



**TOWN OF LOS GATOS
FINANCE COMMISSION AGENDA
AUGUST 11, 2025
110 EAST MAIN STREET
TOWN COUNCIL CHAMBERS
5:30 PM**

*Linda Reiners, Chair
Ashby Monk, Vice Chair
Adam Fischer, Commissioner
Phil Koen, Commissioner
Joseph Rodgers, Commissioner
Matthew Hudes, Mayor
Rob Moore, Vice Mayor*

IMPORTANT NOTICE

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

To watch and participate via Zoom, please go to:

<https://losgatosca.gov.zoom.us/j/83324739120?pwd=ROVSrj37YUwahyFb4dlq2e3DLEo4W0.1>

Enter Passcode: 136033

CALL MEETING TO ORDER

ROLL CALL

CONSENT ITEMS *(Items appearing on the Consent are considered routine Town business and may be approved by one motion. Members of the public may provide input on any Consent Item(s) when the Chair asks for public comment on the Consent Items.)*

- [1.](#) Approve the Minutes of the May 12, 2025, Finance Commission Regular Meeting.
- [2.](#) Receive the Monthly Financial and Investment Reports for April, May, and June 2025.
- [3.](#) Receive the California Employer's Retiree Benefit Trust (CERBT) Strategy 1 Market Value Summary Report for the Period Ending March 31, 2025 and the Performance Report as of March 31, 2025.
- [4.](#) Receive the California Employer's Pension Prefunding Trust (CEPPT) Strategy Market Value Summary Report for the Period Ending March 31, 2025, and Performance as of March 31, 2025.

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

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

- [5.](#) Discuss Upcoming Audit and Provide Input on June 30, 2025, Annual Comprehensive Financial Report with the Town's Independent Auditor.
- [6.](#) Review and Provide Recommendations on the Scope of Services for a Fiscal Condition Analysis and Five-Year Projections; Fiscal Impact Analysis for Proposed and Planned Growth; and an Asset Liability Management Study.

ADJOURNMENT

ADA NOTICE - In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the Clerk's Office at (408) 354-6834. Notification at least two (2) business days prior to the meeting date will enable the Town to make reasonable arrangements to ensure accessibility to this meeting [28 CFR §35.102-35.104].

NOTE: The ADA access ramp to the Town Council Chambers is currently under construction and will be inaccessible until further notice. Individuals who require the use of that ramp to attend meetings should contact the Clerk's Office at least two (2) business days in advance to arrange for alternative accommodations.

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

HOW TO PARTICIPATE

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

Zoom Webinar (Online): Join from a PC, Mac, iPad, iPhone or Android device. Please click this URL to join: [https://losgatosca-](https://losgatosca.gov.zoom.us/j/83324739120?pwd=ROVSrj37YUwahyFb4dlq2e3DLEo4W0.1)

[gov.zoom.us/j/83324739120?pwd=ROVSrj37YUwahyFb4dlq2e3DLEo4W0.1](https://losgatosca.gov.zoom.us/j/83324739120?pwd=ROVSrj37YUwahyFb4dlq2e3DLEo4W0.1)

Passcode: 136033 You can also type in 833 2473 9120 in the "Join a Meeting" page on the Zoom website at zoom.us and use passcode 136033.

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

Telephone: Please dial (877) 3361839 for US Toll-free or (636) 651-0008 for US Toll. (Conference code: 686100)

If you are participating by calling in, press #2 on your telephone keypad to raise your hand.

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

NOTES: Comments will be limited to three (3) minutes or less at the Chair's discretion. If you are unable to participate in real-time, you may email to Clerk@losgatosca.gov the subject line "Public Comment Item #__" (insert the item number relevant to your comment). All comments received will become part of the record.

Deadlines to submit written comments are:

- 11:00 a.m. the Thursday before the Commission meeting for inclusion in the agenda packet.
- 11:00 a.m. the Friday before the Commission meeting for inclusion in an addendum.
- 11:00 a.m. on the day of the Commission meeting for inclusion in a desk item.



**TOWN OF LOS GATOS
FINANCE COMMISSION
MINUTES**

MEETING DATE: 08/11/2025

ITEM NO: 1

Item 1.

**Minutes of the Finance Commission Regular Meeting
May 12, 2025**

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

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

ROLL CALL

Present: Chair Linda Reiners, Vice Chair Ashby Monk, Commissioner Adam Fischer, Commissioner Phil Koen, Commissioner Joe Rodgers, Mayor Matthew Hudes, and Vice Mayor Rob Moore

Town Staff Present: Town Manager, Chris Constantin; Finance Director, Gitta Ungvari; Town Clerk, Wendy Wood; and Finance and Accounting Manager, Eric Lemon.

CONSENT ITEMS

1. Approve the Minutes of the April 14, 2025, Finance Commission Regular Meeting
2. Approve the Minutes of the April 28, 2025, Finance Commission Special Meeting
3. Approve the Minutes of the May 5, 2025, Finance Commission Special Meeting
4. Receive the Monthly Financial and Investment Report for March 2025.

There was no public comment.

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

VOTE: Motion passed unanimously.

VERBAL COMMUNICATIONS

There was no public comment.

OTHER BUSINESS

5. Provide Recommendations to the Town Council Regarding the Proposed FY 2025-26 Operating and Capital Budgets, Including Budget Balancing Approaches

The Chair opened the item for discussion.

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SUBJECT: Draft Minutes of the Finance Commission Regular Meeting of May 12, 2025

DATE: August 6, 2025

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

Staff addressed the Commissioners' questions.

The Commission took a recess at 7:15 p.m.

The Commission reconvened at 7:21 p.m.

There was no public comment.

Town Manager Constantin summarized the Commission's recommendations as follows:

- Avoid drawing on reserves unless absolutely necessary;
- Balance the budget to zero or as close to zero as feasible;
- Implement a targeted hiring freeze until a comprehensive five-year financial forecast is completed;
- Engage an external financial consultant to assist in identifying opportunities to increase revenues and reduce expenditures;
- Explore ways to reduce Workers' Compensation and Liability insurance costs, implement safety wellness programs to reduce workplace injuries, and develop a comprehensive labor model to define service level targets and staffing needs;
- Evaluate options to increase sales tax revenue, including contributions from unrepresented sectors such as auto dealerships;
- Review planning and building fees to ensure all adjustments are considered;
- Review Business License Tax being mindful that some of those are capped at a \$3,000 amount in terms of invested income;
- Determine whether we can recoup up to an additional \$700,000 in interest income.;
- Reassessing interest income protection to determine the feasibility of recovering up to an additional \$700,000;
- Evaluate the Town's fleet of over 80 vehicles and construction equipment for potential liquidation and cost savings and consider leasing these vehicles for reduced ongoing maintenance costs;
- Evaluate the tiered budget reductions options to determine how much could be used to achieve the goal of not using unassigned fund balances; and
- Approve the use of 100% of the Measure G funds for operational expenses instead of the 50/50 split between operations and capital.

MOTION: **Motion by Chair Reiners** to approve the set of Finance Commission recommendations to Town Council (as summarized by the Town Manager).
Seconded by Commissioner Fischer

VOTE: **Motion passed unanimously.**

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SUBJECT: Draft Minutes of the Finance Commission Regular Meeting of May 12, 2025

DATE: August 6, 2025

After further discussion, Town Manager Constantin summarized the Finance Commission recommendation for the five-year forecast as follows:

The Financing Commission recommends that the Town Council not accept the current five-year forecast and wait until a consultant can come back with a more refined forecast for recommendation.

MOTION: **Motion by Commissioner Koen** to approve the summary as read by the Town Manager. **Seconded by Vice Chair Monk**

VOTE: **Motion passed unanimously.**

After additional discussion, Town Manager Constantin summarized the Finance Commission recommendations regarding the Capital Improvement Program as follows:

- Basing the Capital program on what is expected to be spent each year versus what is authorized to expend;
- For project 9901 Street Repair and Resurfacing, the Town should tie street repair and resurfacing to a target Pavement Condition Index and the Town Council shall have a conversation about what that target should be; and
- For the Highway 17 bridge design project (818-0803), the Town Council should consider stopping continued progress on that project and schedule further conversation and determine how to best prioritize capital projects and funding in the future.

MOTION: **Motion by Commissioner Koen** to approve recommendations (summarized by the Town Manager). **Seconded by Commissioner Rodgers.**

VOTE: **Motion passed unanimously.**

ADJOURNMENT:

The meeting adjourned at 8:35 p.m.

This is to certify that the foregoing is a true and correct copy of the minutes of the May 12, 2025, regular meeting as approved by the Finance Commission.

Eric Lemon, Finance and Accounting Manager



TOWN OF LOS GATOS
FINANCE COMMISSION REPORT

MEETING DATE: 08/11/2025

ITEM: 2

Item 2.

DATE: August 6, 2025
TO: Finance Commission
FROM: Chris Constantin, Town Manager
SUBJECT: Receive the Monthly Financial and Investment Reports for April, May, and June 2025

RECOMMENDATION:

Receive the Monthly Financial and Investment Reports for April, May, and June 2025.

BACKGROUND:

California Government Code Section 41004 requires that the Town Treasurer submit to the Town Clerk and the legislative body a written report and accounting of all receipts, disbursements, and fund balances. The Finance Director assumes the Town Treasurer role. The Monthly Financial and Investment Reports fulfill this requirement.

The Town Council has already received the April and May Monthly Financial and Investment Reports (Attachments 1 and 2) at its regularly scheduled meetings. These two reports are now being transmitted to the Finance Commission along with the June 2025 Monthly Financial and Investment Report (Attachment 3). The June 2025 Monthly Financial and Investment Report will be presented to the Town Council at its August 19, 2025, regular meeting.

DISCUSSION:

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

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

PREPARED BY: Eric Lemon
Finance and Accounting Manager

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

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SUBJECT: Monthly Financial and Investment Report for April, May, and June 2025

DATE: August 6, 2025

months and the timing of any estimates used in the presentation, based on the information available. This is demonstrated by the attached June 30, 2025, fund balance report.

In the case that the differences are extraordinary and unanticipated, we will ensure we present more information to explain the differences.

The difference between the June 30, 2025, and May 31, 2025, estimated fund balances is due to normal day-to-day fluctuations in revenues and expenditures.

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

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

Reconciling Cash to Fund Balance - April 30, 2025

Total Cash	\$	75,736,441
Plus: Assets	\$	12,730,311
Less: Liabilities	\$	(27,881,574)
Estimated Fund Balance	\$	60,585,178

Reconciling Cash to Fund Balance - May 31, 2025

Total Cash	\$	75,593,586
Plus: Assets	\$	12,341,841
Less: Liabilities	\$	(28,329,939)
Estimated Fund Balance	\$	59,605,488

Reconciling Cash to Fund Balance - June 30, 2025

Total Cash	\$	81,558,113
Plus: Assets	\$	13,258,083
Less: Liabilities	\$	(31,421,946)
Estimated Fund Balance	\$	63,394,250

As of June 30, 2025, the Town's financial position (Cash Plus Other Assets \$94.81M, Liabilities \$31.42, and Fund Equity \$63.39) remains strong, and the Town has sufficient funds to meet the cash demands for the next six months.

As of June 30, 2025, the Town's weighted portfolio yield for investments under management was 4.39%, which was 12 basis points above the Local Agency Investment Fund (LAIF) yield of 4.27% for the same reporting period. Currently, the LAIF portfolio's weighted average maturity (WAM) is 248 days versus the Town's longer WAM of 553 days. The Town's assets under

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SUBJECT: Monthly Financial and Investment Report for April, May, and June 2025

DATE: August 6, 2025

management reflect the Town's selection of the 1-3 year benchmark investment strategy through the Town's investment advisor to lock in higher yields at the top of the interest rate cycle. The longer maturities are balanced with shorter-term yields available on investments held with the State's LAIF. The Town's weighted average rate of return on investments under management of 4.39% at the close of June was 2 basis points lower when compared to the prior month's return of 4.41% reported as of May 31, 2025.

Since June 2024, LAIF yields decreased from 448 basis points (4.48%) to 427 basis points (4.27%) through the end of June 2025. The State LAIF pool typically lags the market when current market yields are either increasing or decreasing.

Following the rate adjustment in July 2023, the Federal Open Market Committee (FOMC) maintained the same rates until their September 18, 2024 meeting, where they approved a reduction of 50 basis points, lowering the rate from 5.5% to 5.0%. Subsequently, on November 7, 2024, the Federal Reserve voted to implement an additional decrease of 25 basis points, bringing the rate down to 4.75%. The latest adjustment occurred during the December 2024 meeting, where another 25 basis point reduction was approved, resulting in a new rate of 4.50%. These adjustments align with the FOMC's objective to promote maximum employment and achieve a year-over-year inflation target of 2%.

Labor market data indicated tighter hiring conditions. Monthly payrolls showed 139,000 jobs added to the economy, while the unemployment rate remained at 4.2% and wage growth remained at 3.9%. Weekly initial jobless claims eased from 248,000 to 236,000, but continuing claims reached a new cycle high at just under two million.

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

CONCLUSION:

Receive the Monthly Financial and Investment Reports for April, May, and June 2025.

Attachments:

1. Financial and Investment Report (April 2024)
2. Financial and Investment Report (May 2024)
3. Financial and Investment Report (June 2024)

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SUBJECT: Monthly Financial and Investment Report for April, May, and June 2025

DATE: August 6, 2025

Item 2.

Town of Los Gatos
Summary Investment Information
April 30, 2025

Weighted Average YTM Portfolio Yield on Investments under Management

4.41%

Weighted Average Maturity (days)

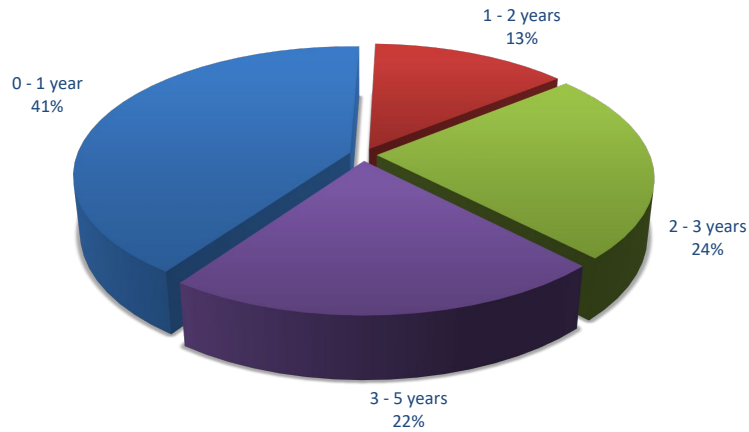
617

	This Month	Last Month	One year ago
Portfolio Allocation & Treasurer's Cash Balances	\$75,736,441	\$72,922,188	\$80,969,252
Managed Investments	\$51,297,214		
Local Agency Investment Fund	\$16,144,462		
Reconciled Demand Deposit Balances	\$8,294,765		
Portfolio Allocation & Treasurer's Cash Balances	<u>\$75,736,441</u>		

Benchmarks/ References:

Town's Average Yield	4.41%	4.42%	4.37%
LAIF Yield for month	4.28%	4.31%	4.27%
3 mo. Treasury	4.29%	4.29%	5.41%
6 mo. Treasury	4.17%	4.22%	5.41%
2 yr. Treasury	3.60%	3.88%	5.04%
5 yr. Treasury	3.73%	3.95%	4.71%
10 Yr. Treasury	4.16%	4.21%	4.68%

Portfolio Maturity Profile



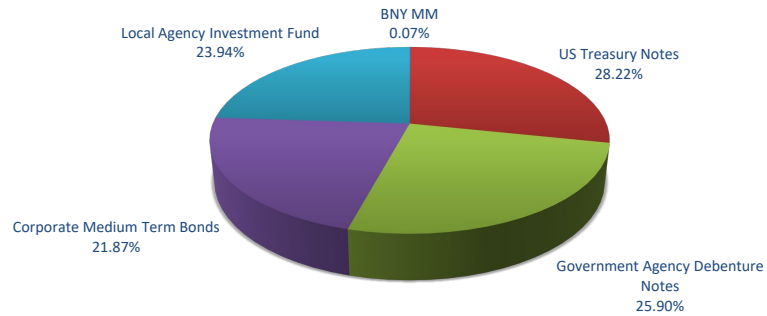
Compliance: The Town's investments are in compliance with the Town's investment policy dated March 18, 2025, and also in compliance with the requirements of Section 53600 at seq. of the California State Code. Based on the information available, the Town has sufficient funds to meet the cash demands for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

Town of Los Gatos
Portfolio Allocation & Treasurer's Cash Balances
April 30, 2025

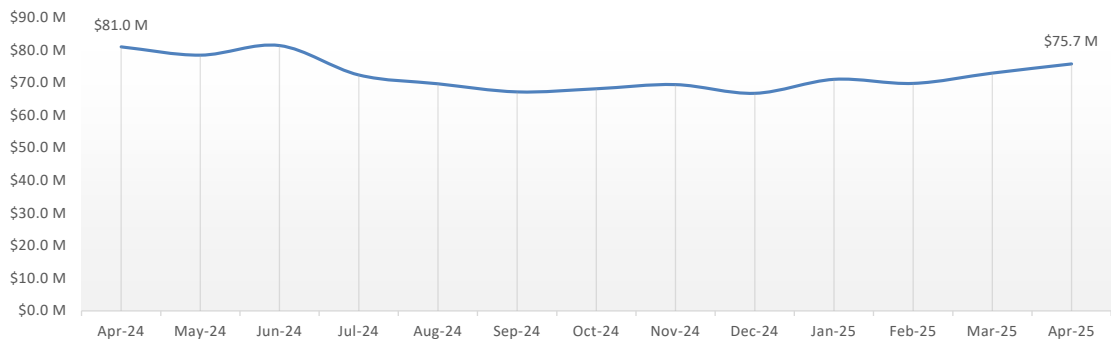
	Month	YTD
Cash & Investment Balances - Beginning of Month/Period	\$ 72,922,187.94	\$ 81,368,409.88
Receipts	11,173,434.34	65,225,126.47
Disbursements	(8,359,181.06)	(70,857,095.13)
Cash & Investment Balances - End of Month/Period	<u>\$75,736,441.22</u>	<u>\$75,736,441.22</u>

Portfolio Allocation	Amount	% of Portfolio	Max. % or \$ Allowed per State Law or Policy
BNY MM	\$48,958.14	0.07%	20% of Town Portfolio
US Treasury Notes	\$19,031,914.67	28.22%	No Max. on US Treasuries
Government Agency Debenture Notes	\$17,464,856.81	25.90%	No Max. on Non-Mortgage Backed
Corporate Medium Term Bonds	\$14,751,484.50	21.87%	30% of Town Portfolio
Local Agency Investment Fund	\$16,144,462.08	23.94%	\$75 M per State Law
Subtotal - Investments	67,441,676.20	100.00%	
Reconciled Demand Deposit Balances	<u>8,294,765.02</u>		
Total Portfolio Allocation & Treasurer's Cash Balances	<u>\$75,736,441.22</u>		

Portfolio Investment Allocation



Treasurer's Fund Balances



Town of Los Gatos
Non-Treasury Restricted Fund Balances
April 30, 2025

	Beginning Balance	April 2025 Deposits Realized Gain/Adj.	April 2025 Interest/ Earnings	April 2025 Withdrawals	Ending Balance	
Non-Treasury Funds:						
Cert. of Participation 2002 Ser A Reserve Fund	\$ 690,592.16	\$ -	\$ 2,238.91	\$ -	\$ 692,831.07	Note 1
Cert. of Participation 2010 Ser Lease Payment Fund	72.24	-	0.26	-	72.50	Note 2
Cert. of Participation 2002 Ser A Lease Payment Fund	15,940.81	-	51.66	-	15,992.47	Note 1
Cert. of Participation 2010 Ser Reserve Fund	1,438,962.23	-	5,113.55	-	1,444,075.78	Note 2
Total Restricted Funds:	<u>\$ 2,145,567.44</u>	<u>\$ -</u>	<u>\$ 7,404.38</u>	<u>\$ -</u>	<u>\$ 2,152,971.82</u>	
CEPPT IRS Section 115 Trust	2,983,246.45	-	15,665.92	-	\$ 2,998,912.37	Note 3
Grand Total COP's and CEPPT Trust	<u>\$ 5,128,813.89</u>	<u>\$ -</u>	<u>\$ 23,070.30</u>	<u>\$ -</u>	<u>\$ 5,151,884.19</u>	

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

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

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

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

Town of Los Gatos
Statement of Interest Earned
April 30, 2025

July 2024	\$	247,221.75
August 2024	\$	212,684.25
September 2024	\$	265,151.31
October 2024	\$	234,237.63
November 2024	\$	227,312.31
December 2024	\$	239,396.54
January 2025	\$	234,030.33
February 2025	\$	213,671.29
March 2025	\$	235,515.22
April 2025	\$	242,125.72
May 2025	\$	-
June 2025	\$	-
	\$	<u>2,351,346.35</u>

**Town of Los Gatos
Investment Schedule
April 30, 2025**

Institution	CUSIP #	Security	Coupon	Deposit Date	Par Value	Original Cost	Original Issue (Discount) Premium	Market Value	Market Value Above (Under) Cost	Purchased Interest	Maturity Date or Call Date	Yield to Maturity or Call	Interest Received to Date	Interest Earned Prior Yrs.	Interest Earned Current FY	Days to Maturity
Apple	037833DB3	Corporate Bond	2.90%	12/20/2022	1,300,000.00	1,228,591.00	(71,409.00)	1,273,623.00	45,032.00		6/21/2027	4.19%	\$ 83,987.22	\$ 81,871.88	\$ 44,604.04	782
Home Depot	437076BM3	Corporate Bond	3.00%	8/4/2022	1,000,000.00	991,960.00	(8,040.00)	988,980.00	(2,980.00)		1/1/2026	3.04%	\$ 79,750.00	\$ 61,696.52	\$ 26,947.91	246
US Treasury	912828ZW3	US Treasury Note	0.25%	8/9/2022	350,000.00	322,096.88	(27,903.12)	347,686.50	25,589.62		6/30/2025	3.16%	\$ 2,092.39	\$ 19,915.08	\$ 8,761.48	61
FFCB	3133ENSV8	Gov. Agency Debenture	4.13%	1/17/2023	236,000.00	239,174.20	3,174.20	237,659.08	(1,515.12)		1/11/2027	3.76%	\$ 19,307.75	\$ 12,979.52	\$ 7,444.85	621
US Treasury	91282CBT7	US Treasury Note	0.75%	9/30/2022	800,000.00	712,565.18	(87,434.82)	777,264.00	64,698.82		3/31/2026	4.14%	\$ 15,000.00	\$ 54,221.52	\$ 25,795.53	335
FFCB	3133ENP95	Gov. Agency Debenture	4.25%	9/30/2022	900,000.00	900,939.60	939.60	899,541.00	(1,398.60)		9/30/2025	4.14%	\$ 95,625.00	\$ 66,415.88	\$ 31,596.92	153
JP Morgan Chase	46625HRS1	Corporate Bond	3.20%	9/23/2022	500,000.00	474,660.00	(25,340.00)	494,765.00	20,105.00		3/15/2026	4.70%	\$ 35,644.44	\$ 41,217.45	\$ 19,396.45	319
FHLB	3135G05X7	Gov. Agency Debenture	0.38%	6/10/2022	1,200,000.00	1,102,952.40	(97,047.60)	1,185,204.00	82,251.60		8/25/2025	3.04%	\$ 12,187.50	\$ 71,445.55	\$ 28,920.70	117
FHLB	3130AQF65	Gov. Agency Debenture	1.25%	11/30/2022	1,300,000.00	1,160,559.40	(139,440.60)	1,250,002.00	89,442.60		12/21/2026	4.15%	\$ 33,447.92	\$ 80,116.59	\$ 42,137.45	600
FHLB	3130APJH9	Gov. Agency Debenture	1.00%	1/17/2023	1,000,000.00	907,010.00	(92,990.00)	973,950.00	66,940.00		10/28/2026	4.17%	\$ 23,354.17	\$ 50,234.10	\$ 28,813.52	546
FFCB	3133ENSN6	Gov. Agency Debenture	4.00%	2/8/2023	1,700,000.00	1,706,732.00	6,732.00	1,713,583.00	6,851.00		1/6/2028	3.91%	\$ 129,955.56	\$ 92,733.76	\$ 55,494.22	981
Freddie Mac	3137EAEX3	Gov. Agency Debenture	0.38%	5/1/2023	750,000.00	689,032.50	(60,967.50)	738,420.00	49,387.50		9/23/2025	3.97%	\$ 5,328.12	\$ 32,931.11	\$ 23,500.14	146
American Honda	02665WED9	Corporate Bond	4.70%	5/11/2023	600,000.00	608,856.00	8,856.00	605,034.00	(3,822.00)		1/12/2028	4.34%	\$ 47,078.33	\$ 29,982.05	\$ 21,909.96	987
US Treasury	91282CE4F	US Treasury Note	2.50%	6/9/2023	1,500,000.00	1,416,626.12	(83,373.88)	1,468,650.00	52,023.88		3/31/2027	4.09%	\$ 67,827.87	\$ 62,956.31	\$ 49,454.06	700
US Treasury	91282CGA3	US Treasury Note	4.00%	6/20/2023	2,100,000.00	2,099,286.00	(19,441.41)	2,099,286.00	18,727.41		12/15/2025	4.40%	\$ 124,852.46	\$ 94,573.28	\$ 76,463.50	229
Colgate-Palmolive	194162AR4	Corporate Bond	4.60%	7/14/2023	500,000.00	504,655.00	4,655.00	511,365.00	6,710.00		2/1/2028	4.37%	\$ 37,502.79	\$ 21,195.52	\$ 18,305.22	1007
FannieMae	3135G06G3	Gov. Agency Debenture	0.50%	7/14/2023	500,000.00	455,157.00	(44,843.00)	490,615.00	35,458.00		11/7/2025	4.63%	\$ 3,284.72	\$ 21,047.01	\$ 18,176.96	191
FFCB	3133PQC2C	Gov. Agency Debenture	4.63%	7/17/2023	500,000.00	501,957.50	1,957.50	505,275.00	3,317.50		7/17/2026	4.48%	\$ 34,687.50	\$ 21,487.97	\$ 18,717.32	443
FFCB	3133EPBM6	Gov. Agency Debenture	4.13%	7/14/2023	600,000.00	596,220.00	(3,780.00)	596,676.00	456.00		8/23/2027	4.29%	\$ 39,806.25	\$ 24,754.94	\$ 21,379.27	845
PNC Bank	69353RFJ2	Corporate Bond	3.25%	7/25/2023	1,000,000.00	921,490.00	(78,510.00)	972,990.00	51,500.00		12/23/2027	5.23%	\$ 48,479.17	\$ 46,970.90	\$ 41,874.35	967
US Treasury	91282CFU0	US Treasury Note	4.13%	7/31/2023	1,300,000.00	1,290,660.00	(9,339.40)	1,315,639.00	24,978.40		10/31/2027	4.31%	\$ 93,843.75	\$ 51,232.08	\$ 46,491.20	914
Toyota Motor Credit	89236TKL8	Corporate Bond	5.45%	8/25/2023	1,600,000.00	1,617,168.00	17,168.00	1,647,776.00	30,608.00		11/10/2027	5.16%	\$ 105,366.67	\$ 70,599.88	\$ 69,233.43	924
US Treasury	912810FE3	US Treasury Note	5.50%	10/3/2023	1,200,000.00	1,238,207.14	38,207.14	1,271,628.00	33,420.86		8/15/2028	4.76%	\$ 90,211.96	\$ 43,179.27	\$ 48,437.26	1203
Pepsico Inc	713448DF2	Corporate Bond	2.85%	10/16/2023	1,000,000.00	947,570.00	(52,430.00)	989,240.00	41,670.00		11/24/2025	5.24%	\$ 38,633.33	\$ 37,712.66	\$ 44,436.62	208
FFCB	3133EPUW3	Gov. Agency Debenture	4.75%	10/13/2023	1,000,000.00	994,338.00	(5,662.00)	1,013,210.00	18,872.00		9/1/2026	4.96%	\$ 65,708.33	\$ 35,367.82	\$ 41,194.71	489
US Treasury	91282CEW7	US Treasury Note	3.25%	10/16/2023	1,000,000.00	950,039.06	(49,960.94)	992,500.00	42,460.94		6/30/2027	4.73%	\$ 39,211.96	\$ 32,499.52	\$ 38,294.01	791
US Treasury	91282CEN7	US Treasury Note	2.75%	10/31/2023	1,300,000.00	1,214,336.39	(85,663.61)	1,278,160.00	63,823.61		4/30/2027	4.82%	\$ 53,625.00	\$ 40,101.59	\$ 50,168.25	730
US Treasury	91282CAB7	US Treasury Note	0.25%	11/15/2023	675,000.00	623,900.39	(51,099.61)	668,142.00	(54,241.61)		7/31/2025	4.92%	\$ 2,040.59	\$ 19,725.12	\$ 26,300.16	92
US Treasury	91282CCH2	US Treasury Note	1.25%	12/1/2023	900,000.00	798,647.55	(101,352.45)	836,370.00	37,722.45		6/30/2028	3.99%	\$ 11,555.71	\$ 17,690.14	\$ 28,009.39	1157
FNMA	3135G0Q22	Gov. Agency Debenture	1.88%	12/21/2023	900,000.00	845,676.00	(54,324.00)	876,942.00	31,266.00		9/24/2026	4.22%	\$ 21,234.38	\$ 19,224.14	\$ 30,438.22	512
US Treasury	91282CFB2	US Treasury Note	2.75%	1/2/2024	1,000,000.00	960,354.91	(39,645.09)	981,090.00	20,735.09		7/31/2027	3.95%	\$ 29,667.12	\$ 19,025.75	\$ 32,132.37	822
US Treasury	91282CHE4	US Treasury Note	3.63%	1/17/2024	1,800,000.00	1,775,185.72	(24,814.28)	1,799,658.00	24,472.28		5/31/2028	3.97%	\$ 56,692.63	\$ 32,061.96	\$ 59,071.74	1127
JP Morgan Chase	46647PDG8	Corporate Bond	4.85%	2/1/2024	1,400,000.00	1,396,528.00	(3,472.00)	1,414,420.00	17,892.00		7/25/2027	4.93%	\$ 66,782.10	\$ 38,319.94	\$ 57,395.08	816
US Bancorp	91159JHF8	Corporate Bond	4.55%	2/5/2024	1,000,000.00	999,200.00	(10,800.00)	1,002,260.00	3,060.00		7/22/2027	4.89%	\$ 43,837.67	\$ 19,440.46	\$ 40,478.76	813
Treasury	91282CHB0	US Treasury Note	3.63%	2/23/2024	1,175,000.00	1,151,962.92	(23,037.08)	1,171,780.50	19,817.58		5/15/2026	4.56%	\$ 30,892.17	\$ 18,568.45	\$ 44,100.06	380
FHLB	3130AXB31	Gov. Agency Debenture	4.88%	2/27/2024	1,000,000.00	1,003,060.00	3,060.00	1,017,291.00	14,231.00		3/13/2026	4.72%	\$ 51,729.17	\$ 16,052.33	\$ 39,354.10	317
FFCB	3133EP5U5	Gov. Agency Debenture	4.13%	3/28/2024	1,700,000.00	1,687,981.00	(12,019.00)	1,715,980.00	27,999.00		3/20/2029	4.28%	\$ 68,566.67	\$ 18,681.03	\$ 60,415.26	1420
US Treasury	9128285M8	US Treasury Note	3.13%	4/30/2024	1,200,000.00	1,123,832.14	(76,167.86)	1,178,724.00	54,891.86		11/15/2028	4.69%	\$ 20,295.34	\$ 9,066.06	\$ 45,181.69	1295
Cisco Systems	17275RBR2	Corporate Bond	4.85%	5/15/2024	1,000,000.00	999,130.00	(870.00)	1,024,680.00	25,550.00		1/26/2029	4.87%	\$ 37,856.94	\$ 6,135.64	\$ 40,548.56	1367
Home Depot	437076CW0	Corporate Bond	4.90%	5/17/2024	1,000,000.00	1,021,790.00	1,790.00	1,025,390.00	3,600.00		4/15/2029	4.86%	\$ 44,644.44	\$ 5,862.95	\$ 40,507.64	1446
Treasury	91282CJR3	US Treasury Note	3.75%	5/31/2024	1,200,000.00	1,154,629.02	(45,370.98)	1,202,952.00	48,322.98		12/31/2028	4.68%	\$ 26,208.79	\$ 4,511.24	\$ 45,713.95	1341
American Honda	02665WEY3	Corporate Bond	4.95%	6/27/2024	1,000,000.00	995,640.00	(4,360.00)	1,002,920.00	7,280.00		1/9/2026	5.25%	\$ 26,537.50	\$ 430.16	\$ 43,590.04	254
FHLB	3130B1BT3	Gov. Agency Debenture	4.88%	7/2/2024	1,150,000.00	1,150,966.00	966.00	1,162,098.00	11,132.00		6/12/2026	4.82%	\$ 19,310.42	-	\$ 45,975.07	408
Citibank	17325FBK3	Corporate Bond	4.84%	8/15/2024	1,250,000.00	1,263,062.50	13,062.50	1,271,587.50	8,525.00		7/6/2029	4.60%	\$ 28,725.62	-	\$ 40,859.74	1528
FNMA	3135G05Y5	Gov. Agency Debenture	0.75%	9/10/2024	1,100,000.00	1,010,724.00	(89,276.00)	1,026,146.00	15,422.00		10/8/2027	3.56%	\$ 4,766.67	-	\$ 23,687.32	891
US Treasury	91282CFL0	US Treasury Note	3.88%	12/3/2024	1,100,000.00	1,088,144.31	(11,855.69)	1,106,699.00	18,554.69		9/30/2029	4.12%	\$ 13,817.99	-	\$ 18,279.39	1614
FHLB	3130AUTT2	Gov. Agency Debenture	4.50%	2/12/2025	505,000.00	508,253.21	3,253.21	518,589.55	10,336.34	3,661.25	12/14/2029	4.35%	\$ (3,661.25)	-	\$ 4,652.20	1689
FFCB	3133ERSX5	Gov. Agency Debenture	3.88%	3/12/2025	1,000,000.00	998,480.00	(1,520.00)	1,005,820.00	7,340.00		3/7/2028	3.93%	\$ (538.19)	-	\$ 5,270.32	1042
Treasury	91282CFJ9	US Treasury Note	4.88%	3/31/2025	1,100,000.00	1,130,167.75	30,167.75	1,143,230.00	13,062.25		8/31/2028	4.04%	\$ 4,444.06	-	\$ 3,716.67	1280
State Street Corp	857477CD3	Corporate Bond	5.27%	4/30/2025	800,000.00	811,184.00	11,184.00	810,840.00	(344.00)	10,192.53	8/3/2026	4.04%	\$ (10,192.53)	-	-	460
Freddie Mac	3134HAW33	Gov. Agency Debenture	4.75%	4/30/2025	1,000,000.00	1,005,644.00	5,644.00	1,006,090.00	446.00	16,756.93	12/18/2029	4.23%	\$ (16,756.93)	-	-	1693
Subtotal					\$ 52,691,000.00	\$ 51,248,255.98	\$ (1,442,744.02)	\$ 52,607,580.13	\$ 1,359,324.15	\$ 31,148.90			\$ 2,004,257.24	\$ 1,534,235.15	\$ 1,723,627.01	
BNY MM		Money Market				48,958.14		48,958.14	0.00			0.00%				1
LAIF		State Investment Pool				16,144,462.08		16,158,171.81	13,709.73			4.28%			499,611.67	1
						67,441,676.20		\$68,814,710.08	\$1,373,033.88	\$31,148.90			\$ 2,004,257.24	\$ 1,534,235.15	\$ 2,223,238.68	
Matured Assets																
FNMA	3135G0V75	Gov. Agency Debenture	1.75%	10/17/2019	1,100,000.00	1,105,833.30	5,833.30				7/2/2024	1.63%	\$ 90,956.25	\$ 84,780.33	\$ 98.70	
Honeywell Int'l.	438516BW5	Corporate Bond	2.30%	11/20/2019	1,000,000.00	1,014,660.00	14,660.00				8/15/2024	1.64%	\$ 108,483.33	\$ 91,844.87	\$ 2,508.83	
FFCB	3133EKOQ7	Gov. Agency Debenture	2.08%	10/21/2019	1,000,000.00	1,019,780.00	19,780.00									

Town of Los Gatos
Investment Transaction Detail
April 30, 2025

Date	Cusip/Id	Description	Transaction Type	Trade Date	Settlement Date	Par	Coupon	Maturity Date	Price	Principal	Interest	Transaction Total
4/1/2025	437076BM3	HOME DEPOT INC 3% 01APR2026 (CALLABLE 01JAN26)	BOND INTEREST	4/1/2025	4/1/2025	1,000,000.00	3.000%	4/1/2026	-	-	15,000.00	15,000.00
4/2/2025	Cash-USD	Cash-USD	SHORT TERM INVESTMENT FUND INCOME	4/2/2025	4/2/2025	1,558.94	0.000%		100.00	-	-	1,558.94
4/8/2025	3135G05Y5	FANNIE MAE 0.75% 08OCT2027	BOND INTEREST	4/8/2025	4/8/2025	1,100,000.00	0.750%	10/8/2027	-	-	4,125.00	4,125.00
4/15/2025	437076CW0	HOME DEPOT INC 4.9% 15APR2029 (CALLABLE 15MAR29)	BOND INTEREST	4/15/2025	4/15/2025	1,000,000.00	4.900%	4/15/2029	-	-	24,500.00	24,500.00
4/28/2025	3130APJH9	FEDERAL HOME LOAN BANK 1.75% 28OCT2026 (CALLABLE 28JUL25) #0006	BOND INTEREST	4/28/2025	4/28/2025	1,000,000.00	1.750%	10/28/2026	-	-	7,500.00	7,500.00
4/30/2025	857477CD3	STATE STREET CORP 5.272% 03AUG2026 (CALLABLE 03JUL26)	PURCHASE	4/29/2025	4/30/2025	800,000.00	5.272%	8/3/2026	101.40	811,184.00	10,192.53	821,376.53
4/30/2025	3134HAW33	FREDDIE MAC 4.75% 18DEC2029 (CALLABLE 18JUN26)	PURCHASE	4/29/2025	4/30/2025	1,000,000.00	4.750%	12/18/2029	100.56	1,005,644.00	16,756.94	1,022,400.94
4/30/2025	91282CFU0	USA TREASURY 4.125% 31OCT2027	BOND INTEREST	4/30/2025	4/30/2025	1,300,000.00	4.125%	10/31/2027	-	-	26,812.50	26,812.50
4/30/2025	91282CJF9	USA TREASURY 4.875% 31OCT2028	BOND INTEREST	4/30/2025	4/30/2025	1,100,000.00	4.875%	10/31/2028	-	-	26,812.50	26,812.50
4/30/2025	912828ZL7	USA TREASURY 0.375% 30APR2025	BOND INTEREST	4/30/2025	4/30/2025	1,700,000.00	0.375%	4/30/2025	-	-	3,187.50	3,187.50
4/30/2025	91282CEN7	USA TREASURY 2.75% 30APR2027	BOND INTEREST	4/30/2025	4/30/2025	1,300,000.00	2.750%	4/30/2027	-	-	17,875.00	17,875.00
4/30/2025	912828ZL7	USA TREASURY 0.375% 30APR2025	REDEMPTION	4/30/2025	4/30/2025	1,700,000.00	0.375%	4/30/2025	100.00	1,700,000.00	-	1,700,000.00

Town of Los Gatos								
Insight ESG Ratings as of April 30, 2025								
Security Description	Maturity Date	Par/Shares	S&P Rating	Moody Rating	Insight ESG Rating	Environment	Social	Governance
AMERICAN HONDA FINANCE 4.95% 09JAN2026	1/9/2026	\$ 1,000,000	A-	A3	3	2	4	3
PEPSICO INC 2.85% 24FEB2026 (CALLABLE 24NOV25)	2/24/2026	\$ 1,000,000	A+	A1	3	3	2	3
HOME DEPOT INC. 3% 01APR2026 (CALLABLE 01JAN2026)	46113	\$ 1,000,000	A	A2	3	3	3	3
JPMORGAN CHASE & CO 3.2 15JUN2026 (CALLABLE 15MAR26)	46188	\$ 500,000	A	A1	3	2	3	4
STATE STREET CORP 5.272% 03AUG2026 (CALLABLE 03JUL26)	8/3/2026	\$ 800,000	A	Aa3	2	1	2	3
APPLE INC. 2.9% 12SEP2027 (CALLABLE 12JUN27)	9/12/2027	\$ 1,300,000	AA+	Aaa	5	2	5	5
TOYOTA MOTOR CREDIT CORP 5.45% 10NOV2027	11/10/2027	\$ 1,600,000	A+	A1	3	2	3	5
AMERICAN HONDA FINANCE 4.7% 12JAN2028	1/12/2028	\$ 600,000	A-	A3	3	2	4	3
PNC BANK NA 3.25% 22JAN2028 (CALLABLE 01 FEB28)	1/22/2028	\$ 1,000,000	A	A2	3	2	4	3
COLGATE-PALMOLIVE CO 4.6% 01MAR2028 (CALLABLE 01FEB28)	3/1/2028	\$ 500,000	A+	Aa3	3	3	4	3
US BANCORP 4.548% 22JUL2028 (CALLABLE 22JUL27)	7/22/2028	\$ 1,000,000	A	A3	3	3	4	4
JPMORGAN CHASE & CO 4.851% 25JUL2028 (CALLABLE 25JUL28)	7/25/2028	\$ 1,400,000	A	A1	3	2	3	4
CISCO INC. 4.85% 26FEB2029 (CALLABLE 26JAN2029)	47175	\$ 1,000,000	AA-	A1	3	1	3	3
HOME DEPOT INC. 4.9% 15APR2029 (CALLABLE 15MAR2029)	4/15/2029	\$ 1,000,000	A	A2	3	3	3	3
CITIBANK 4.838% 06AUG2029 (CALLABLE 06JUL2029)	8/6/2029	\$ 1,250,000	A+	Aa3	3	1	3	4
Total/Average		\$ 14,950,000			3.1	2.1	3.3	3.5

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

Fund Schedule

Item 2.

Fund Number	Fund Description	Prior Year Carryforward 7/1/2024*	Increase/ (Decrease) July - March	April 2025				Estimated Fund Balance 4/30/2025*
				Current Revenue	Current Expenditure	Transfer In	Transfer Out	
111	GENERAL FUND							
	Non-Spendable:							
	Loans Receivable	159,000	-	-	-	-	-	159,000
	Restricted Fund Balances:							
	Pension	2,188,659	-	-	-	-	-	2,188,659
	Land Held for Resale	344,338	-	-	-	-	-	344,338
	Committed Fund Balances:							
	Budget Stabilization	6,736,781	-	-	-	-	-	6,736,781
	Catastrophic	6,736,781	-	-	-	-	-	6,736,781
	Pension/OPEB	300,000	-	-	-	-	-	300,000
	Measure G District Sales Tax	590,581	-	-	-	-	-	590,581
	Assigned Fund Balances:							
	Open Space	410,000	-	-	-	-	-	410,000
	Sustainability	140,553	-	-	-	-	-	140,553
	Capital/Special Projects	8,651,059	-	-	-	-	-	8,651,059
	Carryover Encumbrances	85,861	-	-	-	-	-	85,861
	Compensated Absences	1,555,478	-	-	-	-	-	1,555,478
	ERAF Risk Reserve	1,430,054	-	-	-	-	-	1,430,054
	Market Fluctuations	1,712,246	-	-	-	-	-	1,712,246
	Council Priorities - Economic Recovery	20,684	-	-	-	-	-	20,684
	Unassigned Fund Balances:							
	Other Unassigned Fund Balance Reserve (Pre YE distribution)	-	(282,091)	6,387,706	(3,956,844)	-	-	2,148,771
	General Fund Total	31,062,075	(282,091)	6,387,706	(3,956,844)	-	-	33,210,846

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

Fund Schedule

Item 2.

Fund Number	Fund Description	Prior Year Carryforward 7/1/2024*	Increase/ (Decrease) July - March	April 2025				Estimated Fund Balance 4/30/2025*
				Current Revenue	Current Expenditure	Transfer In	Transfer Out	
	SPECIAL REVENUE							
211/212	CDBG	166,653	-	-	-	-	-	166,653
222	Urban Runoff (NPDES)	754,134	(94,970)	13,641	(19,285)	-	-	653,520
231-236	Landscape & Lighting Districts	182,625	2,107	-	(2,063)	-	-	182,669
251	Los Gatos Theatre	171,035	197,549	14,975	(4,999)	-	-	378,560
711-716	Library Trusts	556,849	24,847	-	(1,893)	-	-	579,803
	Special Revenue Total	1,831,296	129,533	28,616	(28,240)	-	-	1,961,205
	CAPITAL PROJECTS							
411	GFAR - General Fund Appropriated Reserve	20,253,300	(2,915,553)	82,494	(333,180)	-	-	17,087,061
412	Community Center Development	866,281	(976)	-	(57,260)	-	-	808,045
421	Grant Funded Projects	(2,563,503)	1,513,473	20,421	(538,840)	-	-	(1,568,449)
461-463	Storm Basin Projects	3,531,248	(329,060)	9,066	(155,009)	-	-	3,056,245
471	Traffic Mitigation Projects	509,491	-	133,380	(133,380)	-	-	509,491
472	Utility Undergrounding Projects	3,584,251	13,676	-	-	-	-	3,597,927
481	Gas Tax Projects	1,928,167	(434,685)	143,093	-	-	-	1,636,575
	Capital Projects Total	28,109,235	(2,153,125)	388,454	(1,217,669)	-	-	25,126,895
	INTERNAL SERVICE FUNDS							
611	Town General Liability	177,876	(695,987)	-	(11,054)	-	-	(529,165)
612	Workers Compensation	586,246	(376,140)	55,361	(65,140)	-	-	200,327
621	Information Technology	2,523,347	(115,642)	7,371	(45,698)	-	-	2,369,378
631	Vehicle & Equipment Replacement	3,286,552	351,782	3,875	-	-	-	3,642,209
633	Facility Maintenance	960,526	73,861	32,490	(122,420)	-	-	944,457
	Internal Service Funds Total	7,534,547	(762,126)	99,097	(244,312)	-	-	6,627,206
	Trust/Agency							
942	RDA Successor Agency	(4,632,040)	(1,708,808)	-	(126)	-	-	(6,340,974)
	Trust/Agency Fund Total	(4,632,040)	(1,708,808)	-	(126)	-	-	(6,340,974)
	Total Town	63,905,113	(4,776,617)	6,903,873	(5,447,191)	-	-	60,585,178

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

Deposit Accounts of Interest:

111-23541 General Plan Update deposit account balance \$490,244.50
 111-23521 BMP Housing deposit account balance \$4,039,055.78

**Town of Los Gatos
Summary Investment Information
May 31, 2025**

Weighted Average YTM Portfolio Yield on Investments under Management

4.41%

Weighted Average Maturity (days)

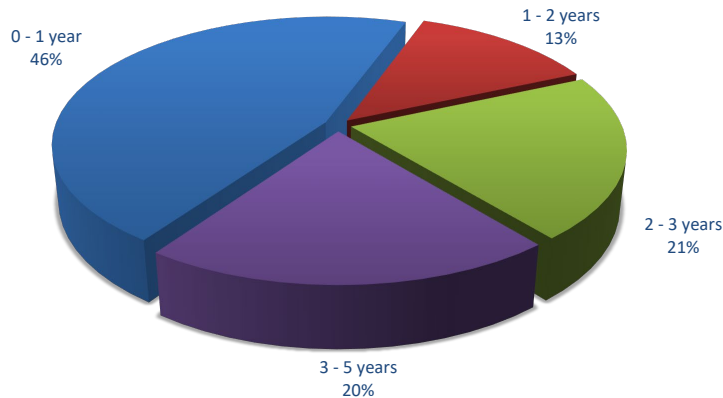
561

	This Month	Last Month	One year ago
Portfolio Allocation & Treasurer's Cash Balances	\$75,593,586	\$75,736,441	\$78,425,776
Managed Investments	\$51,382,436		
Local Agency Investment Fund	\$20,144,462		
Reconciled Demand Deposit Balances	\$4,066,689		
Portfolio Allocation & Treasurer's Cash Balances	<u>\$75,593,586</u>		

Benchmarks/ References:

Town's Average Yield	4.41%	4.41%	4.43%
LAIF Yield for month	4.27%	4.28%	4.33%
3 mo. Treasury	4.33%	4.29%	5.39%
6 mo. Treasury	4.31%	4.17%	5.38%
2 yr. Treasury	3.90%	3.60%	4.87%
5 yr. Treasury	3.96%	3.73%	4.51%
10 Yr. Treasury	4.40%	4.16%	4.50%

Portfolio Maturity Profile



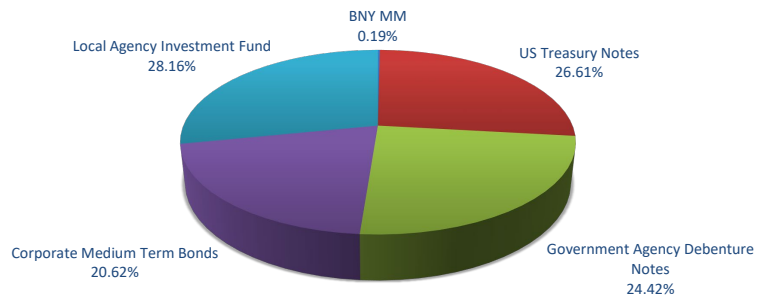
Compliance: The Town's investments are in compliance with the Town's investment policy dated March 18, 2025, and also in compliance with the requirements of Section 53600 at seq. of the California State Code. Based on the information available, the Town has sufficient funds to meet the cash demands for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

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

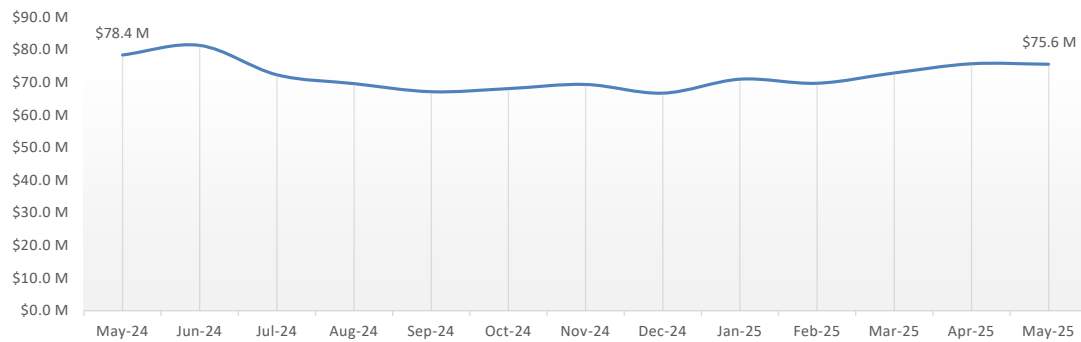
	Month	YTD
Cash & Investment Balances - Beginning of Month/Period	\$ 75,736,441.22	\$ 81,368,409.88
Receipts	9,768,784.07	74,993,910.54
Disbursements	(9,911,638.85)	(80,768,733.98)
Cash & Investment Balances - End of Month/Period	<u>\$75,593,586.44</u>	<u>\$75,593,586.44</u>

Portfolio Allocation	Amount	% of Portfolio	Max. % or \$ Allowed per State Law or Policy
BNY MM	\$134,179.69	0.19%	20% of Town Portfolio
US Treasury Notes	\$19,031,914.67	26.61%	No Max. on US Treasuries
Government Agency Debenture Notes	\$17,464,856.81	24.42%	No Max. on Non-Mortgage Backed
Corporate Medium Term Bonds	\$14,751,484.50	20.62%	30% of Town Portfolio
Local Agency Investment Fund	\$20,144,462.08	28.16%	\$75 M per State Law
Subtotal - Investments	<u>71,526,897.75</u>	<u>100.00%</u>	
Reconciled Demand Deposit Balances	<u>4,066,688.69</u>		
Total Portfolio Allocation & Treasurer's Cash Balances	<u>\$75,593,586.44</u>		

Portfolio Investment Allocation



Treasurer's Fund Balances



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

	Beginning Balance	May 2025 Deposits Realized Gain/Adj.	May 2025 Interest/ Earnings	May 2025 Withdrawals	Ending Balance	
Non-Treasury Funds:						
Cert. of Participation 2002 Ser A Reserve Fund	\$ 692,831.07	\$ -	\$ 2,168.51	\$ -	\$ 694,999.58	Note 1
Cert. of Participation 2010 Ser Lease Payment Fund	72.50	-	0.26	-	72.76	Note 2
Cert. of Participation 2002 Ser A Lease Payment Fund	15,992.47	-	50.10	-	16,042.57	Note 1
Cert. of Participation 2010 Ser Reserve Fund	1,444,075.78	-	4,930.92	-	1,449,006.70	Note 2
Total Restricted Funds:	<u>\$ 2,152,971.82</u>	<u>\$ -</u>	<u>\$ 7,149.79</u>	<u>\$ -</u>	<u>\$ 2,160,121.61</u>	
CEPPT IRS Section 115 Trust	2,998,912.37	-	28,504.03	-	\$ 3,027,416.40	Note 3
Grand Total COP's and CEPPT Trust	<u>\$ 5,151,884.19</u>	<u>\$ -</u>	<u>\$ 35,653.82</u>	<u>\$ -</u>	<u>\$ 5,187,538.01</u>	

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

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

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

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

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

July 2024	\$	247,221.75
August 2024	\$	212,684.25
September 2024	\$	265,151.31
October 2024	\$	234,237.63
November 2024	\$	227,312.31
December 2024	\$	239,396.54
January 2025	\$	234,030.33
February 2025	\$	213,671.29
March 2025	\$	235,515.22
April 2025	\$	242,125.72
May 2025	\$	279,502.38
June 2025	\$	-
	\$	<u>2,630,848.73</u>

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

Institution	CUSIP #	Security	Coupon	Deposit Date	Par Value	Original Cost	Original Issue (Discount) Premium	Market Value	Market Value Above (Under) Cost	Purchased Interest	Maturity Date or Call Date	Yield to Maturity or Call	Interest Received to Date	Interest Earned Prior Yrs.	Interest Earned Current FY	Days to Maturity				
Apple	037833DB3	Corporate Bond		2.90%	12/20/2022	1,300,000.00	1,228,591.00	(71,409.00)	1,267,903.00	39,312.00	6/21/2027	4.19%	\$	83,987.22	\$	81,871.88	\$	49,152.47	751	
Home Depot	437076BM3	Corporate Bond		3.00%	8/4/2022	1,000,000.00	991,960.00	(8,040.00)	989,630.00	(2,330.00)	1/1/2026	3.04%	\$	79,750.00	\$	61,696.52	\$	29,695.88	215	
US Treasury	912828W3	US Treasury Note		0.25%	8/9/2022	350,000.00	322,096.88	(27,903.12)	348,869.50	2,672.62	6/30/2026	3.04%	\$	2,092.39	\$	19,918.08	\$	9,654.92	30	
FFCB	3133ENS5V8	Gov. Agency Debenture		4.13%	1/17/2023	236,000.00	239,174.20	3,174.20	236,516.84	(2,657.36)	1/11/2027	3.76%	\$	19,307.75	\$	12,979.52	\$	8,204.03	590	
US Treasury	91282CBT7	US Treasury Note		0.75%	9/30/2022	800,000.00	712,565.18	(87,434.82)	777,736.00	65,170.82	3/31/2026	3.41%	\$	15,000.00	\$	12,421.52	\$	28,425.99	304	
FFCB	3133ENP57	Gov. Agency Debenture		4.25%	9/30/2022	900,000.00	900,939.60	939.60	899,496.00	(1,443.60)	9/30/2025	4.10%	\$	95,625.00	\$	66,415.88	\$	34,818.97	122	
JP Morgan Chase	46625HRS1	Corporate Bond		3.20%	9/23/2022	500,000.00	474,660.00	(25,340.00)	494,080.00	19,420.00	3/15/2026	4.14%	\$	35,644.44	\$	41,217.45	\$	21,374.37	288	
FHLB	31335G0P5	Gov. Agency Debenture		0.38%	6/10/2022	1,200,000.00	1,102,952.40	(97,047.60)	1,188,984.00	86,031.60	8/25/2025	3.04%	\$	12,187.50	\$	7,144.55	\$	31,869.85	86	
FHLB	3130AQ6F5	Gov. Agency Debenture		1.25%	11/30/2022	1,300,000.00	1,160,559.00	(139,440.00)	1,247,259.00	86,699.60	12/21/2026	4.15%	\$	33,447.92	\$	80,116.59	\$	46,434.36	569	
US Treasury	3130AP1H9	Gov. Agency Debenture		1.00%	9/17/2023	1,000,000.00	972,030.00	(27,970.00)	992,400.00	65,020.00	10/28/2026	4.00%	\$	23,544.00	\$	50,234.10	\$	31,751.74	94	
FFCB	3133ENS6W	Gov. Agency Debenture		4.00%	1/28/2023	1,000,000.00	1,706,732.00	(6,732.00)	1,701,734.00	(4,998.00)	3/1/2028	3.91%	\$	129,955.62	\$	92,733.76	\$	15,137.17	115	
Freddie Mac	3137EAEX3	Gov. Agency Debenture		0.38%	5/1/2023	750,000.00	680,032.50	(60,967.50)	740,955.00	51,922.50	9/23/2025	3.97%	\$	5,328.12	\$	32,931.11	\$	25,896.53	950	
American Honda	02665WED9	Corporate Bond		4.70%	5/11/2023	600,000.00	608,856.00	8,856.00	602,238.00	(6,618.00)	1/12/2028	4.34%	\$	47,078.33	\$	29,982.05	\$	24,144.20	956	
US Treasury	91282CE5F	US Treasury Note		2.50%	6/9/2023	1,500,000.00	1,416,626.12	(83,373.88)	1,461,975.00	45,348.88	3/31/2027	4.09%	\$	67,827.87	\$	62,956.31	\$	54,497.07	669	
US Treasury	91282CCA3	US Treasury Note		4.00%	6/20/2023	2,100,000.00	2,080,558.59	(19,441.41)	2,098,215.00	17,656.41	12/15/2025	4.40%	\$	124,852.46	\$	94,573.28	\$	84,260.77	978	
Colgate-Palmolive	194162AR4	Corporate Bond		4.60%	7/14/2023	500,000.00	504,655.00	4,655.00	507,510.00	2,855.00	2/1/2028	4.37%	\$	37,502.79	\$	21,195.52	\$	20,171.87	196	
FannieMae	3135G0G63	Gov. Agency Debenture		0.50%	7/14/2023	500,000.00	455,157.00	(44,843.00)	491,795.00	36,638.00	11/7/2025	4.63%	\$	4,534.72	\$	21,047.01	\$	20,030.54	160	
FFCB	3133EPOC2	Gov. Agency Debenture		4.63%	7/17/2023	500,000.00	501,957.50	1,957.50	502,820.00	862.50	7/17/2026	4.48%	\$	34,687.50	\$	21,487.97	\$	20,625.99	412	
FFCB	3133EPBM6	Gov. Agency Debenture		4.13%	7/14/2023	600,000.00	596,220.00	(3,780.00)	601,860.00	5,640.00	8/23/2027	4.29%	\$	39,806.25	\$	24,754.94	\$	23,559.39	816	
PNC Bank	69353RFJ2	Corporate Bond		3.25%	7/25/2023	1,000,000.00	921,490.00	(78,510.00)	972,230.00	50,740.00	12/31/2027	4.23%	\$	48,479.17	\$	46,970.90	\$	46,144.43	934	
US Treasury	91282CFU0	US Treasury Note		4.13%	7/31/2023	1,300,000.00	1,290,660.60	(9,339.40)	1,306,552.00	15,891.40	10/31/2027	4.31%	\$	93,843.75	\$	51,232.08	\$	51,232.08	893	
Toyota Motor Credit	89232GTL8	Corporate Bond		5.45%	8/25/2023	1,600,000.00	1,617,168.00	17,168.00	1,642,272.00	25,104.00	11/10/2027	5.16%	\$	148,966.67	\$	79,598.88	\$	76,293.42	883	
US Treasury	912810FE3	US Treasury Note		5.50%	10/3/2023	1,200,000.00	1,238,207.14	38,207.14	1,259,484.00	21,276.86	8/15/2028	4.76%	\$	90,211.96	\$	43,179.27	\$	53,376.58	1172	
Pepsico Inc	713448DF2	Corporate Bond		2.85%	10/16/2023	1,000,000.00	947,570.00	(52,430.00)	987,750.00	42,180.00	11/24/2025	5.24%	\$	38,633.33	\$	37,712.66	\$	48,967.99	177	
FFCB	3133EPUW3	Gov. Agency Debenture		4.75%	10/13/2023	1,000,000.00	994,338.00	(5,662.00)	1,009,020.00	14,682.00	9/1/2026	4.96%	\$	65,708.33	\$	35,367.82	\$	45,395.48	458	
US Treasury	91282CEW7	US Treasury Note		3.25%	10/16/2023	1,000,000.00	950,039.06	(49,960.94)	987,150.94	37,110.94	9/30/2026	4.73%	\$	39,211.96	\$	32,499.52	\$	42,198.96	750	
US Treasury	91282CEN7	US Treasury Note		2.75%	10/31/2023	1,300,000.00	1,214,336.39	(85,663.61)	1,271,660.00	57,323.61	4/30/2027	4.82%	\$	53,625.00	\$	40,101.59	\$	55,284.09	699	
US Treasury	91282CAB7	US Treasury Note		0.25%	11/15/2023	675,000.00	623,900.39	(51,099.61)	670,504.50	46,604.11	7/31/2025	4.92%	\$	2,040.59	\$	17,925.12	\$	28,982.09	61	
US Treasury	91282CCH2	US Treasury Note		1.25%	12/21/2023	900,000.00	798,647.55	(101,352.45)	831,654.00	33,006.45	6/30/2028	3.99%	\$	11,555.71	\$	17,690.14	\$	30,865.62	1126	
FNMA	3135G0Q02	Gov. Agency Debenture		1.88%	12/21/2023	900,000.00	845,676.00	(54,324.00)	876,654.00	30,978.00	9/24/2026	4.22%	\$	21,234.38	\$	19,224.14	\$	33,542.12	418	
US Treasury	91282CFB2	US Treasury Note		2.75%	1/2/2024	1,000,000.00	960,354.91	(39,645.09)	976,090.00	15,735.09	7/31/2027	3.95%	\$	29,667.12	\$	19,025.75	\$	35,409.03	791	
US Treasury	91282CHE4	US Treasury Note		3.63%	1/17/2024	1,800,000.00	1,775,185.72	(24,814.28)	1,786,572.00	11,386.28	3/31/2028	3.97%	\$	89,317.63	\$	62,061.96	\$	65,095.50	1096	
JP Morgan Chase	46647PDG8	Corporate Bond		4.85%	2/1/2024	1,400,000.00	1,396,528.00	(3,472.00)	1,406,594.00	10,066.00	7/25/2027	4.93%	\$	66,782.10	\$	28,319.94	\$	63,247.87	785	
US Bancorp	91159JHF8	Corporate Bond		4.55%	2/5/2024	1,000,000.00	989,260.00	(10,800.00)	999,260.00	10,060.00	7/22/2027	4.89%	\$	43,837.67	\$	19,440.46	\$	44,606.53	782	
Treasury	91282CHB3	US Treasury Note		3.63%	2/23/2024	1,175,000.00	1,151,962.92	(23,037.08)	1,168,960.50	16,997.58	5/15/2026	4.56%	\$	52,189.05	\$	18,568.45	\$	48,597.11	349	
FHLB	3130AXHB1	Gov. Agency Debenture		4.88%	2/27/2024	1,000,000.00	1,003,660.00	3,060.00	1,004,760.00	1,700.00	3/31/2026	4.72%	\$	51,729.17	\$	16,052.33	\$	43,367.18	286	
FFCB	3133EPJ51	Gov. Agency Debenture		4.13%	3/28/2024	1,700,000.00	1,687,981.00	(12,019.00)	1,712,000.00	13,124.00	9/30/2027	4.87%	\$	66,567.05	\$	18,681.03	\$	66,576.05	989	
US Treasury	912828SM8	US Treasury Note		3.13%	4/30/2024	1,300,000.00	1,238,832.14	(76,167.86)	1,169,580.00	(76,167.86)	11/1/2028	4.69%	\$	39,045.34	\$	9,066.66	\$	789.03	1364	
Cisco Systems	17275BRB2	Corporate Bond		4.85%	5/15/2024	1,000,000.00	999,130.00	(870.00)	1,019,260.00	20,130.00	3/20/2029	4.87%	\$	37,856.94	\$	6,135.64	\$	44,638.34	1236	
Home Depot	437076CW0	Corporate Bond		4.90%	5/31/2024	1,000,000.00	1,001,790.00	1,790.00	1,021,470.00	19,680.00	4/15/2029	4.86%	\$	44,644.44	\$	5,812.25	\$	44,638.34	1415	
Treasury	91282CJF3	US Treasury Note		3.75%	5/1/2024	1,200,000.00	1,154,629.02	(45,370.98)	1,193,292.00	38,662.98	12/31/2028	4.68%	\$	26,208.79	\$	4,561.24	\$	50,375.57	1310	
American Honda	02665WEY3	Corporate Bond		4.95%	6/27/2024	1,000,000.00	995,640.00	(4,360.00)	1,001,660.00	6,020.00	1/9/2026	5.25%	\$	26,537.50	\$	430.16	\$	48,035.07	223	
FHLB	3130B1BT3	Gov. Agency Debenture		4.88%	7/2/2024	1,150,000.00	1,150,966.00	966.00	1,158,165.00	7,199.00	6/12/2026	4.82%	\$	19,310.42	\$	-	\$	50,694.36	377	
Citibank	17325FBK3	Corporate Bond		4.84%	8/15/2024	1,250,000.00	1,263,062.50	13,062.50	1,264,512.50	1,450.00	7/6/2029	4.60%	\$	28,725.62	\$	-	\$	45,769.25	1497	
FNMA	3135G0Y53	Gov. Agency Debenture		0.75%	9/10/2024	1,100,000.00	1,100,724.00	(89,276.00)	1,022,538.00	118,184.00	10/8/2027	3.56%	\$	4,766.67	\$	-	\$	26,852.44	860	
US Treasury	91282CFL0	US Treasury Note		3.88%	12/3/2024	1,100,000.00	1,088,144.31	(11,855.69)	1,096,128.00	7,983.69	9/30/2029	4.12%	\$	13,817.99	\$	-	\$	22,108.18	1553	
FHLB	3130ATUT2	Gov. Agency Debenture		4.50%	2/12/2025	505,000.00	508,253.21	3,253.21	513,489.05	5,235.84	3,661.25	12/14/2029	4.35%	\$	(3,661.25)	\$	-	\$	6,525.16	1688
FFCB	3133ERSX5	Gov. Agency Debenture		3.88%	3/12/2025	1,000,000.00	998,480.00	(1,520.00)	997,110.00	(1,370.00)	3/7/2028	3.93%	\$	(358.19)	\$	-	\$	8,604.61	1011	
Treasury	91282CFJ9	US Treasury Note		4.88%	3/31/2025	1,100,000.00	1,130,167.75	30,167.75	1,133,385.00	3,217.25	10/31/2028	4.04%	\$	4,444.06	\$	-	\$	7,557.23	1249	
State Street Corp	857477CD3	Corporate Bond		5.27%	4/30/2025	800,000.00	811,184.00	11,184.00	807,744.00	(3,440.00)	10,192.53	8/3/2026	4.04%	\$	(10,192.53)	\$	-	\$	2,828.37	429
Freddie Mac	3134HAW33	Gov. Agency Debenture		4.75%	4/30/2025	1,000,000.00	1,005,644.00	5,644.00	1,002,680.00	(2,964.00)	16,756.93	12/18/2029	4.23%	\$	(16,756.93)	\$	-	\$	3,930.90	1662

Subtotal		\$ 52,691,000.00	\$ 51,248,255.98	(1,442,744.02)	\$ 52,392,891.89	\$ 1,144,635.91	\$ 31,148.90		\$ 2,121,779.12	\$ 1,534,235.15	\$ 1,917,296.19
BNY MM	Money Market		134,179.69		134,179.69	0.00		0.00%			
LAIF	State Investment Pool		20,144,462.08		20,161,568.58	17,106.50		4.27%		585,444.87	
			71,526,897.75		\$72,688,640.16	\$1,161,742.41	\$31,148.90		\$ 2,121,779.12	\$ 1,534,235.15	\$ 2,502,741.06

Matured Assets

NIMA	3135G0V75	Gov. Agency Debenture	1.75%	10/17/2019	1,100,000.00	1,105,833.30	5,833.30	7/2/2024	1.63%	\$ 90,956.25	\$ 84,780.33	\$ 98.70
Honeywell Int'l.	438516BW5	Corporate Bond	2.30%	11/20/2019	1,000,000.00	1,014,660.00	14,660.00	8/15/2024	1.64%	\$ 108,483.33	\$ 91,847.87	\$ 2,508.83
FFCB	3133EKQA7	Gov. Agency Debenture	2.08%	10/21/2019	1,000,000.00	1,019,780.00	19,780.00	9/10/2024	1.66%	\$ 101,631.11	\$ 78,691.92	\$ 3,305.61
US Treasury	912828YV6	US Treasury Note	1.50%	11/15/2023	700,000.00	673,667.97	(26,332.03)	11/30/2024	5.26%	\$ 10,930.33	\$ 22,316.65	\$ 14,975.65
Freddie Mac	3137EAP60	Gov. Agency Debenture	1.50%	10/13/2023	1,000,000.00	951,540.00	(48,460.00)	2/12/2025	5.32%	\$ 19,958.33	\$ 36,644.18	\$ 31,870.61
US Treasury	91282CGU9	US Treasury Note	3.88%	11/30/2023	1,000,000.00	983,515.62	(16,484.38)	3/31/2025	5.17%	\$ 51,666.67	\$ 29,822.81	\$ 38,363.62
US Treasury	912828ZL7	US Treasury Note	0.38%	4/12/2022	1,700,000.00	1,583,927.57	(116,072.43)	4/30/2025	2.72%	\$ 19,441.99	\$ 98,544.63	\$ 36,984.65

Total Investments "Matured"

\$ 128,107.67

Total Interest FY 24_25 Matured and Current

\$ 2,630,848.73

Maturity Profile

	Amount	Percent
0-1 year	\$ 32,730,697.23	46%
1-2 years	\$9,241,827.61	13%
2-3 years	\$14,779,698.57	21%
3-5 years	<u>\$ 14,774,674.34</u>	<u>21%</u>
	<u>\$71,526,897.75</u>	<u>100%</u>

Town of Los Gatos
Investment Transaction Detail
May 31, 2025

Date	Cusip/Id	Description	Transaction Type	Trade Date	Settlement Date	Par	Coupon	Maturity Date	Price	Principal	Interest	Transaction Total
5/2/2025	Cash-USD	Cash-USD	SHORT TERM INVESTMENT FUND INCOME	5/2/2025	5/2/2025	324.67	0.000%		100.00	-	-	324.67
5/7/2025	3135G06G3	FANNIE MAE 0.5% 07NOV2025	BOND INTEREST	5/7/2025	5/7/2025	500,000.00	0.500%	11/7/2025	-	-	1,250.00	1,250.00
5/12/2025	89236TKL8	TOYOTA MOTOR CREDIT CORP 5.45% 10NOV2027	BOND INTEREST	5/10/2025	5/12/2025	1,600,000.00	5.450%	11/10/2027	-	-	43,600.00	43,600.00
5/15/2025	9128285M8	USA TREASURY 3.125% 15NOV2028	BOND INTEREST	5/15/2025	5/15/2025	1,200,000.00	3.125%	11/15/2028	-	-	18,750.00	18,750.00
5/15/2025	91282CHB0	USA TREASURY 3.625% 15MAY2026	BOND INTEREST	5/15/2025	5/15/2025	1,175,000.00	3.625%	5/15/2026	-	-	21,296.88	21,296.88

Town of Los Gatos								
Insight ESG Ratings for Portfolio Holdings as of May 31, 2025								
Security Description	Maturity Date	Par Value	S&P Rating	Moody's Rating	Insight ESG Rating	Environment	Social	Governance
AMERICAN HONDA FINANCE 4.95% 09JAN2026	1/9/2026	\$ 1,000,000	A-	A3	3	2	4	3
AMERICAN HONDA FINANCE 4.7% 12JAN2028	1/12/2028	\$ 600,000	A-	A3	3	2	4	3
APPLE INC. 2.9% 12SEP2027 (CALLABLE 12JUN27)	46642	\$ 1,300,000	AA+	Aaa	5	2	5	5
CISCO INC. 4.85% 26FEB2029 (CALLABLE 26JAN2029)	47175	\$ 1,000,000	AA-	A1	3	1	3	3
CITIBANK 4.838% 06AUG2029 (CALLABLE 06JUL2029)	8/6/2029	\$ 1,250,000	A+	Aa3	3	1	3	4
COLGATE-PALMOLIVE CO 4.6% 01MAR2028 (CALLABLE 01FEB28)	3/1/2028	\$ 500,000	A+	Aa3	3	3	4	3
HOME DEPOT INC. 3% 01APR2026 (CALLABLE 01JAN2026)	4/1/2026	\$ 1,000,000	A	A2	3	3	3	3
HOME DEPOT INC. 4.9% 15APR2029 (CALLABLE 15MAR2029)	4/15/2029	\$ 1,000,000	A	A2	3	3	3	3
JPMORGAN CHASE & CO 3.2 15JUN2026 (CALLABLE 15MAR26)	6/15/2026	\$ 500,000	A	A1	3	2	3	4
JPMORGAN CHASE & CO 4.851% 25JUL2028 (CALLABLE 25JUL28)	7/25/2028	\$ 1,400,000	A	A1	3	2	3	4
PEPSICO INC 2.85% 24FEB2026 (CALLABLE 24NOV25)	2/24/2026	\$ 1,000,000	A+	A1	3	3	2	3
PNC BANK NA 3.25% 22JAN2028 (CALLABLE 01 FEB28)	1/22/2028	\$ 1,000,000	A	A2	3	2	4	3
STATE STREET CORP 5.272% 03AUG2026 (CALLABLE 03JUL26)	46237	\$ 800,000	A	Aa3	2	1	2	3
TOYOTA MOTOR CREDIT CORP 5.45% 10NOV2027	11/10/2027	\$ 1,600,000	A+	A1	3	2	3	5
US BANCORP 4.548% 22JUL2028 (CALLABLE 22JUL27)	7/22/2028	\$ 1,000,000	A	A3	3	3	4	4
Total/Weighted Average by Par Value		\$ 14,950,000			3.1	2.1	3.3	3.7

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

Fund Schedule

Item 2.

Fund Number	Fund Description	Prior Year Carryforward 7/1/2024*	Increase/ (Decrease) July - April	May 2025				Estimated Fund Balance 5/31/2025*
				Current Revenue	Current Expenditure	Transfer In	Transfer Out	
111	GENERAL FUND							
	Non-Spendable:							
	Loans Receivable	159,000	-	-	-	-	-	159,000
	Restricted Fund Balances:							
	Pension	2,188,659	-	-	-	-	-	2,188,659
	Land Held for Resale	344,338	-	-	-	-	-	344,338
	Committed Fund Balances:							
	Budget Stabilization	6,736,781	-	-	-	-	-	6,736,781
	Catastrophic	6,736,781	-	-	-	-	-	6,736,781
	Pension/OPEB	300,000	-	-	-	-	-	300,000
	Measure G District Sales Tax	590,581	-	-	-	-	-	590,581
	Assigned Fund Balances:							
	Open Space	410,000	-	-	-	-	-	410,000
	Sustainability	140,553	-	-	-	-	-	140,553
	Capital/Special Projects	8,651,059	-	-	-	-	-	8,651,059
	Carryover Encumbrances	85,861	-	-	-	-	-	85,861
	Compensated Absences	1,555,478	-	-	-	-	-	1,555,478
	ERAF Risk Reserve	1,430,054	-	-	-	-	-	1,430,054
	Market Fluctuations	1,712,246	-	-	-	-	-	1,712,246
	Council Priorities - Economic Recovery	20,684	-	-	-	-	-	20,684
	Unassigned Fund Balances:							
	Other Unassigned Fund Balance Reserve (Pre YE distribution)	-	2,148,771	5,121,950	(4,927,832)	-	-	2,342,889
	General Fund Total	31,062,075	2,148,771	5,121,950	(4,927,832)	-	-	33,404,964

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

Fund Schedule

Item 2.

Fund Number	Fund Description	Prior Year Carryforward 7/1/2024*	Increase/ (Decrease) July - April	May 2025				Estimated Fund Balance 5/31/2025*
				Current Revenue	Current Expenditure	Transfer In	Transfer Out	
	SPECIAL REVENUE							
211/212	CDBG	166,653	-	-	-	-	-	166,653
222	Urban Runoff (NPDES)	754,134	(100,614)	13,641	(27,575)	-	-	639,586
231-236	Landscape & Lighting Districts	182,625	44	-	-	-	-	182,669
251	Los Gatos Theatre	171,035	207,525	14,975	(430)	-	-	393,105
711-716	Library Trusts	556,849	22,955	-	(2,373)	-	-	577,431
	Special Revenue Total	1,831,296	129,910	28,616	(30,378)	-	-	1,959,444
	CAPITAL PROJECTS							
411	GFAR - General Fund Appropriated Reserve	20,253,300	(3,166,239)	99,278	(379,661)	-	-	16,806,678
412	Community Center Development	866,281	(58,236)	-	-	-	-	808,045
421	Grant Funded Projects	(2,563,503)	995,054	-	(853,434)	-	-	(2,421,883)
461-463	Storm Basin Projects	3,531,248	(475,002)	2,372	(62,448)	-	-	2,996,170
471	Traffic Mitigation Projects	509,491	-	-	-	-	-	509,491
472	Utility Undergrounding Projects	3,584,251	13,676	-	-	-	-	3,597,927
481	Gas Tax Projects	1,928,167	(291,592)	114,956	-	-	-	1,751,531
	Capital Projects Total	28,109,235	(2,982,339)	216,606	(1,295,543)	-	-	24,047,959
	INTERNAL SERVICE FUNDS							
611	Town General Liability	177,876	(707,040)	-	(2,348)	-	-	(531,512)
612	Workers Compensation	586,246	(385,919)	13,100	(9,950)	-	-	203,477
621	Information Technology	2,523,347	(153,968)	4,399	(17,467)	-	-	2,356,311
631	Vehicle & Equipment Replacement	3,286,552	355,657	-	(25,069)	-	-	3,617,140
633	Facility Maintenance	960,526	(16,069)	25,709	(81,267)	-	-	888,899
	Internal Service Funds Total	7,534,547	(907,339)	43,208	(136,101)	-	-	6,534,315
	Trust/Agency							
942	RDA Successor Agency	(4,632,040)	(1,708,934)	-	(220)	-	-	(6,341,194)
	Trust/Agency Fund Total	(4,632,040)	(1,708,934)	-	(220)	-	-	(6,341,194)
	Total Town	63,905,113	(3,319,931)	5,410,380	(6,390,074)	-	-	59,605,488

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

Deposit Accounts of Interest:

111-23541 General Plan Update deposit account balance \$493,187.50
 111-23521 BMP Housing deposit account balance \$4,039,055.78

Town of Los Gatos
Summary Investment Information
June 30, 2025

Weighted Average YTM Portfolio Yield on Investments under Management

4.39%

Weighted Average Maturity (days)

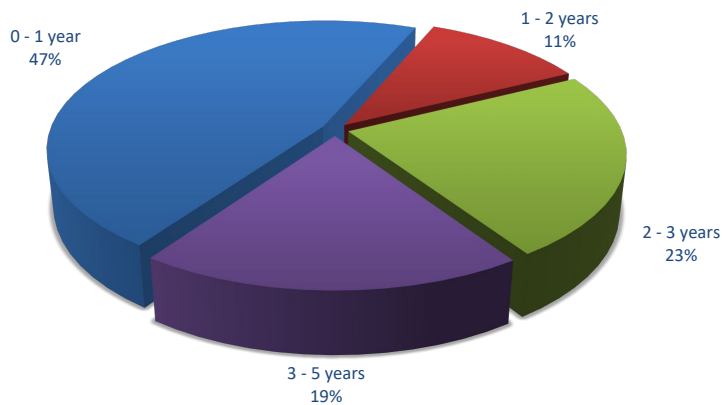
553

	This Month	Last Month	One year ago
Portfolio Allocation & Treasurer's Cash Balances	\$81,558,113	\$75,593,586	\$81,368,410
Managed Investments	\$51,606,573		
Local Agency Investment Fund	\$20,144,462		
Reconciled Demand Deposit Balances	\$9,807,078		
Portfolio Allocation & Treasurer's Cash Balances	<u>\$81,558,113</u>		

Benchmarks/ References:

Town's Average Yield	4.39%	4.41%	4.45%
LAIF Yield for month	4.27%	4.27%	4.48%
3 mo. Treasury	4.29%	4.33%	5.36%
6 mo. Treasury	4.25%	4.31%	5.33%
2 yr. Treasury	3.72%	3.90%	4.75%
5 yr. Treasury	3.80%	3.96%	4.38%
10 Yr. Treasury	4.23%	4.40%	4.40%

Portfolio Maturity Profile



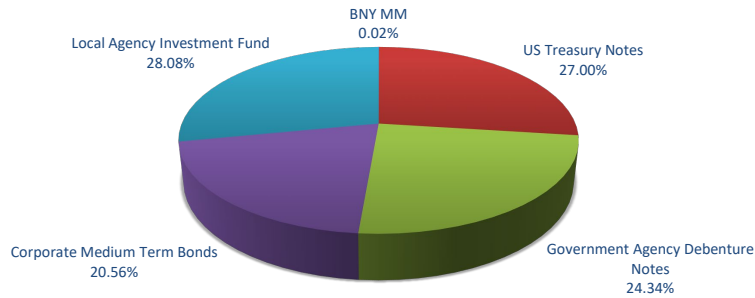
Compliance: The Town's investments are in compliance with the Town's investment policy dated March 18, 2025, and also in compliance with the requirements of Section 53600 at seq. of the California State Code. Based on the information available, the Town has sufficient funds to meet the cash demands for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

Town of Los Gatos
Portfolio Allocation & Treasurer's Cash Balances
June 30, 2025

	Month	YTD
Cash & Investment Balances - Beginning of Month/Period	\$ 75,593,586.44	\$ 81,368,409.88
Receipts	10,131,874.60	85,125,785.14
Disbursements	(4,167,347.85)	(84,936,081.83)
Cash & Investment Balances - End of Month/Period	<u>\$81,558,113.19</u>	<u>\$81,558,113.19</u>

Portfolio Allocation	Amount	% of Portfolio	Max. % or \$ Allowed per State Law or Policy
BNY MM	\$15,229.49	0.02%	20% of Town Portfolio
US Treasury Notes	\$19,375,002.03	27.00%	No Max. on US Treasuries
Government Agency Debenture Notes	\$17,464,856.81	24.34%	No Max. on Non-Mortgage Backed
Corporate Medium Term Bonds	\$14,751,484.50	20.56%	30% of Town Portfolio
Local Agency Investment Fund	\$20,144,462.08	28.08%	\$75 M per State Law
Subtotal - Investments	71,751,034.91	100.00%	
Reconciled Demand Deposit Balances	<u>9,807,078.28</u>		
Total Portfolio Allocation & Treasurer's Cash Balances	<u>\$81,558,113.19</u>		

Portfolio Investment Allocation



Treasurer's Fund Balances



Town of Los Gatos
Non-Treasury Restricted Fund Balances
June 30, 2025

	Beginning Balance	June 2025 Deposits Realized Gain/Adj.	June 2025 Interest/ Earnings	June 2025 Withdrawals	Ending Balance	
Non-Treasury Funds:						
Cert. of Participation 2002 Ser A Reserve Fund	\$ 694,999.58	\$ -	\$ 2,232.30	\$ -	\$ 697,231.88	Note 1
Cert. of Participation 2010 Ser Lease Payment Fund	72.76	177,042.53	0.27	-	177,115.56	Note 2
Cert. of Participation 2002 Ser A Lease Payment Fund	16,042.57	-	51.56	-	16,094.13	Note 1
Cert. of Participation 2010 Ser Reserve Fund	1,449,006.70		5,098.33	177,042.53	1,277,062.50	Note 2
Total Restricted Funds:	<u>\$ 2,160,121.61</u>	<u>\$ 177,042.53</u>	<u>\$ 7,382.46</u>	<u>\$ 177,042.53</u>	<u>\$ 2,167,504.07</u>	
CEPPT IRS Section 115 Trust	3,027,416.40	-	63,314.58	-	\$ 3,090,730.98	Note 3
Grand Total COP's and CEPPT Trust	<u>\$ 5,187,538.01</u>	<u>\$ 177,042.53</u>	<u>\$ 70,697.04</u>	<u>\$ 177,042.53</u>	<u>\$ 5,258,235.05</u>	

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

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

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

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

Town of Los Gatos
Statement of Interest Earned
June 30, 2025

July 2024	\$	247,221.75
August 2024	\$	212,684.25
September 2024	\$	265,151.31
October 2024	\$	234,237.63
November 2024	\$	227,312.31
December 2024	\$	239,396.54
January 2025	\$	234,030.33
February 2025	\$	213,671.29
March 2025	\$	235,515.22
April 2025	\$	242,125.72
May 2025	\$	279,502.38
June 2025	\$	239,277.16
	\$	<u>2,870,125.89</u>

**Town of Los Gatos
Investment Schedule
June 30, 2025**

Institution	CUSIP #	Security	Coupon	Deposit Date	Par Value	Original Cost	Original Issue (Discount) Premium	Market Value	Market Value Above (Under) Cost	Purchased Interest	Maturity Date or Call Date	Yield to Maturity or Call	Interest Received to Date	Interest Earned Prior Yrs.	Interest Earned Current FY	Days to Maturity
Apple	037833DB3	Corporate Bond	2.90%	12/20/2022	1,300,000.00	1,278,591.00	(71,409.00)	1,271,933.00	43,342.00		6/21/2027	4.19%	\$ 83,987.22	\$ 81,871.88	\$ 53,554.19	721
Home Depot	437076BM3	Corporate Bond	3.00%	8/4/2022	1,000,000.00	991,960.00	(8,040.00)	990,780.00	(1,180.00)		1/1/2026	3.04%	\$ 79,750.00	\$ 61,696.52	\$ 32,355.22	185
FFCB	3133ENSV8	Gov. Agency Debenture	4.13%	1/17/2023	236,000.00	239,174.20	3,174.20	236,620.68	(2,553.52)		1/11/2027	3.76%	\$ 19,307.75	\$ 12,979.52	\$ 8,938.72	560
US Treasury	91282CBT7	US Treasury Note	0.75%	9/30/2022	800,000.00	712,565.18	(87,434.82)	780,264.00	67,698.82		3/31/2026	4.14%	\$ 15,000.00	\$ 54,221.52	\$ 30,971.60	274
FFCB	3133ENP95	Gov. Agency Debenture	4.25%	9/30/2022	900,000.00	900,939.60	939.60	899,586.00	(1,353.60)		9/30/2025	4.14%	\$ 95,625.00	\$ 66,415.88	\$ 37,937.09	92
JP Morgan Chase	46625HRS1	Corporate Bond	3.20%	9/23/2022	500,000.00	474,660.00	(25,340.00)	495,185.00	20,525.00		3/15/2026	4.70%	\$ 43,644.44	\$ 41,217.45	\$ 23,288.49	258
FHLB	3135G05X7	Gov. Agency Debenture	0.38%	6/10/2022	1,200,000.00	1,102,952.40	(97,047.60)	1,192,644.00	89,691.60		8/25/2025	3.04%	\$ 12,187.50	\$ 71,445.55	\$ 34,723.87	56
FHLB	3130AQF65	Gov. Agency Debenture	1.25%	11/30/2022	1,300,000.00	1,160,559.40	(139,440.60)	1,251,432.00	90,872.60		12/21/2026	4.15%	\$ 41,572.92	\$ 80,116.59	\$ 50,592.66	539
FHLB	3130APJH9	Gov. Agency Debenture	1.00%	1/17/2023	1,000,000.00	907,010.00	(92,990.00)	976,780.00	69,770.00		10/28/2026	4.17%	\$ 23,354.17	\$ 50,234.10	\$ 34,595.18	485
FFCB	3133ENS6	Gov. Agency Debenture	4.00%	2/8/2023	1,700,000.00	1,706,732.00	6,732.00	1,706,511.00	(221.00)		1/6/2028	3.91%	\$ 129,955.56	\$ 92,733.76	\$ 66,629.57	920
Freddie Mac	3137EAE3	Gov. Agency Debenture	0.38%	5/1/2023	750,000.00	689,032.50	(60,967.50)	743,167.50	54,135.00		9/23/2025	3.97%	\$ 5,328.12	\$ 32,931.11	\$ 28,215.63	85
American Honda	02665WEID9	Corporate Bond	4.70%	5/1/2023	600,000.00	608,856.00	8,856.00	605,382.00	(3,474.00)		1/12/2028	4.34%	\$ 47,078.33	\$ 29,982.05	\$ 26,306.36	926
US Treasury	91282CEJ4	US Treasury Note	2.50%	6/9/2023	1,500,000.00	1,416,626.12	(83,373.88)	1,467,885.00	51,258.88		3/31/2027	4.09%	\$ 67,827.87	\$ 62,956.31	\$ 59,377.40	639
US Treasury	91282CGA3	US Treasury Note	4.00%	6/20/2023	2,100,000.00	2,080,558.59	(19,441.41)	2,098,425.00	17,866.41		12/15/2025	4.40%	\$ 166,852.46	\$ 94,573.28	\$ 91,806.51	168
Colgate-Palmolive	194162AR4	Corporate Bond	4.60%	7/14/2023	500,000.00	504,655.00	4,655.00	508,540.00	3,885.00		2/1/2028	4.37%	\$ 37,502.79	\$ 21,195.52	\$ 21,978.31	946
FannieMae	3135G06G3	Gov. Agency Debenture	0.50%	7/14/2023	500,000.00	455,157.00	(44,843.00)	493,345.00	38,188.00		11/7/2025	4.63%	\$ 4,534.72	\$ 21,047.01	\$ 21,824.32	130
FFCB	3133EPQC2	Gov. Agency Debenture	4.63%	7/17/2023	500,000.00	501,957.50	1,957.50	503,220.00	1,262.50		7/17/2026	4.48%	\$ 34,687.50	\$ 21,487.97	\$ 22,473.10	382
FFCB	3133EPBM6	Gov. Agency Debenture	4.13%	7/14/2023	600,000.00	596,220.00	(3,780.00)	603,306.00	7,086.00		8/23/2027	4.29%	\$ 39,806.25	\$ 24,754.94	\$ 25,669.19	784
PNC Bank	69353RFJ2	Corporate Bond	3.25%	7/25/2023	1,000,000.00	921,490.00	(78,510.00)	975,430.00	53,940.00		12/23/2027	5.23%	\$ 48,479.17	\$ 46,970.90	\$ 50,276.77	906
US Treasury	91282CFU0	US Treasury Note	4.13%	7/31/2023	1,300,000.00	1,290,660.60	(9,339.40)	1,311,726.00	21,065.40		10/31/2027	4.31%	\$ 93,843.75	\$ 51,232.08	\$ 55,820.03	853
Toyota Motor Credit	89236TKL8	Corporate Bond	5.45%	8/25/2023	1,600,000.00	1,617,168.00	17,168.00	1,647,200.00	30,032.00		11/10/2027	5.16%	\$ 148,966.67	\$ 70,599.88	\$ 83,125.67	863
US Treasury	912810FE3	US Treasury Note	5.50%	10/3/2023	1,200,000.00	1,238,207.14	38,207.14	1,264,824.00	26,616.86		8/15/2028	4.76%	\$ 90,211.96	\$ 43,179.27	\$ 58,156.58	1142
Pepsico Inc	713448DF2	Corporate Bond	2.85%	10/16/2023	1,000,000.00	947,570.00	(52,430.00)	991,110.00	43,540.00		11/24/2025	5.24%	\$ 38,633.33	\$ 37,712.66	\$ 53,353.18	147
FFCB	3133EPUW3	Gov. Agency Debenture	4.75%	10/13/2023	1,000,000.00	994,338.00	(5,662.00)	1,008,210.00	13,872.00		9/1/2026	4.96%	\$ 65,708.33	\$ 35,367.82	\$ 49,460.75	428
US Treasury	91282CEW7	US Treasury Note	3.25%	10/16/2023	1,000,000.00	950,039.06	(49,960.94)	990,980.00	40,940.94		6/30/2027	4.73%	\$ 55,461.96	\$ 32,499.52	\$ 45,978.01	730
US Treasury	91282CEN7	US Treasury Note	2.75%	10/31/2023	1,300,000.00	1,214,336.39	(85,663.61)	1,276,847.00	62,510.61		4/30/2027	4.82%	\$ 53,625.00	\$ 40,101.59	\$ 60,234.90	669
US Treasury	91282CAB7	US Treasury Note	0.25%	11/15/2023	675,000.00	623,900.39	(51,099.61)	672,725.25	48,824.86		7/31/2025	4.92%	\$ 2,040.59	\$ 19,725.12	\$ 31,577.50	31
US Treasury	91282CHI2	US Treasury Note	1.25%	12/21/2023	900,000.00	798,647.55	(101,352.45)	837,774.00	39,126.45		6/30/2028	3.99%	\$ 17,180.71	\$ 33,690.14	\$ 33,629.70	1096
FNMA	3135G0Q22	Gov. Agency Debenture	1.88%	12/21/2023	900,000.00	845,676.00	(54,324.00)	877,077.00	31,401.00		9/24/2026	4.22%	\$ 21,234.38	\$ 19,224.14	\$ 36,545.89	451
US Treasury	91282CFB2	US Treasury Note	2.75%	1/2/2024	1,000,000.00	960,354.91	(39,645.09)	980,390.00	20,035.09		7/31/2027	3.95%	\$ 29,667.12	\$ 19,025.75	\$ 38,579.98	761
US Treasury	91282CHE4	US Treasury Note	3.63%	1/17/2024	1,800,000.00	1,775,185.72	(24,814.28)	1,795,914.00	20,728.28		5/31/2028	3.97%	\$ 89,317.63	\$ 32,061.96	\$ 70,924.94	1066
JP Morgan Chase	46647PDG8	Corporate Bond	4.85%	2/1/2024	1,400,000.00	1,396,528.00	(3,472.00)	1,414,532.00	18,004.00		7/25/2027	4.93%	\$ 66,782.10	\$ 28,319.94	\$ 68,911.86	755
US Bancorp	91159JH8	Corporate Bond	4.55%	2/5/2024	1,000,000.00	989,200.00	(10,800.00)	1,002,160.00	12,960.00		7/22/2027	4.89%	\$ 43,837.67	\$ 46,601.14	\$ 46,601.14	752
Treasury	91282CHB0	US Treasury Note	3.63%	2/23/2024	1,175,000.00	1,151,962.92	(23,037.08)	1,170,652.50	18,689.58		5/15/2026	4.56%	\$ 52,189.05	\$ 18,568.45	\$ 52,949.09	319
FHLB	3130AXB31	Gov. Agency Debenture	4.88%	2/27/2024	1,000,000.00	1,003,060.00	3,060.00	1,004,710.00	1,650.00		3/13/2026	4.72%	\$ 51,729.17	\$ 16,052.33	\$ 47,250.81	256
FFCB	3133EPSU5	Gov. Agency Debenture	4.13%	3/28/2024	1,700,000.00	1,687,981.00	(12,019.00)	1,720,740.00	32,759.00		3/20/2029	4.28%	\$ 68,566.67	\$ 18,681.03	\$ 72,538.06	1359
US Treasury	9128285M8	US Treasury Note	3.13%	4/30/2024	1,200,000.00	1,123,832.14	(76,167.86)	1,177,500.00	53,667.86		11/15/2028	4.69%	\$ 39,045.34	\$ 9,066.06	\$ 54,247.75	1234
Cisco Systems	17275RBR2	Corporate Bond	4.85%	5/15/2024	1,000,000.00	999,130.00	(870.00)	1,024,550.00	25,420.00		1/26/2029	4.87%	\$ 37,856.94	\$ 6,135.64	\$ 48,684.94	1306
Home Depot	437076CW0	Corporate Bond	4.90%	5/17/2024	1,000,000.00	1,001,790.00	1,790.00	1,025,840.00	24,050.00		4/15/2029	4.86%	\$ 44,644.44	\$ 5,862.95	\$ 48,635.81	1385
Treasury	91282CJR3	US Treasury Note	3.75%	5/31/2024	1,200,000.00	1,154,629.02	(45,370.98)	1,200,756.00	46,126.98		12/31/2028	4.68%	\$ 48,708.79	\$ 4,511.24	\$ 54,886.81	1280
American Honda	02665WEY3	Corporate Bond	4.95%	6/27/2024	1,000,000.00	995,640.00	(4,360.00)	1,002,150.00	6,510.00		1/9/2026	5.25%	\$ 26,537.50	\$ 430.16	\$ 52,336.72	193
FHLB	3130B1BT3	Gov. Agency Debenture	4.88%	7/2/2024	1,150,000.00	1,150,966.00	966.00	1,160,269.50	9,303.50		6/12/2026	4.82%	\$ 47,341.67	\$ -	\$ 55,261.42	347
Citibank	17325FBK3	Corporate Bond	4.84%	8/15/2024	1,250,000.00	1,263,062.50	13,062.50	1,276,350.00	13,287.50		7/6/2029	4.60%	\$ 28,725.62	\$ -	\$ 50,520.38	1467
FNMA	3135G05Y3	Gov. Agency Debenture	0.75%	9/10/2024	1,100,000.00	1,010,724.00	(89,276.00)	1,028,995.00	18,271.00		10/8/2027	3.56%	\$ 4,766.67	\$ -	\$ 29,915.45	830
US Treasury	91282CFU0	US Treasury Note	3.88%	12/3/2024	1,100,000.00	1,088,144.31	(11,855.69)	1,104,895.00	16,750.69		9/30/2029	4.12%	\$ 13,817.99	\$ -	\$ 25,813.46	1553
FHLB	3130AUT2	Gov. Agency Debenture	4.50%	2/12/2025	505,000.00	508,253.21	3,253.21	517,508.85	9,255.64		12/14/2029	4.35%	\$ 7,701.25	\$ -	\$ 8,337.70	1628
FFCB	3133ERSX5	Gov. Agency Debenture	3.88%	3/12/2025	1,000,000.00	998,480.00	(1,520.00)	1,001,190.00	2,710.00	538.19	3/7/2028	3.93%	\$ (538.19)	\$ -	\$ 11,831.34	981
Treasury	91282CJF9	US Treasury Note	4.88%	3/31/2025	1,100,000.00	1,130,167.75	30,167.75	1,139,446.00	9,278.25		10/31/2028	4.04%	\$ 4,444.06	\$ -	\$ 11,273.90	1219
State Street Corp	857477C13	Corporate Bond	5.27%	4/30/2025	800,000.00	1,111,184.00	311,184.00	808,224.00	(2,960.00)	10,192.53	8/3/2026	4.04%	\$ (10,192.53)	\$ -	\$ 5,565.50	399
Freddie Mac	3134HAW33	Gov. Agency Debenture	4.75%	4/30/2025	1,000,000.00	1,005,644.00	5,644.00	1,005,330.00	(314.00)		12/18/2029	4.23%	\$ 6,993.07	\$ -	\$ 7,735.00	1632
US Treasury	91282CNG2	US Treasury Note	4.00%	6/30/2025	660,000.00	665,184.24	5,184.24	666,289.80	1,105.56	2,163.92	5/31/2030	3.82%	\$ (2,163.92)	\$ -	\$ -	1796
Subtotal					\$ 53,001,000.00	\$ 51,591,343.34	\$ (1,409,656.66)	\$ 52,907,302.08	\$ 1,315,958.74	\$ 12,894.64			\$ 2,283,166.56	\$ 1,514,320.07	\$ 2,094,198.42	
BNY MM		Money Market				15,229.49		15,229.49	0.00			0.00%				1
LAIF		State Investment Pool				20,168,601.39		20,168,601.39	24,139.31			4.27%			637,300.25	1
						71,751,034.91		\$73,091,132.96	\$1,340,098.05	\$12,894.64			\$ 2,283,166.56	\$ 1,514,320.07	\$ 2,731,498.67	
Matured Assets																
FNMA	3135G0V75	Gov. Agency Debenture	1.75%	10/17/2019	1,100,000.00	1,105,833.30	5,833.30				7/2/2024	1.63%	\$ 90,956.25	\$ 84,780.33	\$ 98.70	
Honeywell Int'l.	438516BW5	Corporate Bond	2.30%	11/20/2019	1,000,000.00	1,014,660.00	14,660.00				8/15/2024	1.64%	\$ 108,483.33	\$ 91,844.87	\$ 2,508.83	
FFCB	3133EKQA7	Gov. Agency Debenture	2.08%	10/21/2019	1,000,000.00	1,019,780.00	19,780.0									

Town of Los Gatos
Investment Transaction Detail
June 30, 2025

Date	Cusip/Id	Description	Transaction Type	Trade Date	Settlement Date	Par	Coupon	Maturity Date	Price	Principal	Interest	Transaction Total
6/3/2025	Cash-USD	Cash-USD	SHORT TERM INVESTMENT FUND INCOME	6/3/2025	6/3/2025	351.44	0.000%		100.00	-	-	351.44
6/12/2025	3130B1BT3	FEDERAL HOME LOAN BANK 4.875% 12JUN2026	BOND INTEREST	6/12/2025	6/12/2025	1,150,000.00	4.875%	6/12/2026	-	-	28,031.25	28,031.25
6/16/2025	3130ATUT2	FEDERAL HOME LOAN BANK 4.5% 14DEC2029	BOND INTEREST	6/14/2025	6/14/2025	505,000.00	4.500%	12/14/2029	-	-	11,362.50	11,362.50
6/16/2025	91282CGA3	USA TREASURY 4% 15DEC2025	BOND INTEREST	6/15/2025	6/15/2025	2,100,000.00	4.000%	12/15/2025	-	-	42,000.00	42,000.00
6/16/2025	46625HRS1	JPMORGAN CHASE & CO 3.2% 15JUN2026 (CALLABLE 15MAR26)	BOND INTEREST	6/15/2025	6/15/2025	500,000.00	3.200%	6/15/2026	-	-	8,000.00	8,000.00
6/18/2025	3134HAW33	FREDDIE MAC 4.75% 18DEC2029 (CALLABLE 18JUN26)	BOND INTEREST	6/18/2025	6/18/2025	1,000,000.00	4.750%	12/18/2029	-	-	23,090.28	23,090.28
6/23/2025	3130AQF65	FEDERAL HOME LOAN BANK 1.25% 21DEC2026	BOND INTEREST	6/21/2025	6/21/2025	1,300,000.00	1.250%	12/21/2026	-	-	8,125.00	8,125.00
6/30/2025	91282CNG2	USA TREASURY 4% 31MAY2030	PURCHASE	6/27/2025	6/30/2025	660,000.00	4.000%	5/31/2030	100.79	665,184.24	2,163.93	667,348.17
6/30/2025	91282CEW7	USA TREASURY 3.25% 30JUN2027	BOND INTEREST	6/30/2025	6/30/2025	1,000,000.00	3.250%	6/30/2027	-	-	16,250.00	16,250.00
6/30/2025	91282CCH2	USA TREASURY 1.25% 30JUN2028	BOND INTEREST	6/30/2025	6/30/2025	900,000.00	1.250%	6/30/2028	-	-	5,625.00	5,625.00
6/30/2025	91282CJR3	USA TREASURY 3.75% 31DEC2028	BOND INTEREST	6/30/2025	6/30/2025	1,200,000.00	3.750%	12/31/2028	-	-	22,500.00	22,500.00
6/30/2025	912828ZW3	USA TREASURY 0.25% 30JUN2025	BOND INTEREST	6/30/2025	6/30/2025	350,000.00	0.000%	6/30/2025	-	-	437.50	437.50
6/30/2025	912828ZW3	USA TREASURY 0.25% 30JUN2025	REDEMPTION	6/30/2025	6/30/2025	350,000.00	0.000%	6/30/2025	100.00	350,000.00	-	350,000.00

TOWN OF LOS GATOS, CA

Insight ESG ratings as of June 30, 2025

CUSIP	Security description	Maturity date	Par/Shares	Total market value (\$)	S&P rating	Moody's rating	Insight ESG rating	Environment	Social	Governance
02665WEY3	AMERICAN HONDA FINANCE 4.95% 09JAN2026	1/9/2026	1,000,000	1,025,714	A-	A3	3	2	4	3
02665WED9	AMERICAN HONDA FINANCE 4.7% 12JAN2028	1/12/2028	600,000	618,625	A-	A3	3	2	4	3
037833DB3	APPLE INC 2.9% 12SEP2027 (CALLABLE 12JUN27)	9/12/2027	1,300,000	1,283,383	AA+	Aaa	5	2	5	5
17275RBR2	CISCO SYSTEMS INC 4.85% 26FEB2029 (CALLABLE 26JAN29)	2/26/2029	1,000,000	1,041,480	AA-	A1	3	1	3	3
17325FBK3	CITIBANK NA 4.838% 06AUG2029 (CALLABLE 06JUL29)	8/6/2029	1,250,000	1,300,566	A+	Aa3	3	1	3	4
194162AR4	COLGATE-PALMOLIVE CO 4.6% 01MAR2028 (CALLABLE 01FEB28)	3/1/2028	500,000	516,160	A+	Aa3	3	3	4	3
437076CW0	HOME DEPOT INC 4.9% 15APR2029 (CALLABLE 15MAR29)	4/15/2029	1,000,000	1,036,171	A	A2	3	3	3	3
437076BM3	HOME DEPOT INC 3% 01APR2026 (CALLABLE 01JAN26)	4/1/2026	1,000,000	998,249	A	A2	3	3	3	3
46625HRS1	JPMORGAN CHASE & CO 3.2% 15JUN2026 (CALLABLE 15MAR26)	6/15/2026	500,000	495,874	A	A1	3	2	3	4
46647PDG8	JPMORGAN CHASE & CO 4.851% 25JUL2028 (CALLABLE 25JUL27)	7/25/2028	1,400,000	1,443,836	A	A1	3	2	3	4
713448DF2	PEPSICO INC 2.85% 24FEB2026 (CALLABLE 24NOV25)	2/24/2026	1,000,000	1,001,113	A+	A1	3	3	2	3
69353RFJ2	PNC BANK NA 3.25% 22JAN2028 (CALLABLE 23DEC27)	1/22/2028	1,000,000	989,820	A	A2	3	2	4	3
857477CD3	STATE STREET CORP 5.272% 03AUG2026 (CALLABLE 03JUL26)	8/3/2026	800,000	825,255	A	Aa3	2	1	2	3
89236TKL8	TOYOTA MOTOR CREDIT CORP 5.45% 10NOV2027	11/10/2027	1,600,000	1,659,314	A+	A1	3	2	3	5
91159HJF8	US BANCORP 4.548% 22JUL2028 (CALLABLE 22JUL27)	7/22/2028	1,000,000	1,022,217	A	A3	3	3	4	4
Total Corporate / weighted average			14,950,000	15,257,775			3	2	3	4

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

Fund Schedule

Item 2.

Fund Number	Fund Description	Prior Year Carryforward 7/1/2024*	Increase/ (Decrease) July - May	June 2025				Estimated Fund Balance 6/30/2025*
				Current Revenue	Current Expenditure	Transfer In	Transfer Out	
111	GENERAL FUND							
	Non-Spendable:							
	Loans Receivable	159,000	-	-	-	-	-	159,000
	Restricted Fund Balances:							
	Pension	2,188,659	-	-	-	-	-	2,188,659
	Land Held for Resale	344,338	-	-	-	-	-	344,338
	Committed Fund Balances:							
	Budget Stabilization	6,736,781	-	-	-	-	-	6,736,781
	Catastrophic	6,736,781	-	-	-	-	-	6,736,781
	Pension/OPEB	300,000	-	-	-	-	-	300,000
	Measure G District Sales Tax	590,581	-	-	-	-	-	590,581
	Assigned Fund Balances:							
	Open Space	410,000	-	-	-	-	-	410,000
	Sustainability	140,553	-	-	-	-	-	140,553
	Capital/Special Projects	8,651,059	-	-	-	-	-	8,651,059
	Carryover Encumbrances	85,861	-	-	-	-	-	85,861
	Compensated Absences	1,555,478	-	-	-	-	-	1,555,478
	ERAF Risk Reserve	1,430,054	-	-	-	-	-	1,430,054
	Market Fluctuations	1,712,246	-	-	-	-	-	1,712,246
	Council Priorities - Economic Recovery	20,684	-	-	-	-	-	20,684
	Unassigned Fund Balances:							
	Other Unassigned Fund Balance Reserve (Pre YE distribution)	-	1,102,798	7,861,164	(4,588,105)	-	-	4,375,857
	General Fund Total	31,062,075	1,102,798	7,861,164	(4,588,105)	-	-	35,437,932

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

Fund Schedule

Item 2.

Fund Number	Fund Description	Prior Year Carryforward 7/1/2024*	Increase/ (Decrease) July - May	June 2025				Estimated Fund Balance 6/30/2025*
				Current Revenue	Current Expenditure	Transfer In	Transfer Out	
	SPECIAL REVENUE							
211/212	CDBG	166,653	-	-	-	-	-	166,653
222	Urban Runoff (NPDES)	754,134	(114,548)	13,641	(18,592)	-	-	634,635
231-236	Landscape & Lighting Districts	182,625	(599)	16,907	(9,240)	-	-	189,693
251	Los Gatos Theatre	171,035	222,070	93,606	(15,900)	-	-	470,811
261-264,269	Library Trusts	556,849	20,365	-	(6,290)	-	-	570,924
	Special Revenue Total	1,831,296	127,288	124,154	(50,022)	-	-	2,032,716
	CAPITAL PROJECTS							
411	GFAR - General Fund Appropriated Reserve	20,253,300	(3,597,169)	108,418	(701,463)	-	-	16,063,086
412	Community Center Development	866,281	(59,616)	-	(4,744)	-	-	801,921
421	Grant Funded Projects	(2,563,503)	11,050	1,677,963	(991,572)	-	-	(1,866,062)
461-463	Storm Basin Projects	3,531,248	(544,068)	16,724	(85,817)	-	-	2,918,087
471	Traffic Mitigation Projects	509,491	-	-	-	-	-	509,491
472	Utility Undergrounding Projects	3,584,251	13,676	-	-	-	-	3,597,927
481	Gas Tax Projects	1,928,167	(176,636)	166,534	-	-	-	1,918,065
	Capital Projects Total	28,109,235	(4,352,763)	1,969,639	(1,783,596)	-	-	23,942,515
	INTERNAL SERVICE FUNDS							
611	Town General Liability	177,876	(709,389)	-	(57,272)	-	-	(588,785)
612	Workers Compensation	586,246	(383,708)	5,573	(8,151)	-	-	199,960
621	Information Technology	2,523,347	(168,351)	163,580	(56,601)	-	-	2,461,975
631	Vehicle & Equipment Replacement	3,286,552	326,459	280,915	(3,497)	-	-	3,890,429
633	Facility Maintenance	960,526	(76,240)	2,083	(279,178)	-	-	607,191
	Internal Service Funds Total	7,534,547	(1,011,229)	452,151	(404,699)	-	-	6,570,770
	Trust/Agency							
942	RDA Successor Agency	(4,632,040)	(1,709,153)	1,751,624	(114)	-	-	(4,589,683)
	Trust/Agency Fund Total	(4,632,040)	(1,709,153)	1,751,624	(114)	-	-	(4,589,683)
	Total Town	63,905,113	(5,843,059)	12,158,732	(6,826,536)	-	-	63,394,250

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

Deposit Accounts of Interest:

111-23541 General Plan Update deposit account balance \$493,187.50
 111-23521 BMP Housing deposit account balance \$4,039,055.78



**TOWN OF LOS GATOS
FINANCE COMMISSION**

MEETING DATE: 08/11/2025

ITEM NO: 3

Item 3.

DATE: August 7, 2025
TO: Finance Commission
FROM: Chris Constantin, Town Manager
SUBJECT: Receive the California Employer's Retiree Benefit Trust (CERBT) Strategy 1 Market Value Summary Report for the Period Ending March 31, 2025 and the Performance Report as of March 31, 2025.

RECOMMENDATION:

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

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 March 31, 2025, was \$28,308,357.69 compared to \$28,131,070.95 as of December 31, 2024 (Attachment 1). As of March 31, 2025, the CERBT Strategy 1 fund had a net return of negative 2.36% for the month and 4.94% as of Fiscal Year to Date (Attachment 2).

The Town Pension and OPEB Trusts Oversight Committee received this information at its June 6, 2025 meeting.

PREPARED BY: Gitta Ungvari
Finance Director

Reviewed by: Town Manager and Town Attorney

PAGE 2 OF 2
SUBJECT: CERBT
DATE: August 7, 2025

Item 3.

Attachments:

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

Market Value Summary:

	QTD Current Period	Fiscal Year to Date
Beginning Balance	\$28,131,070.95	\$26,976,205.35
Contribution	0.00	0.00
Disbursement	0.00	0.00
Transfer In	0.00	0.00
Transfer Out	0.00	0.00
Investment Earnings	182,223.21	1,348,137.82
Administrative Expenses	(1,904.07)	(7,303.20)
Investment Expense	(3,032.40)	(8,682.28)
Other	0.00	0.00
Ending Balance	\$28,308,357.69	\$28,308,357.69
FY End Contrib per GASB 74 Para 22	0.00	0.00
FY End Disbursement Accrual	0.00	0.00
Grand Total	\$28,308,357.69	\$28,308,357.69

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	23.668336	22.696679
Period Ending Unit Value	23.817498	23.817498

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 03/31/2025

Town of Los Gatos

Entity #: SKB0-4589482285



Item 3.

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



March 31, 2025

Objective

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

Strategy

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

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

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

Assets Under Management

As of the specified reporting month-end:

CERBT Strategy 1	Annual Operating Ratio
\$20,217,055,440	0.085%

Composition

Asset Class Allocations and Benchmarks

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

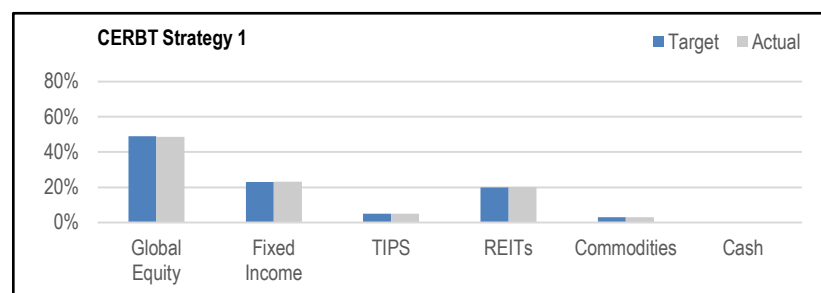
Asset Class	Target Allocation	Target Range	Benchmark
Global Equity	49%	± 5%	MSCI All Country World Index IMI (Net)
Fixed Income	23%	± 5%	Bloomberg Long Liability Index
Treasury Inflation-Protected Securities ("TIPS")	5%	± 3%	Bloomberg US TIPS Index, Series L
Real Estate Investment Trusts ("REITs")	20%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

Portfolio Benchmark

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

Target vs. Actual Asset Class Allocations

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



CERBT Strategy 1 Performance as of March 31, 2025

	1 Month	3 Months	Fiscal YTD	1 Year	3 Years*	5 Years*	10 Years*	Since Inception* (June 1, 2007)
Gross Return ^{1,3}	-2.35%	0.65%	5.00%	5.78%	2.60%	9.37%	6.08%	5.36%
Net Return ^{2,3}	-2.36%	0.63%	4.94%	5.70%	2.52%	9.28%	5.99%	5.28%
Benchmark Returns	-2.39%	0.56%	4.77%	5.43%	2.36%	9.12%	5.75%	4.98%
Standard Deviation ⁴	-	-	-	-	14.29%	13.18%	11.50%	12.85%

* 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.

CERBT Strategy 1

March 31, 2025



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 0.085% 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.

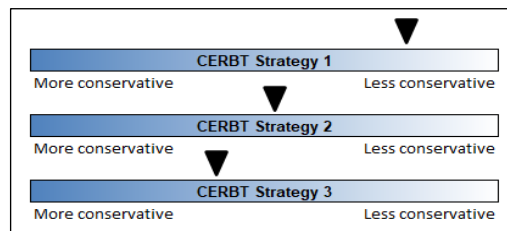
Fund Performance

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



¹ Since June 2018, 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: 08/11/2025

ITEM NO: 4

Item 4.

DATE: August 7, 2025
TO: Finance Commission
FROM: Chris Constantin, Town Manager
SUBJECT: Receive the California Employer's Pension Prefunding Trust (CEPPT) Strategy Market Value Summary Report for the Period Ending March 31, 2025, and Performance as of March 31, 2025

RECOMMENDATION:

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

BACKGROUND:

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

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

DISCUSSION:

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

PREPARED BY: Gitta Ungvari
Finance Director

Reviewed by: Town Manager, and Town Attorney

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

The ending CEPPT 115 Trust account balance as of March 31, 2025, was \$2,983,246.45 (Attachment 1). As of March 31, 2025, the CEPPT Strategy 2 fund had a net return of negative 0.95% for the month and 4.85% for the Fiscal Year to Date (FYTD) (Attachment 2). Staff transferred \$690,000 to the CEPPT Trust during this quarter. According to the March 2024 Pension/OPEB Oversight Committee action, the Town will keep the funds in the CEPPT Trust. It will continuously monitor and evaluate whether an additional discretionary payment should be made directly to CalPERS.

The Town Pension and OPEB Trusts Oversight Committee received this report at its June 6, 2025, regular meeting.

The Finance Commission reiterated its prior recommendation to the Oversight Committee on March 10, 2025, to transfer the balance of the Pension IRS 115 Trust to CalPERS and pay off the Longest Base in the Safety Plan to maximize the interest savings. According to the actuarial analysis, paying an ADP of \$2.18 million to the Safety Plan would have yielded approximately \$2,259,000 in interest savings at the time of the former recommendation. The Finance Commission also recommended that the Town move from Strategy 2 to Strategy 1.

Staff plans to set up a joint Study Session between the Town Pension and OPEB Trust Oversight Committee and the Finance Commission to discuss the pension and OPEB Trusts. Staff recommends waiting until the study session to decide on transferring the money to CalPERS. In the meantime, if the Council wishes to take a higher risk in the CEPPT Trust investment, the portfolio can be moved from Strategy 2 to Strategy 1. Taking higher risks can potentially increase the growth as well as the loss in the current portfolio.

Attachments:

1. CEPPT Market Value Summary Report as of March 31, 2025
2. CEPPT Strategy 2 Performance as of March 31, 2025

Market Value Summary:

	QTD Current Period	Fiscal Year to Date
Beginning Balance	\$2,253,077.65	\$2,188,658.95
Contribution	690,000.00	690,000.00
Disbursement	0.00	0.00
Transfer In	0.00	0.00
Transfer Out	0.00	0.00
Investment Earnings	41,489.27	108,542.88
Administrative Expenses	(870.92)	(2,608.82)
Investment Expense	(449.55)	(1,346.56)
Other	0.00	0.00
Ending Balance	\$2,983,246.45	\$2,983,246.45
FY End Contribution Accrual	0.00	0.00
FY End Disbursement Accrual	0.00	0.00
Grand Total	\$2,983,246.45	\$2,983,246.45

Unit Value Summary:

	QTD Current Period	Fiscal Year to Date
Beginning Units	204,653.336	204,653.336
Unit Purchases from Contributions	61,390.096	61,390.096
Unit Sales for Withdrawals	0.000	0.000
Unit Transfer In	0.000	0.000
Unit Transfer Out	0.000	0.000
Ending Units	266,043.432	266,043.432
Period Beginning Unit Value	11.009239	10.694469
Period Ending Unit Value	11.213381	11.213381

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 03/31/2025

Town of Los Gatos

Entity #: SKHE-4589482285-501P

Date	Description	Amount	Unit Value	Units	Check/Wire	Notes
03/25/2025	Contribution	\$690,000.00	\$11.239598	61,390.096	1000000521866 25	

CEPPT Strategy 2



March 31, 2025

Objective

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

Strategy

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

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

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

Assets Under Management

As of the specified reporting month-end:

CEPPT Strategy 2	Annual Expense Ratio
\$73,595,065	0.25%

Composition

Asset Class Allocations and Benchmarks

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

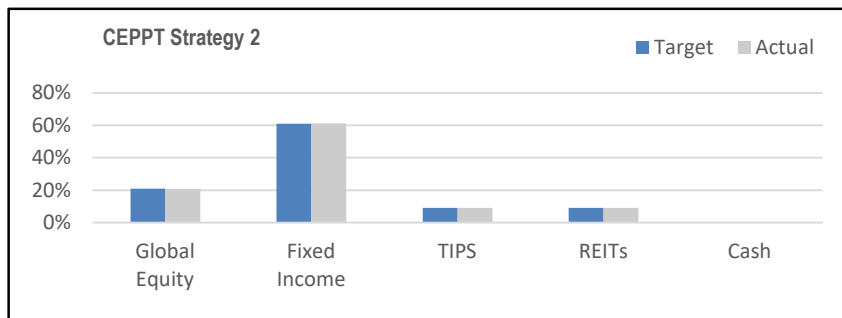
Asset Class	Target Allocation	Target Range	Benchmark
Global Equity	21%	± 5%	MSCI All Country World Index IMI (Net)
Fixed Income	61%	± 5%	Bloomberg US Aggregate Bond Index
Treasury Inflation-Protected Securities ("TIPS")	9%	± 3%	Bloomberg US TIPS Index, Series L
Real Estate Investment Trusts ("REITs")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

Portfolio Benchmark

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

Target vs. Actual Asset Class Allocations

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



CEPPT Strategy 2 Performance as of March 31, 2025

	1 Month	3 Months	Fiscal YTD	1 Year	3 Years*	5 Years*	10 Years*	Since Inception* (January 1, 2020)
Gross Return ^{1,3}	-0.93%	1.91%	5.03%	5.48%	1.91%	3.08%	-	2.33%
Net Return ^{2,3}	-0.95%	1.85%	4.85%	5.23%	1.68%	2.84%	-	2.09%
Benchmark Return	-0.94%	1.88%	4.89%	5.30%	1.81%	2.95%	-	2.21%
Standard Deviation ⁴	-	-	-	-	9.63%	8.15%	-	8.19%

* 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



March 31, 2025

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.

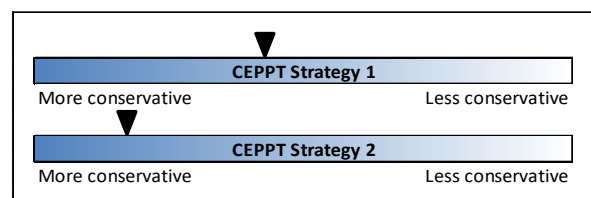
Fund Performance

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: 08/11/2025

ITEM NO: 5

Item 5.

DATE: August 7, 2025
TO: Finance Commission
FROM: Chris Constantin, Town Manager
SUBJECT: Discuss Upcoming Audit and Provide Input on June 30, 2025, Annual Comprehensive Financial Report with the Town's Independent Auditor

REMARKS:

Discuss the upcoming audit and provide input on the June 30, 2025, Annual Comprehensive Financial Report with the Town's independent auditor.

ATTACHMENT:

1. Presentation Chavan and Associates, llp

PREPARED BY: Gitta Ungvari
Finance Director

Reviewed by: Town Manager and Assistant Town Manager

Town of Los Gatos

Audit Plan Summary

JUNE 30, 2025



Chavan and Associates, LLP
Certified Public Accountants

ATTACHMENT 1

Auditing Standards

- **AICPA's Statements on Auditing Standards**
- **GAO/GAGAS**
- **Auditor's Objective**
- **Reasonable Assurance**
- **Materiality**
- **Independence**

Significant Areas and Risk Areas - Interim

- Federal compliance: **DOT AL# 20.205**
- Cash receipts. **No Exceptions, 3 sites and 25 transactions.**
- Payroll and payroll allocations between departments, funds and sources. **Sampled 10 employees over four pay periods and recalculated their pay in addition to onboarding controls testing and position control.**
- Disbursements and purchases. **Sampled 30 transactions with zero deviations.**
- Credit cards. **Sampled 5 employees and 15 transactions with zero deviations.**
- Bid testing. **Sampled 3 contracts/projects without exception.**
- Measure G. **Pending**

Significant Areas and Risk Areas - Year-end

- Journal Entries
- Cash and Investments
- AR and Revenue
- Capital Assets
- Measure G
- Fund Balance and Net Position
- Interfund Transactions
- Accounts Payable and Expenditures
- Pensions and OPEB
- TDA
- Liabilities

Timeline

- Interim testing done
- Year-end testing 9/29-10/3
- Year-end exit conference 10/10
- List of recommendations 10/17
- List of audit adjustments 10/17
- Draft reports and letters 10/24
- Final reports and letters 11/14
- Report to commission and council as needed.

Questions





TOWN OF LOS GATOS
FINANCE COMMISSION REPORT

MEETING DATE: 08/11/2025

ITEM NO: 6

Item 6.

DATE: August 9, 2025
TO: Finance Commission
FROM: Chris Constantin, Town Manager
SUBJECT: Review and Provide Recommendations on the Scope of Services for a Fiscal Condition Analysis and Five-Year Projections; Fiscal Impact Analysis for Proposed and Planned Growth; and an Asset Liability Management Study

RECOMMENDATION:

Staff recommend that the Finance Commission

- Review the proposed scope of services for the Fiscal Condition Analysis and Five-Year Projections, Fiscal Impact Analysis for Proposed and Planned Growth, and Asset Liability Management (ALM) Study, and
- Provide recommendations to refine and prioritize the scopes prior to the Town issuing a Request for Proposals (RFP).

FISCAL IMPACT:

There is no direct fiscal impact from reviewing and recommending changes to the scope of services. However, the eventual consultant engagement will require appropriation of funds from the Town's budget. Costs will vary depending on the scope breadth, whether studies are combined, and the selected consultant's pricing. Future costs will be presented to the Town Council at the time of contract award.

STRATEGIC PRIORITIES:

This initiative supports the Town's strategic priorities of:

- **Fiscal Stability:** Providing independent, data-driven forecasts and risk assessments to ensure sustainable financial planning.

PREPARED BY: Chris Constantin
Town Manager

Reviewed by: Town Manager, Town Attorney, Assistant Town Manager, and Community Development Director

SUBJECT: RFP Scope of Services for Financial Analysis and Studies

- **Community Character:** Evaluating fiscal impacts of growth to balance economic vitality with quality-of-life considerations.
- **Operational Excellence:** Developing clear, auditable tools for decision-making and aligning long-term fiscal strategies with policy objectives.

BACKGROUND:

At its April 14, 2025, meeting, the Finance Commission discussed draft scopes for a Fiscal Impact Analysis and a Fiscal Condition Analysis with Five-Year Projection. After reviewing the objectives and overlaps between the two scopes, the Commission recommended consolidating the scopes into a single RFP process with three separate line items:

1. **Fiscal Condition Analysis and Five-Year Forecast**
2. **Long-Term Outlook (to 2040, aligned with the General Plan and Housing Element)**
3. **Standalone Asset Liability Management Study**

The Commission emphasized the importance of:

- Using scenario planning with defined assumptions (best, worst, baseline, macroeconomic variations) and a risk/opportunity matrix.
- Including both internal and external stakeholder engagement.
- Ensuring clarity on accounting basis (government-wide vs. fund-based) and reconciliation across documents.
- Including cost as a decision criterion and requesting consultants' methodological transparency (including AI/data tool usage).
- Requesting work samples to evaluate consultant capabilities.
- Clearly articulating specific questions to be addressed, including the Town's short- and long-term fiscal condition and the fiscal impacts of projected development under the 2040 General Plan and Housing Element.

This agenda item continues the conversation and facilitates the Finance Commission's input on the draft scope of services.

DISCUSSION:

The proposed RFP will solicit qualified firms to conduct:

- **A Fiscal Condition Analysis and Five-Year Financial Forecast** to provide a rigorous, auditable view of the Town's current fiscal health, structural drivers, and near-term risks.
- **A Fiscal Impact Analysis for Proposed and Planned Growth** to model revenues, costs, and capital demands from development consistent with the General Plan and Housing Element through 2040, under multiple scenarios.

SUBJECT: RFP Scope of Services for Financial Analysis and Studies

- **An Asset Liability Management Study** to inventory and evaluate pension, OPEB, bonded debt, and unfunded infrastructure liabilities, and recommend funding and reserve strategies.

The scope incorporates best practices, including:

- Multi-scenario forecasting with documented assumptions.
- Stress testing and sensitivity analysis.
- Stakeholder interviews to validate data and assumptions.
- Deliverables in both PDF and editable formats, with staff training for ongoing use.
- Public presentations to the Finance Commission and Town Council.

Given the breadth of analysis, the Finance Commission's input is sought on the scope of the review, criteria for assessment, and any other guidance helpful to this important analysis. The final scopes will guide the Town in procuring services that provide robust, actionable, and transparent fiscal planning tools.

CEQA:

This review and recommendation process is not a project under the California Environmental Quality Act (CEQA) and is therefore exempt from environmental review.

CONCLUSION:

Staff requests that the Finance Commission review the attached draft scopes of services and provide recommendations to ensure the RFP yields proposals capable of delivering clear, comprehensive, and decision-ready fiscal analyses. The Finance Commission's feedback will help align the studies with the Town's strategic priorities and resource constraints before the RFP is finalized for Council consideration.

ATTACHMENTS:

1. Draft Request for Proposals – Fiscal Condition Analysis, Five-Year Forecast, Fiscal Impact Analysis, and Asset Liability Management Study
2. Fiscal Impact Analysis Example – City of Annapolis, Maryland (BAE Urban Economics)
3. April 14, 2025 Finance Commission Agenda Item and Draft Scopes

Town of Los Gatos

REQUEST FOR PROPOSALS

FISCAL CONDITION ANALYSIS WITH FIVE-YEAR AND LONG-TERM FORECAST, FISCAL IMPACT ANALYSIS, AND ASSET LIABILITY MANAGEMENT STUDY

Date Issued: [Insert Date]

Proposal Submittal Deadline: [Insert Date], by 4:00 p.m. Pacific Standard Time

Issued By:

Issued By:

Town of Los Gatos – Finance Department

110 E Main Street, Los Gatos, CA 95030

www.losgatosca.gov

Finance@losgatosca.gov

ATTACHMENT 1

TABLE OF CONTENTS

- A. Purpose
- B. Overview
- C. Minimum Qualifications
- D. General Provisions and Requirements
- E. Scope of Services
- F. Proposal Format and Submittal Requirements
- G. Evaluation Process
- H. Additional Information
- I. Attachments

ATTACHMENT 1 - CONFLICT OF INTEREST STATEMENT (FOR SUBMITTAL)

ATTACHMENT 2 - NON-COLLUSION DECLARATION (FOR SUBMITTAL)

ATTACHMENT 3 - REFERENCES (FOR SUBMITTAL)

ATTACHMENT 4 - STATEMENT REGARDING INSURANCE COVERAGE AND WORKER'S COMPENSATION INSURANCE

ACKNOWLEDGMENT CERTIFICATE (FOR SUBMITTAL)

ATTACHMENT 5 - STANDARD CONSULTANT SERVICES AGREEMENT

Schedule of Activities (Tentative):

Activity	Anticipated Date
RFP Release	[Insert Date]
Deadline for Questions	[Insert Date]
Proposal Submission Deadline (4:00 p.m.)	[Insert Date]
Proposal Evaluation	[Insert Date]
Consultant Interviews (if necessary)	[Insert Date]
Contract Negotiation and Execution	[Insert Date]

Town Contacts:

Gitta Ungvari, Finance Director

Email: Finance@losgatosca.gov

A. PURPOSE

The Town of Los Gatos is seeking proposals from qualified firms to perform one or combined studies including

1. A Fiscal Condition Analysis with Five-Year and Long-Term Financial Projections, and or
2. A Fiscal Impact Analysis for proposed and planned growth.

And to provide a separate proposal not to be combined for the following

3. An Asset Liability Management (ALM) Study.

Proposers may submit responses for each of the first two studies individually and as a combined packaged. For the third study, the Town is looking for a proposal that is not combined with the first two studies.

The three studies are listed in priority order with the most time sensitive being the fiscal condition analysis with five-year and long-term financial projections. Based on the proposals, the Town will determine which of the proposals to accept with emphasis on the most time sensitive analysis.

B. OVERVIEW

The Town is undertaking this analysis to obtain an independent, data-driven assessment of its fiscal condition and near-term outlook. Current internal five-year projections indicate structural operating deficits, and the Town seeks third-party validation of assumptions, methodologies, and results to inform decision-making by staff, the Finance Commission, and the Town Council. The selected Consultant will evaluate historical trends and structural drivers, develop a transparent five-year multi-scenario forecast, and quantify risks, sensitivities, and reserve implications, while clearly distinguishing one-time from ongoing resources. The objective is to provide an auditable, public-facing foundation for budget strategy, service level planning, and proactive risk management.

Concurrently, the Town faces multiple large development proposals, including affordable housing projects associated with the General Plan and Housing Element. The Town requires a clear understanding of the net fiscal effects of this growth—revenues and costs, operating and capital, timing and step-cost triggers (e.g., staffing, equipment, facilities)—under best-case, baseline, and worst-case scenarios through 2040. In addition, the Town seeks to inventory and evaluate key asset-liability exposures (pension, OPEB, bonded debt, and unfunded infrastructure needs) to guide prudent funding strategies, reserve calibration, and long-term sustainability. Together, these efforts will produce integrated tools and findings that support transparent policymaking and durable fiscal health.

At the April 14, 2025 Finance Commission meeting, the Commission recommended consolidating prior scope efforts for these studies into a single Request for Proposal process. The Commission approved eight key recommendations:

1. **Consolidate scopes** into a single RFP with three separate line items:
 - Fiscal Analysis and Five-Year Forecast
 - Long-Term Outlook (to 2040, aligned with the General Plan and Housing Element)
 - Optional standalone ALM Study
2. **Require scenario planning** using defined sets of assumptions for:
 - Best, worst, and most likely cases
 - National and macroeconomic conditions (e.g., recession, tariffs, labor costs)
 - Risk and opportunity matrix
 - Consultant's own recommended scenario modifications or additions
3. **Stakeholder engagement** including interviews with internal staff and external partners (e.g., Sewer District, Fire Department).
4. **Define accounting basis and format** (e.g., government-wide vs. fund-based reporting) to ensure clarity, usability, and reconciliation across documents.
5. **Include cost** as a decision matrix criterion to evaluate overall value of proposals.
6. **Require explanation of tools and methodologies**, including the use of AI, data sources, forecasting models, and technical platforms.
7. **Request work samples** similar to proposed scopes to assess consultant capability.
8. **Articulate specific questions** to be answered:
 - What is the Town's fiscal condition over the next five years? (Study 1)
 - What is the long-term financial outlook? (Study 1 and/or Study 2)
 - What is the fiscal impact of projected development under the 2040 Plan and Housing Element? (Study 2)

C. MINIMUM QUALIFICATIONS

To the satisfaction of the Town of Los Gatos, each proposer shall ensure their proposal, as applicable, includes sufficient information to facilitate the following

- Demonstrated experience conducting fiscal analyses and long-range financial forecasting for California municipalities.
- Familiarity with local government budgeting, finance, infrastructure liabilities, pensions, economic development analysis, and General Plan documents.
- Experience engaging with a wide variety of constituencies including but not limited to internal departments, elected officials, and other non-Town constituencies.
- Strong presentation, communication, and public reporting skills.
- Ability to deliver user-friendly financial models and documentation.

D. GENERAL PROVISIONS AND REQUIREMENTS

The Town may establish general provisions and requirements related to the work being performed including but not limited to

1. Possession of all licenses required to perform services in California, if applicable
2. Town approval required for any key personnel changes.
3. All deliverables must be provided in PDF and native editable formats.

4. All materials prepared or supporting prepared deliverables become the property of the Town.

E. SCOPE OF SERVICES

Study 1 — Fiscal Condition Analysis with Five-Year Forecast

Objective. Provide a rigorous, auditable view of the Town’s current fiscal condition; produce a five-year multi-scenario operating forecast; quantify risks and opportunities; and deliver a transparent, staff-maintainable model aligned with GAAP, GFOA, and State Controller conventions.

1) Project Initiation & Workplan

- **Kickoff meeting:** Confirm goals, deliverables, scope boundaries, schedule, and communication cadence; finalize the assumptions governance process (how assumptions are proposed, reviewed, approved, and versioned).
- **Detailed workplan:** Activities, dates, responsibilities, dependencies, and review milestones; identify critical path items.
- **Stakeholder map:** Identify internal staff, department contacts, and external partners (e.g., special districts) for interviews and data validation.

2) Data Intake, Validation & Controls

- **Minimum data (at least 10 years):** ACFR/CAFRs; California State Controller’s reports; adopted budgets and mid-year updates; trial balances; revenue detail (property, sales, TOT, fees/permits/fines, franchise, business license, transfers); labor MOUs; position and pay schedules; CalPERS actuarial reports (normal cost, UAL, amortization bases, projected employer rates); OPEB actuarial valuations; debt schedules and official statements; CIP, deferred maintenance reports, and life-cycle/asset management reports; grants and one-time funds; reserve policies.
- **Data Quality Assurance/Quality Control:** Reconcile to audited financial statements; identify reclassifications and one-time items; maintain a Data Sources Register with date, owner, and quality notes. Implement process to ensure the accuracy, consistency, and completeness of the information presented in deliverables.
- **Accounting basis:** Specify fund-based vs. government-wide views used in analysis; provide crosswalks/reconciliations.

3) Methodology & Assumptions Framework

- **Method statement:** Document forecasting structure, drivers, and equations utilized; define how scenario variants are applied.
- **Assumptions log:** Centralized register for economic (AV growth, inflation/CPI, wage growth, medical trend), operational (vacancy, hiring, service levels), policy (fees, taxes), financial (interest rates, investment earnings), and actuarial (CalPERS/OPEB) assumptions. Include source, rationale, date, owner.

- **Standards compliance:** Where applicable, align with guidance from, but limited to, GAAP, GFOA best practices, and State Controller reporting.

4) Fiscal Condition Assessment (Current State)

- **Liquidity & reserves:** Trends vs. policy targets; one-time vs. ongoing resource use; working capital indicators.
- **Revenues:** Composition, concentration, and volatility of General Fund revenues (property, sales, TOT, utility/franchise, fees/permits, transfers). Analyze seasonality, elasticity, collection risk, and extraordinary items.
- **Expenditures:** Personnel (base pay, steps, COLA, vacancy/backfill, overtime), benefits (health, workers' comp), pension and OPEB contributions, non-personnel (contracts, utilities, insurance, fleet, fuel), and internal service charges; identify structural cost pressures and unfunded mandates.
- **Liabilities & commitments:** Pensions (UAL by amortization base, rate trajectories), OPEB (pay-go vs. prefunding status), bonded debt (coverage, covenants), leases, and deferred capital/maintenance backlogs.
- **Structural balance:** Historical ongoing revenues vs. ongoing expenditures; reliance on one-time resources; identification of structural gaps.
- **Practices Modeling:** Provide data showing the historical and current condition based on recognized models, such as the ICMA Fiscal Trend Monitoring System, the League of California Cities Municipal Financial Health Diagnostic, or other tools appropriate to provide collective insight to fiscal condition.
- **Benchmarking (if applicable):** Contextualize key ratios versus peer agencies and/or recommended practice ranges.

5) Five-Year Operating Forecast (Baseline, Best-Case, Worst-Case)

- **Baseline (“most likely”):** Reflect adopted policies, existing MOUs, known program changes, and consensus macro assumptions.
- **Best-case:** Favorable macro trajectory (higher taxable sales, steady AV growth, stable TOT), improved investment returns, successful cost containment and vacancy savings.
- **Worst-case:** Recessionary path(s), slower or negative AV growth, elevated wage/medical inflation, lower TOT/consumer spending, state takeaways/mandates, and higher CalPERS rates or revised amortization schedules.
- **Revenue modeling:** Property tax (AV growth components, Prop 13 reassessment dynamics); sales tax (category mix, elasticity to income/price indices); TOT recovery curve; fees/permits (activity volumes/fee policy); other taxes and intergovernmental sources.
- **Expenditure modeling:** Wage steps/COLA per MOU; staffing plan and vacancy factors; health trend; CalPERS employer rates and UAL amortization payments; OPEB contributions; operations & maintenance inflation; known contracts and step-cost triggers.
- **Sensitivity analysis:** Run targeted shocks (e.g., $\pm 1\text{--}2\%$ AV growth, $\pm 0.5\text{--}1.0$ pts sales growth/elasticity, $\pm 2\text{--}3\%$ medical trend, $\pm 50\text{--}100$ bps investment earnings, pension

discount-rate changes) and show fiscal effects. Determine reasonable and appropriate ranges for use in the analysis.

- **Reserves tracking:** Model policy floors, replenishment rules, and draw triggers under each scenario.

6) Risk, Opportunity & Stress Testing

- **Risk/Opportunity Matrix:** Probability \times impact scoring for high-leverage drivers (economy, tax base, tourism/TOT, labor/benefits, state policy, disasters, grant volatility); quantify fiscal exposure ranges.
- **Macro stresses:** Multi-year recession and recovery paths; interest rate shocks; investment earnings variance; inflation spikes.
- **Operational stresses:** Hiring lag or higher vacancy; higher overtime; insurance/premium shocks; major contract repricing; supply chain spikes.
- **Event stresses:** Disaster scenarios (i.e. wildfire/earthquake/flood) with plausible cost and revenue effects; state action (takeaways, deferrals).
- **Mitigation levers:** Revenue measures (policy options), expenditure pacing, capital deferral windows, position management, reserve deployment/replenishment strategies, each with indicative fiscal effect, lead time, and dependencies where reasonable.

7) Reserves & Policy Analysis

- **Adequacy tests:** Compare forecast reserves to policy targets under all scenarios and stresses; estimate time to restore reserves if drawn.
- **Policy review:** Evaluate reserve policy structure (levels, triggers, replenishment) and recommend enhancements consistent with GFOA guidance.

8) Model Specifications (Editable & Maintainable)

- **Workbook architecture:** Separate Inputs/Assumptions, Drivers, Revenue Modules, Expenditure Modules, Pensions/OPEB, Results by Fund, Reserves, Stress/Sensitivity, Charts & Tables, Reconciliation.
- **Controls:** Version control; cell protections where appropriate; color-coded inputs vs. formulas; scenario toggles; sensitivity sliders; documentation panel/tooltips.
- **Reconciliation:** Crosswalks to audited financials and to adopted budget for Year 1; one-time vs. ongoing segmentation; fund-to-government-wide alignment notes.
- **User guide:** Embedded data dictionary, instructions for updating, and a checklist for annual refresh.

9) Engagement & Validation

- **Department interviews:** Validate workload/demand drivers, pipeline initiatives, service level commitments, step-cost triggers, and risks.
- **Finance collaboration:** Agree on key inputs (e.g., macro path, labor/benefit assumptions, revenue elasticities); coordinate with actuaries/auditors as needed.

- **External partners (as relevant):** Validate assumptions with external partners (i.e. sewer, stormwater, etc.) on joint cost drivers or pass-throughs.

10) Deliverables

- **Kickoff packet:** Final workplan, data request, and engagement calendar.
- **Interim Findings Memo:** Early condition read-out; emerging risks/opportunities; preliminary assumptions for staff review.
- **Five-Year Forecast Model (editable):** With scenarios, sensitivities, reconciliation tabs, and print-ready exhibits.
- **Risk & Opportunity Matrix + Stress-Test Pack.**
- **Final Report (PDF + native):** Executive summary; current condition; five-year forecast (all scenarios); long-term outlook; risk/stress results; reserve analysis; recommended actions (timing, indicative fiscal effect); appendices (assumptions log, data sources, reconciliation tables, benchmarking).
- **Presentations:** At least two public meetings (Finance Commission and Town Council) and staff work sessions.
- **Training & Handover:** Live walkthrough, update playbook, and placement of all files per Town direction.

12) Schedule (Illustrative)

- Weeks 1–2: Kickoff; data intake; interview scheduling; method statement.
- Weeks 3–6: Condition diagnostics; interim findings memo.
- Weeks 7–10: Five-year forecasting; scenario build; sensitivities.
- Weeks 11–12: Reserves/policy analysis; risk matrix; stress tests.
- Weeks 13–14: Draft report/model; staff review and revisions.
- Weeks 15–16: Final report/model; presentations; training and handover.

13) Town Support (Anticipated)

- Timely access to financials, audit and actuarial reports, MOUs/position data, CIP/backlog, development and fee pipelines, debt/grants, and reserve policies; scheduling of interviews; facilitation of external partner conversations as needed.

Study 2 — Fiscal Impact Analysis

The Consultant will complete a robust Fiscal Impact Analysis mirroring the analytical structure and depth of the 2020 Comprehensive Plan Fiscal Impact Analysis for Annapolis, Maryland or equivalent (Attachment included). The analysis shall include:

1) Growth-Based Cost Modeling

- Distinguish fixed vs. variable General Fund operating costs.

- Project variable operating and staffing costs by department (e.g., General Government, Police, Parks and Public Works, Library) using appropriate demand bases (residential population, service population, or employment).
- Disaggregate costs into staffing vs. non-staffing components and identify per-unit cost escalators.

2) Revenue Modeling

- Property tax and related in-lieu components based on development assumptions (e.g., housing units, commercial sq. ft.).
- Sales and use tax, transient occupancy tax (TOT), franchise fees, business license tax, and fees/permits/fines using Town-specific volumes and policy assumptions.
- Other locally controlled revenues (i.e. third party partners).

3) Scenario-Based Forecasts

- Develop best-case, baseline, and worst-case scenarios over a 20-year horizon.
- Conduct sensitivity testing on service-population growth, property values, cost escalation, and revenue volatility (including recession simulations).

4) Capital Cost Estimation

- Provide rough-order-of-magnitude (ROM) capital cost estimates tied to infrastructure demands generated by new growth.
- Recommend methodologies the Town can reuse for site-specific capital forecasting.

5) Results & Communication

- Estimate net fiscal impact (revenues vs. costs) at buildout and annually through 2040.
- Present findings with clear charts/tables comparing revenue/cost deltas and stress-tested variance bands.
- Highlight fiscal implications by development type (e.g., residential vs. commercial) and intensity/density.

6) Methodological Transparency

- Clearly define data sources, modeling assumptions, and calibration approach.
- Collaborate with staff to validate variables and use Town-specific historical financials, land use policies, and demographic projections.

Study 3 — Asset Liability Management (ALM) Study

The Consultant shall:

- **Inventory & Evaluate Liabilities:** Provide an inventory and evaluation of key liabilities including but not limited to pension, OPEB, bonded debt, and unfunded infrastructure needs.
- **Funding Needs & Risk Reduction:** Offer a standalone analysis of long-term funding needs and identify strategies to reduce risk.
- **ALM Modeling:** Present model outputs showing fund balance sustainability and risk exposure across scenarios.
- **Reserve Guidance:** Provide guidance on optimal reserves and potential reserve policy enhancements.

Combined Studies —Study 1 and 2

The Consultant shall deliver a unified analysis that:

- Integrates the Fiscal Condition & Forecast (Study 1) with the Fiscal Impact Analysis (Study 2) to provide a coherent picture of short and long-term fiscal sustainability.
- Ensure consistency in assumptions across the impact and forecast models, using development assumptions and infrastructure costs as key inputs.
- Packages results into a single report with distinct sections, shared assumptions, and harmonized formats.

All Studies — Required Elements

All proposals for all Studies must include:

- Scenario analysis with well-documented assumptions, covering macroeconomic and local risks.
- A risk & opportunity matrix that quantifies high-impact variables and their fiscal effects.
- Interviews with all Town departments and relevant external agencies (e.g., Sewer District, Fire Department) to inform assumptions.
- Accounting/Reporting transparency, specifying whether analyses are government-wide or fund-based, source of the information, and how they reconcile.
- Editable deliverables (e.g., Excel models, PowerPoint decks) with a documented methodology and user guide.
- Public presentations: at least two meetings (Finance Commission and Town Council), plus staff work sessions as needed.
- Work samples of comparable scope and complexity.
- Disclosure of AI/data tools: clarify if/how AI or specialized analytics are used in modeling.
- Standards compliance: GAAP, GFOA, and California State Controller standards.
- Usability & training: a clear plan for long-term usability, including staff training where needed.

F. PROPOSAL FORMAT AND SUBMITTAL REQUIREMENTS

1 Proposal Format and Organization

Proposals shall be clear, concise, and organized in the order below. Provide one (1) searchable PDF and any native files specifically requested (e.g., Excel models), using the section headers shown to facilitate review.

1. **Cover Letter (maximum 2 pages)**
Briefly summarize qualifications and project understanding; identify the primary contact authorized to bind the firm. Confirm acceptance of the Town's Sample Consultant Services Agreement (**Attachment 5**) or list any specific exceptions/edits requested.
2. **Completed Certification Forms (Attachments 1–4)**
 - Attachment 1 – Conflict of Interest Statement
 - Attachment 2 – Non-Collusion Declaration
 - Attachment 3 – References
 - Attachment 4 – Statement Regarding Insurance Coverage and Worker's Compensation Insurance Acknowledgment Certificate
3. **Scope Comments and Methodology**
Comment on the Scope of Services and describe the proposed approach, specialized methods/tools, milestones, QA/QC, and how deliverables will be provided to the Town (including assumptions governance and documentation practices).
4. **Experience and Expertise**
Demonstrate experience performing similar studies for California municipalities, including fiscal condition analysis, forecasting, fiscal impact analysis, and ALM. Include relevance to local government budgeting, finance, infrastructure liabilities, pensions/OPEB, and General Plan/Housing Element contexts.
5. **Key Personnel and Resumes**
Identify the Project Manager and key staff; provide brief role descriptions and relevant qualifications. Commit to maintaining the proposed team; note any planned subcontractors.
6. **Timeline and Work Plan**
Provide a realistic schedule with major tasks, interim deliverables, review points, and public meetings (Finance Commission and Town Council). Indicate opportunities for phasing.
7. **Samples of Comparable Projects (1–3)**
Provide recent examples demonstrating similar scope, scale, and complexity (links or PDFs).
8. **Disclosure of Litigation/Discipline (last 5 years)**
Disclose and explain any relevant matters; indicate status/outcome.
9. **References (Attachment 3)**
Provide a minimum of three (3) current references from comparable engagements within the past five (5) years, including contact information.
10. **Preliminary Fee Schedule (itemized by Study)**
Provide an itemized fee proposal for **Study 1, Study 2, Study 3, and/or Combined Study 1 and 2** (as applicable), inclusive of travel and incidental expenses. Identify personnel classifications, hourly rates, estimated hours by task, and optional services.
11. **Statement of Insurance Coverage (Attachment 4)**
Identify carriers, types, and limits; confirm ability to meet Town requirements if selected.

12. Tools, Data Sources, and Use of AI

Summarize data sources, technical platforms, and any AI/advanced analytics used in modeling; describe transparency, validation, and human-in-the-loop review.

2 Submittal Instructions

- **Due Date/Time:** Proposals must be received **electronically** by **[Insert Date], 4:00 p.m. Pacific Time**. Late submittals will be deemed non-responsive.
- **Delivery Method:** Email the proposal PDF (and any required native files) to **Finance@losgatosca.gov**. If using a file-sharing link, include access permissions that do not expire before award. The Proposer is responsible for confirming receipt due to potential email size limits.
- **Email Subject Line:** “Town of Los Gatos – Fiscal Analysis Proposal (Studies 1, 2, 3, or Combined 1 and 2)”.
- **Single Proposal:** Each Proposer may submit **only one** proposal; alternate proposals are not permitted unless requested by the Town. Providing separate complete documents for each study option will collectively be considered only one proposal.
- **Format:** One (1) searchable PDF is preferred. Provide **Excel** versions for any financial models included in the submittal. Bookmark major sections and use consistent tab labels in workbooks.

3 Questions and Addenda

- **Questions:** Direct all questions in writing to the Town’s Contact at **Finance@losgatosca.gov** by **[Insert Questions Due Date]** (see Schedule of Activities). Do not contact other Town officials or evaluators. Responses will be issued only by **Addendum**.
- **Addenda:** The Town will issue addenda on its website. Proposers are responsible for checking for updates and must acknowledge all addenda in the proposal. The **last day to issue addenda** is **[Insert Addenda Date]** (see Schedule of Activities).

4 Proposal Conditions

- **Responsibility for Delivery:** Proposers assume full responsibility for timely delivery. The Town is not responsible for email transmission issues or access restrictions on shared links. Proposals received after the deadline will not be considered.
- **RFP Schedule:** See **Schedule of Activities**. The Town reserves the right to amend the schedule as necessary.
- **Use of Town Forms/Attachments:** Proposers shall submit Town forms (Attachments 1–4) as provided in this RFP.
- **Contract Template:** The Town’s **Sample Consultant Services Agreement (Attachment 5)** is provided for reference; proposers shall **accept** or propose **specific exceptions** in the Cover Letter.
- **Acceptance or Rejection:** The Town reserves the right to accept or reject any and all proposals for any reason, including but not limited to, lack of budget for studies, etc.

- **Public Records:** All materials may become public records per the California Public Records Act.

5 Acknowledgment of Minimum Qualifications

By submitting, the Proposer affirms it meets the Minimum Qualifications and agrees to the General Provisions and Requirements as stated in Sections C and D of this RFP.

G. EVALUATION PROCESS

Proposals will be evaluated based on:

1. Conflict of Interest/Non-Collusion Declarations (Pass/Fail)
2. Proposal Completeness and Organization (15 points)
3. Understanding of Scope and Methodology (20 points)
4. Qualifications and Experience (20 points)
5. Accessibility and Communication (15 points)
6. References and Work Samples (10 points)
7. Pricing and Cost-Effectiveness (20 points)

The Town reserves the right to conduct interviews. Evaluation is at the sole discretion of the Town. Selection will be based on best fit as determined by the Town and will not be solely determined on points or price.

H. ADDITIONAL INFORMATION

- Proposers are responsible for all costs.
- All materials may become public under the California Public Records Act.
- The Town reserves the right to reject any or all proposals.
- Equal opportunity requirements apply.
- All work must comply with local, state, and federal law.

I. ATTACHMENTS

1. Conflict of Interest Statement
2. Non-Collusion Declaration
3. References Form
4. Insurance Certification
5. Sample Consultant Services Agreement

The Town of Los Gatos thanks you for your interest in this important initiative.

bae urban economics

DRAFT 2020 Comprehensive Plan Fiscal Impact Analysis *For the City of Annapolis, Maryland*

August 8, 2020



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EXECUTIVE SUMMARY

As part of the Annapolis Comprehensive Plan update, BAE Urban Economics has prepared a fiscal impact analysis of new growth in Annapolis between 2020 and 2040. Among the key features of the Comprehensive Plan are the development and growth projections that serve as the basis for the policies and strategies set forth in it. A fiscal impact analysis is a powerful tool to assess whether the new growth assumed in the plan will strain government services or generate net revenues that allow the government to improve and expand services and invest in economic growth. By 2040, Annapolis is projected to grow by 583 new households and 4,347 new residents. The service population is projected to grow by 4,388. Growth projections are based on population, jobs, and household projections from the Baltimore Metropolitan Council (BMC), Round 9 projections, published in 2016.

Methodology Overview

This fiscal impact analysis evaluates operating costs and revenues in the General Fund. The analysis uses the Fiscal Year 2020 (FY20) Adopted Budget as a baseline to estimate the current level of service provided by the city government in terms of operating costs. Operating cost projections are based on the growth in either the residential population demand base or the service population demand base, which is the residential population plus 50 percent of jobs. Revenues other than real property tax and income tax revenue were projected similarly, based on an average revenue per chosen demand base. Real property tax and income tax revenue were calculated based on the development assumptions in the Comprehensive Plan. The Annapolis property tax rate is applied to the assumed assessed values of new development. Income tax revenue is based on the property values of new residential development and calculating a minimum income required to purchase or rent a given unit.

An estimate of capital costs is provided, but it is not incorporated into the fiscal impact analysis, as the assumptions behind the calculations are more tenuous and less reliable than the evaluation of operating costs and revenues. However, to the extent that growth will generate capital costs, these are expected to be minimal as Annapolis will not require new, additional major capital infrastructure.

Given the recent COVID-19 outbreak and its potential effects on the economy, various property tax revenue scenarios are tested for impact on the overall growth-related revenue estimate. Although the crisis may impact the fiscal resiliency of the City, it is important to note the fiscal impact is calculated for the next 20 years.

Summary of Findings

This analysis finds that the growth projected in the Comprehensive Plan update will have an estimated net fiscal impact totaling \$776,000 to the City of Annapolis General Fund by 2040, which is calculated by adding approximately \$3.3 million in new revenues and subtracting

\$2.5 million in new operating costs. Capital costs are estimated to be \$553,600. This is a marginally positive fiscal impact and a sensitivity analysis suggests the fiscal impact could reasonably turn out negative, although this would also be marginal relative to the size of the FY20 adopted budget. This result is explained by the heavily residential development program assumed in the model, which serves as the basis for the fiscal impact.

INTRODUCTION

This report presents an analysis of the projected net fiscal impact that the population and employment growth envisioned in the City of Annapolis Comprehensive Plan update will have on the City of Annapolis General Fund between 2020 and 2040. Fiscal impact analysis is a powerful tool to assess the revenues and costs associated with new development within a jurisdiction. New homeowners and businesses generate revenues to local governments by paying taxes, fees, and fines. They also bring about new costs for a jurisdiction in the form of new or improved roads, more schools and parks, and increased investment in public safety. These costs are comprised of both operating and capital components; growth can require both new infrastructure and an increase in operating capacity to maintain a given level of service. Fiscal impact analysis allows a jurisdiction to compare the revenues and costs from new growth, which can inform decisions ranging from assessing the feasibility of a new development to updating tax rates and reevaluating existing services.

Fiscal impacts are calculated in terms of impact on the annual budget. In general, the formula for calculating the fiscal impact per land use (i.e. low-density residential, mixed use, etc.) or development type (single-family detached, multi-family, office, etc.) is:

$$\begin{array}{ccccccc} \text{Annual Fiscal} & & & & & & \\ \text{Impact} & = & \text{Revenues} & - & \text{Operating Costs} & - & \text{Capital Costs} \\ \text{(of new growth)} & & \text{(of new growth)} & & \text{(of new growth)} & & \text{(of new growth)} \end{array}$$

A fiscal impact analysis of a comprehensive plan allows jurisdictions to assess the feasibility of the new growth projected in the plan. In coordination with the city and the comprehensive planning team, BAE Urban Economics conducted a thorough fiscal impact analysis for the City of Annapolis to estimate the revenues and costs associated with new growth based on the FY20 adopted budget, the Capital Improvement Program (CIP), and detailed discussions with city department heads and staff. Discussions with city staff focused on how department operations would change in response to new growth, as measured in the revenues and expenditures of each department. These discussions were the basis of deciding how to model revenues and costs with respect to the growth in the Comprehensive Plan.

Critically, a fiscal impact analysis does not account for the economic impacts of the Comprehensive Plan. Most components of the plan are intended to improve the Annapolis economy, whether directly or indirectly. Whether it is through improved environmental and social outcomes or directly through economic development policies, the Comprehensive Plan seeks to make Annapolis a desirably place to live. The economic impacts of the Comprehensive Plan will ultimately be based on more specific notions of, for example, the kinds of new jobs and incomes that come to Annapolis as a result of the plan, and the impact the plan has on resident's incomes, property values and overall standing. The plan details

how the city plans to become more efficient and sustainable, which will also deliver economic benefits. Indeed, there are analyses that model these impacts and are useful to conduct as they would give an indication of future fiscal standing. However, a fiscal impact analysis specifically avoids considering the dynamic impact of the Plan on the economy. Instead, it seeks to determine whether the City is projected to accommodate the plan's assumed level of new growth at the level of service the government currently extends through its operations, staff, and capital infrastructure without raising taxes or other sources of revenue.

Therefore, the dollar value of the fiscal impact is less important than whether the impact is positive or negative, and what the magnitude of the impact is. The fiscal impact is not a prediction of the annual budget levels in FY2040 but rather, an indication of risks or opportunities presented by the deficit or surplus generated by new growth.

METHODOLOGY

A variety of methodologies were used to project growth-related impacts to different sources of revenue and for the different departments within the City. In general, through meetings and consultations with city staff, components of the FY20 adopted budget were designated as 'fixed' or 'variable'; that is, determinations were made regarding which revenues and costs would be impacted by growth. Ultimately, only revenues and expenditures from the General Fund were analyzed as Enterprise Funds¹ are not impacted by growth, and Internal Service Funds² are accounted for in the operating costs of departmental budgets in the General Fund.

GFAR
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Fund?

Operating cost projections are based on the growth in either the residential population demand base or the service population demand base, which is the residential population plus 50 percent of jobs. Revenues other than real property tax and income tax revenue were projected similarly, based on an average revenue per chosen demand base. Real property tax and income tax revenue were calculated based on the development assumptions in the Comprehensive Plan. The Annapolis property tax rate is applied to the assumed assessed values of new development. Income tax revenue is based on the property values of new residential development and calculating a minimum income required to purchase or rent a given unit.

An estimate of growth-related capital costs and school costs is also provided, but these costs are not incorporated into the fiscal impact analysis itself. The city of Annapolis does not bear any schools costs, as schools are provided by Anne Arundel County. Moreover, as the city is built out, there will be limited new capital costs in terms of major infrastructure, which include roads classified as arterials or higher, and new sewer and water line (not including connections). Sidewalks, road connections to entrances and other site related infrastructure are not typically included in the fiscal impact analysis of a comprehensive plan, where the goal is to establish an order of magnitude for the fiscal impact, and the cost of smaller infrastructure can vary considerably.

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needs

The costs of smaller infrastructure, to the extent there are any, depend largely on assumptions about development types and potential sites, which is more information than established currently in the Comprehensive Planning process. It is certainly useful to conduct a fiscal impact analysis with more specific assumptions that are informed by proposed development

¹ "The Enterprise Funds are used to account for those activities of the City that are financed and operated in a manner similar to private business enterprises where costs and expenses, including depreciation, are recovered principally through user charges. Individual operations that the City has designated as enterprise funds include Water, Sewer, Parking, Transportation, Watershed Restoration, and Refuse funds."

² Internal Services Funds, including Health Insurance, Self-Insurance, Fleet Operations, and Fleet Replacement activities, provide service to the City government, and are paid for primarily through departmental budgets. As a result, increases in operating costs to departmental budgets will account for transfers from those departments to the Internal Service Funds.

types on a given site or in a given area, but it can only be done when there are proposed or finalized land use changes. In fact, fiscal impact analyses are often used to evaluate individual development projects. For the purposes of the current Comprehensive Plan, a fiscal analysis will be ultimately conducted for specific potential development sites to study the impact of potential zoning changes. Nonetheless, a rough estimate of capital costs is provided in this report based on the average spending in the Capital Improvement Plan for FY20 through FY25. As the estimate is less rigorously conceived than the estimates of revenues and operating costs, it is not included in the fiscal impact result.

As shown in the fiscal impact analysis presented in this report, 87.2 percent of the \$80.8 million in City FY20 General Fund revenues are held variable, meaning that these revenues will generally increase in relation to the City's population and employment growth through 2040. Notably, projecting growth-related real property tax revenues accounts for over 64 percent of potential General Fund revenues based on FY20 levels.

Table 1: FY20 General Fund Revenues Held Variable

Source of Revenue	FY20 Revenue Held Variable	FY20 Adopted Budget	% Variable
Taxes (a)	\$ 54,834,000	\$ 54,983,800	99.7%
Licenses & Permits	\$ 3,256,300	\$ 3,256,300	100.0%
Fines & Forfeitures	\$ 435,000	\$ 435,000	100.0%
Interest, Rent, Other	\$ -	\$ 1,549,000	0.0%
Intergovernmental (b)	\$ 6,343,000	\$ 11,565,000	54.8%
Charges for Service	\$ 5,626,500	\$ 5,626,500	100.0%
Other	\$ -	\$ 3,423,500	0.0%
Total	\$ 70,494,800	\$ 80,839,100	87.2%

Notes:

(a) Taxes include real and personal property taxes, and penalties and interest.

(b) Of intergovernmental sources of revenue, only the income tax is projected.

The fiscal impact analysis presented in this report estimates that 53.4 percent of the approximately \$83.0 million in General Fund operating expenses in the FY20 adopted budget are variable, while the remaining expenditures were determined to be unaffected by new growth. Non-staff operating expenditures and staffing costs were analyzed separately. Operating expenditure line items were held fixed or variable depending on if they were determined to be affected by growth.

Similarly, operating costs related to staff salaries, wages, and benefits were projected based on the need for new staff, which was based on the level of employed staff per department in FY20. Certain positions in each department, such as chiefs and directors, were held fixed

while lower level staff were held variable. The percentages of FY20 General Fund expenditures held variable are summarized in Table 2.

Table 2: FY20 General Fund Expenditures Held Variable

Department	Variable Expenditures	Variable Staff Costs	FY20 Adopted Budget	% Variable
General Government (a)	\$ 1,363,650	\$ 5,359,113	\$ 30,581,430	22.0%
Police	\$ 2,458,830	\$ 13,336,939	\$ 19,620,830	80.5%
Fire	\$ 1,380,370	\$ 11,894,367	\$ 19,286,270	68.8%
Emergency Management (b)	\$ -	\$ -	\$ 417,520	0.0%
Public Works	\$ 2,386,250	\$ 3,337,587	\$ 7,885,250	72.6%
Parks	\$ 1,597,850	\$ 1,155,655	\$ 5,176,700	53.2%
Total	\$ 9,186,950	\$ 35,083,661	\$ 82,968,000	53.4%

Notes:

(a) General government includes: City Council and the Office of the Mayor, Human Resources, Management Information Technology, Finance, Planning & Zoning, and the Office of Environmental Policy.

(b) Emergency management expenditures were determined to be fixed as they all growth-related needs over the next 20 years will come from non-local allocations.

Operating costs were projected linearly; for each variable line item and staffer within each department, projections of the increased costs generated by new growth were based on the rates of growth in either service population or residential population. The service population, which is defined as the residential population plus 50 percent of jobs, is projected to grow faster over the next 20 years than the growth in the residential population and is a useful proxy to measure the growth-related costs of services provided to residents and workers. For example, public works costs are likely to increase alongside the growth in the service population, as both workers and residents demand public works services. Parks costs, on the other hand, would not be impacted by an increase in workers, and are more appropriately projected by population growth.

A level of service was determined for the non-staff operating expenditures by dividing the amount budgeted for a given variable line item in FY20 by the size of the base year service or residential population. For example, based on the \$320,050 appropriated for supplies³ in the Planning & Zoning Department, an average \$3.18 is spent per member of the service population (55,763 in 2020). The level of service is multiplied by the growth in the given demand base. Growth projections used in this fiscal impact analysis are discussed in the next section.

Similarly, a level of service for staffing is based on dividing the number of employed staff by the appropriate base year population. For example, based on the 14 'Equipment Operator' positions in the Department of Public Works, there are 0.00025 of them per member of the service population in 2020. This is multiplied by the change in service population to

³ This budget refers to the line item for "Supplies and Other" within the Department budget for Planning & Zoning. Expenditures within this line item include office supplies, training for staff and memberships.

determine how many new Equipment Operators are needed, which is then multiplied by the total salary and benefits received by each Equipment Operator to determine a cost. Based on an analysis of salaries, it was found that, on average, city staff across all departments receive benefits (i.e. health insurance) valued at 35 percent of their salary. This cost increase is incorporated into salary levels of staff when calculating the costs of growth-related staff needs.

Capital costs are also estimated, although not incorporated into the fiscal impact as the assumptions about growth-related capital needs are less rigorously evaluated than the analysis of operating costs and revenues. While it is very unlikely that the city will require new, additional major capital infrastructure to service growth, there may be increased costs due to additional wear and tear on existing infrastructure. Using the average spending in the CIP between FY20 and FY25 per service population, we estimate how much additional spending in the CIP would be required by the growth in the service population by 2040. It is important to note that more detailed analysis of specific capital costs that are sensitive to development type and land use can be conducted once there are reliable assumptions that can be made. There is no reason, however, to expect that more detailed fiscal impact analyses that are land use- and site-specific will lead to an increase in the estimate of capital costs provided in this report, as it is simply unknown what, if anything, the city would be responsible for in a given development project.

In terms of revenues, real property taxes are calculated directly based on the number of new residential units and nonresidential square footage contained within the comprehensive plan, and their respective market values, which are used as proxies for estimating assessed values. Furthermore, income tax revenue is based on calculating the household incomes needed to purchase or rent the new residential units, and then applying Annapolis' share of Anne Arundel County's income tax rate. All other costs and revenues, such as fines and fees, are projected based on the existing average levels of revenues per service population today.

All calculations presented for costs, revenues and impacts are rounded to the nearest \$1,000.

PROJECTIONS

Projections of the residential population, jobs, and households are based on growth rates developed by the Baltimore Metropolitan Council (BMC). As shown in Table 3, the residential population of Annapolis is expected to grow by 4,347 between 2020 and 2040, while jobs are projected to grow by 82 in total. Therefore, the service population, which is defined as the residential population plus 50 percent of jobs, is anticipated to grow by 4,388. It is important to note that household growth is projected to increase at a lower rate than population growth, meaning that existing Annapolis households in 2020 will become larger. Using the average household sizes, new households can account for up to 1,478 of the 4,347 new residents, or only one-third of new growth. Therefore, the estimate of income tax revenues in this fiscal impact analysis is conservative as only the incomes of residents in new households are calculated. All projections used in this fiscal impact analysis are based directly on projections within the 2020 Comprehensive Plan.

Table 3: Summary of Demographic Projections

Annapolis	Base 2020	2025	2030	2035	2040	Overall Change 2020-2040	% Change 2020-2040
Population (a) (b)	40,262	40,765	40,918	43,852	44,609	4,347	10.8%
Households (a) (c)	16,426	16,527	16,868	16,929	16,989	563	3.4%
Avg. Household Size	2.45	2.47	2.43	2.59	2.63	0.17	7.1%
Jobs (d)	31,001	31,026	31,041	31,060	31,083	82	0.3%
Service Population (e)	55,763	56,278	56,438	59,382	60,151	4,388	7.9%

Notes:

- (a) Projections for population and households follow trends published in Round 9 of the BMC forecasts.
- (b) Base year data reflects 2018 estimates from Esri, scaled by the BMC Round 9 annual growth rate from 2015-2020 (0.06%).
- (c) Household projections account for 132 residential units currently in the construction pipeline as of April 1, 2020. Projections based on the BMC trend and Esri base year estimate include an additional 6.65 units (132/20) each year.
- (d) Base year estimate and trends are based on BMC Round 9 estimates, with no adjustments.
- (e) Service population is defined as the residential population plus 50% of jobs.

Source: Baltimore Metropolitan Council, Round 9; Department of Planning & Zoning; Esri; BAE, 2020.

OPERATING COSTS IMPACT

The impact of new growth on operating costs from 2020 to 2040 is based on expenditures in the General Fund. Expenditures were analyzed by department and summarized in categories including General Government, Police, Fire, Public Works, and Recreation and Parks.

Among General Government expenditures, budget items for Management Information Technology (MIT), Finance, and Planning and Zoning were held variable as the needs for these departments are likely to increase as the city grows, based on discussions with city staff. Projected increases in expenditures in the General Government category were based on the projected growth in service population, as these departments are affected by both residential growth and the presence of jobs and businesses. Providing the same level of service over the

next 20 years to new growth, as represented by the variable non-staff operating expenditures in these departments, will generate approximately an additional \$107,000 in operating costs at plan buildout in 2040. Staffing is also only projected to increase in these departments. Based on the growth in the service population, General Government will need to hire four or five new staffers to maintain the ratio of these staffers to the service population in 2020. The weighted average salary of these positions is \$64,000, for a total cost of approximately \$396,000, including accounting for an additional 35 percent in benefits.

Police operating expenditures are projected based on the growth in households, and no operating expenditures were held fixed. Household growth is chosen as the demand base because public safety costs can reasonably be expected to increase alongside development, as indicated by the Chief of Police. However, the growth-related impact on police costs realistically lies between the development growth and population growth. As a result, growth-related impacts of public safety costs are adjusted in a sensitivity analysis of overall findings later in this report.

Staff needs were projected for all administrative positions, while only the Police Chief, Major, and Captain positions were held fixed in terms of uniformed officers. From 2020 to 2040, police operating expenditures will cost approximately \$84,000. Administrative staff will need to increase by one staffer to maintain the existing level of service, while the number of uniformed officers will need to increase by four or five. In total, including 35 percent for benefits, staffing costs between 2020 and 2040 will be \$457,000.

Growth-related operating costs for the Fire Department by 2040 are slightly below the growth-related operating costs for police. Based on the growth in the service population, Annapolis will need to spend \$81,000 for operations and \$408,000 in staff costs. This includes adding four or five firefighters below the rank of Fire Captain.

The FY20 Department of Public Works budget is subdivided into six categories including Administration, Engineering and Construction, Streets, Traffic Control and Maintenance, Snow, and Facilities. All operating expenditures were projected based on the increase in service population between 2020 and 2040 and maintaining the existing level of service. The projected cumulative operating expenditures over the next twenty years would cost approximately \$188,000. Leadership and management positions within the various departments within Public Works were held fixed, while the rest were projected based on the growth in service population as well. Between 2020 and 2040, this analysis estimates that growth-related Public Works staff costs will be approximately \$444,000, including benefits. This represents hiring approximately five new staff.

Recreation and Parks costs round out the General Fund expenditures. Of the 11 subcategories within the Recreation and Parks budget, only costs for Arts in Public Places are held fixed. Recreation and Parks costs are projected based on the growth in the residential

population as growth in nonresident workers will not generate an additional need. Operating expenditures between 2020 and 2040 are estimated to be \$212,000. Non-management level employees at the Pip Moyer Recreation Center are projected to increase, as well as custodial and administrative parks workers and harbormaster staff costs. In total, including 35 percent benefits, staff costs for Recreation and Parks will cost in total \$125,000 by 2040, representing one to two additional staff. Notably, there are several contractual workers identified in the Recreation and Parks budget, although these staff are accounted for in the projection of contractual services within the operating expenditures, not staff costs.

In total, the cumulative growth-related impact to the General Fund expenditures between 2020 and 2040 is approximately \$2.5 million, as shown in Table 4. This includes \$672,000 in new operating expenditures and \$1.8 million in staff costs. Total projected operating and staffing costs represent a 3.0 percent increase over the FY20 adopted budget levels. The Police and Fire departments represent 59.7 percent of the growth-related operating costs, followed by Public Works (16.5 percent), General Government (15 percent), and Recreation and Parks (8.8 percent).

Table 4: Growth-Related Operating Costs, 2020-2040

Department	2020 Adopted Budget	Operating Expenditure Impact, by 2040	Staff Costs Impact, by 2040	Total Impact, by 2040	% Total Impact, by 2040	% Increase since 2020
General Government (a)	\$ 30,581,000	\$ 107,000	\$ 396,000	\$ 503,000	20.1%	1.6%
Police	\$ 19,621,000	\$ 84,000	\$ 457,000	\$ 541,000	21.6%	2.8%
Fire	\$ 19,286,000	\$ 81,000	\$ 408,000	\$ 489,000	19.5%	2.5%
Public Works	\$ 7,885,000	\$ 188,000	\$ 444,000	\$ 632,000	25.3%	8.0%
Recreation and Parks	\$ 5,217,000	\$ 212,000	\$ 125,000	\$ 337,000	13.5%	6.5%
Total	\$ 82,590,000	\$ 672,000	\$ 1,830,000	\$ 2,502,000	100.0%	3.0%

Notes:

(a) General Government includes: City Council and the Office of the Mayor, Human Resources, Management Information Technology, Finance, Planning & Zoning, and the Office of Environmental Policy.

Sources: City of Annapolis, FY 2020 Adopted Budget; BAE, 2020.

REVENUE IMPACT

The impact of growth on Annapolis General Fund revenues will come primarily from real property taxes, which account for 64 percent of FY20 revenues. The other major source of revenue is intergovernmental transfers, which account for 14.3 percent of FY20 revenues. While some intergovernmental transfers, such as the utility tax or highway tax, are likely to increase over the next 20 years, these are State-based transfers for which analysis is beyond this report. However, income tax revenue is projected, which accounts for nearly 55 percent of intergovernmental transfers.

Real property tax revenue is calculated directly based on an assumption of the future development in Annapolis by 2040 and associated property values. Importantly, proposed land use changes and development types have not yet been finalized in the Comprehensive Plan at the time of the writing of this report, and the assumptions here are subject to change. Iterations of the fiscal impact model can be performed as the planning process advances, of after it is complete.

Income tax is based on the incomes of the households that occupy the new projected development. As a result, income tax revenue projections in this fiscal impact analysis are potentially underestimated as new households do not account for all the population growth Annapolis is projected to experience between 2020 and 2040. The BMC Round 9 projections of population for Annapolis assume an increase in the household size of existing households, which will likely result in an increase in income tax revenue from additional residents in existing households. However, this analysis does not estimate this additional income tax revenue associated with additional residents in existing households due to a lack of information in the projections related to the age, employment, and income of these residents. The income tax revenue calculations shown in this analysis therefore represent a somewhat conservative estimate of income tax revenues attributable to the projected growth. All other revenues to the General Fund are either held fixed or projected by either growth in the service population, residential population, or jobs.

Property Tax Revenue Impact of New Growth, 2020-2040

Property tax revenues are calculated directly based on a preliminary assumption of the development projections in the Annapolis Comprehensive Plan. The Annapolis property tax is applied to the estimated market value of the new development in 2040, which is calculated based on assumptions of rents, sale prices, and vacancy rates. The property tax revenue at buildout in 2040 is shown in order to compare the impact of growth-related operating costs. However, the assessed property values assumed throughout the development period are the market values assumed, which are based on market conditions in FY19 and do not include

inflation. A sensitivity analysis accounting for potential recession-level effects of the Covid-19 crisis on property values is also provided later in this report.

Assumptions for determining the market value of new residential development are shown in Table 5. There will be a total of 600 new homes built. The market value of the for-sale units is based on the market values for new construction from FY19, as reported in the market study for the Annapolis Comprehensive Plan. The market rate values for new construction are higher than the median sale price. The total market value of for-sale units, which is simply the number of units multiplied by the respective sale price by unit type, is \$317.6 million.

The market value of for-rent multifamily units is also based on the rents reported in the market study, and in addition, assumes a five percent vacancy rate and average annual expenses based on the National Apartment Association's '2019 NAA Survey of Operating Income & Expenses in Rental Apartment Communities.' Using a cap rate of 4.75 percent, the estimated

market value of the for-rent multifamily properties is determined. The market value of the all for-rent units, including affordable units, is \$22.0 million.

Table 5: Assessed Value Assumption for New Residential Units, 2020-2040

Total New Residential Units *	600
Market-Rate Residential	
For Rent	
Number of New Units	109
Average Monthly Rent (a)	\$1,600
Vacancy Rate	5%
Average Annual Expense per Unit (b)	\$ 8,661
NOI (per unit)	\$ 9,579
For Sale	
New Single Family Homes	69
Sale Price (c)	\$ 700,000
New For-Sale Townhomes	322
Sale Price	\$ 650,000
New Condos	100
Sale Price	\$ 600,000
Summary	
For-Rent Residential NOI	\$ 1,044,111
Residential Capitalization Rate	4.75%
Estimated Market Value	\$ 21,981,000
For-Sale Total Value	\$ 317,599,000

Notes:

(a) Based on the Q3 2019 Asking rents from the 'Demographic and Economic Profile and Real Estate Market Analysis.'

(b) Based on the estimated operating costs for mid & hi-rise rental properties from the National Apartment Association's '2019 NAA Survey of Operating Income & Expenses in Rental Apartment Communities.'

(c) Based on new construction sale price from the 'Demographic and Economic Profile and Real Estate Market Analysis.'

Sources: City of Annapolis; National Apartment Association; BAE, 2020.

The estimated market value of new nonresidential development is based on assumptions of NNN rent (per square foot) from the market study and a 5.0 percent vacancy rate that are used to determine a net operating income (NOI) per square foot. A 6.25 cap rate is applied to the NOI multiplied by the projected increase in nonresidential development. The only nonresidential development projected in the Comprehensive Plan is a net 20,000 square feet increase in the retail inventory and a net 20,000 square feet increase in the office inventory. As shown in Table 6, the estimated market value of new retail development by 2040 is \$8.5 million, and the estimated market value of new office development is \$8.2 million.

Table 6: Assessed Value Assumptions for New Nonresidential Units, 2020-2040

Nonresidential	
Retail	
NNN Rent (per sq. ft. per year)	\$ 28.00
Vacancy Rate	5%
NOI (per sq. ft.)	\$ 26.60
Net New Retail (SF)	20,000
Office	
NNN Rent (per sq. ft. per year)	\$ 27.00
Vacancy Rate	5%
NOI (per sq. ft.)	\$ 25.65
Net New Retail (SF)	20,000
Summary	
Retail NOI (a)	\$ 532,000
Nonresidential Capitalization Rate	6.25%
Estimated Market Value	\$ 8,512,000
Office NOI (b)	\$ 513,000
Nonresidential Capitalization Rate	6.25%
Estimated Market Value	\$ 8,208,000

In total, at plan buildout in 2040, the market value of new development, which represents the assessed value for real property tax revenue purposes, is approximately \$356.3 million.

Applying the Annapolis real property tax rate of 0.7380 per \$100 of assessed value generates annual revenue at buildout of \$2.6 million. This is summarized in Table 7.

Table 7: Annual Real Property Tax Revenue at Plan Buildout, 2040

	City of Annapolis
Assessed Value of New Res. Development, 2020-2040	\$ 339,580,000
Assessed Value of New Non-Res. Development, 2020-2040	\$ 16,720,000
Assessed Value of Total New Development, 2020-2040	\$ 356,300,000
Property Tax (per \$100 of assessed value)	0.7380
Annual Property Tax Revenue at Plan Buildout	\$ 2,629,000

Income Tax Revenue Impact of New Growth, 2020-2040

This analysis uses the home sale price and rent assumptions shown in Table 5 above to estimate household incomes among new households in Annapolis and applies Annapolis' share of Anne Arundel County's income tax rate, which is an effective tax rate of 0.7025 percent, to estimate income tax revenues from these households. Income assumptions for the new for-rent units are calculated by assuming a vacancy rate of 5.0 percent and a rent-to-income ratio of 25 percent, which would imply these renters are not cost-burdened. For the new for-sale units, the revenue calculations assume a 20 percent down payment on the median sale price, a fixed 30-year mortgage rate of 4.50 percent, and a monthly mortgage payment to gross monthly income ratio of 28 percent. The effective Annapolis income rate is applied to the incomes calculated using this method and multiplied by the number of new units. Applying this method to new single-family units with an assumed sale price, for example, of \$700,000 would require a household income of \$121,604, which is above the

2019 household median income in Annapolis (\$80,010). Assumptions for growth-related income tax revenue are shown in Table 8.

Table 8: Growth-related Income Tax Revenue Calculation Assumptions

Market-Rate Residential		
For Rent		
New For-Rent Units		109
Average Monthly Rent (a)	\$	1,600
Vacancy Rate		5%
Annual Household Income (b)	\$	76,800
New Income Tax Revenue (c)	\$	38,000
For Sale		
New Single Family Homes		
		69
Sale Price (d)	\$	700,000
Loan Amount (e)	\$	560,000
Mortgage Rate (f)		4.50%
Loan Term (months)		360
Monthly Payment	\$	2,837
Annual Income (f)	\$	121,604
New Income Tax Revenue (g)	\$	40,000
New Townhomes		
		322
Sale Price (d)	\$	650,000
Loan Amount (e)	\$	520,000
Mortgage Rate (f)		4.50%
Loan Term (months)		360
Monthly Payment	\$	2,635
Annual Income (f)	\$	112,918
New Income Tax Revenue	\$	174,000
New Condos		
		100
Sale Price (d)	\$	600,000
Loan Amount (e)	\$	480,000
Mortgage Rate (f)		4.50%
Loan Term (months)		360
Monthly Payment	\$	2,432
Annual Income (f)	\$	104,232
New Income Tax Revenue	\$	50,000

Notes:

- (a) Based on the Q3 2019 Asking rents from the 'Demographic and Economic Profile and Real Estate Market Analysis.'
- (b) Assumption of Rent-to-Income ratio: 25.00%
- (c) The Anne Arundel County income tax rate in FY20: 2.81%
- Annapolis' percentage of Anne Arundel County Income Tax: 17.00%
- (d) Based on median sale price from the 'Demographic and Economic Profile and Real Estate Market Analysis.'
- (e) Loan amount assumes 20% down payment.
- (f) Assumes Fixed-rate mortgage.
- (f) Assumption of monthly mortgage payment as percentage of gross monthly income: 28%
- (gross monthly income multiplied by 12 for annual income)

Source: BAE, 2020

As shown in Table 9, Combining the estimated new income tax revenue from new renter-occupied households (\$38,000) and the new income tax revenue from new owner-occupied households (\$264,000) generates a total new incomes tax revenue of \$302,000 between 2020 and 2040.

Table 9: Growth-related Income Tax Revenue, 2020-2040

	City of Annapolis
Income Tax Revenue from For-Rent Units	\$ 65,000
Income Tax Revenue from For-Sale Units	\$ 212,000
New Income Tax Revenue	\$ 277,000

Source: BAE, 2020

Overall Growth-related Impact to General Fund Revenues, 2020-2040

Other revenues in the General Fund were also accounted for in the fiscal impact analysis based on dividing FY20 revenues by a given population and multiplying by the growth in that population. Personal property tax revenue between 2020 and 2040 were projected in terms of jobs growth, as personal property is assessed on businesses. Licenses and Permits and Charges for Services revenue were projected by the growth in residential population, while fines and forfeiture revenues were projected by the growth in service population. All other revenues were held fixed. The impact of growth on other revenues between 2020 and 2040 is approximately \$347,000.

Table 10 summarizes the growth-related impact to General Fund revenues. By 2040, new growth will generate an estimated \$3.3 million in revenue. Real property tax revenue

generates 80.2 percent of the total impact, which suggests that the fiscal impact relies heavily on the market value assumptions of new development.

Table 10: Growth-related Impact to General Fund Revenues, 2020-2040

Source of Revenue	2020 Adopted Budget (a)	Revenue Impact, by 2040	% Total Impact, by 2040
Real Property Tax (b)	\$ 51,884,000	\$ 2,629,000	80.2%
Personal Property Tax (c)	\$ 2,950,000	\$ 8,000	0.2%
Income Tax (d)	\$ 6,343,000	\$ 302,000	9.2%
License & Permits (e)	\$ 3,256,300	\$ 112,000	3.4%
Fines & Forfeitures (f)	\$ 435,000	\$ 34,000	1.0%
Charges for Service (g)	\$ 5,626,500	\$ 193,000	5.9%
Total	\$ 70,494,800	\$ 3,278,000	100%

Notes:

(a) Revenues shown are only for those revenue sources held variable, so total of FY20 adopted budget levels do not match FY20 General Fund revenues.

(b) Property taxes are calculated based on the projections of new residential development for the Comprehensive Plan. The assumed projected 'development program' in place currently is a placeholder.

(c) Projected based on base year personal property tax revenue per job.

(d) Revenue tax is based on the household revenues of new residential development. As a result, this is a low estimate as new residential development does not account for the entirety of the projected population growth by 2040.

(e) Projected based on base year licenses and permits revenue per resident.

(f) Projected based on base year fines and forfeitures revenue 'service person.'

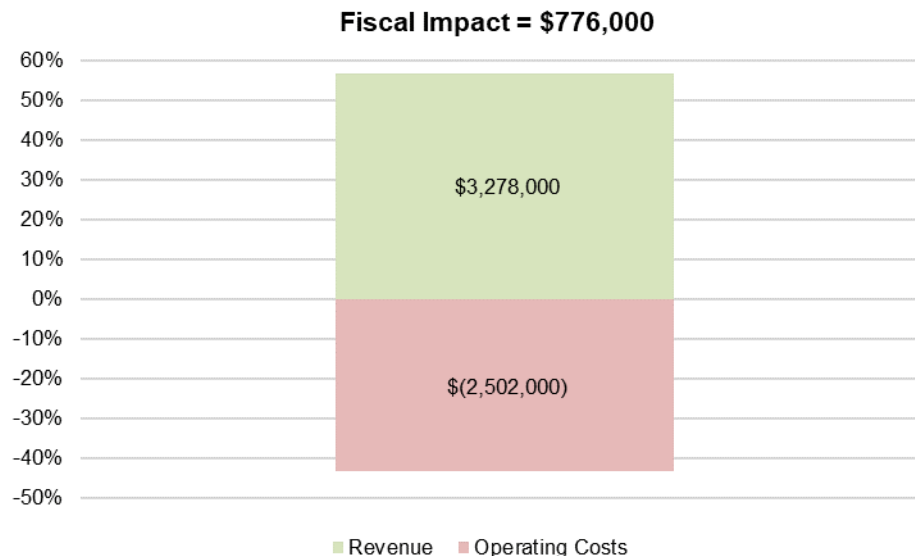
(g) Projected based on base year charges for service revenue per resident.

FISCAL IMPACT ANALYSIS OF NEW GROWTH

Combining the growth-related impacts to operating costs, capital costs, and revenues determines the overall fiscal impact by 2040. As shown in Figure 1, the fiscal impact of new growth will be \$776,000 by 2040. If new growth generates this fiscal impact by 2040, the impact at plan buildout in 2040 would be a 0.94 percent increase to the FY20 adopted budget of \$82.6 million. While this represents a positive fiscal impact, the impact is marginally above

zero. As the sensitivity analysis will demonstrate, reasonable fluctuations in the operating costs impact and revenue impact can generate a negative fiscal impact.

Figure 1: Fiscal Impact of New Growth, 2020-2040



Source: BAE, 2020

This relatively marginal impact is owed to the largely residential development program assumed in the comprehensive plan. Job growth over the next 20 years is projected to be 82 in total, which is a small overall percentage of the increase in the service population, meaning that growth in residents is driving demand for services. Not only this, but also despite the relatively small increase in nonresidential development projected, this development accounts for 16 percent of the increase in property tax revenues. Therefore, residential development is about fiscally neutral, or potentially an overall cost to the City by 2040 based on the level of service provided in 2020, and new nonresidential development is critical to ensuring fiscal sustainability.

Given this finding about the importance of nonresidential development, it would be wise for the city to consider flexibility in zoning as well as assessing the fiscal impact of growth of significant new developments.

Sensitivity Analysis of Fiscal Impacts

The analysis in this report suggests that Annapolis can expect to generate a fiscal impact of \$776,000 over the next 20 years. Given the assumptions in the methodology, there is some error inherent in it. However, we can test realistic limits for vulnerable assumptions to evaluate a range of potential fiscal impacts. As public safety costs may be underestimated, a range of growth rates is applied to operating costs held variable for Police and Fire to assess the impact on growth-related operating costs by 2040. Furthermore, given the recent COVID-19 outbreak

and its potential effects on the economy, various property tax revenue scenarios are tested for impact on the overall growth-related revenue estimate.

Public safety costs are unlikely to grow in relation to the growth in the service population and is more likely to be related to development. However, some of the population growth in Annapolis will come from existing development, so projecting public safety costs by household growth alone may be an underestimate if the public safety departments continues to provide the level of service assumed in this analysis. Thus, the current estimate of the percentage increase to Public Safety costs, which at 2.65 percent is lower than household growth rate, is almost certainly an underestimate. As a result, the sensitivity analysis shows the impact by scaling public safety costs from the current estimated increase of 2.65 percent to an increase of 10.8 percent, which is the population growth rate projected over the next 20 years. Realistically, public safety costs should increase from somewhere between the household growth rate (3.43 percent) and the service population growth rate (7.87 percent). If public safety costs increase by 4.64 percent, the fiscal impact will be exactly \$0. Table 11 shows the fiscal impact of new growth if the revenue estimate is fixed and costs are adjusted to account for variability in public safety costs.

Table 11: Fiscal Impact Analysis with Public Safety Costs Adjustments

		Current Estimate - 2.65%	Low Estimate - 3.43%	\$0 Estimate - 4.64%	High Estimate - 10.8%
	Non-Public Safety Growth-related Impact by 2040	Public Safety Costs Projected by HH Growth with Fixed Costs	Public Safety Costs Increase by HH Growth Rate	Public Safety Costs Increase by 4.64% (\$0 Fiscal Impact)	Public Safety Costs Increase by Pop. Growth Rate
Fiscal Impact					
Revenue	\$ 3,278,000	\$ 3,278,000	\$ 3,278,000	\$ 3,278,000	\$ 3,278,000
Operating Costs	\$ (1,472,000)	\$ (2,502,000)	\$ (2,805,543)	\$ (3,278,000)	\$ (5,672,666)
Total Fiscal Impact	\$ 1,806,000	\$ 776,000	\$ 472,457	\$ -	\$ (2,394,666)

Source: BAE, 2020.

Alternatively, the fiscal impacts assuming the operating costs estimate is fixed accounts for adjustments to revenue estimate Table 12. The current COVID-19 public health emergency represents a significant threat to the economy. If the effects of COVID-19 on home values were to have the same effect that the 2008 recession had on home values and the operating costs estimate in this study is held fixed, the fiscal impact of new growth would range between \$107,000 and \$266,887. In Annapolis, based on data obtained from Zillow, the peak of home values was in June 2007, and reached its nadir in June 2012. During this period, home values fell by 25.4 percent. Between June 2007 and June 2009, home values fell by 19.4 percent in Annapolis before levelling off for a few months and declining again overall until June 2012. The revenue estimate in this fiscal impact analysis is adjusted by applying these

respective declines in home values to the real property tax revenue estimate of \$2.5 million by 2040.

Table 12: Fiscal Impact Analysis with Revenue Adjustments

Fiscal Impact	Total Projected Growth-related Impact by 2040	Scenario: Market Value of New Growth Declines by 25.4% (a)	Scenario: Market Value of New Growth Declines by 19.4% (b)
Revenue	\$ 3,278,000	\$ 2,609,353	\$ 2,768,887
Operating Costs	\$ (2,502,000)	\$ (2,502,000)	\$ (2,502,000)
Total Fiscal Impact	\$ 776,000	\$ 107,353	\$ 266,887

% Increase over FY20 Adopted Budget -

\$	82,590,000	0.9%	0.1%	0.3%
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Notes:

(a) In this scenario, the market value of new growth is adjusted by the decline in market value in Annapolis from the peak sale price in June 2007 to the lowest sale price in June 2012 (-25.43%). This reflects the decline in residential sale prices only, but will be applied to the overall market value of new development that includes new retail and office development.

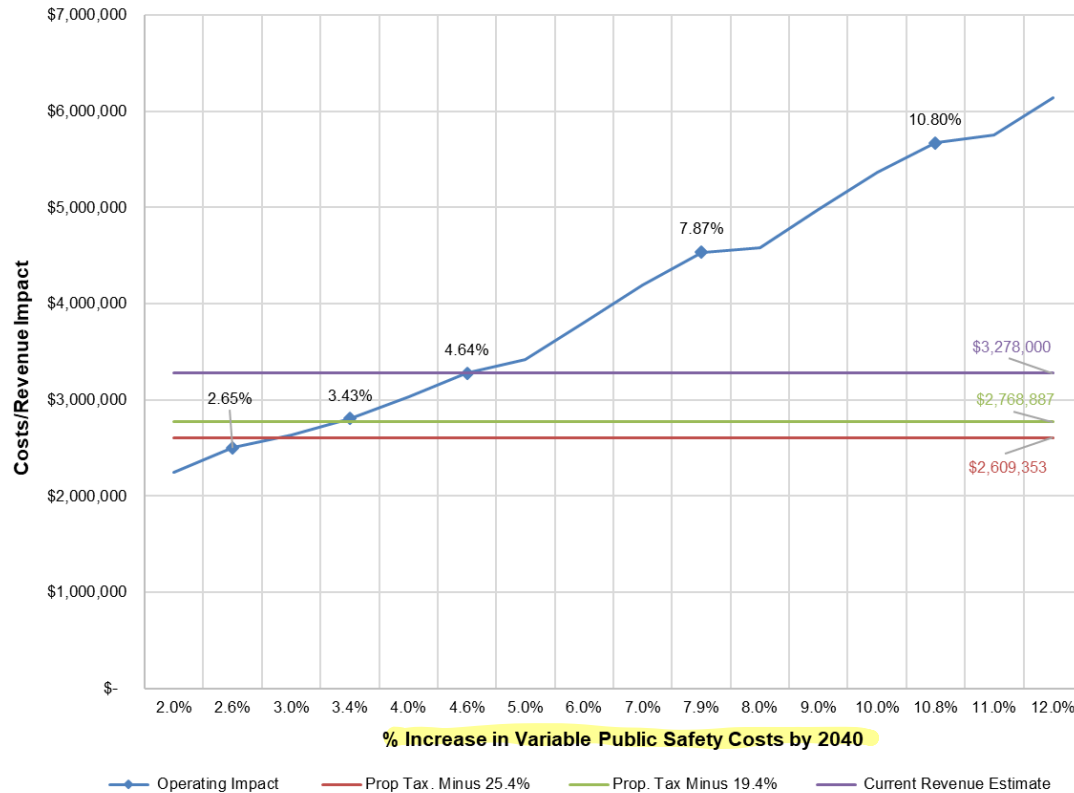
(b) In this scenario, the market value of new growth is adjusted by the decline in market value in Annapolis from the peak sale price in June 2007 to the sale price in June 2009, when prices stabilized briefly before falling again. This decline was - 19.37%. This reflects the decline in residential sale prices only but will be applied to the overall market value of new development that includes new retail and office development.

Source: Zillow; BAE, 2020.

In Figure 2, the sensitivity analysis of operating costs and revenues are combined to show the range of potential impacts. By showing the change in operating costs resulting from increasing growth-related public safety costs from the household growth as well as the three revenue estimates, the ranges of error that generate a fiscally neutral or fiscally positive impact are revealed. The lowest estimate (2.65 percent) of the increase in public safety costs and the low estimate of revenues that assumes peak recession declines in home values would generate essentially a fiscally neutral result. If new growth generates the revenues estimated in this analysis with no recession-related impacts, public safety costs can increase by up to 4.64 percent in order to generate a fiscally neutral result, which would be higher than the

growth in public safety costs currently assumed, but still below the rate of growth in both the service (7.9 percent) and residential population (10.8 percent).

Figure 2: Sensitivity Analysis



Source: BAE, 2020

Therefore, it is reasonable to expect that public safety could increase by enough to generate fiscally neutral, or potentially negative results as public safety costs are likely to be increase somewhere between the rates of growth in households and the residential population, and any increase in public safety costs over 4.64 percent would generate negative fiscal result.

Indeed, if COVID-19 negatively affects property values, the margin by which public safety costs can increase relative to the household growth rates becomes slimmer. Based on the analysis of the effect the Great Recession had on Annapolis property values, public safety costs increasing at a rate greater than 3.4 percent would yield a negative fiscal result. Notably, the margins of fiscally negative results are still relatively small, and they do not vastly exceed to the magnitude of the marginally positive results that seem likely.

OTHER COST CONSIDERATIONS

While excluded from the fiscal impact analysis, it was determined that identifying an order of magnitude for growth-related capital costs would be a useful metric for the city to consider, based on discussion with staff. There is no capital outlay in the General Fund, and growth is not expected to generate a need for new major capital infrastructure, such as new water and sewer systems of roads classified as arterial or above. Additionally, while public schools are provided by Anne Arundel County, a high-level cost estimate of students from new growth in Annapolis is provided.

Capital Costs Impact

In a fiscal impact analysis of a comprehensive plan, capital costs considered are limited to major infrastructure. This includes new, additional roads classified as arterials or higher, as well as new water and sewer lines, pump stations, schools, and vehicles. The reason arterials are the smallest road-type to be considered is that these are the roads for which regular maintenance occurs and can trigger the need for additional staff. Smaller roads and road connections as required by any given development project may or may not accrue as one-time construction costs to the city, and these can be evaluated in more detail with specific assumptions about proposed development projects and their location within the city. Furthermore, the additional inventory of these kinds of transportation improvements do not trigger the need for new staff on their own. That is, projecting staffing costs based on the number of staff employed today is enough to keep up with additional maintenance costs generated by roads smaller than arterials.

In addition, based on discussion with the Department of Public Works, it was determined that the water and sewer systems have adequate capacity to manage the growth projected in this analysis. While new development requires connection to the system, the utilities charge connections fees and ultimately operate as enterprise funds that generated a net profit in FY20. Vehicles are managed through an internal revenue fund and thus growth-related vehicle needs are captured in the analysis of operating costs. As discussed in the next subsection, school-related capital costs are borne by Anne Arundel County Public Schools.

Nonetheless, there may be growth-related capital costs generated by the additional demand for existing infrastructure. Indeed, roads smaller than arterials can require some capital costs based on wear and tear, even if not as regularly as arterials. The FY20 Five-Year Capital Improvement Plan (CIP) provides a useful estimate of the capital costs associated with the existing service population. As shown in Table 13, the average size of the CIP between FY20 and FY25 is \$6.3 million. The average size of the service population served between 2020 and 2025 is 56,020. Dividing the average annual CIP by the average size of the population of the 5-year CIP yields an average capital cost per service population of \$113, which multiplied by the projected growth in the service population between 2020 and 2040 equals a growth-

related increase to the CIP of \$553,600. This is notably less than the net revenues estimated in this fiscal impact analysis (\$776,000), which implies that if the cost and revenue estimates in this analysis are considered accurate, including this estimate of capital costs would still yield a marginal, fiscally positive result.

Table 13: Estimate of Growth-Related Capital Costs

Five-Year Capital Improvement Program					
FY20	FY21	FY22	FY23	FY24	FY25
\$ 4,856,220	\$ 5,675,700	\$ 7,397,500	\$ 11,993,800	\$ 4,050,000	\$ 4,050,000
Average CIP, FY20-FY25		Average Service Population, FY20-FY40			
\$ 6,337,200		56,020			
CIP Spending per Service Pop.		Growth in Service Pop., 2020-2040			
\$ 113		4,894			
Growth-related Increase to CIP					
\$ 553,600					

School Costs Impact

Anne Arundel County Public Schools (AACPS), which serves Annapolis residents, determines a yield rate for elementary, middle, and high school students based on development type. On average, for the Annapolis High School feeder system, each new household is assumed to generate 0.142 elementary school students, 0.054 middle school students and 0.063 high school students. Applying these rates to the projected 582 new households yields 151 new students. The AACPS budget is based on developing a cost-per-pupil and in FY20, the cost-per-pupil was \$14,473, based on guidelines recommended by the Maryland State Department of Education. The number in new students in Annapolis over the next 20 years will not generate the need for an additional school at any level, so there are no capital costs associated with new growth-related students in Annapolis, although the system overall may

add more schools. As shown in Table 14, multiplying the cost per pupil by the estimated yield from new growth generates an estimated cost of \$2.2 million.

Table 14: Growth-Related Public School Costs

New Households, by 2040	582
ES Student Yield (a)	83
MS Student Yield (b)	31
HS Student Yield (c)	37
Total	151
Cost per Pupil (d)	\$ 14,473
Growth-Related Cost, by 2040	\$ 2,181,390

Notes:

- (a) Average Elementary School Student Yield Rate for the Annapolis HS Feeder System: 0.142
- (b) Average Middle School Student Yield Rate for the Annapolis HS Feeder System: 0.054
- (c) Average High School Student Yield Rate for the Annapolis HS Feeder System: 0.063
- (d) The cost per pupil is obtained from the FY20 Anne Arundel Public Schools Operating & Capital Budgets. It is calculated following the guidelines recommended by the Maryland State Department of Education

Source: Student Yield Study for Anne Arundel County Public Schools, November 2019; FY2020 Anne Arundel County Public Schools Approved Operating & Capital Budgets; BAE, 2020

CONCLUSION

Based on the methodology and assumptions in this fiscal impact analysis, Annapolis is projected to generate a marginally net positive fiscal impact based on the taxes received by new development and the costs it incurs. While the real property tax is large enough to generate most of the revenues needed to accommodate new growth, new growth incurs enough costs that the City will be unable to increase the level of service it provides. However, if there is more nonresidential development than currently projected, even more revenue will be generated without the incurring the same level of costs, as nonresidential development demands fewer services from the City. Therefore, the City may be more fiscally resilient if it increases the amount of nonresidential development projected over the next 20 years, although the current residential program yields more or less fiscally neutral results. Critically, over 80.2 percent of the revenues estimated in the fiscal impact come from property taxes paid by new development, even though most of the growth in Annapolis over the next 20 years is explained by the increase to the size of the average Annapolis household.

Nonetheless, the overall marginal findings suggest that, as currently projected, new growth itself is neither a huge winner nor a huge loser for the City based on the current levels of service the City provides. With the skew towards residential development, development itself is not an opportunity for the City, although new growth will help to generate economic activity that will promote economic growth, which is ultimately unaccounted for in a fiscal analysis. Fiscal impact analysis does not consider the impact of growth on income levels, the number of jobs and other measures that reflect the state of the private sector economy, which if positively impacted by growth, would in turn have some effect on the fiscal impact. This dynamic relationship is difficult to model and as a result, fiscal impacts and economic impacts are typically evaluated independently.



**TOWN OF LOS GATOS
FINANCE COMMISSION REPORT**

MEETING DATE: 04/14/2025

ITEM NO: 3

Item 6.

DATE: April 8, 2025
TO: Finance Commission
FROM: Chris Constantin, Town Manager
SUBJECT: Review and Provide Recommendations on the Scopes of Services for a Fiscal Impact Analysis for Proposed and Planned Growth and Fiscal Condition Analysis and Five-Year Projection

RECOMMENDATION:

Staff recommends that the Finance Commission review and provide recommendations on the Scopes of Services for a Fiscal Impact Analysis for proposed and planned growth and Fiscal Condition Analysis and Five-Year Projection.

DISCUSSION:

The Finance Commission's adopted work plan includes reviewing the scope of the Fiscal Impact Analysis for proposed and planned growth. In addition, the Town is developing a scope for long-range financial forecasting services. Staff recommends that the Finance Commission review the scopes of both proposal requests and provide feedback. Based on the discussion and the feedback, staff might recommend combining the two scopes and request a proposal for individual services or providing services for both items.

Draft Scope of Services for the Fiscal Impact Analysis for proposed Planned Growth:

The Town is seeking a Consultant to prepare a comprehensive fiscal impact analysis, including scenario sensitivity analysis, with risks and opportunities, which will evaluate the potential fiscal impact of proposed and planned growth (Attachment 1).

PREPARED BY: Gitta Ungvari
Finance Director

Reviewed by: Town Manager, Town Attorney, Assistant Town Manager, and Community Development Director

SUBJECT: Scope of services of Fiscal Impact Analysis and Fiscal Condition Analysis and Five-Year Projection

Typical services would include, but are not limited to:

- Initial meeting with staff;
- Review and analysis of various taxes, fees, and other town revenues and expenditures of general government activities, public safety protection, community development, and other recurring Town expenditures;
- Analysis of revenues created by existing development patterns in the Town and impact of the current and future development patterns on the fiscal sustainability of the Town;
- Proposal scope, products (documents), and schedule;
- Attendance at public meetings to present proposals as required;
- Preparation of administrative draft documents;
- Preparation of draft documents for public review;
- Review of draft documents, including review by applicable committees, and attendance at public meetings as required;
- Preparation of final documents for adoption; and
- Recommendations for next steps.

Draft Scope of Services for Fiscal Condition Analysis and Five-Year Projection:

Project Overview: The Town (population ~33,400) seeks a qualified consultant to assess its current and future health fiscal health, develop a realistic five-year financial forecast, and identify recommendations for short, medium, and long-term response to attain fiscal sustainability. In this evaluation, the analysis should include but is not limited to, a focus on deferred infrastructure liabilities, pension and other post-employment benefit liabilities, personnel costs, reserves, expenditures, and revenue impacts. The consultant will follow industry best practices throughout the engagement.

1. Fiscal Condition Analysis

- **Financial Health Assessment:** Review the Town's recent financial history (e.g. last 5–10 years) and key **financial indicators** to evaluate current fiscal health. While our General Fund and Internal Service Funds are the primary focus, the assessment should include other funds that materially impact the Town's financial sustainability. Examine trends in revenues, expenditures, fund balances, and use of reserves. Use widely accepted indicators of municipal fiscal health where appropriate— such as, but not limited to liquidity ratios, debt burden, reserve levels, revenue diversification, and pension funding status – to provide a baseline analysis.
- **Identification of Major Fiscal Risks:** Identify and quantify the Town's major financial risks and liabilities. This includes calculating **deferred infrastructure maintenance** backlogs (unfunded repairs/upgrades to roads, facilities, etc.) and assessing their long-term budget impact. Analyze the Town's pension obligations and retiree health (OPEB) liabilities using actuarial reports, projecting future contribution requirements

SUBJECT: Scope of services of Fiscal Impact Analysis and Fiscal Condition Analysis and Five-Year Projection

(recognizing that pension costs are projected to rise for almost all California local governments). Evaluate **personnel costs** (salaries, benefits, pensions) as a driver of expenditures, especially in the context of labor agreements and inflation. Highlight any structural imbalances or cost growth that outpaces revenue growth (e.g. identifying areas of structural deficit risk). Note any other significant obligations (e.g. debt service, etc.) that could affect the Town's long-term solvency.

- **Revenue and Expenditure Trends:** Evaluate all major revenue streams (property tax, sales tax, user fees, permits, state subventions, etc.) for their historical growth patterns, volatility, and any emerging trends. Identify any over-reliance on economically sensitive revenues and discuss vulnerabilities (for instance, if a large portion of the budget comes from sales tax or tourism-based taxes that could dip in a downturn). Analyze expenditure trends by department and category (personnel, operations, capital outlay, etc.), identifying areas of rapid growth or where costs consistently exceed inflation. Determine whether recurring expenditures are aligned with recurring revenues, diagnosing any structural gaps. Highlight opportunities for improvement – such as potential revenue enhancements (economic development, updated fee structures, grants) or cost containment measures (streamlining services, preventative maintenance to reduce long-term costs). The analysis should clearly identify looming problems (e.g. revenue sources at risk or deferred costs coming due) as well as any positive trends or fiscal strengths the Town can build upon. **Findings will be benchmarked** against relevant comparables or industry standards to put the Town's condition in context.

2. Five-Year Fiscal Projection

- **Multi-Scenario Forecast:** Develop a five-year financial projection for the Town's major funds (with an emphasis on the General Fund) under three scenarios:
 - **Best-Case:** An optimistic scenario with favorable conditions (e.g. robust economic growth, increasing revenues, and modest expenditure growth).
 - **Worst-Case:** A cautious scenario assuming fiscal stress (e.g. an economic downturn reducing revenues, higher cost inflation, or new unfunded mandates increasing expenses).
 - **Most Likely (Baseline):** A scenario reflecting the expected trend based on current policies and the economic outlook.

Clearly document the assumptions for each scenario (such as annual growth rates for each revenue source, staffing and salary projections, pension contribution rate changes, capital improvement plans, etc.). The forecast model should quantify the projected surplus or deficit each year under each scenario. In line with best practices, present a **range of outcomes** with these different scenarios to illustrate uncertainty as well as compare to the Town's current forecast. This will help the Town understand how sensitive its finances are to various factors.

SUBJECT: Scope of services of Fiscal Impact Analysis and Fiscal Condition Analysis and Five-Year Projection

Include charts or tables that compare the scenarios (for example, fund balance over time in each case).

- **Assumption Analysis – Economic, Policy, and Operational Factors:** Analyze the key factors driving the forecast and how changes in those factors would affect the Town’s finances:
 - **Economic Factors:** Consider local and regional economic projections (population growth, development trends, inflation, employment rates) and their impact on revenues (e.g. sales tax and property tax growth or decline) and expenses (e.g. labor costs, construction costs for capital projects). For the worst-case scenario, model a potential recession early in the five-year period (with revenue declines and heightened demand for certain services), and for the best-case, assume sustained economic expansion.
 - **Policy/Legislative Factors:** Incorporate any known or anticipated changes in policies that affect revenues or costs. This might include state legislation (or voter initiatives) altering revenue formulas or imposing new requirements on cities. For example, consider changes to California tax law, pension reform measures, mandates on service levels, or shifts in state funding. Also account for local policy decisions under consideration (such as new revenue measures or changes in service levels) that would impact the Town’s finances.
 - **Operational Factors:** Reflect internal Town initiatives or events that will impact finances. This could include the opening of new facilities, significant one-time expenditures (equipment purchases, infrastructure projects), upcoming labor contract negotiations, or efficiency measures. Identify any cost drivers that the Town anticipates (e.g. rising health insurance premiums, needed technology upgrades) and ensure those are built into the baseline projection. Conversely, include any planned cost-saving initiatives or departmental reorganizations expected to yield savings.

The consultant should explain how each of these factors is handled in the forecast and may use **sensitivity analysis** to show the impact of variations (e.g. what if revenue grows 1% slower than expected, or pension investment returns underperform). All assumptions should be reasonable and based on evidence (historical data or external forecasts) to maintain credibility.

- **Incorporation of Potential Funding and External Conditions:** Identify and integrate potential new funding sources or mitigations into the forecast scenarios. For instance, if the Town is considering a tax measure or fee increase, model its financial impact in the appropriate scenario. Include expected grants or state/federal funding (for example, infrastructure grants or allocations from state legislation) and denote which are one-time versus recurring. Similarly, address the Town’s strategy for tackling deferred

SUBJECT: Scope of services of Fiscal Impact Analysis and Fiscal Condition Analysis and Five-Year Projection

infrastructure liabilities within the forecast – e.g. does the best-case scenario assume new capital funding to reduce the maintenance backlog, and does the worst-case prolong the backlog? Consider **macroeconomic conditions** such as inflation and interest rates: inflation can affect both revenues (e.g. sales tax growth) and expenditures (contract costs), while interest rates influence the cost of debt and the Town's investment earnings. The forecast should also be stress-tested for extraordinary events (for example, natural disasters or public health emergencies) to the extent feasible, at least in narrative form, describing how reserves or emergency funds would be utilized. By examining these factors, the projection will illustrate not just a single expected outcome but the **financial resilience** of the Town under various circumstances.

- **Forecast Methodology and Transparency:** Utilize a robust forecasting approach that combines quantitative analysis with the Town's institutional knowledge. Techniques may include trend extrapolation, econometric projections for elastic revenues, and **scenario planning** tools. The consultant should clearly document the methodology and model structure. The resulting projection model (e.g. Excel or similar) will be provided to the Town, with notes explaining all assumptions so that Town staff can update it in the future. Emphasize transparency by providing a detailed list of assumptions and aligning the forecast with the Town's accounting structure (using the same fund and department categories as the budget). The methodology should adhere to GFOA's recommendations for long-term financial planning, ensuring the forecast is a useful tool for decision-making – for example, clearly stating assumptions and linking the forecast to the Town's financial policies (like reserve targets and maintaining structural balance). Periodically review draft projections with the Town's project team to validate assumptions against local insights before finalizing the numbers.

3. Stakeholder Engagement

- **Departmental Interviews and Data Gathering:** The consultant will conduct interviews with staff from all Town departments to gather insights and granular data. These interviews will solicit information on each department's budget pressures, service demands, and any planned initiatives or unmet needs. Departments can provide context on **deferred maintenance** issues, personnel needs, and revenue opportunities specific to their operations. Engaging department heads and key staff in this way will enrich the analysis – for example, identifying upcoming capital replacements or potential efficiency improvements that might not be evident from financial reports alone. (This approach aligns with GFOA best practices, which recommend leveraging the expertise of internal staff to inform financial forecasts.) The consultant should prepare a standard set of questions or a survey template to ensure consistency in data collection across departments, covering topics such as service level changes, infrastructure conditions, anticipated grants, and cost-saving ideas or concerns.

SUBJECT: Scope of services of Fiscal Impact Analysis and Fiscal Condition Analysis and Five-Year Projection

- **Collaboration with Finance Team:** Work closely with the Town's Finance Department throughout the project. The finance staff will serve as liaisons for providing documents (budgets, audited financial statements, capital improvement plans, debt schedules, pension actuarial reports, etc.) and clarifying any existing projections or assumptions. Regular check-in meetings should be held to discuss preliminary findings and ensure all data is interpreted correctly. This collaboration helps align the consultant's work with the Town's budgeting practices and ensures that recent developments (e.g. mid-year budget adjustments or revenue shortfalls) are factored in. The finance team's institutional knowledge will also assist in reviewing forecast assumptions (for example, vetting revenue growth rates or planned staffing changes). The consultant may also coordinate with other key stakeholders as needed – such as the Town Manager's office for overall strategic direction or external advisors (e.g. auditors, financial advisors) for specialized insights.
- **Stakeholder Communication and Feedback:** Maintain open communication channels for stakeholders to provide input and feedback. After completing the departmental interviews and initial analysis, the consultant should debrief Town leadership on preliminary findings to verify accuracy and gain insights before report writing. This may involve presenting a draft outline or initial data trends to the Town Manager and finance director, ensuring there is agreement on the key issues and assumptions. The consultant should be receptive to feedback and ready to investigate any additional areas of concern raised by staff or officials. Engaging stakeholders at this stage helps build buy-in for the final recommendations and ensures that no critical local knowledge is overlooked. Finally, before finalizing the report, the consultant might hold a workshop with department heads or the finance committee to walk through the draft findings and ensure clarity. This iterative engagement process will result in a more robust and accepted final product.

4. Deliverables

- **Comprehensive Report:** The consultant will produce a detailed report documenting all findings, analysis, and projections. The report will include:
 - **Executive Summary:** A concise overview of the Town's financial condition, key trends, and high-priority recommendations.
 - **Current and Future Fiscal Condition:** A detailed assessment of the Town's present financial health (fund balances, recent revenue/expenditure trends, and major liabilities such as pensions and deferred maintenance), supplemented by charts and comparative benchmarks.

SUBJECT: Scope of services of Fiscal Impact Analysis and Fiscal Condition Analysis and Five-Year Projection

- **Five-Year Financial Forecast:** A presentation of the financial projections for each scenario (best-case, worst-case, baseline), including the assumptions used and year-by-year tables for revenues, expenditures, and fund balances. Visual aids (graphs, tables) will illustrate the differences between scenarios and highlight when fiscal targets (like reserve levels) might not be met.
- **Analysis of Results:** Discussion of what the forecasted outcomes mean for the Town's fiscal sustainability. Identify any years where deficits are projected, the drivers of those gaps, and the Town's capacity to manage them (e.g. use of reserves). This section will connect the forecast back to the risks identified in the fiscal analysis (showing how issues like pension costs or infrastructure needs influence the outlook).
- **Recommendations:** Specific actionable recommendations for Town policy or management. These may include steps to close projected budget gaps, strategies to fund or mitigate liabilities (such as setting aside reserves for pension or infrastructure costs), potential new revenue measures, and improvements to financial policies/procedures. Recommendations will reference supporting analysis and adhere to California legal constraints (e.g. Proposition 218 requirements for revenue measures).
- **Appendices:** Supporting materials, such as detailed financial model outputs, summaries of stakeholder input, a list of data sources and assumptions (economic indicators, growth rates, etc.), and any benchmarking data. The appendices provide transparency and allow Town officials to delve into technical details as needed.
- **Presentations to Town Council and Finance Committee:** The consultant will present the key findings and recommendations in at least two forums: a Town Council meeting (in public session) and a meeting of the Town's Finance Committee (or Budget/Audit Committee). The presentations will distill the report into a slide deck with clear visuals, highlighting trends, risks, and proposed solutions. The consultant will explain the assumptions behind the projections and provide context for the scenarios. They should be prepared to answer questions and discuss alternatives with officials. The goal is to facilitate understanding among policymakers and support informed decision-making. All presentation materials (PowerPoint slides, charts, etc.) will be provided to the Town for its use and records.
- **Financial Model and Dashboard Tools:** Provide the Town with the financial projection model and any analytical dashboards developed. The model (e.g. in Excel) should be user-friendly, with clearly documented assumptions and the ability for staff to update key inputs to run new scenarios. If an interactive visualization or dashboard is created to

SUBJECT: Scope of services of Fiscal Impact Analysis and Fiscal Condition Analysis and Five-Year Projection

track fiscal indicators, that should also be delivered (for example, a tool to monitor fund balance, debt, and pension metrics over time). The consultant will conduct a brief training session for relevant Town staff on how to use and maintain these tools, ensuring the Town can continue to utilize the model for annual budget updates and long-term planning.

- **Adherence to Standards:** Ensure all work products conform to best practices. The analysis and reports will be prepared in accordance with GAAP and Government Finance Officers Association (GFOA) best practices. Financial terminology and classifications will align with California municipal reporting conventions (e.g. those used by the State Controller's Office). All assumptions and methodologies should be clearly explained to meet transparency expectations and facilitate external review.
- **Quality and Transparency:** The consultant is expected to deliver high-quality, unbiased analysis. Before finalizing deliverables, conduct internal quality reviews and review draft findings with Town management to verify accuracy. The final report and presentations should be error-checked, clearly written, and suitable for public release. All data sources and calculations must be documented (either in the report body or appendices), allowing a third party to understand how conclusions were reached. By providing thorough documentation and following best practices, the consultant's work will be credible and actionable for the Town.

ATTACHMENTS:

1. Draft Request for Proposal for Fiscal Impact Analysis



Town of Los Gatos

REQUEST FOR PROPOSALS

FISCAL IMPACT ANALYSIS SERVICES

Date Issued: XXXXXX

Proposal Submittal Deadline:
Day of week, Date by time p.m.

Issued By: Town of Los Gatos
Community Development Department
110 E. Main Street
Los Gatos, CA 95030
www.losgatosca.gov

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DRAFT

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FISCAL IMPACT ANALYSIS CONSULTANT SERVICES

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Attachments are as follows:

- ATTACHMENT 1 - CONFLICT OF INTEREST STATEMENT (FOR SUBMITTAL)
- ATTACHMENT 2 - REFERENCES (FOR SUBMITTAL)
- ATTACHMENT 3 - STATEMENT REGARDING INSURANCE COVERAGE AND WORKER'S
COMPENSATION INSURANCE ACKNOWLEDGMENT CERTIFICATE (FOR
SUBMITTAL)
- ATTACHMENT 4 - STANDARD CONSULTANT SERVICES AGREEMENT

Date

Schedule of Activities: The Town reserves the right to amend the schedule below as necessary.

<u>Activity</u>	<u>Anticipated Dates</u>
RFP release	XXXXXX
Deadline for Questions Submitted By	XXXXXX
Proposal Submission Deadline (5:00 p.m.)	XXXXXX
Proposal Evaluation	XXXXXX
Consultant Interviews/Presentations (if necessary)	XXXXXX
Contract Negotiations and Execution	XXXXXX

Town's Contact: For all questions related to the RFP, email the Town's Contact listed below:

Joel Paulson, Community Development Director

Alexa Nolder, Administrative Technician

Town of Los Gatos

Town Manager's Office

110 E. Main Street

Los Gatos, CA 95030

408-354-6874

Planning@losgatosca.gov

FISCAL IMPACT ANALYSIS SERVICES

Proposals Due: Day of week, Date, by time p.m.

Proposers may view and download this RFP electronically from the Town's website at www.losgatosca.gov/rfp. The Proposers are responsible for checking the Town's website for any updates and addenda related to this RFP. For any questions or assistance, please reach out to the Town's contact: Planning@losgatosca.gov.

A. Purpose

The Town of Los Gatos (Town) is seeking proposals from qualified professional consultants (Proposers) to provide Fiscal Impact Analysis services. Proposers may either be individuals or firms.

B. Overview

The Town of Los Gatos is nestled at the base of the Sierra Azules, and is located approximately 60 miles south of San Francisco, in the southwestern portion of Santa Clara County where the Santa Clara Valley meets the lower slopes of the Santa Cruz Mountains. This beautiful setting is home to approximately 30,000 people, a diverse economy, and excellent schools.

Over 3,000 businesses serve the residents and act as a destination point for visitors who are attracted to its restaurants, hotels, and variety of shops within a pedestrian oriented downtown setting. The Town is also an inclusive community with the full mix of ages, family sizes, and incomes. Los Gatos has many parks and greenbelt areas, as well as a vibrant downtown area, with Downtown Los Gatos listed on the National Register of Historic Places.

The Town is seeking a Proposer to prepare a comprehensive fiscal impact analysis, including scenario sensitivity analysis, with risks and opportunities, which will evaluate the potential fiscal impact of proposed and planned growth.

To determine future development's overall fiscal impact, this fiscal analysis will focus on the estimated recurring revenue produced from future development compared to the increased demands placed upon the Town's recurring operational budget.

Date

A fiscal impact analysis will provide support to decision makers, local government staff, and community stakeholders to identify and quantify benefits and costs to a local community. Specific benefits of fiscal impact analysis include:

- Identifying projected changes to local services and revenues;
- Helping to define achievable levels of service;
- Projecting capital facility needs;
- Clarifying development policy impacts;
- Calculating revenues and helps in the development of revenue strategies;
- Encouraging “what if” questions; and
- Promoting public education of the connection between land use and fiscal conditions.

At the August 5, 2024, Finance Commission meeting, the Finance Commission expressed interest in recommending to the Town Council that it engage a professional consulting firm to prepare a comprehensive fiscal impact analysis, including scenario sensitivity analysis, with risks and opportunities, which will evaluate the potential fiscal impact of planned growth (including the recently filed SB 330/Builder’s Remedy proposals).

On November 19, 2024, The Town Council discussed the recommendation of the Finance Commission and directed staff to solicit proposals for the development of a fiscal impact analysis given the scope of the Housing Element, Sente Bill (SB) 330, and Builder’s Remedy applications.

C. Minimum Qualifications

The Town is seeking proposals from Proposers with the following minimum qualifications with work experience **within the greater San Francisco Bay Area**:

1. All persons or firms must demonstrate the following experience. If a firm applies, all key personnel must be identified, and each must meet the qualifications set forth in this RFP.
2. Proposers must demonstrate hands-on experience creating a fiscal impact analysis for local government.
3. Proposers should have strong communication skills and the ability to communicate effectively with diverse populations.
4. Proposers need to demonstrate that they have no connection to the Town and its staff that may have an impact upon performance of services.
5. All proposers need to provide at least three references.

Date

The selected proposers should have the following knowledge and experience:

- Town revenue structure;
- Town services provided;
- Town expenditures;
- Capacity of existing infrastructure;
- Demographic and market characteristics of new growth;
- Visualization of data to illustrate the impacts of new growth;
- Provide timely responses to the Town;
- Ability to provide insurance and indemnities to the Town. Professional liability insurance is also required. The terms and conditions of the agreement will be negotiated at the appropriate time; and
- Experience working with subcontracted consultants where appropriate.

Furthermore, Proposers shall also comply with the following provisions:

1. Each Proposer is responsible for determining and complying with all applicable Town business licensing requirements.
2. Each Proposer is responsible for determining and complying with all applicable professional licensing requirements.

D. General Provisions and Requirements

1. Questions related to the contract administration matters should be directed to the Town's Contact at Planning@losgatosca.gov.
2. The Proposer shall maintain any key personnel throughout the entire duration of services; and therefore, the Proposer shall conduct their business in a professional manner to schedule and support their personnel to provide the scope of services in a timely and professional manner. The Town must approve of any key personnel changes in advance through personnel qualifications review and oral interviews with Town staff.
3. The Proposer shall verify that all information submitted to the Town is up to the Proposer's professional standards and satisfaction. Note and report any discrepancies observed in the course of professional activities covered by the services.
4. Deliverables will be submitted in electronic format (PDF) and in native document formats such as Word, Excel, etc. unless otherwise specified.

Date

E. Scope of Services

The Town is seeking a Proposer to prepare a comprehensive fiscal impact analysis, including scenario sensitivity analysis, with risks and opportunities, which will evaluate the potential fiscal impact of planned growth.

Typical services would include, but are not limited to:

- Initial meeting with staff;
- Review and analysis of various taxes, fees, and other town revenues and expenditures of general government activities, public safety protection, community development, and other recurring Town expenditures;
- Analysis of revenues created by existing development patterns in the Town and impact of the current and future development patterns on the fiscal sustainability of the Town;
- Proposal scope, products (documents), and schedule;
- Attendance at public meetings to present proposals as required;
- Preparation of administrative draft documents;
- Preparation of draft documents for public review;
- Review of draft documents, including review by applicable committees, and attendance at public meetings as required;
- Preparation of final documents for adoption; and
- Recommendations for next steps.

F. Proposal Format and Submittal Requirements

Submitting the Proposal:

The proposal must be received by the Town no later than Day of week, Date by Time p.m. PST. The Town requires that all proposals be submitted electronically via email or file sharing sites. The proposal shall be clearly marked for “**Town of Los Gatos – Fiscal Impact Analysis Proposal**” and emailed to:

Joel Paulson, Community Development Director

Alexa Nolder, Administrative Technician

Town of Los Gatos – Community Development Department

Planning@losgatosca.gov

Date

Each Proposer is responsible for confirming the Town's receipt of the proposal. The Town email system has file size limitations; therefore, receipt confirmation is critical. Receipt of a proposal by any other Town office will not constitute "delivery" as required by this proposal. Each Proposer assumes full responsibility for timely delivery of its proposal. Any proposals received after the time and date specified above will be considered nonresponsive and will be returned to the proposer. No Proposer may submit more than one proposal for this work.

Each proposal must include the following information:

Cover Letter (Maximum 2 pages) – Cover letter giving an overview of the Proposer's general expertise, experience, and ability to perform the scope of services described in this RFP. Include a statement of your general philosophy to undertaking the work. The cover letter shall be signed by an authorized representative of the firm. **Attachment 4** is the Town's contract template for the Consultant Services Agreement. In the cover letter, state that the Town's contract template is acceptable to the Proposer or list any exceptions or change requests to the contract provisions.

Certification Forms – Complete and sign the following certification forms:

Attachment 1 - Conflict of Interest Statement

Attachment 3 - Statement regarding Insurance Coverage and Worker's Compensation Insurance Acknowledgment Certificate

Review of Scope of Services (Maximum 3 pages) – Proposers must comment on their ability to realistically provide the services listed in the Proposed Scope of Services as outlined. Provide comments and suggest modifications, changes, and/or additions as appropriate. Indicate your approach to the project and what specialized skills, services, or unique insights you or your team would bring to the project. Proposals should include how action items would be identified to accomplish the goals and objectives. Describe how and when data and materials will be delivered to the Town.

Experience and Expertise – Discuss prior related experience satisfying Minimum Qualifications and what would make you or your firm qualified for fiscal impact analysis services. Emphasize projects of similar scope and magnitude. Any prior expertise in the implementation mechanisms should be explained. Describe experience in development of fiscal impact analysis reports.

Date

Qualifications of Key Personnel – Identify a project manager and key individuals on the consultant team and their resumes highlighting relevant qualifications and experiences. State projects that they were assigned to and their specific roles and responsibilities. Provide a statement regarding the team or firm’s commitment to keep the same personnel throughout this engagement with the Town.

Timeline – Provide a timeline for each element of the proposal that is both rigorous and realistic. Timeline should include how the project will be managed and scheduled and potential ways to phase this work aligned to the approach.

Samples – Provide one to three examples of fiscal impact analysis reports completed for local government.

Disclosure of Litigation/Discipline – If you or firm has ever been disciplined or censured by any regulatory body, disclose the principal facts. If, within the last five years, you or your firm has ever been involved in litigation or other legal proceedings relating to the provision of services, provide an explanation and indicate the current status or disposition of the proceedings.

References (complete **Attachment 2**) – A minimum of three (3) current references from past projects (of similar scope) should be provided. All references must contain relevant projects completed within the past five (5) years. Provide the following information for each reference:

Firm, Owner, or Agency Name
Address, Telephone Number
Email Address
Project Description
List of Services Provided

Insurance Coverage – If applicable, identify carriers, types, and limits of insurance carried. If selected by the Town, the Consultant shall maintain minimum coverage requirements for commercial general liability, automobile liability, professional liability, and workers’ compensation as specified in the Consultant Services Agreement unless waived by the Town Attorney. The Consultant may achieve the required limits and coverage through a combination of primary and excess or umbrella liability insurance provided such policies result in the same or greater coverage as the coverages required by Town, and in no event shall any excess or umbrella liability insurance provide

Date

narrower coverage than the primary policy. If selected by the Town, the Consultant shall cause the insurance policies required herein to include the Town, and their respective officials, officers, employees, and volunteers as additional insureds for claims caused in whole or in part by the Consultant's negligent acts or omissions. The Consultant shall provide certificates of insurance to the Town that evidence compliance with the above.

Preliminary Fee Schedule – Submit a Preliminary Fee Schedule for services provided by the Proposer. The Preliminary Fee Schedule shall be inclusive of all potential work and labor including, but not limited to, the Consultant's costs for site visits and travel expenses. Each element of the proposal should be itemized and include a time frame, specific personnel to complete, and the cost associated with the item. The Town reserves the right to select from the menu of ideas presented in the proposal.

Addenda

If any revisions to this RFP become necessary, the Town shall provide responses and clarifications to questions via addenda. The last day for issuance of an addendum is **Day of week, Date**. A Proposer shall submit any questions or requests for clarification to the Town's Contact by **Day of week, Date**.

Addenda to this RFP, if issued, will be posted on the Town's website at www.losgatosca.gov/rfp. All proposers shall verify that the Town has issued any addenda for this Project prior to submitting the proposal and ensure that all requirements of addenda are included.

G. Evaluation Process

The evaluation of proposals shall be within the sole judgment and discretion of the Town. All contacts during the evaluation phase shall be through the Town's Contact only. Proposers shall neither contact nor lobby evaluators during the evaluation process. Attempts by the Proposer to contact any reviewers of the proposals with the exception of the Town's Contact may jeopardize the integrity of the evaluation and selection process and risk possible disqualification.

During the proposal evaluation process, written questions or requests for clarification may be submitted by the Town to a Proposer regarding its proposal or related matters. Failure to respond in a timely manner to any such questions or requests may be grounds for elimination of the Proposer from further consideration.

XXXXXX and the committee will evaluate each proposal meeting the qualification requirements set forth in this RFP.

After the review of proposals, the highest-ranked Proposers may be invited for oral interviews as part of the selection process, if necessary. The Proposer will be notified of the time and date of oral interviews (likely over Zoom) and if any additional information may be required to be submitted.

The Town shall be the sole judge of the evaluation of all proposals. The Town's decision shall be final. The Town reserves the right to reject any and all proposals and waive any irregularity or minor defects in any proposal received.

Proposal Evaluation Criteria

The following criteria shall be used to evaluate the proposals:

- 1. Conflict of Interest Statement and Non-Collusion Declaration (Pass/Fail)**
 - a. Discloses any financial, business or other relationship with the Town or the Los Gatos that may have an impact upon performance of services.
 - b. Lists current clients who may have a financial interest in the outcome of this contract or contracts.
- 2. Completeness/Organization of the Proposal (15 points)**
 - a. Proposal that is current, accurate, and complete in accordance with the requirements of this RFP. The proposal format and organization shall follow the requirements herein. Proposals that do not include the content requirements identified within this RFP and subsequent addenda and do not address items listed shall be considered incomplete.
- 3. Organization and Approach (20 points)**
 - a. Familiarity of the desired services and demonstrates understanding of objectives.
 - b. Similar experience in the development of fiscal impact analysis reports for local government.

Date

4. Qualifications & Experiences (20 points)

- a. Meets Minimum Qualifications.
- b. Identifies relevant experience, specific qualifications, and technical expertise.
- c. Demonstrates history of success in developing fiscal impact analysis reports for other clients.

5. Proposer Accessibility (15 points)

- a. A statement addressing ability to fulfill required responsibilities.

6. References (10 points)

- a. Provide references with the names of at least three (3) agencies the Proposer has previously consulted for in the past five (5) years.

In addition, the Town will consider any requested changes to the Town's standard contract template and may not be able to accommodate requested changes.

Oral Interview (if necessary)

If necessary, the top-ranking Proposer(s) may be invited to participate in Oral Interviews for a consultant presentation and Q&A session. A Proposer will be notified of the time and date for oral interviews (likely over Zoom) and if any additional information may be required to be submitted.

Following the Town's determination of the best qualified Proposer for this work, scope of services and final terms will be negotiated, and the Consultant and the Town will execute the Town's standard Consultant Services Agreement (**Attachment 4**).

The proposed schedule is as follows:

<u>Activity</u>	<u>Anticipated Dates</u>
RFP release	XXXXXX
Deadline for Submitting Questions	XXXXXX
Proposal Submission Deadline (5:00 pm)	XXXXXX
Proposal Evaluation	XXXXXX
Consultant Interviews/Presentations (if necessary)	XXXXXX
Contract Negotiations and Execution	XXXXXX

H. Additional Information

1. **Reservation of Rights.** The Town reserves the right to accept or reject any or all proposals, or to alter the selection process if warranted, to postpone the selection process for its own convenience at any time, and to waive any defects in the RFP. The Town also reserves the right to accept or reject any individual subconsultant that a candidate proposes to use. This RFP and the interview process shall in no way be deemed to create a binding contract or agreement of any kind between the Town and the Proposers. The Town's standard form of consultant agreement will form the basis of the contract between the parties.
2. **Proposer's Costs.** Each Proposer responding to this RFP acknowledges and agrees that the preparation of all materials for submittal to the Town and all presentations, related costs, and travel expenses, including but not limited to vehicle miles, vehicle rentals, flights, transit fares, and meals, are at the Proposer's sole expense. The Town shall not, under any circumstances, be responsible for any cost or expense incurred by the Proposer. In addition, each Proposer acknowledges and agrees that all documentation and/or materials submitted with the RFP shall remain the property of the Town.
3. **Communicating with Town.** If you have any questions regarding this RFP, please communicate with the Town's Contact:

Joel Paulson, Community Development Director
Alexa Nolder, Administrative Technician
Town of Los Gatos
Community Development Department
110 E Main Street, Los Gatos CA 95030
Planning@losgatosca.gov

The Town's sole point of contact for this RFP shall be the Town's Contact who shall administer the RFP process. All communications shall be submitted in writing and shall specifically reference this RFP (identify in the subject line). Only answers issued by Addendum will be binding. Oral and other interpretations or clarifications will be without legal effect. No contact with other Town staff, Town council members, or any other public official concerning the Project during the RFP process is allowed. A violation of this provision may result in the disqualification of the consultant.

4. **Public Record.** All responses to this RFP become property of the Town and will be kept confidential, subject to the requirements of the California Public Record Act, until a recommendation for award of a contract has been announced. Submittals are subject to public inspection and disclosure under the California Public Records Act. (Cal. Govt.

Date

Code sections 6250 *et seq*). Unless the information is exempt from disclosure by law, the content of any proposal, request for explanation, or any other written communication between the Town and any Proposer, and between Town employees or consultants, regarding the procurement, shall be available to the public. In any event, the Town shall have no liability to Proposer for making disclosures required by the California Public Records Act or other law, court order, legal proceeding discovery request, investigative demand, subpoena, or order from a regulatory body having jurisdiction over either of the parties. Nothing contained herein shall be construed as requiring or obligating the Town to withhold information in violation of the California Public Records Act or other laws.

5. **Equal Opportunity.** The Town hereby notifies all Proposers that it will affirmatively insure that in any contract entered into pursuant to this procurement, minority business enterprises will be afforded full opportunity to submit proposals in response to this RFP and will not be discriminated against on the grounds of race, creed, color, national origin, ancestry, sexual orientation, political affiliations or beliefs, sex, age, physical disability, medical condition, marital status, pregnancy, or other protected characteristic as set forth hereunder.
6. **Governing Law.** The laws of the State of California shall govern the interpretation and enforcement of the contract. Legal action may be instituted only in the Superior Court of the County of Santa Clara, State of California, or in the Federal District Court in the Northern District of California.
7. **Adherence to All Local, State, and Federal Laws and Requirements.** The Proposer shall adhere to all applicable federal, state, and local laws, ordinances, statutes, rules and regulations, and rulings or directives of any agencies having jurisdiction relevant in any way to the Proposer's scope of work.

I. Attachments

The following attachments are incorporated into the Request for Qualifications:

- ATTACHMENT 1 – CONFLICT OF INTEREST STATEMENT (FOR SUBMITTAL)
- ATTACHMENT 2 – REFERENCES (FOR SUBMITTAL)
- ATTACHMENT 3 – STATEMENT REGARDING INSURANCE COVERAGE AND WORKER'S
COMPENSATION INSURANCE ACKNOWLEDGMENT CERTIFICATE (FOR
SUBMITTAL)
- ATTACHMENT 4 – SAMPLE CONSULTANT SERVICES AGREEMENT (INFORMATION)

ATTACHMENT 1 - CONFLICT OF INTEREST STATEMENT

THIS FORM MUST BE PRINTED OUT, COMPLETED AND SUBMITTED WITH THE PROPOSAL

FISCAL IMPACT ANALYSIS SERVICES

The undersigned declares:

I/We _____ (Insert Name) have the following financial, business, or other relationship with Town of Los Gatos that may have an impact upon the outcome of the contract. If none, please specify that no other relationships may have an impact on this contract or Project.

I/We _____ (Insert Name) have the following current clients who may have a financial interest in the outcome of this contract. If none, please specify that no other clients may have a financial interest with an impact on this contract or Project.

Pursuant to Government Code section 1090 and any other laws, rules and regulations that may apply, the Proposer covenants that neither it, its subcontractors nor employees presently have an interest, and shall not acquire any interest, direct or indirect, financial or otherwise that would conflict in any manner or degree with contract awarded from this RFP. Proposer certifies that to the best of its knowledge, no one who has or will have any financial interest in the contract awarded from this RFP is an officer or employee of the Town. Through its submittal of a proposal, Proposer acknowledges that it is familiar with Section 87100 et seq. and Section 1090 et seq. of the Government Code of the State of California and will immediately notify the Town if it becomes aware of any facts concerning the contract to be awarded that constitute a violation of said provisions.

Furthermore, if there is reason to believe that collusion exists among the Proposers, the Town may refuse to consider proposals from participants in such collusion. No person, firm, or corporation under the same or different name, shall make, file, or be interested in more than one proposal for the same

work unless alternate proposals are called for. A person, firm, or corporation who has submitted a sub-proposal to a Proposer, or who has quoted prices on materials to a Proposer, is not thereby disqualified from submitting a sub-proposal or quoting prices to other Proposers. Reasonable ground for believing that any Proposer is interested in more than one proposal for the same work will cause the rejection of all proposals for the work in which a Proposer is interested. If there is reason to believe that collusion exists among the Proposers, the Town may refuse to consider proposals from participants in such collusion. Proposers shall submit as part of their proposals documents the completed Non-Collusion Declaration provided herein.

I, on behalf of the Proposer, declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct and that this declaration is executed on _____
[date], at _____[city], _____[state].

Proposer Name (Person, Firm, Corp.) Title of Authorized Representative

Address Name of Authorized Representative

City, State, Zip

(Date) (Signed)

ATTACHMENT 2 - REFERENCES

THIS FORM MUST BE PRINTED OUT, COMPLETED AND SUBMITTED WITH THE PROPOSAL

FISCAL IMPACT ANALYSIS SERVICES

List three (3) references for work of a similar nature to the Services performed within the last five (5) years. Use additional sheets as necessary.

1.

_____ Name of Agency	_____ Agency Address
_____ Contact Name	_____ Contact Title
_____ Contact Telephone	_____ Contact Email Address
_____ Contract Period	_____ Contract Amount

Description of services performed including costs.

2.

_____ Name of Agency	_____ Agency Address
_____ Contact Name	_____ Contact Title
_____ Contact Telephone	_____ Contact Email Address
_____ Contract Period	_____ Contract Amount

Description of services performed including costs.

3.

_____ Name of Agency	_____ Agency Address
_____ Contact Name	_____ Contact Title
_____ Contact Telephone	_____ Contact Email Address
_____ Contract Period	_____ Contract Amount

Description of services performed including costs.

I hereby certify that the Proposer performed the work listed above.

Signature of Proposer

Name

Date

DRAFT

**ATTACHMENT 3 - STATEMENT REGARDING INSURANCE COVERAGE AND WORKER'S COMPENSATION
INSURANCE ACKNOWLEDGMENT CERTIFICATE**

THIS FORM MUST BE PRINTED OUT, COMPLETED AND SUBMITTED WITH THE PROPOSAL

FISCAL IMPACT ANALYSIS SERVICES

PROPOSER HEREBY CERTIFIES that the Proposer has reviewed and understands the insurance coverage requirements specified in the RFP. Should the Proposer be awarded a contract for Services, Proposer further certifies that the Proposer can meet the specified requirements for insurance, including insurance coverage of any subcontractors, and agrees to name the Town as additional insured for the Services specified.

By certifying this form, the Proposer also understands the Worker's Compensation insurance requirement per the California Labor Code, Sections 1860 and 1861:

I am aware of the provisions of Section 3700 of the Labor Code, which require every employer to be insured against liability for worker's compensation or to undertake self-insurance in accordance with the provisions of that code, and I will comply with such provisions before commencing the performance of the work of this contract.

Name of Proposer (Person, Firm, or Corporation)

Signature of Proposer's Authorized Representative

Name & Title of Authorized Representative

Date of Signing

ATTACHMENT 4 – SAMPLE CONSULTANT SERVICES AGREEMENT

[ATTACHED BEHIND THIS PAGE]

DRAFT

AGREEMENT FOR CONSULTANT SERVICES

THIS AGREEMENT is made and entered into on _____(DATE) by and between TOWN OF LOS GATOS, a California municipal corporation, ("Town") and _____ NAME OF COMPANY, ("Consultant"), whose address is _____ ADDRESS OF COMPANY. This Agreement is made with reference to the following facts.

I. RECITALS

- 1.1 The Town desire to engage Consultant to provide XXXXXXXXX.
- 1.2 The Consultant represents and affirms that it is willing to perform the desired work pursuant to this Agreement.
- 1.3 Consultant warrants it possesses the distinct professional skills, qualifications, experience, and resources necessary to timely perform the services described in this Agreement. Consultant acknowledges Town has relied upon these warranties to retain Consultant.

II. AGREEMENTS

- 2.1 Scope of Services. Consultant shall provide services as described in that certain proposal sent to the Town on (DATE), which is hereby incorporated by reference and attached as Exhibit A.
- 2.2 Term and Time of Performance. This contract will remain in effect from _____ to _____. Consultant shall perform the services described in this agreement as follows: XXXXXXXX.
- 2.3 Compliance with Laws. The Consultant shall comply with all applicable laws, codes, ordinances, and regulations of governing federal, state and local laws. Consultant represents and warrants to Town that it has all licenses, permits, qualifications and approvals of whatsoever nature which are legally required for Consultant to practice its profession. Consultant shall maintain a Town of Los Gatos business license pursuant to Chapter 14 of the Code of the Town of Los Gatos.
- 2.4 Sole Responsibility. Consultant shall be responsible for employing or engaging all persons necessary to perform the services under this Agreement.
- 2.5 Information/Report Handling. All documents furnished to Consultant by the Town and all reports and supportive data prepared by the Consultant under this Agreement are the Town's property and shall be delivered to the Town upon the completion of Consultant's services or at the Town's written request. All reports, information, data, and exhibits prepared or assembled by Consultant in connection with the performance of its services

pursuant to this Agreement are confidential until released by the Town to the public, and the Consultant shall not make any of these documents or information available to any individual or organization not employed by the Consultant or the Town without the written consent of the Town before such release. The Town acknowledges that the reports to be prepared by the Consultant pursuant to this Agreement are for the purpose of evaluating a defined project, and Town's use of the information contained in the reports prepared by the Consultant in connection with other projects shall be solely at Town's risk, unless Consultant expressly consents to such use in writing. Town further agrees that it will not appropriate any methodology or technique of Consultant which is and has been confirmed in writing by Consultant to be a trade secret of Consultant.

2.6 Compensation. Compensation for Consultant's professional services **shall not exceed \$XXXX**, inclusive of all costs. Payment shall be based upon Town approval of each task.

2.7 Billing. Billing shall be monthly by invoice within thirty (30) days of the rendering of the service and shall be accompanied by a detailed explanation of the work performed by whom at what rate and on what date. Also, plans, specifications, documents or other pertinent materials shall be submitted for Town review, even if only in partial or draft form.

Payment shall be net thirty (30) days. All invoices and statements to the Town shall be addressed as follows:

Invoices:

Town of Los Gatos

Attn: Accounts Payable

P.O. Box 655

Los Gatos, CA 95031-0655

2.8 Availability of Records. Consultant shall maintain the records supporting this billing for not less than three years following completion of the work under this Agreement. Consultant shall make these records available to authorized personnel of the Town at the Consultant's offices during business hours upon written request of the Town.

2.9 Assignability and Subcontracting. The services to be performed under this Agreement are unique and personal to the Consultant. No portion of these services shall be assigned or subcontracted without the written consent of the Town.

2.10 Independent Contractor. It is understood that the Consultant, in the performance of the work and services agreed to be performed, shall act as and be an independent contractor and not an agent or employee of the Town. As an independent contractor he/she shall not obtain any rights to retirement benefits or other benefits which accrue to Town employee(s). With prior written consent, the Consultant may perform some obligations under this Agreement by subcontracting, but may not delegate ultimate responsibility for performance or assign or transfer interests under this Agreement. Consultant agrees to

testify in any litigation brought regarding the subject of the work to be performed under this Agreement. Consultant shall be compensated for its costs and expenses in preparing for, traveling to, and testifying in such matters at its then current hourly rates of compensation, unless such litigation is brought by Consultant or is based on allegations of Consultant's negligent performance or wrongdoing.

- 2.11 Conflict of Interest. Consultant understands that its professional responsibilities are solely to the Town. The Consultant has and shall not obtain any holding or interest within the Town of Los Gatos. Consultant has no business holdings or agreements with any individual member of the Staff or management of the Town or its representatives nor shall it enter into any such holdings or agreements. In addition, Consultant warrants that it does not presently and shall not acquire any direct or indirect interest adverse to those of the Town in the subject of this Agreement, and it shall immediately disassociate itself from such an interest, should it discover it has done so and shall, at the Town's sole discretion, divest itself of such interest. Consultant shall not knowingly and shall take reasonable steps to ensure that it does not employ a person having such an interest in this performance of this Agreement. If after employment of a person, Consultant discovers it has employed a person with a direct or indirect interest that would conflict with its performance of this Agreement, Consultant shall promptly notify Town of this employment relationship, and shall, at the Town's sole discretion, sever any such employment relationship.
- 2.12 Equal Employment Opportunity. Consultant warrants that it is an equal opportunity employer and shall comply with applicable regulations governing equal employment opportunity. Neither Consultant nor its subcontractors do and neither shall discriminate against persons employed or seeking employment with them on the basis of age, sex, color, race, marital status, sexual orientation, ancestry, physical or mental disability, national origin, religion, or medical condition, unless based upon a bona fide occupational qualification pursuant to the California Fair Employment & Housing Act.

III. INSURANCE AND INDEMNIFICATION

- 3.1 Minimum Scope of Insurance:
- i. Consultant agrees to have and maintain, for the duration of the contract, General Liability insurance policies insuring him/her and his/her firm to an amount not less than: two million dollars (\$2,000,000) combined single limit per occurrence for bodily injury, personal injury and property damage.
 - ii. Consultant agrees to have and maintain for the duration of the contract, an Automobile Liability insurance policy ensuring him/her and his/her staff to an amount not less than one million dollars (\$1,000,000) combined single limit per accident for bodily injury and property damage.

- iii. Consultant shall provide to the Town all certificates of insurance, with original endorsements effecting coverage. Consultant agrees that all certificates and endorsements are to be received and approved by the Town before work commences.
- iv. Consultant agrees to have and maintain, for the duration of the contract, professional liability insurance in amounts not less than \$1,000,000 which is sufficient to insure Consultant for professional errors or omissions in the performance of the particular scope of work under this agreement.

General Liability:

- i. The Town, its elected and appointed officials, employees, and agents, are to be covered as insured as respects: liability arising out of activities performed by or on behalf of the Consultant; products and completed operations of Consultant, premises owned or used by the Consultant. This requirement does not apply to the automobile or professional liability insurance required for professional errors and omissions.
 - ii. The Consultant's insurance coverage shall be primary insurance as respects the Town, its elected and appointed officials, employees, and agents. Any insurance or self-insurances maintained by the Town, its elected and appointed officials, employees, and agents, shall be excess of the Consultant's insurance and shall not contribute with it.
 - iii. Any failure to comply with reporting provisions of the policies shall not affect coverage provided to the Town, its elected and appointed officials, employees, and agents.
 - iv. The Consultant's insurance shall apply separately to each insured against whom a claim is made or suit is brought, except with respect to the limits of the insurer's liability.
- 3.2 All Coverages. Each insurance policy required in this item shall be endorsed to state that coverage shall not be suspended, voided, cancelled, reduced in coverage or in limits except after thirty (30) days' prior written notice by certified mail, return receipt requested, has been given to the Town. Current certification of such insurance shall be kept on file at all times during the term of this agreement with the Town Clerk.
- 3.3 Workers' Compensation. In addition to these policies, Consultant shall have and maintain Workers' Compensation insurance as required by California law and shall provide evidence of such policy to the Town before beginning services under this Agreement. Further, Consultant shall ensure that all subcontractors employed by Consultant provide the required Workers' Compensation insurance for their respective employees.

- 3.4 Indemnification. The Consultant shall save, keep, hold harmless and indemnify and defend the Town, its elected and appointed officials, employees, and agents, from all damages, liabilities, penalties, costs, or expenses in law or equity that may at any time arise or be set up because of damages to property or personal injury received by reason of, or in the course of performing the work described in this contract.

IV. GENERAL TERMS

- 4.1 Waiver. No failure on the part of either party to exercise any right or remedy hereunder shall operate as a waiver of any other right or remedy that party may have hereunder, nor does waiver of a breach or default under this Agreement constitute a continuing waiver of a subsequent breach of the same or any other provision of this Agreement.
- 4.2 Governing Law and Venue. This Agreement, regardless of where executed, shall be governed by and construed to the laws of the State of California. Venue for any action regarding this Agreement shall be in the Superior Court of the County of Santa Clara.
- 4.3 Termination of Agreement. The Town and the Consultant shall have the right to terminate this agreement with or without cause by giving not less than fifteen days (15) written notice of termination. In the event of termination, the Consultant shall deliver to the Town all plans, files, documents, reports, performed to date by the Consultant. In the event of such termination, Town shall pay Consultant an amount that bears the same ratio to the maximum contract price as the work delivered to the Town bears to completed services contemplated under this Agreement, unless such termination is made for cause, in which event, compensation, if any, shall be adjusted in light of the particular facts and circumstances involved in such termination.
- 4.4 Amendment. No modification, waiver, mutual termination, or amendment of this Agreement is effective unless made in writing and signed by the Town and the Consultant.
- 4.5 Disputes. In any dispute over any aspect of this Agreement, the prevailing party shall be entitled to reasonable attorney's fees, including costs of appeal.
- 4.6 Notices. Any notice required to be given shall be deemed to be duly and properly given if mailed postage prepaid, and addressed to:

Town of Los Gatos
Attn: Town Clerk
110 E. Main Street
Los Gatos, CA 95030

CONSULTANT NAME
Attn:
ADDRESS

or personally delivered to Consultant to such address or such other address as Consultant designates in writing to Town.

- 4.7 Order of Precedence. In the event of any conflict, contradiction, or ambiguity between the terms and conditions of this Agreement in respect of the Products or Services and any attachments to this Agreement, then the terms and conditions of this Agreement shall prevail over attachments or other writings.
- 4.8 Entire Agreement. This Agreement, including all Exhibits, constitutes the complete and exclusive statement of the Agreement between the Town and Consultant. No terms, conditions, understandings or agreements purporting to modify or vary this Agreement, unless hereafter made in writing and signed by the party to be bound, shall be binding on either party.

IN WITNESS WHEREOF, the Town and Consultant have executed this Agreement.

Town of Los Gatos by:

Consultant, by:

Chris Constantin, Town Manager

Recommended by:

XXXXXXX

Printed Name and Title

Approved as to Form:

Gabrielle Whelan, Town Attorney