



**TOWN OF LOS GATOS
FINANCE COMMISSION AGENDA
MARCH 13, 2023
110 EAST MAIN STREET AND TELECONFERENCE
TOWN COUNCIL CHAMBERS
LOS GATOS, CA
5:00 PM**

*Rick Tinsley, Chair
Phil Koen, Vice Chair
Stacey Dell, Commissioner
Andrew Howard, Commissioner
Linda Reiners, Commissioner
Maria Ristow, Mayor
Rob Rennie, Council Member*

IMPORTANT NOTICE

This is a hybrid meeting and will be held in-person at the Town Council Chambers at 110 E. Main Street and virtually through the Zoom webinar application (log-in information provided below). Members of the public may provide public comments for agenda items in-person or virtually through the Zoom webinar by following the instructions listed below. The live stream of the meeting may be viewed on television and/or online at www.LosGatosCA.gov/TownYouTube.

PARTICIPATION

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

- **Zoom webinar:** Join from a PC, Mac, iPad, iPhone or Android device: Please click this URL to join: <https://losgatosca.gov.zoom.us/j/84071761435?pwd=dVlsVS8vRzRTYWp3T2ZKQnYrWWxkQT09> Passcode: 214575. You can also type in 840 7176 1435 in the “Join a Meeting” page on the Zoom website at <https://zoom.us/join> and use passcode: 729037.
 - o 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.
- **Join by telephone:** Join by Telephone: Dial: USA 877 336 1839 US Toll-free or 636 651 0008 US Toll. Conference code: 686100
 - o If you are participating by calling in, press #2 on your telephone keypad to raise your hand.
- **In-Person:** If you wish to speak during the meeting, please complete a “speaker’s card” located on the back of the chamber benches and return it to the Town Clerk. If you wish to speak to an item on the agenda, please list the item number. If you wish to speak on an item NOT on the agenda, please list the subject and you may speak during the “Verbal Communications” period. The time allocated to speakers may change to better facilitate the Finance Commission meeting.

When called to speak, you may be asked to provide your full name and your town/city of residence. This identifying information is optional and not a requirement for participation. Please limit your comments to three (3) minutes, or such other time as the Chair may decide, consistent with the time limit for speakers at a Commission meeting. If you wish to speak to an item or items on the Consent Calendar, please state which item number(s) you are commenting on at the beginning of your time.

TOWN OF LOS GATOS
FINANCE COMMISSION AGENDA
MARCH 13, 2023
110 EAST MAIN STREET AND TELECONFERENCE
TOWN COUNCIL CHAMBERS
LOS GATOS, CA
5:00 PM

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

RULES OF DECORUM AND CIVILITY

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

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

- Addressing the Finance Commission without first being recognized;
- Interrupting speakers, Finance Commissioners, or Town staff;
- Continuing to speak after the allotted time has expired;
- Failing to relinquish the microphone when directed to do so;
- Repetitiously addressing the same subject.

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

MEETING CALLED TO ORDER

ROLL CALL

PLEDGE OF ALLEGIANCE

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 Draft Minutes of the February 23, 2023, Finance Commission Meeting.
2. Receive California Employer's Retiree Benefit Trust (CERBT) Strategy 1 Market Value Summary Report for the Period Ending December 31, 2022.
3. Receive California Employer's Pension Prefunding Trust (CEPPT) Strategy Market Value Summary Report for the Period Ending December 31, 2022.
4. Receive the Monthly Financial and Investment Report (January 2023).
5. Receive Information on the Town-wide Justice, Equity, Diversity, and Inclusion Plan.

VERBAL COMMUNICATIONS *(Members of the public are welcome to address the Town Council on any matter that is not listed on the agenda. To ensure all agenda items are heard and unless additional time is authorized by the Mayor, 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.)*

- [6.](#) Discuss and Approve the Finance Commission Special Meeting Dates and Times for 2023.
- [7.](#) Receive Preliminary Fiscal Year 2023/24 – 2027/28 Five-Year Capital Improvement Program Information and Provide Recommendations to the Town Council.
- [8.](#) Recommend that the Town Council Receive the Independent Accountants' Report on Agreed-Upon Procedures on Measure G Revenues and Expenditures for the Period July 1, 2021 to June 30, 2022.
- [9.](#) Receive Actuarial Presentation on CalPERS Analysis – 6/30/2021 Valuation Report by Foster & Foster Actuaries and Consultants and Recommend Amortization Bases for Future Potential Additional Discretionary Payments (ADPs).

ADJOURNMENT

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



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

MEETING DATE: 3/13/2023

ITEM NO: 1

Item 1.

**DRAFT
Minutes of the Finance Commission Regular Meeting
February 13, 2023**

The Finance Commission of the Town of Los Gatos conducted a regular meeting utilizing teleconference and electronic means consistent with Government Code Section 54953, as Amended by Assembly Bill 361, in response to the state of emergency relating to COVID-19 and enabling teleconferencing accommodations by suspending or waiving specified provisions in the Ralph M. Brown Act (Government Code § 54950 et seq.) and Town of Los Gatos Resolution 2021-044 on Tuesday, February 13, 2023, at 4:00 p.m.

MEETING CALLED TO ORDER AT 5:01 P.M.

ROLL CALL

Present: Chair Rick Tinsley, Vice Chair Phil Koen Commissioner Stacey Dell, Commissioner Andrew Howard, Commissioner Linda Reiners, Mayor Maria Ristow, and Council Member Rob Rennie (all participating remotely).

Staff Present: Town Manager Laurel Prevetti, Finance Director Gitta Ungvari, and Town Clerk Wendy Wood.

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

1. Approve Draft Minutes of the January 10, 2023, Special Finance Commission Meeting
2. Receive Monthly Investment Reports for October and November 2022

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

VOTE: Motion passed 5-0.

VERBAL COMMUNICATIONS

-Jak Van Nada
Commented on setting up classes for new Finance Commissioners.

OTHER BUSINESS

3. Review and Recommend to the Town Council Changes to the Town's Investment Policy

Finance Director Gitta Ungvari introduced the item.

PAGE 2 OF 3

SUBJECT: Draft Minutes of the Finance Commission Regular Meeting of February 13, 2023

DATE: February 14, 2023

Opened Public Comment.

None.

Closed Public Comment.

The Commission discussed the item and staff addressed questions.

MOTION: Motion by **Commissioner Koen** to recommend revising the Investment Policy to add specific references to California Government Code Sections 53607 and 53646 sub part b. **Seconded by Commissioner Dell.**

VOTE: Motion passed 5-0.

4. Review and Recommend Changes for the Town Council Consideration Regarding the Proposed Additional Information for the Monthly Financial and Investment Report (December 2022)

Finance Director Gitta Ungvari introduced the item.

Opened Public Comment.

None.

Closed Public Comment.

Commissioners discussed additional information for the Monthly Financial and Investment Report and provided feedback to staff.

5. Review and Provide Comments to the Town Council Regarding Mid-Year Budget Report

Finance Director Gitta Ungvari introduced the item. Staff addressed Commissioners' questions

Opened Public Comment.

-Catherine Somers, Chamber of Commerce Executive Director
Commented on American Rescue Plan Act (ARPA) funds and potential allocation of the money.

Closed Public Comment.

Commissioners discussed fund balances and provided feedback on the allocations.

SUBJECT: Draft Minutes of the Finance Commission Regular Meeting of February 13, 2023

DATE: February 14, 2023

6. Review and Provide Comments to the Town Council Regarding the Five-Year Forecast (FY 2023/24 -2027/28) and Scenarios and Provide Input for the FY 2023/24 Budget Direction.

Finance Director Gitta Ungvari introduced the item.

Commissioners discussed the item and ask questions regarding revenues and expenditures.

Staff addressed Commissioners' questions.

Opened Public Comment.

None.

Closed Public Comment.

7. Review the Finance Commission 2022 Workplan and Discuss the 2023 Workplan

This item was not heard and continued to the next meeting.

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 February 13, 2023 meeting as approved by the Finance Commission.

Wendy Wood, Town Clerk



**TOWN OF LOS GATOS
FINANCE COMMISSION REPORT**

MEETING DATE: 3/13/2023

ITEM NO: 2

Item 2.

DATE: March 1, 2023
TO: Finance Commission
FROM: Laurel Prevetti, Town Manager
SUBJECT: Receive California Employer's Retiree Benefit Trust (CERBT) Strategy 1 Market Value Summary Report for the Period Ending December 31, 2022

RECOMMENDATION:

Receive California Employer's Retiree Benefit Trust (CERBT) Strategy 1 Market Value Summary Report for the Period Ending December 31, 2022.

BACKGROUND:

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

DISCUSSION:

The ending OPEB 115 Trust account balance as of December 31, 2022, was \$22,645,730 compared to \$21,197,608 as of September 30, 2022 (Attachment 1). As of January 31, 2023, the CERBT Strategy 1 fund had a net return of 6.66% for the month and 5.66% for the Fiscal YTD (Attachment 2).

Attachments:

1. OPEB 115 Trust Market Value Summary
2. CERBT Performance Report December 2022

PREPARED BY: Gitta Ungvari
Finance Director

Reviewed by: Town Manager, and Town Attorney

Market Value Summary:

	QTD Current Period	Fiscal Year to Date
Beginning Balance	\$21,197,607.83	\$22,861,333.23
Contribution	0.00	0.00
Disbursement	0.00	0.00
Transfer In	0.00	0.00
Transfer Out	0.00	0.00
Investment Earnings	1,452,901.73	(205,820.03)
Administrative Expenses	(2,761.11)	(5,651.46)
Investment Expense	(2,018.86)	(4,132.15)
Other	0.00	0.00
Ending Balance	\$22,645,729.59	\$22,645,729.59
FY End Contrib per GASB 74 Para 22	0.00	0.00
FY End Disbursement Accrual	0.00	0.00
Grand Total	\$22,645,729.59	\$22,645,729.59

Unit Value Summary:

	QTD Current Period	Fiscal Year to Date
Beginning Units	1,188,552.988	1,188,552.988
Unit Purchases from Contributions	0.000	0.000
Unit Sales for Withdrawals	0.000	0.000
Unit Transfer In	0.000	0.000
Unit Transfer Out	0.000	0.000
Ending Units	1,188,552.988	1,188,552.988
Period Beginning Unit Value	17.834803	19.234593
Period Ending Unit Value	19.053193	19.053193

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

Statement of Transaction Detail for the Quarter Ending 12/31/2022

Town of Los Gatos

Entity #: SKB0-4589482285



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



January 31, 2023

Objective

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

Strategy

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

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

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

Composition

Asset Class Allocations and Benchmarks

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

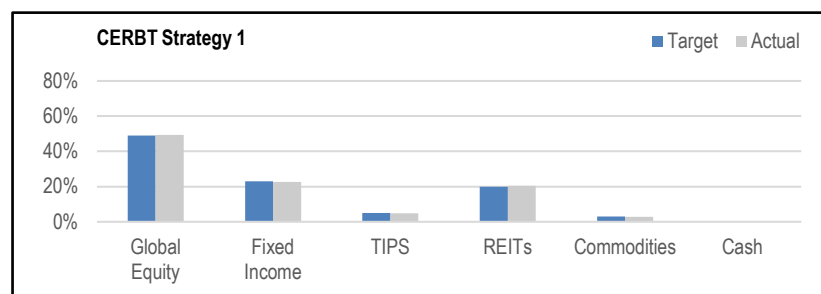
Asset Class	Target Allocation	Target Range	Benchmark
Global Equity	49%	± 5%	MSCI All Country World Index IMI (Net)
Fixed Income	23%	± 5%	Bloomberg Long Liability Index
Treasury Inflation-Protected Securities ("TIPS")	5%	± 3%	Bloomberg US TIPS Index, Series L
Real Estate Investment Trusts ("REITs")	20%	± 5%	FTSE EPRA/NAREIT Developed Index (Net)
Commodities	3%	± 3%	S&P GSCI Total Return Index
Cash	-	+ 2%	91-Day Treasury Bill

Portfolio Benchmark

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

Target vs. Actual Asset Class Allocations

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



Assets Under Management

As of the specified reporting month-end:

CERBT Strategy 1	Annual Operating Ratio
\$14,217,497,111	0.10%

CERBT Strategy 1 Performance as of January 31, 2023

	1 Month	3 Months	Fiscal YTD	1 Year	3 Years*	5 Years*	10 Years*	Since Inception* (June 1, 2007)
Gross Return ^{1,3}	6.67%	10.32%	5.71%	-8.58%	4.22%	4.52%	6.25%	5.04%
Net Return ^{2,3}	6.66%	10.30%	5.66%	-8.66%	4.13%	4.43%	6.15%	4.97%
Benchmark Returns	6.58%	10.26%	5.65%	-8.76%	3.96%	4.28%	5.90%	4.65%
Standard Deviation ⁴	-	-	-	-	16.08%	13.59%	10.80%	13.09%

* Returns for periods greater than one year are annualized.

¹ Gross returns are net of SSGA operating expenses.

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

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

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

CERBT Strategy 1



January 31, 2023

General Information

Information Accessibility

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

Portfolio Manager Information

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

Custodian and Record Keeper

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

Expenses

CERBT is a self-funded trust in which participating employers pay for all administrative and investment expenses. Expenses reduce the gross investment return by the fee amount. The larger the expenses, the greater the reduction of investment return. Currently, CERBT expenses are 0.10% which consist of administrative expenses borne by CalPERS to administer and oversee the Trust assets, investment management and administrative fees paid to SSGA to manage all asset classes, and recordkeeping fees paid to Northeast Retirement Services to administer individual employer accounts. The expenses described herein are reflected in the net asset value per unit. The expense ratio is subject to change at any time and without prior notification due to factors such as changes to average fund assets or market conditions. CalPERS reviews the operating expenses annually and changes may be made as appropriate. Even if the portfolio loses money during a period, the expenses will still be charged.

What Employers Own

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

Price

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

Principal Risks of the Portfolio

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

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

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

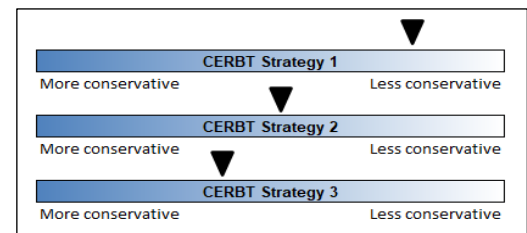
Fund Performance

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

CERBT Strategy Risk Levels

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

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



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



TOWN OF LOS GATOS
FINANCE COMMISSION REPORT

MEETING DATE: 3/13/2023

ITEM NO: 3

Item 3.

DATE: March 1, 2023
TO: Finance Commission
FROM: Laurel Prevetti, Town Manager
SUBJECT: Receive California Employer's Pension Prefunding Trust (CEPPT) Strategy
Market Value Summary Report for the Period Ending December 31, 2022

RECOMMENDATION:

Receive California Employer's Pension Prefunding Trust (CEPPT) Strategy 2 Market Value Summary Report for the period ending December 31, 2022.

BACKGROUND:

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

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

DISCUSSION:

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

Effective Fiscal Year (FY) 2015/16, Council determined if sufficient General Fund year-end savings are available and targeted reserve levels for the Catastrophic Reserve and Budget

PREPARED BY: Gitta Ungvari
Finance Director

Reviewed by: Town Manager and Town Attorney

PAGE 2 OF 2

SUBJECT: CEPPT Update

DATE: March 1, 2023

DISCUSSION (continued):

Stabilization Reserve have been met, upon final close of the fiscal year, a minimum of \$300,000 annually shall be deposited into the Pension/OPEB Reserve Fund. In addition, in 2018 the Council updated the General Fund Reserve Policy to provide for additional discretionary payments (ADPs) of \$390,000 per year to address the unfunded pension liability. Under the updated Policy, a 20-year amortization equivalence will be achieved.

Since the last distribution in 2021, the ending CEPPT 115 Trust account balance as of December 31, 2022, was \$662,323 (Attachment 1). As of January 31, 2023, the CEPPT Strategy 2 fund had a net return of 4.51% for the month and 2.37% for the Fiscal YTD (Attachment 2). Staff anticipates transferring an additional \$690,000 to the CEPPT Trust during FY 2022/23. Per prior Pension/OPEB Oversight Committee direction, staff will consult with the Town's actuary and provide a recommendation to the Finance Commission for a future ADP.

Attachments:

1. CEPPT Market Value Summary
2. CEPPT Performance January 31, 2023

Town of Los Gatos

CEPPT Strategy 2

Entity #: SKHE-4589482285-501P

Quarter Ended December 31, 2022



Market Value Summary:

	QTD Current Period	Fiscal Year to Date
Beginning Balance	\$638,355.08	\$676,150.03
Contribution	0.00	0.00
Disbursement	0.00	0.00
Transfer In	0.00	0.00
Transfer Out	0.00	0.00
Investment Earnings	24,347.27	(13,053.46)
Administrative Expenses	(250.23)	(510.24)
Investment Expense	(129.15)	(263.36)
Other	0.00	0.00
Ending Balance	\$662,322.97	\$662,322.97
FY End Contribution Accrual	0.00	0.00
FY End Disbursement Accrual	0.00	0.00
Grand Total	\$662,322.97	\$662,322.97

Unit Value Summary:

	QTD Current Period	Fiscal Year to Date
Beginning Units	68,400.224	68,400.224
Unit Purchases from Contributions	0.000	0.000
Unit Sales for Withdrawals	0.000	0.000
Unit Transfer In	0.000	0.000
Unit Transfer Out	0.000	0.000
Ending Units	68,400.224	68,400.224
Period Beginning Unit Value	9.332646	9.885202
Period Ending Unit Value	9.683052	9.683052

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

Statement of Transaction Detail for the Quarter Ending 12/31/2022

Town of Los Gatos

Entity #: SKHE-4589482285-501P



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



January 31, 2023

Objective

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

Strategy

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

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

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

Composition

Asset Class Allocations and Benchmarks

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

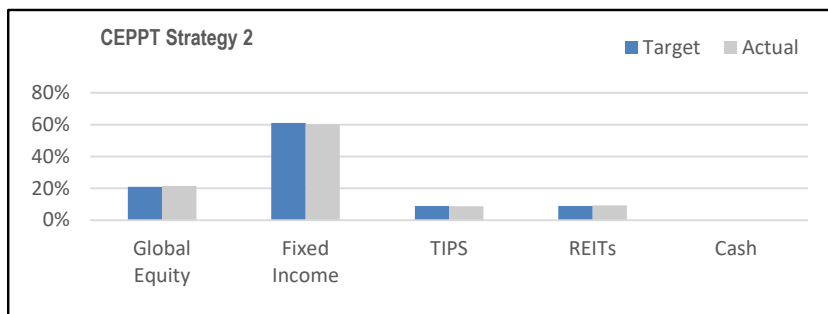
Asset Class	Target Allocation	Target Range	Benchmark
Global Equity	21%	± 5%	MSCI All Country World Index IMI (Net)
Fixed Income	61%	± 5%	Bloomberg US Aggregate Bond Index
Treasury Inflation-Protected Securities ("TIPS")	9%	± 3%	Bloomberg US TIPS Index, Series L
Real Estate Investment Trusts ("REITs")	9%	± 5%	FTSE EPRA/NAREIT Developed Index (Net)
Cash	-	+ 2%	91-Day Treasury Bill

Portfolio Benchmark

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

Target vs. Actual Asset Class Allocations

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



Assets Under Management

As of the specified reporting month-end:

CEPPT Strategy 2	Annual Expense Ratio
\$34,727,138	0.25%

CEPPT Strategy 2 Performance as of January 31, 2023

	1 Month	3 Months	Fiscal YTD	1 Year	3 Years*	5 Years*	10 Years*	Since Inception* (January 1, 2020)
Gross Return ^{1,3}	4.53%	7.58%	2.51%	-7.61%	-0.04%	-	-	0.41%
Net Return ^{2,3}	4.51%	7.51%	2.37%	-7.81%	-0.27%	-	-	0.18%
Benchmark Return	4.40%	7.63%	2.52%	-7.65%	-0.15%	-	-	0.31%
Standard Deviation ⁴	-	-	-	-	8.45%	-	-	8.37%

* Returns for periods greater than one year are annualized.

¹ Gross returns are net of SSGA operating expenses.

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

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

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

CEPPT Strategy 2



January 31, 2023

General Information

Information Accessibility

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

Portfolio Manager Information

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

Custodian and Record Keeper

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

Expenses

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

What Employers Own

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

Price

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

Principal Risks of the Portfolio

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

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

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

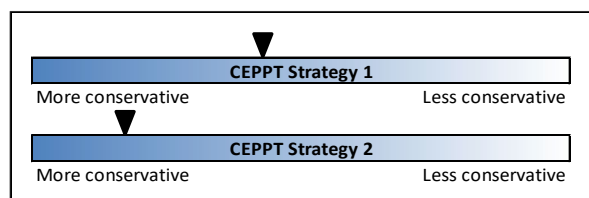
Fund Performance

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

CEPPT Strategy Risk Levels

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

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





TOWN OF LOS GATOS
FINANCE COMMISSION REPORT

MEETING DATE: 03/13/2023

ITEM NO: 4

Item 4.

DATE: March 6, 2023
TO: Finance Commission
FROM: Laurel Prevetti, Town Manager
SUBJECT: Receive the Monthly Financial and Investment Report (January 2023).

RECOMMENDATION:

Receive the Monthly Financial and Investment Report (January 2023).

DISCUSSION:

California Government Code Section 41004 requires that the Town Treasurer submits to the Town Clerk and the legislative body a written report and accounting of all receipts, disbursement, and fund balances. The Finance Director assumes the Town Treasurer role. Attachment 1 contains the January 2023 Monthly Financial and Investment Report which fulfills this requirement.

Attachment 1 contains a Fund Balance Schedule, representing estimated funding available for all funds at the end of the January 2023. The fund balances are estimated at the point in time and will be finalized at the final close of the fiscal year.

Please note that the amount in the Fund Schedule differs from the Portfolio Allocation and Treasurer's Cash Fund Balances Summary schedule because assets and liabilities are components of the fund balance. As illustrated in the summary below, Total Cash is adjusted by the addition of Total Assets less the amount of Total Liabilities to arrive at the Ending Fund Balance – which represents the actual amount of funds available.

As of January 31, 2023, the Town's financial position (Assets \$79.6M, Liabilities \$26.8M and Fund Equity \$52.8M) remains strong and there are no issues meeting financial obligation in the near future.

PREPARED BY: Gitta Ungvari
Finance Director

Reviewed by: Town Manager and Town Attorney

PAGE 2 OF 3

SUBJECT: Monthly Financial and Investment Report (January 2023) for Fiscal Year
2022/23

DATE: March 6, 2023

DISCUSSION (continued):

Reconciling Cash to Fund Balance		
Total Cash	\$	68,295,974
Plus: Asset	\$	11,344,594
Less: Liabilities	\$	(26,838,352)
Ending Fund Balance	\$	52,802,217

As of January 31, 2022, the Town's weighted portfolio yield for investments under management was 2.45% which exceeded by 2 basis points the Local Agency Investment Fund (LAIF) yield of 2.43% for the same reporting period. Currently the LAIF portfolio's weighted average maturity (WAM) is 287 days versus the Town's longer WAM of 443 days. This slightly longer maturity allows the Town to pick up higher yields available on the later maturities. The Town's weighted average rate of return on investments under management of 2.45% at the close of January was 17 basis points higher when compared to the prior months return of 2.28% reported as of December 31, 2022.

Since September 30, 2022, LAIF yields had climbed from 151 basis points (1.51%) to 228 basis points (2.28%) through the end of January 2023. Staff in coordination with the Town's investment advisor continued primarily replacing maturing investments with shorter to medium 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 LAIF pool during that same time period. The State LAIF pool typically lags the market when current market yields are either increasing or decreasing.

Regarding the state of the interest rate environment as of January 2023, the Consumer Price Index (CPI) fell into deflation on a month-on-month basis for the first time since July 2022. The unemployment rate fell to 3.5% from 3.6% in December and annual wage growth was lower than anticipated at 4.6%. With these January trends the yield curve inverted further with short term interest rates rising or remaining unchanged and longer term rates were falling in January.

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

CONCLUSION:

Receiver the Monthly Financial and Investment Report (January 2023).

PAGE 3 OF 3

SUBJECT: Monthly Financial and Investment Report (January 2023) for Fiscal Year
2022/23

DATE: March 6, 2023

Attachment:

1. Financial and Investment Report (January 2023)

**Town of Los Gatos
Summary Investment Information
January 31, 2023**

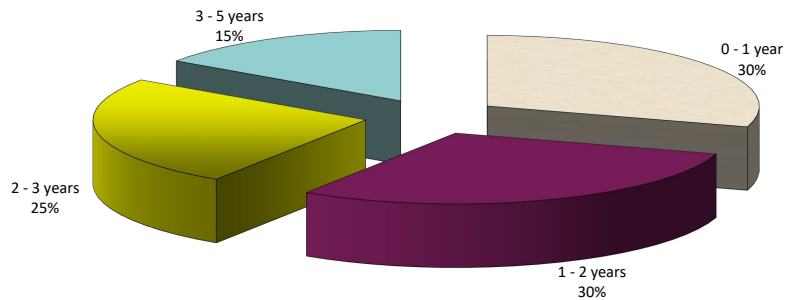
Weighted Average YTM Portfolio Yield on Investments under Management **2.45%** **Weighted Average Maturity (days)** **443**

	<u>This Month</u>	<u>Last Month</u>	<u>One year ago</u>
Portfolio Allocation & Treasurer's Cash Balances	\$68,295,974	\$64,463,675	\$71,031,906
Managed Investments	\$46,956,106		
Local Agency Investment Fund	\$6,978,204		
<u>Reconciled Demand Deposit Balances</u>	<u>\$14,361,664</u>		
Portfolio Allocation & Treasurer's Cash Balances	\$68,295,974		

Benchmarks/ References:

Town's Average Yield	2.45%	2.28%	1.17%
LAIF Yield for month	2.43%	2.17%	0.23%
3 mo. Treasury	4.69%	4.41%	0.19%
6 mo. Treasury	4.86%	4.77%	0.47%
2 yr. Treasury	4.21%	4.43%	1.18%
5 yr. Treasury (most recent)	3.62%	4.01%	1.61%
10 Yr. Treasury	3.51%	3.88%	1.78%

Portfolio Maturity Profile



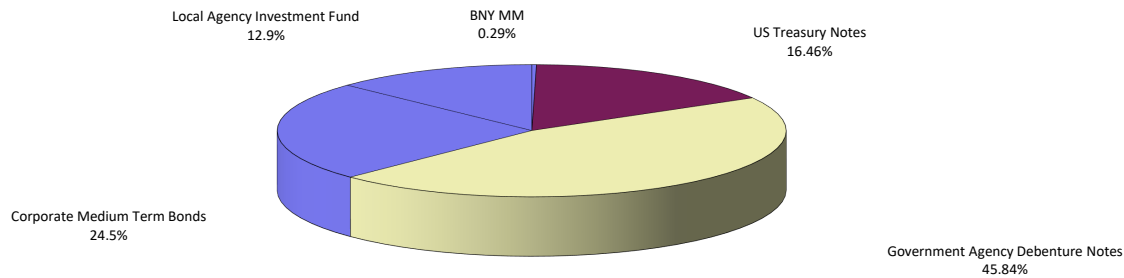
Compliance: The Town's investments are in compliance with the Town's investment policy dated February 21, 2023 and also in compliance with the requirements of Section 53600 at seq. of the California State Code. Based on the information available, the Town has sufficient funds to meet the cash demands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

Town of Los Gatos
Portfolio Allocation & Treasurer's Cash Balances
January 31, 2023

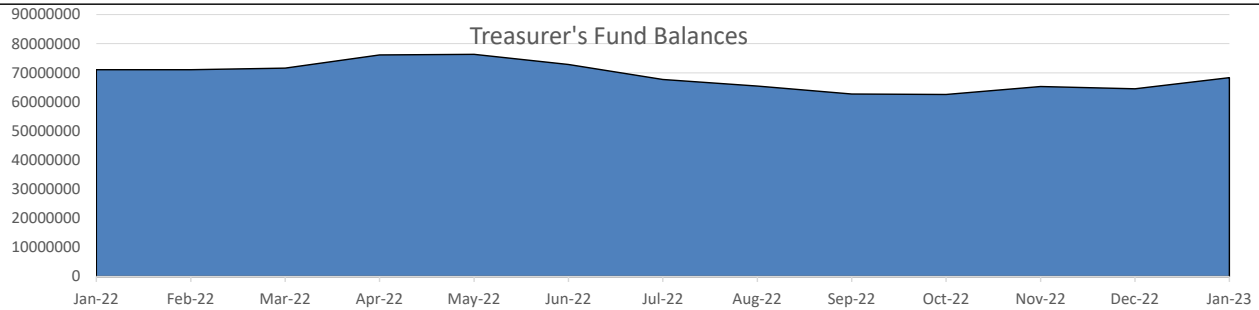
	<u>Month</u>	<u>YTD</u>
Cash & Investment Balances - Beginning of Month/Period	\$64,463,674.93	\$72,886,942.83
Receipts	7,652,062.21	32,222,331.41
Disbursements	<u>(3,819,763.27)</u>	<u>(36,813,300.37)</u>
Cash & Investment Balances - End of Month/Period	<u>\$68,295,973.87</u>	<u>\$68,295,973.87</u>

<u>Portfolio Allocation:</u>	<u>% of Portfolio</u>	<u>Max. % Or \$ Allowed Per State Law or Policy</u>
BNY MM	\$156,752.16 0.29%	20% of Town Portfolio
US Treasury Notes	\$8,877,414.30 16.46%	No Max. on US Treasuries
Government Agency Debenture Notes	\$24,723,462.60 45.84%	No Max. on Non-Mortgage Backed
Corporate Medium Term Bonds	\$13,198,477.01 24.47%	30% of Town Portfolio
Local Agency Investment Fund	\$6,978,204.02 12.94%	\$75 M per State Law
Subtotal - Investments	<u>53,934,310.09</u> 100.00%	
Reconciled Demand Deposit Balances	<u>14,361,663.78</u>	
Total Portfolio Allocation & Treasurer's Cash Balances	<u>\$68,295,973.87</u>	

Portfolio Investment Allocation



Treasurer's Fund Balances



Town of Los Gatos
Non-Treasury Restricted Fund Balances
January 31, 2023

	Beginning Balance	JAN 23 Deposits Realized Gain/Adj.	JAN 23 Interest/ Earnings	JAN 23 Withdrawals	Ending Balance	
Non-Treasury Funds:						
Cert. of Participation 2002 Series A Reserve Fund	\$ 690,456.83		\$ 2,039.96		\$ 692,496.79	Note 1
Cert. Of Participation 2010 Ser A Lease Pymt Fund	133.18	133,528.95	0.37		133,662.50	Note 1
Cert. of Participation 2002 Lease Payment Fund	2,048.68	119,170.23	6.09		121,225.00	Note 1
Cert. of Participation 2010 Series Reserve Fund	1,291,119.39		4,150.60		1,295,269.99	Note 2
Total Restricted Funds:	<u>\$ 1,983,758.08</u>	<u>\$ 252,699.18</u>	<u>\$ 6,197.02</u>	<u>\$ -</u>	<u>\$ 2,242,654.28</u>	
CEPPT IRS Section 115 Trust	662,322.97	29,873.72			\$ 692,196.69	Just check this with the final quai
Grand Total COP's and CEPPT Trust	<u>\$ 2,646,081.05</u>	<u>\$ 282,572.90</u>	<u>\$ 6,197.02</u>	<u>\$ -</u>	<u>\$ 2,934,850.97</u>	

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

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

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

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

**Town of Los Gatos
Statement of Interest Earned
January 31, 2023**

Interest by Month

July 2022	\$60,107.76
August 2022	61,456.65
September 2022	60,153.38
October 2022	68,965.25
November 2022	68,430.71
December 2022	77,485.61
January 2023	80,998.58
February 2023	
March 2023	
April 2023	
May 2023	
June 2023	
	<hr/>
	<u><u>\$477,597.94</u></u>

Item 4.

Page 25

Fund Schedule

Item 4.

Fund Number	Fund Description	Prior Year Carryforward 7/1/2022	Increase/ (Decrease) July-Dec	January 2023				Estimated Fund Balance 1/31/2023*
				Current Revenue	Current Expenditure	Transfer In	Transfer Out	
111	GENERAL FUND							
	Non-Spendable:		-	-	-	-	-	
	Loans Receivable	159,000						159,000
	Restricted Fund Balances:							
	Pension	690,000						690,000
	Committed Fund Balances:							
	Budget Stabilization	5,991,566						5,991,566
	Catastrphic	5,991,566						5,991,566
	Pension/OPEB	300,000						300,000
	Assigned Fund Balances:							
	Open Space	410,000		-	-	-		410,000
	Sustainability	140,553						140,553
	Capital/Special Projects	11,071,231	(15,498)					11,055,733
	Carryover Encumbrances	33,145	-	-	-	-		33,145
	Compensated Absences	1,519,147	-	-	-	-		1,519,147
	Measure G District Sales Tax	590,581	-	-	-	-		590,581
	Unassigned Fund Balances:							
	Other Unassigned Fund Balance Reserve (Pre YE distribution)	-	(3,854,952)	7,035,805	(3,227,650)	-	-	(46,797)
	General Fund Total	26,896,789	(3,870,450)	7,035,805	(3,227,650)	-	-	26,834,494

Fund Schedule

Item 4.

Fund Number	Fund Description	Prior Year Carryforward 7/1/2022	Increase/ (Decrease) July-Dec	January 2023				Estimated Fund Balance 1/31/2023*
				Current Revenue	Current Expenditure	Transfer In	Transfer Out	
	SPECIAL REVENUE							
211/212	CDBG	166,654	-	-	-	-	-	166,654
222	Urban Runoff (NPDES)	451,558	65,111	29,996	(12,747)	-	-	533,918
231-236	Landscape & Lighting Districts	174,236	(2,314)	21,610	(3,414)	-	-	190,118
241	ARPA	-	3,614,872	-	-	-	-	3,614,872
251	Los Gatos Theatre	19,500	11,588	-	(158)	-	-	30,930
711-714	Library Trusts	555,254	14,943	100	(1,908)	-	-	568,389
	Special Revenue Total	1,367,202	3,704,200	51,706	(18,228)	-	-	5,104,880
	CAPITAL PROJECTS							
411	GFAR - General Fund Appropriated Reserve	14,783,787	1,118,583	89,110	(702,424)	-	-	15,289,056
421	Grant Funded Projects	(948,603)	292,557	-	-	-	-	(656,046)
461-463	Storm Basin Projects	3,218,811	56,960	17,360	-	-	-	3,293,131
471	Traffic Mitigation Projects	405,570	-	-	-	-	-	405,570
472	Utility Undergrounding Projects	3,302,514	60,327	1,176	-	-	-	3,364,017
481	Gas Tax Projects	1,836,068	(884,627)	206,083	(166,068)	-	-	991,456
	Capital Projects Total	22,598,147	643,800	313,729	(868,492)	-	-	22,687,184
	INTERNAL SERVICE FUNDS							
611	Town General Liability	803,292	(578,863)	-	-	-	-	224,429
612	Workers Compensation	1,295,185	(228,481)	7,374	(2,613)	-	-	1,071,465
621	Information Technology	2,990,932	(22,579)	8,714	(16,544)	-	-	2,960,523
631	Vehicle & Equipment Replacement	2,222,395	26,823	-	-	-	-	2,249,218
633	Facility Maintenance	928,481	47,324	4,676	(68,008)	-	-	912,473
	Internal Service Funds Total	8,240,285	(755,776)	20,764	(87,165)	-	-	7,418,108
	Trust/Agency							
942	RDA Successor Agency	(7,607,527)	(1,643,546)	263,652	(255,028)	-	-	(9,242,449)
	Trust/Agency Fund Total	(7,607,527)	(1,643,546)	263,652	(255,028)	-	-	(9,242,449)
	Total Town	51,494,896	(1,921,772)	7,685,656	(4,456,563)	-	-	52,802,217

* Interfund transfers and ARPA funding allocation to be performed as part of the fiscal year end closing entries.

Deposit Accounts of Interest:

111-23541 General Plan Update deposit account balance \$1,318,715

111-23521 BMP Housing deposit account balance \$3,698,538



TOWN OF LOS GATOS
FINANCE COMMISSION REPORT

MEETING DATE: 03/13/2023

ITEM NO: 5

Item 5.

DATE: March 9, 2023
TO: Finance Commission
FROM: Laurel Prevetti, Town Manager
SUBJECT: Receive Information on the Town-wide Justice, Equity, Diversity, and Inclusion Plan

RECOMMENDATION:

Receive information on the Town-wide Justice, Equity, Diversity, and Inclusion (JEDI) Plan.

BACKGROUND:

On August 17, 2021, the Town Council unanimously voted to authorize the Town Manager to enter into an agreement for JEDI consultant services with American Leadership Forum Insights (ALFI). ALFI was selected to address the Town's external JEDI goals through Town partnerships with local organizations and the broader community. ALFI specializes in external engagement and dialogue and leveraging community partnerships.

Attachment 1 contains ALFI's final Discovery Report documenting their approach, high level findings/themes, and recommendations. ALFI engaged with community leaders and Town partners, including the Chamber of Commerce, faith-based organizations, business owners, local school districts, and others in a series of listening sessions to assess the level of understanding of the current JEDI efforts and identify barriers and opportunities.

The recommendations were organized under the following topics:

- Collaborative on-going engagement;
- Develop safe spaces;
- Build capacity for the work;
- Connect this work to the vibrancy of the Town economy;
- Intentionally engage school districts and youth; and
- Continue to build affordable housing.

Reviewed by: Town Manager and Town Attorney

PAGE 2 OF 3

SUBJECT: Receive Information on the Town-wide Justice, Equity, Diversity and Inclusion Plan

DATE: March 9, 2023

BACKGROUND (continued):

On September 6, 2022, the Town Council unanimously voted to direct the Town Manager to work with ALFI on the development of a formal JEDI Plan. The Plan would fold in the individual recommendations from the Discovery Report and include specific long and short-term goals, action items with timelines, and metrics. The overall goal is to co-create with the community an actionable Plan for the Town of Los Gatos to become a more inclusive place and where all community members feel welcome and a sense of belonging.

In addition, the Town's recently adopted 2040 General Plan includes a Racial, Social, and Environmental Justice Element that includes definitions, goals, policies, and implementation programs (https://losgatos2040.com/images/docs/LGGPU_02_EJ.pdf). The JEDI Plan is intended to function in concert with this Element.

DISCUSSION:

ALFI and Town staff are taking a multipronged approach to gather input on the initial ideas for action items to be included in the JEDI Plan (Attachment 2). These items are based on the recommendations in the Discovery Report and other related Town work. Some of these items are already underway and Attachment 2 includes updates on all the items.

Feedback on the Potential Action Items is being sought from Town Boards, Committees, and Commissions and the greater Los Gatos community. At least one community workshop will be held in Spring 2023 to garner additional public input. Town staff also will be reflecting on the organization internally in terms of how the Town can foster a more diverse workforce, strengthen procedures to protect staff from uncivil behavior, and be more welcoming for all. All of this input will be synthesized into a Draft JEDI Plan and the Town Boards, Committees, and Commissions will have another opportunity to provide comments.

The input of the Town's Boards, Committees, and Commissions is an important piece of the development of the JEDI Plan. The Chair of the Finance Commission requested that staff reach out to each voting member of the Commission to obtain input on the materials rather than use the limited time during the meeting for this discussion. The Town Manager will be reaching out to the individual Commissioners to set up a time to obtain input. Alternatively, Commissioners are welcome to submit their comments in writing to the Town Manager.

To guide the discussion in the individual meetings/conversations, the following framework may be useful:

1. Overall input on the Potential JEDI Plan Action Items in Attachment 2.
2. How should we define "inclusion" and "belonging" in Los Gatos?

PAGE 3 OF 3

SUBJECT: Receive Information on the Town-wide Justice, Equity, Diversity and Inclusion Plan

DATE: March 9, 2023

DISCUSSION (continued):

3. How do justice, diversity, equity, and inclusion intersect with the work of your Board/Committee/Commission?
4. How can your Board/Committee/Commission help to increase equity and inclusivity in Los Gatos?
5. How can we measure success?
6. Other ideas for how the Town Government organization as a whole can work toward a more equitable and inclusive Los Gatos.

CONCLUSION:

Staff looks forward to the Commission member's feedback either in writing or in a separate conversation.

COORDINATION:

This report was coordinated with all Town Departments.

FISCAL IMPACT:

There is no fiscal impact associated with the development of the JEDI Plan.

ENVIRONMENTAL ASSESSMENT:

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

Attachments:

1. ALFI Discovery Report
2. Potential JEDI Plan Action Items

ALF INSIGHTS

DISCOVERY REPORT





We can leverage our pride
and use the JEDI plan to build upon
the best of Los Gatos.

Dave Watermulder, Town of Los Gatos Interfaith Group



THE TOWN of Los Gatos over the past couple of years has worked diligently to create their Justice, Equity, Diversity and Inclusion Plan (JEDI) with the intent of lifting that work up into Town processes and policies as well as the community. The Town engaged ALF Insights (ALFI), the consulting arm of American Leadership Forum Silicon Valley (ALFSV), which is committed to bringing groups of people together in spaces of productive tension in order to build deeper relationships that lead to the creation of powerful community impact. As a neutral convener of cross sector leaders, ALFI has the ability to emerge new frameworks for how an organization or network manages change and embraces dynamic processes that use tension as a vehicle to bring their work to the next level.

ALFI was hired to accomplish the following phases of work:

Phase I Goals: Discovery

Engage community partners, through meetings with individuals and groups, in order to ascertain their understanding of the JEDI plan as well as gather input on equity and inclusion efforts in the Town.

Phase II: Summary and Recommendations

Summarize themes and ideas and provide back a set of recommendations about gaps in the current plan, suggestions for additions and deletions as well as points of clarity and to offer a process for on-going community engagement.

WHAT WE DID: PROCESS OVERVIEW

ALFI held a total of 18 Discovery sessions with 27 individuals spanning community members, business owners, nonprofit leaders, faith groups and education administrators. Please see the full list of who participated and their affiliation in Appendix D. Each individual or group was asked the following questions.

- What are the opportunities that you see for the Town as they move forward with their equity work ?
- What are you feeling most hopeful about?
- What are you most concerned about?
- What in your mind creates an inclusive community?
- JEDI Plan thoughts and feedback? Are you willing to engage in the JEDI process in the future? In what context?

WHAT WE LEARNED: HIGH LEVEL THEMES

The work of grappling with race and systemic inequities is hard and are not quickly resolved. It requires courageous and brave leadership, often in the face of strong opposition. Through the discovery process, ALFI heard the following themes across all of those we spoke to. It should be noted that of all those we interviewed, everyone was willing to be engaged in the on-going work.

Opportunities Overall participants saw many opportunities for the Town's continued commitment to the JEDI Plan:

- The opportunity for the Town government to create initiatives, policy, action and tone setting around the JEDI work.
- The opportunity for community learning centered around events, specific programs and dialogue in order to create awareness and enlightenment.
- The opportunity for the Town to engage and leverage the energy and voices of youth.
- The opportunity for businesses to promote inclusive practices.
- The opportunity to address this work through affordable housing which would impact the demographics of the Town and shift the definition of who is welcome.
- The opportunity to leverage the energy of the Town and the pride the community holds for the Town.

Hope The process and plan created a sense of hope for those that ALFI spoke to.

- Previous and current efforts to address race equity brings hope.
- The new ideas and possibilities that are centered in creating a new future for the Town.
- The participation and voices of youth through their school campuses, the March Against Hate and participation in government.
- The open acceptance of the LGBTQIA+ community through physical and visible solidarity such as public art displays.
- The interfaith work happening in the Town.
- That the JEDI Plan was created and being discussed openly and woven through the policies and practices of the Town.

Inclusion Being an inclusive Town, while defined differently by the participants, mattered to everyone. For some that was about wanting everyone to be comfortable in the Town and for others it was about ensuring that business is supported and creating a place that folks want to visit. An inclusive Town was defined as:

- A place in which there is open and visible support for all people.

- A place that is safe where people do not have to worry about being discriminated against based on their race, gender or sexual preference.
- A place with a diverse population in terms of race and economic background that provides for shared community experiences.
- A place that creates a true sense of belonging and seeks to create spaces without judgment.
- A place that can tolerate a diversity of viewpoints and in which its residents are able to engage in civil discourse across differences.
- A place that the community in Los Gatos has pride in and that those outside of the Town want to visit.

Concerns Along with the opportunities and hope that discovery participants felt, there are also real fears and concerns about the on-going JEDI work.

- Fear about engaging in the work and how that might impact the personal safety of participants.
- Fear that this work will reflect negatively on the Town, that it will keep people away from the Town, impacting businesses or will have negative fiscal impacts.
- Concern that the Town, and the larger community, lacks the capacity or knowledge to do the work. Who will own this work and ensure that it gets done?
- Concern that some residents do not agree with the Town doing this work and the resulting impact that has on individual leader's ability to stay engaged with the work.
- Concern that the Town will not go deep enough or far enough with the JEDI work to make a lasting impact. How do we ensure authentic versus performative action?
- Concern that the JEDI work may derail other critical work of the Town.

JEDI Plan Discovery participants had various levels of knowledge about the JEDI Plan in its current form and the following feedback.

- Ensure that the community is a part of creating and iterating the plan so that there is collective and coordinated energy to support the implementation of plan objectives.
- Ensure that the plan works in conjunction with the other work happening across the school,



business and nonprofits communities.

- Stay invested in the work and provide the support and infrastructure for that to occur.
- Create more specificity and accountability in the plan itself to ensure that the plan is not performative.
- Commit to this process for the long-term.

“

We are Los Gatos. We are working towards an authentic and accurate depiction of the people who live in the Town.

Catherine Somers, Los Gatos
Chamber of Commerce

RECOMMENDATIONS

As the Town moves forward with the JEDI plan and its resulting work products, we believe that the following recommendations will aid them in staying the course in creating a Town that is inclusive and safe for all.

Collaborative, On-going Engagement

Instead of different groups working individually to address the issues of race equity, the Town of Los Gatos should provide the infrastructure and funding for those groups to work together long-term. Additionally, as these organizations will be doing the work, their voices should be a part of the design and implementation of the work in order to ensure the authenticity of the process.

> **RECOMMENDATION:** Form a facilitated, community working group that will come together to build relationships and develop a deeper understanding of JEDI concepts. Use this group to iterate

and deepen the JEDI plan that includes short and long-term goals as well as a timeline of activities.

- > **RECOMMENDATION:** Develop a statement of what inclusivity and belonging mean to the Town as a part of the JEDI Plan.

Develop Safe Spaces

In order for people to be willing to publicly engage in this work, there needs to be a commitment to the physical safety of those who participate.

- > **RECOMMENDATION:** Create guidelines for safety that allow working group and community members to develop solidarity and commitment to seeing the process through.
- > **RECOMMENDATION:** Ensure all threats to personal safety will not be tolerated through clear policies and practices.
- > **RECOMMENDATION:** Utilize art and community engagement with art as a path to create safe spaces for learning and expression.

Build Capacity for the Work

In order for the JEDI plan to be effective, there needs to exist a baseline of knowledge and understanding of historical inequities and how those impacts show up currently. Specifically the following concepts: intersectionality, color-blindness, economic disparities, historical inequities and the work of reconciliation.

- > **RECOMMENDATION:** Provide spaces for members of the community to learn and be in dialogue together.
- > **RECOMMENDATION:** Emphasize that the JEDI work benefits everyone and detail how and why this is the case as they engage in these community dialogues.

Connect the Work to the Vibrancy of the Town Economy

Often there is a concern that engaging in JEDI work might negatively impact the public perception of the Town and the people who live there. In fact, the willingness to be “front and center” on the work of addressing historical and current inequities can in fact be a boost for the Town and its public image.

- > **RECOMMENDATION:** Develop a public facing campaign about what the Town is doing in regards to its JEDI work along with its plan. Ensure that there is transparency about what the Town is learning

and how they will be adjusting their work in support of the JEDI Plan.

Intentionally Engage School Districts & Youth

One of the places where issues related to race and anti-semitism have shown up the most publicly has been on school campuses. In addition, there are many young people that are deeply engaged in JEDI work as the March Against Hate demonstrated.

- > **RECOMMENDATION:** Ensure that the school districts and youth have an intentional and connected voice to the JEDI work as it moves forward.
- > **RECOMMENDATION:** Reaffirm to the school districts that they are not alone in handling these incidents. Create space for them to work collaboratively with the Town to brainstorm solutions to these problems.

Continue to Build Affordable Housing

Across all the participants ALFI spoke with, housing was brought up at least once in each of the discovery sessions. Ensuring economic diversity through affordable housing was seen as a critical piece in the JEDI puzzle.

- > **RECOMMENDATION:** continue to build and support affordable housing through the General Plan and Housing Element.



The town is starting to awaken now
and we have to do something
collectively to bring about change.

Kareem Syed, Former Resident;
Peacemaker during BLM and other protests



APPENDIX A: QUESTION SUMMARIES

Discovery Question #1: What are the opportunities that you see for the Town as they move forward with their equity work?

"In a world moving more and more toward a global way of thinking, the Town would be better served with the addition of a Unity Commission made up of diverse groups – ages, backgrounds, etc. – to be the eyes and ears of the Town and who bring more vitality to the community. Existing partnerships in the Town should be leveraged and synergies explored. Organizations such as NUMU, Los Gatos Library, Chamber of Commerce, Rotary, AWO, and others can work together to center, promote, and celebrate diversity."

— Folake Phillips

Overall, participants felt that opportunities exist. Most communicated that the Town government can be leveraged as conveners, supporters, or initiators of the equity work. Collaboration was mentioned as a key ingredient to the success of this work and that the Town officials should foster environments for multiple sectors to work together. Business was a key sector discussed along with Community Based Organizations (CBO's).

Although collaboration was discussed most, the need for support and leadership from the Town government, financial, organizational, and otherwise, was recognized as well. Often mentioned as initiators of events and programs that community leaders could then take over or amplify the work of CBO's that is already happening. Some participants also stated that large businesses want to recruit skilled workers from all backgrounds and having an inclusive and diverse Town aids in the process.

Events, dialogues, and programs centered on community awareness and learning about JEDI were also seen as an opportunity. These occasions create space for various experiences and perspectives to be acknowledged and valued. The events should focus on elevating voices that are often marginalized, helping to make the Town inclusive and safe for all. Some direct ideas were, music festivals, economic investments in departments to push the work forward, ongoing equity curriculum, and opportunities to learn of the Town's painful past.

A focus on youth in this process was also suggested. The thought is to have similar opportunities as mentioned above for students to lead and participate. Including JEDI into the school curriculum was also highlighted.

Affordable housing was another notable topic. The idea that diversity, equity, and inclusion depend on who can 'afford' to live in Los Gatos was at the heart of these suggestions.

Discovery Question #2: What are you most hopeful about?

"I'm hopeful with the direction of this DEI process and am glad that it has begun. I'm proud of how the Town is handling these challenges and of the steps they have taken to prioritize their DEI efforts. I have listened to a few council meetings and am impressed by how the youth in this community have spoken up about their feelings and how articulately they were able to get their points across. Due to this involvement of the town's youth I think it would be a great opportunity to engage with the Town's youth commission."

— Dominic Broadhead

Participants were most hopeful regarding past and/or current events. Events like the March Against Hate, student-led initiatives at the high school and visual representations, such as rainbow sidewalks, were repeatedly mentioned. Some participants mention the existence of a JEDI plan and the surveying AFLI was conducting as signs of positive movement. Participants also mentioned that the town leadership bringing the JEDI conversation to the forefront was encouraging along with hearing and seeing so many other residents looking to create change.

Participants also expressed hope about future events and projects. There were numerous ideas communicated that had participants excited and engaged. Many discussed the opportunity for people to engage each other as people and not ideological groups. The space for human connectivity through dialogue, storytelling, music, and the arts was highly regarded and a source of hope for many participants. Participants mentioned hope in new people hired/elected to important roles within the Town i.e., new police chief and mayor.

Participants also discussed student engagement as a source of hope. Past events and the desire to create more opportunities for young people to influence policies, share ideas, and learn more about equity and inclusion seemed to come from participants across the board.

Other things to explore: Participants mentioned that the beginning of this work may be tough but believe the overall community will come along with time. Some believe the Town can

handle the challenges ahead, but officials need to keep moving the ball forward. To change will require the development of new skills and a higher capacity to hear and understand one another. Another thing that was notable is how infrequently the topic of the Town's police department was mentioned. This is a potential place of hope since policing, by and large, has shown up a lot in other cities and communities regarding JEDI work.

Discovery Question #3: What are you most concerned about?

"Neither the Town nor the school district can solve this issue on their own. It is a community problem and to address it effectively, we need to find ways to work collaboratively across sectors to find solutions."

— Dr. Michael Grove

The overwhelming response to this question, along with it being mentioned throughout our interviews, was fear. The trepidations of many participants centered on the response of residents who may be resistant to the work. Although negative interactions were not expected from most residents, the strong and vitriolic nature of a small segment of residents weighed heavily on the minds of everyone we spoke with. Concerns about personal safety, alienation, and retaliation were consistently brought forward. Concerns about safety need to be addressed for the Town to get strong buy-in from the community. Addressing this issue will increase who and how long people stay engaged.

The next issue of concern is the efficacy and capacity to make change. Participants questioned the long-term commitment the Town has toward equity work. It was mentioned that the General Plan should reflect JEDI concerns to help it properly move forward. There was also concern that some people with influence and power will impede any progress either because change is hard or holding the status quo is preferred. Participants, acknowledging the large scope of the work and the challenging political climate, questioned if the Town possessed the knowledge and ability to create a more equitable and inclusive community.

Other things to consider in addressing

participant concerns are affordable housing, training and education for youth, and accessibility to resources to increase the community's knowledge around equity work.

Discovery Question #4: What in your mind creates an inclusive community?

"I'd like to be able to see a black, lesbian developer come and live comfortably in Los Gatos and attend her synagogue."

— Jon Hicks

When participants were asked to imagine what an inclusive community looked like they painted this picture: A community that is safe and welcoming to those who do not fit the norm, empathy and compassion exhibited between neighbors, vibrancy that is attributed to diversity, new voices welcomed at decision-making tables, and a deep sense of belonging that crosses the boundaries of gender, culture, race, sexual preference, and socio-economics. It was acknowledged that some of these characteristics may not be measurable, but the feeling would be recognizable.

Participants stated that an inclusive community has JEDI dialogues, addresses unconscious bias, educates people on the history of the indigenous people, creates intentional spaces and opportunities for residents to come together and celebrate differences. The inclusive community creates and highlights role models for the next generation to emulate, helping them be even better informed and aware of JEDI issues.

Participants stated that representations of diversity in business ownership, government officials and teachers would be part of an inclusive community. Community policing standards should be employed, where all residents are treated fairly no matter race, religion, or sexual orientation. Affordable housing should be part of an inclusive community.

Other topics to note, questions about the current demographics of the Town were raised and concerns that perceived homogeneity of economic backgrounds within the town may obscure the actual needs. Some participants mentioned the need for greater clarity regarding what the Town is communicating when it speaks of justice, equity, diversity, and inclusion.

Discovery Question #5: What are your thoughts on the JEDI Plan? Are you willing to engage in the JEDI process in the future? In what context?

"I fully support the town's JEDI efforts. I think they'll be strengthened by including reasons why this is good for Los Gatos and worth town expenditure. I'd like to add that the town staff needs to make clear to the community how and why the JEDI efforts benefit everyone and harm no one."

—Amy Nishide

Everyone who participated was open and willing to engage the JEDI process in the future. Most were enthusiastic and excited to see the Town take these initial steps. There were some concerns about possible politicizing of the process and potential backlash.

Participants were generally familiar with the JEDI plan. Overall, participants thought the direction was good, while expressing concerns about clarity of purpose, tangible deliverables, and the long-term commitment. Collaboration between the various sectors; government, business, education, and the community; was highlighted as a large need. The development of a Unity Commission was suggested as a step to keep the work moving forward. Despite all the positive feedback, fear regarding the perception and response of some residents was mentioned. Fear was one of the most expressed emotions along with the desire for progress.

Participants suggested numerous ideas about how to engage the process. The majority fell into three categories: events/entertainment, dialogue, and training/education. Ideas such as movie viewings, concert series and using the arts to bring people together around topics of diversity and inclusion were suggested. Creating spaces for open and honest dialogue to help residents learn from one another was referenced. Training and educational partnerships between CBO's, schools and the government were also highlighted. Previous events and groups were named as examples to build on; March Against Hate, the Anti-Racism Coalition and the Chamber of Commerce to name a few.

APPENDIX B: ALF INSIGHTS MODEL

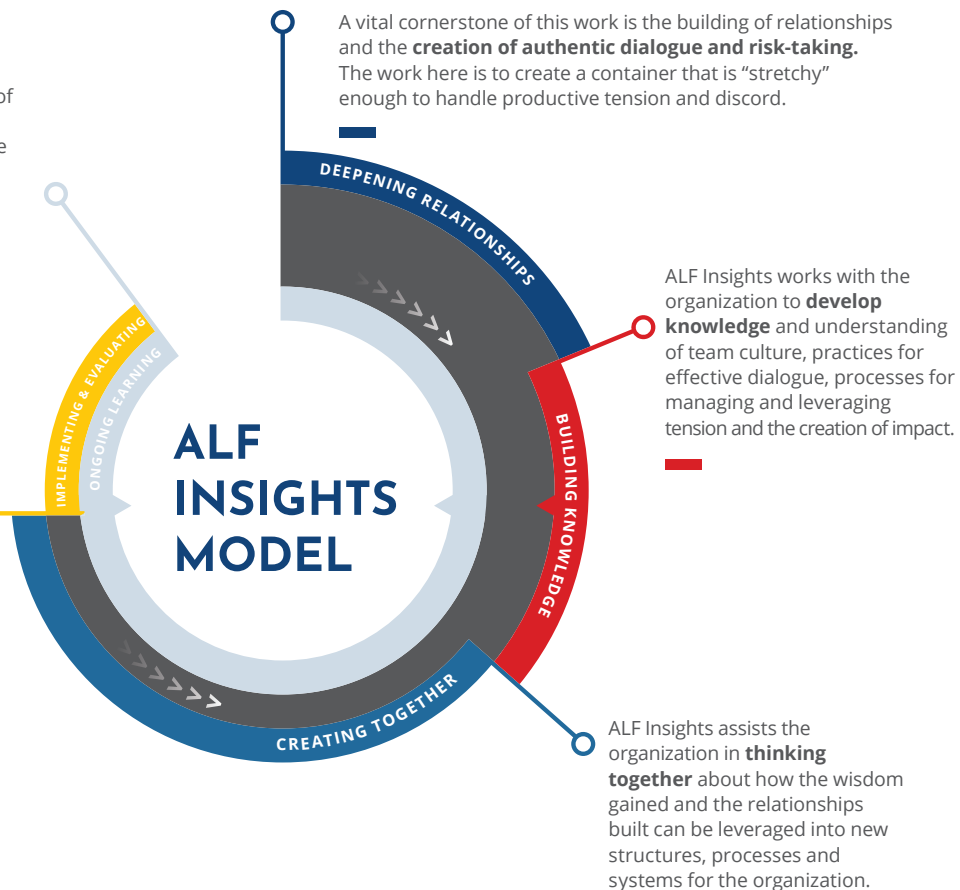
The work of emerging and building spaces for high quality dialogue within an organization is not a linear process but a cyclical one. The process of learning, creating, implementing, evaluating and iterating should become a cultural norm for an organization or network. When this process is built into the day to day ethos of an organization, it allows for growth, flexibility, nimbleness and responsiveness to the needs of employees, those served and the larger community.

ALF Insights (ALFI) knows, through its many years of working with diverse groups, that the creation and maintenance of relationships is critical for the success of any working group. In order for

members of a group to begin to engage with the work at hand, they have to be able to successfully take risks with each other in order for the ultimate products to have full buy-in and be responsive to the community's needs. The ability for members to authentically share their personal and professional value propositions, and to seek common ground, is inherently connected to the quality of relationship within the team. ALFI is focused on developing a highly personalized program that will move both relationships and impact forward. It is important to note that this is not a linear process as vigorous, generative social-impact groups are a picture of evolving social relationships *and* a robust platform for sustained production and impact.

ALF Insights works with the organization to **establish a structure of ongoing learning and development**. Maintenance of generative teams is ongoing and emergent work. It is critical to have structures in place and natural leaders identified so that the organization can evaluate, learn and iterate as needed.

ALF Insights works with the organization to **create a process of accountability at the staff, board and partner level** in order to ensure fidelity to new structures.



APPENDIX C: ALF INSIGHTS FACULTY

For this project the following faculty members were engaged:



Jenny Niklaus
ALFI Chief Facilitation Officer



Jason Reynolds
ALFI Faculty



Darcie Green
ALFI Faculty



Allyson Paul
ALFI Executive Assistant

APPENDIX D: LIST OF DISCOVERY PARTICIPANTS

Rabbi Melanie Aron, *Congregation Shir Hadash*
Father Ricardo Avila, Dave Watermulder,
Erica Rader, *Town of Los Gatos Interfaith Group*
Diane Fisher, *Jewish Silicon Valley*
Kareem Syed, *Former Resident; Peacemaker during BLM and other protests*
Jon Hicks, *Netflix*
Catherine Somers, *Los Gatos Chamber of Commerce*
Dr. Michael Grove, *Los Gatos-Saratoga Union High School District*
Paul Johnson, *Los Gatos Union School District*
Kristi Grasty, *Los Gatos High School*
Kylie Clark, Jeffrey Suzuki, Amy Nishide,
Ali Milano, Sandrine Chaumette, Rob Moore,
Alicia Spargo, *Los Gatos Anti-Racism Coalition*
Ami Davis, *NUMU*
Karen Rubio, *Plant Based Advocates*
Sasha Balasingham, *Youth Commission Chair, Los Gatos High School*
Dominic Broadhead, *Los Gatos-Saratoga Parks and Recreation Center*
Folake Philips, Varily Isaacs, *AWO*
Teri Hope, *Business Owner*
Susan Farwell, *Business Owner*
Jim Foley, *Business Owner*





Sobrato Center for Nonprofits
1400 Parkmoor Avenue, Suite 280
San Jose, CA 95126

Email: alfsv@alfsv.org
Phone: (408) 554.2000

STATUS OF DISCOVERY REPORT RECOMMENDATIONS AND OTHER TOWN EFFORTS

ALF Insights

Town of Los Gatos Discovery Report: Recommendations Update 2/2023

Collaborative, On-going Engagement

- **RECOMMENDATION:** Form a facilitated, community working group that will come together to build relationships and develop a deeper understanding of JEDI concepts. Use this group to iterate and deepen the JEDI plan that includes short and long-term goals as well as a timeline of activities.
- **RECOMMENDATION:** Develop a statement of what inclusivity and belonging mean to the Town as a part of the JEDI Plan.
- **UPDATE:** Both of these items are moving forward through the Community Working Group process.

Develop Safe Spaces

- **RECOMMENDATION:** Create guidelines for safety that allow working group and community members to develop solidarity and commitment to seeing the process through.
- **RECOMMENDATION:** Ensure all threats to personal safety will not be tolerated through clear policies and practices.
- **RECOMMENDATION:** Utilize art and community engagement with art as a path to create safe spaces for learning and expression.
- **UPDATE:** The Town Council has adopted civility guidelines for all Council and Commission meetings, being clear that:
 - The Town embraces diversity and strongly condemns hate speech and offensive, hateful language or racial intolerance of any kind at Town meetings.
 - Town Council and staff are well aware of the public's right to disagree with their professional opinion on various Town issues. However, anti-social behavior, slander, hatred, and bigotry statements are completely unacceptable and will not be tolerated in any way, shape, or form at Town meetings.

- All public comments at the Town Council meeting must pertain to items within the subject matter jurisdiction of the Town and shall not contain slanderous statements, hatred, and bigotry against non-public officials.

Build Capacity for the Work

- **RECOMMENDATION:** Provide spaces for members of the community to learn and be in dialogue together.
- **RECOMMENDATION:** Emphasize that the JEDI work benefits everyone and detail how and why this is the case as they engage in these community dialogues.
- **UPDATE:** The Town is providing spaces for members of the community to learn and be in dialogue together, starting with programming through our Library on Affordable Housing and the intersection of environmental sustainability and equity.

Connect the Work to the Vibrancy of the Town's Economy

- **RECOMMENDATION:** Develop a public facing campaign about what the Town is doing in regards to its JEDI work along with its plan. Ensure that there is transparency about what the Town is learning and how they will be adjusting their work in support of the JEDI Plan.

Intentionally Engage School Districts and Youth

- **RECOMMENDATION:** Ensure that the school districts and youth have an intentional and connected voice to the JEDI work as it moves forward.
- **RECOMMENDATION:** Reaffirm to the school districts that they are not alone in handling these incidents. Create space for them to work collaboratively with the Town to brainstorm solutions to these problems.
- **UPDATE:** The Town signed an agreement with the Los Gatos Saratoga Union High School District and Los Gatos Union School District to be part of a social norms effort. The Districts have been invited to participate in the Town's JEDI Plan process.

Continue to Build Affordable Housing

- **RECOMMENDATION:** Continue to build and support affordable housing through the General Plan and Housing Element.
- **UPDATE:** The 2040 General Plan adopted with its Racial, Social, and Environmental Justice Element on 6/30/22. The Housing Element with modifications was adopted by the Town Council on 1/30/23, finding it to be in substantial compliance with State

law. The Town is continuing to address the detailed comments from the State, engaging with the community in that process.

Town of Los Gatos Justice, Equity, Diversity, and Inclusion Work Plan Update 2/2023

JEDI Plan

- **UNDERWAY:** Work with ALFI to prepare an actionable JEDI Plan with clear goals, timeframes, and measurable outcomes. Town staff will lead staff, general public, and other engagement in this effort.

Town Operations

- **UNDERWAY AND ONGOING:** Require all Town Departments to use a lens of justice, equity, diversity, and inclusion in the:
 - Development of the Town budget, Capital Improvement Program, General Plan (see more information below), and other guiding documents;
 - Delivery of Town services; and
 - Creation of all new programs, projects, and policies.
- **UNDERWAY AND ONGOING:** Examine all proposed policies and ordinances in the context of promoting, facilitating, and improving justice, equity, diversity, and inclusion in Los Gatos. This work is done by the Council Policy Committee, appropriate Town Boards, Committees, and Commissions, and the Town Council.

Communications/Community Engagement

- **UNDERWAY AND ONGOING:** Expand the Town's community engagement to include more Black, Indigenous, and People of Color.
- **UNDERWAY AND ONGOING:** Communicate actively on social media and in other forums to reinforce messages of inclusion, belonging, and welcoming.

Town Boards, Committees, and Commissions

- **UNDERWAY AND ONGOING:** Recruit Town Board, Committee, and Commission members to reflect diverse communities of color, identity, and backgrounds.
- **UNDERWAY AND ONGOING:** Incorporate diversity, equity, and inclusion into the work of all Town Boards, Committees and Commissions and discuss these efforts with the Town Council and the public.
- **UPDATE:** DEI training is scheduled for all Town Board, Committee, and Commission members on February 23, 2023.

Transparency in Government

- **UNDERWAY AND ONGOING:** Expand access to Town records and information to further demonstrate the Town's commitment to transparency in governmental operations.

Police Reforms

- **UNDERWAY AND ONGOING:** Biannual Reports to review progress at Town Council meetings on Police Reforms, including independent investigations, mental health/homeless support, traffic stop data, and options for non-emergency calls.
- **UNDERWAY AND ONGOING:** Continue to strengthen the Police Department relationship with the County Behavioral Health services staff and Mobile Crisis Response Team.
- **UNDERWAY AND ONGOING:** Work toward the Police Chief's goal for all Department personnel to exceed the minimum number of hours of training in de-escalation and crisis intervention.
- **UNDERWAY AND ONGOING:** Continuously review and update Department policies and procedures to ensure that it is employing the best practices for hiring, training, eliminating bias, and ensuring the public's safety.

Town Personnel

- **UNDERWAY AND ONGOING:** Foster a more diverse workforce by updating job descriptions and minimum qualifications to encourage a broader set of candidates, promoting job opportunities using conventional and unconventional techniques to reach deeper into the talent pool, and encouraging professional development to expand skills and abilities.
- **UNDERWAY AND ONGOING:** Strengthen procedures to protect employees from bullying, racism, and other uncivil behavior.
- **UNDERWAY AND ONGOING:** Encourage justice, diversity, equity, and inclusion training for Town staff members and Departments.



TOWN OF LOS GATOS
FINANCE COMMISSION REPORT

MEETING DATE: 03/13/2023

ITEM NO: 6

Item 6.

DATE: March 9, 2023
TO: Finance Commission
FROM: Laurel Prevetti, Town Manager
SUBJECT: Discuss and Approve the Finance Commission Special Meeting Dates and Times for 2023

RECOMMENDATION:

Discuss and approve the Finance Commission special meeting dates and times for 2023.

DISCUSSION:

On January 10, 2023, the Commission approved regular meetings on the second Monday of each month at 5 p.m. The Finance Commission is required to review the Annual Proposed Budget and the Annual Comprehensive Financial Report (ACFR) each year and provide comments and recommendations. To meet the deadlines for reviewing these documents, additional meetings will be required for the months of April, May, and December. Attached is a list of available meeting dates. The proposed meeting dates are as follows:

April 17
April 24
May 1
December 4

The Commission may approve the proposed dates or consider alternative options.

Attachment:

1. Meeting location calendar for April, May, and December

PREPARED BY: Wendy Wood
Town Clerk

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

April 2023

Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30

Dark shading indicates dates that are unavailable

May 2023

Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

Dark shading indicates dates that are unavailable

December 2023

Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

Dark shading indicates dates that are unavailable



TOWN OF LOS GATOS
FINANCE COMMISSION REPORT

MEETING DATE: 3/13/2023

ITEM NO: 7

Item 7.

DATE: March 8, 2023
TO: Finance Commission
FROM: Laurel Prevetti, Town Manager
SUBJECT: Receive Preliminary Fiscal Year 2023/24 – 2027/28 Five-Year Capital Improvement Program Information and Provide Recommendations to the Town Council

RECOMMENDATION:

Receive preliminary Fiscal Year 2023/24 – 2027/28 Five-Year Capital Improvement Program information and provide recommendations to the Town Council.

EXECUTIVE SUMMARY:

The existing Town of Los Gatos Capital Improvement Program is supported by funding from numerous sources and includes 14 annually funded projects and 54 one-time projects for discrete locations. The largest funding sources for the capital program support roadway enhancements (including bicycle and pedestrian infrastructure), while sources for buildings, parks, and trails are smaller.

This report identifies the funding sources available for capital projects. Future projects and needs are discussed in the context of the following categories: 1) Ongoing and Annual Projects; 2) Underfunded Existing One-Time Projects; 3) Infrastructure Backlog Items; and 4) Other Project Types for Consideration.

Based on the available information of funding sources (Attachment 3), the status of existing on-time projects (Attachment 4) and the needs of the Town, capital project recommendations are presented in Attachment 5.

PREPARED BY: Nicolle Burnham
Parks and Public Works Director

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

PAGE 2 OF 11

SUBJECT: Receive Preliminary Fiscal Year 2023/24 – 2027/28 Five Year Capital Improvement Program Information and Provide Recommendations to the Town Council

DATE: March 8, 2023

BACKGROUND:

This report is provided annually to the Finance Commission and Town Council to raise awareness about the current status of capital projects and discuss priorities for the upcoming budget cycle. The report provides preliminary information to allow for Commission recommendations and Council direction on project priorities and raise awareness about the Town of Los Gatos capital program.

The Town of Los Gatos Capital Improvement Program (CIP) supports the safe and efficient operation and management of Town-owned infrastructure and assets. Town-owned assets include 17 park and open space areas that total 24 acres, 112 miles of roadways (236 lane miles), 12 public buildings totaling 139,373 square feet, and 23 surface parking lots (including lots in parks), and one underground parking structure. These major assets are supported by ancillary assets like restroom buildings (five total), sidewalks, storm drainage systems, retaining walls, traffic signals and signs, and street lighting.

Summary of Funding Sources

The CIP is five-year plan that is revised annually to guide investments in the Town's infrastructure. Each year, the Council adopts the Five-Year Plan and the capital budget for the first year of the Plan. The Capital Budget is supported through numerous funding sources as described in detail in the [Adopted Capital Budget](#). The flow of any budget surplus to the General Fund Appropriated Reserve (GFAR) for the capital program is depicted in Attachment 1. Attachment 2 graphically identifies the other inputs to GFAR and other sources for the capital program, including:

- **Measure G:** In past years Council has directed staff to allocate 50% of the Town's dedicated one-eighth sale tax revenue to capital projects of any type. The revenue is added to the General Fund Appropriate Reserve (GFAR) for distribution to projects of any type.
- **Construction Impact Fees:** These fees are assessed on new construction and can be used to support projects of any type.
- **Gas Tax:** This revenue source comes from a per gallon tax on gasoline sales collected by the State and distributed to the Town and is allocated to street related projects.
- **Refuse Vehicle Impact Fees:** These are paid by the Town's waste hauler to mitigate impacts to our roadways that results from the waste collection vehicles. These funds are allocated to street related projects through the GFAR.
- **Utility Undergrounding Funds:** This funding is derived from the Town's Construction Tax. These funds are used to support street related projects.

PAGE 3 OF 11

SUBJECT: Receive Preliminary Fiscal Year 2023/24 – 2027/28 Five Year Capital Improvement Program Information and Provide Recommendations to the Town Council

DATE: March 8, 2023

BACKGROUND (Continued):

- **Measure B:** The 2010 Measure B program provides funding each year that is used for street related projects through the GFAR. The 2016 Measure B provides a more diverse funding portfolio for the Town. Annual revenue from 2016 Measure B is provided for street related improvements (distributed through the GFAR); but additional revenue supports the Safe Routes to School staffing and program, plus various capital projects (e.g., Highway 17 Pedestrian Overcrossing, Los Gatos Creek Trail Connector at Route 9, etc.) through grant distributions.
- **Traffic Mitigation Funds:** Development projects are charged Traffic Mitigation Fees to offset the increase in traffic that is generated by the development. This source is used to support traffic improvement projects that were identified in development of the impact fee program.
- **Storm Drain Funds:** New development is charged per square foot of impervious surface. Funds are allocated across three areas of the Town based on geography and are available for use for storm drainage related projects.
- **General Fund Special/Capital Projects Reserve:** If additional General Fund surplus is identified, the Council may add it to the General Fund Special/Capital Projects Reserve. The Council may then direct some or all to the GFAR for use on projects of any type.
- **Grant Funds:** An increasingly important source of project funds for the Town's Capital Budget, grants support projects ranging from building enhancements to bike lane installations to vegetation management and wildfire mitigation. Staff continually considers and evaluates grant opportunities and once received, works to manage the grant requirements carefully to meet the various grant requirements of each program.
- **American Rescue Plan Act (ARPA):** While much of the ARPA funding was used to bolster economic development in Town, Town Council did allocate up to \$2.9 million of ARPA money for capital projects of any type. In August of 2022, Council allocated \$580,000 of that \$2.9 million to specific projects; holding the remaining \$2.23 million in reserve for future projects (see Attachment 6).

Each year as budget development progresses, staff evaluates and considers each of these funding sources, identifying the current balance in each and forecasting potential future revenues that may be available for projects. Attachment 3 is a preliminary estimate of available capital funds for 2023/24 through 2027/28.

Capital Budget Distribution to Projects

In developing the CIP projects are “bucketed” into three program categories: Streets, Parks and Trails, and Public Facilities. Those three buckets are further divided as shown in Table 1.

PAGE 4 OF 11

SUBJECT: Receive Preliminary Fiscal Year 2023/24 – 2027/28 Five Year Capital Improvement Program Information and Provide Recommendations to the Town Council

DATE: March 8, 2023

BACKGROUND (Continued):

Table 1
List of CIP Programs and Project Types

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

Table 2 is the history of new funding (exclusive of carryforward from prior years) to each of these Programs over the past five years. Carryforward has been excluded to provide an overview of new funding into the capital programs.

Table 2
Summary of Funding History by Program (Exclusive of Carryforward)

Program Name	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23
Street Reconstruction and Resurfacing	\$ 2,528,767	\$ 4,237,770	\$ 2,211,715	\$ 3,078,604	\$ 3,343,169
Street Repairs, Maintenance & Safety	435,000	2,465,100	2,435,000	935,000	385,000
Street Improvements	4,201,782	3,464,908	8,195,786	638,250	1,143,501
Bridges	-	-	50,000	-	522,314
Park Improvements	338,000	260,000	25,000	445,904	65,000
Trail Improvements	550,491	350,000	-	736,000	5,728,687
Town Infrastructure	144,100	1,862,000	285,000	1,051,979	160,000
Equipment	400,000	525,000	-	-	1,200,000
	\$ 8,598,140	\$ 13,164,778	\$ 13,202,501	\$ 6,885,737	\$ 12,547,671

Existing Capital Projects

The new funds noted above plus carryforward from previous years are assigned to specific projects. Each year funding is allocated to certain ongoing projects such as roadway resurfacing and retaining wall and guardrail replacement. Generally speaking, funding is allocated as available and the scope of work each year is established to match the available funding. Table 3 presents these annual on-going allocations.

PAGE 5 OF 11

SUBJECT: Receive Preliminary Fiscal Year 2023/24 – 2027/28 Five Year Capital Improvement Program Information and Provide Recommendations to the Town Council

DATE: March 8, 2023

BACKGROUND (Continued):

Table 3
Ongoing and Annually Funded Capital Projects

Project No.	Funding Program	Project Type ¹	Project
831-4605	Parks and Trails	1,3,4	Parks Playground Fibar Project
832-4507	Parks and Trails	3	Forbes Mill Footbridge Improvements
821-2002	Public Facilities	3,5	Town Beautification
812-0134	Streets	1,2,3	Measure B Education & Encouragement
813-0221	Streets	1,2,3,5	Sidewalk Improvements - Multiple Locations
813-0231	Streets	1,2,3	Bicycle and Pedestrian Improvements
816-0414	Streets	3,4	Stormwater System - Pollution Prevention Compliance
816-0420	Streets	1,3,4,5	Annual Storm Drain Improvement Project
811-9901	Streets	1,2,3,5	Street Repair & Resurfacing
811-9902	Streets	1,2,3,5	Annual Street Restriping
811-9903	Streets	1,2,3,5	Pavement Rehabilitation
812-9910	Streets	1,2,3	Traffic Calming Projects
813-9921	Streets	1,3,4	Curb, Gutter, Sidewalk Maintenance
815-9930	Streets	1,2,3,5	Retaining Wall + Guardrails Repairs

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

In addition to the 14 ongoing projects, the current capital program includes an additional 54 one-time projects. While these one-time projects may span numerous years the project is still

PAGE 6 OF 11

SUBJECT: Receive Preliminary Fiscal Year 2023/24 – 2027/28 Five Year Capital Improvement Program Information and Provide Recommendations to the Town Council

DATE: March 8, 2023

BACKGROUND (Continued):

considered one-time in that it has a specific starting and ending point. Attachment 4 provides the list of these projects, their current status, and expenditure history.

DISCUSSION:

In considering funding priorities for the CIP, staff follows the guidance provided by various Town documents including: [Council Strategic Priorities](#), [General Plan](#), [Bicycle and Pedestrian Master Plan](#), Pavement Management Program, Stormwater Master Plan, Facilities Condition Assessments, the Americans with Disabilities Act (ADA) Transition Plan, and legislative mandates. Project ideas and needs are also identified from field observations by Town staff, input from residents, and Town Commission discussions.

For this discussion and to provide insight into the considerations for CIP recommendations, projects are presented and discussed in four categories:

- 1) Ongoing and Annual Projects;
- 2) Underfunded Existing One-Time Projects;
- 3) Infrastructure Backlog Items; and
- 4) Other Project Types for Consideration

At the conclusion of the report, staff identifies the recommended capital projects and priorities for the Proposed Capital Improvement Program (Attachment 5).

Ongoing and Annual Projects

As noted in Table 3, there are currently 14 ongoing and annual projects supported in the Capital Budget. With the Proposed Five-Year CIP 2023/24 – 2027/28, staff is recommending that these project categories be maintained. Each of these projects support various identified strategic initiatives of the Town, such as quality public infrastructure and safety for all modes of travel (motorist, cyclist, and pedestrian) and playground safety. Staff will evaluate whether any of these programs can be combined in an effort to reduce the total number of projects that require separate oversight.

Starting with Fiscal Year 2023/24, staff is recommending the following new annual on-going projects be established:

PAGE 7 OF 11

SUBJECT: Receive Preliminary Fiscal Year 2023/24 – 2027/28 Five Year Capital Improvement Program Information and Provide Recommendations to the Town Council

DATE: March 8, 2023

DISCUSSION (continued):

- **Roadside Vegetation Management:** Recent CIP's have included funding to support this critical wildfire reduction strategy and the Town has been successful in securing grant funds to support this work. While extensive work was completed in 2021 and 2022, all priority roadways have not been addressed, and the recent rains in January and February 2023 have resulted in accelerated vegetation growth in areas that were previously cleared. It is clear that keeping pace with the vegetation management demand will not be a one-time effort. An ongoing and annual project with funding will help staff plan deliver a sustained effort in this area.
- **Open Space Vegetation Management:** As part of its wildfire prevention efforts, the Town has completed a plan to manage vegetation in its open space property and environmental clearances for this work is underway. Once the environmental work is completed, open space vegetation management will require a sustained effort similar to the roadways. As such, staff recommends establishment of an ongoing project with funding for this work.
- **Americans with Disability Act (ADA) Compliance:** The Town completed a transition plan that assessed all Town assets for compliance with the ADA. It is important that the Town continue to upgrade its buildings, sidewalks, and other features to meet this legal requirement. Staff recommends establishing an ongoing project with a small amount of funding (e.g., \$25,000 to \$30,000 per year). This small amount would support the procurement and installation of ADA compliant fixtures (such as push-button doors, water fountains, etc.) that can be replaced or installed during the course of other ongoing work.

Underfunded Existing One-Time Projects

For the next five-year CIP, the goal is to finish currently funded priority projects and provide supplemental funding for those in progress. Attachment 5 provides a list of all current projects (Annual Ongoing and On-Time), their current status and funding, along with recommendations for priority of future funding. If it would like, the Finance Commission should provide recommendations to Council to further prioritize the underfunded projects and if a project is defunded, then the funds could be reallocated to the remaining projects.

For example, staff recommends that project Winchester Boulevard Complete Streets (813-0238) be considered for defunding at this time. The current funding of approximately \$543,000 is from GFAR and could be reallocated for use on different project(s). The Winchester Boulevard Complete Streets Project was intended as the permanent phase of the Winchester

PAGE 8 OF 11

SUBJECT: Receive Preliminary Fiscal Year 2023/24 – 2027/28 Five Year Capital Improvement Program Information and Provide Recommendations to the Town Council

DATE: March 8, 2023

DISCUSSION (continued):

bike lanes that were previously installed. The Complete Streets Project would provide further enhancement of the area, making the bike lane infrastructure more permanent and possibly adding landscape features. Staff has applied for grant funding for this project and was unsuccessful.

This project also has a commitment of \$1,734,250 from the 2016 Measure B program. A grant agreement for the Measure B funds has not been executed at this time and it may be possible [with authorization from the Valley Transit Authority (VTA) Board of Directors] to have those funds allocated to a different Los Gatos Measure B Project, such as the Highway 17 Overcrossing.

Infrastructure Backlog Items

When considering new projects for future funding, staff continues to consider the project needs that were identified in the [CIP report](#) presented as Item 13 in the Town Council meeting of March 1, 2022. Needs that were identified in March 2022 included:

Facilities Needs: Facility assessments were completed in 2022 for all Town-owned facilities and deficiencies were identified. While the total 15-year funding need for facilities was estimated to be \$19,957,500, five buildings represented 84.5% of that cost: Adult Recreation Center (\$2,051,500), Civic Center (\$6,424,000), Library (\$1,620,000), Police Operations Building (POB) (\$1,492,500), and the Theatre (\$5,274,500). Minor improvements (characterized as less than \$1 million per building 15 years) were identified at park restrooms, the Parks and Public Works Yard, the Youth Recreation Center. The 2022/23 capital budget did address a number of facilities related needs and these improvements are currently underway. Notably, there is some overlap between these costs and the ADA Upgrade Requirements discussed below.

Civic Center is the building that was identified with the largest need and has not yet been allocated much funding. The largest upcoming expenditures and needs are in the mechanical system.

While some work has been completed at the POB, a more important issue relates to Police Department operations being split between two locations. A portion of the Department operates out of the Civic Center, while another portion is located at POB. This disconnect in locations creates operational challenges and Police Department has asked that Parks and Public Works conduct a study to evaluate what modifications would be needed at POB to allow staff from Civic Center to be relocated to POB.

PAGE 9 OF 11

SUBJECT: Receive Preliminary Fiscal Year 2023/24 – 2027/28 Five Year Capital Improvement Program Information and Provide Recommendations to the Town Council

DATE: March 8, 2023

DISCUSSION (continued):

ADA Upgrade Requirements: The Town contracted consultant services to perform analysis of all Town owned assets (including buildings, sidewalks, parking areas, sidewalks, trails and parks) for compliance with the ADA. The study identified over \$25 million in necessary upgrades. Staff has been addressing these issues in the context of other projects when possible. For example, planned improvements to the Adult Recreation Center include plans to improve the parking area and walkways to the building; the annual curb, gutter and sidewalk project provide annual funding to for ADA ramps at intersections; and staff is currently using grant funding to work with a contractor to address sidewalk tripping hazards.

Despite all of this effort, upgrading facilities to comply with ADA requires concerted staff time (the transition plan identified some 11,000 items that need attention). At this time, there is no dedicated funding for ADA compliance nor is there staffing to specifically manage this program. The Town ADA Coordinator is the Chief Building Official and the majority of corrective action is led by PPW. As noted above, Town staff recommends creating an annual project to begin to address these needs.

Pavement Maintenance: In 2016, an assessment of street pavement was conducted and revealed a Pavement Condition Index (PCI) of 67, on a scale of 1 (Lowest) to 100 (new roadway). Based on this, the Town Council set a PCI goal of 75. The current PCI is 73. It is common for the PCI goal to be increased as a goal is achieved. Therefore, the Town should be considering an increase in PCI goals to 78. Funding of \$4.4 million annually is required to achieve that goal.

It should be noted that the pavement maintenance funding serves a dual role, whenever possible, of enhancing crosswalks for pedestrian safety and providing bike lanes. When planning paving projects, the design team considers necessary bicycle and pedestrian improvements and incorporates those into the work plan each year.

Stormwater Infrastructure: In 2020, a project was created to perform Stormwater Master Planning. While initially conceived as a Town-wide project, the funding was not adequate to analyze drainage systems throughout the Town so a select number of systems were evaluated and improvements were recommended. The value of those improvements were estimated at \$15M.

During the January 2023 rainstorms, additional areas of drainage concern were identified. For example, Loma Avenue has very few catch basins so the road is subject to flooding during rain events, and the Town-owned pipe that runs between homes on Belridge and Belcrest Drives is the cause of persistent concern from residents and is inaccessible for maintenance activities. In

PAGE 10 OF 11

SUBJECT: Receive Preliminary Fiscal Year 2023/24 – 2027/28 Five Year Capital Improvement Program Information and Provide Recommendations to the Town Council

DATE: March 8, 2023

DISCUSSION (continued):

addition, other drainage problems have arisen during this past fall at Oak Grove and at Maple Place. Emergency repairs were completed, but long-term improvements may be needed.

Perhaps most notably, the Town does not have complete mapping of the storm drainage system in our Geographic Information System (GIS). Staff has entered some limited data when they are available, but the lack of system wide mapping that identifies pipe locations and structures hinders analysis of the system and makes routine maintenance more challenging.

Other Project Types for Consideration

Prior year CIP's have not mentioned or presented a holistic plan for the Town's parks and trails. Past Council discussions indicated that there may be interest in a Town-wide Park Master Plan, or a Master Plan for certain parks, like Oak Meadow, but these have not been funded at this time.

Los Gatos Creek Trail has not received significant funding in recent years. Data provided by Santa Clara County Parks indicates that Los Gatos Creek Trail near Vasona had 342,043 users in 2021 and 346,057 users in 2022. While usage south of Vasona may be lower, the Vasona data does provide some indication that Los Gatos Creek Trail sees a high volume of usage.

North and south of Vasona Park, the trail lacks signage to support wayfinding, and in some cases has access slopes that are steep and challenging for users (e.g., the south side of Lark Avenue). In addition, PPW does not have record of recent inspection of the Forbes Mill Pedestrian Bridge and the timber walkway on the north side of the bridge. While Caltrans performs structural inspection of the support structure for the highway portion, the decking and fencing is the responsibility of the Town. The Town owns a second (much smaller) timber bridge over Ross Creek at Camino del Cerro that is similarly lacking in inspection data.

There is currently no dedicated funding source for Parks and Trails.

Staff Recommendations

Attachment 5 presents the staff recommended priorities for the 2023/24 through 2028/29 Capital Improvement Program. This table summarizes the information presented throughout this discussion. Since it will not be possible to fund all projects and needs, staff has identified projects by priority and will allocate funding in order of priority until funding is exhausted.

PAGE 11 OF 11

SUBJECT: Receive Preliminary Fiscal Year 2023/24 – 2027/28 Five Year Capital Improvement Program Information and Provide Recommendations to the Town Council

DATE: March 8, 2023

CONCLUSION:

Staff has developed a list of proposed projects to fund for the five-year CIP. In developing that list, the primary focus is increasing funding to existing priority projects to insure they are funded through construction. Since some of the priority projects won't be in construction until later in the five-year cycle or after, staff is proposing incremental funding each year to build the balance of the project budget.

COORDINATION:

This report was coordinated with the Town Manager, Finance Director and Town Attorney.

FISCAL IMPACT:

There is no fiscal impact from the discussion of this staff report. The Council will consider the Finance Commission's recommendations on March 21 when it provides direction on the FY 23/24-2027/28 Capital Improvement Program.

ENVIRONMENTAL ASSESSMENT:

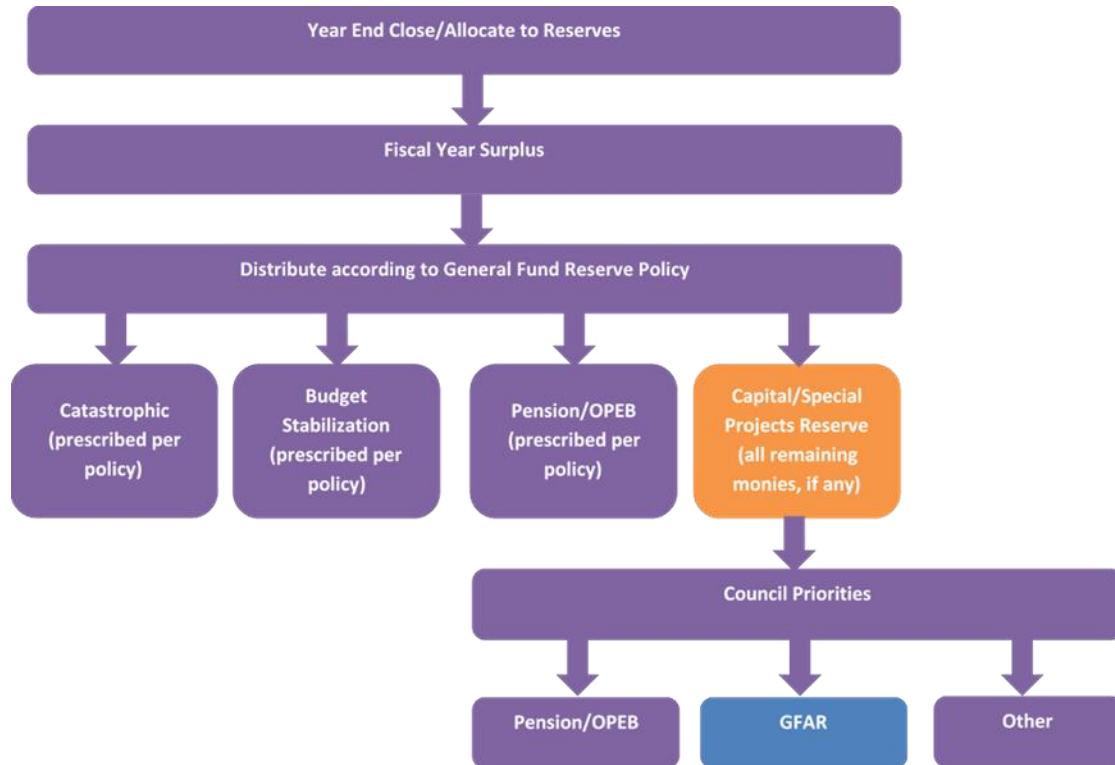
This is not a project defined under the California Environmental Quality Act, and no further action is required. Individual capital projects will have their own environmental clearances.

Attachments:

1. Flow of Funds Diagram
2. Capital Improvement Program Funding Sources Diagram
3. Preliminary Estimate of Projected Available Capital Funds for 2023/24 – 2027/28
4. Status of Currently Funded One-Time Capital Projects
5. Recommended Capital Project Priorities 2023/24 through 2028/29
6. Council Allocation of ARPA to the Capital Program

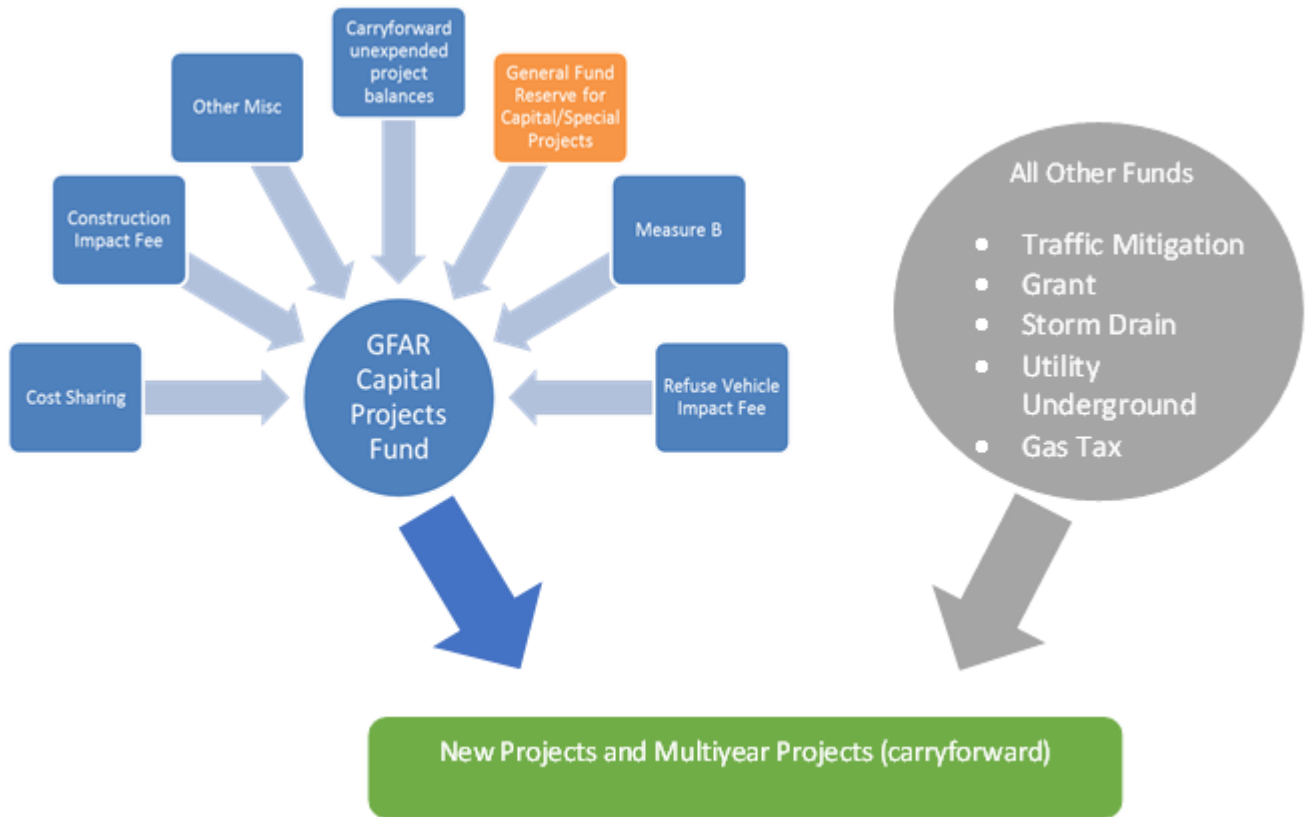
ATTACHMENT 1

FISCAL YEAR SURPLUS FLOW OF FUNDS



ATTACHMENT 2

CAPITAL IMPROVEMENT PROGRAM- FUNDING SOURCES



STATEMENT OF SOURCE OF FUNDS

		Adjusted Budget 2022/23	Proposed 2023/24	Proposed 2024/25	Proposed 2025/26	Proposed 2026/27	Proposed 2027/28
GFAR FUND							
Revenues							
8011 GFAR - General Source	Construction Impact Fees	110,000	110,000	110,000	110,000	110,000	110,000
8011 GFAR - General Source	Refuse Vehicle Impact Fees	871,800	871,800	871,800	871,800	871,800	871,800
8011 GFAR - General Source	Tesla Charging Stations	96,000	96,000	96,000	96,000	96,000	96,000
811-0008 Shannon Road Repair	Shannon Road Repair - County of Santa Clara	1,500,000	-	-	-	-	-
811-0008 Shannon Road Repair	Shannon Road Repair - Granite Rock Construction	50,000	-	-	-	-	-
811-0008 Shannon Road Repair	Shannon Road Repair	15,000	-	-	-	-	-
811-9901 Street Repair & Resurfacing	VTA Measure B - 2016	1,824,346	580,663	580,663	580,663	580,663	580,663
811-9901 Street Repair & Resurfacing	San Jose Water Company	143,713	-	-	-	-	-
811-9901 Street Repair & Resurfacing	West Valley Sanitation District	55,545	-	-	-	-	-
811-9903 Pavement Rehab Crack Seal	VTA Measure B - 2010	180,000	180,000	180,000	180,000	180,000	180,000
812-9910 Traffic Calming Projects	Developer Contributions	10,000	10,000	10,000	10,000	10,000	10,000
813-0235 Downtown Streetscape Revitalization	COVID-19 Income Replacement	192,917	-	-	-	-	-
813-9921 Curb, Gutter, Sidewalk Maintenance	Developer Contributions	10,000	-	-	-	-	-
821-2504 Library Lobby Sound Mitigation	Other Contributions	20,755	-	-	-	-	-
841-6101 Enterprise Resource Planning Upgrade	From IT Fund	33,000	-	-	-	-	-
812-0133 VMT Mitigation Program	General Plan Reimbursement	199,695	-	-	-	-	-
832-4503 Charter Oaks Trail Improvement	Albright Development Fees	350,000	-	-	-	-	-
Operating Transfers In							
8011 GFAR - General Source	From General Fund	2,350,000	800,000	800,000	800,000	800,000	800,000
8011 GFAR - General Source	From Measure G District Sales Tax Fund	656,978	650,194	667,414	687,073	706,006	724,213
8011 GFAR - General Source	From IT Fund	700,000	-	-	-	-	-
8011 GFAR - General Source	From ARPA Fund	2,900,000	-	-	-	-	-
GRANT FUND							
Revenues							
812-0129 ADA Transition Plan	From ABAG Fund	35,000	-	-	-	-	-
812-0130 Roadside Fire Fuel Reduction	USDA Forest Service	750,000	-	-	-	-	-
812-0134 Measure B Education & Encouragement	VTA Measure B - 2016	92,503	-	-	-	-	-
813-0218 Shannon Road Pedestrian & Bikeway Improvements	VTA/TFCA	1,114,350	-	-	-	-	-
813-0227 Traffic Signal Modernization	MTC Funding	700,000	-	-	-	-	-
813-0238 Winchester Blvd. Complete Streets (Final Design)		-	1,734,250	-	-	-	-
813-0240 Winchester Class IV Bikeway	VTA/TFCA	293,900	-	-	-	-	-
813-0241 Kennedy Sidewalk between LGB and Engelwood	VTA Measure B - 2016	138,740	693,560	-	-	-	-
813-9921 Curb, Gutter, & Sidewalk Maintenance	TDA Article 3 Funds	62,884	-	-	-	-	-
818-0803 Highway 17 Bicycle & Pedestrian Bridge - Design	VTA Measure B - 2016	2,738,853	-	-	-	-	-
821-2505 Battery Power Supply - Library	Community Power Resiliency - OES	300,000	-	-	-	-	-
821-2505 Battery Power Supply - Library	Silicon Valley Clean Energy Grant	213,000	-	-	-	-	-
821-2601 ADA Upgrade Public Restrooms - Adult Recreation Bldg.	CDBG Grant	78,979	-	-	-	-	-
831-4007 Oak Meadow Bandstand Area Improvements	CA Parks & Rec Prop 68	196,730	-	-	-	-	-
832-4505 Trailhead Connector Project	MTC Funding	4,800,000	-	-	-	-	-
832-4506 Charter Oaks Trail Repair	CalOES	470,000	-	-	-	-	-
TRAFFIC MITIGATION FUND							
Revenues							
	<i>any developer specific locations</i>						
STORM BASIN FUNDS							
Revenues							
Basin #1 Drainage Fees		45,000	45,000	45,900	46,818	47,754	48,709
Basin #2 Drainage Fees		45,000	45,000	45,900	46,818	47,754	48,709
Basin #3 Drainage Fees		2,500	2,500	2,550	2,601	2,653	2,706

	Adjusted Budget 2022/23	Proposed 2023/24	Proposed 2024/25	Proposed 2025/26	Proposed 2026/27	Proposed 2027/28
UNDERGROUND UTILITIES FUND						
Revenues						
Construction Tax	30,000	30,000	30,000	30,000	30,000	30,000
GAS TAX FUND						
Revenues						
Gas Tax -2106	114,962	132,914	114,962	132,914	132,914	132,914
Gas Tax -2107	262,082	264,561	262,082	264,561	264,561	264,561
Gas Tax -2107.5	6,000	6,000	6,000	6,000	6,000	6,000
Gas Tax -2105	192,026	220,260	192,026	220,260	220,260	220,260
Gas Tax -2103 (Prop 42)	277,170	332,617	277,170	332,617	332,617	332,617
Road Maintenance Rehab Account	682,836	829,760	682,836	829,760	829,760	829,760

Attachment 4
Status of Currently Funded One-Time Capital Projects

Item 7.

Project No.	Funding Program	Project Category (see Note 1)	Project	Project Type (Annual / One-Time)	Status as of 2/17/23	Is Project Funded Through Construction / Completion?	FY 2022/23 Budget	FY 2022/23 Spent to Date	Available Balance
811-0008	Streets	1,2,3,5,6	Shannon Road Repair (Stabilization)	One-Time	100% Design	N	1,138,879	146,430	992,449
812-0129	Streets	1,3,4,5	ADA Transition Plan	One-Time	Complete	Y	31,300	16,450	14,850
812-0130	Streets	1,3,5	Roadside Fire Fuel Reduction (Vegetation Management)	One-Time	Planning	NA	825,191	-	825,191
812-0131	Streets	1,2,3	E. Main Street Speed Table/Raised Crosswalk	One-Time	35% Design	Y	315,000	42,700	272,300
812-0132	Streets	1,2	Local Road Safety Plan (LRSP)	One-Time	Complete	Y	20,000	19,999	1
812-0133	Streets	2,4	VMT Mitigation Program	One-Time	Study Phase	Y	199,695	124,230	75,465
813-0218	Streets	1,2,3	Shannon Road Ped & Bikeway Improvements	One-Time	100% Design	Y	1,274,357	64,371	1,209,986
813-0225	Streets	1,6	Utility Undergrounding Improvements - Rule 20A LGB	One-Time	Complete	Y	299,573	-	299,573
813-0227	Streets	1,2,3,5,6	Traffic Signal Modernization	One-Time	Construction	Y	1,169,353	579,055	590,299
813-0235	Streets	3,5,6	Downtown Streetscape Revitalization / Economic Recovery Efforts	One-Time	Hold	N	1,571,116	779,145	791,970
813-0237	Streets	1,2,3,6	Hwy 17/9 Interchange and Capacity Improvements - Hwy 17 Congestion Relief Project (@ SR 9)	One-Time	Concept Design	N	1,467,000	600,000	867,000
813-0238	Streets	1,2,3,6	Winchester Blvd. Complete Streets Final Design	One-Time	Hold	N	602,836	12,593	590,244
813-0239	Streets	1,2,3,6	Blossom Hill Road Traffic Safety	One-Time	100% Design (Quick Build)	Y	229,723	56,276	173,447
813-0240	Streets	1,2,3	Winchester Class IV Bikeway	One-Time	Complete	Y	-	-	-

Attachment 4
Status of Currently Funded One-Time Capital Projects

Item 7.

Project No.	Funding Program	Project Category (see Note 1)	Project	Project Type (Annual / One-Time)	Status as of 2/17/23	Is Project Funded Through Construction / Completion?	FY 2022/23 Budget	FY 2022/23 Spent to Date	Available Balance
813-0241	Streets	1,2,3	Kennedy Sidewalk - LGB to Englewood	One-Time	Consultant Selection	N	198,200	-	198,200
813-0242	Streets	3,5	Parking Program Implementation	One-Time	Bidding	N	540,872	150,408	390,464
816-0409	Streets	1,3,5,6	Hernandez Avenue Storm Drain Improvements	One-Time	Future Project 24/25	N	-	-	-
816-0416	Streets	1, 5	Oak Grove Ave Storm Drainage	One-Time	Complete	NA	-	31,800	(31,800)
816-0417	Streets	1, 5	Maple Place Storm Drainage	One-Time	Complete	NA	-	23,900	(23,900)
817-0705	Streets	2,5	Downtown Parking Lots Seal coat & Restriping	One-Time	Complete	NA	15,161	-	15,161
817-0708	Streets	5	Parking Lot 4 Repair & Waterproofing	One-Time	95% Complete	Y	94,156	43,956	50,200
818-0801	Streets	1,2,5,6	Quito Road Bridge (Delivered via Town of Saratoga)	One-Time	100% Design	Y	285,087	235,087	50,000
818-0803	Streets	1,2,3,6	Highway 17 Bicycle & Pedestrian Bridge - Design	One-Time	65% Design	N	3,786,885	2,716,602	1,070,283
821-2009	Public Facilities	3,6	Public Art Gateway	One-Time	Hold	N	7,000	-	7,000
821-2010	Public Facilities	5	Waterproofing - Town-wide	One-Time	Complete	Y	3,595	-	3,595
821-2011	Public Facilities	3,6	Downtown Restroom Feasibility Study	One-Time	Consultant Selection	Y	25,000	-	25,000
821-2117	Public Facilities	3,4,5,6	ADA Restrooms and HR Offices	One-Time	100% Design	Y	577,259	52,259	525,000
821-2119	Public Facilities	3,5,6	Civic Center Security Improvements	One-Time	Complete	Y	4,528	(146)	4,674
821-2120	Public Facilities	5	Civic Center Plumbing Repair	One-Time	Bidding	Y	40,000	-	40,000
821-2206	Public Facilities	3,5	Adult Recreation Center - Floor Repair	One-Time	Complete	Y	195,440	154,201	41,239

Attachment 4
Status of Currently Funded One-Time Capital Projects

Item 7.

Project No.	Funding Program	Project Category (see Note 1)	Project	Project Type (Annual / One-Time)	Status as of 2/17/23	Is Project Funded Through Construction / Completion?	FY 2022/23 Budget	FY 2022/23 Spent to Date	Available Balance
821-2207	Public Facilities	3,5	Adult Recreation Center - HVAC Unit Replacement	One-Time	Complete 3/23	Y	310,000	195,000	115,000
821-2302	Public Facilities	5,6	Building Replacement at Corporation Yard	One-Time	Construction	Y	1,330,683	858,800	471,883
821-2305	Public Facilities	4,5	Engineering Document Archiving	One-Time	Complete	Y	-	-	-
821-2308	Public Facilities	1,5	Rehabilitation of Automatic Gates - 41 Miles Ave	One-Time	Complete	Y	25,000	24,235	765
821-2309	Public Facilities	5	Termite Abatement at Water Tower - 41 Miles Avenue	One-Time	Study Phase	Y	25,000	-	25,000
821-2310	Public Facilities	3,5,6	Engineering Counter Modifications	One-Time	Design	Y	40,000	-	40,000
821-2403	Public Facilities	3,5	HVAC Improvements - POB	One-Time	In Progress	Y	25,000	-	25,000
821-2504	Public Facilities	3,5	Sound Mitigation in Library Lobby	One-Time	Study Phase	N	22,000	-	22,000
821-2505	Public Facilities	5,6	Battery Power Supply - Library	One-Time	Bidding (6/30 Complete)	Y	533,581	507,446	26,135
821-2601	Public Facilities	3,5,6	ADA Upgrade Public Restrooms - Adult Recreation Center	One-Time	Bidding	Y	226,979	30,365	196,614
831-3304	Parks and Trails	5	Belgatos Park Booster Pump Replacement	One-Time	Complete	Y	40,000	36,133	3,867
831-4007	Parks and Trails	3,6	Oak Meadow Bandstand Area Improvements	One-Time	100% Design	Y	277,802	36,577	241,225
831-4202	Parks and Trails	3,5,6	Town Plaza Turf Repair	One-Time	Hold (Drought)	N	27,000	-	27,000
831-4610	Parks and Trails	3,5,6	Pinehurst Community Garden	One-Time	Consultant Selection	N	120,936	250	120,686
832-4503	Parks and Trails	1,3,5	Charter Oak Trail Improvements	One-Time	Hold	Y	474,891	-	474,891
832-4504	Parks and Trails	1,3	Open Space Trail Upgrades	One-Time	Planned Summer 2023	Y	152,000	-	152,000
832-4505	Parks and Trails	1,2,3,6	LGC Trail to Route 9 Trailhead Connector Project	One-Time	Bidding	Y	5,855,800	60,422	5,795,377

Attachment 4
Status of Currently Funded One-Time Capital Projects

Item 7.

Project No.	Funding Program	Project Category (see Note 1)	Project	Project Type (Annual / One-Time)	Status as of 2/17/23	Is Project Funded Through Construction / Completion?	FY 2022/23 Budget	FY 2022/23 Spent to Date	Available Balance
832-4508	Parks and Trails	1,3	Vegetation Management - Town-wide (Open Space)	One-Time	Permitting	N	24,643	24,185	458
832-4510	Parks and Trails	3,5,6	Lynne Avenue Pedestrian Path Design	One-Time	Consultant Selection	N	75,000	-	75,000
841-6003	Public Facilities	4,5	Town-wide Document Imaging Project	One-Time	In-progress	Y	16,990	16,989	0
841-6004	Public Facilities	1,5	Fire Suppression (Halon) for Server Rooms	One-Time	Complete	Y	34,640	-	34,640
841-6101	Public Facilities	1,5	Enterprise Resource Planning (ERP) Upgrade	One-Time	In-progress	Y	1,347,785	622,709	725,076
841-6103	Public Facilities	1,5	EOC Communication Upgrade	One-Time	In-progress	Y	25,308	1,025	24,283
841-6104	Public Facilities	1,5,6	IT Disaster Recovery Improvements	One-Time	In-progress	N	86,038	57,959	28,080

Attachment 5
Recommended Capital Project Priorities 2023/24 through 2028/29

Item 7.

Project No	Funding Program	Project Category (See Note 1)	Project Name	Project Type (Annual / One-Time)	Projected Total Project Cost	Prior Funding	Projected Funding Gap	Priority (1=High; 3=Low)
831-4605	Parks and Trails	1,3,4	Parks Playground Fibar Project	Annual				1
832-4507	Parks and Trails	3	Forbes Mill Footbridge Improvements	Annual				1
832-4508	Parks and Trails	1,3	Vegetation Management - Town-wide (Open Space)	Annual				1
821-2002	Public Facilities	3,5	Town Beautification	Annual				1
811-9901	Streets	1,2,3,5	Street Repair & Resurfacing	Annual				1
811-9902	Streets	1,2,3,5	Annual Street Restriping	Annual				1
811-9903	Streets	1,2,3,5	Pavement Rehab	Annual				1
812-0130	Streets	1,3,5	Roadside Fire Fuel Reduction (Vegetation Management)	Annual				1
812-0134	Streets	1,2,3	Measure B Education & Encouragement	Annual				1
812-9910	Streets	1,2,3	Traffic Calming Projects	Annual				1
813-0221	Streets	1,2,3,5	Sidewalk Improvements - Multiple Locations	Annual				1
813-0231	Streets	1,2,3	Bicycle and Pedestrian Improvements	Annual				1
813-9921	Streets	1,2,3,5	Curb, Gutter, Sidewalk Maintenance	Annual				1
815-9930	Streets	1,2,3,5	Retaining Wall + Guardrails Repairs	Annual				1
816-0414	Streets	3,4	Stormwater System - Pollution Prevention Compliance	Annual				1
816-0420	Streets	1,3,4,5	Annual Storm Drain Improvement Project	Annual				1
NEW	Streets	1,3,4,5	ADA Compliance Projects	Annual				1
831-4202	Parks and Trails	3,5,6	Town Plaza Turf Repair	One-Time	\$ 42,000	\$ 27,000	\$ 15,000	1
NEW	Parks and Trails	1,3,4,5	Creekside Park Turf Replacement	One-Time	\$ 1,000,000	\$ -	\$ 1,000,000	1
NEW	Parks and Trails	Parks	Oak Meadow Park Parking Kiosk	One-Time	\$ 15,000	\$ -	\$ 15,000	1
821-2009	Public Facilities	3,6	Public Art Gateway	One-Time	\$ 111,000	\$ 7,000	\$ 104,000	1
841-6003	Public Facilities	4,5	Town-wide Document Imaging Project	One-Time	\$ 25,000	\$ 16,990	\$ 8,010	1
NEW	Public Facilities	5	Library Improvements and Upgrades	One-Time	\$ 40,000	\$ -	\$ 40,000	1
811-0008	Streets	1,2,3,5,6	Shannon Road Reconstruction - Construction Phase	One-Time	\$ 4,400,000	\$ 2,555,000	\$ 1,845,000	1
813-0242	Streets	3,5	Parking Program Implementation	One-Time	\$ 600,000	\$ 540,872	\$ 59,128	1
816-0409	Streets	1,3,5,6	Storm - Hernandez Avenue Storm Drain Improvements	One-Time	\$ 500,000	\$ 82,180	\$ 417,820	1
NEW	Streets	1,5	Storm - 195 Jackson	One-Time	\$ 25,000	\$ -	\$ 25,000	1
NEW	Streets	5	Storm - Drainage System Mapping	One-Time	\$ 25,000	\$ -	\$ 25,000	1
NEW	Streets	1,2,4	Townwide Speed Survey	One-Time	\$ 80,000	\$ -	\$ 80,000	1
831-4610	Parks and Trails	3,5,6	Pinehurst Community Garden Construction Phase	One-Time	\$ 750,000	\$ 135,000	\$ 615,000	2

Attachment 5
Recommended Capital Project Priorities 2023/24 through 2028/29

Item 7.

Project No	Funding Program	Project Category (See Note 1)	Project Name	Project Type (Annual / One-Time)	Projected Total Project Cost	Prior Funding	Projected Funding Gap	Priority (1=High; 3=Low)
NEW	Parks and Trails	4,5	Oak Meadow Air Force Plane Coating	One-Time	\$ 55,000	\$ -	\$ 55,000	2
NEW	Parks and Trails	1,3,5	Tennis court recoatings - La Rinconda and Blossom Hill	One-Time	\$ 60,000	\$ -	\$ 60,000	2
821-2504	Public Facilities	3,5	Sound Mitigation in Library Lobby	One-Time	\$ 100,000	\$ 22,000	\$ 78,000	2
NEW	Public Facilities	5,6	POB Space Assessment and Recommendation	One-Time	\$ 75,000	\$ -	\$ 75,000	2
813-0237	Streets	1,2,3,6	State Route 17 / Route 9 Interchange - Construction Phase	One-Time	\$ 12,500,000	\$ 1,467,000	\$ 11,033,000	2
813-0239	Streets	1,2,3,6	Blossom Hill Road Safety Improvements Construction	One-Time	\$ 4,322,000		\$ 4,322,000	2
818-0803	Streets	1,2,3,6	Highway 17 Bicycle & Pedestrian Bridge - Construction	One-Time	\$ 26,000,000	\$ 4,457,302	\$ 21,542,698	2
832-4510	Streets	3,5,6	Lynne Avenue Pedestrian Path Construction	One-Time	\$ 750,000	\$ 35,000	\$ 715,000	2
NEW	Streets	1,2,3,4,5	Inspection of Timber Pedestrian Bridges at Los Gatos Creek Trail and Ross Creek at Camino del Cerro	One-Time	\$ 50,000	\$ -	\$ 50,000	2
NEW	Streets	1,5	Storm - Loma Street Drainage Study	One-Time	\$ 75,000	\$ -	\$ 75,000	2
NEW	Streets	1,5	Storm - University at Hwy 9	One-Time	\$ 65,000	\$ -	\$ 65,000	2
NEW	Streets	3,5	Storm - Harwood / Belridge Drainage Study	One-Time	\$ 75,000	\$ -	\$ 75,000	2
NEW	Parks and Trails	1,3,5,6	La Rinconada Play Structure	One-Time	\$ 250,000	\$ -	\$ 250,000	3
NEW	Street	5	University Avenue at Vasona Oaks Drive	One-Time	\$ 256,000	\$ -	\$ 256,000	3
813-0235	Streets	3,5,6	Downtown Streetscape Revitalization / Economic Recovery Efforts	One-Time	\$ 1,571,116	\$ 1,571,116	\$ -	3
813-0238	Streets	1,2,3,6	Winchester Blvd. Complete Streets Final Design	One-Time	\$ 50,000,000	\$ 602,836	\$ 49,397,164	3
813-0241	Streets	1,2,3	Kennedy Road	One-Time	\$ 2,000,000	\$ 198,200	\$ 1,801,800	3

ATTACHMENT 6

COUNCIL ALLOCATION OF ARPA TO THE CAPITAL PROGRAM

Project Number	Project Name	Approved Funding Allocation	Spent or Encumbered to Date	Balance
411-812-0131	East Main Street Crosswalk Improvements	\$ 300,000	\$ 42,700	\$ 257,300
411-821-2011	Downtown Restroom Feasibility Study/Design	25,000	-	25,000
411-821-2308	Rehabilitate Automatic Gates - 41 Miles Avenue	25,000	24,235	765
411-821-2309	Termite Abatement at water Tower - 41 Miles Avenue	25,000	-	25,000
411-821-2120	Civic Center Plumbing Repair - 110 E Main Street	40,000	-	40,000
411-821-2403	HVAC Improvements - Police Operating Building	25,000	-	25,000
411-821-2310	Engineering Counter Modifications - 41 Miles Avenue	40,000	-	40,000
411-831-4610	Pinehurst Community Garden Project	100,000	250	99,750
	Unanticipated Repairs	100,000	55,700	44,300
	Reserve for Future Capital Projects or Matching Funds	2,220,000	-	2,220,000
Total		\$ 2,900,000	\$ 122,885	\$ 2,777,115

ATTACHMENT 6
Finance Commission
March 13, 2023



**TOWN OF LOS GATOS
FINANCE COMMISSION REPORT**

MEETING DATE: 3/13/2023

Item 7.

ITEM NO: 7

DESK ITEM

DATE: March 13, 2023
TO: Finance Commission
FROM: Laurel Prevetti, Town Manager
SUBJECT: Receive Preliminary Fiscal Year 2023/24 – 2027/28 Five-Year Capital Improvement Program Information and Provide Recommendations to the Town Council

REMARKS:

Attachment 7 contains communications received between 11:01 a.m. Friday, March 10, 2023, and 11:00 a.m. Monday, March 13, 2023.

Attachments received with the Staff Report:

1. Flow of Funds Diagram
2. Capital Improvement Program Funding Sources Diagram
3. Preliminary Estimate of Projected Available Capital Funds for 2023/24 – 2027/28
4. Status of Currently Funded One-Time Capital Projects
5. Recommended Capital Project Priorities 2023/24 through 2028/29
6. Council Allocation of ARPA to the Capital Program

Attachment received with this Desk Item:

1. Communications received between 11:01 a.m. Friday, March 10, 2023, and 11:00 a.m. Monday, March 13, 2023.

PREPARED BY: Nicolle Burnham
Parks and Public Works Director

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

From: [Phil Koen](#)
To: [Laurel Prevetti](#); [Gitta Ungvari](#); [Wendy Wood](#); [Rick Tinsley](#)
Subject: CIP Detail - agenda item 7
Date: Sunday, March 12, 2023 7:53:13 AM
Attachments: [Pages from CIP-Transmittal-Letter.pdf](#)

[EXTERNAL SENDER]

Hello Laurel and Gitta,

Would you please distribute the attached schedule from the FY 23 CIP Budget to the FC. This schedule should be read in conjunction with Table 2 found on page 4 of the CIP Staff Report for agenda item 7

Note that of the \$12,547,671 of “new funding” shown in Table 2, only \$40,000 was for one new CIP project. To be clear, the FY 23 Capital plan only funded 1 new capital project for \$40,000.

As shown in the attached schedule, \$12,507,671 was additional funding for existing CIP projects. The Staff may want to discuss why this occurred and if it is normal to have the majority of new annual capital funding to go to existing projects as opposed to new projects.

Additionally, the schedule shows that there are 8 capital projects that have budgets exceeding \$1m. It would be helpful if the staff provided additional information about the budget performance of these 8 projects in terms of budget vs original first budget approved and schedule performance in terms of current estimated completion date vs. first estimate of completion date.

The reason for asking for this information is when the majority of an annual capital plan is allocated to existing projects, that is usually a good indicator that projects are behind schedule and over original budget. Part of solving the Town’s capital challenge is understanding the effectiveness of the CIP process in controlling costs and schedule. Project delays will always drive project increases.

One project that exemplifies this issue is the building replacement at the Corporate Yard. In researching the project, it was first approved in the FY 2016 CIP budget for \$420,000 with a target completion date of Fall 2016. It appears that the project now has a budget of \$1,371,361 with a target completion date of Spring 2013 - seven years later.

The FC needs to understand if schedule slippage is a normal occurrence for CIP projects in flight and the magnitude of budget over runs in order to formulate recommendations that will improve the capital allocation process for the Town. The elimination of schedule slippage/budget over runs is a “source of capital” and will allow the Town to reallocate this “saved” capital to other needs.

Thank you.

Phil Koen

Introduction Section

Carry-forward & FY 2022/23 CIP Projects						
CARRY-FORWARD PROJECTS		GFAR	Grants and Awards	Gas Tax	Other	Total
Streets	* Street Repair & Resurfacing	\$ 4,316,798	\$ -	\$ 3,174,114	\$ -	\$ 7,490,912
	* Annual Street Restriping	219,772	-	-	-	219,772
	* Traffic Calming Projects	239,135	-	-	-	239,135
	* Curb, Gutter & Sidewalk Maintenance	881,550	62,884	-	-	944,434
	* Retaining Wall Repairs	515,895	-	-	-	515,895
	Shannon Road Repair	992,527	-	-	-	992,527
	Roadside Fire Fuel Reduction	-	-	-	-	-
	Parking Lot 4 Repair/Waterproofing	250,000	-	-	-	250,000
	ADA Transition Plan	54,850	-	-	-	54,850
	East Main Street Crosswalk Improvements	15,000	-	-	-	15,000
	Local Road Safety Plan	20,000	-	-	-	20,000
	VMT Mitigation Program	250,000	-	-	-	250,000
	* Measure B Education & Encouragement	-	126,516	-	-	126,516
	* Shannon Road Ped & Bikeway Improvements	103,375	1,114,350	-	48,003	1,265,728
	Sidewalk Improvements - Multiple Locations	60,000	-	-	-	60,000
	Utility Undergrounding Improvements	-	-	-	299,573	299,573
	Traffic Signal Modernization	-	446,626	-	256,282	702,908
	Bicycle & Pedestrian Improvements	231,524	-	-	33,650	265,174
	Downtown Streetscape Revitalization	1,952,854	-	-	-	1,952,854
	* State Route 17 Corridor Congestion Relief Project	867,000	-	-	600,000	1,467,000
	Winchester Boulevard Complete Streets (Final Design)	543,198	-	-	-	543,198
	Blossom Hill Road Traffic Safety	276,590	-	-	-	276,590
	Winchester Class IV Bikeway	-	-	-	-	-
	* Kennedy Sidewalk & Bike Lanes - LGB to Englewood	59,460	138,740	-	-	198,200
	Parking Program Implementation	440,937	-	-	-	440,937
	Hernandez Avenue Storm Drain Improvements	-	-	-	-	-
	Stormwater System - Pollution Prevention Compliance	286,578	-	-	-	286,578
	Annual Storm Drain Improvements	-	-	-	556,900	556,900
	Downtown Parking Lots Seal Coat & Restriping	12,173	-	-	-	12,173
	Quito Road - Bridge Replacement	50,000	-	-	-	50,000
	* Hwy 17 Bicycle & Pedestrian Bridge-Design	701,424	521,634	-	-	1,223,058
Parks	Oak Meadow Bandstand Area Improvements	90,000	196,730	-	-	286,730
	Town Plaza Turf Repairs	28,000	-	-	-	28,000
	* Parks Playground Fibar Project	55,264	-	-	-	55,264
	Pinehurst Community Garden	20,000	-	-	-	20,000
	Charter Oaks Trail Repair Project	474,891	-	-	-	474,891
	Open Space Trail Upgrades	152,000	-	-	-	152,000
	* Los Gatos Creek Trail to Highway 9 Trailhead Connector	1,033,645	4,800,000	-	-	5,833,645
	Forbes Mill Footbridge Improvements	27,478	-	-	-	27,478
	Vegetation Management - Town-wide	21,861	-	-	-	21,861
Public Facilities	Lynne Ave Pedestrian Path Design	75,000	-	-	-	75,000
	* Town Beautification	20,055	-	-	-	20,055
	Public Art Gateway Project	7,000	-	-	-	7,000
	Waterproofing Town-wide	21,796	-	-	-	21,796
	ADA Restrooms and HR Offices	535,000	-	-	-	535,000
	Civic Center Security Improvements	110,000	-	-	-	110,000
	Adult Recreation - Floor Repair	200,000	-	-	-	200,000
	* Adult Recreation Center HVAC	310,000	-	-	-	310,000
	Building Replacement at Corporation Yard	1,371,361	-	-	-	1,371,361
	Engineering Document Archiving	-	-	-	-	-
	Sound Mitigation in Library Lobby	22,000	-	-	-	22,000
	Battery Power Supply - Library	30,000	513,000	-	-	543,000
	ADA Upgrade Public Restrooms - Adult Recreation Bldg	183,000	43,979	-	-	226,979
	Town-wide Document Imaging Project	16,990	-	-	-	16,990
	Fire Suppression (Halon) for Server Rooms	26,291	-	-	-	26,291
	* Enterprise Resource Planning Upgrade	1,277,026	-	-	-	1,277,026
	EOC Communications Upgrade	24,308	-	-	-	24,308
	IT Disaster Recovery Improvements	81,020	-	-	-	81,020
TOTAL OF CARRY-FORWARD PROJECTS (INCLUDES NEW ALLOCATIONS)		\$ 19,554,627	\$ 7,964,459	\$ 3,174,114	\$ 1,794,408	\$ 32,487,608
*These carry-forward projects include new money for FY 2022/23 in the amount of \$12,507,671.						
NEW PROJECTS						
Parks	Belgatos Park Booster Pump Replacement	\$ 40,000	\$ -	\$ -	\$ -	\$ 40,000
	TOTAL OF NEW PROJECTS	\$ 40,000	\$ -	\$ -	\$ -	\$ 40,000
TOTAL OF CARRY-FORWARD & NEW PROJECTS		\$ 19,594,627	\$ 7,964,459	\$ 3,174,114	\$ 1,794,408	\$ 32,527,608

From: [Phil Koen](#)
To: [Laurel Prevetti](#); [Gitta Ungvari](#); [Wendy Wood](#); [Rick Tinsley](#)
Subject: Pages from Financial-Summaries - Capital Plan - FY 23(1).pdf
Date: Sunday, March 12, 2023 11:31:09 AM
Attachments: [Pages from Financial-Summaries - Capital Plan - FY 23\(1\).pdf](#)

[EXTERNAL SENDER]

Hello Laurel and Gitta,

Would you please distribute the attached schedule from the FY 23 CIP budget to the FC. This schedule should be read in conjunction with the Statement of Sources of Funds (attachment #3) in the Staff memo for agenda item #7 - CIP discussion.

The attached schedule shows the total annual revenue, including fund transfers into the GFAR, forecasted to be available for all programmed capital projects. For FY 24 the forecast shows total revenue and transfers in of \$7.5m with \$6.1m programmed for capital expenditures. That leaves \$1.4m in excess revenues available for capital allocation.

Additionally, there is \$9.9m in forecasted total beginning fund balances, not including approximately \$11m in General Fund Capital Project reserves. This suggests there is a total of \$22.3m in additional liquidity potentially available for capital allocation in FY 24.

It would be helpful to the discussion if Staff could confirm that an additional \$22.3m is potentially available.

Thank you,

Phil Koen

Financial Summaries

Source and Use Summary Schedule
All Capital Improvement Program Funds

SOURCE of FUNDS	Adjusted Budget FY 2021/22	Estimated FY 2021/22	Carryfwd & FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27
Beginning Fund Balance							
411 GFAR	\$ 13,474,303	\$ 15,433,836	\$ 12,464,308	\$ 3,004,365	\$ 2,961,749	\$ 3,044,133	\$ 3,051,517
411 Reserved for Parking	1,460,210	-	-	-	-	-	-
411 Reserved for Comcast PEG	50,000	-	50,000	50,000	50,000	50,000	50,000
411 Reserved for Almond Grove	-	-	-	-	-	-	-
411 VTA Vehicle Registration Fees	293,323	-	-	-	-	-	-
411 Reserved from Tesla Contributions	4,000	-	100,000	196,000	292,000	388,000	484,000
411 Reserved for Open Space Trail	152,000	-	152,000	152,000	152,000	152,000	152,000
411 Reserved for Measure G	-	-	-	656,978	1,340,626	2,071,691	2,806,255
471 Traffic Mitigation	152,777	152,777	152,777	152,777	152,777	152,777	152,777
471 Reserved for Capital Improvements	228,542	228,542	228,542	228,542	228,542	228,542	228,542
421 Grant Fund	(318,992)	(318,992)	(3,309,041)	(317,462)	(317,462)	(317,462)	(317,462)
461 Storm Basin #1	1,078,286	1,078,286	1,135,466	985,146	1,035,976	1,087,974	1,141,168
462 Storm Basin #2	1,968,245	1,968,245	2,090,579	1,958,499	2,014,189	2,071,077	2,129,191
463 Storm Basin #3	(128,840)	(128,840)	(155,453)	(323,168)	(322,238)	(386,247)	(385,524)
472 Underground Utilities	3,201,311	3,201,311	3,257,936	2,962,850	3,007,660	3,052,700	3,097,960
481 Gas Tax	1,425,096	1,425,096	1,898,590	222,164	222,164	222,164	222,164
Total Beginning Fund Balance	\$ 23,040,260	\$ 23,040,260	\$ 18,065,702	\$ 9,928,690	\$ 10,817,982	\$ 11,817,348	\$ 12,812,588
Revenues							
411 GFAR	\$ 7,393,484	\$ 5,495,867	\$ 11,305,278	\$ 3,342,081	\$ 3,389,498	\$ 3,392,998	\$ 3,409,313
471 Traffic Mitigation	1,975,678	543,973	907,273	10,000	10,000	10,000	10,000
421 Grant Fund	7,922,549	1,136,359	10,956,039	2,427,810	-	-	-
461 Storm Basin #1	49,670	57,180	49,680	50,830	51,998	53,194	54,419
462 Storm Basin #2	53,930	135,734	54,520	55,690	56,888	58,114	59,359
463 Storm Basin #3	940	(765)	2,585	930	991	723	776
472 Underground Utilities	52,490	57,052	52,490	44,810	45,040	45,260	45,490
481 Gas Tax	1,401,865	1,447,709	1,603,689	1,603,689	1,603,689	1,603,689	1,603,689
Total Revenues	\$ 18,850,606	\$ 8,873,109	\$ 24,931,553	\$ 7,535,840	\$ 5,158,103	\$ 5,163,978	\$ 5,183,046
TOTAL SOURCE OF FUNDS	\$ 41,890,865	\$ 31,913,369	\$ 42,997,256	\$ 17,464,530	\$ 15,976,085	\$ 16,981,325	\$ 17,995,634
USE OF FUNDS	Adjusted Budget FY 2021/22	Estimated FY 2021/22	Carryfwd & FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27
Capital Program Expenditures							
411 GFAR	\$ 19,849,125	\$ 6,256,001	\$ 19,594,627	\$ 2,187,433	\$ 2,062,433	\$ 2,137,433	\$ 2,187,433
471 Traffic Mitigation	1,431,246	541,315	889,932	-	-	-	-
421 Grant Fund	7,869,300	4,126,408	7,964,459	2,427,810	-	-	-
461 Storm Basin #1	200,000	-	200,000	-	-	-	-
462 Storm Basin #2	200,000	13,400	186,600	-	-	-	-
463 Storm Basin #3	259,447	25,848	170,300	-	65,000	-	-
472 Underground Utilities	348,003	427	347,576	-	-	-	-
481 Gas Tax	2,544,640	868,215	3,174,114	1,497,689	1,497,689	1,497,689	1,497,689
Total Capital Program Expenditures	\$ 32,701,762	\$ 11,831,614	\$ 32,527,608	\$ 6,112,932	\$ 3,625,122	\$ 3,635,122	\$ 3,685,122
Transfers Out & Other Sources							
411 GFAR	\$ 1,907,394	\$ 1,907,394	\$ 417,616	\$ 417,616	\$ 417,616	\$ 417,616	\$ 417,616
411 Reserved for Comcast PEG	50,000	-	50,000	50,000	50,000	50,000	50,000
411 Reserved for Tesla Charging Station	4,000	-	196,000	292,000	388,000	484,000	580,000
411 Reserved for Open Space Trail	293,323	-	152,000	152,000	152,000	152,000	152,000
411 Reserved for Measure G	-	-	656,978	1,340,626	2,071,691	2,806,255	3,557,135
471 Traffic Mitigation	10,000	2,659	17,341	10,000	10,000	10,000	10,000
481 Gas Tax	106,000	106,000	106,000	106,000	106,000	106,000	106,000
Total Transfers Out & Designated	\$ 2,370,717	\$ 2,016,053	\$ 1,595,935	\$ 2,368,242	\$ 3,195,307	\$ 4,025,871	\$ 4,872,751
Unrestricted	\$ 6,818,386	\$ 18,065,702	\$ 8,873,712	\$ 8,983,356	\$ 9,155,657	\$ 9,320,333	\$ 9,437,762
TOTAL USE OF FUNDS	\$ 41,890,865	\$ 31,913,369	\$ 42,997,256	\$ 17,464,530	\$ 15,976,085	\$ 16,981,325	\$ 17,995,634

Ending Bal = \$9,928,690 → \$13,776,897

① includes \$800k of transfer per year from M. Fund

From: [Gitta Ungvari](#)
To: [Wendy Wood](#)
Cc: [Laurel Prevetti](#)
Subject: FW: Pages from Financial-Summaries - Capital Plan - FY 23 (2).pdf
Date: Monday, March 13, 2023 8:55:30 AM
Attachments: [Pages from Financial-Summaries - Capital Plan - FY 23 \(2\).pdf](#)

Commissioner Comment 2

From: Phil Koen <pkoen@monteropartners.com>
Sent: Sunday, March 12, 2023 9:23 AM
To: Laurel Prevetti <LPrevetti@losgatosca.gov>; Gitta Ungvari <GUngvari@losgatosca.gov>; Rick Tinsley <ricktinsley1@gmail.com>
Subject: Pages from Financial-Summaries - Capital Plan - FY 23 (2).pdf

[EXTERNAL SENDER]

Hello Laurel and Gitta,

Would you please distribute the attached schedule from the FY 23 CIP budget to the FC. This schedule should be read in conjunction with Table 3 found on page 5 of the CIP Staff report for agenda item 7.

The yellow highlighted projects correspond to the projects listed on Table 3 with the exception of project 811-9903 pavement rehabilitation which is not listed.

The schedule shows that of the 14 on-going annual projects listed in Table 3 only 7 projects have funds budgeted through FY 27. This raises the questions why the other 7 projects have no funding if these are on-going annually funded projects. Is this an error? Does Staff have an estimate of what the annual spend should be for these projects?

Also the attached schedule shows that for the 7 projects that do have multi-year funding, the total budgeted for FY 24 is \$6,112,932 with approximately \$3.6m budgeted annually for FY 25 through FY 27. This raises the question as to the accuracy of these estimates. Should the FC rely on these estimates in our discussion?

Lastly, the attached schedule shows approximately \$3.2m is currently budgeted annually for street repair and maintenance. The Staff memo mentions that an annual spend of \$4.4m is required to increase the payment condition index (PCI) from the current 73 level to 78. Should the FC assume that the increase required in spending is \$1.2m? Does the new \$4.4m reflect any increase in road materials and labor that has occurred over the past 24 months?

Thank you.

Phil Koen

Financial Summaries

Project Summary by Program
FY 2022/23 - 2026/27

STREETS PROGRAM SUMMARY									
	Expended Through 2020/21	2021/22 Estimated Actuals	Estimated Carryfwd to 2022/23	2022/23 Budget	2023/24 Budget	2024/25 Budget	2025/26 Budget	2026/27 Budget	Total Budgeted
Reconstruction									
9901 Street Repair & Resurfacing	\$ 20,366,266	\$ 2,941,006	\$ 4,147,743	\$ 3,343,169	\$ 3,240,122	\$ 3,240,122	\$ 3,240,122	\$ 3,240,122	\$ 43,758,671
Maintenance-Safety									
9902 Annual Street Restriping	180,228	-	194,772	25,000	25,000	25,000	25,000	25,000	500,000
9910 Traffic Calming Projects	202,315	13,549	229,135	10,000	10,000	10,000	10,000	10,000	\$ 495,000
9921 Curb, Gutter & Sidewalk Maintenance	3,915,992	399,206	644,434	300,000	200,000	200,000	300,000	300,000	6,259,632
9930 Retaining Wall Repairs	1,596,618	264	465,895	50,000	50,000	50,000	50,000	100,000	2,362,777
0008 Shannon Road Repair	97,891	409,582	992,527	-	-	-	-	-	1,500,000
0130 Roadside Fire Fuel Reduction	499,815	575,185	-	-	-	-	-	-	1,075,000
0708 Parking Lot 4 Repair/Waterproofing	-	-	250,000	-	-	-	-	-	250,000
Street Improvements									
0129 ADA Transition Plan	55,430	74,720	54,850	-	-	-	-	-	185,000
0131 East Main Street Crosswalk Improvements	-	-	15,000	-	-	-	-	-	15,000
0132 Local Road Safety Plan	27,558	52,442	20,000	-	-	-	-	-	100,000
0133 VMT Mitigation Program	-	-	250,000	-	-	-	-	-	250,000
0134 Measure B Education & Encouragement	11,700	48,429	98,215	28,301	-	-	-	-	186,645
0218 Shannon Road Ped & Bikeway Improvements	71,305	126,521	1,215,728	50,000	-	-	-	-	1,463,554
0221 Sidewalk Improvements - Multiple Locations	-	-	60,000	-	-	-	-	-	60,000
0225 Utility Undergrounding Improvements	2,425	427	299,573	-	-	-	-	-	302,425
0227 Traffic Signal Modernization	643,289	1,276,754	702,908	-	-	-	-	-	2,622,951
0231 Bicycle & Pedestrian Improvements	581,353	-	265,174	-	-	-	-	-	846,527
0235 Downtown Streetscape Revitalization	715,441	145,344	1,952,854	-	-	-	-	-	2,813,640
0237 State Route 17 Corridor Congestion Relief Project	-	-	600,000	867,000	-	-	-	-	1,467,000
0238 Winchester Boulevard Complete Streets (Final Design)	124,401	75,651	543,198	-	1,734,250	-	-	-	2,477,500
0239 Blossom Hill Road Traffic Safety	42,678	5,733	276,590	-	-	-	-	-	325,000
0240 Winchester Class IV Bikeway	92,686	889,768	-	-	-	-	-	-	982,453
0241 Kennedy Sidewalk & Bike Lanes - LGB to Englewood	-	-	-	198,200	693,560	-	-	-	891,760
0242 Parking Program Implementation	-	157,563	440,937	-	-	-	-	-	598,500
0409 Hernandez Avenue Storm Drain Improvements	17,180	-	-	-	-	65,000	-	-	82,180
0414 Stormwater System - Pollution Prevention Compliance	1,422	-	286,578	-	-	-	-	-	288,000
0420 Annual Storm Drain Improvements	59,700	13,400	556,900	-	-	-	-	-	630,000
0705 Downtown Parking Lots Seal Coat & Restriping	44,481	43,346	12,173	-	-	-	-	-	100,000
Bridges									
0801 Quito Road - Bridge Replacement	64,594	235,087	50,000	-	-	-	-	-	349,681
0803 Hwy 17 Bicycle & Pedestrian Bridge-Design	242,668	2,991,576	700,744	522,314	-	-	-	-	4,457,302
Total Streets Projects	\$ 29,657,436	\$ 10,475,553	\$ 15,325,929	\$ 5,393,984	\$ 5,952,932	\$ 3,590,122	\$ 3,625,122	\$ 3,675,122	\$ 77,696,198

PARK & TRAILS PROGRAM SUMMARY									
	Expended Through 2020/21	2021/22 Estimated Actuals	Estimated Carryfwd to 2022/23	2022/23 Budget	2023/24 Budget	2024/25 Budget	2025/26 Budget	2026/27 Budget	Total Budgeted
Parks									
4007 Oak Meadow Bandstand Area Improvements	-	-	286,730	-	-	-	-	-	286,730
4202 Town Plaza Turf Repairs	8,116	-	28,000	-	-	-	-	-	36,116
4605 Parks Playground Fibar Project	75,736	19,000	30,264	25,000	-	25,000	-	-	175,000
4610 Pinehurst Community Garden	-	15,000	20,000	-	-	-	-	-	35,000
3304 Belgatos Park Booster Pump Replacement	-	-	-	40,000	-	-	-	-	40,000
Trails									
4503 Charter Oaks Trail Repair Project	72,942	-	474,891	-	-	-	-	-	547,833
4504 Open Space Trail Upgrades	-	-	152,000	-	-	-	-	-	152,000
4505 Los Gatos Creek Trail to Highway 9 Trailhead Connector Project	429,062	179,260	104,958	5,728,687	-	-	-	-	6,441,967
4507 Forbes Mill Footbridge Improvements	27,942	2,522	27,478	-	-	-	-	-	57,942
4508 Vegetation Management - Town-wide	211,069	17,777	21,861	-	-	-	-	-	250,707
4510 Lynne Ave Pedestrian Path Design	-	-	75,000	-	-	-	-	-	75,000
Total Parks Projects	\$ 824,866	\$ 233,559	\$ 1,221,182	\$ 5,793,687	\$ -	\$ 25,000	\$ -	\$ -	\$ 8,098,294

Financial Summaries

PUBLIC FACILITIES PROGRAM SUMMARY									
	Expended Through 2020/21	2021/22 Estimated Actuals	Estimated Carryfwd to 2022/23	2022/23 Budget	2023/24 Budget	2024/25 Budget	2025/26 Budget	2026/27 Budget	Total Budgeted
Infrastructure									
2002 Town Beautification	\$ 110,109	\$ 9,462	\$ 10,055	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 179,625
2009 Public Art Gateway Project	25,000	25,000	7,000	-	-	-	-	-	\$ 57,000
2010 Waterproofing Town-wide	53,204	-	21,796	-	-	-	-	-	75,000
2117 ADA Restrooms and HR Offices	-	65,000	535,000	-	-	-	-	-	600,000
2119 Civic Center Security Improvements	-	-	110,000	-	-	-	-	-	110,000
2206 Adult Recreation - Floor Repair	-	-	200,000	-	-	-	-	-	200,000
2207 Adult Recreation Center HVAC	-	-	160,000	150,000	150,000	-	-	-	460,000
2302 Building Replacement at Corporation Yard	1,057,783	222,637	1,371,361	-	-	-	-	-	2,651,781
2305 Engineering Document Archiving	47,576	43,876	-	-	-	-	-	-	91,452
2504 Sound Mitigation in Library Lobby	-	-	22,000	-	-	-	-	-	22,000
2505 Battery Power Supply - Library	-	-	543,000	-	-	-	-	-	543,000
2601 ADA Upgrade Public Restrooms - Adult Recreation	51,882	35,000	226,979	-	-	-	-	-	313,861
Equipment									
6003 Town-wide Document Imaging Project	198,011	-	16,990	-	-	-	-	-	215,000
6004 Fire Suppression (Halon) for Server Rooms	70,378	47,727	26,291	-	-	-	-	-	144,396
6101 Enterprise Resource Planning Upgrade	254,769	37,759	77,026	1,200,000	-	-	-	-	1,569,554
6103 EOC Communications Upgrade	24,272	1,420	24,308	-	-	-	-	-	50,000
6104 IT Disaster Recovery Improvements	78,980	40,000	81,020	-	-	-	-	-	200,000
Total Facilities Projects	1,971,964	527,881	3,432,826	1,360,000	160,000	10,000	10,000	10,000	7,482,671
Total Street, Parks and Trails, and Public Facilities Projects	\$ 32,454,266	\$ 11,236,993	\$ 19,979,937	\$ 12,547,671	\$ 6,112,932	\$ 3,625,122	\$ 3,635,122	\$ 3,685,122	\$ 93,277,163

\$ 32,527,608

From: [REDACTED]
To: [Wendy Wood](#)
Cc: [Town Manager](#); [Gitta Ungvari](#); [Rick Van Hoesen](#)
Subject: 10 Year Cumulative Budgeting Date for Los Gatos, Campbell and Saratoga
Date: Monday, March 13, 2023 10:08:56 AM
Attachments: [10 Year Cumulative Data.pdf](#)

[EXTERNAL SENDER]

Please publish the attached as a desk item for today's Finance Commission meeting. It is cumulative, 10 year historical information on Los Gatos, Saratoga and Campbell's actual budgeting data for comparison purposes. The FC may find the information useful as they work on the 2023-2024 budget, including the capital budget - Item 7 on today's agenda.

Thank you,

*Jak Van Nada -
Los Gatos Community Alliance
Facts Matter; Transparency Matters; Honesty Matters*

[REDACTED]



We looked at the budgeting accuracy for Los Gatos, Saratoga and Campbell over the past 10 years as measured by the cumulative variance of the actual annual operating surplus/(deficit) to the adopted and final budgets for annual operating surplus/(deficit). This information is in each town/city's ACFR. The graphs of our findings are below this note and the included tables. Some definitions are at the end but marked with an *. Here is a summary of what we found.

Los Gatos				
	YE Actual Operating Surplus (Deficit) - Adopted Budget* =			\$ 38,540,820
	YE Actual Operating Surplus (Deficit) - Final Variance*** =			\$ 44,539,104
	Adopted Variance**** / YE Actual Surplus or (Deficit) =			141%
	Final Variance / Actual Surplus or (Deficit) =			163%

Saratoga

YE Actual Operating Surplus (Deficit) - Adopted Budget* =	\$ 18,909,130
YE Actual Operating Surplus (Deficit) - Final Variance*** =	\$ 24,068,720
Adopted Variance**** / YE Actual Surplus or (Deficit) =	81%
Final Variance / Actual Surplus or (Deficit) =	103%

Campbell

YE Actual Operating Surplus (Deficit) - Adopted Budget* =	\$ 13,823,303
YE Actual Operating Surplus (Deficit) - Final Variance*** =	\$ 19,312,789
Adopted Variance**** / YE Actual Surplus or (Deficit) =	49%
Final Variance*** / Actual Surplus or (Deficit) =	69%

A budget can be used as a fiscal management tool or a political tool. When a municipality consistently budgets for operating deficits by intentionally under estimating revenues and over estimating expenditures, this can be highly effective in gaining political support for tax increases or not providing additional valuable services to residents. Even worse, it denies the Town Council the ability to do the job they were elected to do – namely to allocate the Town's financial resources.

Interestingly:

- Saratoga and Campbell budgeted cumulative operating **surplus** over the 10-year period. Both cities adopted a budgeted operating deficit only once during the 10-year period. Saratoga had

operating surpluses 9 years out of the past 10 years and Campbell had an operating surplus 8 years out of the past 10 years.

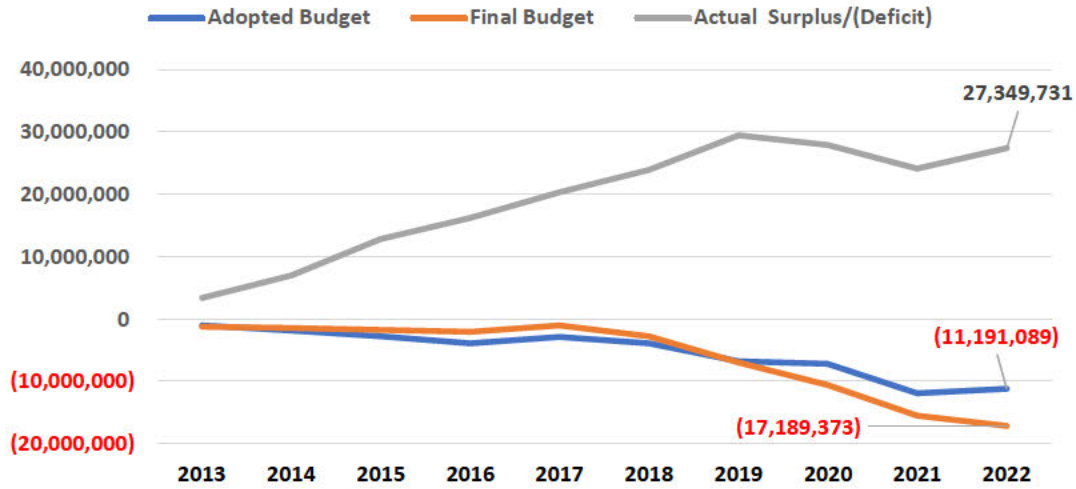
- Los Gatos budgeted a cumulative operating **deficit** over the past 10-years. The Town adopted a budgeted operating **deficit** 8 out of the past 10 years. However actual results were exactly the opposite with an operating surplus being reported 8 out of the past 10 years.
- Saratoga's final budget to actual cumulative variance was \$24m or 104% of the actual result. Campbell's final budget to actual cumulative variance was \$19m or 69% of the actual result.
- Los Gatos's final budget to actual cumulative variance was \$45m or 163% of the actual. The final budgets projected a cumulative operating deficit of \$17m vs. an actual surplus of \$27m.
- Our conclusion is that both Saratoga and Campbell's budgeting processes reasonably forecasted actual outcomes. Los Gatos budgets consistently forecasted deficits when large surpluses were achieved.

Definitions:

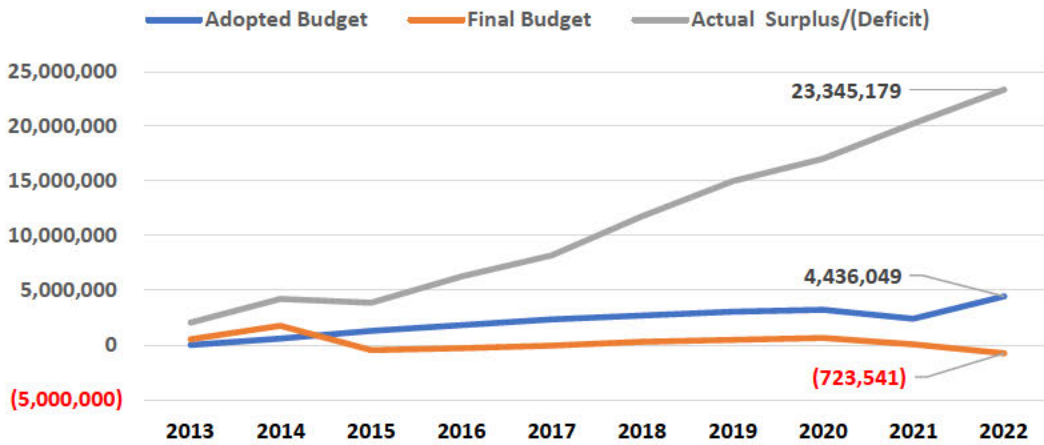
- *Adopted Budget – The official budget adopted by Council Action in May/June for the following fiscal year
- **Final Budget = Usually corrections are made to the Adopted Budget in the Mid-Year budget. This is the "Final Budget".
- ***Final Variance = YE Actual Operating Surplus (Deficit) minus Final Budget
- **** Adopted Variance = YE Actual Operating Surplus (Deficit) minus Adopted Budget

Jak Van Nada, On Behalf of The
Los Gatos Community Alliance

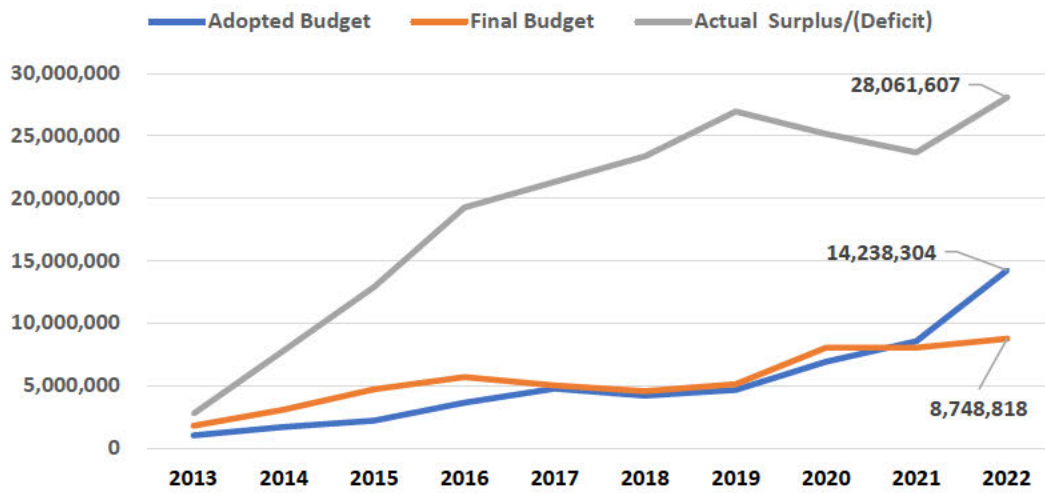
Los Gatos 10 Year Cumulative Budgeting History



Saratoga 10 Year Cumulative Budgeting History



Campbell 10 Year Cumulative Budgeting History





TOWN OF LOS GATOS
FINANCE COMMISSION REPORT

MEETING DATE: 3/13/2023

ITEM NO: 8

Item 8.

DATE: March 6, 2023
TO: Finance Commission
FROM: Laurel Prevetti, Town Manager
SUBJECT: Recommend that the Town Council Receive the Independent Accountants' Report on Agreed-Up Upon Procedures on Measure G Revenues and Expenditures for the Period July 1, 2021 to June 30, 2022

RECOMMENDATION:

Staff recommends that the Finance Commission recommend that the Town Council receive the Independent Accountants' Report on Agreed-Up Upon Procedures (AUP) on Measure G Revenues and Expenditures for the period July 1, 2021 to June 30, 2022.

BACKGROUND:

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

On November 3, 2020, voters of Los Gatos approved the Measure A ballot initiative establishing a new Finance Commission and disbanding both the Finance Committee and Sales Tax Oversight Committee. Among other responsibilities, the Finance Commission is charged with:

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

PREPARED BY: Gitta Ungvari
Finance Director

Reviewed by: Town Manager and Town Attorney

PAGE 2 OF 2

SUBJECT: Receive Measure G AUP Report

DATE: March 6, 2023

DISCUSSION:

On March 3, 2023, Chavan & Associates, LLP finished the review process and provided the Independent Accountants' Report on Agreed-Upon Procedures on Measure G Revenues and Expenditures for the Period July 1, 2021 to June 30, 2022 (Attachment 1). During this period, there were collection fees, and police safety and capital transfers that utilized Measure G funds consistent with the Town Council's adopted FY 21/22 Budgets:

FY 2021/22 Expenditures and Transfers		
State Admin Fees Withheld	July - Sept 2021	\$ 12,670
State Admin Fees Withheld	Oct - Dec 2021	12,670
State Admin Fees Withheld	Jan - March 2022	9,810
State Admin Fees Withheld	April - June 2022	12,630
Total Collection Fees		\$ 47,780
50% to Police Safety		629,148
Total Expenditures		\$ 676,928
Transfer to Capital Improvement Program (50% of prior years and current year collections)		1,769,057
Total Tranfers and Expenditures		\$ 2,445,985

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

CONCLUSION AND NEXT STEPS:

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

Attachment:

1. Independent Accountants' Report on Agreed-Upon Procedures for Measure G Revenues and Expenditures For the period July 1, 2021 to June 30, 2022.

TOWN OF LOS GATOS

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

JUNE 30, 2022

* * *



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

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

Item 8.

MEASURE G
JUNE 30, 2022

TABLE OF CONTENTS

	<u>PAGE NO.</u>
INDEPENDENT ACCOUNTANT’S REPORT	1 - 3
SCHEDULE OF MEASURE G REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE.....	4
NOTES TO SCHEDULE OF MEASURE G REVENUES EXPENDITURES AND CHANGES IN FUND BALANCE.....	5



INDEPENDENT ACCOUNTANT'S REPORT

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

We have performed the procedures enumerated below on the accompanying Schedule of Measure G Revenues, Expenditures and Changes in Fund Balance of the Town of Los Gatos (the Town) for the fiscal year ended June 30, 2022. Town management is responsible for the Schedule of Measure G Revenues, Expenditures and Changes in Fund Balance for the fiscal year ended June 30, 2022.

The Town has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of determining whether Measure G sales taxes were used and accounted for in accordance with specified laws, regulations, and recommendations of the Finance Commission for the fiscal year ended June 30, 2022. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and the associated findings are as follows:

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

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

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

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

3. We obtained a schedule of Measure G revenues and expenditures for the fiscal year ended June 30, 2022 and agreed totals reported on the schedule to the Town's audited trial balance.

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

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

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



Chavan and Associates, LLP
Certified Public Accountants

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

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

6. We inquired as to whether the Town Council received the Finance Commission's recommendation and adopted a Council authorized expenditure plan directing the use of Measure G revenues for the fiscal year ended June 30, 2022.

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

7. We selected 14 Measure G expenditures from 35 transactions, which was 61% coverage in terms of dollars, to verify if they were for allowable purposes. We also verified that the 4 administrative fee charges were accurate and appropriate within the measure by vouching those charges to the statement of tax distribution from the California Department of Tax and Fee Administration. Per Measure G Ordinance 2314, eligible expenditures include:
- a. Maintaining and enhancing neighborhood police patrols and local crime prevention programs;
 - b. Improving traffic flow to reduce congestion;
 - c. Repairing potholes and maintaining the Town's streets, roads, and sidewalks; and
 - d. Maintaining the Town's long-term financial stability.

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

8. We agreed amounts held in the General Fund Reserve sub-fund for Measure G to the Measure G sales tax collections for the fiscal year ended June 30, 2022, less any amounts reduced for Town Council authorized uses.

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

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



Chavan and Associates, LLP
Certified Public Accountants

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

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

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

C & A LLP

March 3, 2023
Morgan Hill, California

**TOWN OF LOS GATOS
MEASURE G**

Item 8.

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2022

REVENUES

Sales Taxes - Measure G	<u>\$ 1,306,076</u>
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Total Revenues	<u>1,306,076</u>
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EXPENDITURES

Public Safety	629,148
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Collection Fees	<u>47,780</u>
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Total Expenditures	<u>676,928</u>
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**EXCESS (DEFICIENCY) OF REVENUES
OVER EXPENDITURES**

629,148

Transfers out to the Appropriated Reserves Fund	<u>(1,769,057)</u>
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Change in Fund Balance	(1,139,909)
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Beginning Fund Balance	<u>1,730,490</u>
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Ending Fund Balance	<u><u>\$ 590,581</u></u>
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Note:

The transfer of \$1,769,057 remained unspent and was assigned for capital projects in the Appropriated Reserves Fund assigned fund balance as of June 30, 2022.

**TOWN OF LOS GATOS
MEASURE G**

Item 8.

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2022

1. MEASURE G

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

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

2. COLLECTION FEES

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



TOWN OF LOS GATOS
FINANCE COMMISSION REPORT

MEETING DATE: 03/13/2023

ITEM NO: 9

Item 9.

DATE: March 6, 2023
TO: Finance Commission
FROM: Laurel Prevetti, Town Manager
SUBJECT: Receive Actuarial Presentation on CalPERS Analysis – 6/30/2021 Valuation Report by Foster & Foster Actuaries and Consultants and Recommend Amortization Bases for Future Potential Additional Discretionary Payments (ADPs)

RECOMMENDATION:

Receive Actuarial Presentation on CalPERS Analysis – 6/30/2021 Valuation Report by Foster & Foster Actuaries and Consultants and recommend amortization bases for future potential Additional Discretionary Payments (ADPs).

BACKGROUND:

The Town's pension plans are administered by the Board of Administration of the California Public Employees' Retirement System (CalPERS). The Board of Administration is responsible for the management and control of CalPERS and maintains exclusive control of the administration and investment of pension funds. In addition, CalPERS actuaries are responsible for the provision of actuarial valuations for the Town's pension plans. Sworn employees are covered under the Safety Plan which is a pooled plan, while all other employees are covered in the Miscellaneous Plan, which is a separate plan. The Miscellaneous Plan is administered by CalPERS in the Public Employees' Retirement Fund (PERF).

Recognizing the importance of the Town's pension obligations and projected increases in future pension costs, starting in 2018 the Town contracted Bartel and Associates to perform an annual review of the actuarial valuation reports provided by CalPERS. Foster & Foster Actuaries and Consultants (formerly Bartel and Associates) is an industry leader in providing actuarial related services to California local governments.

PREPARED BY: Gitta Ungvari
Finance Director

Reviewed by: Town Manager and Town Attorney

PAGE 2 OF 2

SUBJECT: Actuarial Presentation on CalPERS Analysis – 6/30/2021 Valuation Report by Foster & Foster Actuaries and Consultants

DATE: March 6, 2023

DISCUSSION:

Foster & Foster has prepared an analysis of the status of the Town's pension plans for its Miscellaneous and Safety employees as provided in Attachment 1. The Town Actuarial Consultants are attending the meeting to review the following key issues regarding the Town's pension plans:

- An introduction to actuarial valuations
- An introduction to the development of expected returns
- A review of 6/30/2021 valuations and subsequent projections
- Recommended amortization bases for potential future ADPs

The presentation slides are contained in Attachment 2.

CONCLUSION:

The Finance Commission is welcome to ask questions of the Consultants and make recommendation(s) to the Town Pension and Other Post-Employment Benefits Trusts Oversight Committee regarding potential future ADPs. The Town Council sits as the Oversight Committee.

COORDINATION:

This report has been coordinated with the Town Manager's Office.

FISCAL IMPACT:

None.

ENVIRONMENTAL ASSESSMENT:

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

Attachments:

1. CalPERS Analysis – 6/30/2021 Valuation Report by Foster & Foster Actuaries and Consultants
2. Actuarial Presentation on CalPERS Analysis – 6/30/2021 Valuation Report by Foster & Foster Actuaries and Consultants
3. Commissioner Communication



TOWN OF LOS GATOS

CALPERS MISCELLANEOUS & SAFETY PLANS



CalPERS Analysis – 6/30/21 Valuation

Mary Elizabeth Redding, FSA, EA, MAAA

Bianca Lin, FSA, EA, MAAA

Wai Man Yam

Foster & Foster, Inc.

March 7, 2023

ATTACHMENT 1

Contents

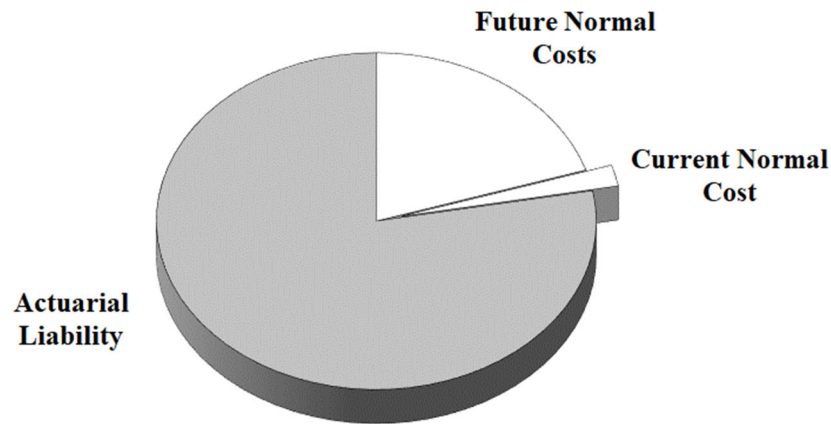
<u>Topic</u>	<u>Page</u>
Background	1
Miscellaneous Plan:	
Historical Information	15
Projections	25
Safety Plan:	
Historical Information	34
Projections	44
Combined Miscellaneous and Safety	57
Leaving CalPERS	59
PEPRA Cost Sharing	61
Paying Down the Unfunded Liability	63
Irrevocable Supplemental (§115) Pension trust	68
Prefunding Options	71
Actuarial Certification	80



DEFINITIONS

Item 9.

**Present Value of Benefits
June 30, 2021**



■ **PVB - Present Value of all Projected Benefits:**

- The value now of amounts due to be paid in the future
- Discounted value (at valuation date - 6/30/21), of all future expected benefit payments based on various (actuarial) assumptions

■ **Current Normal Cost (NC):**

- Portion of PVB allocated to (or “earned” during) current year
- Value of employee and employer current service benefit

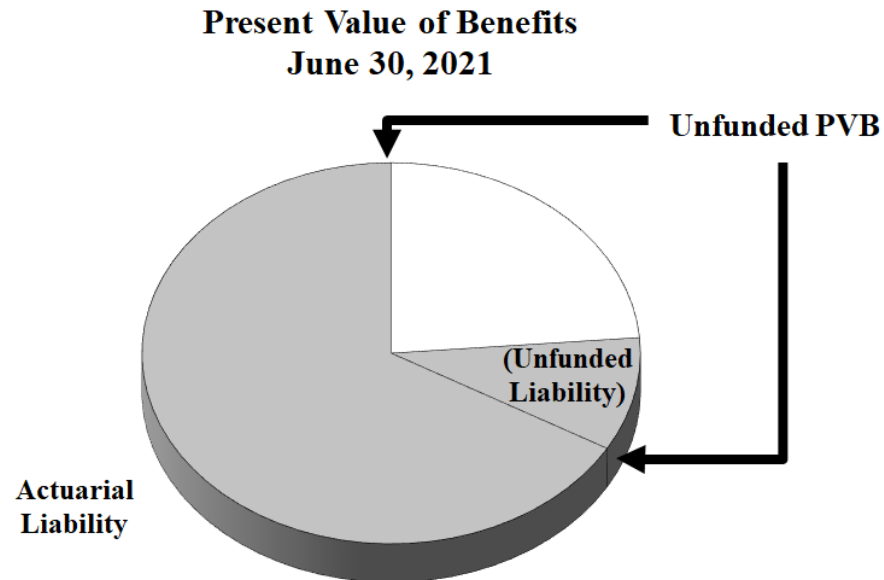
■ **Actuarial Liability (AAL):**

- Discounted value (at valuation date) of benefits earned through valuation date [value of past service benefit]
- Portion of PVB “earned” at measurement



DEFINITIONS

Item 9.



- **Target-** Have money in the bank to cover Actuarial Liability (past service)
- **Unfunded Liability (UAAL or UAL) -** Money short of target at valuation date
 - If all actuarial assumptions were always exactly met, then the plan assets would always equal AAL
 - Any difference is the unfunded (or overfunded) AAL
 - Every year, the actuary calculates the difference between the expected UAAL and Actual UAAL. This is a new layer or amortization base
 - Each new layer gets amortized (paid off) over a period of time as part of the contribution [rate]



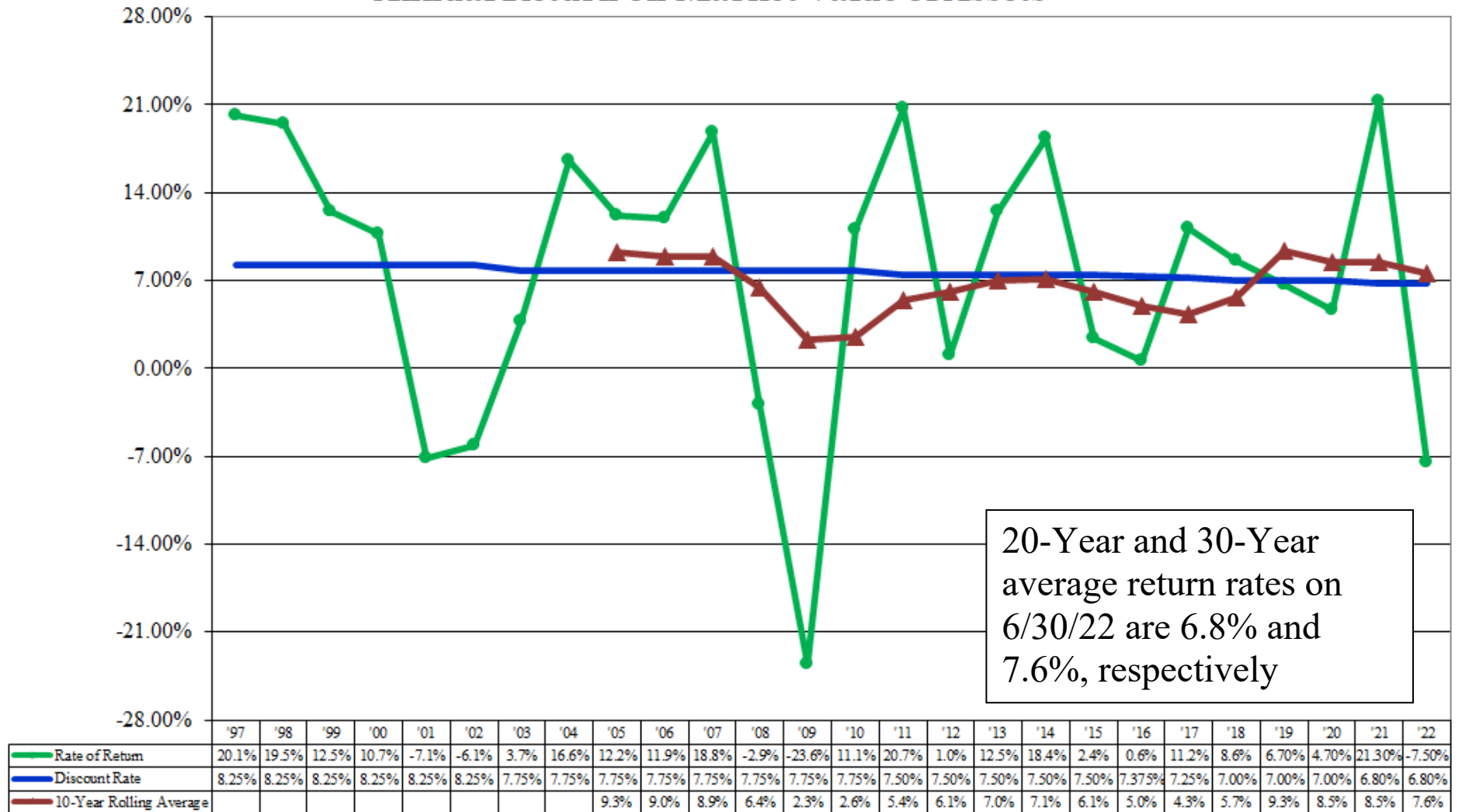
HOW WE GOT HERE

- Investment Losses
- CalPERS Contribution Policy
- Enhanced Benefits
- Demographics



HOW WE GOT HERE – INVESTMENT RETURN

Annual Return on Market Value of Assets



Returns (after 2001) shown are gross returns, unreduced for administrative expenses, from CalPERS valuation reports, when available. The discount rate is based on expected returns net of administrative expenses.



HOW WE GOT HERE – OLD CONTRIBUTION POLICY

Item 9.

- Effective with 2003 valuations:
 - Slow (15 year) recognition of investment losses into funded status
 - Rolling 30 year amortization of all (primarily investment) losses

- Designed to:
 - First smooth rates and
 - Second pay off UAL

- Mitigated contribution volatility



HOW WE GOT HERE – ENHANCED BENEFITS

- At CalPERS, Enhanced Benefits implemented using all (future & prior) service
- Typically not negotiated with cost sharing
- Town of Los Gatos

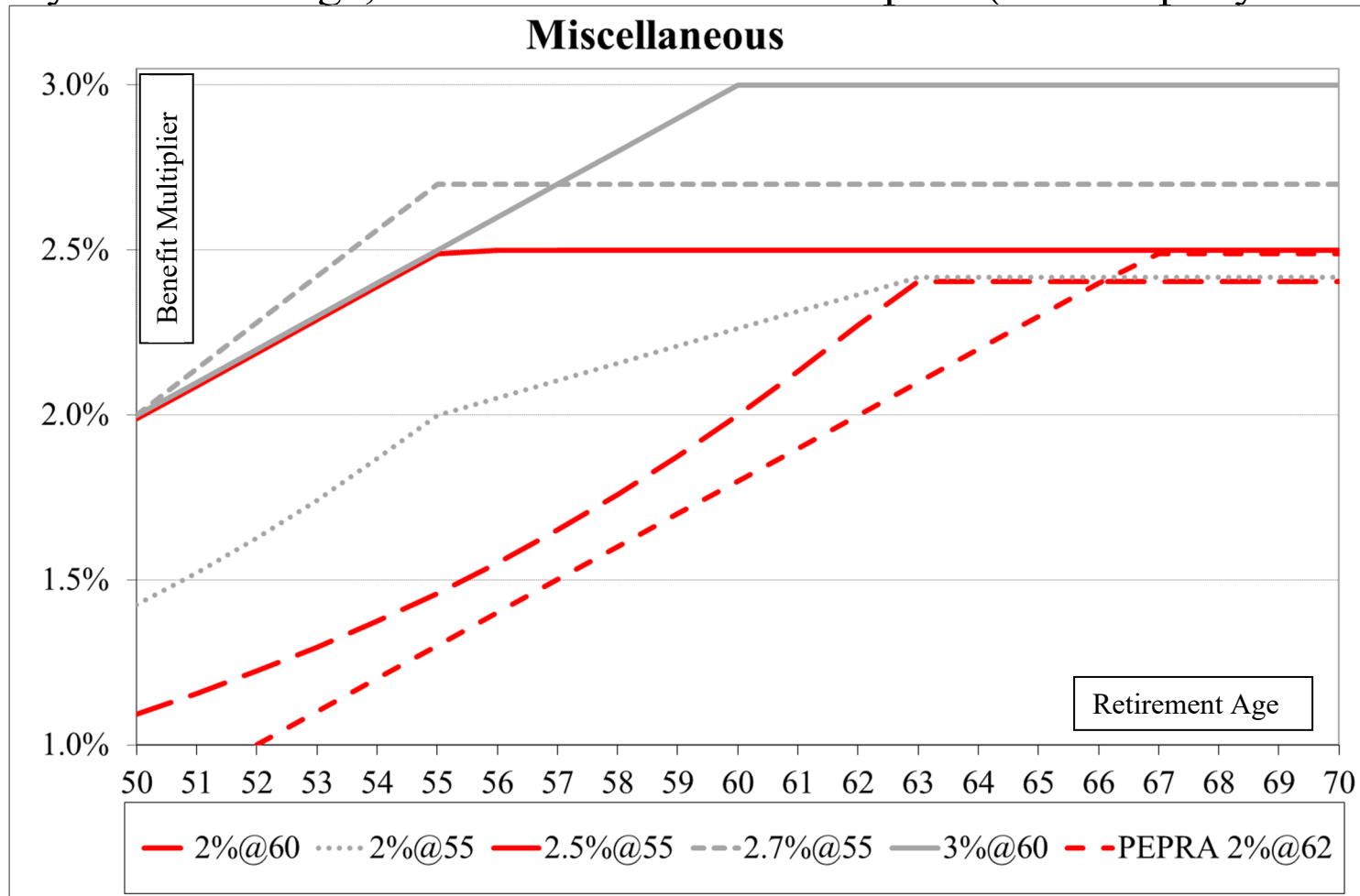
	Tier 1	Tier 2	PEPRA
● Miscellaneous	2.5%@55 FAC1	2%@60 FAC3 9/15/12	2%@62 FAC3
● Safety	3%@50 FAC1	N/A	2.7%@57 FAC3

- Note:
 - ☐ FAC1 is highest one year (typically final) average earnings
 - ☐ FAC3 is highest three years (typically final three) average earnings
- PEPRA tier implemented for new employees hired after 1/1/13
 - Employee pays half of total normal cost
 - 2023 Compensation limit
 - ☐ Social Security participants: \$146,042
 - ☐ Non-Social Security participants: \$175,250

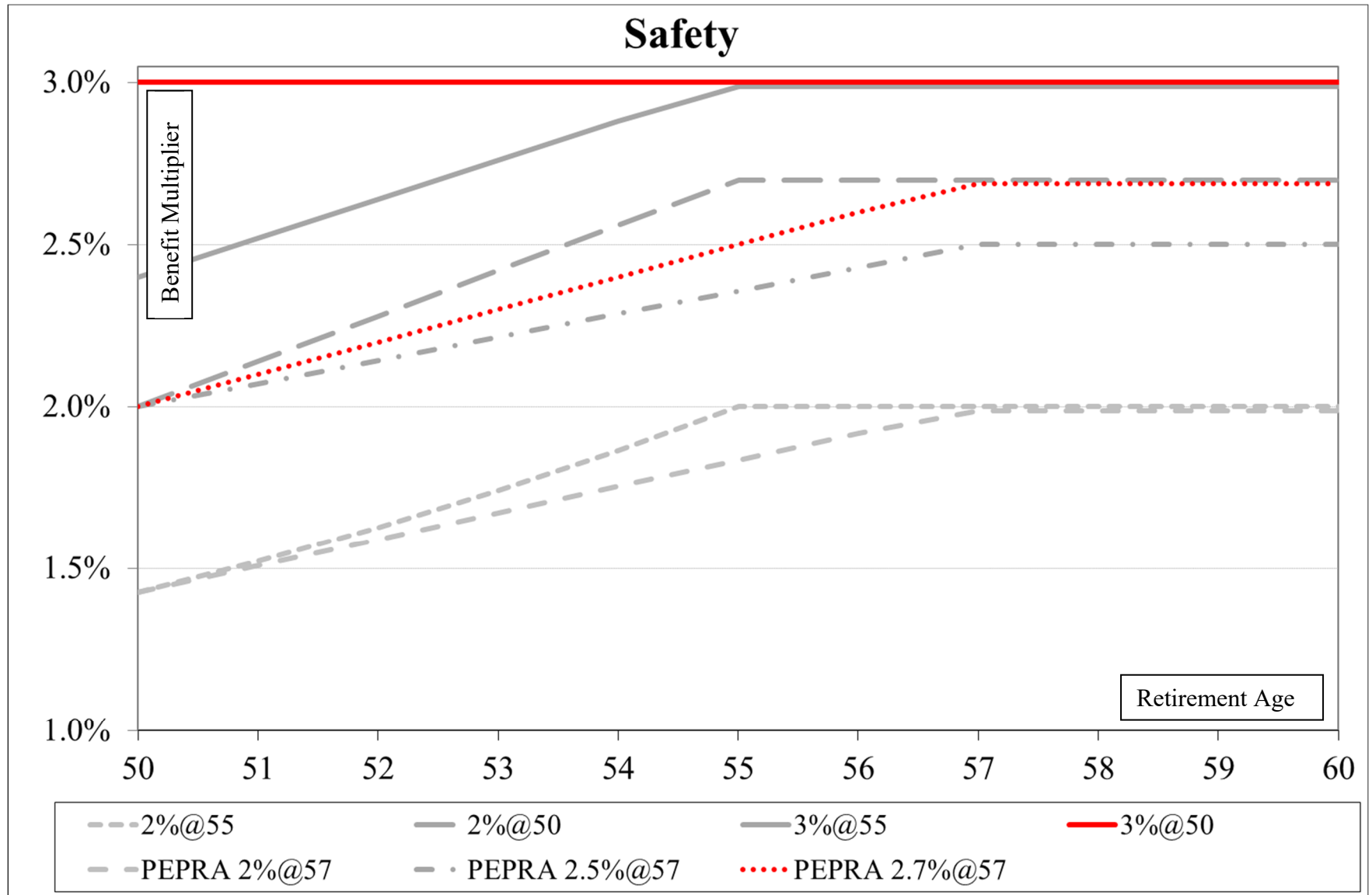


HOW WE GOT HERE – ENHANCED BENEFITS

- Available CalPERS Benefit formulas. Town's formulas shown in red.
- For any retirement age, chart shows benefit multiplier (% FAE per year of service)



HOW WE GOT HERE – ENHANCED BENEFITS



HOW WE GOT HERE – DEMOGRAPHIC

Item 9.

- Around the State
 - Large retiree liability compared to actives
 - Public Agency average: 59% for Miscellaneous, 67% for Safety
 - Declining active population and increasing number of retirees
 - Higher percentage of retiree liability increases contribution volatility
- Town of Los Gatos percentage of liability belonging to retirees:
 - Miscellaneous 65%
 - Safety 74%



CALPERS CHANGES

- April 2013: CalPERS adopted new contribution policy
 - No asset smoothing or rolling amortization
- February 2018: New amortization policy for 2021/22 contributions
 - Fixed dollar (level) 20-year amortization rather than % pay (escalating)
 - 5-year ramp up (not down) for investment gains and losses
- CalPERS Board changed the discount rate to 7%, still phasing in to rates:

	<u>Rate</u>	<u>Initial Impact</u>	<u>Full Impact</u>
● 6/30/16 valuation	7.375%	18/19	22/23
● 6/30/17 valuation	7.25%	19/20	23/24
● 6/30/18 valuation	7.00%	20/21	24/25
- In the November 2021 meeting, CalPERS Board adopted new
 - Discount rate and investment allocation
 - Discount rate: 6.8% for 6/30/2021. UAL impact matches investment gain amortization (5-year ramp-up). Initial impact in 23/24 and full impact in 27/28.
 - Asset allocation has higher investment risk than current portfolio
 - Experience study (Demographic assumptions)



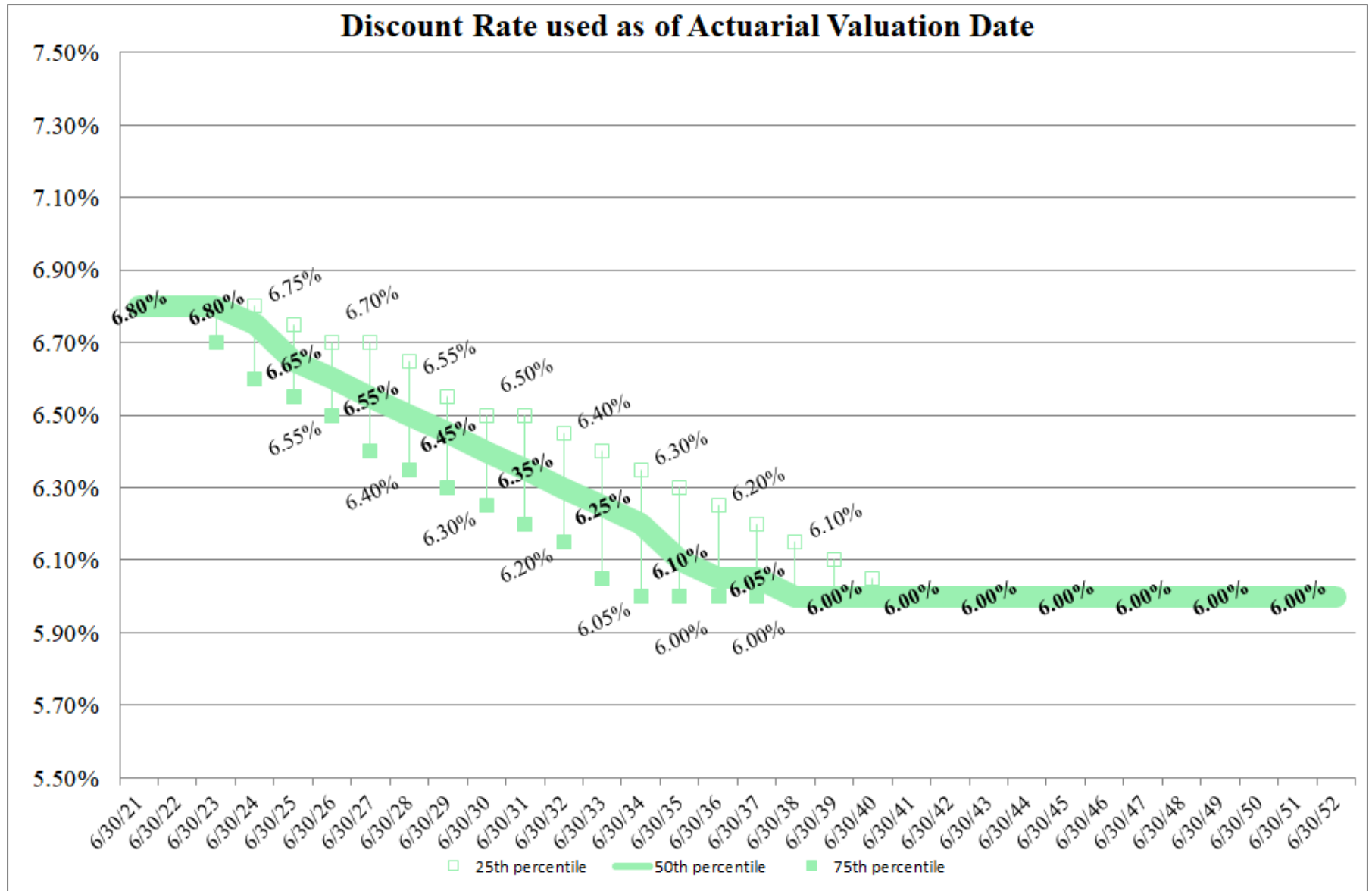
■ Risk Mitigation Strategy

- Move to more conservative investments over time to reduce volatility
 - ☐ Only when investment return is better than expected
 - ☐ Lower discount rate in concert
 - ☐ Essentially use $\approx 50\%$ of investment gains to pay for cost increases
- Likely get to 6.0% discount rate over 20+ years
 - ☐ Risk mitigation suspended from 6/30/16 to 6/30/18 valuation
 - ☐ Did not trigger for 6/30/19 or 6/30/20 valuations
- First triggered for 6/30/21 valuation – 6.8% discount rate



CALPERS CHANGES

Item 9.



CALPERS CHANGES

Item 9.

Capital Market Assumptions

Asset Class	Asset Segment	Near-Term Return (5-year)	Long-Term Return (20-year)	Volatility (20-year)
Growth	Global Equity – Cap Weighted	6.8%	6.8%	17.0%
	Global Equity – Non-Cap Weighted	5.1%	6.1%	13.5%
	Private Equity	8.9%	9.6%	30.1%
Income	Long U.S. Treasuries	0.1%	2.6%	12.4%
	Mortgage-Backed Securities	1.2%	2.8%	3.1%
	Investment Grade Corporates	0.1%	3.9%	8.5%
	Spread Product – High Yield	2.2%	4.7%	9.2%
	Spread Product – Sovereigns	3.2%	4.5%	10.4%
	High Yield Segment	2.2%	4.6%	9.0%
Real Assets	Real Estate	5.3%	5.5%	12.2%
Liquidity	Liquidity	0.3%	1.7%	0.8%
Other	Private Debt	6.8%	5.9%	9.9%
	Emerging Market Debt	2.7%	4.8%	10.3%



CALPERS CHANGES

Item 9.

Portfolio Target Allocations

	Prior Portfolio	11/17/21 Portfolio
Asset Classification		
Liquidity	1%	-
Real Assets	13%	15%
Private Debt	-	5%
EM Sov Bonds	1%	5%
High Yield	4%	5%
Investment Grade Corp.	6%	10%
Mtge-backed Securities	7%	5%
Treasury	10%	5%
Private Equity	8%	13%
Global Equity ¹	50%	42%
Leverage	-	(5)%
Total	100%	100%
Standard Deviation	11.2%	12.0%

¹ Cap and non-cap weighted combined for this table; actual portfolios have specific allocations for each classification.



SUMMARY OF DEMOGRAPHIC INFORMATION - MISCELLANEOUS

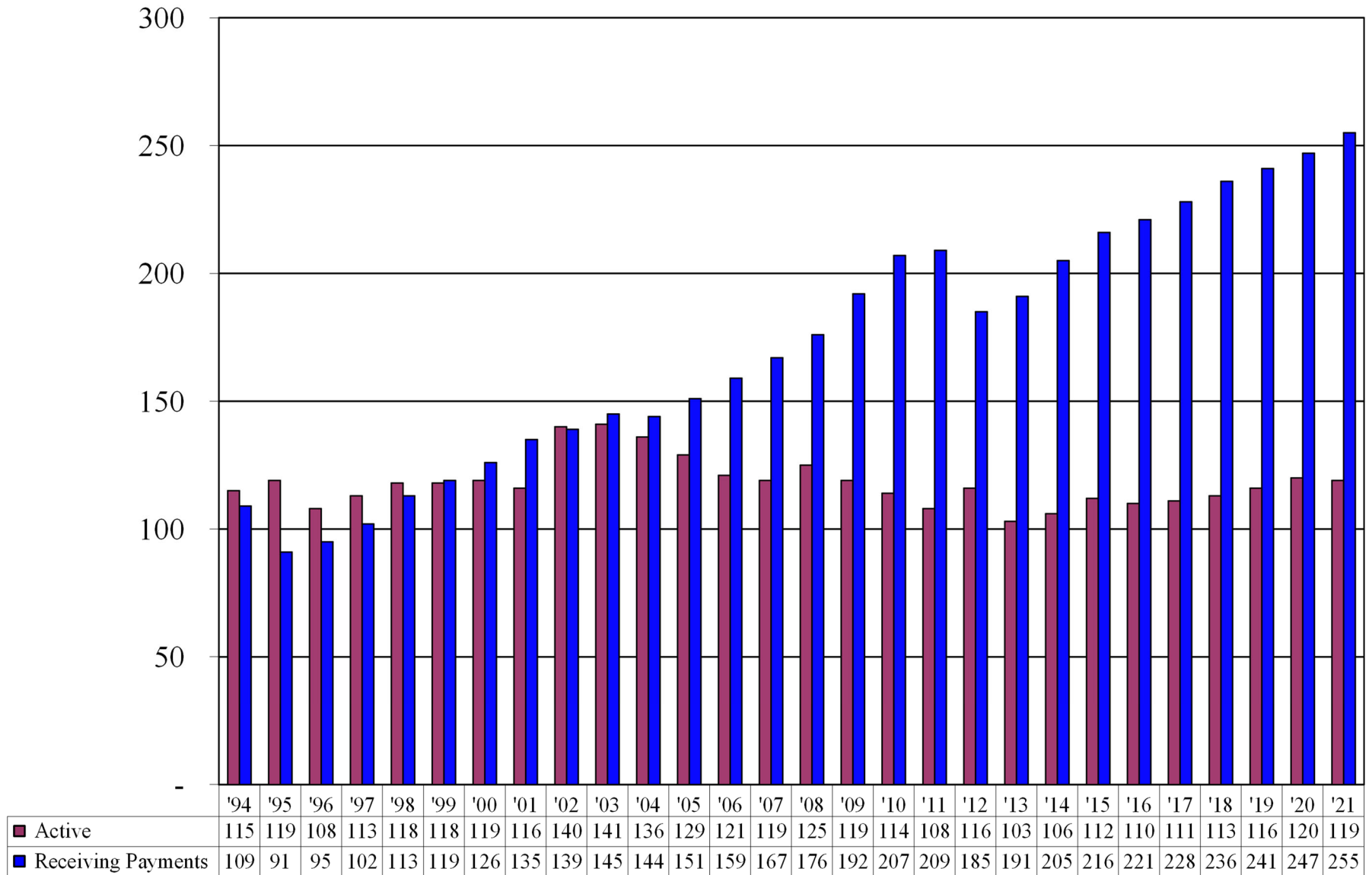
	2001	2011	2020	2021
Actives				
■ Counts	116	108	120	119
■ Average				
• Age	46	48	45	45
• Town Service	9	10	8	8
• PERSable Wages	\$ 56,900	\$ 79,800	\$ 98,000	\$ 100,600
■ Total PERSable Wages	6,600,000	8,600,000	11,800,000	12,000,000
Inactive Members				
■ Counts				
• Transferred	76	88	101	101
• Separated	67	72	88	91
• Retired				
□ Service	109	178	213	220
□ Disability	9	11	12	13
□ Beneficiaries	<u>17</u>	<u>20</u>	<u>22</u>	<u>22</u>
□ Total	135	209	247	255
■ Average Annual Town Provided Benefit for Service Retirees ²	9,700	18,300	26,600	27,000

² Average Town-provided pensions are based on Town service & Town benefit formula, and are not representative of benefits for long-service employees.



SUMMARY OF DEMOGRAPHIC INFORMATION - MISCELLANEOUS

Item 9.



PLAN FUNDED STATUS - MISCELLANEOUS

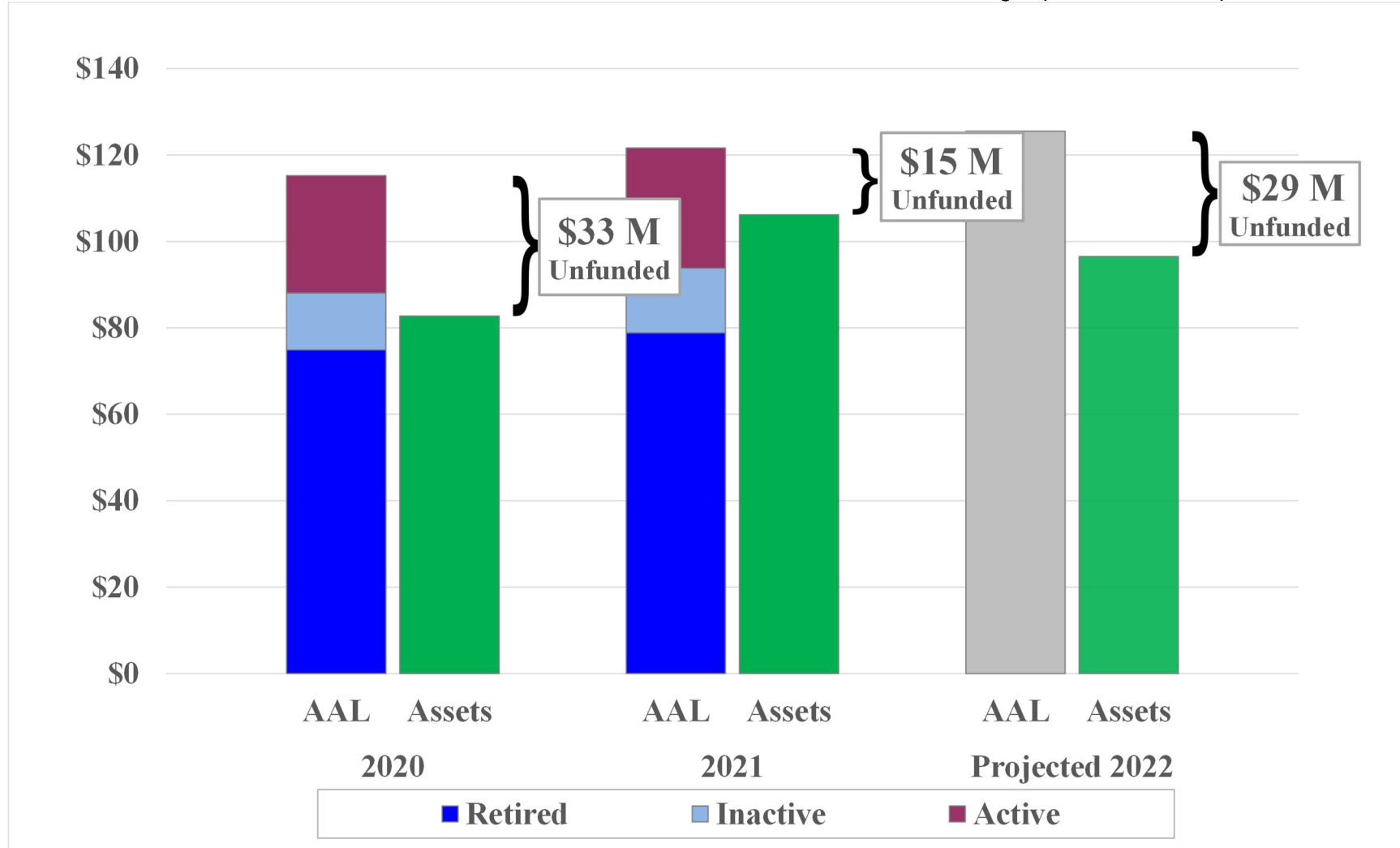
Item 9.

	<u>June 30, 2020</u>	<u>June 30, 2021</u>
■ Actuarial Accrued Liability		
● Active	\$27,200,000	\$27,800,000
● Retiree	74,900,000	78,800,000
● Inactive	<u>13,100,000</u>	<u>15,000,000</u>
● Total	115,200,000	121,600,000
■ Assets	<u>82,700,000</u>	<u>106,200,000</u>
■ Unfunded Liability	32,500,000	15,400,000
■ Funded Ratio	71.8%	87.3%
■ Average funded ratio for CalPERS Public Agency Miscellaneous Plans	72.3%	83.7%



PLAN FUNDED STATUS - MISCELLANEOUS

Town CalPERS Assets and Actuarial Liability (\$Millions)³



³ Projected 2022 assets reflect -7.5% CalPERS investment return for 2021/22.



PLAN FUNDED STATUS - MISCELLANEOUS

Item 9.

Discount Rate Sensitivity

June 30, 2021

	<u>Discount Rate</u>		
	<u>6.80%</u>	<u>6.30%</u> ⁴	<u>5.80%</u>
AAL	\$121,600,000	\$129,700,000	\$137,700,000
Assets	<u>106,200,000</u>	<u>106,200,000</u>	<u>106,200,000</u>
Unfunded Liability	15,400,000	23,500,000	31,500,000
Funded Ratio	87.3%	81.9%	77.1%

⁴ Estimated by Foster & Foster.



PLAN FUNDED STATUS - MISCELLANEOUS

Item 9.

Unfunded Accrued Liability Changes

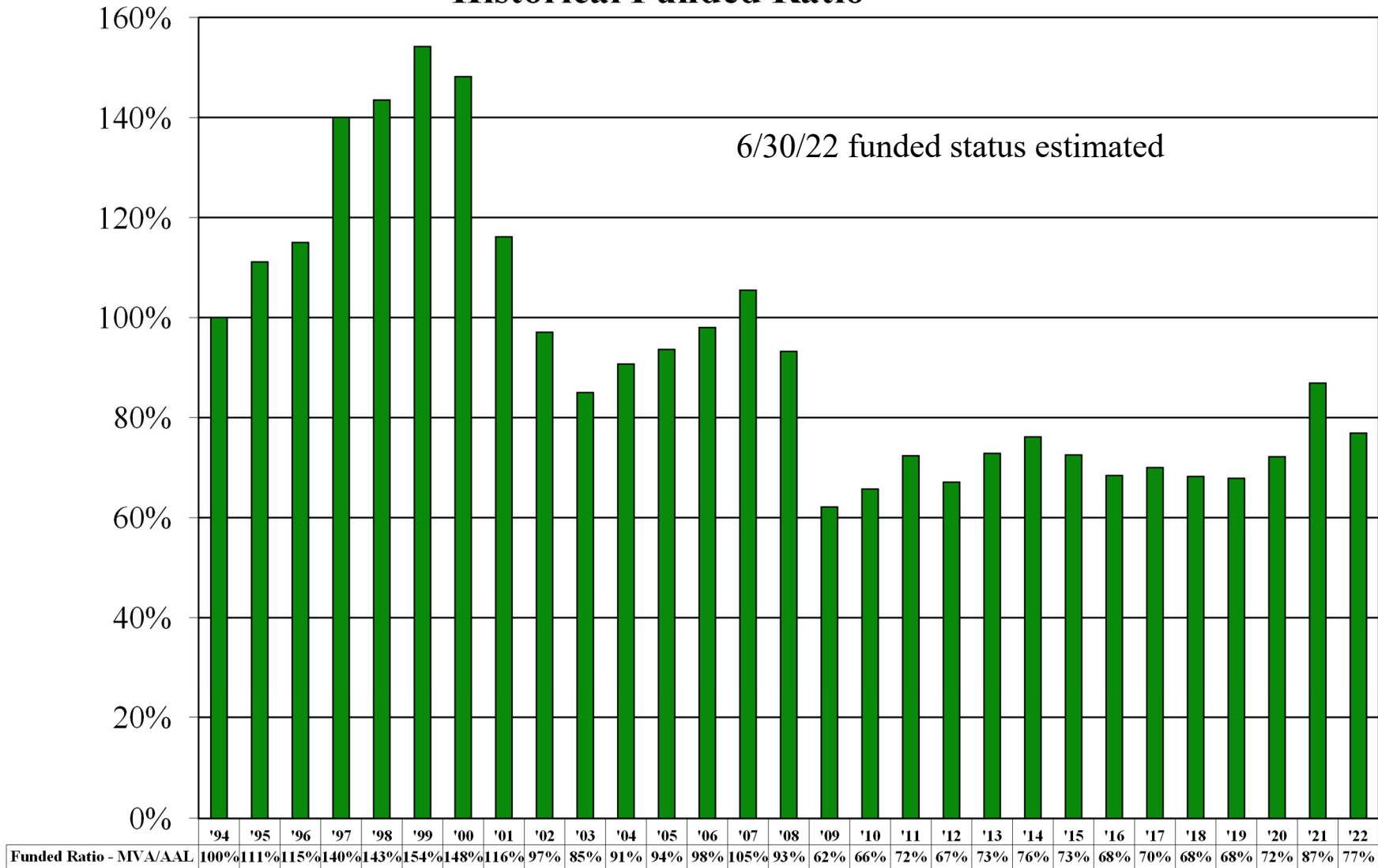
■ Unfunded Accrued Liability on 6/30/20		\$ 32,500,000
■ Expected 6/30/21 Unfunded Accrued Liability		26,400,000
■ Changes		
• Assumption Change (demographics)	0	
• Discount Rate 7% to 6.8%	2,800,000	
• Asset Loss (Gain) (21.3% return for FY 2021)	(13,700,000)	
• Contribution & Experience Loss (Gain)	<u>(100,000)</u>	
• Total		<u>(11,000,000)</u>
■ Unfunded Accrued Liability on 6/30/21		15,400,000
■ Projected Unfunded Accrued Liability on 6/30/22 ⁵		29,000,000

⁵ Projected UAL reflects -7.5% CalPERS investment return for 2021/22.

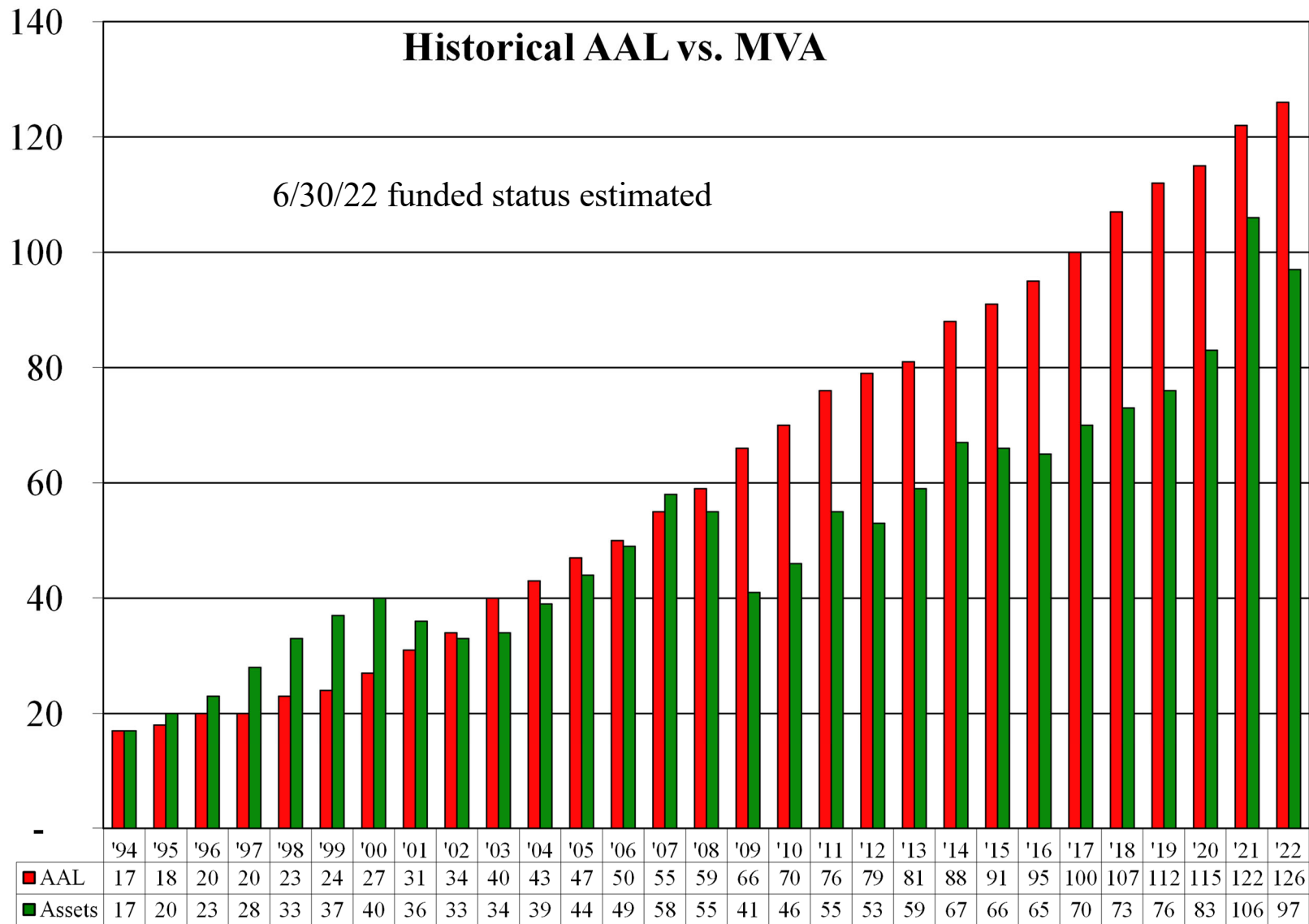


FUNDED RATIO - MISCELLANEOUS

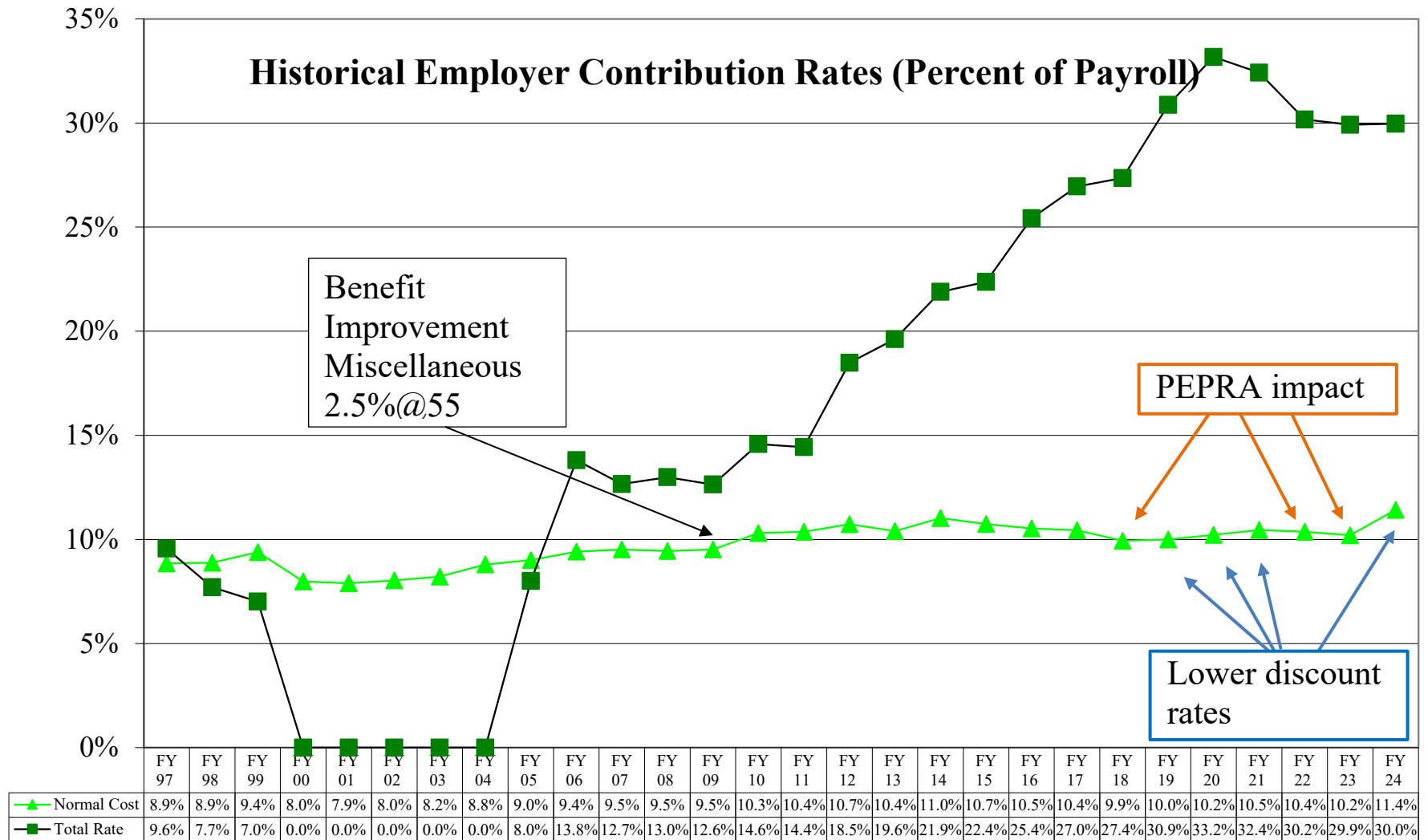
Historical Funded Ratio



FUNDED STATUS (MILLIONS) - MISCELLANEOUS



CONTRIBUTION RATES - MISCELLANEOUS



FY21 & FY22 Total Rates reflect Additional Discretionary Payments (ADPs) of \$4,753,965 made October 2019, \$3,580,365 made July 2020, and \$2,050,942 in April 2021.



CONTRIBUTION RATES - MISCELLANEOUS

Item 9.

	<u>6/30/20</u> <u>2022/2023</u>	<u>6/30/21</u> <u>2023/2024</u>
■ Total Normal Cost	17.6%	18.8%
■ Employee Normal Cost	<u>7.4%</u>	<u>7.4%</u>
■ Employer Normal Cost	10.2%	11.4%
■ Amortization Payments	<u>19.7%</u>	<u>18.5%</u> ⁶
■ Total Employer Contribution Rate	29.9%	30.0%
■ 2022/23 Employer Contribution Rate		29.9%
● Payroll Changes		0.2%
● 6/30/17 Discount Rate & Inflation (5 th Year)		0.2%
● 6/30/18 Discount Rate change (4 th Year)		0.6%
● 6/30/21 Demographic Assumption change (no ramp)		0.7%
● 6/30/21 Risk Mitigation (6.8%) (Normal Cost change)		0.8%
● Other (Gains)/Losses mainly net investment gain		<u>(2.4%)</u>
■ 2023/24 Employer Contribution Rate		30.0%

⁶ Equivalent to 18.8% of UAL. One year, 6.8% interest on the UAL is 6.7% of payroll. 2023/24 amortization payment exceeds interest on the UAL, so there is no “negative amortization.”



CONTRIBUTION PROJECTIONS - MISCELLANEOUS

■ Investment returns:

- June 30, 2022 (7.5%)⁷
- Future returns based on stochastic analysis using 1,000 trials
- Single year returns⁸ with current investment mix, no risk mitigation

	Percentile		
	25 th	50 th	75 th
First 10 years	-1.8%	6.0%	14.7%
After 10 years	-0.7%	7.5%	16.4%

- Assumes investment returns will generally be lower over the next 10 years and higher beyond that.

- Discount Rate decreases due to Risk Mitigation policy – Ultimate rate 6.0%
- No Other: Gains/Losses, Method/Assumption Changes, Benefit Improvements
- Different from CalPERS projection
- Impact of Risk Mitigation Policy:
 - Net impact of investment gain and discount rate change amortized over 20 years with 5 year ramp up; same amortization method for all future years
- Projected payroll FY 2023-2027 from City budget projections

⁷ Final return based on CalPERS 2022 ACFR.

⁸ Nth percentile means N percentage of our trials result in returns lower than the indicated rates.



CONTRIBUTION PROJECTIONS - MISCELLANEOUS

Item 9.

■ New hire assumptions:

- All new hires assumed PEPRA members and none are Classic members

■ 6/30/21 employee distribution:

Benefit Tier	Count	% of Total	20/21 Payroll	% of Total
● 2.5%@55 FAC1	32	26.9%	\$3,511,394	29.3%
● 2%@60 FAC3	25	21.0%	3,344,416	27.9%
● 2%@62 FAC3 (PEPRA)	62	52.1%	5,114,292	42.7%

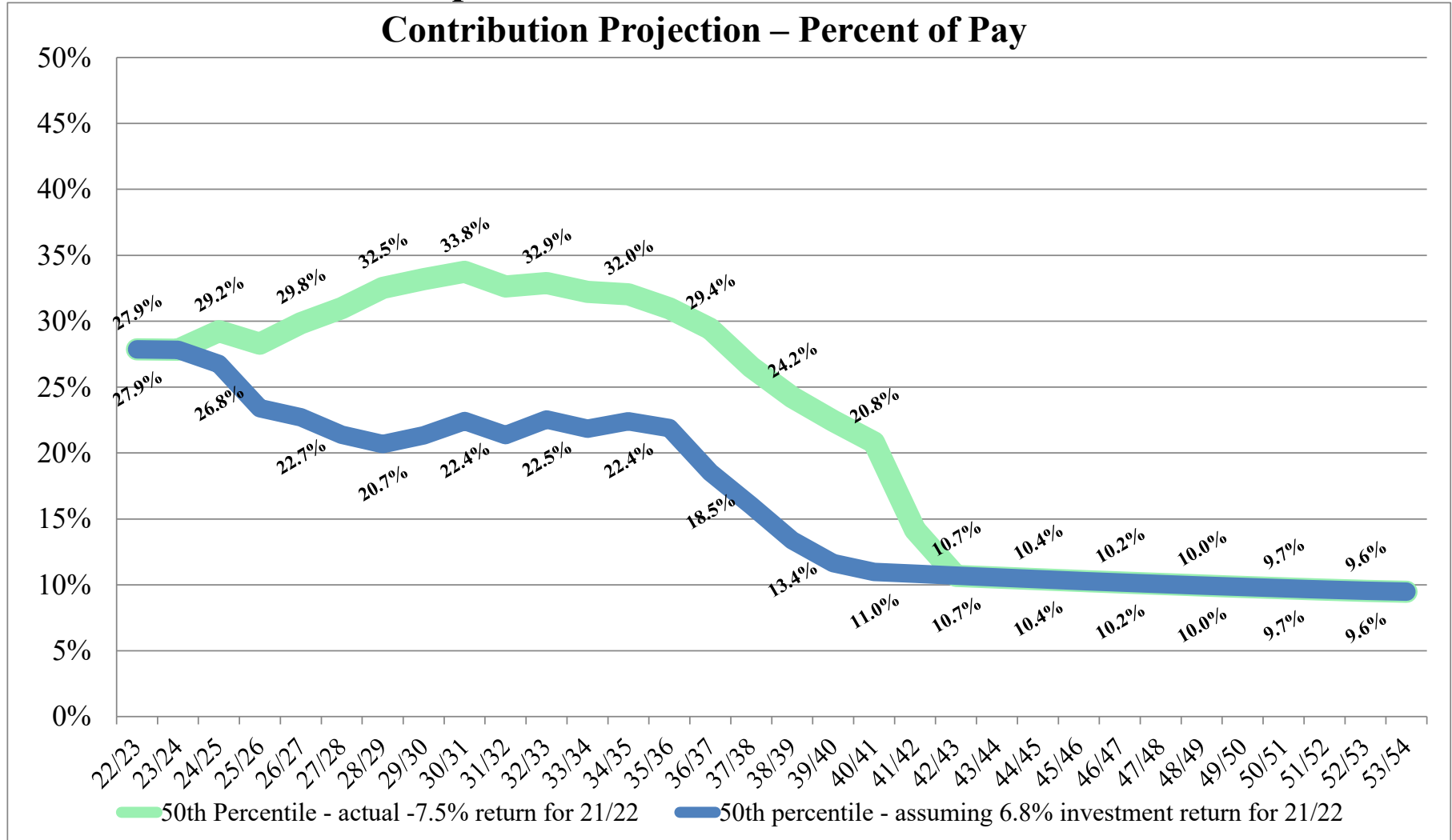
■ Town provided payroll for contribution years:

FYE	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Payroll (000s)	\$14,241	\$14,695	\$15,128	\$15,388	\$15,747	\$16,111	\$16,439



CONTRIBUTION PROJECTIONS - MISCELLANEOUS

Impact of 21/22 Investment Return Contribution Projection – Percent of Pay



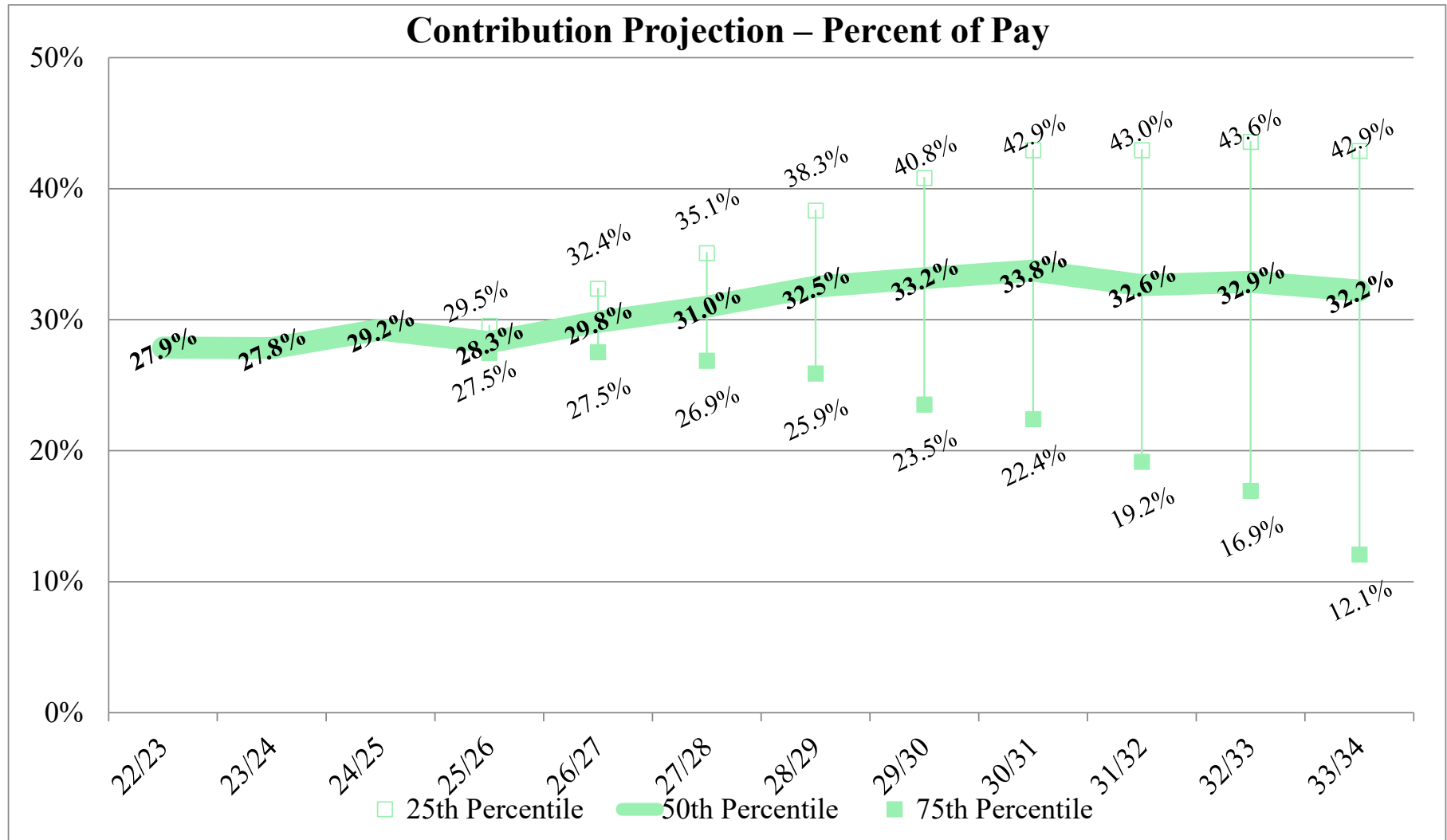
CONTRIBUTION PROJECTIONS - MISCELLANEOUS

Item 9.

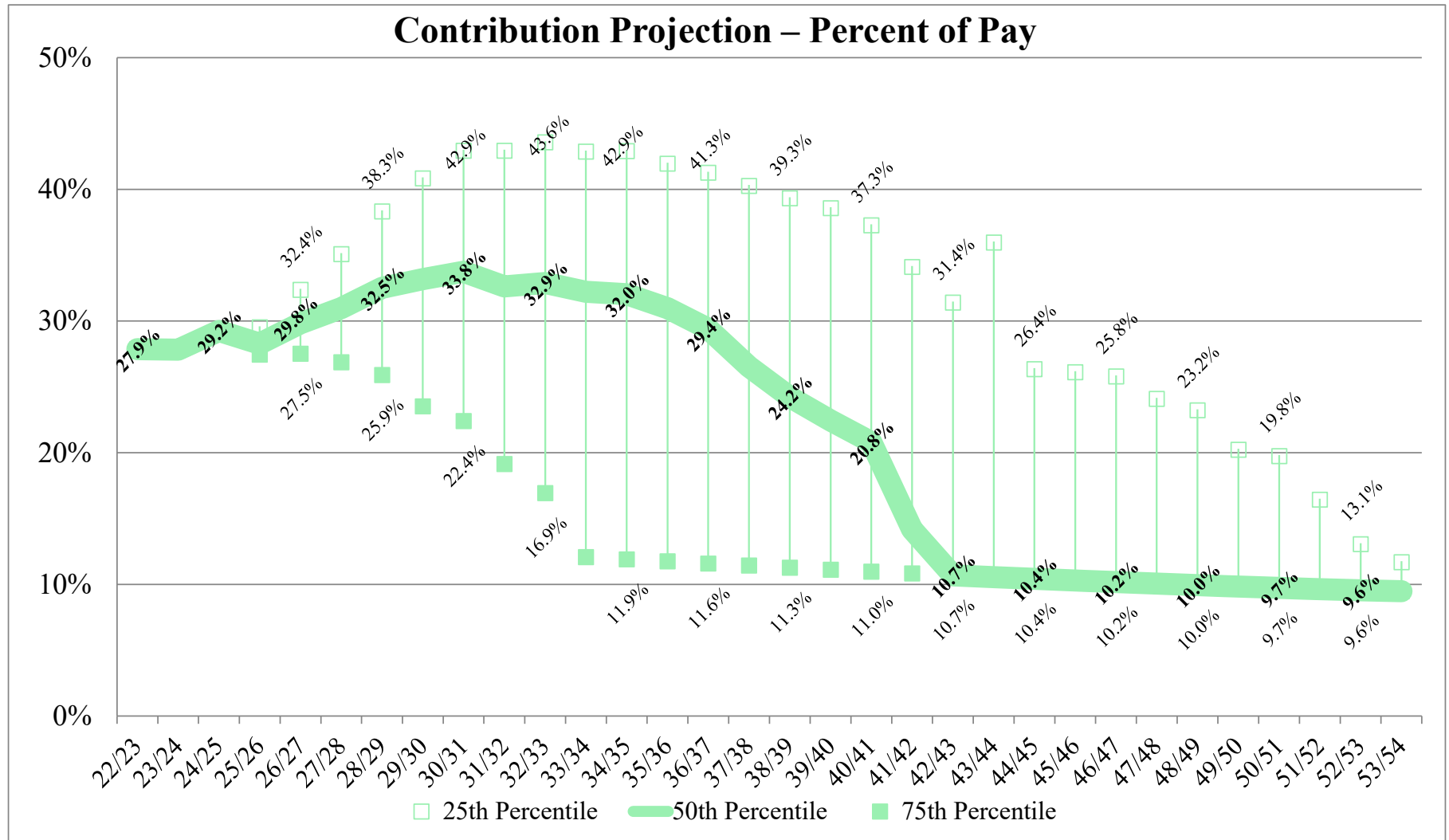
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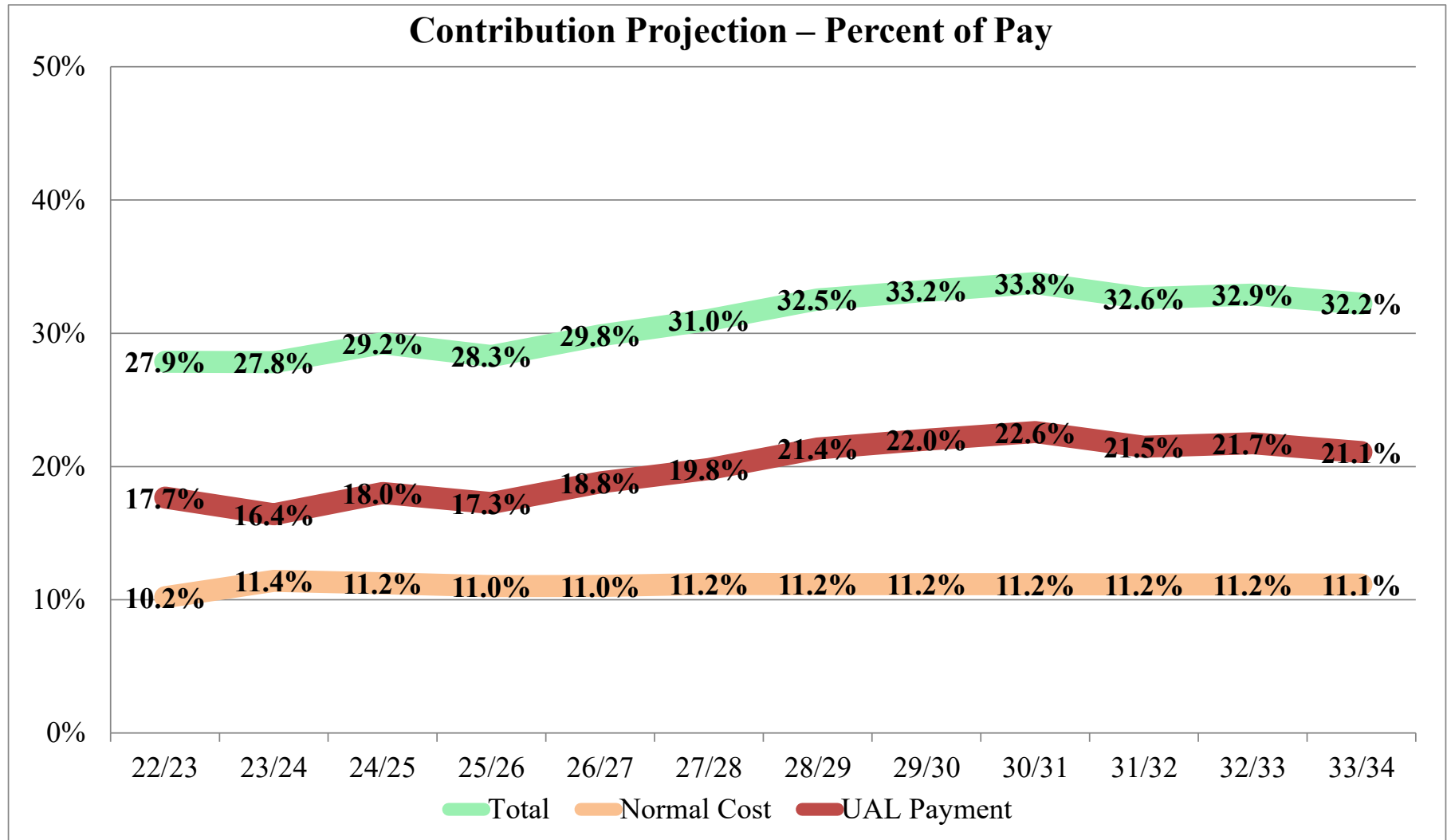
CONTRIBUTION PROJECTIONS - MISCELLANEOUS



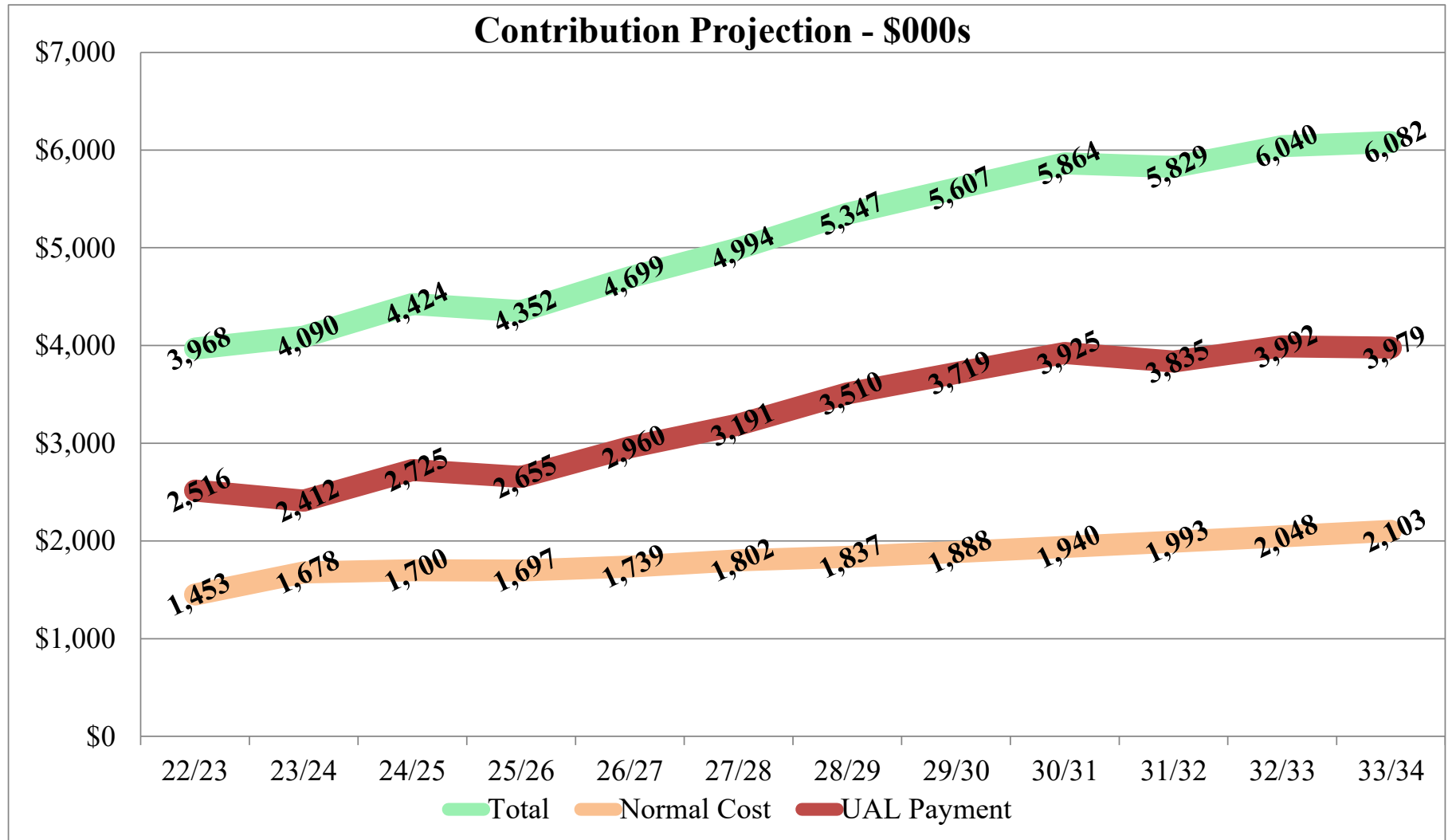
CONTRIBUTION PROJECTIONS - MISCELLANEOUS



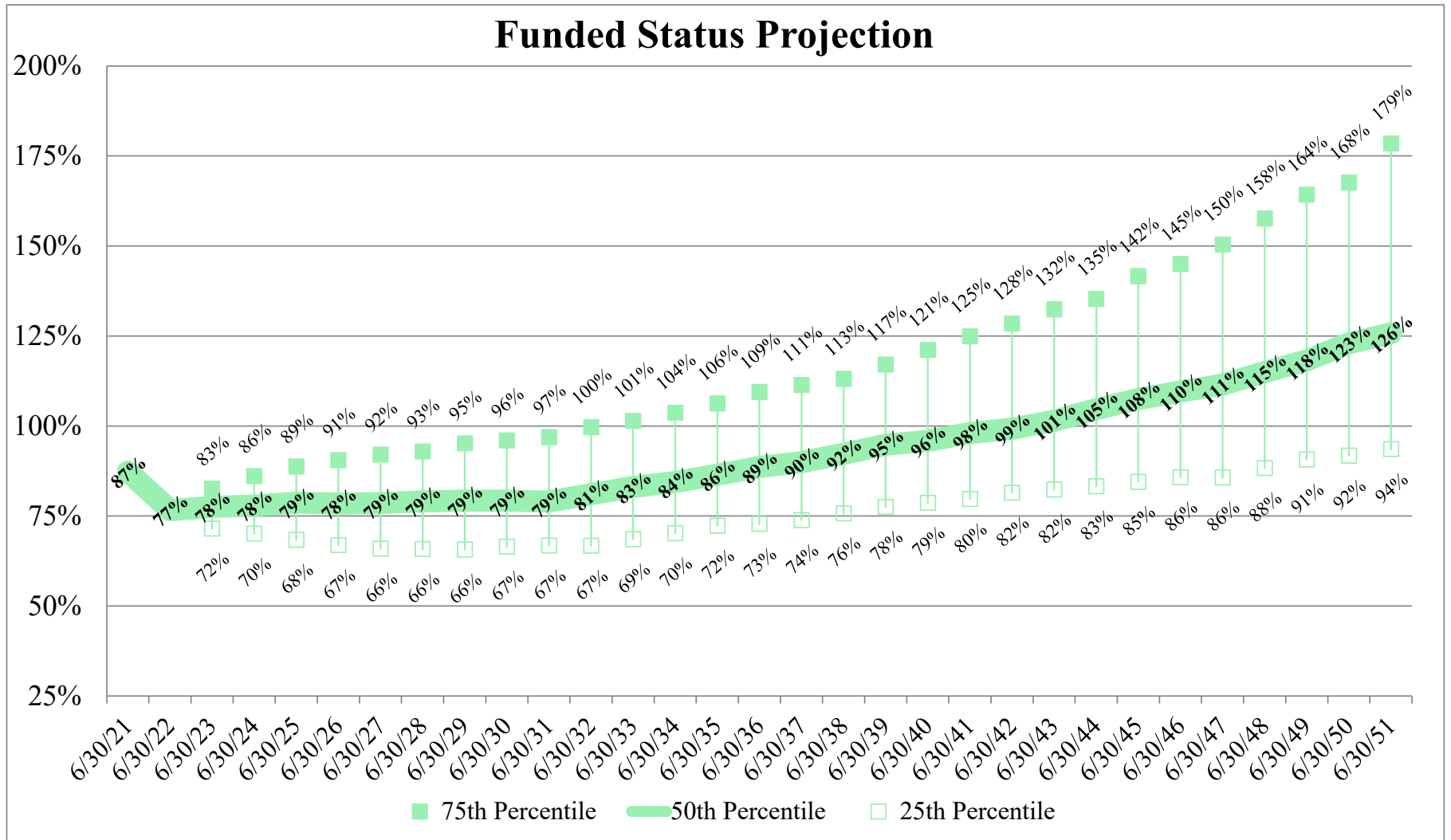
CONTRIBUTION PROJECTIONS - MISCELLANEOUS



CONTRIBUTION PROJECTIONS - MISCELLANEOUS



FUNDED STATUS - MISCELLANEOUS



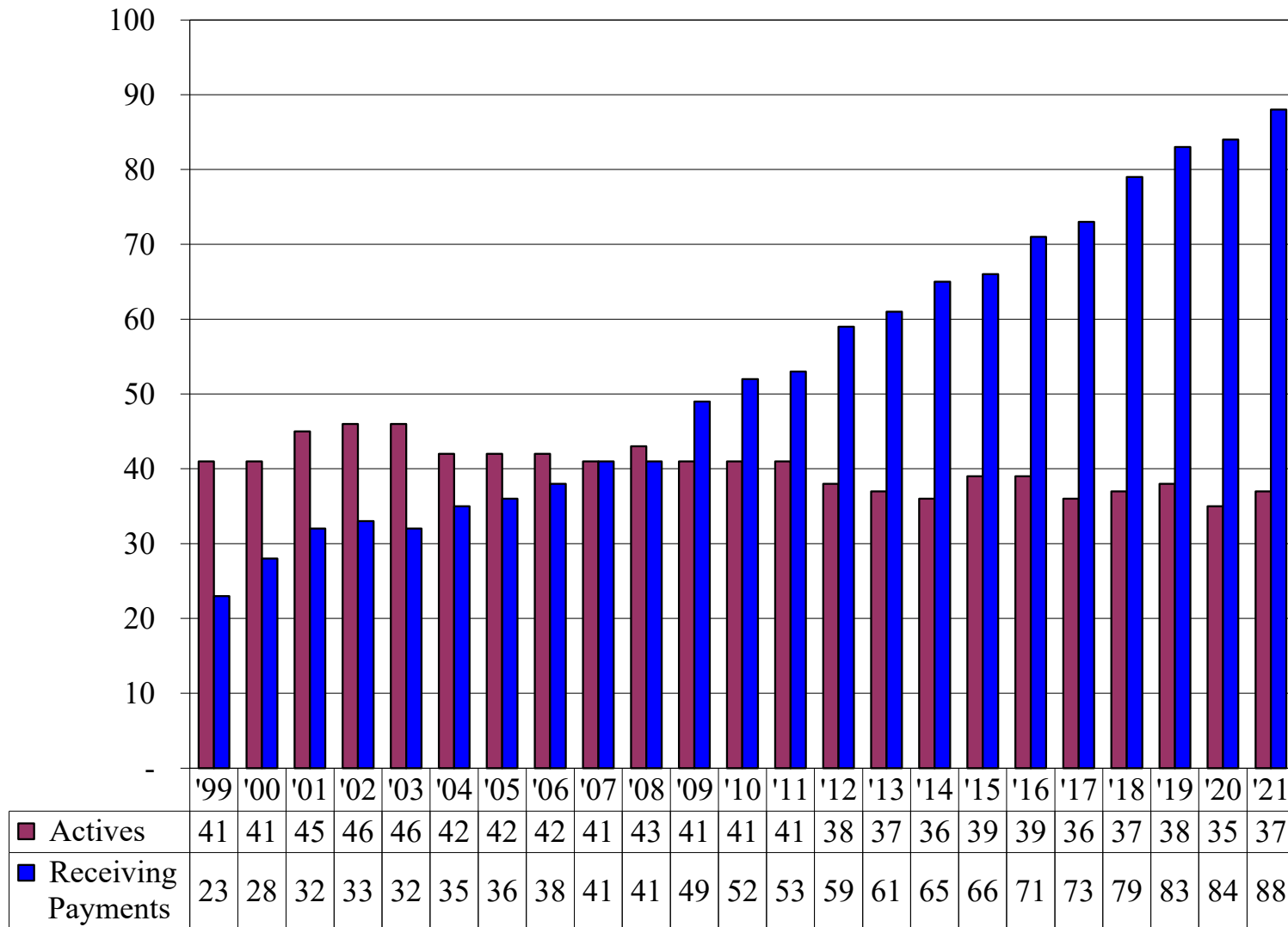
SUMMARY OF DEMOGRAPHIC INFORMATION - SAFETY

	2012	2016	2020	2021
Actives				
■ Counts	38	39	35	37
■ Average PERsable Wages	\$ 128,000	\$ 129,000	\$ 152,900	\$ 149,900
■ Total PERsable Wages	4,900,000	5,000,000	5,300,000	5,500,000
Inactive Members				
■ Counts				
• Transferred	15	14	13	13
• Separated	3	2	3	3
• Receiving Payments	59	71	84	88



SUMMARY OF DEMOGRAPHIC INFORMATION - SAFETY

Item 9.



PLAN FUNDED STATUS - SAFETY

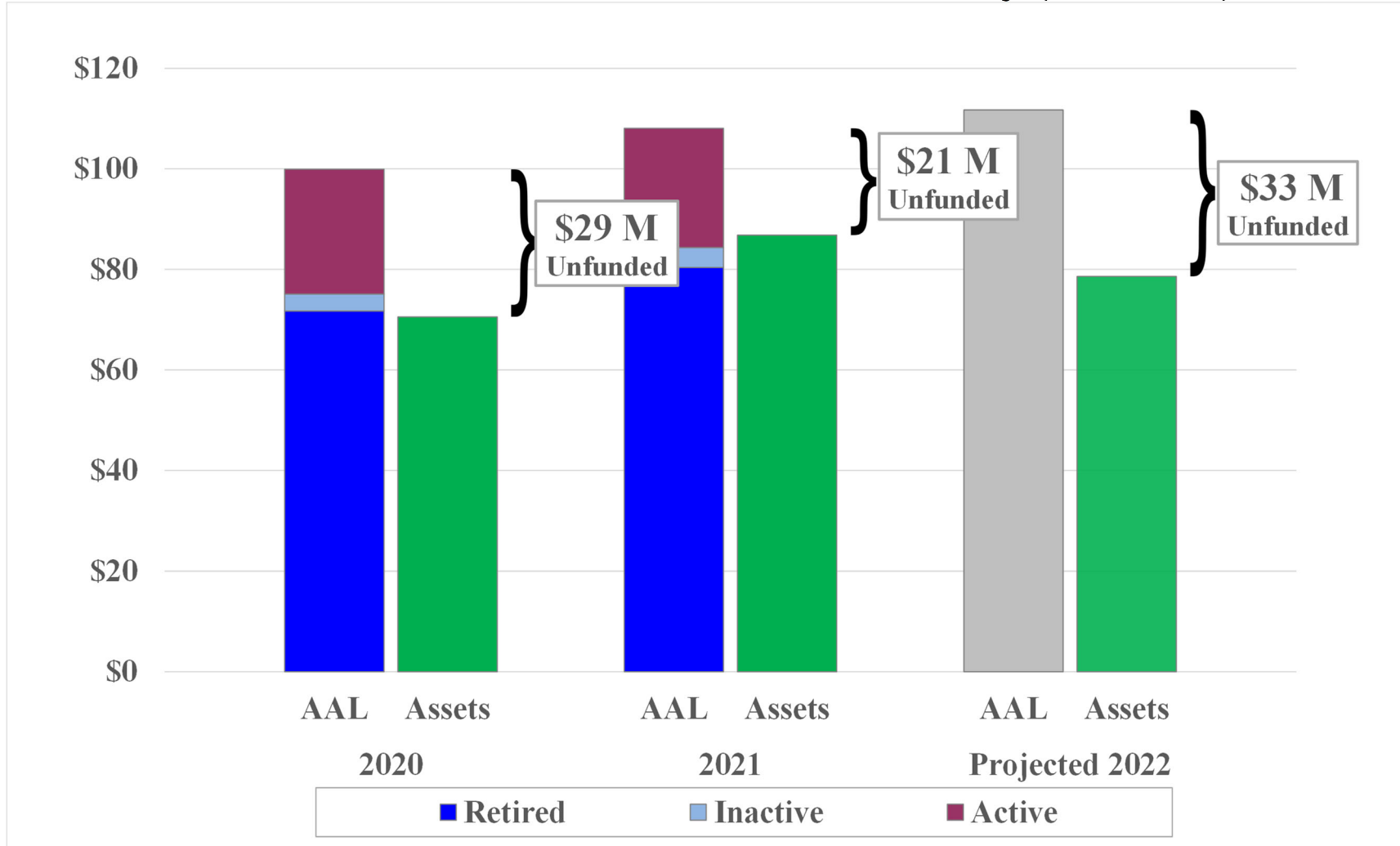
Item 9.

	<u>June 30, 2020</u>	<u>June 30, 2021</u>
■ Actuarial Accrued Liability		
● Active	\$24,800,000	\$23,700,000
● Retiree	71,700,000	80,400,000
● Inactive	<u>3,400,000</u>	<u>4,000,000</u>
● Total	99,900,000	108,100,000
■ Assets	<u>70,500,000</u>	<u>86,800,000</u>
■ Unfunded Liability	29,400,000	21,300,000
■ Funded Ratio	70.6%	80.3%
■ Average funded ratio for CalPERS Public Agency Safety Plans	69.2%	80.9%



PLAN FUNDED STATUS - SAFETY

Town CalPERS Assets and Actuarial Liability (\$Millions)⁹



⁹ Projected 2022 assets reflects -7.5% CalPERS investment return for 2021/22.



PLAN FUNDED STATUS - SAFETY

Item 9.

Discount Rate Sensitivity

June 30, 2021

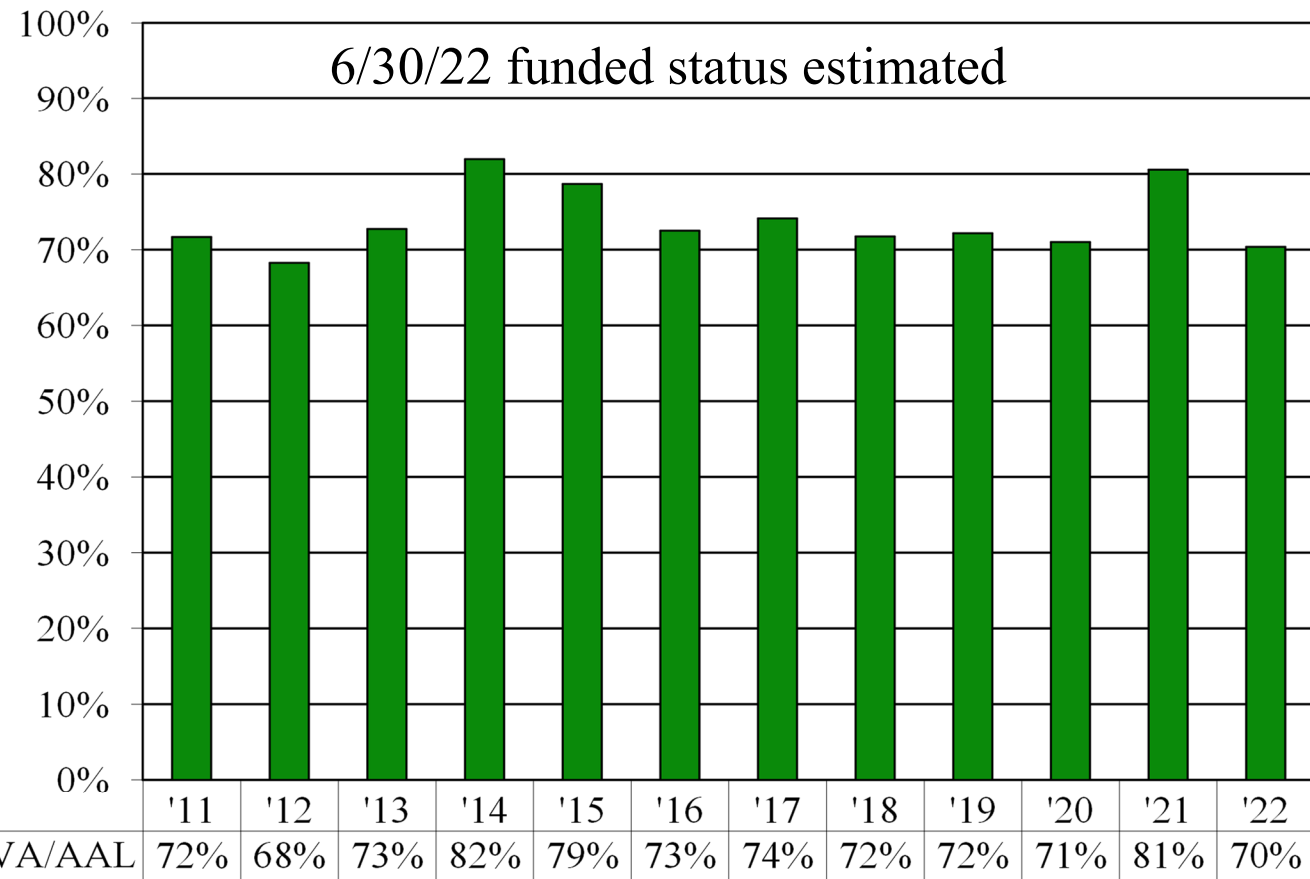
	<u>Discount Rate</u>		
	<u>6.80%</u>	<u>6.30%</u> ¹⁰	<u>5.80%</u>
AAL	\$108,100,000	\$115,500,000	\$122,900,000
Assets	<u>86,800,000</u>	<u>86,800,000</u>	<u>86,800,000</u>
Unfunded Liability	21,300,000	28,700,000	36,100,000
Funded Ratio	80.3%	75.2%	70.6%

¹⁰ Estimated by Foster & Foster.



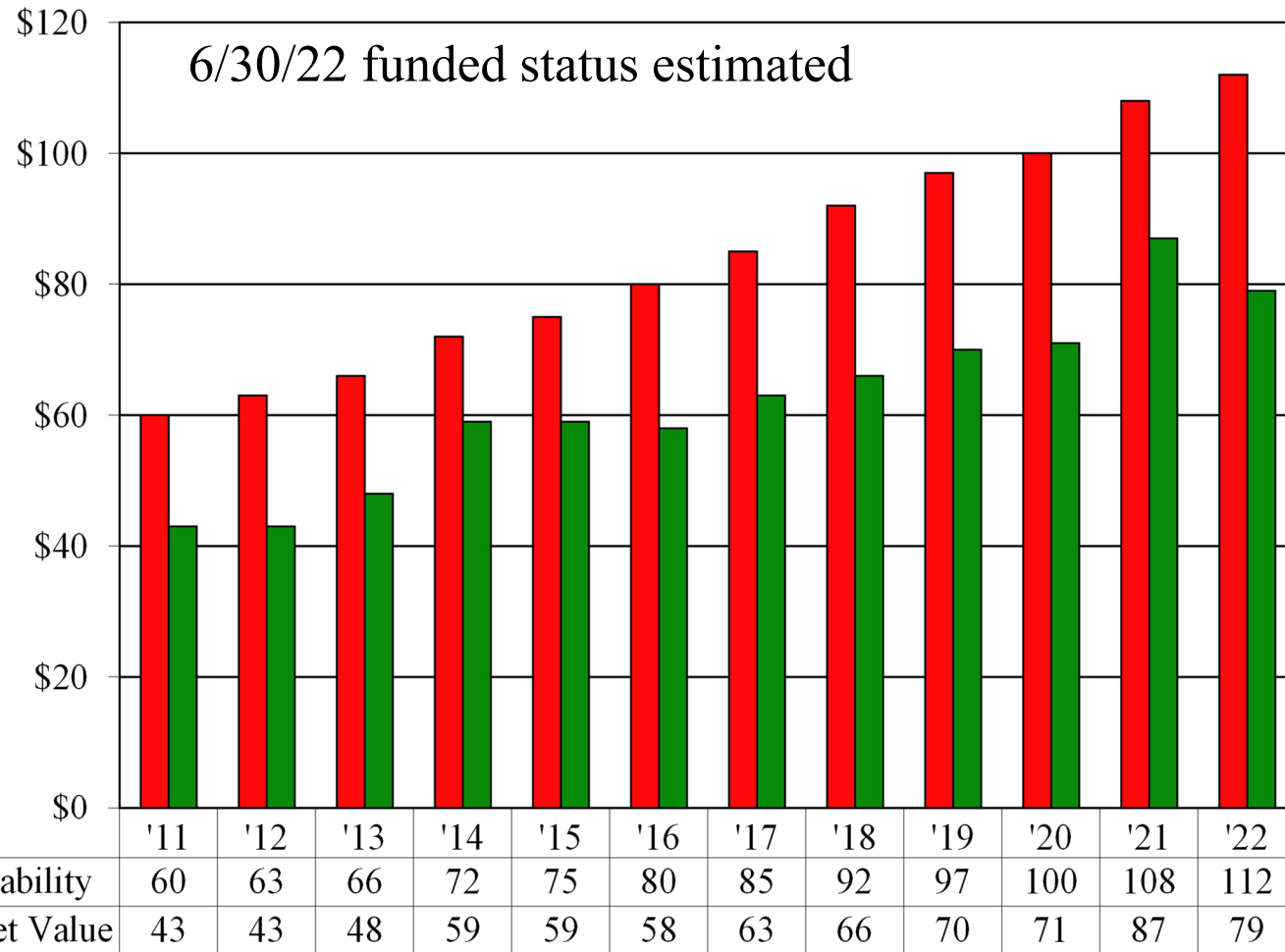
FUNDED RATIO - SAFETY

Item 9.

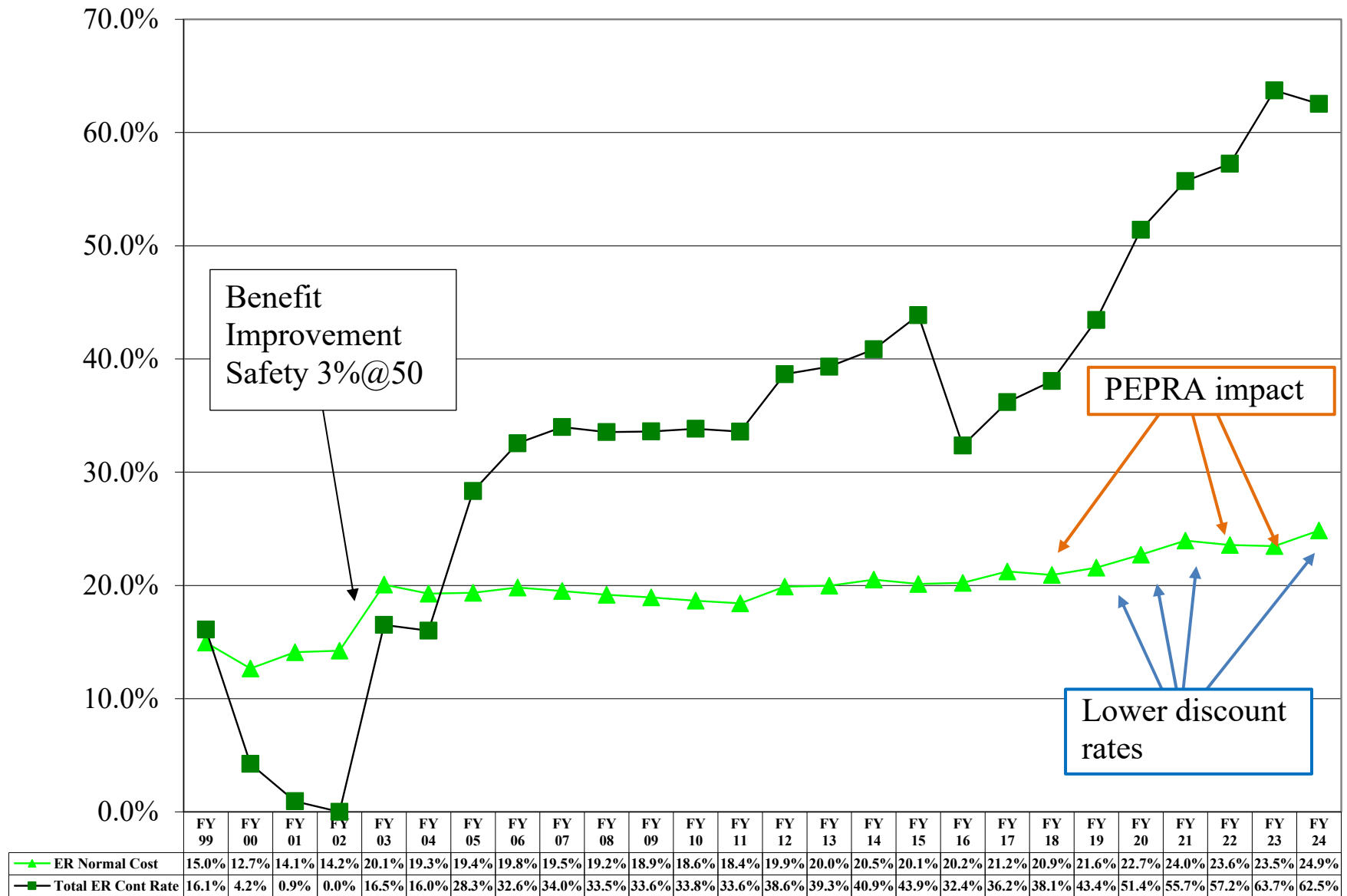


FUNDED STATUS (MILLIONS) - SAFETY

Item 9.



CONTRIBUTION RATES - SAFETY



CONTRIBUTION RATES - SAFETY

	6/30/21 Valuation		
	<u>2023/2024 Contribution Rates</u>		
	<u>Total</u>¹¹	<u>Tier 1</u>	<u>PEPRA</u>
		3%<u>@50</u>	2.7%<u>@57</u>
■ Base Total Normal Cost	32.5%	34.60%	27.3%
■ Class 1 Benefits			
● Final One Year Compensation	1.0%	1.50%	-
● PRSA	<u>1.9%</u>	<u>2.00%</u>	<u>1.7%</u>
■ Total Normal Cost	35.4%	38.10%	29.0%
■ Formula's Expected EE Contr. Rate	<u>10.6%</u>	<u>9.00%</u>	<u>14.5%</u>
■ Employer Normal Cost	24.9%	29.10%	14.5%
■ Amortization Payment	37.7%	53.10%	-
■ Amortization of Side Fund	-	-	-
■ Total Employer Contribution	62.5%	82.20%	14.5%
■ Employee counts	37	24	13
■ Employee payroll (in 000's)	\$ 6,026	\$4,276	\$ 1,751
■ Total ER Contribution \$ (in 000's)	\$ 3,769	\$3,515	\$ 254

¹¹ Weighting of total contribution based on projected classic and PEPRA payrolls



CONTRIBUTION RATES - SAFETY

	6/30/20 <u>2022/2023</u>	6/30/21 <u>2023/2024</u>
■ Total Normal Cost	33.3%	35.4%
■ Employee Normal Cost	<u>9.9%</u>	<u>10.6%</u>
■ Employer Normal Cost	23.5%	24.9%
■ Amortization Payments	<u>40.3%</u>	<u>37.7%</u> ¹²
■ Total Employer Contribution Rate	63.7%	62.5%
■ 2022/23 Employer Contribution Rate		63.7%
● Payroll Changes		(0.4%)
● 6/30/17 Discount Rate & Inflation (5 th Year)		0.7%
● 6/30/18 Discount Rate change (4 th Year)		1.0%
● 6/30/21 Demographic Assumption change		1.8%
● 6/30/21 Risk Mitigation (Normal Cost change)		0.7%
● Other (Gains)/Losses mainly net investment gain		<u>(5.0%)</u>
■ 2023/24 Employer Contribution Rate		62.5%

¹² Equivalent to 11.4% of UAL. One year, 6.8% interest on the UAL is 22.4% of payroll. 2023/24 amortization payment exceeds interest on the UAL, so there is no “negative amortization.”



CONTRIBUTION PROJECTION - SAFETY

■ Investment returns:

- June 30, 2022 (7.5%)¹³
- Future returns based on stochastic analysis using 1,000 trials
- Single year returns¹⁴ with current investment mix, no risk mitigation:

	Percentile		
	25 th	50 th	75 th
First 10 years	-1.8%	6.0%	14.7%
After 10 years	-0.7%	7.5%	16.4%

- Assumes investment returns will generally be lower over the next 10 years and higher beyond that.
- Discount Rate decreases due to Risk Mitigation policy – Ultimate rate 6.0%
- No Other: Gains/Losses, Method/Assumption Changes, Benefit Improvements
- Different from CalPERS projection
- Impact of Risk Mitigation Policy:
 - Net impact of investment gain and discount rate change amortized over 20 years with 5 year ramp up; same amortization method for all future years
- Projected payroll FY 2023-2027 from City budget projections

¹³ Final return based on CalPERS 2022 ACFR.

¹⁴ Nth percentile means N percentage of our trials result in returns lower than the indicated rates.



CONTRIBUTION PROJECTION - SAFETY

Item 9.

■ New hire assumptions:

- All new hires assumed PEPRA members and none are Classic members

■ 6/30/21 employee distribution:

Benefit Tier	Count	% of Total	20/21 Payroll	% of Total
● 3%@50 FAE1	24	64.9%	\$3,935,891	71.0%
● 2.7%@57 FAE3 (PEPRA)	13	35.1%	1,611,346	29.0%

■ Employee Cost Sharing of Employer Contribution:

- 3% of pay employee share for Classic members

■ Town provided payroll (000s) for contribution years:

FYE	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Classic	\$3,982	\$4,113	\$4,204	\$4,290	\$4,375	\$4,462	\$4,551
PEPRA	2,438	2,586	2,712	2,810	2,869	2,927	2,985

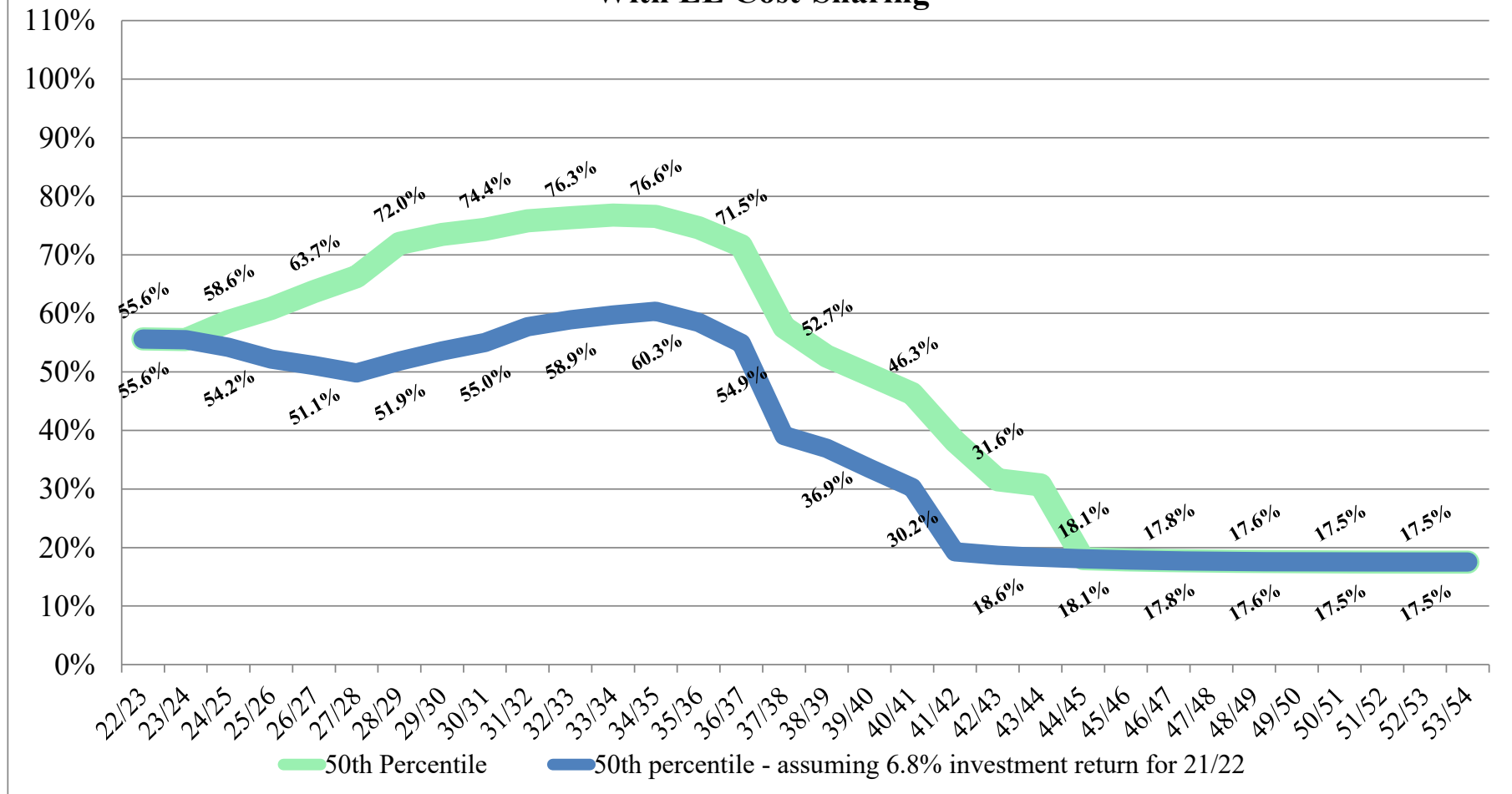


CONTRIBUTION PROJECTION - SAFETY

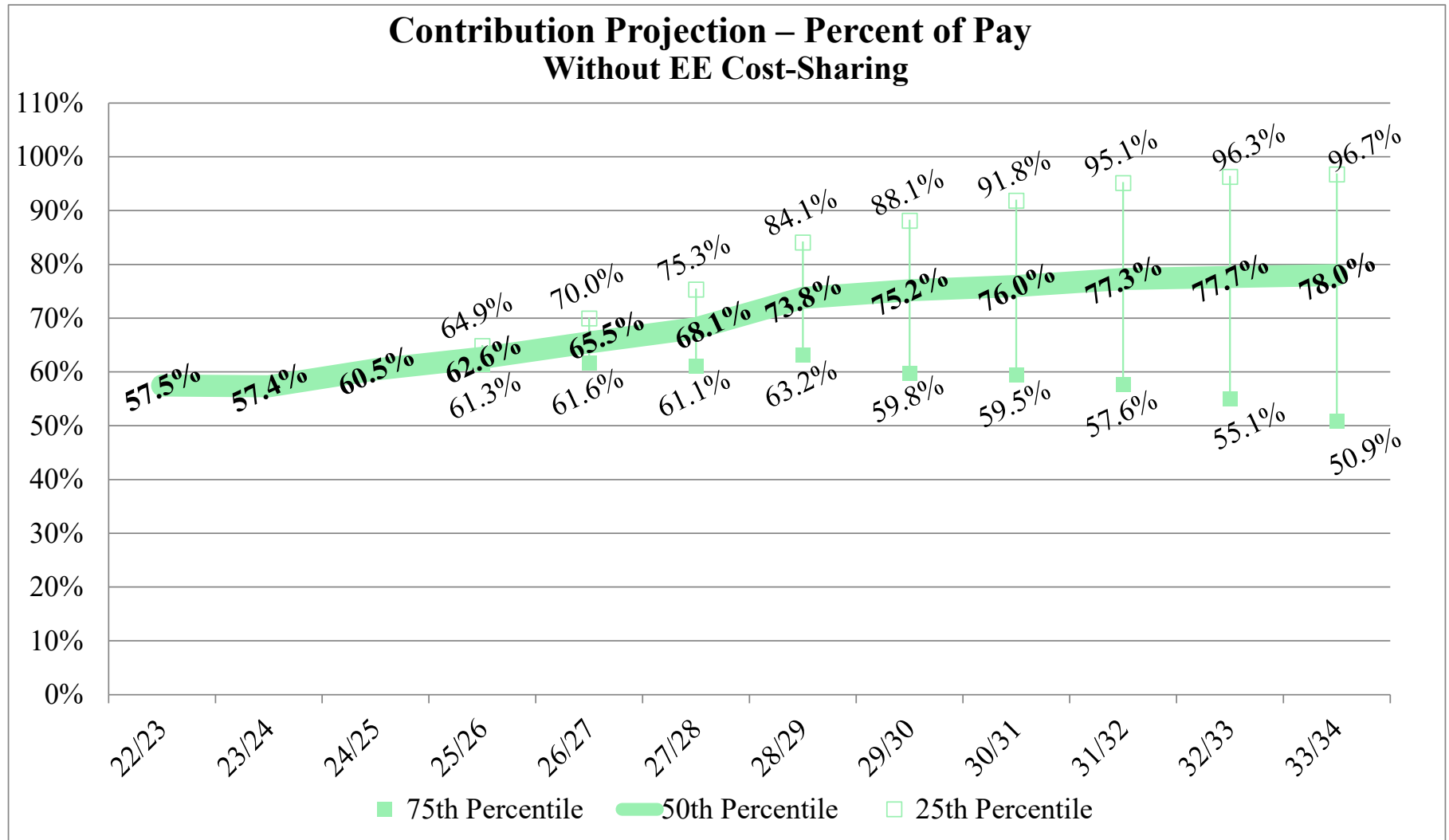
Item 9.

Impact of 21/22 Investment Return

Contribution Projection – Percent of Pay With EE Cost-Sharing

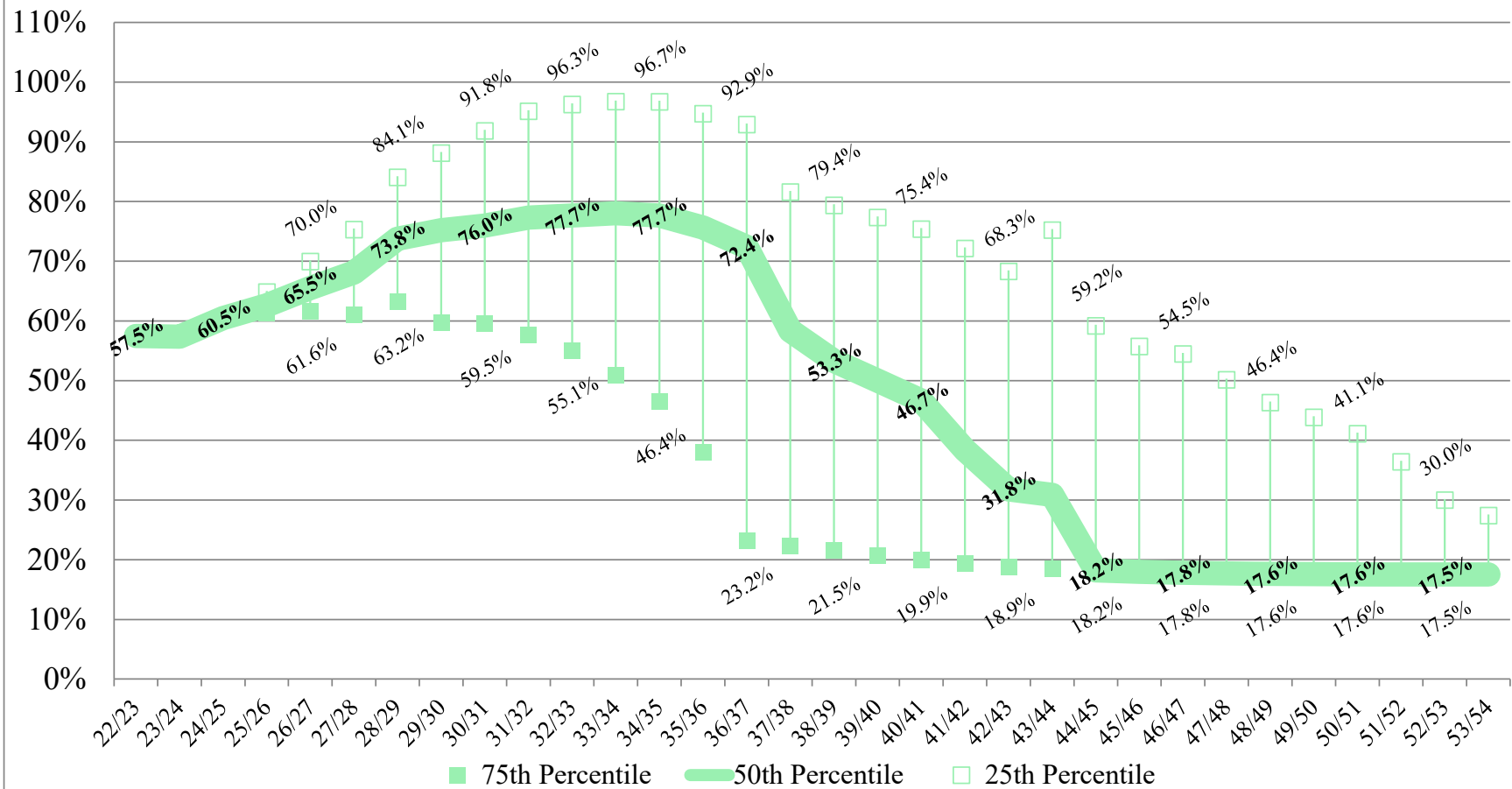


CONTRIBUTION PROJECTION - SAFETY

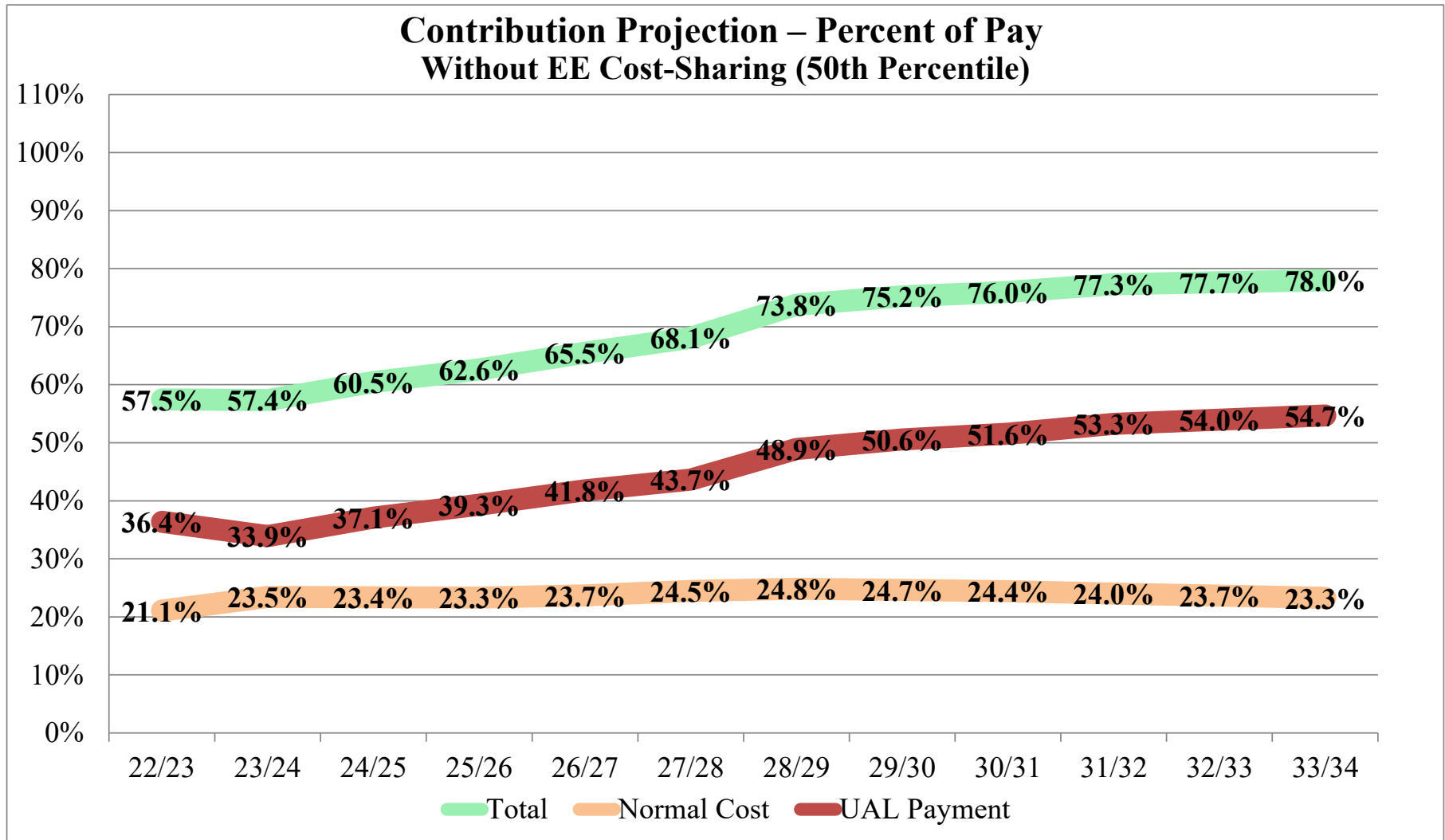


CONTRIBUTION PROJECTION - SAFETY

Contribution Projection – Percent of Pay Without EE Cost-Sharing

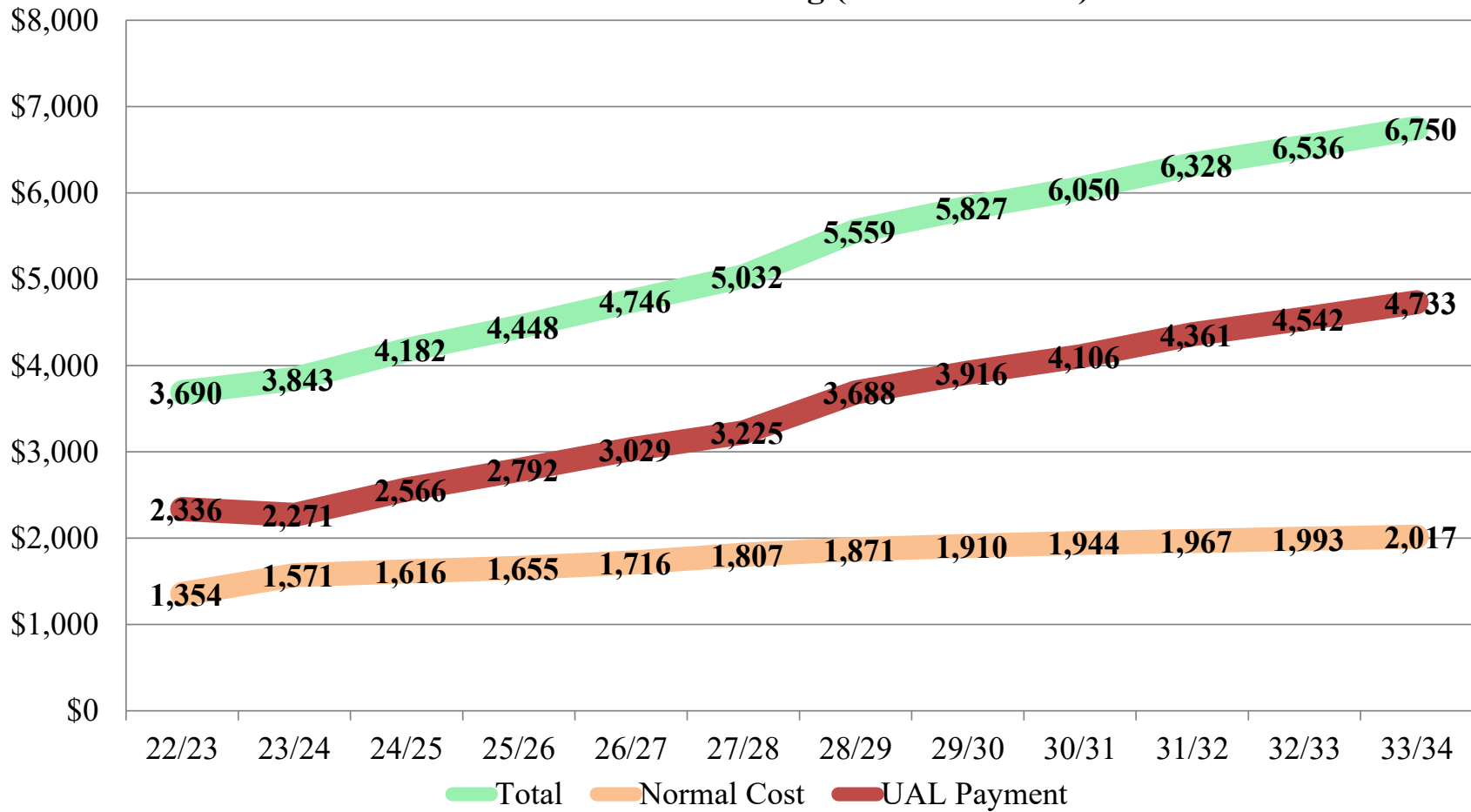


CONTRIBUTION PROJECTION - SAFETY

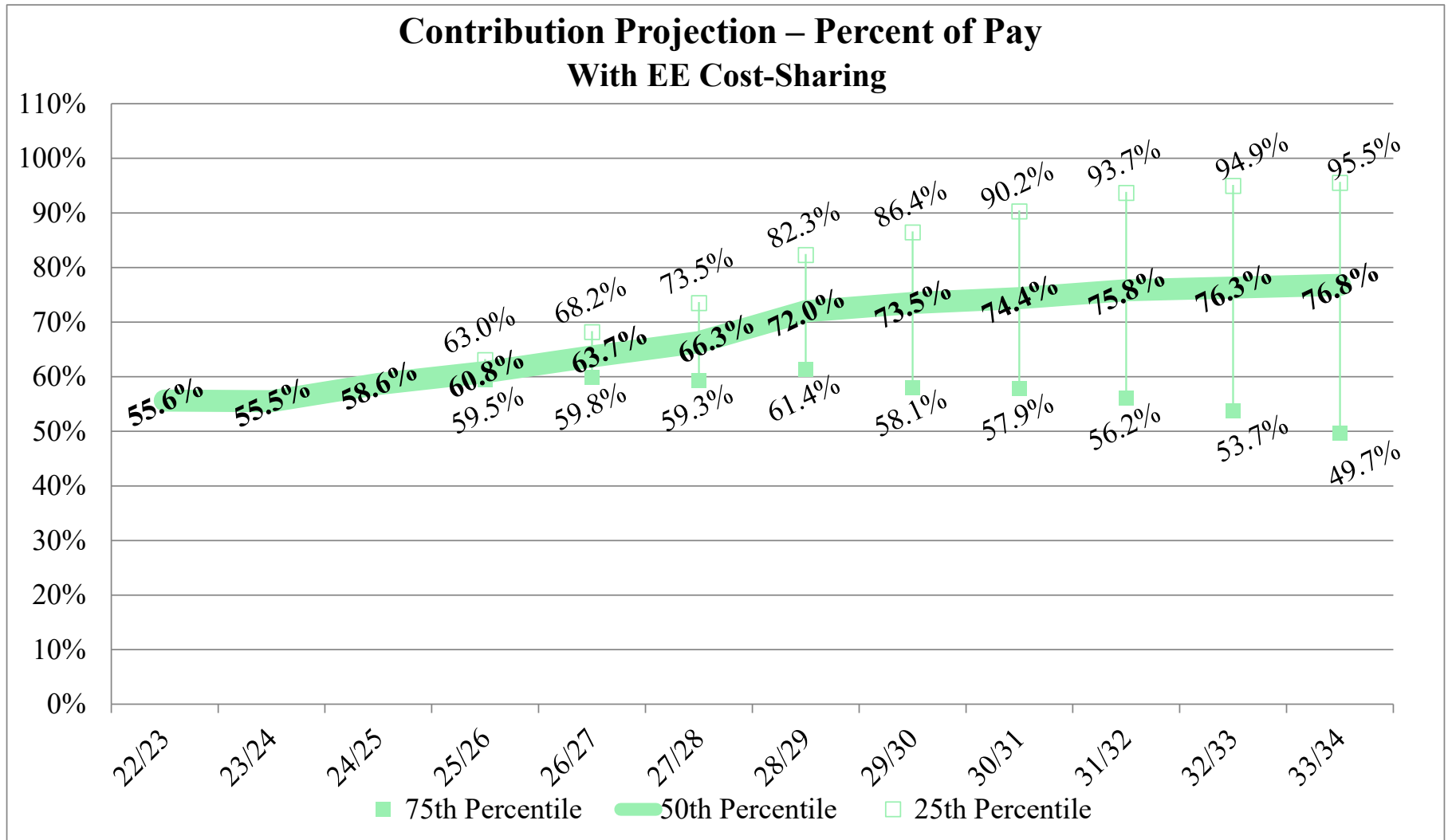


CONTRIBUTION PROJECTION - SAFETY

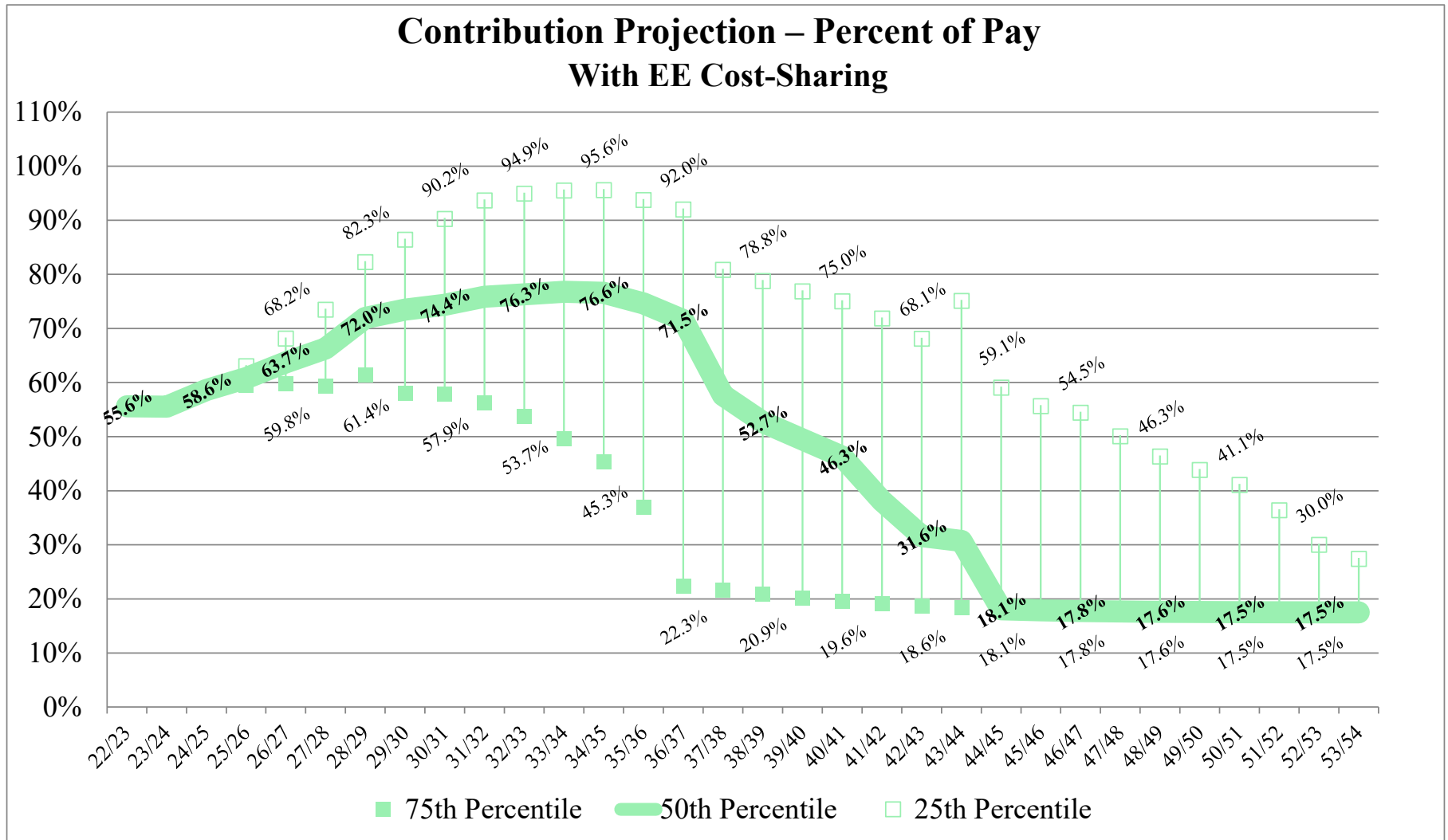
Contribution Projection - \$000s
Without EE Cost-Sharing (50th Percentile)



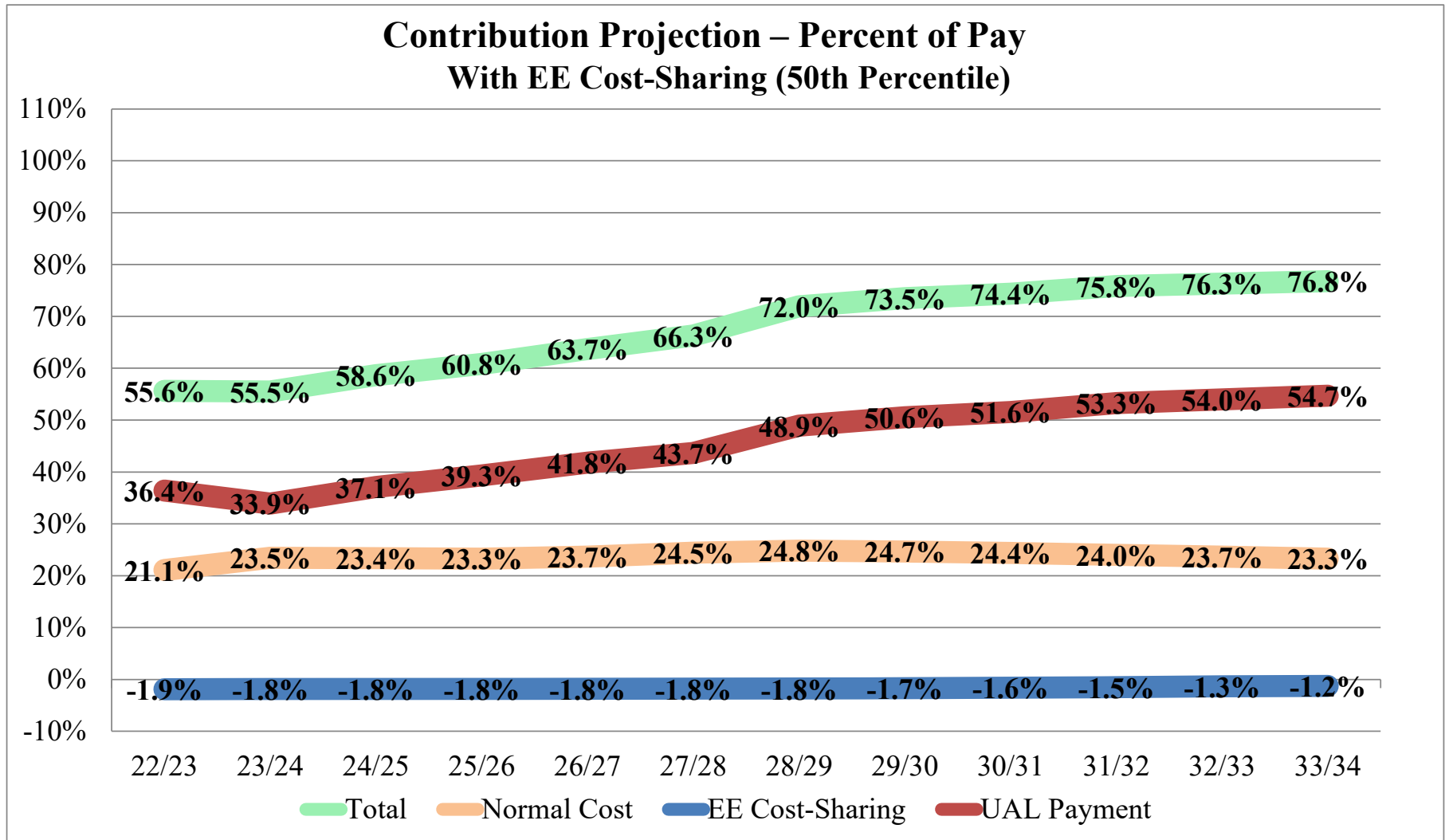
CONTRIBUTION PROJECTION - SAFETY



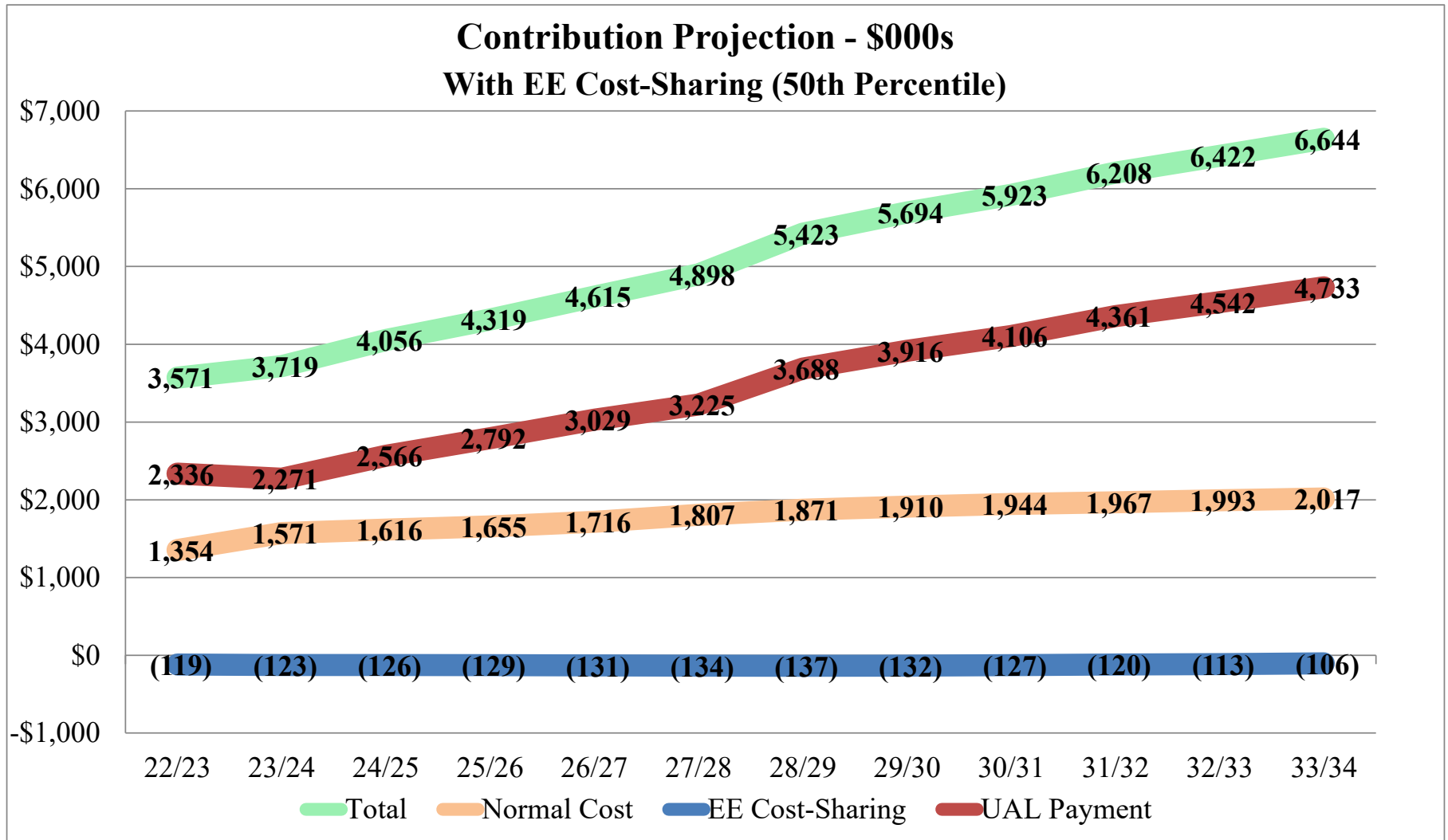
CONTRIBUTION PROJECTION - SAFETY



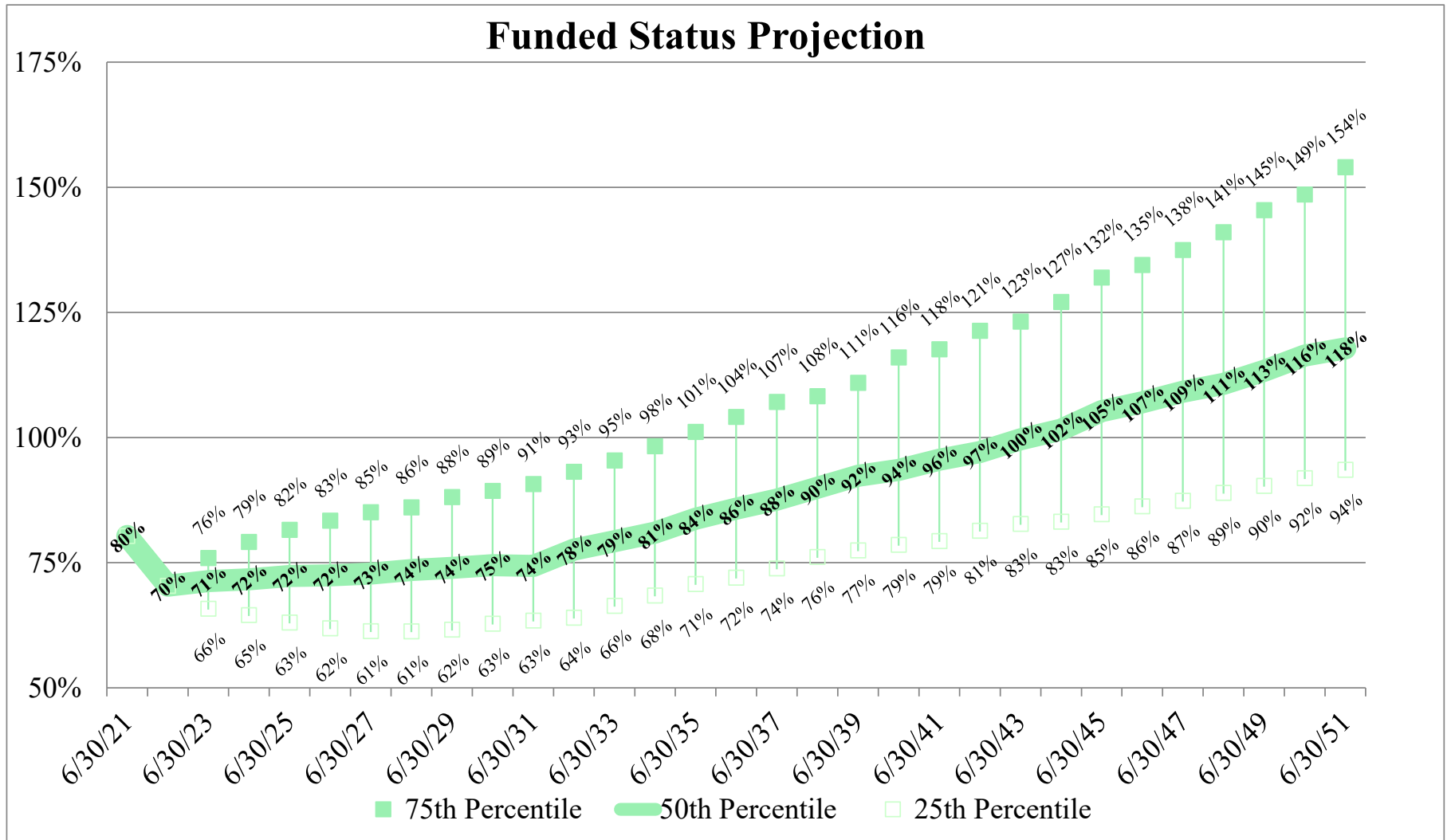
CONTRIBUTION PROJECTION - SAFETY



CONTRIBUTION PROJECTION - SAFETY



FUNDED STATUS - SAFETY



FUNDED STATUS - SAFETY

Item 9.

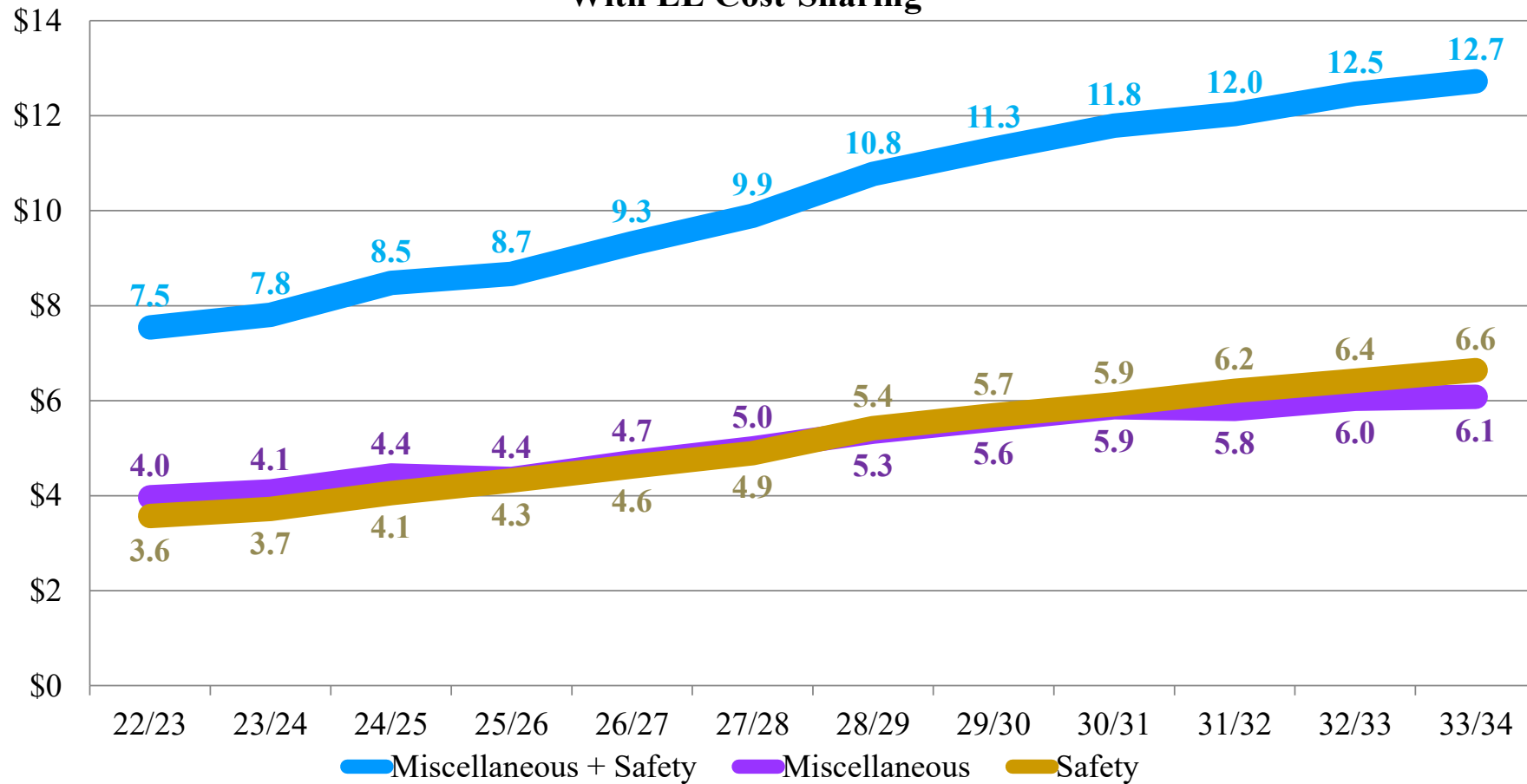
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COMBINED MISCELLANEOUS AND SAFETY

Item 9.

Contribution Projection (\$Millions) Miscellaneous & Safety With EE Cost-Sharing



COMBINED MISCELLANEOUS AND SAFETY

Item 9.

Funded Status Summary on June 30, 2021

(Amounts in \$Millions)

	Miscellaneous	Safety	Total
■ AAL	\$ 121.6	\$ 108.1	\$ 229.7
■ Assets	<u>106.2</u>	<u>86.8</u>	<u>193.0</u>
■ Unfunded AAL	15.4	21.3	36.7
■ Funded Ratio	87.3%	80.3%	84.0%

Projected Funded Status Summary on June 30, 2022¹⁵

(Amounts in \$Millions)

	Miscellaneous	Safety	Total
■ AAL	\$ 125.5	\$ 111.6	\$ 237.1
■ Assets	<u>96.1</u>	<u>78.6</u>	<u>174.7</u>
■ Unfunded AAL	29.4	33.0	62.4
■ Funded Ratio	76.6%	70.4%	73.7%

¹⁵ Projected 2022 assets reflects -7.5% CalPERS investment return for 2021/22.



LEAVING CALPERS

- Participation in CalPERS is governed by State law and CalPERS rules
- The following are considered “withdrawing” from CalPERS:
 - Exclude new hires from CalPERS & giving them a different pension
 - Stop accruing benefits for current employees
- “Withdrawal” from CalPERS:
 - Treated as plan termination
 - Liability increased for conservative investments
 - Liability increased for future demographic fluctuations
 - Liability must be funded immediately by withdrawing agency
 - Otherwise, retiree benefits are cut



LEAVING CALPERS

Item 9.

CalPERS Termination Estimates on June 30, 2021 (Amounts in Millions)

Discount Rate	Ongoing Plan	Termination Basis	
	6.80%	1.00%	2.25%
Miscellaneous			
Actuarial Accrued Liability	\$ 121.6	\$ 270.8	\$ 223.9
Assets	<u>106.2</u>	<u>106.2</u>	<u>106.2</u>
Unfunded AAL (UAAL)	15.4	164.6	117.7
Safety			
Actuarial Accrued Liability	\$ 108.1	\$ 258.1	\$ 210.9
Assets	<u>86.8</u>	<u>86.8</u>	<u>86.8</u>
Unfunded AAL (UAAL)	21.3	171.3	124.1
Total			
Unfunded AAL (UAAL)	\$36.7	\$335.9	\$241.8
Funded Ratio	84.0%	36.5%	44.4%



PEPRA COST SHARING

- Target of 50% of total normal cost paid by all employees
- *PEPRA members* must pay greater of 50% of total normal cost or bargained amount if higher
- Employer cannot pay any part of *PEPRA member* required employee contributions
- Employer may impose current employees pay 50% of total normal cost (limited to 8% of pay for Miscellaneous and 12% for Safety) if not agreed through collective bargaining
- Miscellaneous Plan 2023/24:

	<u>Classic Members</u>		<u>New Members</u>
	<u>Tier 1</u>	<u>Tier 2</u>	<u>PEPRA</u>
	<u>2.5% @ 55 FAC1</u>	<u>2% @ 60 FAC3</u>	<u>2% @ 62 FAC3</u>
● Employer Normal Cost	13.8%	14.3%	7.93%
● Member Normal Cost	8.0%	7.0%	7.25%
● Total Normal Cost	21.8%	21.3%	15.18%
● 50% Target	10.9%	10.7%	7.59%



PEPRA COST SHARING

■ Safety Plan 2023/24:

	<u>Classic Members</u>	<u>New Members</u>
	Tier 1	PEPRA
	<u>3%@50 FAC1</u>	<u>2.7%@57 FAC3</u>
● Employer Normal Cost	29.1%	14.50%
● Member Normal Cost	<u>9.0%</u>	<u>14.50%</u>
● Total Normal Cost	38.1%	29.00%
● 50% Target	19.1%	14.50%

■ PEPRA Member Contributions:

Group	2022/23		2023/24			
	Total NC (Basis)	Member Rate	Total Normal Cost	Change	Member Rate	Method
Miscellaneous	14.43%	7.25%	15.18%	0.75%	7.25%	PEPRA Members
Safety	27.63%	13.75%	29.00%	1.37%	14.50%	PEPRA Members



PAYING DOWN THE UAL & RATE STABILIZATION

Item 9.

- Where do you get the money from?
- How do you use the money?



WHERE DO YOU GET THE MONEY FROM?

Item 9.

- POB:
 - Usually thought of as interest arbitrage between expected earnings and rate paid on POB
 - No guaranteed savings
 - PEPPRA prevents contributions from dropping below normal cost
 - ☐ Savings offset when investment return is good
 - GFOA Advisory
- Borrow from General Fund similar to State
- One time payments
 - Governing body resolution to use a portion of one time money, e.g.
 - ☐ 1/3 to one time projects
 - ☐ 1/3 to replenish reserves and
 - ☐ 1/3 to pay down unfunded liability



ADDITIONAL PAYMENTS TO CALPERS

Item 9.

- Internal Service Fund
 - Typically used for rate stabilization
 - Restricted investments:
 - ☐ Likely low (0.5%-1.0%) investment returns
 - ☐ Short term/high quality, designed for preservation of principal
 - Assets can be used by governing body for other purposes
 - Does not reduce Unfunded Liability



ADDITIONAL PAYMENTS TO CALPERS

Item 9.

Make payments directly to CalPERS:

- Likely best long-term investment return
- Must be considered an irrevocable decision
 - ☐ Extra payments cannot be used as future “credit”
 - ☐ PEPPRA prevents contributions from dropping below normal cost
- Option #1: Request shorter amortization period (Fresh Start):
 - ☐ Higher short term payments
 - ☐ Less interest and lower long term payments
 - ☐ Likely cannot revert to old amortization schedule
 - Savings offset when investment return is good (PEPPRA)



ADDITIONAL PAYMENTS TO CALPERS

Item 9.

- Make payments directly to CalPERS (continued):
 - Option #2: Target specific amortization bases with an Additional Discretionary Payment “ADP” :
 - ☐ Extra contribution’s impact muted by reduced future contributions
 - CalPERS can’t track the “would have been” contribution
 - ☐ No guaranteed savings
 - Larger asset pool means larger loss (or gain) opportunity
 - ☐ Paying off shorter amortization bases: larger contribution savings over shorter period:
 - e.g. 10 year base reduces contribution 13.7¢ for \$1
 - Less interest savings vs paying off longer amortization bases
 - ☐ Paying off longer amortization bases: smaller contribution savings over longer period:
 - e.g. 25 year base reduces contribution 8.2¢ for \$1
 - More interest savings vs paying off shorter amortization bases
 - ☐ Maintaining the current payment schedule – not letting payments reduce due to extra payment – gives the greatest long-term savings



IRREVOCABLE SUPPLEMENTAL (§115) PENSION TRUST

Item 9.

- Can only be used to:
 - Reimburse Town for CalPERS contributions
 - Make payments directly to CalPERS
- Investments significantly less restricted than Town investment funds
 - Fiduciary rules govern Trust investments
 - Usually, designed for long term returns
- Assets don't count for GASB accounting
 - Are considered Employer assets
- Over 100 trusts established, mostly since 2015
 - Trust providers: PARS, PFM, Keenan
 - California Employers' Pension Prefunding Trust (CEPPT) effective July 2019
 - Strategy 1: 48% stocks / 52% bonds
 - Strategy 2: 22% stocks / 78% bonds



IRREVOCABLE SUPPLEMENTAL (§115) PENSION TRUST

Item 9.

- More flexibility than paying CalPERS directly
 - Town decides if and when and how much money to put into Trust
 - Town decides if and when and how much to withdraw to pay CalPERS or reimburse Agency
- Funding strategies typically focus on:
 - Reducing the unfunded liability
 - ☐ Fund enough to make total CalPERS UAL = 0
 - ☐ Make PEPPRA required payments from Trust when overfunded
 - Stabilizing contribution rates
 - ☐ Mitigate expected contribution rates to better manage budget
 - Combination
 - ☐ Use funds for rate stabilization/budget predictability
 - ☐ Target increasing fund balance to pay off UAL sooner



IRREVOCABLE SUPPLEMENTAL (§115) PENSION TRUST

Item 9.

- Consider:
 - How much can you put into Trust?
 - ☐ Initial seed money?
 - ☐ Additional amounts in future years?
 - When do you take money out?
 - ☐ Target budget rate?
 - ☐ Year target budget rate kicks in?
 - Before or after CalPERS rate exceeds budgeted rate?



PREFUNDING OPTION

Direct Payment to CalPERS Prefunding Option

- Following illustrates savings from an additional \$1 million contribution to CalPERS on June 30, 2023:
- Miscellaneous Plan
 - Shortest Base: 2003 Assumption Change (2 years, \$0.6 million on 6/30/23) and 2007 Benefit Change (5 years, \$1.0 million on 6/30/23)
Less interest savings, largest short-term contribution impact
 - Longest Base: 2013 Gain/Loss (22 years, \$8.7 million on 6/30/23)
Greater interest savings, smallest short-term contribution impact

Target Bases	Estimated Interest Savings	2023/24 Contribution Impact
Shortest Bases	\$1 million	
\$ Savings (000's)	\$114	\$(400)
PV Savings @ 3% (000's)	60	
Longest Base	\$1 million	
\$ Savings (000's)	\$954	\$(73)
PV Savings @ 3% (000's)	430	



PREFUNDING OPTION

Item 9.

■ Safety Plan¹⁶

- Shortest Base: 2014 Assumption Change (13 years, \$3.9 million on 6/30/23)
Less interest savings, largest short-term contribution impact
- Longest Base: 2018 Non Asset Gain/Loss (27 years, \$0.4 million on 6/30/23), 2017 Non Asset Gain/Loss (26 years, \$0.07 million on 6/30/23) and 2016 Asset Gain/Loss (25 years, \$5.5 million on 6/30/23)
Greater interest savings, smallest short-term contribution impact

Target Bases	Estimated Interest Savings	2023/24 Contribution Impact
Shortest Bases	\$1 million	
\$ Savings (000's)	\$439	\$(113)
PV Savings @ 3% (000's)	215	
Longest Base	\$1 million	
\$ Savings (000's)	\$1,035	\$(60)
PV Savings @ 3% (000's)	452	

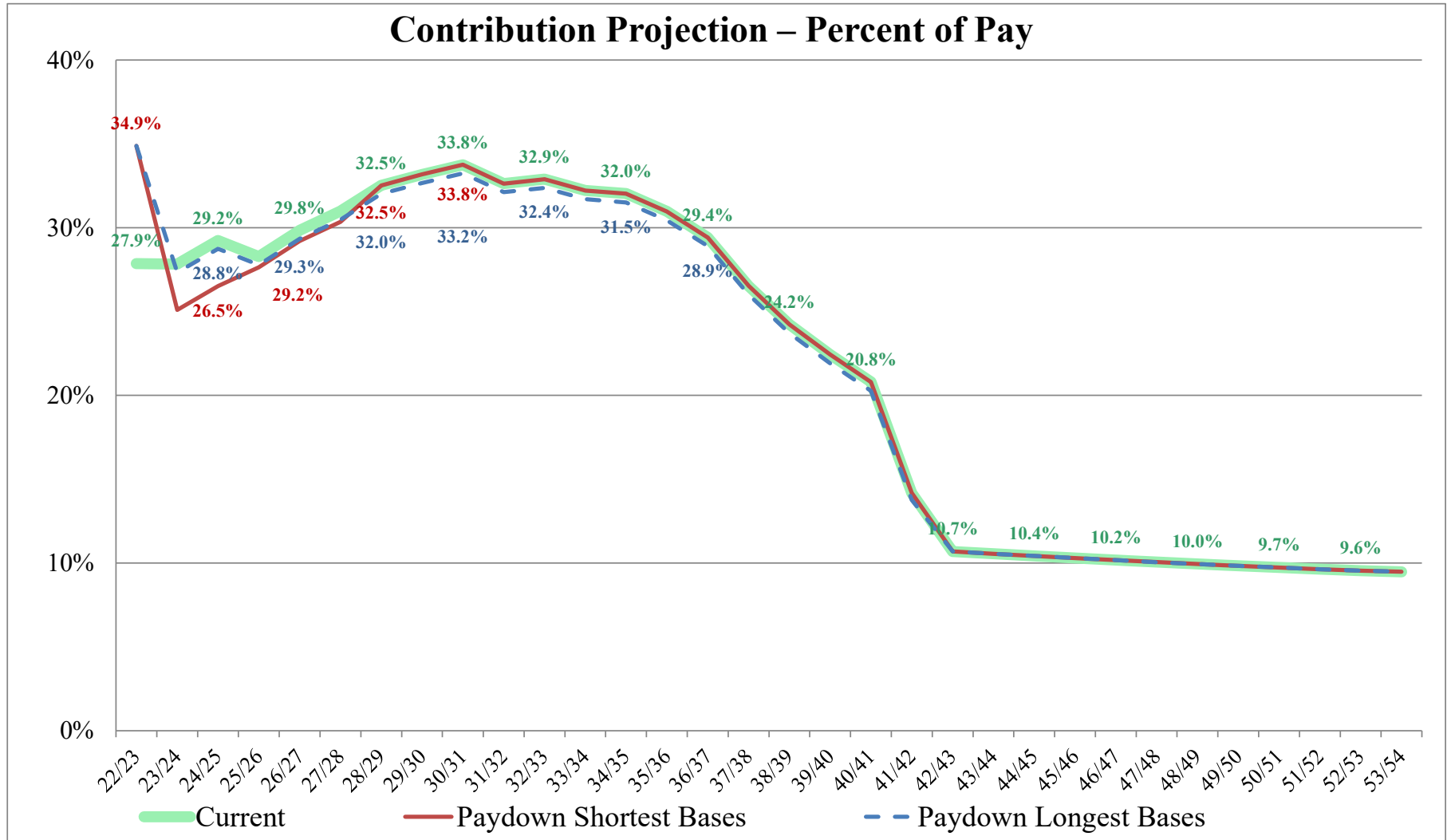
¹⁶ All of the target bases are in Safety Classic plan. PEPR plan has only one credit base.



PREFUNDING OPTION

Direct Payment to CalPERS Miscellaneous

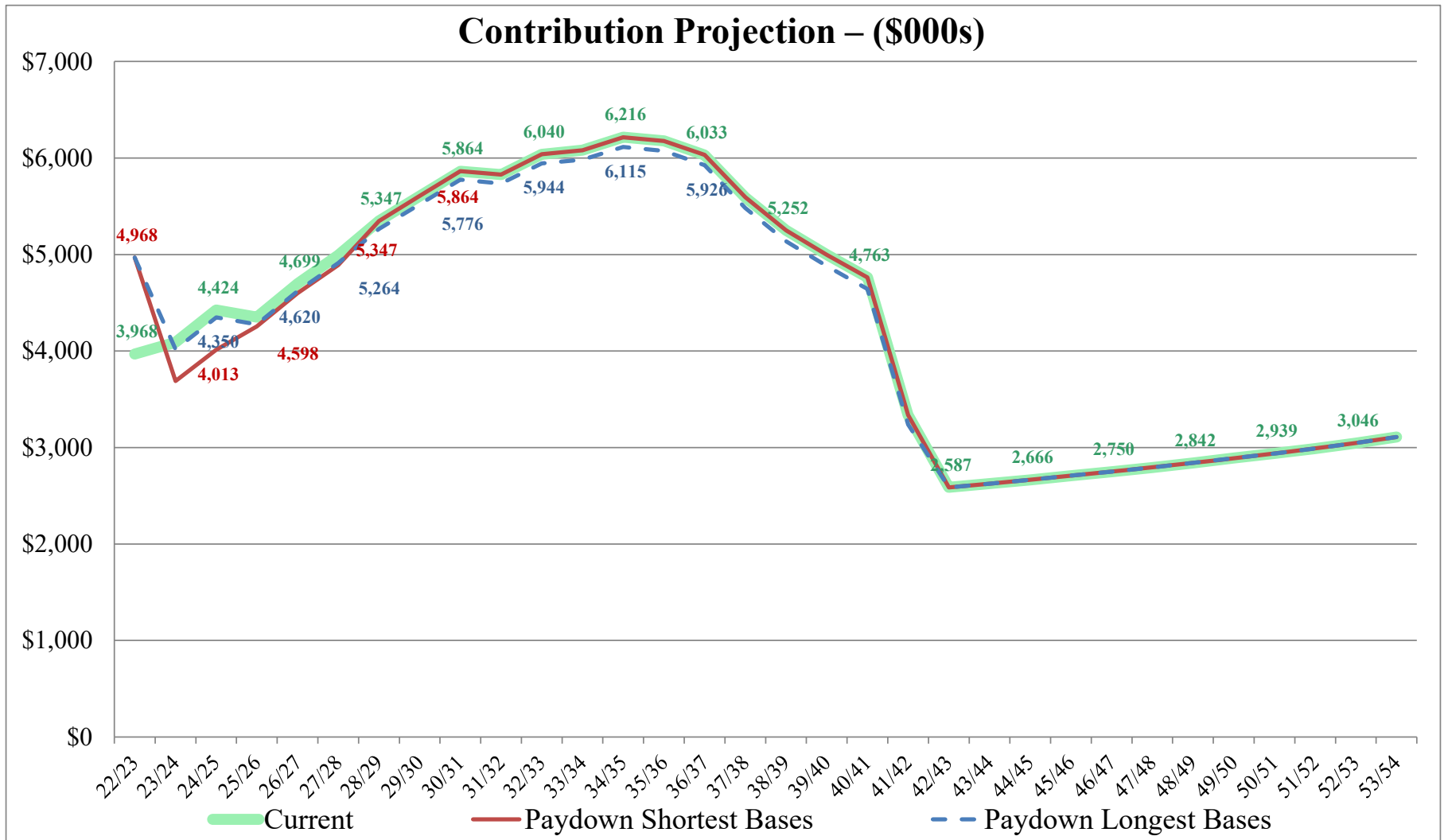
Contribution Projection – Percent of Pay



PREFUNDING OPTION

Direct Payment to CalPERS Miscellaneous

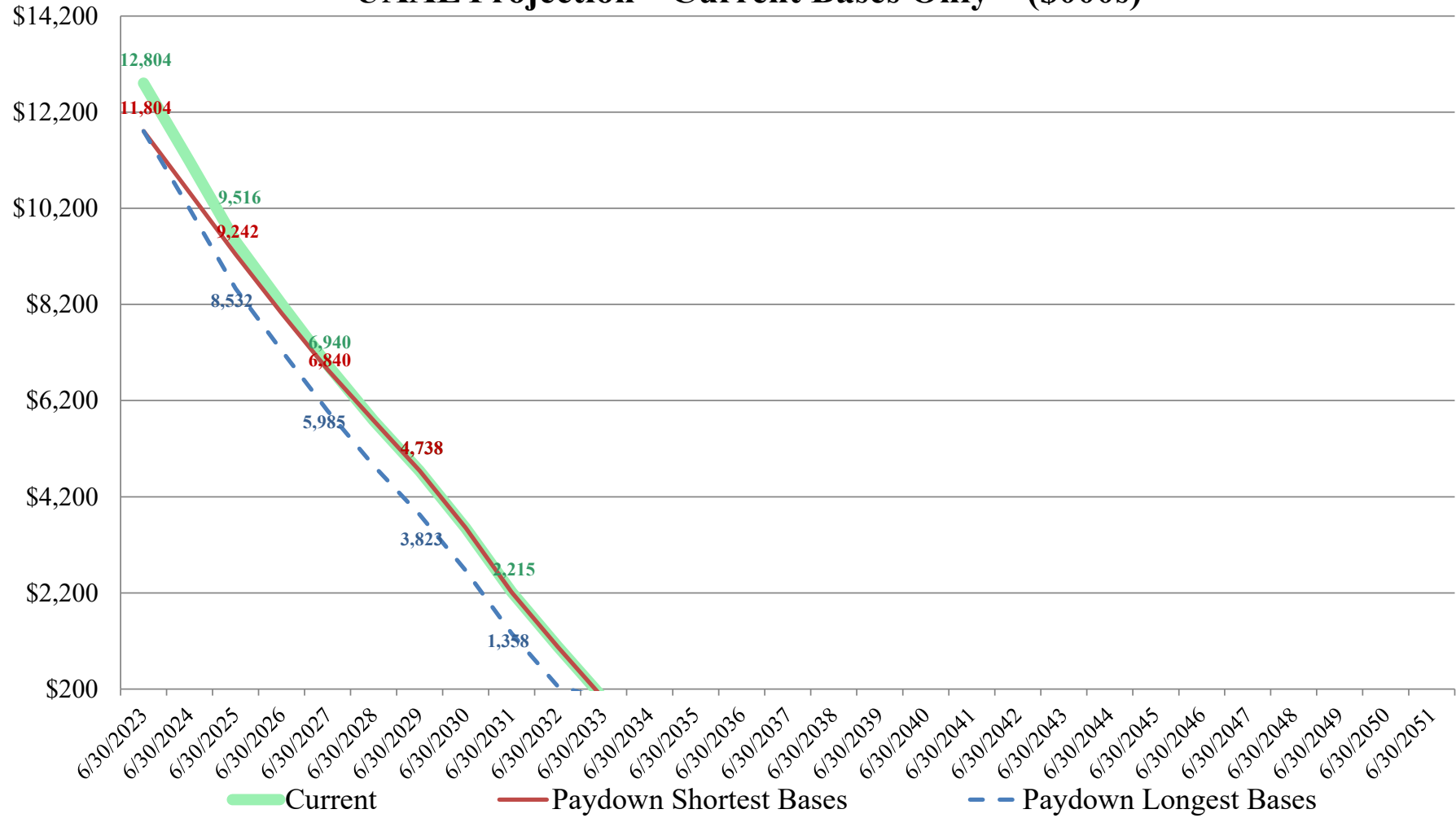
Contribution Projection – (\$000s)



PREFUNDING OPTION

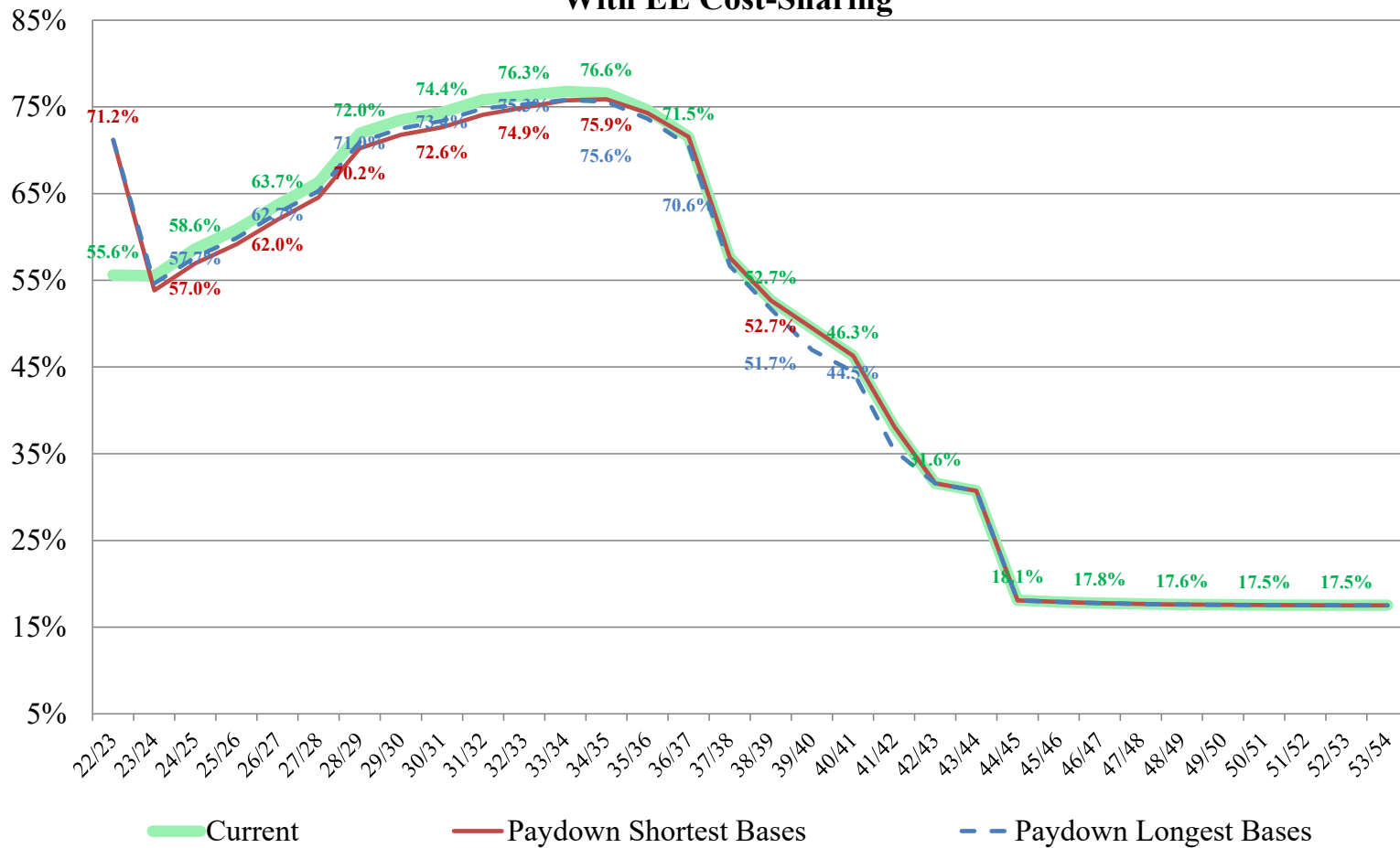
Direct Payment to CalPERS Miscellaneous

UAAL Projection – Current Bases Only – (\$000s)



PREFUNDING OPTION

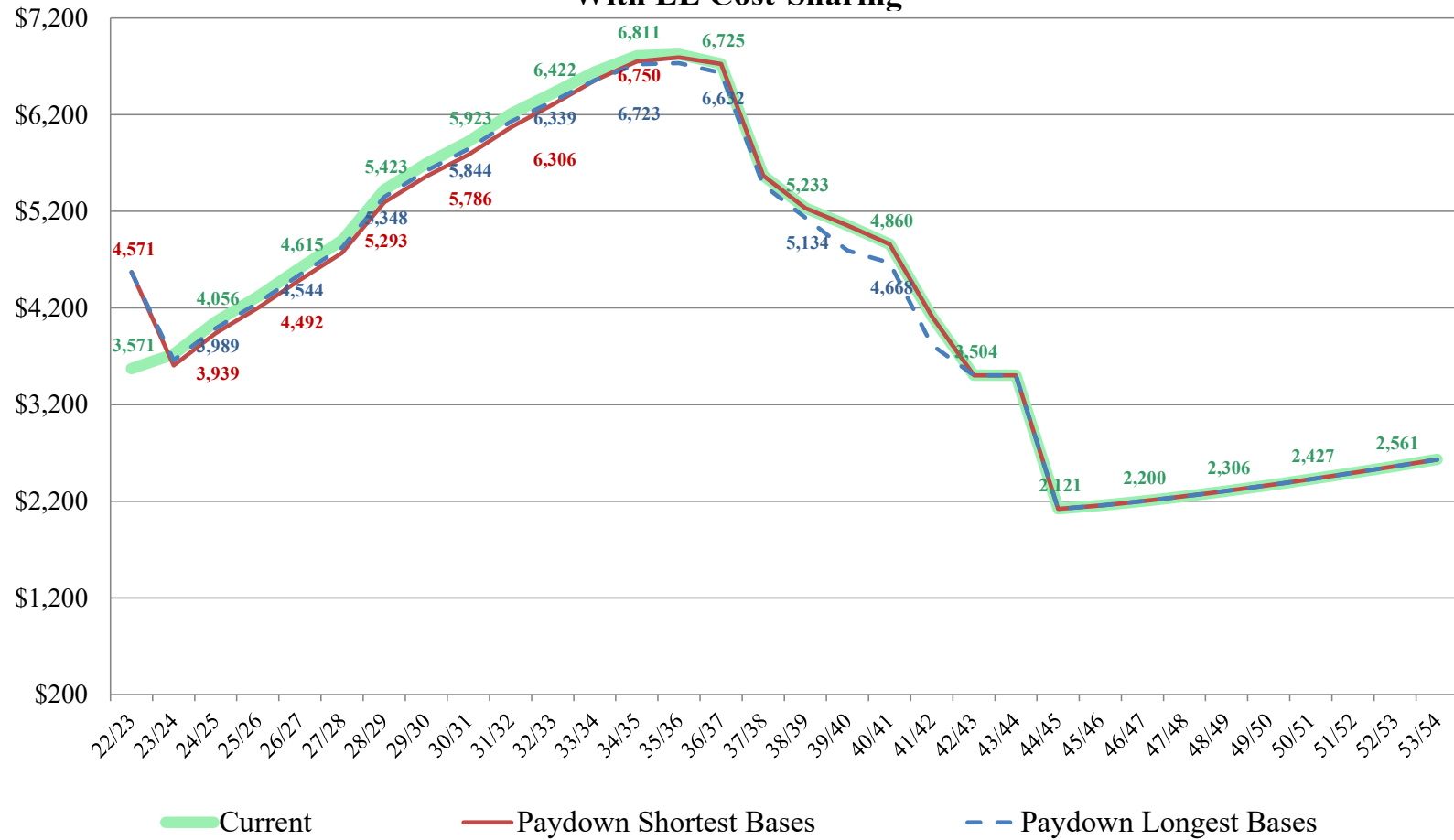
Direct Payment to CalPERS Safety Contribution Projection – Percent of Pay With EE Cost-Sharing



PREFUNDING OPTION

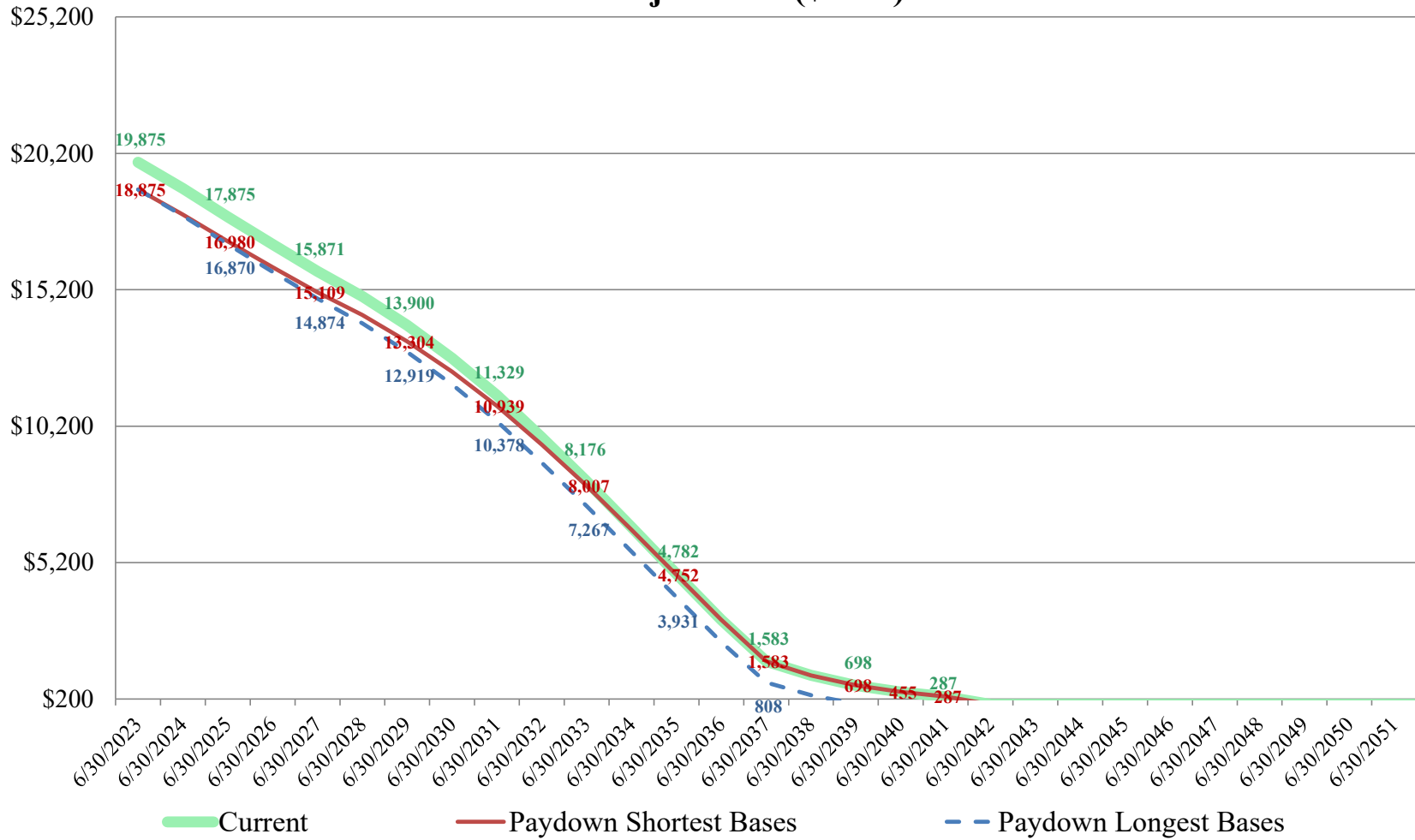
Direct Payment to CalPERS Safety

**Contribution Projection – (\$000s)
With EE Cost-Sharing**



PREFUNDING OPTION

Direct Payment to CalPERS Safety UAAL Projection – (\$000s)



COMPARISON OF OPTIONS

Item 9.

■ Supplemental Trust

- Flexible
- Likely lower long-term return
- Investment strategy choice
- Does not reduce net pension liability for GASB reporting
- More visible

■ CalPERS

- Locked In
- Likely higher long-term return
- No investment choice
- Reduces net pension liability for GASB reporting
- More restricted



ACTUARIAL CERTIFICATION

This report presents analysis of the Town of Los Gatos's CalPERS pension plans. The purpose of this report is to provide the Town:

- Historical perspective on the plan investment returns, assets, funded status and contributions.
- Projections of likely future contributions and the impact of investment volatility

The calculations and projections in this report are based on information contained in the Town's June 30, 2021 and earlier CalPERS actuarial valuation reports. We reviewed this information for reasonableness, but do not make any representation on the accuracy of the CalPERS reports.

Future investment returns and volatility are based on Foster & Foster's Capital Market model which results in long term returns summarized on pages 25 and 57.

Future results may differ from our projections due to differences in actual experience as well as changes in plan provisions, CalPERS actuarial assumptions or methodology. Other than variations in investment return, this study does not analyze these.

To the best of our knowledge, this report is complete and accurate and has been conducted using generally accepted actuarial principles and practices. As members of the American Academy of Actuaries meeting the Academy Qualification Standards, we certify the actuarial results and opinions herein.

Respectfully submitted,



Mary Elizabeth Redding, FSA, EA, MAAA
Foster & Foster, Inc.
March 7, 2023



Bianca Lin, FSA, EA, MAAA
Foster & Foster, Inc.
March 7, 2023





TOWN OF LOS GATOS CALPERS MISCELLANEOUS & SAFETY PLANS



CalPERS Analysis – 6/30/21 Valuation

Mary Elizabeth Redding, FSA, EA, MAAA

Bianca Lin, FSA, EA, MAAA

Wai Man Yam

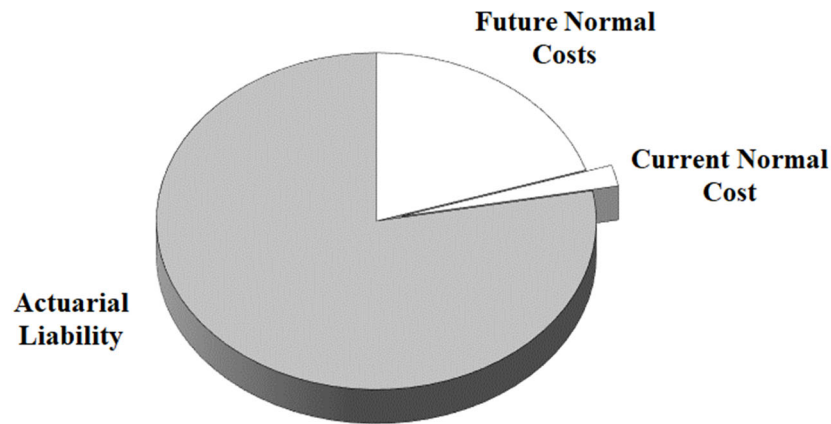
Foster & Foster, Inc.

March 7, 2023

DEFINITIONS

Item 9.

**Present Value of Benefits
June 30, 2021**



■ **PVB - Present Value of all Projected Benefits:**

- The value now of amounts due to be paid in the future
- Discounted value (at valuation date - 6/30/21), of all future expected benefit payments based on various (actuarial) assumptions

■ **Current Normal Cost (NC):**

- Portion of PVB allocated to (or “earned” during) current year
- Value of employee and employer current service benefit

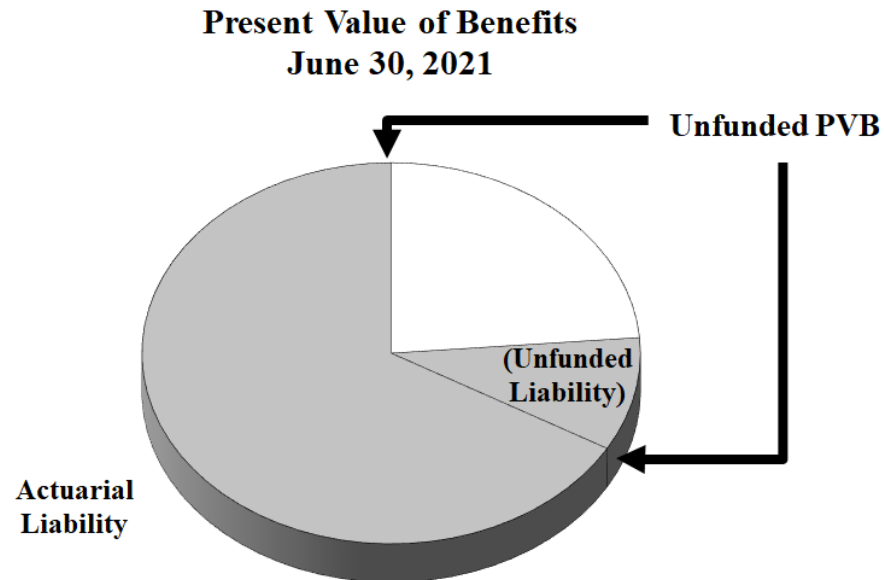
■ **Actuarial Liability (AAL):**

- Discounted value (at valuation date) of benefits earned through valuation date [value of past service benefit]
- Portion of PVB “earned” at measurement



DEFINITIONS

Item 9.

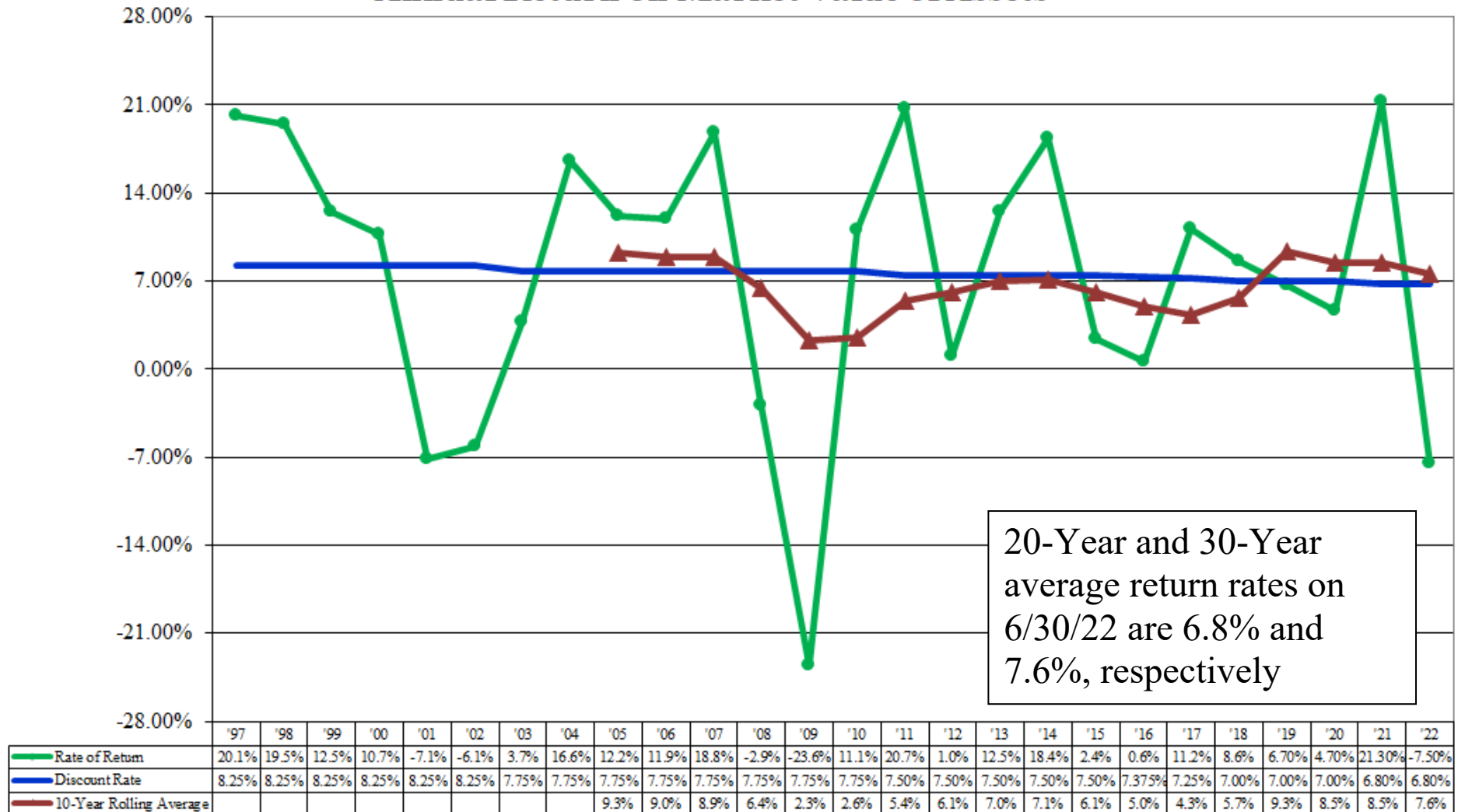


- **Target-** Have money in the bank to cover Actuarial Liability (past service)
- **Unfunded Liability (UAAL or UAL) -** Money short of target at valuation date
 - If all actuarial assumptions were always exactly met, then the plan assets would always equal AAL
 - Any difference is the unfunded (or overfunded) AAL
 - Every year, the actuary calculates the difference between the expected UAAL and Actual UAAL. This is a new layer or amortization base
 - Each new layer gets amortized (paid off) over a period of time as part of the contribution [rate]



HOW WE GOT HERE – INVESTMENT RETURN

Annual Return on Market Value of Assets



Returns (after 2001) shown are gross returns, unreduced for administrative expenses, from CalPERS valuation reports, when available. The discount rate is based on expected returns net of administrative expenses.



CALPERS CHANGES

- April 2013: CalPERS adopted new contribution policy
 - No asset smoothing or rolling amortization
- February 2018: New amortization policy for 2021/22 contributions
 - Fixed dollar (level) 20-year amortization rather than % pay (escalating)
 - 5-year ramp up (not down) for investment gains and losses
- CalPERS Board changed the discount rate to 7%, still phasing in to rates:

	<u>Rate</u>	<u>Initial Impact</u>	<u>Full Impact</u>
● 6/30/16 valuation	7.375%	18/19	22/23
● 6/30/17 valuation	7.25%	19/20	23/24
● 6/30/18 valuation	7.00%	20/21	24/25
- In the November 2021 meeting, CalPERS Board adopted new
 - Discount rate and investment allocation
 - Discount rate: 6.8% for 6/30/2021. UAL impact matches investment gain amortization (5-year ramp-up). Initial impact in 23/24 and full impact in 27/28.
 - Asset allocation has higher investment risk than current portfolio
 - Experience study (Demographic assumptions)



CALPERS CHANGES

Item 9.

Portfolio Target Allocations

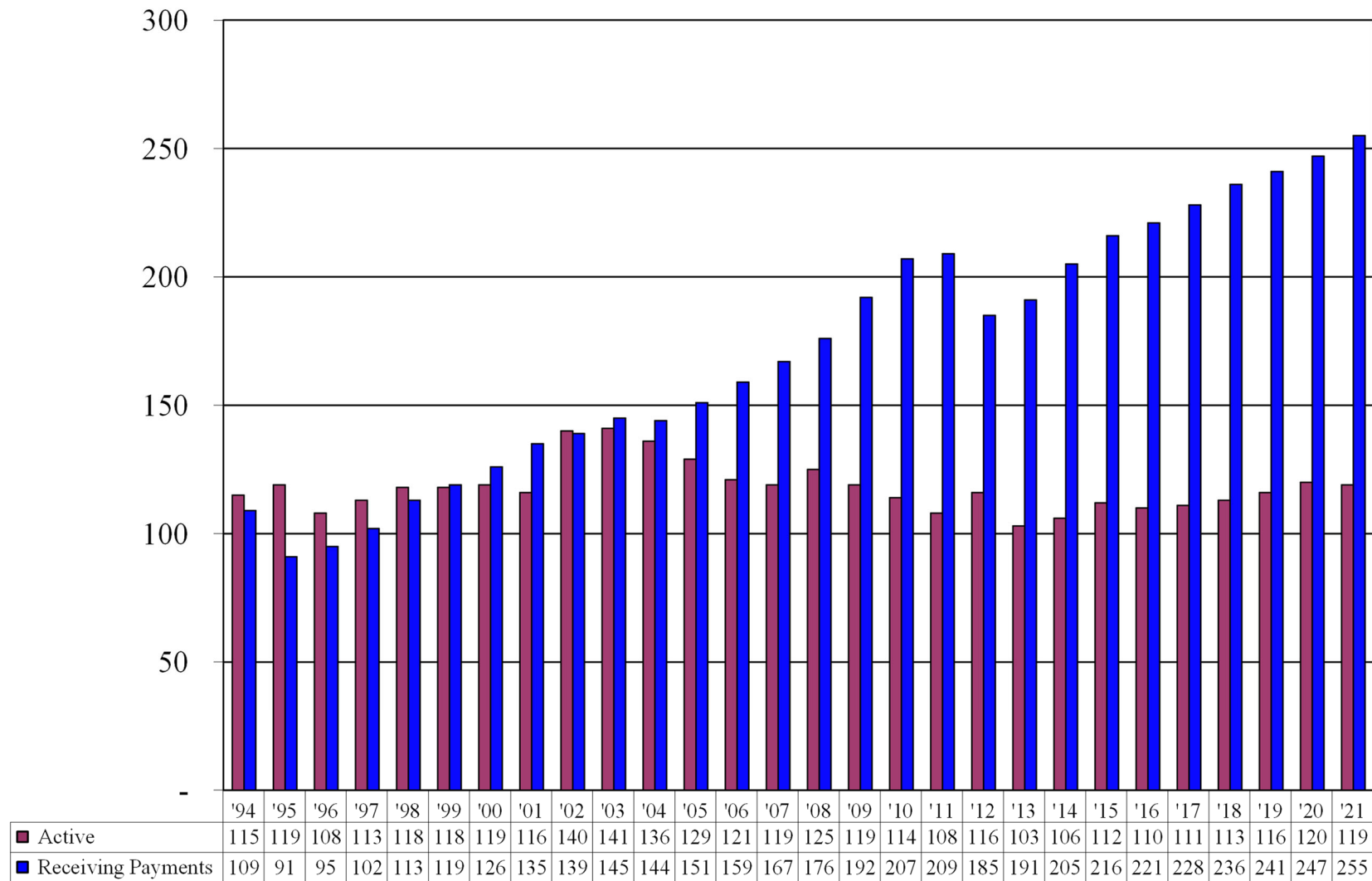
	Prior Portfolio	11/17/21 Portfolio
Asset Classification		
Liquidity	1%	-
Real Assets	13%	15%
Private Debt	-	5%
EM Sov Bonds	1%	5%
High Yield	4%	5%
Investment Grade Corp.	6%	10%
Mtge-backed Securities	7%	5%
Treasury	10%	5%
Private Equity	8%	13%
Global Equity ¹	50%	42%
Leverage	-	(5)%
Total	100%	100%
Standard Deviation	11.2%	12.0%

¹ Cap and non-cap weighted combined for this table; actual portfolios have specific allocations for each classification.



SUMMARY OF DEMOGRAPHIC INFORMATION - MISCELLANEOUS

Item 9.

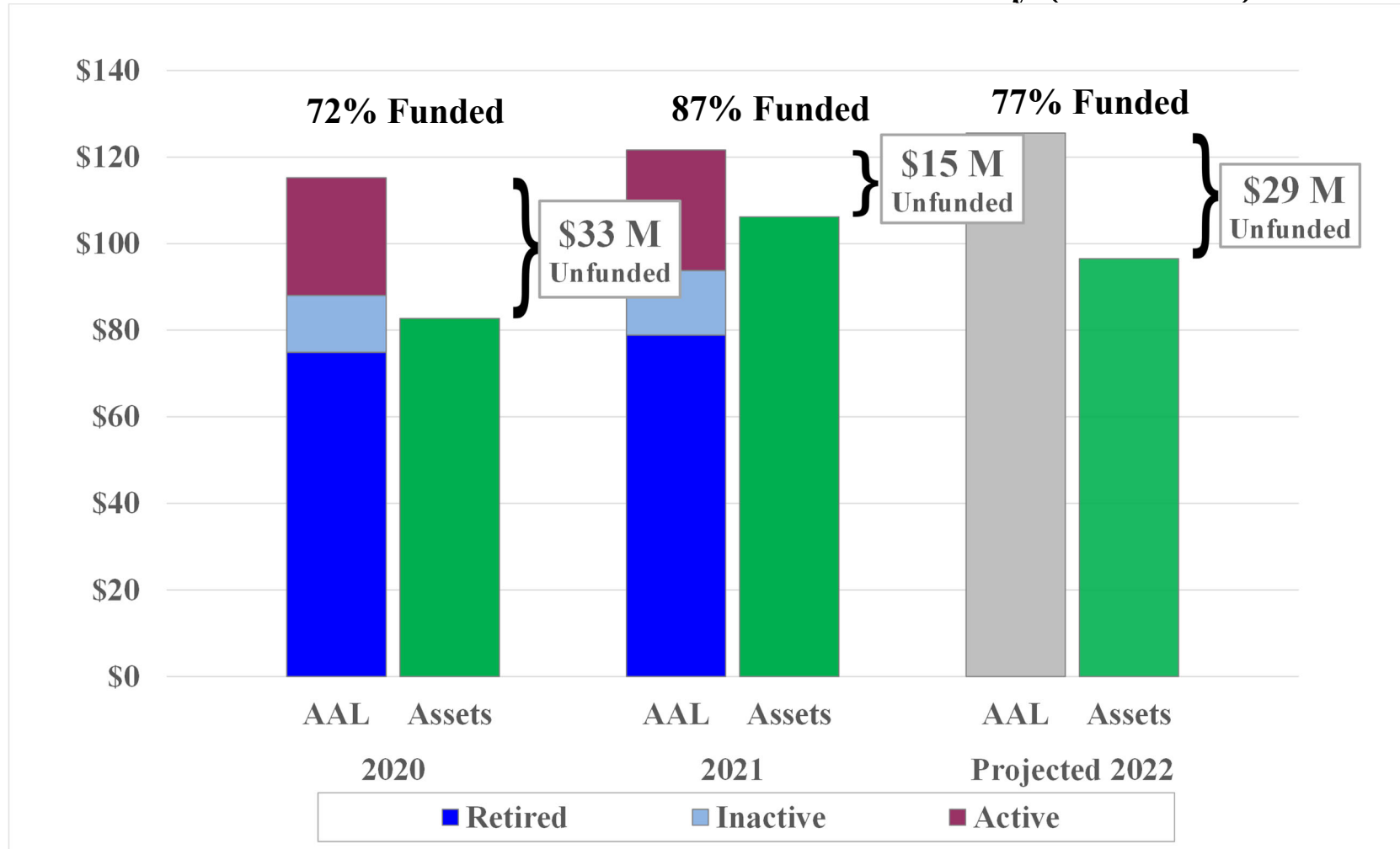


65% of Town's AAL is for retirees, but 59% of the average public agency's Miscellaneous AAL is for retirees



PLAN FUNDED STATUS - MISCELLANEOUS

Town CalPERS Assets and Actuarial Liability (\$Millions)²



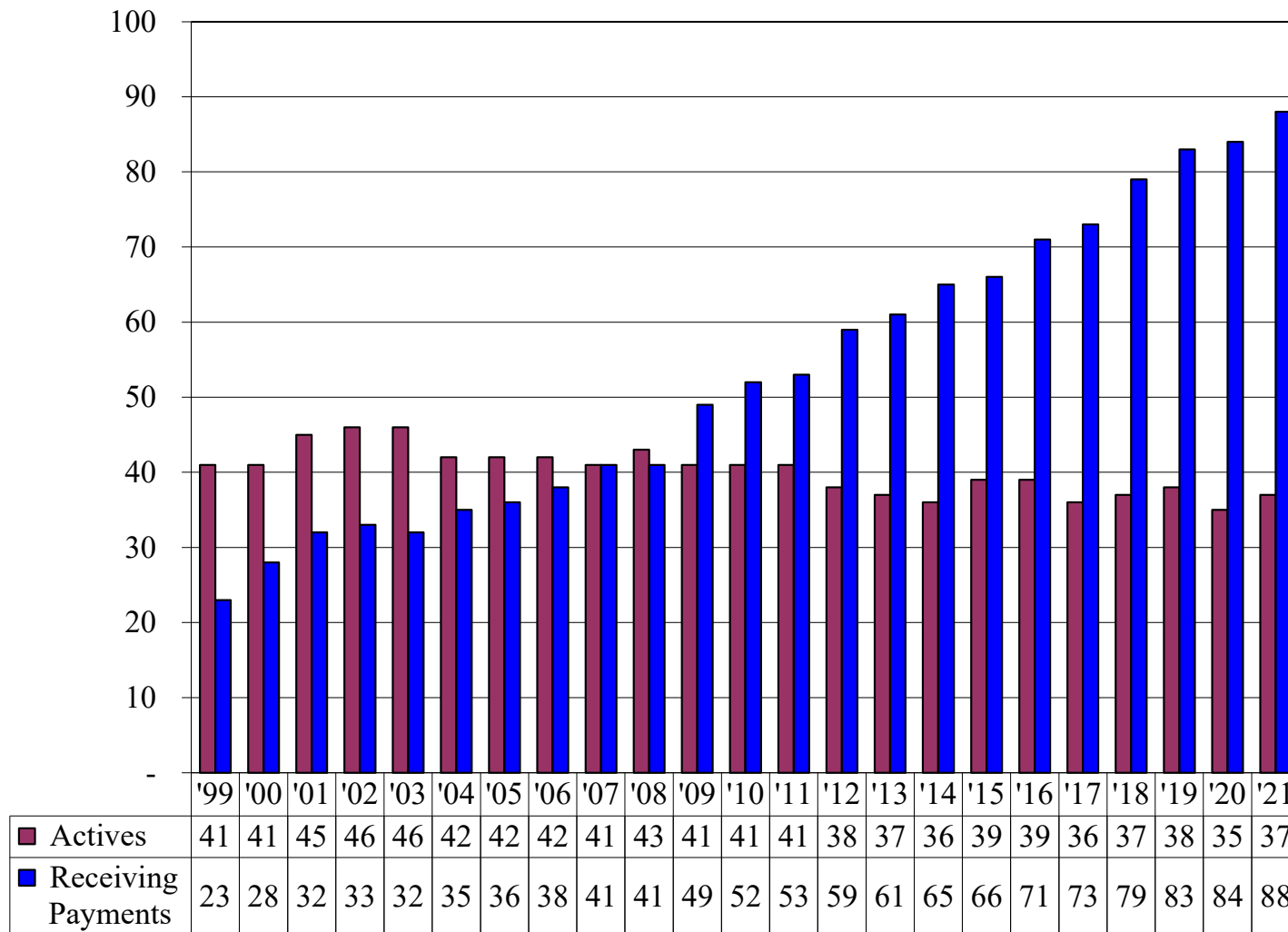
Average funded ratio for CalPERS Public Agency Miscellaneous Plans: 72% at 6/30/2020 and 84% at 6/30/2021

² Projected 2022 assets reflect -7.5% CalPERS investment return for 2021/22.



SUMMARY OF DEMOGRAPHIC INFORMATION - SAFETY

Item 9.

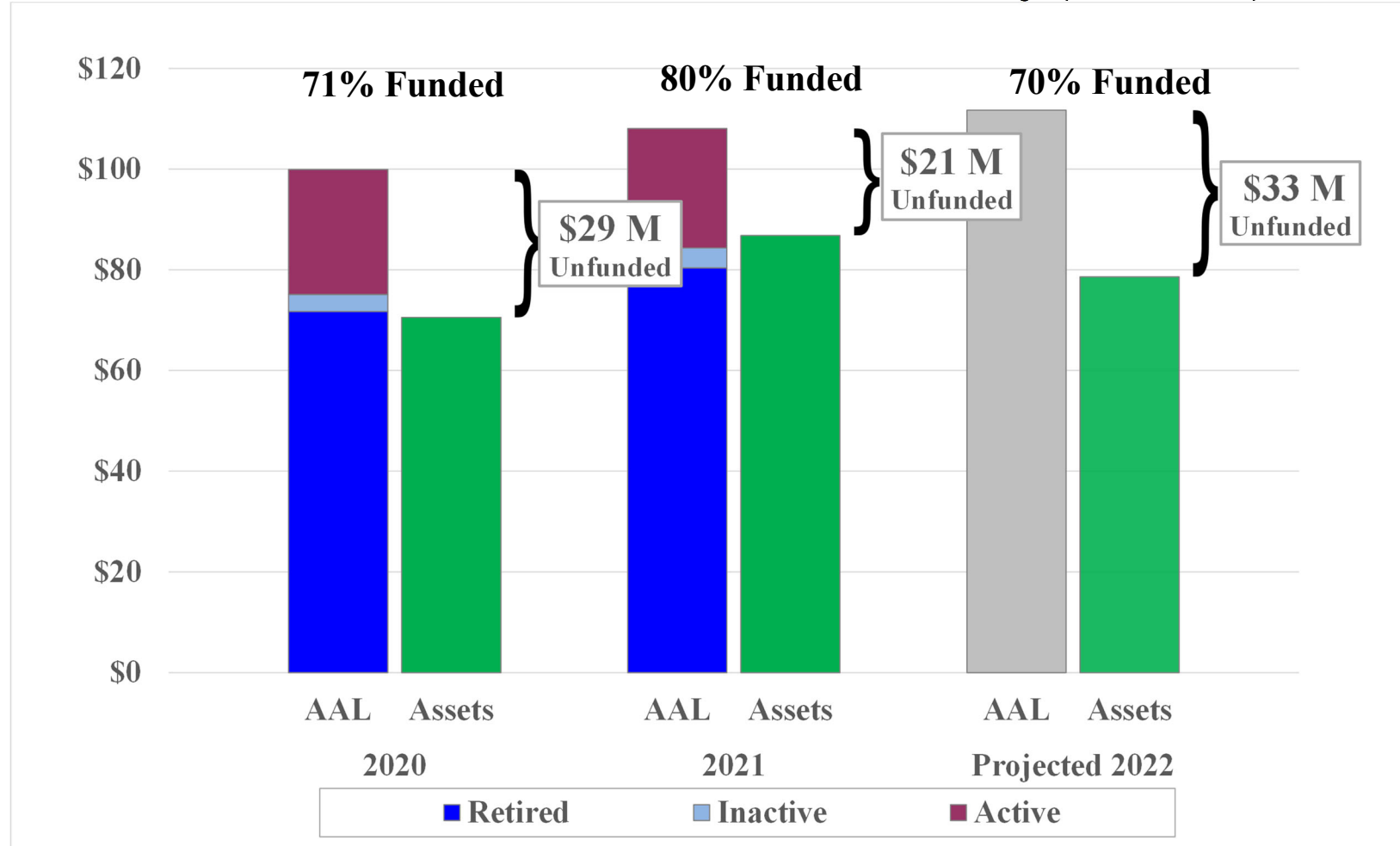


74% of Town's AAL is for retirees, but 67% of the average public agency's Safety AAL is for retirees



PLAN FUNDED STATUS - SAFETY

Town CalPERS Assets and Actuarial Liability (\$Millions)³



Average funded ratio for CalPERS Public Agency Miscellaneous Plans: 69% at 6/30/2020 and 81% at 6/30/2021

³ Projected 2022 assets reflects -7.5% CalPERS investment return for 2021/22.



EMPLOYEE DISTRIBUTION

■ 6/30/21 Miscellaneous employee distribution:

Benefit Tier	Count	% of Total	20/21 Payroll	% of Total
● 2.5%@55 FAC1	32	26.9%	\$3,511,394	29.3%
● 2%@60 FAC3	25	21.0%	3,344,416	27.9%
● 2%@62 FAC3 (PEPRA)	62	52.1%	5,114,292	42.7%

■ 6/30/21 Safety employee distribution:

Benefit Tier	Count	% of Total	20/21 Payroll	% of Total
● 3%@50 FAE1	24	64.9%	\$3,935,891	71.0%
● 2.7%@57 FAE3 (PEPRA)	13	35.1%	1,611,346	29.0%



CONTRIBUTION PROJECTIONS

■ Investment returns:

- June 30, 2022 (7.5%)⁴
- Future returns based on stochastic analysis using 1,000 trials
- Single year returns⁵ with current investment mix, no risk mitigation

	Percentile		
	25 th	50 th	75 th
First 10 years	-1.8%	6.0%	14.7%
After 10 years	-0.7%	7.5%	16.4%

- Assumes investment returns will generally be lower over the next 10 years and higher beyond that.

■ Discount Rate decreases due to Risk Mitigation policy – Ultimate rate 6.0%

■ No Other: Gains/Losses, Method/Assumption Changes, Benefit Improvements

■ Different from CalPERS projection

■ Impact of Risk Mitigation Policy:

- Net impact of investment gain and discount rate change amortized over 20 years with 5 year ramp up; Same amortization method for all future years

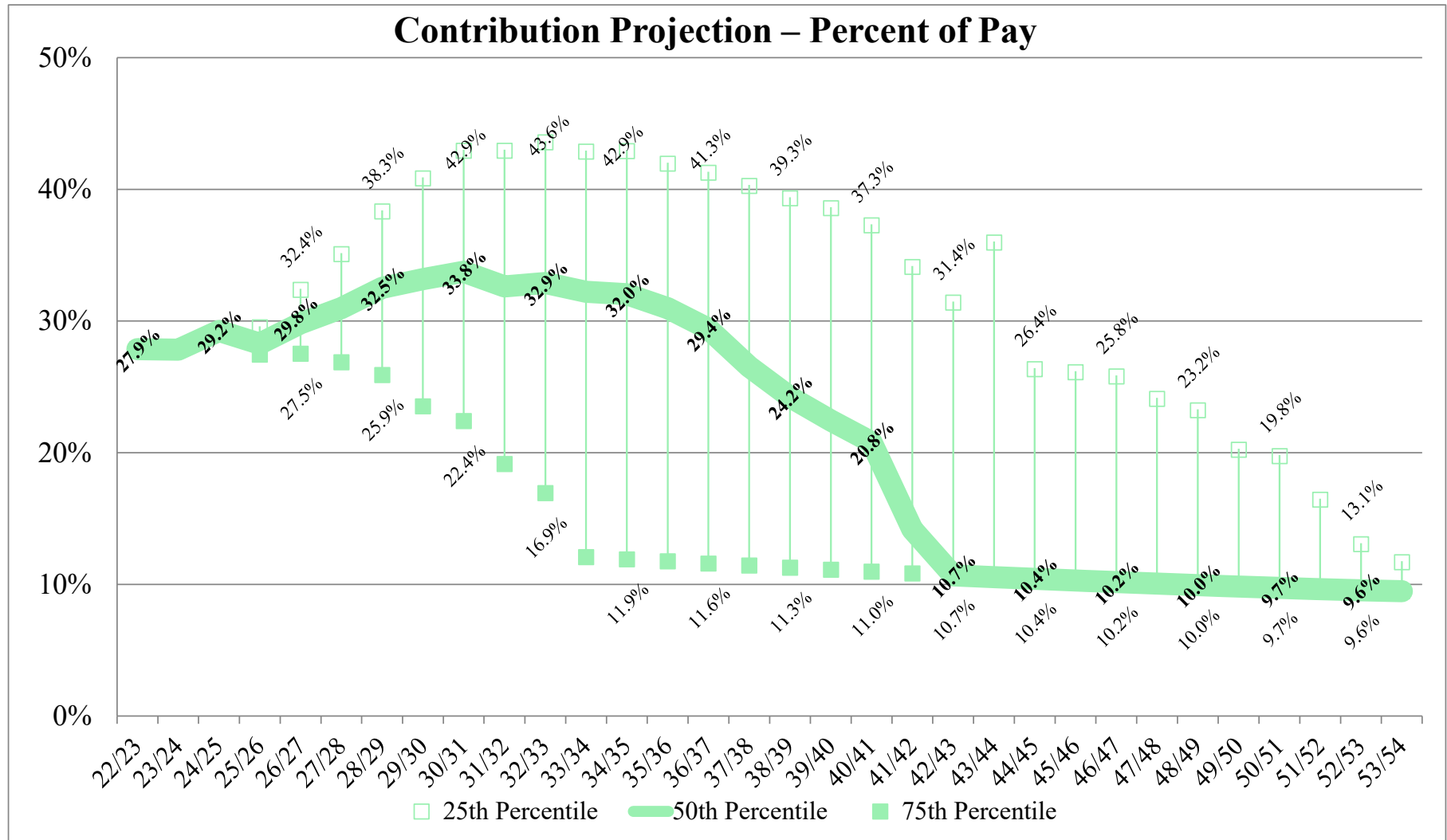
■ Projected payroll FY 2023-2027 from City budget projections

⁴ Final return based on CalPERS 2022 ACFR.

⁵ Nth percentile means N percentage of our trials result in returns lower than the indicated rates.



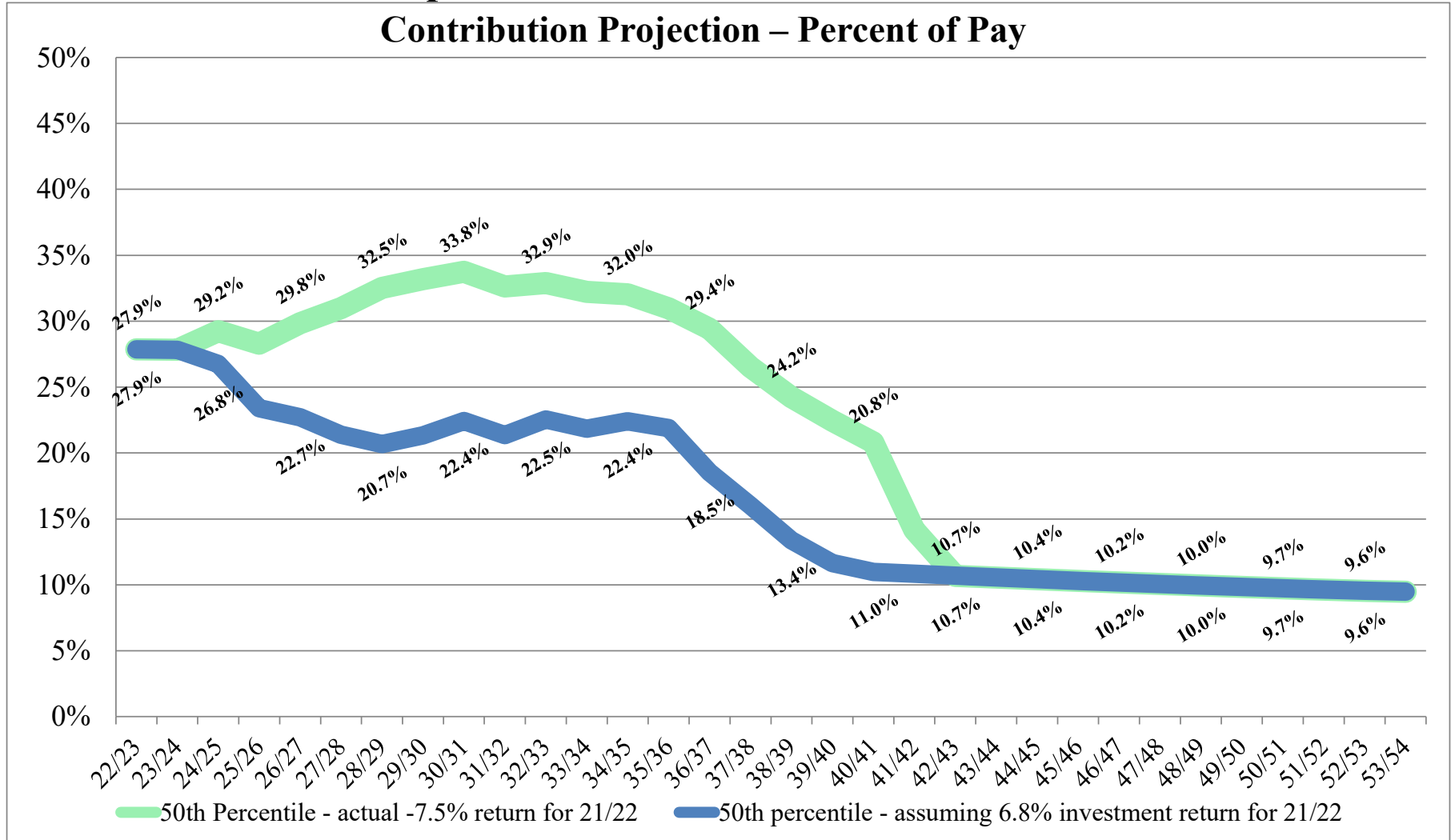
CONTRIBUTION PROJECTIONS - MISCELLANEOUS



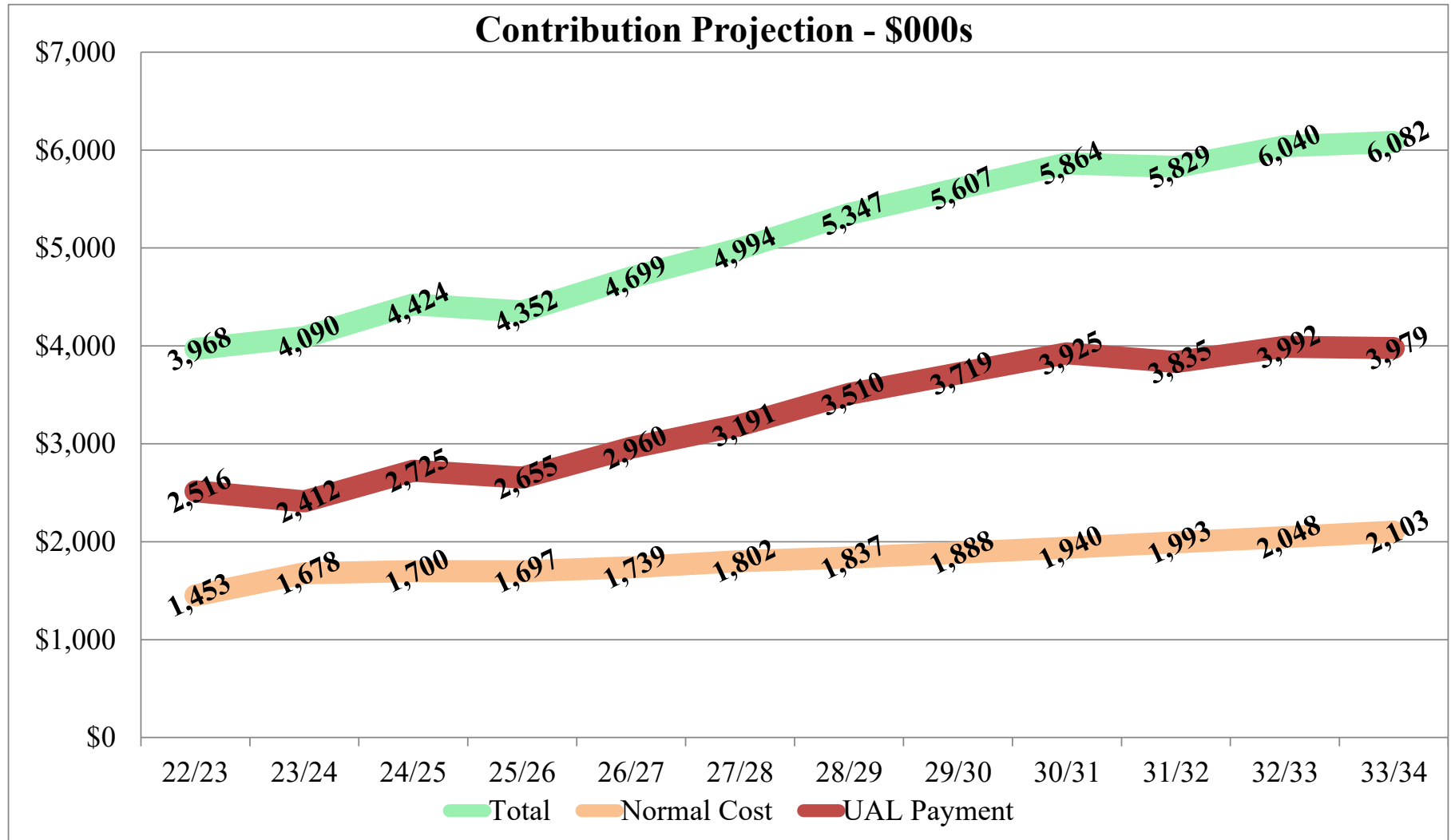
CONTRIBUTION PROJECTIONS - MISCELLANEOUS

Impact of 21/22 Investment Return

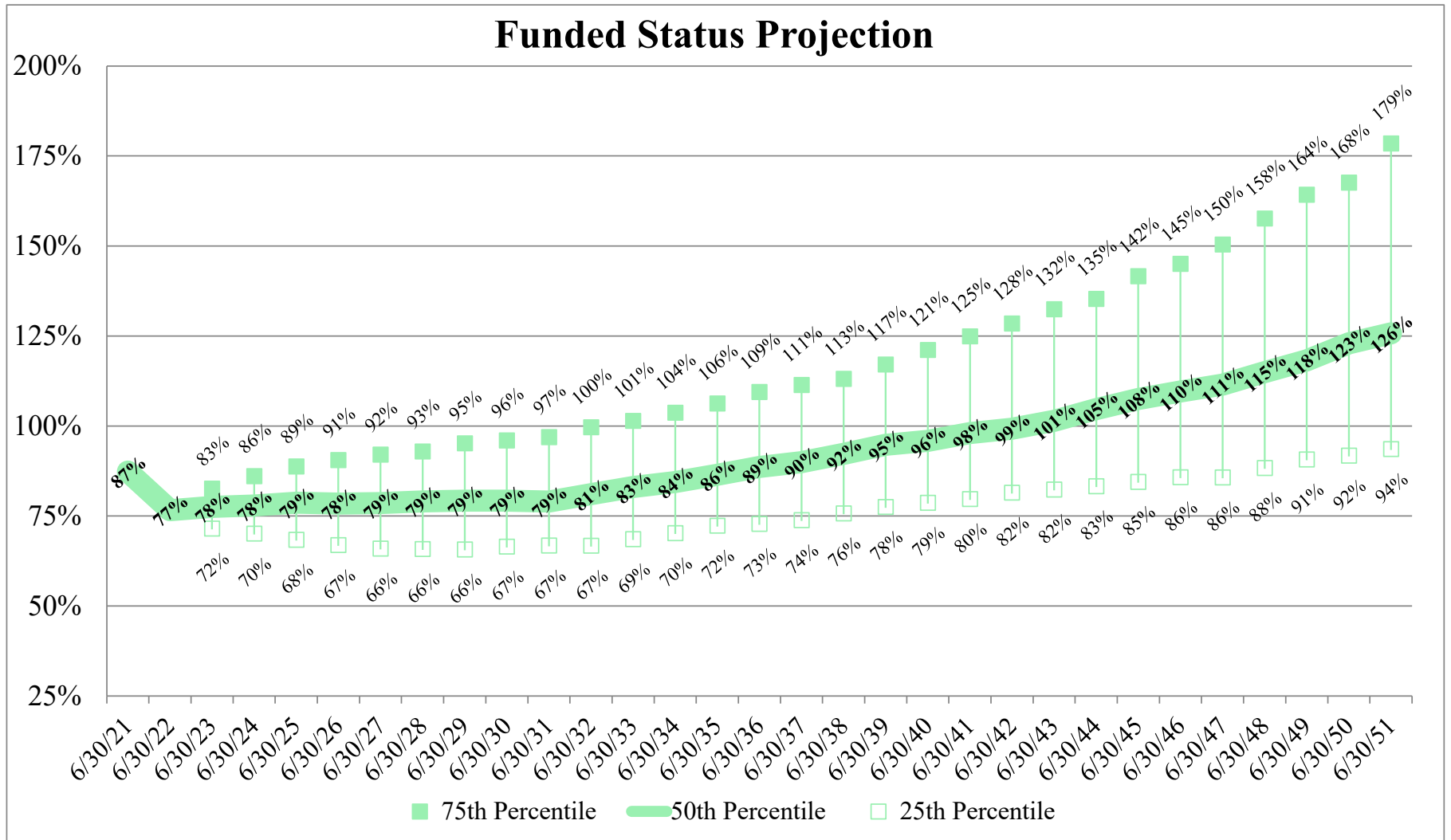
Contribution Projection – Percent of Pay



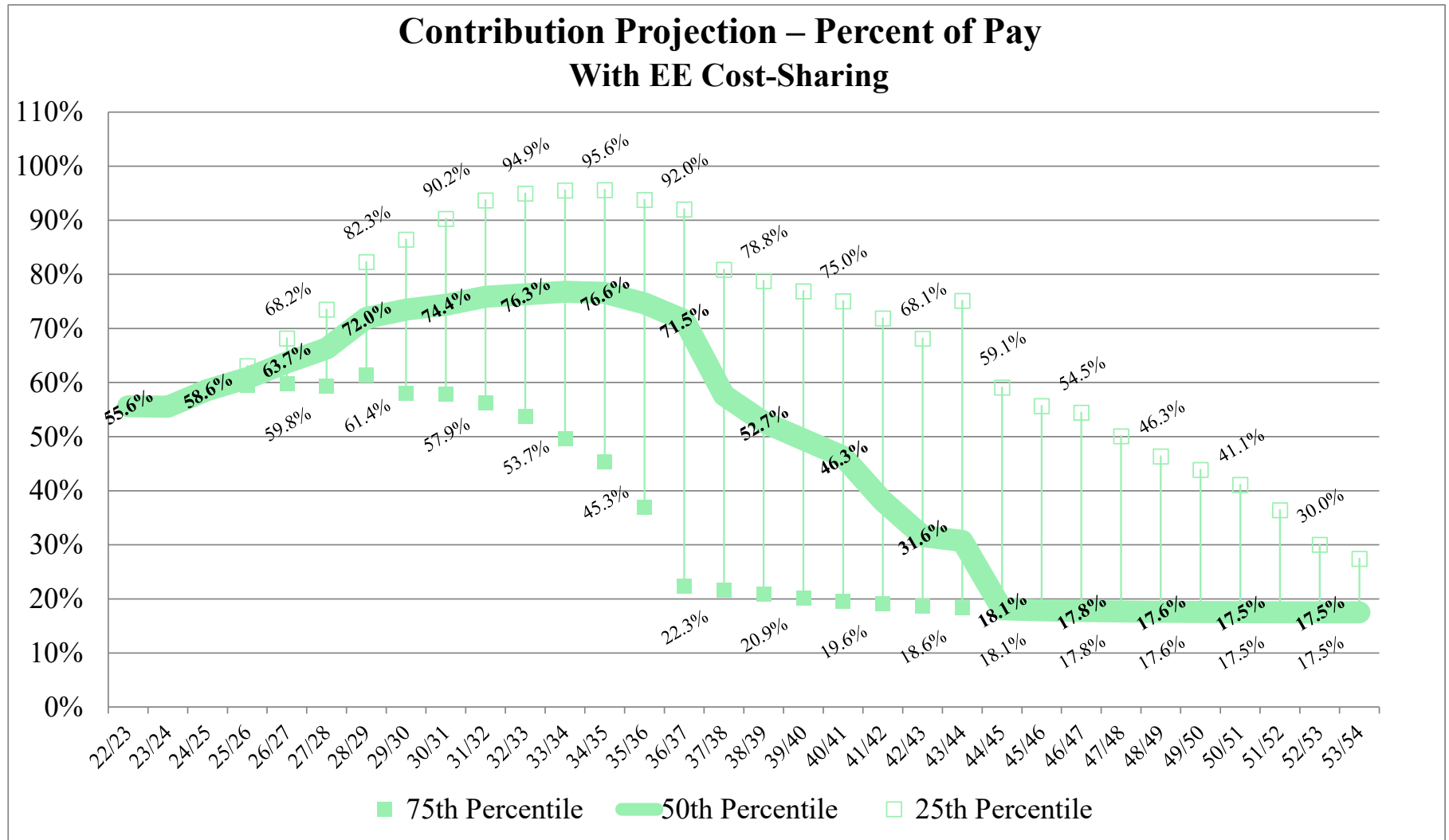
CONTRIBUTION PROJECTIONS - MISCELLANEOUS



FUNDED STATUS - MISCELLANEOUS

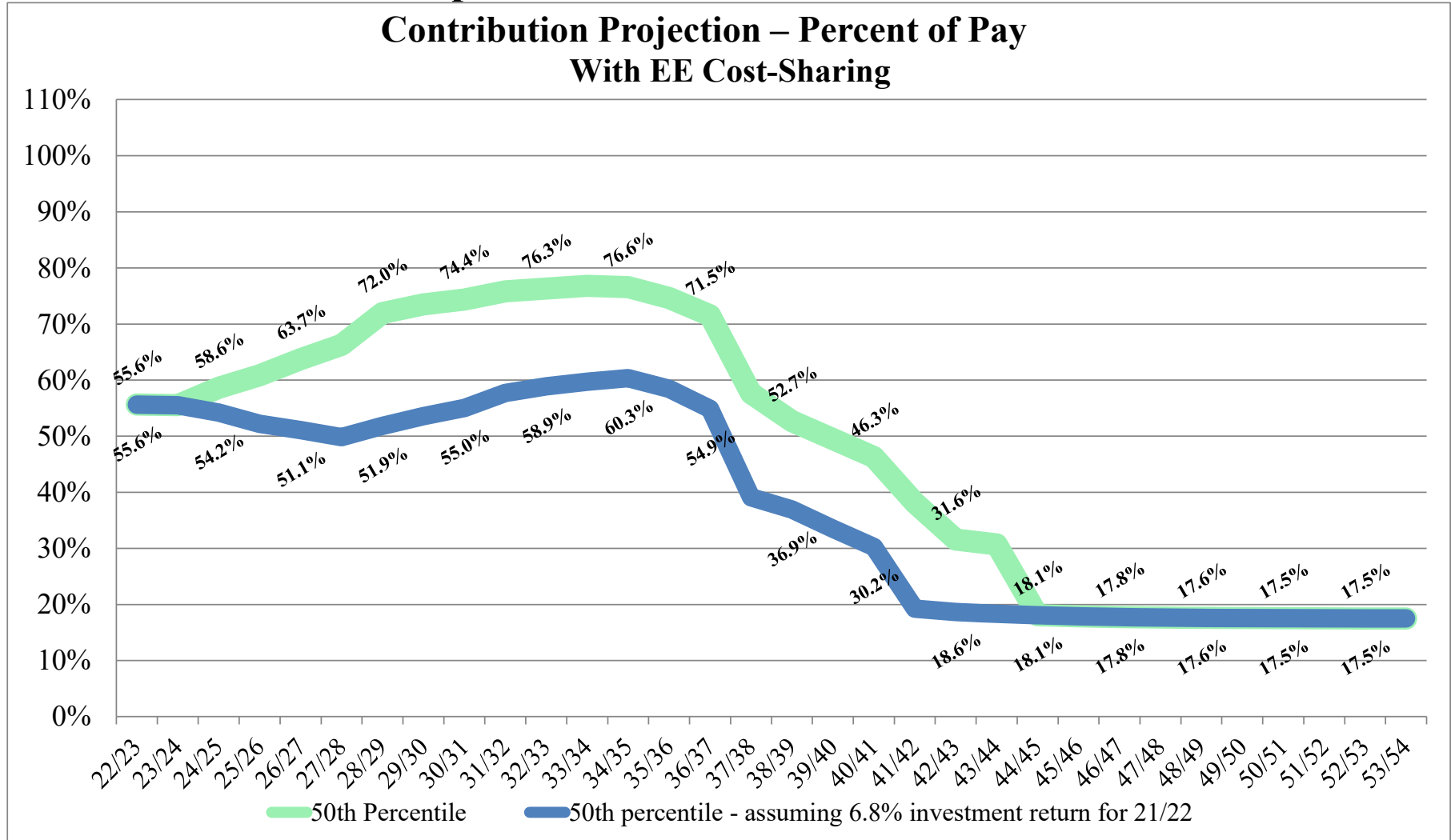


CONTRIBUTION PROJECTION - SAFETY

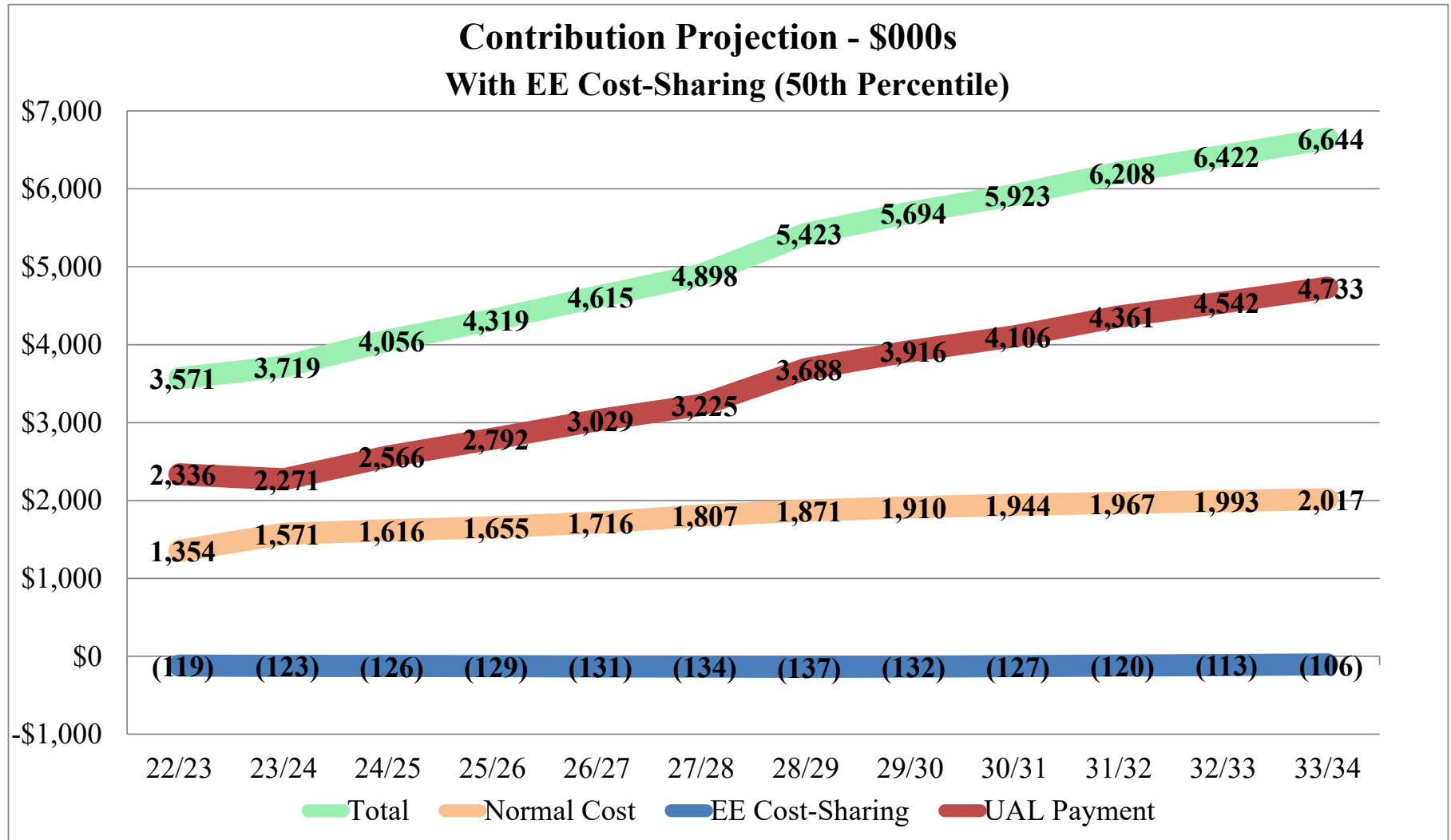


CONTRIBUTION PROJECTION - SAFETY

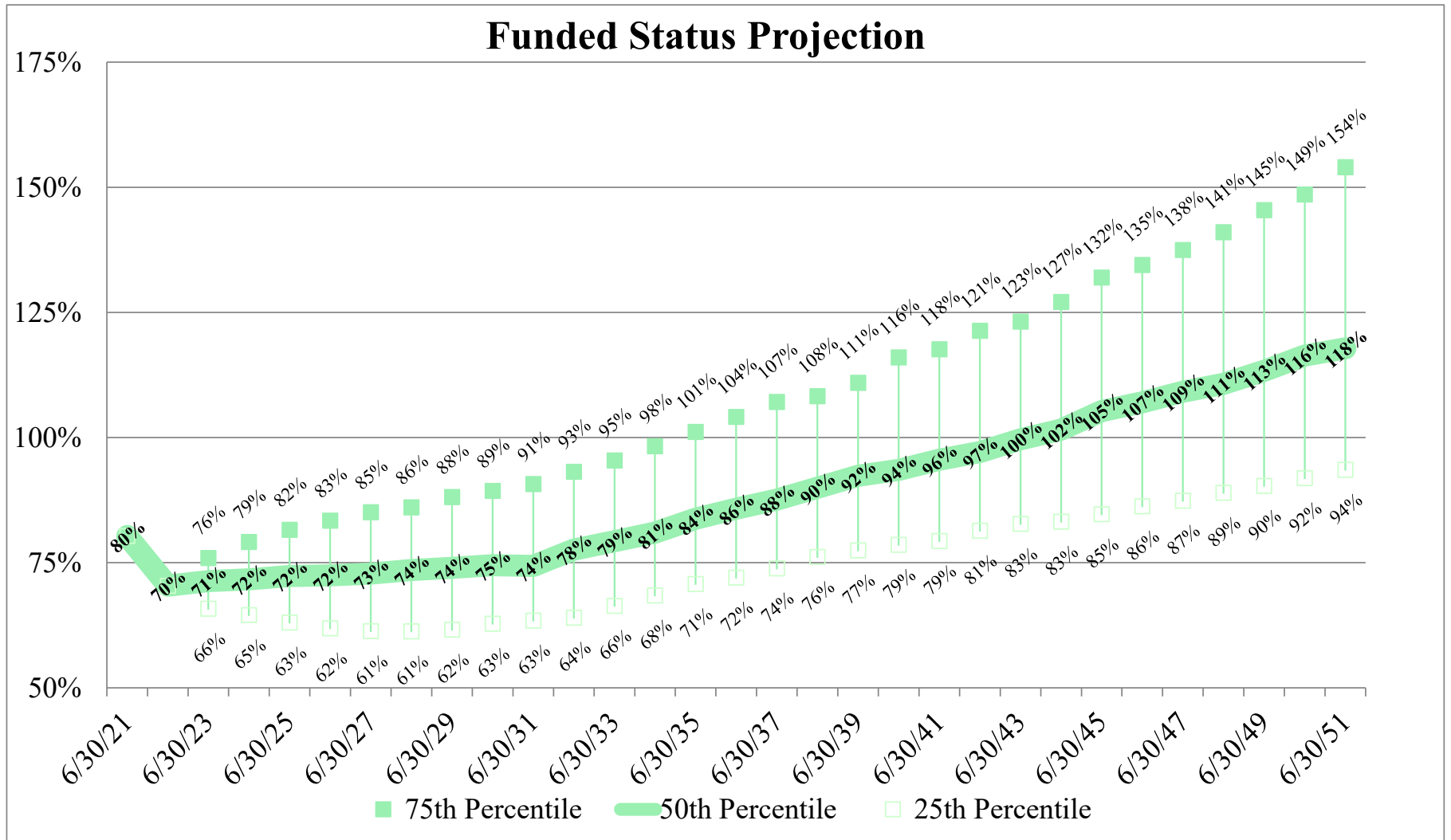
Impact of 21/22 Investment Return Contribution Projection – Percent of Pay With EE Cost-Sharing



CONTRIBUTION PROJECTION - SAFETY



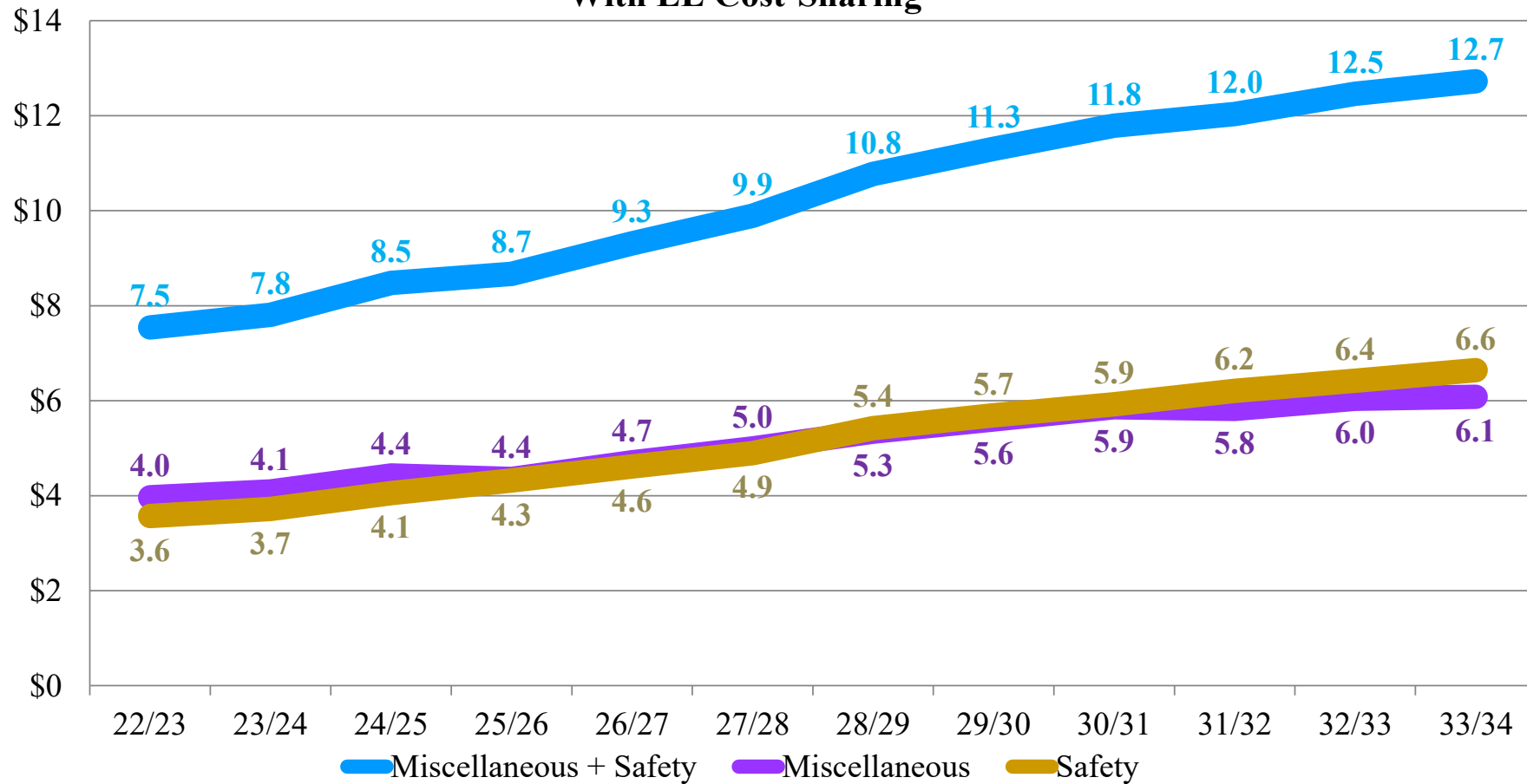
FUNDED STATUS - SAFETY



COMBINED MISCELLANEOUS AND SAFETY

Item 9.

Contribution Projection (\$Millions) Miscellaneous & Safety With EE Cost-Sharing



PREFUNDING OPTIONS

Direct Payment to CalPERS **Prefunding Option**

- Following illustrates savings from an additional \$1 million contribution to CalPERS on June 30, 2023:
- Miscellaneous Plan
 - Shortest Base: 2003 Assumption Change (2 years, \$0.6 million on 6/30/23)
and 2007 Benefit Change (5 years, \$1.0 million on 6/30/23)
Less interest savings, largest short-term contribution impact
 - Longest Base: 2013 Gain/Loss (22 years, \$8.7 million on 6/30/23)
Greater interest savings, smallest short-term contribution impact
- Safety Plan⁶
 - Shortest Base: 2014 Assumption Change (13 years, \$3.9 million on 6/30/23)
Less interest savings, largest short-term contribution impact
 - Longest Base: 2018 Non Asset Gain/Loss (27 years, \$0.4 million on 6/30/23), 2017 Non Asset Gain/Loss (26 years, \$0.07 million on 6/30/23)
and 2016 Asset Gain/Loss (25 years, \$5.5 million on 6/30/23)
Greater interest savings, smallest short-term contribution impact

⁶ All of the target bases are in Safety Classic plan. PEPRA plan has only one credit base.



PREFUNDING OPTIONS

Miscellaneous Plan Target Bases	Estimated Interest Savings	2023/24 Contribution Impact
Shortest Bases	\$1 million	
\$ Savings (000's)	\$114	\$(400)
PV Savings @ 3% (000's)	60	
Longest Base	\$1 million	
\$ Savings (000's)	\$954	\$(73)
PV Savings @ 3% (000's)	430	

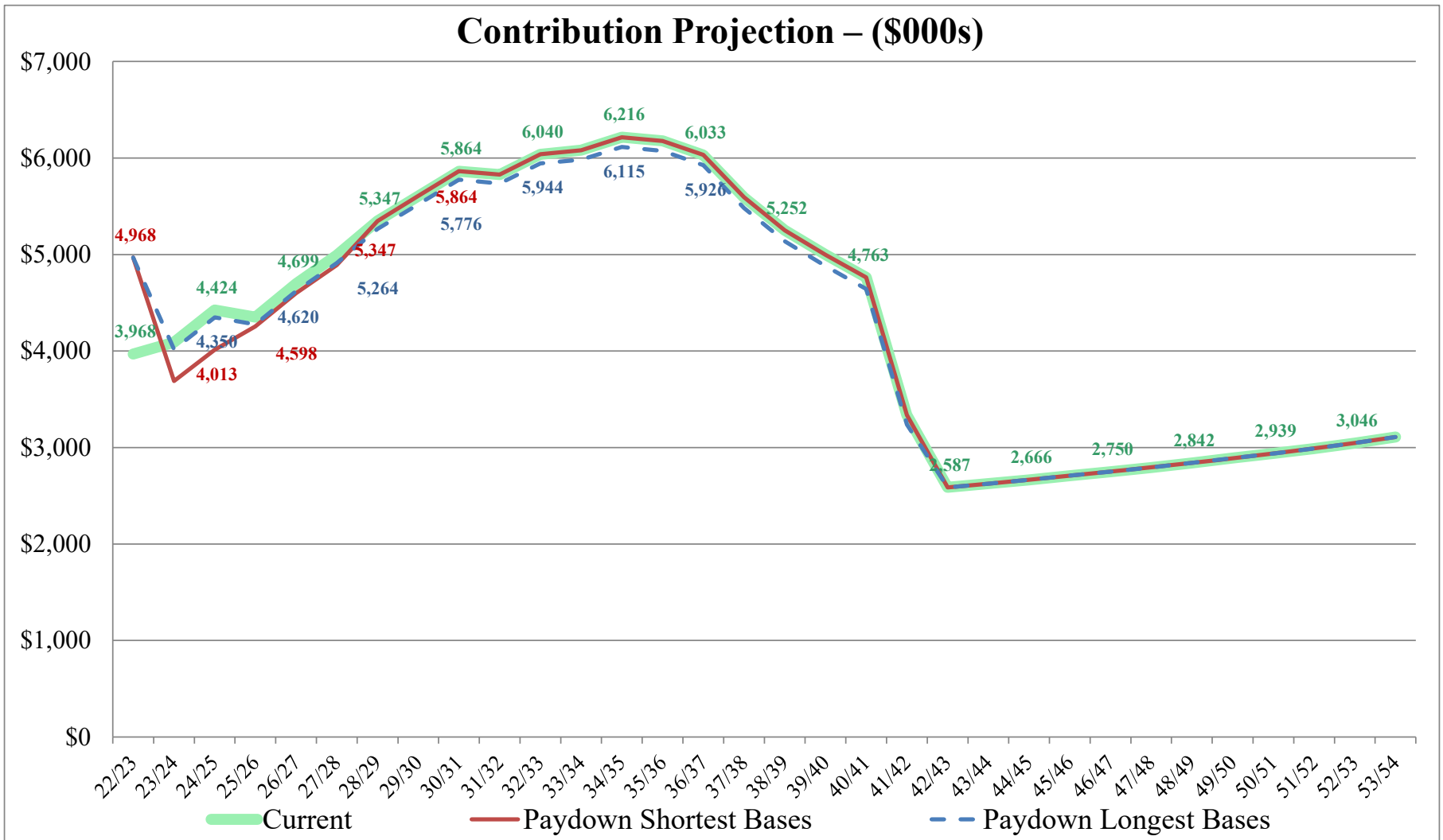
Safety Plan Target Bases	Estimated Interest Savings	2023/24 Contribution Impact
Shortest Bases	\$1 million	
\$ Savings (000's)	\$439	\$(113)
PV Savings @ 3% (000's)	215	
Longest Base	\$1 million	
\$ Savings (000's)	\$1,035	\$(60)
PV Savings @ 3% (000's)	452	



PREFUNDING OPTIONS

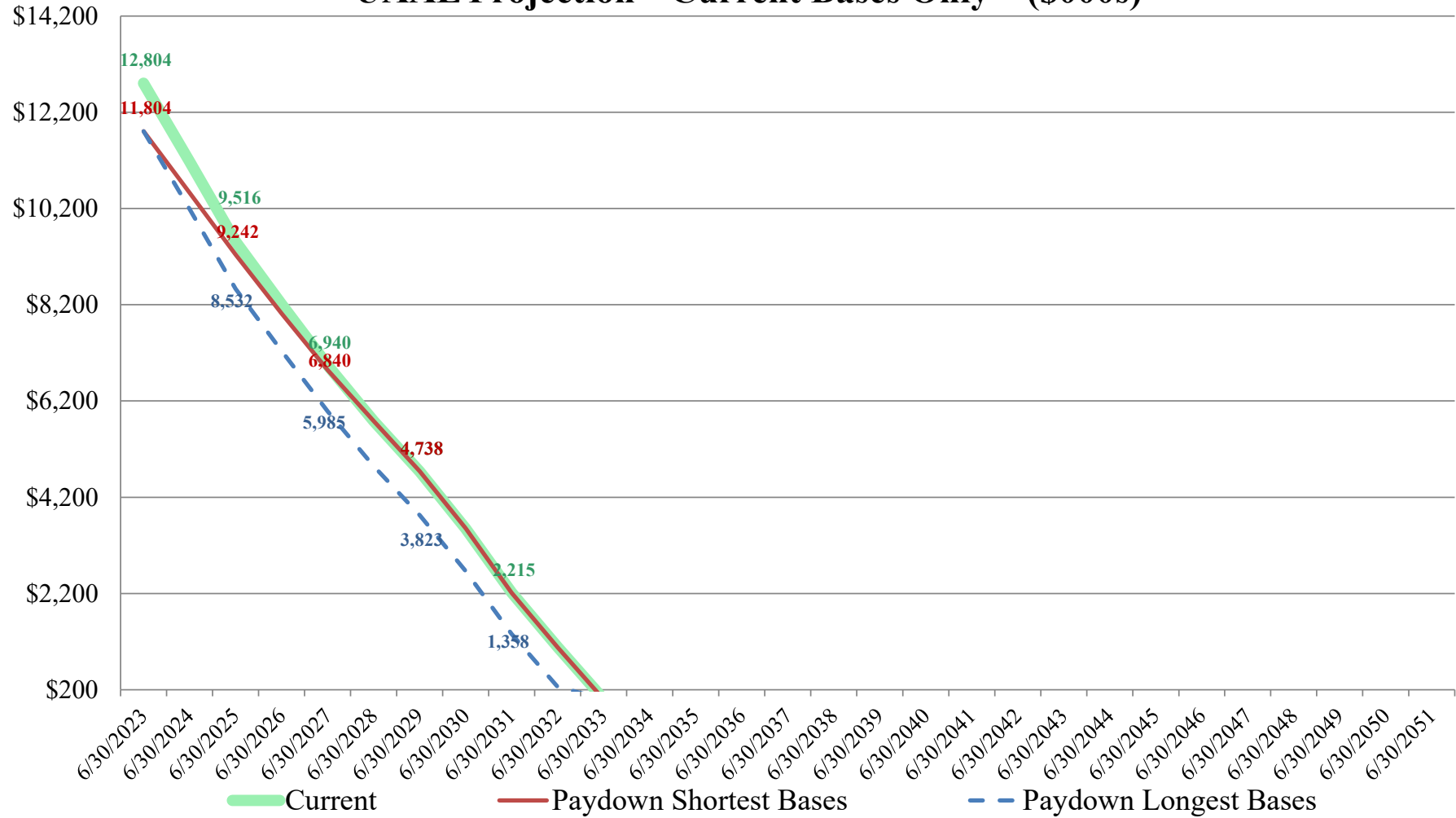
Direct Payment \$1M to CalPERS Miscellaneous

Contribution Projection – (\$000s)



PREFUNDING OPTIONS

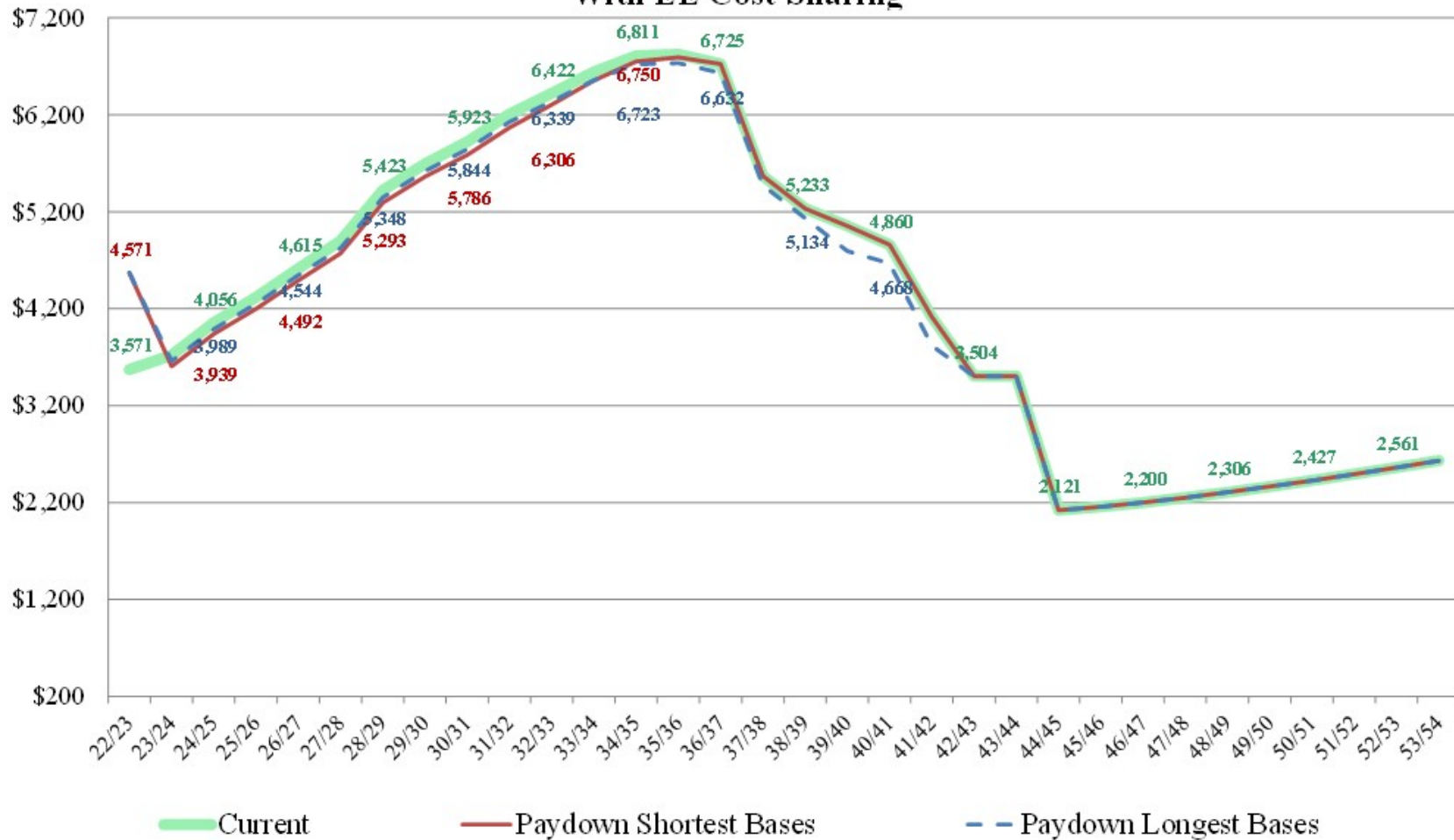
Direct Payment \$1M to CalPERS Miscellaneous UAAL Projection – Current Bases Only – (\$000s)



PREFUNDING OPTIONS

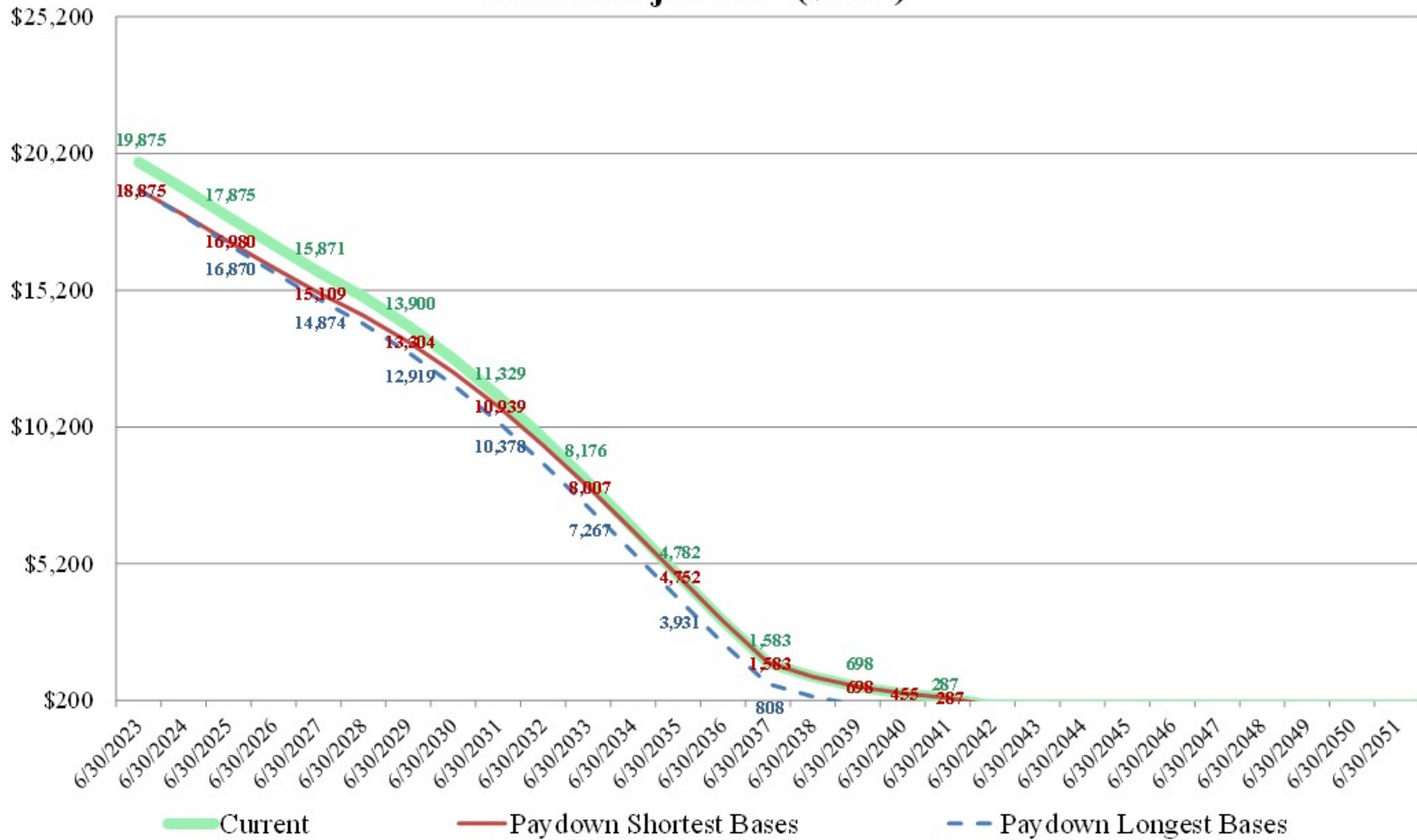
Direct Payment \$1M to CalPERS Safety

Contribution Projection – (\$000s)
With EE Cost-Sharing



PREFUNDING OPTIONS

Direct Payment \$1M to CalPERS Safety UAAL Projection – (\$000s)



Wendy Wood

From: Phil Koen [REDACTED]
Sent: Thursday, March 9, 2023 7:31 AM
To: Wendy Wood; Laurel Prevetti; Rick Tinsley
Subject: Pages from FY-202122-ACFR - (15).pdf
Attachments: Pages from FY-202122-ACFR - (15).pdf

[EXTERNAL SENDER]

Hello Wendy and Laurel,

Would you please include the attached schedules from the Town's FY 2022 ACFR in the agenda packet as additional information for the CALPERs Analysis discussion agenda item.

Thank you.

Phil Koen

TOWN OF LOS GATOS, CALIFORNIA**ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2022****BENEFIT PLAN SCHEDULES**

Schedule of Pension Plan Contributions

Schedule of Proportionate Share of Net Pension Liability – CalPERS Safety Cost Sharing Plan

Schedule of Proportionate Share of Net Pension Liability – CalPERS Misc. Agent-Multiple Employer Plan

Schedule of OPEB Contribution

Schedule of Changes in Net OPEB Liability

ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2022

SCHEDULE OF PENSION PLAN CONTRIBUTIONS

Miscellaneous Agent Multiple-Employer Plan

Plan Measurement Date	2014	2015	2016	2017	2018	2019	2020	2021
Fiscal Year Ended	2015	2016	2017	2018	2019	2020	2021	2022
Contractually Required Contributions	\$ 1,941,765	\$ 2,223,782	\$ 2,407,496	\$ 2,669,133	\$ 3,049,748	\$ 3,366,304	\$ 3,529,373	\$ 3,472,727
Contributions in Relation to Contractually Required Contributions	1,941,765	2,223,782	2,407,496	2,669,133	3,049,748	8,146,791	9,160,680	3,472,727
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (4,780,487)	\$ (5,631,307)	\$ -
Covered Payroll	\$ 8,487,940	\$ 9,198,318	\$ 9,024,370	\$ 9,576,157	\$ 10,211,967	\$ 11,188,927	\$ 12,082,520	\$ 11,970,102
Contributions as a % of Covered Payroll	22.88%	24.18%	26.68%	27.87%	29.86%	72.81%	75.82%	29.01%

Safety Cost Sharing Plan

Plan Measurement Date	2014	2015	2016	2017	2018	2019	2020	2021
Fiscal Year Ended	2015	2016	2017	2018	2019	2020	2021	2022
Contractually Required Contributions	\$ 1,999,757	\$ 1,586,129	\$ 1,738,150	\$ 1,951,711	\$ 2,325,357	\$ 2,565,205	\$ 2,853,764	\$ 3,072,032
Contributions in Relation to Contractually Required Contributions	1,999,757	1,586,129	1,738,150	1,951,711	2,325,357	2,565,205	2,853,764	3,072,032
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 4,897,104	\$ 5,022,498	\$ 4,941,138	\$ 5,079,440	\$ 4,445,061	\$ 4,928,821	\$ 5,178,418	\$ 5,831,703
Contributions as a % of Covered Payroll	40.84%	31.58%	35.18%	38.42%	52.31%	52.05%	55.11%	52.68%

Notes to Schedule:

Valuation Date: June 30, 2020

Assumptions Used: Entry Age Method used for Actuarial Cost Method

Level Percentage of Payroll and Direct Rate Smoothing

3.8 Years Remaining Amortization Period

Inflation Assumed at 2.50%

Investment Rate of Returns set at 7.00%

CalPERS mortality table based on CalPERS' experience and include 15 years of projected ongoing mortality improvement using 90 percent of Scale MP 2016 published by the Society of Actuaries.

Fiscal year 2015 was the first year of implementation, therefore only eight years are shown.

The CalPERS discount rate was increased from 7.50% to 7.65% in fiscal year 2016, then to 7.15% in 2018.

The CalPERS mortality assumptions was adjusted in fiscal year 2019.

FY15 - FY22
CAGR

Misc Plan
- Contrib 8.7 %
- Payroll 5.0 %
Safety Plan
- Contrib 6.3 %
- Payroll 2.5 %

**ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
CALPERS SAFETY COST SHARING PLAN**

Safety Cost Sharing Plan								
Plan Measurement Date	2014	2015	2016	2017	2018	2019	2020	2021
Fiscal Year Ended	2015	2016	2017	2018	2019	2020	2021	2022
Proportion of Net Pension Liability (Safety and Misc)	0.28588%	0.14860%	0.22394%	0.22603%	0.23583%	0.24100%	0.24953%	0.30994%
Proportionate Share of Net Pension Liability	\$ 17,788,690	\$ 10,199,904	\$ 19,377,843	\$ 22,415,954	\$ 22,725,267	\$ 24,695,687	\$ 27,149,916	\$ 16,762,598
Covered Payroll	\$ 4,916,535	\$ 4,897,104	\$ 5,022,498	\$ 4,941,138	\$ 5,079,440	\$ 4,445,061	\$ 4,928,821	\$ 5,178,418
Proportionate Share of NPL as a % of Covered Payroll	361.81%	208.28%	385.82%	453.66%	447.40%	555.58%	550.84%	323.70%
Plan's Fiduciary Net Position as a % of the TPL	75.66%	74.89%	74.89%	73.87%	74.52%	73.61%	72.46%	83.55%

Fiscal year 2015 was the first year of implementation, therefore only eight years are shown.

The CalPERS discount rate was increased from 7.50% to 7.65% in fiscal year 2016, then to 7.15% in 2018.

The CalPERS mortality assumptions was adjusted in fiscal year 2019.

ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2022

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY CALPERS MISCELLANEOUS AGENT-MULTIPLE EMPLOYER PLAN

Measurement Date	2014	2015	2016	2017	2018	2019	2020	2021
Total Pension liability								
Service cost	\$ 1,579,547	\$ 1,491,925	\$ 1,560,679	\$ 1,651,550	\$ 1,700,438	\$ 1,771,368	\$ 1,930,090	\$ 2,062,486
Interest	6,268,015	6,483,032	6,697,247	6,820,536	7,073,843	7,381,846	7,729,269	7,943,404
Diff. between expected and actual exp.	-	(623,495)	(357,870)	(892,479)	994,994	1,082,289	1,465,653	(581,801)
Changes of assumptions	-	(1,513,132)	-	5,481,432	(655,541)	-	-	-
Benefit payments (including refunds)	(4,241,487)	(4,748,786)	(4,953,756)	(5,138,083)	(5,448,374)	(5,720,232)	(5,958,101)	(6,339,615)
Net change in Total Pension Liability	3,606,075	1,089,544	2,946,300	7,922,956	3,665,360	4,515,271	5,166,911	3,084,474
Total Pension Liability - beginning	84,904,502	88,510,577	89,600,121	92,546,421	100,469,377	104,134,737	108,650,008	113,816,919
Total Pension Liability - ending	\$ 88,510,577	\$ 89,600,121	\$ 92,546,421	\$ 100,469,377	\$ 104,134,737	\$ 108,650,008	\$ 113,816,919	\$ 116,901,393
Plan fiduciary net position								
Employer contributions	\$ 1,796,079	\$ 1,941,765	\$ 2,223,782	\$ 2,407,496	\$ 2,669,104	\$ 3,049,748	\$ 8,146,791	\$ 9,160,680
Employee contributions	668,167	679,796	691,770	682,891	761,705	846,125	834,145	889,649
Plan to plan resource movement	-	22,561	(28,866)	-	(170)	-	-	-
Projected investment earnings	4,328,173	-	-	-	-	-	-	-
Diff. between est. and actual earnings	5,831,718	-	-	-	-	-	-	-
Net investment income	-	1,470,873	369,185	7,171,443	5,883,868	4,759,034	3,913,294	19,606,360
Benefit payments (including refunds)	(4,241,487)	(4,748,786)	(4,953,756)	(5,138,083)	(5,448,374)	(5,720,232)	(5,958,101)	(6,339,615)
Administrative expense	-	(74,706)	(40,462)	(95,455)	(108,582)	(52,260)	(107,303)	(82,856)
Adjustments	-	-	-	-	(206,199)	170	-	-
Net change in plan fiduciary net position	8,382,650	(708,497)	(1,738,347)	5,028,292	3,551,352	2,882,585	6,828,826	23,234,218
Plan fiduciary net position - beginning	58,716,725	67,099,375	66,390,878	64,652,531	69,680,823	73,232,175	76,114,760	82,943,586
Plan fiduciary net position - ending	\$ 67,099,375	\$ 66,390,878	\$ 64,652,531	\$ 69,680,823	\$ 73,232,175	\$ 76,114,760	\$ 82,943,586	\$ 106,177,804
Net Pension liability (asset)	\$ 21,411,202	23,209,243	27,893,890	30,788,554	30,902,562	32,535,248	30,873,333	10,723,589
Plan fiduciary net position as a percentage of the total Pension liability	75.81%	74.10%	69.86%	69.36%	70.32%	70.05%	72.87%	90.83%
Covered Payroll	\$ 8,406,315	\$ 8,487,940	\$ 9,198,318	\$ 9,024,370	\$ 9,576,157	\$ 10,211,967	\$ 11,188,927	\$ 12,082,520
Net Pension liability % of covered payroll	254.70%	273.44%	303.25%	341.17%	322.70%	318.60%	275.93%	88.75% ¹

Other Notes

Fiscal year 2015 was the first year of implementation, therefore only eight years are shown.

Pension liability

CAGR
4.05%

**ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

SCHEDULE OF OPEB CONTRIBUTIONS

Fiscal Year Ended	2018	2019	2020	2021	2022
Actuarially determined contribution (ADC)	\$ 2,129,000	\$ 2,108,000	\$ 2,172,000	\$ 1,859,000	\$ 1,860,000
Less: actual contribution in relation to ADC	(2,935,000)	(2,406,636)	(2,508,306)	(2,096,847)	(1,754,922)
Contribution deficiency (excess)	\$ (806,000)	\$ (298,636)	\$ (336,306)	\$ (237,847)	\$ 105,078
Covered employee payroll	\$ 16,192,060	\$ 17,338,201	\$ 17,406,541	\$ 17,982,237	\$ 16,987,042
Contrib. as a % of covered employee payroll	18.13%	13.88%	14.41%	11.66%	10.33%

Notes to Schedule:*Assumptions and Methods*

Valuation Date:	June 30, 2021
Measurement Date:	June 30, 2021
Actuarial Cost Method:	Entry-Age Normal Cost
Amortization Period:	20 years
Asset Valuation Method:	Level percentage of payroll, closed
Actuarial Assumptions:	
Discount Rate	6.25%
Inflation	2.50%
Salary Increases	3.00%
Investment Rate of Return	6.75%
Healthcare Trend Rate	Non-Medicare - 7.25% for 2021, decreasing to an ultimate rate of 4% in 2076
Mortality	CalPERS 2000-2019 Experience Study
Retirement	CalPERS 2000-2019 Experience Study

Other Notes

GASB 75 requires a schedule of contributions for the last ten fiscal years, or for as many years as are available if less than ten years are available. GASB 75 was adopted as of June 30, 2018.

Discount rate was updated based on newer capital market assumptions

Decreased medical trend rate for Kaiser Senior Advantage

Demographic assumptions updated to CalPERS 2000-2019 Experience Study

Inflation rate decreased 25 basis points, decreasing discount rate, medical trend, and salary increases

Retiree and family participation rates at retirement updated

Implicit subsidy added for Tier 1 Medicare eligible

Mortality improvement scale was updated to Scale MP-2021

**ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

SCHEDULE OF CHANGES IN NET OPEB LIABILITY

Measurement Date	2017	2018	2019	2020	2021
Total OPEB liability					
Service cost	\$ 1,134,000	\$ 1,168,227	\$ 1,203,274	\$ 1,159,152	\$ 1,115,309
Interest	1,607,000	1,706,270	1,814,072	1,887,105	1,956,034
Differences between expected & actual exp.	-	-	(149,297)	-	(2,521,500)
Changes of assumptions	-	-	(392,681)	(533,825)	1,054,638
Benefit payments	(1,269,000)	(1,326,313)	(1,298,623)	(1,399,933)	(1,494,906)
Net change in Total OPEB Liability	1,472,000	1,548,184	1,176,745	1,112,499	109,575
Total OPEB Liability - beginning	23,301,000	24,773,000	26,321,184	27,497,929	28,610,428
Total OPEB Liability - ending	\$ 24,773,000	\$ 26,321,184	\$ 27,497,929	\$ 28,610,428	\$ 28,720,003
Plan fiduciary net position					
Employer contributions	\$ 3,878,000	\$ 2,935,313	\$ 2,406,636	\$ 2,508,306	\$ 2,096,847
Net investment income	1,049,000	1,082,977	1,009,315	652,656	5,529,824
Benefit payments	(1,269,000)	(1,326,313)	(1,298,623)	(1,399,933)	(1,494,906)
Administrative expense	(14,000)	(34,261)	(11,502)	(17,357)	(18,556)
Net change in plan fiduciary net position	3,644,000	2,657,716	2,105,826	1,743,672	6,113,209
Plan fiduciary net position - beginning	9,964,000	13,608,000	16,265,716	18,371,542	20,115,214
Plan fiduciary net position - ending	\$ 13,608,000	\$ 16,265,716	\$ 18,371,542	\$ 20,115,214	\$ 26,228,423
Net OPEB liability (asset)	\$ 11,165,000	10,055,468	9,126,387	8,495,214	2,491,580
Plan fiduciary net position as a percentage of the total OPEB liability	54.93%	61.80%	66.81%	70.31%	91.32%
Covered Employee Payroll	\$ 14,985,716	\$ 16,192,060	\$ 17,338,201	\$ 17,406,541	\$ 17,982,237
NOL as a % of cov. emp. payroll	74.50%	62.10%	52.64%	48.80%	13.86%

Other Notes

GASB 75 requires a schedule of contributions for the last ten fiscal years, or for as many years as are available if less than ten years are available. GASB 75 was adopted as of June 30, 2018.

Wendy Wood

Subject: FW: Pages from CalPERS-Analysis-06-30-21-Valuation-Foster-and-Foster-Actuaries-and-Consultants.pdf

From: Phil Koen [REDACTED]

Sent: Thursday, March 09, 2023 9:12 AM

To: Gitta Ungvari <GUngvari@losgatosca.gov>

Cc: Laurel Prevetti <LPrevetti@losgatosca.gov>; Rick Tinsley [REDACTED]; Mary Badame <MBadame@losgatosca.gov>

Subject: Pages from CalPERS-Analysis-06-30-21-Valuation-Foster-and-Foster-Actuaries-and-Consultants.pdf

[EXTERNAL SENDER]

Hello Gitta,

Could you please ask the actuaries to compute the cumulative delta impact (the area between the blue and green curves) on the company's contribution as a result of FY 22 negative 7.5% return. I computed the impact on FY 29. It would be good if they could validate my calculation.

Thank you,

Phil Koen