2200.109f	GAAFR Chapter 31 - Description of capital asset and long-term debt activity
					4-001-09	4.1h1 Does the discussion of capital asset and long-term debt activity refer readers interested in more detailed information to the notes to the financial statements?	GASB Cod. Sec. 2200, footnote 9	GAAFR Chapter 31 - Description of capital asset and long-term debt activity
					4-001-10	4.1i If the government uses the modified approach to account for one or more networks or subsystems of infrastructure assets, does MD&A state that fact? If so, do the notes include: 1) a discussion of any significant changes in the condition levels of infrastructure assets, 2) a comparison of current condition levels with target condition levels established by the government, and 3) any significant differences between the estimated amount necessary to maintain and preserve infrastructure assets at target condition levels and the actual amount of expense incurred for that purpose during the year?	GASB Cod. Sec. 2200.109g	GAAFR Chapter 31 - Discussion of infrastructure accounted for using the modified approach
					4-001-11	4.1j Does the government disclose any other "currently known facts, conditions, or decisions" that are expected to have a significant effect on financial position (net position) or results of operations (revenues, expenses, and other changes in net position), with the focus being on things that have actually happened (e.g., relocation of a major business) rather than on things that might happen (e.g., potential relocation of a major business)?	GASB Cod. Sec. 2200.109h	GAAFR Chapter 31 - Discussion of currently known facts, decisions, or condition of future significance
					4-001-12	4.1k Do the amounts reported in MD&A agree with related amounts in the basic financial statements?	GASB Cod. Sec. 2200.109b Certificate Program requirement	
					4-001-13	4.1l Has the government refrained from addressing in MD&A topics not specifically prescribed by GAAP, as summarized in the above questions? <u>Explanation</u>: Governments must provide enough detail to meet the GAAP requirements; however, governments are free to provide whatever additional details they believe appropriate in addressing these particular topics.	GASB Cod. Sec. 2200.109 and footnote 8	GAAFR Chapter 31 - Background

FINANCIAL SECTION

BASIC FINANCIAL STATEMENTS

PRELIMINARY CONSIDERATIONS

						GASB Statement No. 91, *Conduit Debt Obligations*, is effective for fiscal years beginning after December 15, 2021. The checklist includes references to requirements for early implementers of Statement No. 91.		
				*	5-001-01	5.1* Is a full set of basic financial statements (i.e., both government-wide financial statements and fund financial statements) presented? If so, are each o the following statements included (if applicable)?	GASB Cod. Sec. 2200.110-.203 and .206-.207	
			BTA	*	5-001-01-1	For special purpose governments engaged in only business-type activities, is a full set of basic financial statements presented (i.e., a statement of net position, a statement of revenues, expenses, and changes in fund net position, and a statement of cash flows)?	GASB Cod. Sec. Sp20.113b	
				*	5-001-01-2	5.1a* Government-wide statement of net position?	GASB Cod. Sec. 2200.110	GAAFR Chapter 19 - Introduction
				*	5-001-01-3	5.1b* Government-wide statement of activities?	GASB Cod. Sec. 2200.110a	GAAFR Chapter 19 - Introduction
				*	5-001-01-4	5.1c* Balance sheet – governmental funds?	GASB Cod. Sec. 2200.161a	GAAFR Chapter 13 - Introduction
				*	5-001-01-5	5.1d* Statement of revenues, expenditures, and changes in fund balances – governmental funds?	GASB Cod. Sec. 2200.161b	GAAFR Chapter 13 - Introduction
				*	5-001-01-6	5.1e* Statement of revenues, expenditures, and changes in fund balances – budget and actual – for the general fund and major special revenue funds (not presented as RSI)?	GASB Cod. Sec. 2200, footnote 51	GAAFR Chapter 13 - Introduction
			BTA	*	5-001-01-7	5.1f* Statement of fund net position – proprietary funds?	GASB Cod. Sec. 2200.170a	GAAFR Chapter 15 - Introduction
			BTA	*	5-001-01-8	5.1g* Statement of revenues, expenses, and changes in fund net position – proprietary funds?	GASB Cod. Sec. 2200.170b	GAAFR Chapter 15 - Introduction
			BTA	*	5-001-01-9	5.1h* Statement of cash flows – proprietary funds?	GASB Cod. Sec. 2200.170c	GAAFR Chapter 15 - Introduction
				*	5-001-01-10	5.1i* Statement of fiduciary net position?	GASB Cod. Sec. 2200.197	GAAFR Chapter 17 - Introduction
				*	5-001-01-11	5.1j* Statement of changes in fiduciary net position?	GASB Cod. Sec. 2200.197	GAAFR Chapter 17 - Introduction
					5-001-01-12	5.1k Has the government refrained from including a statement of changes in assets and liabilities for agency funds (which should be included in the combining and individual fund statements, rather than in the basic financial statements)? Note: GASB-S84 eliminates agency funds. A statement of changes in fiduciary net position will be required for custodial funds.		
				*	5-001-02	5.2* Do the government-wide and fund statements of position (i.e., the statement of net position or the balance sheet, where applicable) report separate sections for assets, deferred outflows of resources, liabilities, and deferred inflows of resources, as applicable?	GASB Cod. Sec. 2200.115	GAAFR Chapter 13 - Balance sheet GAAFR Chapter 19 - Government-wide statement of net position

TOWN OF LOS GATOS
FINANCE COMMISSION REPORT

MEETING DATE: 11/08/2021
ITEM NO: 4

DATE:	November 3, 2021
TO:	Finance Commission
FROM:	Laurel Prevetti, Town Manager
SUBJECT:	Discussion of Key Performance Indicators (KPIs)

RECOMMENDATION:

Discussion of key performance indicators.

DISCUSSION:

Staff will provide an update on the development of the KPI dashboard in Attachment 1.

Attachments:
1. Draft KPI Dashboard

PREPARED BY: Arn Andrews
Assistant Town Manager

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

Department Expenses

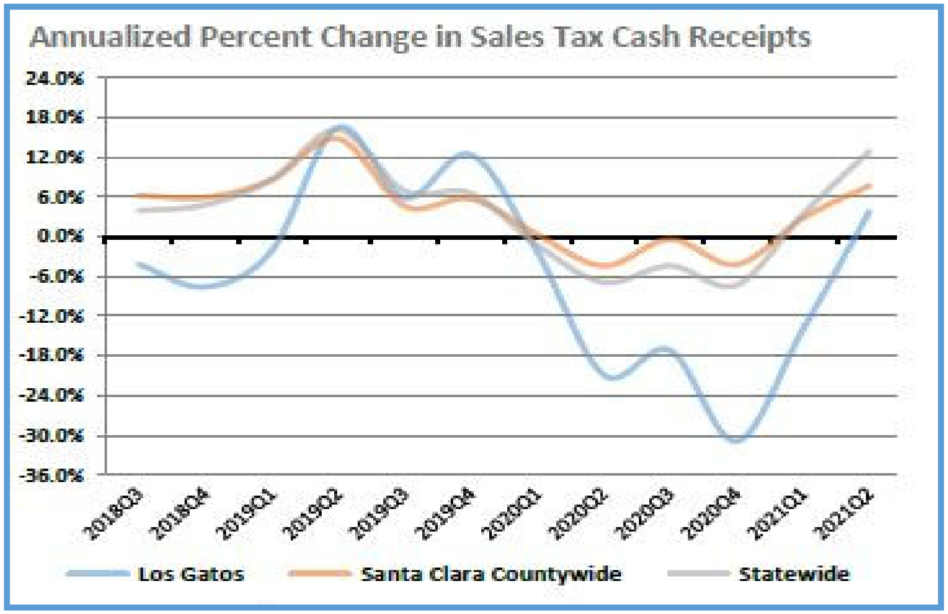
	FY 2019/20 Actual	FY 2020/21 Adjusted	FY 2020/21 Estimated	FY 2021/22 Adopted	FY 2021/22 YTD
Expenditures					
Police Department	$15,895,008	$17,487,761	$ 16,570,836	$ 17,239,483	$ 3,872,268
Parks & Public Works	8,168,039	8,209,850	8,179,757	8,494,628	1,773,939
Non-Departmental	3,505,098	8,157,687	7,882,762	3,936,680	496,461
Community Dev	4,473,790	5,605,215	5,009,798	5,395,866	2,198,411.
Admin Services	4,388,762	4,995,847	4,731,133	5,087,204	1,139,675
Library Services	2,700,802	2,957,531	2,828,873	3,016,395	668,987
Town Council	206,163	243,486	192,280	201,499	42,543
Town Attorney	559,010	658,831	532,424	660,228	101,806
Total General Fund Expenditures	**$9,896,672**	**$48,316,208**	**$45,927,863**	**$44,031,983**	**$10,294,090**

Town Revenues

	FY 2019/20 Actual	FY 2020/21 Adjusted	FY 2020/21 Estimated	FY 2021/22 Adopted	FY 2021/22 Q1
Property Tax	$ 14,454,513	$ 14,652,325	$ 15,826,162	$ 15,881,866	$ 197,330
VLF Backfill	3,875,914	4,053,000	4,052,672	4,154,320	-
Sales & Use Tax	3,535,034	6,214,200	6,794,218	7,213,540	497,223
Measure G District Tax	996,390	1,087,669	1,139,386	964,319	84,956
Franchise Fees	2,495,792	2,532,289	2,499,463	2,597,630	357,348
Transient Occupancy Tax	1,869,685	707,723	1,044,820	920,040	217,414
Other Taxes	1,357,080	1,300,000	1,386,943	1,250,000	60,482
Licenses & Permits	2,696,457	2,911,898	3,018,786	2,641,779	2,334,322
Intergovernmental	1,104,075	4,341,088	1,573,697	3,881,836	103,714
Town Services	4,447,213	4,016,119	4,816,887	3,860,490	2,591,118
Fines & Forfeitures	271,117	94,950	103,467	203,450	53,694
Interest	2,266,134	626,409	96,061	441,233	(458,785)
Other Sources	3,286,211	4,727,796	3,576,238	2,620,348	52,068
Total Revenues	45,655,616	47,265,466	45,928,800	46,630,851	6,090,884
Transfers In:	599,669	652,056	1,833,218	633,352	104,659
Total Revenues & Transfers In	$ 46,255,285	$ 47,917,522	$ 47,762,018	$ 47,264,203	$ 6,195,543

Economically Sensitive Revenues

SALES TAX	FY 2019/20 Actual	FY 2020/21 Actual	FY 2021/22 Actual
1Q	$1,887,634	$1,863,996	$497,222
2Q	2,073,379	1,135,409	
3Q	956,191	1,589,990	
4Q	1,617,830	2,204,823	
Total	$6,535,034	$6,794,218	



MEASURE G TAX	FY 2019/20 Actual	FY 2020/21 Actual	FY 2021/22 Actual
1Q	$264,161	$300,599	$84,956
2Q	299,137	261,746	
3Q	195,465	249,733	
4Q	237,627	327,308	
Total	$996,390	$1,139,386	$84,956

TOT	FY 2019/20 Actual	FY 2020/21 Actual	FY 2021/22 Actual
1Q	$739,494	$316,515	$217,414
2Q	599,113	203,807	
3Q	434,493	176,030	
4Q	96,585	348,466	
Total	$1,869,685	$1,044,819	$217,414

Organizational Staffing

FY 20/21	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Total Vacancies	10	10	7	4	2	4	5	5	6	8	10	5

DEPARTMENTS	FY 2020/21 Authorized/Funded Positions	FY 2021/22 Authorized/Funded Positions
Town Council	0.50	0.50
Town Attorney	1.88	2.13
Administrative Services	20.18	20.18
Community Development	20.20	20.20
Police Department	60.00	60.00
Parks & Public Works	34.75	34.75
Library	12.50	12.50
Total Positions	**150.00**	**150.24**
All Dept Staff Converted to Hourly	11.03	11.09
Total Positions	**161.03**	**161.33**

CURRENT FILLED POSITIONS	RETIREMENTS & TERMINATIONS	NUMBER OF WC
As of 11/1/21 = 138.24	FY 20/21 = 9 R, 7 T FY 21/22 (through 11/1) = 1 R, 9 T	As of 11/1/21 = 4

TOWN OF LOS GATOS
FINANCE COMMISSION

MEETING DATE: 11/08/2021

ITEM NO: 5

DATE: November 3, 2021

TO: Finance Commission

FROM: Laurel Prevetti, Town Manager

SUBJECT: Discuss Topics for Future Commission Agendas

RECOMMENDATION:

Discuss topics for future Commission agendas.

PREPARED BY: Arn Andrews
Assistant Town Manager

Reviewed by: Town Manager