



**TOWN OF LOS GATOS
FINANCE COMMISSION AGENDA
NOVEMBER 14, 2022
TELECONFERENCE
5:00 PM**

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

IMPORTANT NOTICE

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

PARTICIPATION

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

- **Zoom webinar:** Join from a PC, Mac, iPad, iPhone or Android device: Please click this URL to join: <https://losgatosca.gov.zoom.us/j/82616379699pwd=TIz5WXIBL042RWphbkhyUjFvbE5UQT09>
Passcode: 942452
- **Join by Telephone:** Dial: USA 877-336-1839 US Toll-free or 636-651-0008 US Toll.
Conference code: 686100.

During the meeting:

- When the Chair announces the item for which you wish to speak, click the “raise hand” feature in Zoom. If you are participating by phone on the Zoom app, press *9 on your telephone keypad to raise your hand. If you are participating by calling in, press #2 on your telephone keypad to raise your hand.
- When called to speak, you will be asked to provide your full name and your town/city of residence. This identifying information is optional and not a requirement for participation. Please limit your comments to three (3) minutes, or such other time as the Chair may decide, consistent with the time limit for speakers at a Council meeting.

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

TOWN OF LOS GATOS
FINANCE COMMISSION AGENDA
NOVEMBER 14, 2022
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RULES OF DECORUM AND CIVILITY

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

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

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

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

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

MEETING CALLED TO ORDER

ROLL CALL

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

1. Approve Draft Minutes of the October 10, 2022, Finance Commission Meeting
2. Receive the First Quarter Investment Report (July through September 2022) for Fiscal Year 2022/23

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

during the initial Verbal Communications portion of the agenda, an additional Verbal Communications will be opened prior to adjournment.)

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

- [3.](#) Receive Financial Information and Continue Review and Analysis of the Town's Five-Year Forecast
- [4.](#) Discuss Options for Providing Information to the Finance Commission During Labor Negotiations
- [5.](#) Review the Recommended Updates to the Town of Los Gatos IRS Section 115 Pension Trust and OPEB Trust Investment Policy and Forward a Recommendation of Approval to the Town Council

ADJOURNMENT

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



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

MEETING DATE: 11/14/2022

ITEM NO: 1

Item 1.

**DRAFT
Minutes of the Finance Commission Regular Meeting
October 10, 2022**

The Finance Commission of the Town of Los Gatos conducted a regular meeting utilizing teleconference and electronic means consistent with Government Code Section 54953, as Amended by Assembly Bill 361, in response to the state of emergency relating to COVID-19 and enabling teleconferencing accommodations by suspending or waiving specified provisions in the Ralph M. Brown Act (Government Code § 54950 et seq.) and Town of Los Gatos Resolution 2021-044 on Monday, October 10, 2022, at 5:00 p.m.

MEETING CALLED TO ORDER AT 5:04 P.M.

ROLL CALL

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

Staff Present: Town Manager Laurel Prevetti, Assistant Town Manager Arn Andrews, and Interim Finance Director Gitta Ungvari.

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

1. Approve Minutes of the September 12, 2022 Finance Commission Meeting

MOTION: Motion by Vice Chair Park to approve the consent items. **Seconded by Commissioner Dell**

VOTE: Motion passed 4-0.

VERBAL COMMUNICATIONS

None.

OTHER BUSINESS

2. Recommend that the Town Council Receive Independent Accountants' Report on Agreed-Upon Procedures on Measure G Revenues and Expenditures for the Period March 1, 2019 to June 30, 2021.

SUBJECT: Draft Minutes of the Finance Commission Regular Meeting of October 10, 2022

DATE: October 11, 2022

Arn Andrews, Assistant Town Manager, presented the staff report. Staff addressed Commissioners' questions.

Opened Public Comment.

None

Closed Public Comment

After discussion, the Commission received the report.

3. Receive Financial Information and Continue Review and Analysis of the Town's Five-Year Forecast

Arn Andrews, Assistant Town Manager, presented the staff report. Staff addressed Commissioners' questions regarding the Capital Improvement Plan, history of Department expenditures, and other forecast factors.

Opened Public Comment.

Susan Burnett commented that Town should utilize volunteers for administrative tasks.

JTR356314% commented that Finance Department should utilize interns from universities such as San Jose State.

Closed Public Comment

The Commission discussed the item and related topics such as the Shannon Road litigation and the Los Gatos Theatre.

ADJOURNMENT:

The meeting adjourned at 6:24 p.m.

This is to certify that the foregoing is a true and correct copy of the minutes of the September 12, 2022 meeting as approved by the Finance Commission.

Gitta Ungvari, Interim Finance Director



TOWN OF LOS GATOS
FINANCE COMMISSION REPORT

MEETING DATE: 11/14/2022

ITEM NO: 2

Item 2.

DATE: November 2, 2022
TO: Finance Commission
FROM: Laurel Prevetti, Town Manager
SUBJECT: Receive the First Quarter Investment Report (July through September 2022) for Fiscal Year 2022/23

RECOMMENDATION:

Receive the First Quarter Investment Report (July through September 2022) for Fiscal Year (FY) 2022/23.

DISCUSSION:

As of September 30, 2022, the Town's weighted portfolio yield was 1.8% which was approximately 29 basis points higher than the Local Agency Investment Fund (LAIF) yield of 1.51%. This yield differential to LAIF was primarily due to the LAIF portfolio's shorter weighted average maturity (WAM) of 304 days versus the Town's longer WAM of 453 days. The Town's weighted average rate of return of 1.80% at the close of the First quarter was 53 basis points higher when compared to the First quarter return of 1.27% in 2021.

In the first quarter, LAIF yields had climbed from 86 basis points (0.86%) to 151 basis points through the end of September 2022. Staff in coordination with the Town's investment advisor continued primarily replacing maturing investments in shorter to medium term maturities in the two- to three-year maturity range. These investments capture current yields that exceed the rates expected to be earned in the State Local Agency Investment Fund (LAIF) pool during that same time period. The State LAIF pool typically lags the market when current market yields are either increasing or decreasing.

Interest rates rose across the yield curve this quarter, especially in the short-term maturity range of six months to two years. The rise in short term rates was the result of the third Federal Reserve rate increase this year. In September 2022 the Fed increased interest rates 0.75% or 75 basis points. The Fed has further increased the interest rate by 75 basis point in

PREPARED BY: Gitta Ungvari
Finance Director

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

PAGE 2 OF 2

SUBJECT: Receive the First Quarter Investment Report (July through September 2022) for
Fiscal Year 2022/23

DATE: November 2, 2022

November 2022 and signaled that further rate hikes may be implemented this year to fight inflationary pressures in the economy.

CONCLUSION:

Staff recommends that the Finance Commission receive the First Quarter Investment Report (July through September 2022) for Fiscal Year 2022/23.

Attachment:

1. First Quarter Investment Report for FY 2022/23 (July through September 2022)

Town of Los Gatos
Summary Investment Information
September 30, 2022

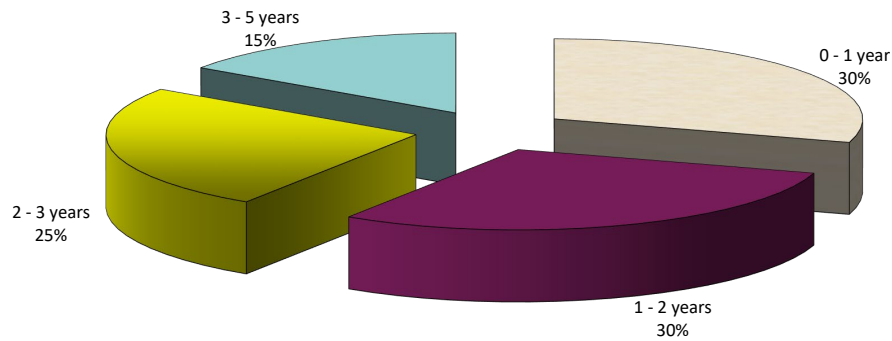
Weighted Average YTM Portfolio Yield: **1.80%** **Weighted Average Maturity (days)** **453**

	<u>This Month</u>	<u>Last Month</u>	<u>One year ago</u>
Portfolio Balance	\$62,736,952	\$65,471,423	\$59,898,959

Benchmarks/ References:

Town's Average Yield	1.80%	1.49%	1.27%
LAIF Yield for month	1.51%	1.28%	0.21%
3 mo. Treasury	3.29%	2.95%	0.04%
6 mo. Treasury	3.97%	3.36%	0.05%
2 yr. Treasury	4.28%	3.50%	0.28%
5 yr. Treasury (most recent)	4.09%	3.35%	0.97%
10 Yr. Treasury	3.84%	3.20%	1.49%

Portfolio Maturity Profile

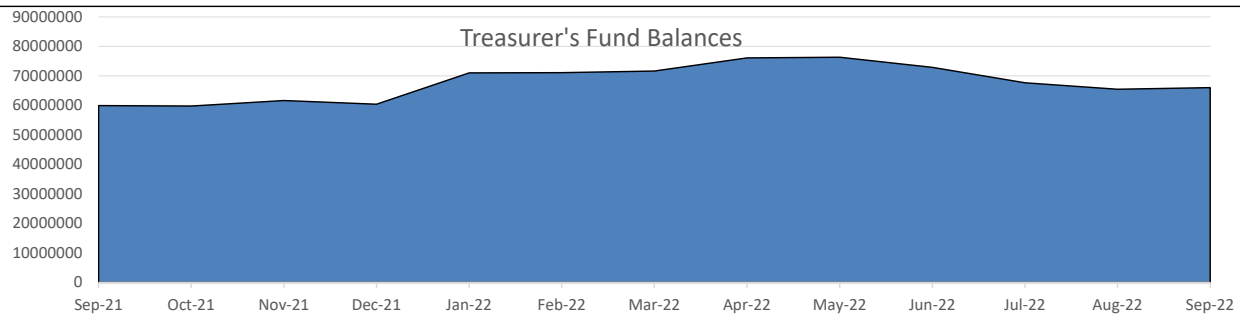
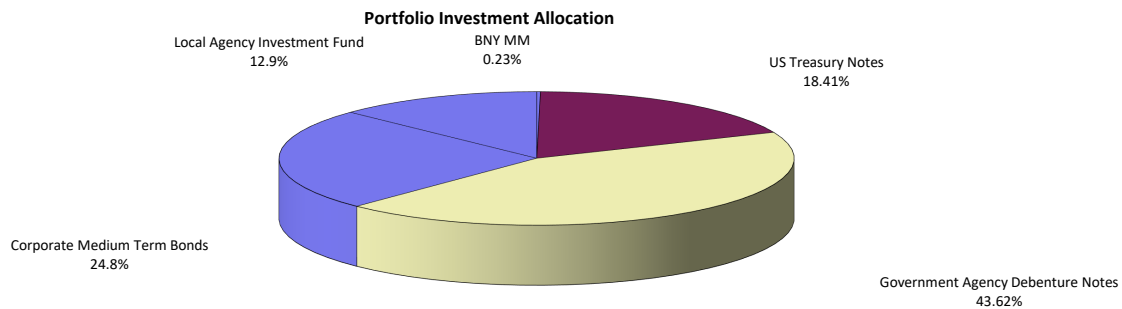


Compliance: The Town's investments are in compliance with the Town's investment policy dated September 21, 2021 and also in compliance with the requirements of Section 53601 of the California State Code. Based on the information available, the Town has sufficient funds to meet the cash demands for the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

Town of Los Gatos
Portfolio Allocation & Treasurer's Fund Balances
September 30, 2022

	Month	YTD
Fund Balances - Beginning of Month/Period	\$65,471,423.28	\$72,886,942.83
Receipts	2,764,523.98	11,390,792.64
Disbursements	(5,498,995.75)	(21,540,783.96)
Fund Balances - End of Month/Period	<u>\$62,736,951.51</u>	<u>\$62,736,951.51</u>

<u>Portfolio Allocation:</u>	%	% of Portfolio	Max. % Or \$ Allowed Per State Law or Policy
BNY MM	\$124,284.61	0.23%	20% of Town Portfolio
US Treasury Notes	\$9,883,589.53	18.41%	No Max. on US Treasuries
Government Agency Debenture Notes	\$23,416,349.00	43.62%	No Max. on Non-Mortgage Backed
Corporate Medium Term Bonds	\$13,336,173.01	24.84%	30% of Town Portfolio
Local Agency Investment Fund	\$6,918,398.79	12.89%	\$75 M per State Law
Subtotal - Investments	<u>53,678,794.94</u>	100.00%	
Reconciled Demand Deposit Balances	<u>9,058,156.57</u>		
Total Treasurer's Fund	<u>\$62,736,951.51</u>		



Town of Los Gatos
Non-Treasury Restricted Fund Balances
September 30, 2022

	Beginning Balance	SEP 22 Deposits Realized Gain/Adj.	SEP 22 Interest/ Earnings	SEP 22 Withdrawals	Ending Balance	
Non-Treasury Funds:						
Cert. of Participation 2002 Series A Reserve Fund	687,317.89		\$ 906.90		\$ 688,224.79	Note 1
Cert. Of Participation 2010 Ser A Lease Pymt Fund	132.01		0.25		\$ 132.26	Note 1
Cert. of Participation 2002 Lease Payment Fund	65.79				\$ 65.79	Note 1
Cert. of Participation 2010 Series Reserve Fund	1,280,188.55		1,905.43		1,282,093.98	Note 2
Total Restricted Funds:	<u>\$ 1,967,704.24</u>	<u>\$ -</u>	<u>\$ 2,812.58</u>	<u>\$ -</u>	<u>\$ 1,970,516.82</u>	
CEPPT IRS Section 115 Trust	677,890.30		(39,535.22)	0.00	\$ 638,355.08	
Grand Total COP's and CEPPT Trust	<u>\$ 2,645,594.54</u>	<u>\$ -</u>	<u>\$ (36,722.64)</u>	<u>\$ -</u>	<u>\$ 2,608,871.90</u>	

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

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

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

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

**Town of Los Gatos
Statement of Interest Earned
September 30, 2022**

Interest by Month

July 2022	\$60,107.76
August 2022	61,456.65
September 2022	60,153.38
October 2022	
November 2022	
December 2022	
January 2023	
February 2023	
March 2023	
April 20203	
May 2023	
June 2023	
	<u><u>\$181,717.79</u></u>

Town of Los Gatos Investment Schedule September 2022

Item 2.

Institution	CUSIP #	Security	Deposit Date	Par Value	Original Cost	Market Value	Purchased Interest	Maturity Date or Call Date	Yield to Maturity or Call	Interest Received to Date	Interest Earned Prior Yrs.	Interest Earned Current FY	Days to Maturity
Treasury	91282CAP6	US Treasury Note	6/30/2021	1,000,000.00	995,390.63	957,890.62		10/15/2023	0.33%	\$ 990.44	\$ 3,260.06	\$ 821.71	380
Toyota Motor Credit	89236THA6_1	Corporate Bond	04/12/21	500,000.00	510,580.00	485,470.00		8/25/2023	0.45%	\$ 9,243.75	\$ 2,780.30	\$ 576.10	329
Toyota Motor Credit	89236THA6	Corporate Bond	1/11/2022	1,100,000.00	1,107,315.00	1,068,034.00		8/25/2023	0.94%	\$ 9,240.00	\$ 4,812.29	\$ 2,604.30	329
US Treasury	91282CDD0	US Treasury Note	1/13/2022	1,100,000.00	1,090,675.78	1,054,367.18		10/31/2023	0.85%	\$ 1,219.27	\$ 4,286.54	\$ 2,347.39	396
US Treasury	91282CCN9	US Treasury Note	1/13/2022	1,200,000.00	1,188,375.00	1,159,875.00		7/31/2023	0.75%	\$ 823.37	\$ 4,153.18	\$ 2,274.36	304
FFCB	3133EKMx1	Gov. Agency Debenture	8/2/2019	1,000,000.00	1,014,400.00	971,811.35		2/23/2024	1.90%	\$ 73,775.83	\$ 55,756.94	\$ 4,825.62	511
FFCB	3133EMIB1	Gov. Agency Debenture	10/8/2020	1,600,000.00	1,598,000.00	1,502,713.78		3/28/2024	0.34%	\$ 9,453.34	\$ 9,279.41	\$ 1,355.09	545
FFCB	3133EMCQ3	Gov. Agency Debenture	10/16/2020	2,000,000.00	1,998,000.00	1,912,674.66		10/13/2024	0.31%	\$ 8,353.33	\$ 10,396.24	\$ 1,537.71	744
BankAmerica Corp	06051GHC6	Corporate Bond	10/9/2020	1,300,000.00	1,366,287.00	1,293,097.70		12/20/2023	0.66%	\$ 66,279.92	\$ 31,569.88	\$ 4,617.53	446
Home Depot	437076BM3	Corporate Bond	8/4/2022	1,000,000.00	991,960.00	944,643.14	10,250.00	1/1/2026	3.04%	\$ (10,250.00)	\$ -	\$ 5,052.73	1189
Home Depot	912828ZW3	US Treasury Note	8/9/2022	350,000.00	322,096.88	314,138.67	95.11	6/30/2025	3.16%	\$ (95.11)	\$ -	\$ 1,498.67	1004
IBM	459200Y8	Corporate Bond	3/25/2021	1,000,000.00	1,071,040.00	972,680.13		5/15/2024	0.71%	\$ 34,166.67	\$ 9,358.41	\$ 1,863.58	593
US Treasury	912828R28	US Treasury Note	7/2/2019	500,000.00	497,246.09	493,046.88		4/30/2023	1.77%	\$ 22,984.04	\$ 26,507.80	\$ 2,229.18	212
Freddie Mac	3137EAEN5	Gov. Agency Debenture	7/19/2019	2,000,000.00	2,072,358.00	1,978,254.26		6/19/2023	1.79%	\$ 160,416.67	\$ 107,829.55	\$ 9,211.07	262
FFCB	3133EKFV0	Gov. Agency Debenture	7/22/2019	1,000,000.00	999,630.00	995,158.88		1/17/2023	1.89%	\$ 55,989.58	\$ 55,482.90	\$ 4,752.73	109
Treasury	91282CBT7	US Treasury Note	9/30/2022	800,000.00	712,565.18	710,343.75		3/31/2026	4.14%	\$ -	\$ -	\$ -	1278
FFCB	3133ENP95	Gov. Agency Debenture	9/30/2022	900,000.00	900,939.60	896,970.80		9/30/2025	4.14%	\$ -	\$ -	\$ -	1096
US Treasury	91282CDA6	Gov. Agency Debenture	1/31/2022	1,100,000.00	1,085,222.44	1,056,515.63		9/30/2023	1.07%	\$ 1,820.74	\$ 4,781.92	\$ 2,932.91	365
US Treasury	91282CAW1	Gov. Agency Debenture	7/15/2021	1,200,000.00	1,199,437.50	1,147,031.26		11/15/2023	0.27%	\$ 2,502.72	\$ 3,107.52	\$ 816.83	411
American Honda	02665WCZ2	Corporate Bond	11/27/2019	1,000,000.00	1,012,410.01	960,463.79		6/27/2024	2.12%	\$ 72,733.34	\$ 55,189.68	\$ 5,367.28	636
JP Morgan Chase	46625HRS1	Gov. Agency Debenture	9/23/2022	500,000.00	474,660.00	464,179.21	4,355.56	3/15/2026	4.70%	\$ (4,355.56)	\$ -	\$ 446.63	1262
Honeywell Int'l.	438516BW5	Corporate Bond	11/20/2019	1,000,000.00	1,014,660.00	959,787.36		7/15/2024	1.64%	\$ 62,483.33	\$ 51,828.99	\$ 5,003.43	654
Caterpillar Financial Serv	14913Q2V0	Corporate Bond	2/23/2021	1,000,000.00	1,077,370.00	973,305.92		5/17/2024	0.44%	\$ 35,150.00	\$ 6,129.72	\$ 1,146.21	595
FNMA	3135G0V75	Gov. Agency Debenture	10/17/2019	1,100,000.00	1,105,833.30	1,053,162.83		7/2/2024	1.63%	\$ 52,456.25	\$ 48,706.74	\$ 4,540.04	641
US Bancorp	91159HHV5	Corporate Bond	12/24/2019	1,000,000.00	1,049,040.00	982,792.66		1/5/2024	2.12%	\$ 88,218.75	\$ 54,380.13	\$ 5,443.93	462
FHLB	3133834G3	Gov. Agency Debenture	3/11/2021	1,400,000.00	1,460,522.00	1,379,349.69		6/9/2023	0.19%	\$ 37,022.22	\$ 3,664.98	\$ 708.36	252
FFCB	3133EKQA7	Gov. Agency Debenture	10/21/2019	1,000,000.00	1,019,780.00	957,920.18		9/10/2024	1.66%	\$ 60,031.11	\$ 45,130.78	\$ 4,223.84	711
PNC Financial	69349LAM0	Corporate Bond	2/7/2022	1,000,000.00	1,033,470.00	994,488.14		6/25/2023	1.49%	\$ 17,733.33	\$ 5,372.34	\$ 3,456.33	268
FHLB	3135G05X7	Gov. Agency Debenture	6/10/2022	1,200,000.00	1,102,952.40	1,072,980.47		8/25/2025	3.04%	\$ 937.50	\$ 1,902.68	\$ 8,752.32	1060
Treasury	912828ZL7	Gov. Agency Debenture	4/12/2022	1,700,000.00	1,583,927.57	1,539,894.53		4/30/2025	2.72%	\$ 316.99	\$ 9,611.14	\$ 11,192.72	943
JP Morgan Chase	46625HJT8	Corporate Bond	9/23/2019	1,400,000.00	1,485,414.00	1,383,451.22		2/1/2024	2.39%	\$ 154,913.89	\$ 96,022.89	\$ 8,737.99	489
American Honda	02665WDH1	Corporate Bond	2/14/2020	600,000.00	603,756.00	591,917.98		5/10/2023	1.75%	\$ 28,145.00	\$ 25,034.14	\$ 2,656.45	222
Treasury	912828V23	US Treasury Note	11/29/2021	1,000,000.00	1,032,933.04	975,390.62		12/31/2023	0.66%	\$ 13,206.52	\$ 3,924.44	\$ 1,695.07	457
Treasury	91282CBEO_2	Gov. Agency Debenture	10/7/2021	1,000,000.00	994,768.98	947,851.56		1/15/2024	0.36%	\$ 964.67	\$ 2,587.41	\$ 894.89	472
FHLB	3130ALH98	Gov. Agency Debenture	2/26/2021	1,000,000.00	997,610.00	941,164.91		2/26/2024	0.33%	\$ 3,750.00	\$ 4,416.63	\$ 830.94	514
Treasury	912828M80	US Treasury Note	7/22/2019	1,000,000.00	1,006,175.23	998,087.75		11/30/2022	1.81%	\$ 57,158.47	\$ 53,444.10	\$ 4,578.08	61
Treasury	912828U57	US Treasury Note	7/31/2019	1,000,000.00	1,011,875.00	975,781.25		11/30/2023	1.84%	\$ 60,208.33	\$ 54,014.24	\$ 4,666.02	426
Treasury	912828X70	US Treasury Note	12/30/2019	1,000,000.00	1,010,589.29	964,570.31		4/30/2024	1.75%	\$ 51,703.30	\$ 48,922.73	\$ 4,929.78	578
Treasury	912828XT2	US Treasury Note	10/31/2019	1,000,000.00	1,015,667.41	963,085.94		5/31/2024	1.64%	\$ 51,639.34	\$ 44,208.50	\$ 4,180.04	609
American Honda	02665WCQ2	Corporate Bond	9/14/2021	950,000.00	1,012,871.00	941,710.15		10/10/2023	0.41%	\$ 19,705.90	\$ 3,232.93	\$ 1,029.17	375
FFCB	3133EJ3Q0	Gov. Agency Debenture	8/28/2019	1,500,000.00	1,587,503.75	1,475,983.77		12/21/2023	2.12%	\$ 121,348.96	\$ 64,945.24	\$ 5,761.78	447
Freddie Mac	3133EKKT2	Gov. Agency Debenture	6/24/2019	1,550,000.00	1,573,188.00	1,543,058.90		2/8/2023	1.82%	\$ 117,606.25	\$ 86,008.42	\$ 7,180.38	131
Treasury	91282CBEO	Gov. Agency Debenture	9/15/2021	650,000.00	647,615.46	616,103.51		1/15/2024	0.28%	\$ 675.62	\$ 1,447.14	\$ 462.28	472
Subtotal				\$ 46,200,000.00	\$ 46,636,111.54	\$ 44,571,200.34	\$ 14,700.67			\$ 1,550,668.07	\$ 1,103,488.93	\$ 147,201.46	
BNY MM		Money Market			124,284.61	124,284.61			0.00%				1
LAIF		State Investment Pool			6,918,398.79	6,918,398.79			1.51%			23,540.77	1
					\$53,678,794.94	\$51,613,883.74				\$ 1,550,668.07	\$ 1,103,488.93	\$ 170,742.23	
Matured Assets													
IBM	459200HG9	Corporate Bond	8/8/2019	1,000,000.00	995,010.00			8/1/2022	2.05%	\$ 55,885.42	\$ 59,141.32	\$ 1,790.47	
JP Morgan Chase	46625HUE1	Gov. Agency Debenture	2/11/2020	900,000.00	934,587.00			9/23/2022	1.74%	\$ 76,537.50	\$ 38,210.60	\$ 3,733.22	
Treasury	912828LS7	US Treasury Note	7/22/2019	1,200,000.00	1,197,988.40			9/30/2022	2.09%	\$ 67,016.39	\$ 63,644.66	\$ 5,451.87	
Total Investments "Matured"											\$	10,975.56	
Total Interest FY 22_23 Matured and Current											\$	181,717.79	
Maturity Profile					Amount								
	0-1 year				\$20,180,521.16								
	1-2 years				\$25,411,172.15								
	2-3 years				\$5,006,976.85								
	3-5 years				\$ 3,080,124.78								
					\$53,678,794.94								
Market to Cost Position Report					Amortized								
Institution					Cost								
BNY Assets					\$46,636,111.54								
BNY MM					124,284.61								
LAIF					6,918,398.79								
Totals:					\$53,678,794.94								

Town of Los Gatos
Summary Investment Information
August 31, 2022

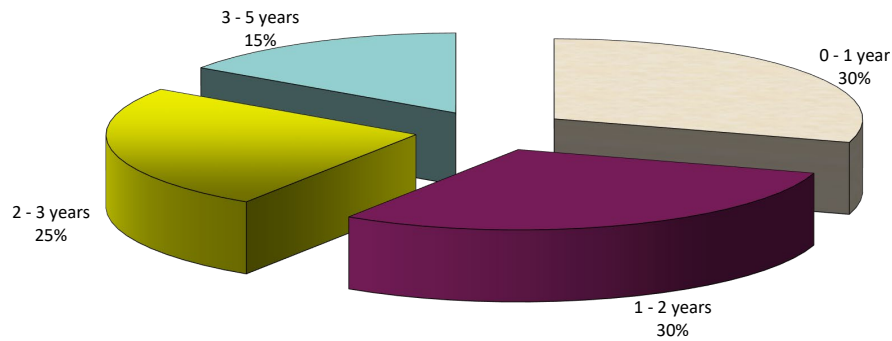
Weighted Average YTM Portfolio Yield: **1.49%** **Weighted Average Maturity (days)** **429**

	<u>This Month</u>	<u>Last Month</u>	<u>One year ago</u>
Portfolio Balance	\$65,471,423	\$67,683,852	\$61,207,129

Benchmarks/ References:

Town's Average Yield	1.49%	1.37%	1.32%
LAIF Yield for month	1.28%	1.09%	0.22%
3 mo. Treasury	2.95%	2.41%	0.05%
6 mo. Treasury	3.36%	2.88%	0.06%
2 yr. Treasury	3.50%	2.89%	0.21%
5 yr. Treasury (most recent)	3.35%	2.68%	0.78%
10 Yr. Treasury	3.20%	2.65%	1.31%

Portfolio Maturity Profile

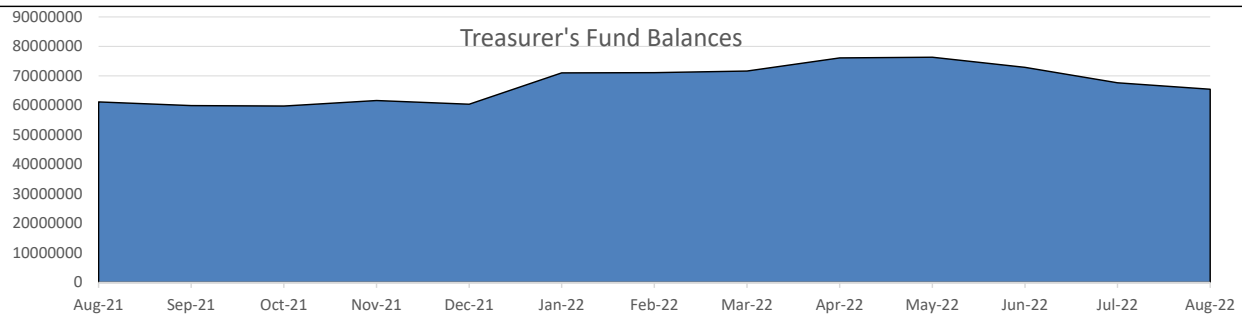
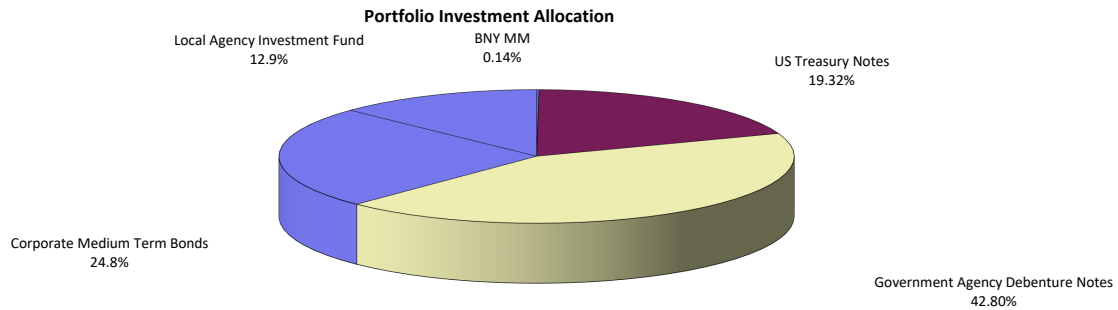


Compliance: The Town's investments are in compliance with the Town's investment policy dated September 21, 2021 and also in compliance with the requirements of Section 53601 of the California State Code. Based on the information available, the Town has sufficient funds to meet the cash demands for the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

Town of Los Gatos
Portfolio Allocation & Treasurer's Fund Balances
August 31, 2022

	<u>Month</u>	<u>YTD</u>
Fund Balances - Beginning of Month/Period	\$67,683,851.97	\$72,886,942.83
Receipts	2,581,038.80	8,626,268.66
Disbursements	<u>(4,793,467.49)</u>	<u>(16,041,788.21)</u>
Fund Balances - End of Month/Period	<u>\$65,471,423.28</u>	<u>\$65,471,423.28</u>

<u>Portfolio Allocation:</u>	<u>% of Portfolio</u>	<u>Max. % Or \$ Allowed Per State Law or Policy</u>
BNY MM	\$77,171.39	0.14%
US Treasury Notes	\$10,369,012.75	19.32%
Government Agency Debenture Notes	\$22,975,336.40	42.80%
Corporate Medium Term Bonds	\$13,336,173.01	24.85%
Local Agency Investment Fund	\$6,918,398.79	12.89%
Subtotal - Investments	53,676,092.34	100.00%
Reconciled Demand Deposit Balances	<u>11,795,330.94</u>	
Total Treasurer's Fund	<u>\$65,471,423.28</u>	



Town of Los Gatos
Non-Treasury Restricted Fund Balances

	Beginning Balance	August 31, 2022 AUG 22 Deposits Realized Gain/Adj.	AUG 22 Interest/ Earnings	AUG 22 Withdrawals	Ending Balance	
Non-Treasury Funds:						
Cert. of Participation 2002 Series A Reserve Fund	686,739.26		578.63		\$ 687,317.89	Note 1
Cert. Of Participation 2010 Ser A Lease Pymt Fund	1,087,362.50		132.01	1,087,362.50	\$ 132.01	Note 1
Cert. of Participation 2002 Lease Payment Fund	551,462.50		65.79	551,462.50	\$ 65.79	Note 1
Cert. of Participation 2010 Series Reserve Fund	1,278,873.31		1,315.24		1,280,188.55	Note 2
Total Restricted Funds:	<u>\$ 3,604,437.57</u>	<u>\$ -</u>	<u>\$ 2,091.67</u>	<u>\$ 1,638,825.00</u>	<u>\$ 1,967,704.24</u>	
CEPPT IRS Section 115 Trust	700,570.36		(22,680.06)	0.00	677,890.30	
Grand Total COP's and CEPPT Trust	<u>\$ 4,305,007.93</u>	<u>\$ -</u>	<u>\$ (20,588.39)</u>	<u>\$ 1,638,825.00</u>	<u>\$ 2,645,594.54</u>	

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

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

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

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

**Town of Los Gatos
Statement of Interest Earned
August 31, 2022**

Interest by Month

July 2022	\$60,107.76
August 2022	61,456.65
September 2022	
October 2022	
November 2022	
December 2022	
January 2023	
February 2023	
March 2023	
April 2023	
May 2023	
June 2023	
	<u>\$121,564.41</u>

Town of Los Gatos Investment Schedule August 2022

Item 2.

Institution	CUSIP #	Security	Deposit Date	Par Value	Original Cost	Market Value	Purchased Interest	Maturity Date or Call Date	Yield to Maturity or Call	Interest Received to Date	Interest Earned Prior Yrs.	Interest Earned Current FY	Days to Maturity
Treasury	91282CAP6	US Treasury Note	6/30/2021	1,000,000.00	995,390.63	963,320.31		10/15/2023	0.33%	\$ 990.44	\$ 3,260.06	\$ 553.76	410
Toyota Motor Credit	89236THA6_1	Corporate Bond	04/12/21	500,000.00	510,580.00	488,090.12		8/25/2023	0.45%	\$ 9,243.75	\$ 2,780.30	\$ 388.24	359
Toyota Motor Credit	89236THA6	Corporate Bond	1/11/2022	1,100,000.00	1,107,315.00	1,073,798.26		8/25/2023	0.94%	\$ 9,240.00	\$ 4,812.29	\$ 1,755.07	359
US Treasury	91282CDD0	US Treasury Note	1/13/2022	1,100,000.00	1,090,675.78	1,061,585.93		10/31/2023	0.85%	\$ 1,219.27	\$ 4,286.54	\$ 1,581.94	426
US Treasury	91282CCN9	US Treasury Note	1/13/2022	1,200,000.00	1,188,375.00	1,164,000.00		7/31/2023	0.75%	\$ 823.37	\$ 4,153.18	\$ 1,532.72	334
FFCB	3133EKMx1	Gov. Agency Debenture	8/2/2019	1,000,000.00	1,014,400.00	981,098.07		2/23/2024	1.90%	\$ 73,775.83	\$ 55,756.94	\$ 3,252.05	541
FFCB	3133EMIBE1	Gov. Agency Debenture	10/8/2020	1,600,000.00	1,598,000.00	1,515,962.93		3/28/2024	0.34%	\$ 7,053.34	\$ 9,279.41	\$ 913.21	575
FFCB	3133EMCQ3	Gov. Agency Debenture	10/16/2020	2,000,000.00	1,998,000.00	1,923,113.90		10/13/2024	0.31%	\$ 8,353.33	\$ 10,396.24	\$ 1,036.28	774
BankAmerica Corp	06051GHC6	Corporate Bond	10/9/2020	1,300,000.00	1,366,287.00	1,295,197.48		12/20/2023	0.66%	\$ 66,279.92	\$ 31,569.88	\$ 3,111.82	476
Home Depot	437076BM3	Corporate Bond	8/4/2022	1,000,000.00	991,960.00	970,739.39	10,250.00	1/1/2026	3.04%	\$ (10,250.00)	\$ -	\$ 2,393.40	1219
Home Depot	912828ZW3	US Treasury Note	8/9/2022	350,000.00	322,096.88	319,798.83	95.11	6/30/2025	3.16%	\$ (95.11)	\$ -	\$ 634.05	1034
IBM	459200Y8	Corporate Bond	3/25/2021	1,000,000.00	1,071,040.00	987,684.83		5/15/2024	0.71%	\$ 34,166.67	\$ 9,358.41	\$ 1,255.89	623
US Treasury	912828R28	US Treasury Note	7/2/2019	500,000.00	497,246.09	494,296.88		4/30/2023	1.77%	\$ 22,984.04	\$ 26,507.80	\$ 1,502.27	242
Freddie Mac	3137EAE5	Gov. Agency Debenture	7/19/2019	2,000,000.00	2,072,358.00	1,986,759.14		6/19/2023	1.79%	\$ 160,416.67	\$ 107,829.55	\$ 6,207.46	292
FFCB	3133EKFV0	Gov. Agency Debenture	7/22/2019	1,000,000.00	999,630.00	994,819.42		1/17/2023	1.89%	\$ 55,989.58	\$ 55,482.90	\$ 3,202.92	139
Treasury	912828L57	US Treasury Note	7/22/2019	1,200,000.00	1,197,988.40	1,199,487.73		9/30/2022	2.09%	\$ 56,516.39	\$ 63,644.66	\$ 3,674.09	30
US Treasury	91282CDA6	Gov. Agency Debenture	1/31/2022	1,100,000.00	1,085,222.44	1,062,617.18		9/30/2023	1.07%	\$ 445.74	\$ 4,781.92	\$ 1,976.53	395
US Treasury	91282CAW1	Gov. Agency Debenture	7/15/2021	1,200,000.00	1,199,437.50	1,155,093.74		11/15/2023	0.27%	\$ 2,502.72	\$ 3,107.52	\$ 550.47	441
American Honda	02665WC22	Corporate Bond	11/27/2019	1,000,000.00	1,012,410.01	975,141.05		6/27/2024	2.12%	\$ 72,733.34	\$ 55,189.68	\$ 3,617.08	666
JP Morgan Chase	46625HUE1	Gov. Agency Debenture	2/11/2020	900,000.00	934,587.00	900,099.56		9/23/2022	1.74%	\$ 61,912.50	\$ 38,210.60	\$ 2,723.05	23
Honeywell Int'l.	438516BW5	Corporate Bond	11/20/2019	1,000,000.00	1,014,660.00	974,353.77		7/15/2024	1.64%	\$ 62,483.33	\$ 51,828.99	\$ 3,371.88	684
Caterpillar Financial Serv	14913Q2V0	Corporate Bond	2/23/2021	1,000,000.00	1,077,370.00	984,524.44		5/17/2024	0.44%	\$ 35,150.00	\$ 6,129.72	\$ 772.44	625
FNMA	3135G0V75	Gov. Agency Debenture	10/17/2019	1,100,000.00	1,105,833.30	1,067,213.17		7/2/2024	1.63%	\$ 52,456.25	\$ 48,706.74	\$ 3,059.59	671
US Bancorp	91159HHV5	Corporate Bond	12/24/2019	1,000,000.00	1,049,040.00	995,128.01		1/5/2024	2.12%	\$ 88,218.75	\$ 54,380.13	\$ 3,668.74	492
FHLB	3133834G3	Gov. Agency Debenture	3/11/2021	1,400,000.00	1,460,522.00	1,386,298.19		6/9/2023	0.19%	\$ 37,022.22	\$ 3,664.98	\$ 477.37	282
FFCB	3133EKQA7	Gov. Agency Debenture	10/21/2019	1,000,000.00	1,019,780.00	971,772.51		9/10/2024	1.66%	\$ 49,631.11	\$ 45,130.78	\$ 2,846.50	741
PNC Financial	69349LAM0	Corporate Bond	2/7/2022	1,000,000.00	1,033,470.00	998,771.46		6/25/2023	1.49%	\$ 17,733.33	\$ 5,372.34	\$ 2,329.27	298
FHLB	3135G0SX7	Gov. Agency Debenture	6/10/2022	1,200,000.00	1,102,952.40	1,094,574.72		8/25/2025	3.04%	\$ 937.50	\$ 1,902.68	\$ 5,898.30	1090
Treasury	912828ZL7	Gov. Agency Debenture	4/12/2022	1,700,000.00	1,583,927.57	1,566,058.60		4/30/2025	2.72%	\$ 316.99	\$ 9,611.14	\$ 7,542.92	973
JP Morgan Chase	46625HJT8	Corporate Bond	9/23/2019	1,400,000.00	1,485,414.00	1,405,397.60		2/1/2024	2.39%	\$ 154,913.89	\$ 96,022.89	\$ 5,888.64	519
American Honda	02665WDH1	Corporate Bond	2/14/2020	600,000.00	603,756.00	591,503.28		5/10/2022	1.75%	\$ 28,145.00	\$ 25,034.14	\$ 1,790.22	252
Treasury	912828V23	US Treasury Note	11/29/2021	1,000,000.00	1,032,933.04	983,984.38		12/31/2023	0.66%	\$ 13,206.52	\$ 3,924.44	\$ 1,142.33	487
Treasury	91282CBE0_2	Gov. Agency Debenture	10/7/2021	1,000,000.00	994,768.98	955,234.38		1/15/2024	0.36%	\$ 964.67	\$ 2,587.41	\$ 603.08	502
FHLB	3130ALH98	Gov. Agency Debenture	2/26/2021	1,000,000.00	997,610.00	948,590.09		2/26/2024	0.33%	\$ 3,750.00	\$ 4,416.63	\$ 559.98	544
Treasury	912828M80	US Treasury Note	7/22/2019	1,000,000.00	1,006,175.23	997,942.90		11/30/2022	1.81%	\$ 57,158.47	\$ 53,444.10	\$ 3,085.23	91
Treasury	912828U57	US Treasury Note	7/31/2019	1,000,000.00	1,011,875.00	983,867.19		11/30/2023	1.84%	\$ 60,208.33	\$ 54,014.24	\$ 3,144.49	456
Treasury	912828X70	US Treasury Note	12/30/2019	1,000,000.00	1,010,589.29	976,445.31		4/30/2024	1.75%	\$ 51,703.30	\$ 48,922.73	\$ 3,322.24	608
Treasury	912828XT2	US Treasury Note	10/31/2019	1,000,000.00	1,015,667.41	975,273.44		5/31/2024	1.64%	\$ 51,639.34	\$ 44,208.50	\$ 2,816.99	639
American Honda	02665WC02	Corporate Bond	9/14/2021	950,000.00	1,012,871.00	948,376.01		10/10/2023	0.41%	\$ 19,705.90	\$ 3,232.93	\$ 693.57	405
FFCB	3133EJ3Q0	Gov. Agency Debenture	8/28/2019	1,500,000.00	1,587,503.75	1,488,729.56		12/21/2023	2.12%	\$ 121,348.96	\$ 64,945.24	\$ 3,882.94	477
Freddie Mac	3133EKKT2	Gov. Agency Debenture	6/24/2019	1,550,000.00	1,573,188.00	1,544,306.76		2/8/2023	1.82%	\$ 117,606.25	\$ 86,008.42	\$ 4,838.95	161
Treasury	91282CBE0	Gov. Agency Debenture	9/15/2021	650,000.00	647,615.46	620,902.35		1/15/2024	0.28%	\$ 675.62	\$ 1,447.14	\$ 311.54	502
Subtotal				\$ 46,100,000.00	\$ 46,680,522.16	\$ 44,971,952.87	\$ 10,345.11			\$ 1,659,277.52	\$ 1,205,344.19	\$ 103,909.51	
BNY MM					77,171.39	77,171.39			0.00%				1
LAIF					6,918,398.79	6,918,398.79			1.28%			15,864.43	1
					\$53,676,092.34	\$51,967,523.05				\$ 1,659,277.52	\$ 1,205,344.19	\$ 119,773.94	
Matured Assets													
IBM	459200HG9	Corporate Bond	8/8/2019	1,000,000.00	995,010.00			8/1/2022	2.05%	\$ 55,885.42	\$ 59,141.32	\$ 1,790.47	
Total Investments "Matured"												\$ 1,790.47	
Total Interest FY 22_23 Matured and Current												\$ 121,564.41	
Maturity Profile					Amount								
					\$21,180,760.90								
					\$24,462,214.59								
					\$6,026,756.85								
					\$ 991,960.00								
					\$52,661,692.34								
Market to Cost Position Report					Amortized								
					Cost								
BNY Assets					\$46,680,522.16								
BNY MM					77,171.39								
LAIF					6,918,398.79								
Totals:					\$53,676,092.34								

Town of Los Gatos
Summary Investment Information
July 31, 2022

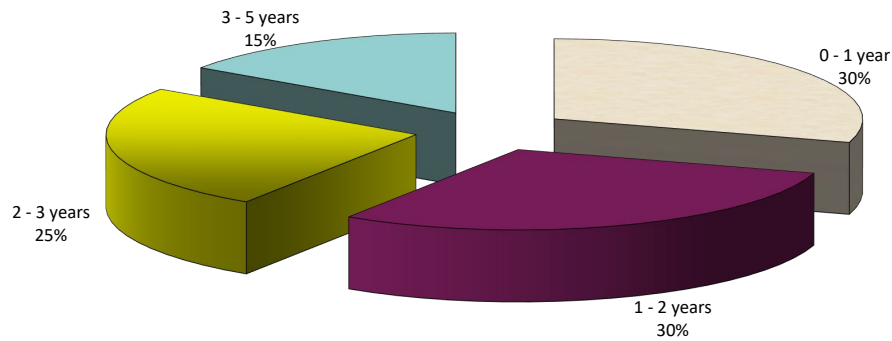
Weighted Average YTM Portfolio Yield: **1.37%** **Weighted Average Maturity (days)** **426**

	<u>This Month</u>	<u>Last Month</u>	<u>One year ago</u>
Portfolio Balance	\$67,683,852	\$72,886,943	\$61,422,761

Benchmarks/ References:

Town's Average Yield	1.37%	1.37%	1.32%
LAIF Yield for month	1.09%	0.86%	0.22%
3 mo. Treasury	2.41%	1.71%	0.05%
6 mo. Treasury	2.88%	2.52%	0.05%
2 yr. Treasury	2.89%	2.96%	0.19%
5 yr. Treasury (most recent)	2.68%	3.04%	0.69%
10 Yr. Treasury	2.65%	3.02%	1.47%

Portfolio Maturity Profile

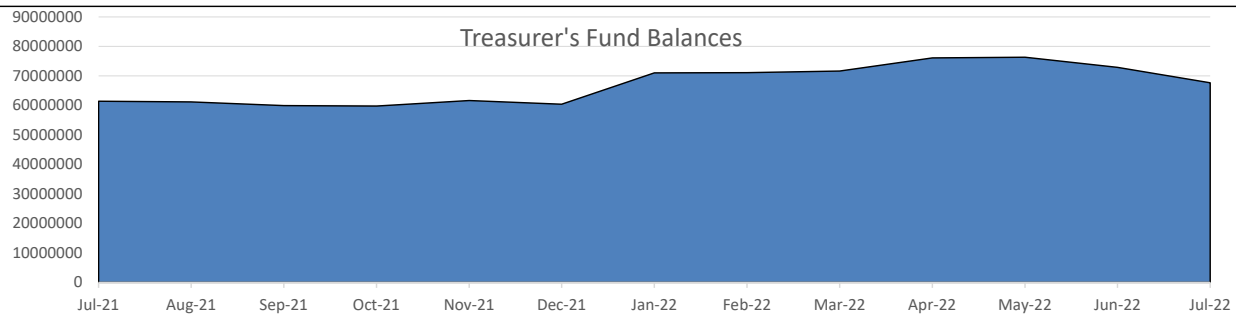
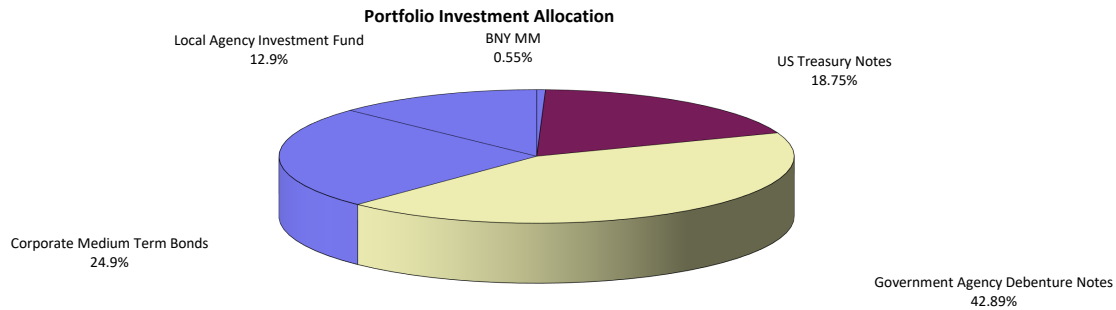


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Town of Los Gatos
Portfolio Allocation & Treasurer's Fund Balances
July 31, 2022

	Month	YTD
Fund Balances - Beginning of Month/Period	\$72,886,942.83	\$72,886,942.83
Receipts	6,045,229.86	6,045,229.86
Disbursements	(11,248,320.72)	(11,248,320.72)
Fund Balances - End of Month/Period	<u>\$67,683,851.97</u>	<u>\$67,683,851.97</u>

<u>Portfolio Allocation:</u>	% of Portfolio	<u>Max. % Or \$ Allowed Per State Law or Policy</u>
BNY MM	\$292,775.99 0.55%	20% of Town Portfolio
US Treasury Notes	\$10,046,915.87 18.75%	No Max. on US Treasuries
Government Agency Debenture Notes	\$22,975,336.40 42.89%	No Max. on Non-Mortgage Backed
Corporate Medium Term Bonds	\$13,339,223.01 24.90%	30% of Town Portfolio
Local Agency Investment Fund	\$6,918,398.79 12.91%	\$75 M per State Law
Subtotal - Investments	53,572,650.06 100.00%	
Reconciled Demand Deposit Balances	<u>14,111,201.91</u>	
Total Treasurer's Fund	<u>\$67,683,851.97</u>	



Town of Los Gatos
Non-Treasury Restricted Fund Balances
July 31, 2022

	Beginning Balance	JULY 22 Deposits Realized Gain/Adj.	JULY 22 Interest/ Earnings	JULY 22 Withdrawals	Ending Balance	
Non-Treasury Funds:						
Cert. of Participation 2002 Series A Reserve Fund	686,433.38		\$ 305.88		\$ 686,739.26	Note 1
Cert. Of Participation 2010 Ser A Lease Pymt Fund	0.65	1,087,361.85			\$ 1,087,362.50	Note 1
Cert. of Participation 2002 Lease Payment Fund	0.16	551,462.34			\$ 551,462.50	Note 1
Cert. of Participation 2010 Series Reserve Fund	1,278,000.08		873.23		1,278,873.31	Note 2
Total Restricted Funds:	<u>\$ 1,964,434.27</u>	<u>\$ 1,638,824.19</u>	<u>\$ 1,179.11</u>	<u>\$ -</u>	<u>\$ 3,604,437.57</u>	
CEPPT IRS Section 115 Trust	676,150.03		24,420.33	0.00	700,570.36	
Grand Total COP's and CEPPT Trust	<u>\$ 2,640,584.30</u>	<u>\$ 1,638,824.19</u>	<u>\$ 25,599.44</u>	<u>\$ -</u>	<u>\$ 4,305,007.93</u>	

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

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

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

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

**Town of Los Gatos
Statement of Interest Earned
July 31, 2022**

Interest by Month

July 2022	\$60,107.76
August 2022	
September 2022	
October 2022	
November 2022	
December 2022	
January 2023	
February 2023	
March 2023	
April 2023	
May 2023	
June 2023	
	<u><u>\$60,107.76</u></u>

Town of Los Gatos Investment Schedule July 2022

Item 2.

Institution	CUSIP #	Security	Deposit Date	Par Value	Original Cost	Market Value	Purchased Interest	Maturity Date or Call Date	Yield to Maturity or Call	Interest Received to Date	Interest Earned Prior Yrs.	Interest Earned Current FY	Days to Maturity
Treasury	91282CAP6	US Treasury Note	6/30/2021	1,000,000.00	995,390.63	966,757.81		10/15/2023	0.33%	\$ 990.44	\$ 3,260.06	\$ 276.88	441
Toyota Motor Credit	89236THA6_1	Corporate Bond	04/12/21	500,000.00	510,580.00	491,158.32		8/25/2023	0.45%	\$ 5,868.75	\$ 2,780.30	\$ 194.12	390
Toyota Motor Credit	89236THA6	Corporate Bond	1/11/2022	1,100,000.00	1,107,315.00	1,080,548.30		8/25/2023	0.94%	\$ 1,815.00	\$ 4,812.29	\$ 877.54	390
US Treasury	91282CDD0	US Treasury Note	1/13/2022	1,100,000.00	1,090,675.78	1,065,539.07		10/31/2023	0.85%	\$ 1,219.27	\$ 4,286.54	\$ 790.97	457
US Treasury	91282CCN9	US Treasury Note	1/13/2022	1,200,000.00	1,188,375.00	1,166,437.50		7/31/2023	0.75%	\$ 823.37	\$ 4,153.18	\$ 766.36	365
FFCB	3133EKMx1	Gov. Agency Debenture	8/2/2019	1,000,000.00	1,014,400.00	988,757.79		2/23/2024	1.90%	\$ 62,625.83	\$ 55,756.94	\$ 1,626.03	572
FFCB	3133EMBE1	Gov. Agency Debenture	10/8/2020	1,600,000.00	1,598,000.00	1,534,039.87		3/28/2024	0.34%	\$ 7,053.34	\$ 9,279.41	\$ 456.61	606
FFCB	3133EMCQ3	Gov. Agency Debenture	10/16/2020	2,000,000.00	1,998,000.00	1,935,042.84		10/13/2024	0.31%	\$ 8,353.33	\$ 10,396.24	\$ 518.14	805
BankAmerica Corp	06051GHC6	Corporate Bond	10/9/2020	1,300,000.00	1,366,287.00	1,296,544.02		12/20/2023	0.66%	\$ 66,279.92	\$ 31,569.88	\$ 1,555.91	507
IBM	459200HG9	Corporate Bond	8/8/2019	1,000,000.00	995,010.00	1,000,000.00		8/1/2022	2.05%	\$ 46,510.42	\$ 59,141.32	\$ 1,734.51	1
IBM	459200Y8	Corporate Bond	3/25/2021	1,000,000.00	1,071,040.00	994,068.43		5/15/2024	0.71%	\$ 34,166.67	\$ 9,358.41	\$ 627.95	654
US Treasury	912828R28	US Treasury Note	7/2/2019	500,000.00	497,246.09	494,921.88		4/30/2023	1.77%	\$ 22,984.04	\$ 26,507.80	\$ 751.14	273
Freddie Mac	3137EAE5	Gov. Agency Debenture	7/19/2019	2,000,000.00	2,072,358.00	1,993,735.16		6/19/2023	1.79%	\$ 160,416.67	\$ 107,829.55	\$ 3,103.73	323
FFCB	3133EKFV0	Gov. Agency Debenture	7/22/2019	1,000,000.00	999,630.00	994,917.05		1/17/2023	1.89%	\$ 55,989.58	\$ 55,482.90	\$ 1,601.46	170
Treasury	912828L57	US Treasury Note	7/22/2019	1,200,000.00	1,197,988.40	1,199,057.11		9/30/2022	2.09%	\$ 56,516.39	\$ 63,644.66	\$ 1,837.04	61
US Treasury	91282CDA6	US Treasury Debenture	1/31/2022	1,100,000.00	1,085,222.44	1,066,011.72		9/30/2023	1.07%	\$ 445.74	\$ 4,781.92	\$ 988.26	426
US Treasury	91282CAW1	Gov. Agency Debenture	7/15/2021	1,200,000.00	1,199,437.50	1,159,500.00		11/15/2023	0.27%	\$ 2,502.72	\$ 3,107.52	\$ 275.24	472
American Honda	02665WCZ2	Corporate Bond	11/27/2019	1,000,000.00	1,012,410.01	982,700.65		6/27/2024	2.12%	\$ 60,733.34	\$ 55,189.68	\$ 1,808.54	697
JP Morgan Chase	46625HJE1	Gov. Agency Debenture	2/11/2020	900,000.00	934,587.00	900,823.91		9/23/2022	1.74%	\$ 61,912.50	\$ 38,210.60	\$ 1,361.53	54
Honeywell Int'l.	438516BW5	Corporate Bond	11/20/2019	1,000,000.00	1,014,660.00	984,036.55		7/15/2024	1.64%	\$ 50,983.33	\$ 51,828.99	\$ 1,685.94	715
Caterpillar Financial Serv	14913QZV0	Corporate Bond	2/23/2021	1,000,000.00	1,077,370.00	995,968.94		5/17/2024	0.44%	\$ 35,150.00	\$ 6,129.72	\$ 386.22	656
FNMA	3135G0V75	Gov. Agency Debenture	10/17/2019	1,100,000.00	1,105,833.30	1,077,972.84		7/2/2024	1.63%	\$ 52,456.25	\$ 48,706.74	\$ 1,529.80	702
US Bancorp	91159HHV5	Corporate Bond	12/24/2019	1,000,000.00	1,049,040.00	1,003,078.28		1/5/2024	2.12%	\$ 71,343.75	\$ 54,380.13	\$ 1,834.37	523
FHLB	3133834G3	Gov. Agency Debenture	3/11/2021	1,400,000.00	1,460,522.00	1,389,660.92		6/9/2023	0.19%	\$ 37,022.22	\$ 3,664.98	\$ 238.69	313
FFCB	3133EKA7	Gov. Agency Debenture	10/21/2019	1,000,000.00	1,019,780.00	981,794.31		9/10/2024	1.66%	\$ 49,631.11	\$ 45,130.78	\$ 1,423.25	772
PNC Financial	69349LAM0	Corporate Bond	2/7/2022	1,000,000.00	1,033,470.00	1,005,428.34		6/25/2023	1.49%	\$ 17,733.33	\$ 5,372.34	\$ 1,164.63	329
FHLB	3135G0SX7	Gov. Agency Debenture	6/10/2022	1,200,000.00	1,102,952.40	1,112,130.08	1,312.50	8/25/2025	3.04%	\$ (1,312.50)	\$ 1,902.68	\$ 2,949.15	1121
Treasury	912828ZL7	Gov. Agency Debenture	4/12/2022	1,700,000.00	1,583,927.57	1,589,167.97		4/30/2025	2.72%	\$ 316.99	\$ 9,611.14	\$ 3,771.46	1004
JP Morgan Chase	46625HJT8	Corporate Bond	9/23/2019	1,400,000.00	1,485,414.00	1,416,853.45		2/1/2024	2.39%	\$ 127,788.89	\$ 96,022.89	\$ 2,944.32	550
American Honda	02665WDH1	Corporate Bond	2/14/2020	600,000.00	603,756.00	594,901.12		5/10/2023	1.75%	\$ 28,145.00	\$ 25,034.14	\$ 895.11	283
Treasury	912828V23	US Treasury Note	11/29/2021	1,000,000.00	1,032,933.04	989,960.94		12/31/2023	0.66%	\$ 13,206.52	\$ 3,924.44	\$ 571.16	518
Treasury	91282CBE0_2	Gov. Agency Debenture	10/7/2021	1,000,000.00	994,768.98	959,843.75		1/15/2024	0.36%	\$ 964.67	\$ 2,587.41	\$ 301.54	533
FHLB	3130ALH98	Gov. Agency Debenture	2/26/2021	1,000,000.00	997,610.00	961,515.73		2/26/2024	0.33%	\$ 2,500.00	\$ 4,416.63	\$ 279.99	575
Treasury	912828M80	US Treasury Note	7/22/2019	1,000,000.00	1,006,175.23	997,656.25		11/30/2022	1.81%	\$ 57,158.47	\$ 53,444.10	\$ 1,542.61	122
Treasury	912828U57	US Treasury Note	7/31/2019	1,000,000.00	1,011,875.00	989,335.94		11/30/2023	1.84%	\$ 60,208.33	\$ 54,014.24	\$ 1,572.25	487
Treasury	912828X70	US Treasury Note	12/30/2019	1,000,000.00	1,010,589.29	983,945.31		4/30/2024	1.75%	\$ 51,703.30	\$ 48,922.73	\$ 1,661.12	639
Treasury	912828XT2	US Treasury Note	10/31/2019	1,000,000.00	1,015,667.41	983,750.00		5/31/2024	1.64%	\$ 51,639.34	\$ 44,208.50	\$ 1,408.49	670
American Honda	02665WCQ2	Corporate Bond	9/14/2021	950,000.00	1,012,871.00	955,372.65		10/10/2023	0.41%	\$ 19,705.90	\$ 3,232.93	\$ 346.79	436
FFCB	3133EJ3Q0	Gov. Agency Debenture	8/28/2019	1,500,000.00	1,587,503.75	1,499,882.07		12/21/2023	2.12%	\$ 121,348.96	\$ 64,945.24	\$ 1,941.47	508
Freddie Mac	3133EKK72	Gov. Agency Debenture	6/24/2019	1,550,000.00	1,573,188.00	1,545,814.19		2/8/2023	1.82%	\$ 100,168.75	\$ 86,008.42	\$ 2,419.47	192
Treasury	91282CBE0	Gov. Agency Debenture	9/15/2021	650,000.00	647,615.46	623,898.44		1/15/2024	0.28%	\$ 675.62	\$ 1,447.14	\$ 155.77	533
Subtotal				\$ 45,750,000.00	\$ 46,361,475.28	\$ 44,952,529.50	\$ 1,312.50			\$ 1,605,745.55	\$ 1,264,485.51	\$ 52,175.54	
BNY MM		Money Market			292,775.99	292,775.99			0.00%				1
LAIF		State Investment Pool			6,918,398.79	6,918,398.79			1.09%			7,932.22	1
					\$53,572,650.06	\$52,163,704.28				\$ 1,605,745.55	\$ 1,264,485.51	\$ 60,107.76	

Matured Assets

Total Investments "Matured"	\$ -
Total Interest FY 20_21 Matured and Current	\$ 60,107.76

Maturity Profile

Amount
0-1 year
1-2 years
2-3 years
3-5 years
\$ 1,102,952.40
\$53,572,650.06

Market to Cost Position Report

Institution	Amortized Cost
BNY Assets	\$46,361,475.28
BNY MM	292,775.99
LAIF	6,918,398.79
Totals:	\$53,572,650.06



TOWN OF LOS GATOS
FINANCE COMMISSION REPORT

MEETING DATE: 11/14/2022

ITEM NO: 3

Item 3.

DATE: October 27, 2022
TO: Finance Commission
FROM: Laurel Prevetti, Town Manager
SUBJECT: Receive Financial Information and Continue Review and Analysis of the Town's Five-Year Forecast

RECOMMENDATION:

Receive financial information and continue review and analysis of the Town's Five-Year Forecast.

BACKGROUND:

On June 21, 2022, the Town Council adopted revisions related to salary and benefit costs associated with labor agreements adopted on June 7, 2022. The Forecast was partially updated to reflect the adjustments to salary and benefit costs. The following table illustrates the previous projected deficits relative to the partially updated Forecast.

5 Year Forecast	2023/24 Forecast (\$M)	2024/25 Forecast (\$M)	2025/26 Forecast (\$M)	2026/27 Forecast (\$M)	2027/28 Forecast (\$M)
Original Surplus/Deficit	(\$2.2)	(\$2.9)	(\$2.3)	(\$2.5)	(\$2.6)
Updated Surplus/Deficit	(\$3.8)	(\$4.3)	(\$3.7)	(\$4.0)	(4.0)

On August 11, 2022, the Town Council adopted a Resolution to modernize the Town's existing business license structure. Preliminary results from the November 8, 2022 election indicate that Measure J was approved by voters. The estimated additional revenue generated by the modernization is approximately \$1,100,000 annually. The table on the following page illustrates the potential impacts to the forecast of the modernization preliminarily approved by voters.

PREPARED BY: Arn Andrews
Assistant Town Manager

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

SUBJECT: Review of Five-Year Forecast

DATE: November 1, 2022

BACKGROUND (continued):

5 Year Forecast	2023/24 Forecast (\$M)	2024/25 Forecast (\$M)	2025/26 Forecast (\$M)	2026/27 Forecast (\$M)	2027/28 Forecast (\$M)
Updated Surplus/Deficit	(\$3.8)	(\$4.3)	(\$3.7)	(\$4.0)	(4.0)
Potential Impact of Business License Modernization	\$1.1	\$1.1	\$1.1	\$1.1	\$1.1
Updated Surplus/Deficit	(\$2.7)	(\$3.2)	(\$2.6)	(\$2.9)	(\$2.9)

On September 12, 2022, the Commission received staff analysis for determining a reasonable vacancy factor based on a five-year review of past vacancy savings (Attachment 1). The table below illustrates the potential impact to the forecast assuming a 4% salary and benefit savings based on the Fiscal Year 2020/21 actuals to budget.

5 Year Forecast	2023/24 Forecast (\$M)	2024/25 Forecast (\$M)	2025/26 Forecast (\$M)	2026/27 Forecast (\$M)	2027/28 Forecast (\$M)
Updated Surplus/Deficit	(\$2.7)	(\$3.2)	(\$2.6)	(\$2.9)	(\$2.9)
Potential Impact of 4% Vacancy Factor	\$1.2	\$1.2	\$1.2	\$1.2	\$1.2
Updated Surplus/Deficit	(\$1.5)	(\$2.0)	(\$1.4)	(\$1.7)	(\$1.7)

DISCUSSION:

This staff report provides detailed expenditure information for discretionary non-essential General Fund supported services. Staff recognizes that these services are important to the Los Gatos community and are in addition to the basic, essential services that the Town provides to the community. In addition, the report provides costing for two generic Town full-time equivalent (FTE) positions that could be extrapolated for multiple positions. A review of both expenditure categories is intended to assist the Finance Commission in identifying its recommendations to the Town Council to mitigate projected deficits. This expenditure side information complements the revenue side information provided at previous Finance Commission meetings.

DISCUSSION (continued):*Discretionary Non-Essential Services*

Service/Program	Costing Estimate
Decorative Tree Lighting The Town pays to maintain the wrap lighting on trees on South Santa Cruz Avenue and East Main. This lighting is in place year-round and requires constant attention. This work is completed by a vendor and in FY 2021/22 the Town paid the vendor approximately \$46,000. In addition, the Town pays an electrical contractor \$16,000 per year to trouble shoot these lights.	\$62,000/yr - Ongoing
Holiday Light Displays In 2020 to stimulate the Town economy, the Town purchased large scale holiday light displays on behalf of the Chamber of Commerce for \$98,152.66 using the Downtown Revitalization Funds. The Town also purchased \$15,909 of holiday light pole displays. In addition to the purchase cost, for the past two years PPW staff stored, maintained, and installed the lights each year. This results in other critical work not being performed (e.g., winter storm drainage maintenance, sign management, sidewalk repair, etc.) during the two-week window in which this set up takes place and contributing to overtime (OT) costs in the Parks and Public Works (PPW) Department. These costs are not contained in the Adopted Budget and should be if the Council would like to continue to have the lights installed on public property until the fixtures are at their end of life.	Approx. \$60,000/yr – Ongoing \$12,000/yr - Storage
Tree Lighting and Holiday Parade These two events represent significant effort and in-kind expense for the Police Department (PD) and PPW. This includes not only day of event set up and take down, but extensive coordination and pre-planning of logistics and security. Both are OT events and at this year's parade it is expected that 15 to 17 PPW staff will be on-site for a full day. Both events involve PD support of scheduled patrol staff, overtime of sworn and professional staff, and overtime support for various volunteer groups. Tree Lighting	At least \$49,600/yr - Ongoing

includes about 4 to 6 additional PD staff to provide safety and security and Holiday Parade necessitates about 15-20 additional staff. These resources include Parking Control, additional Dispatch staff, Records Personnel, Community Service Officers, Sworn staff, and additional professional PD staff. Special Events staff also provide in-kind services. The estimated in-kind amount of approximately \$49,600 contained in the Adopted Budget is likely an underestimate of the true full in-kind costs of both events.	
Holiday Valet Parking Each year, the Town provides valet parking services during the winter holidays. FY 2022/23 Adopted Budget allocated \$38,500 for this service.	\$38,500/yr - Ongoing
Town Wide Employee Training/Travel Town-wide Department FY 2022/23 Adopted Budget includes: Training/Conferences/Meetings/Events/travel - \$198,000 Other (Wellness, Recognition, Organizational Development, etc.) - \$65,000 *Important to note that some trainings may be mandatory for certain classifications	Approx. \$263,000/yr - Ongoing
Sidewalk Steam Cleaning In FY 2018/19 the contract was doubled to increase the frequency of sidewalk cleaning. FY 2018/19 budget was \$38,766. FY 2022/23 Adopted Budget is \$79,566. This item could be modified to return to 2018 levels, assuming the current contract runs through 2024.	Approx. \$40,000/yr – Ongoing
Town Facility Custodial Services The Town currently has a \$210,336 annual contract for custodial services thru 6/30/2024. The contract includes a six night frequency for Town buildings and a 7 night frequency for Town Parks. Reduce frequency for all facilities except the Library	Approx. \$70,000/yr – Ongoing

SUBJECT: Review of Five-Year Forecast

DATE: November 1, 2022

assuming the current contractor agrees, recognizing the contract for the higher amount runs through June 2024.	
Landscape Maintenance The Town contracts for multiple landscape services including landscape maintenance and management of all Town-owned street medians and parks. This includes mowing; pruning of shrubs and trees and groundcover; maintenance and management of irrigation systems; weed control; litter and leaf removal; etc. at public spaces. Some services are also provided within the Landscape and Lighting Districts. The five-year contract for these services started July 2022 and extends to July 1, 2027. The base contract amount is \$175,772 for Year 1, increasing each year with CPI. Service frequency can be reduced assuming the current contractor agrees, recognizing the contract for the higher amount runs to July 2027.	Approx. \$53,000/yr - ongoing
Music in the Park FY 2022/23 Adopted Budget includes \$20,000 for sponsorship of the series. In addition, the Council has granted in-kind services (waived fees, PD presence, etc.) of approximately \$16,000 per season. The Town could end its subsidy.	\$36,000/yr - Ongoing
Special Events The Town hosts a series of special events including Spring into Green, Screen on the Green, and 4 th of July Celebration. FY 2022/23 Adopted Budget is \$39,000, including advertising and promotional materials. Special events also represent the majority of staff related overtime costs in PPW, estimated at an additional \$25,000 per year for Town and other organizations' events.	Approx. \$64,000/yr – Ongoing
Library Book Collections Each year, the Library budgets for the addition of print, electronic, and digital media for collections. FY 2022/23 Adopted Budget includes:	Approx. \$100,000/yr – Ongoing

SUBJECT: Review of Five-Year Forecast

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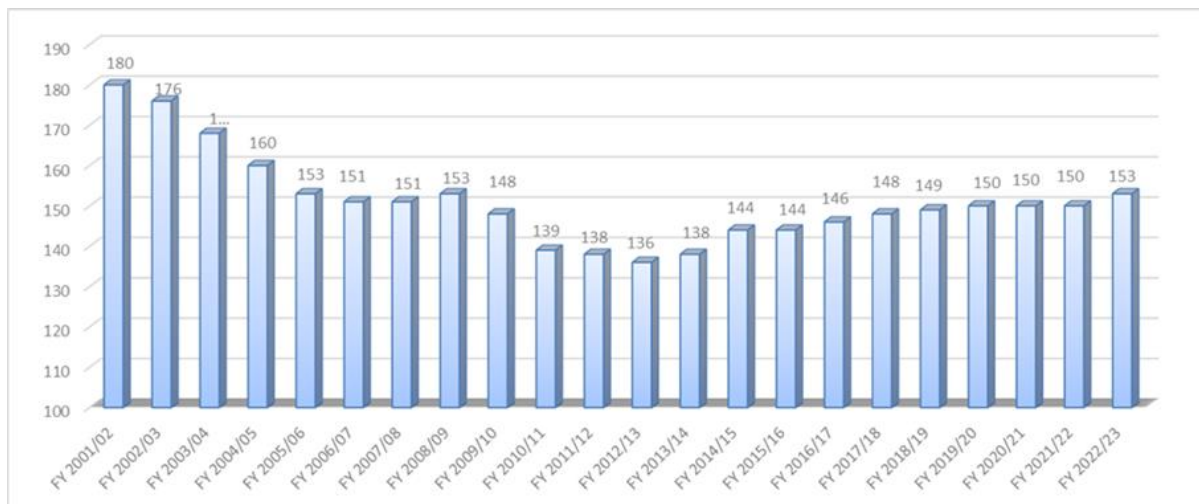
General Collections - \$171,200 Youth Collections - \$66,100 Reduce annual collection purchases.	
Annual Community Grant Program Each year the Town provides community grant funding to organizations that assist in projects that benefit residents. FY 2022/23 Adopted Budget includes \$151,000. Recurring Grants (Live Oak, WVCS, CASSY, Next Door) \$70,000 One-time Grants \$75,000 Innovation Grants \$6,000	Approx. \$151,000/yr – Ongoing
Chamber of Commerce Visitor Center The Chamber of Commerce receives \$55,000 annually for supporting a visitor information center.	Approx. \$55,000/yr – Ongoing
Town Facility Subsidized Leases Billy Jones Wildcat Railroad. Original contract through 2021 and currently under a 5-year option. The Town charges \$1 dollar/yr 208 Main Street LGS Recreation. Contract through 2029. Current subsidized rent \$218,325 versus market rate of \$485,172. 123 Main Street LGS Recreation. Lease month to month. Current subsidized rent \$40,431 versus market rate of \$265,669. 106 East Main Street NUMU. Contract thru 2024. Current subsidized rent \$25,000 versus market rate of \$429,782.	TBD
Approximate Totals for Programs Listed (doesn't include approximations for subsidized leases)	\$1,054,100

SUBJECT: Review of Five-Year Forecast

DATE: November 1, 2022

DISCUSSION (continued):*Full-Time Equivalent (FTE) Positions*

As the chart below illustrates, the Town has helped manage salary escalation (and benefits) through the maintenance of lower staffing levels. Even with the Town reducing its full-time equivalent (FTE) employees by 15.0% to 153 FTE employees since 2001, costs per employee have continued to escalate as evidenced by pension benefit costs having increased 37.7% in the last five years.



The Town could explore ways to revert back to the recent 150 FTE structure. For illustrative purposes the tables below show the potential cost savings associated with such a restructure. The tables are representative of a generic mid-level non-management position and a mid-level management position with costing for salary and all other benefits.

Employee	Manager – Mid-Level	
Hourly Rate		\$74.00
Annual Salary	Adj Hrly Rate x 2080	\$149,531.00
Cell Phone Allowance	\$120	\$1,440.00
PERS Retirement	29.920%	\$44,739.68
Medicare	1.45%	\$2,168.20
Cash in Lieu (\$400) (\$420 AFSCME)	\$0.00	\$0.00
Medical	\$2,175.00	\$26,100.00
Dental	\$125.00	\$1,500.00
Vision	\$11.00	\$132.00
Life Insurance	\$10.00	\$120.00

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STD - monthly rate	\$49.00	\$588.00
LTD - monthly rate	\$32.00	\$384.00
Workers Comp	2.430%	\$3,633.60
The Plan	0.315%	\$471.02
IT Staff/Service	0.150%	\$224.30
Total		\$231,031.80

Employee	Generic - Non Sworn	
Step	5	
Hourly Rate		\$50.00
Annual Salary	Adj Hrly Rate x 2080	\$104,000.00
PERS Retirement	29.920%	\$31,116.80
Medicare	1.45%	\$1,508.00
Cash in Lieu (\$400) (\$420 AFSCME)	\$0.00	\$0.00
Medical	\$2,175.00	\$26,100.00
Dental	\$125.00	\$1,500.00
Vision	\$11.00	\$132.00
Life Insurance	\$10.00	\$120.00
STD - monthly rate	\$49.00	\$588.00
LTD - monthly rate	\$32.00	\$384.00
Workers Comp	2.430%	\$2,527.20
The Plan	0.315%	\$327.60
IT Staff/Service	0.150%	\$156.00
Total		\$168,459.60

Using \$168,460 to \$231,031 as the average savings associated with these generic FTEs, reverting to 150 employees would save approximately \$505,380 to \$693,093. It's important to note that actual savings would be based on the actual classification cost structure.

If the Finance Commission is interested in recommending reducing FTEs with a specific target dollar amount, the Town Council may need to provide additional direction as to the specific services the Town would not be offering.

CONCLUSION AND NEXT STEPS:

The following table illustrates the potential reduction in forecasted deficits if discretionary non-essential services and programs are reduced 50%. In addition, the table illustrates the potential savings associated with a reorganization using the average between the two generic classifications.

SUBJECT: Review of Five-Year Forecast

DATE: November 1, 2022

CONCLUSION AND NEXT STEPS (continued):

5 Year Forecast	2023/24 Forecast (\$M)	2024/25 Forecast (\$M)	2025/26 Forecast (\$M)	2026/27 Forecast (\$M)	2027/28 Forecast (\$M)
Updated Surplus/Deficit (incl. vacancy savings, BL)	(\$1.5)	(\$2.0)	(\$1.4)	(\$1.7)	(\$1.7)
Potential Impact of 50% reduction discretionary	\$0.53	\$0.53	\$0.53	\$0.53	\$0.53
Potential impact of 150 FTE org restructure	\$0.59	\$0.59	\$0.59	\$0.59	\$0.59
Updated Surplus/Deficit	(\$0.38)	(\$0.88)	(\$0.28)	(\$0.58)	(\$0.58)

As the Commission considers expenditure reduction options, the Commission may also want to consider developing/communicating austerity parameters or criteria for Council consideration. For example, the Commission may express a desire to avoid reductions that could adversely impact crime prevention or investments in economic vitality.

On February 21, 2023, the Town Council will be providing direction for the preparation of the FY 2023/24 budget. This date is critical given that a Proposed Budget must be presented in April. The Finance Commission should complete its recommendations to the Town Council regarding cost savings and revenue enhancements no later than its February 2023 meeting to allow the Town Council to consider them as part of the Council's budget direction.

To assist the Finance Commission with this work, the Commission will be reviewing the Fiscal Year (FY) 2021/22 Annual Comprehensive Financial Report in December. The Town will then know if the prior fiscal year closed with a deficit or slight surplus.

COORDINATION:

This staff report was coordinated with the Town Manager, Town Attorney, Finance Director, Police Chief, Parks and Public Works Director, Economic Vitality Manager, and Library Director.

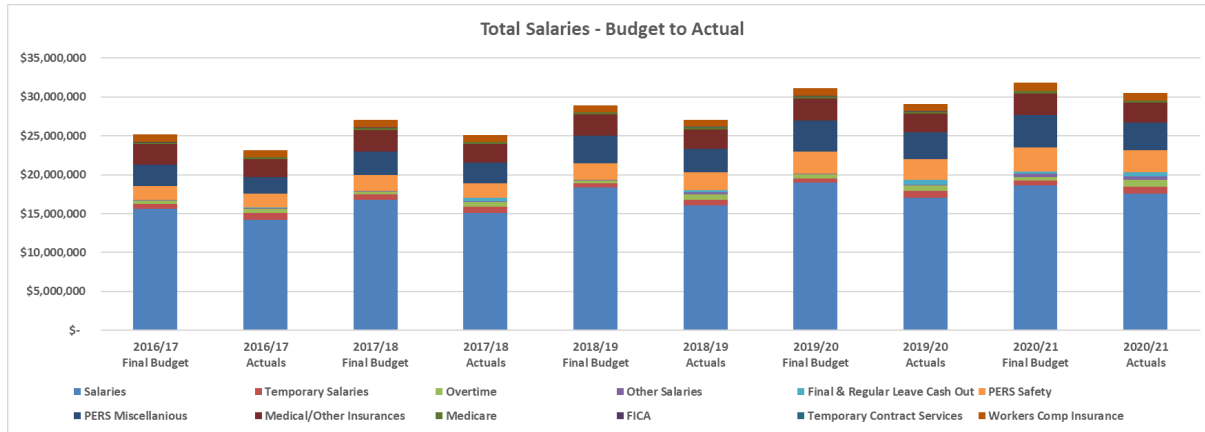
Attachment:

1. Historic Vacancy Savings Analysis

Vacancy Information

Item 3.

The following chart compares actual salaries and benefits to budgeted salaries and benefits.



	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21
Salary & Benefit Savings Actuals to Budget	8%	7%	7%	7%	4%*

* The Town traditionally budgeted miscellaneous employees at the top step, and sworn and management employees one step above their actual steps to anticipate merit increases. Beginning in FY 2020/21 consistent with Council direction, the Town is budgeting salaries at the actual salary plus a one-step increase for all classifications.



**TOWN OF LOS GATOS
FINANCE COMMISSION REPORT**

MEETING DATE: 11/14/2022

ITEM NO: 3

ADDENDUM

Item 3.

DATE: November 11, 2022
TO: Finance Commission
FROM: Laurel Prevetti, Town Manager
SUBJECT: Receive Financial Information and Continue Review and Analysis of the Town's Five-Year Forecast

REMARKS:

Attachment 2 contains public comments received 11:01 a.m. November 10 to 11:00 a.m. November 11, 2022.

Attachment previously received with the Staff Report:

1. Historic Vacancy Savings Analysis

Attachment received with this Addendum:

2. Public Comment received 11:01 a.m. November 10 to 11:00 a.m. November 11, 2022

PREPARED BY: Arn Andrews
Assistant Town Manager

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

From: [Phil Koen](#)
To: [Ron Dickel](#); [Kyle Park](#); [REDACTED]
Cc: [Matthew Hudes](#); [Rob Rennie](#); [Laurel Prevetti](#); [Arn Andrews](#); [REDACTED]; [Lee Fagot](#)
Subject: Finance Commission Agenda Item #3
Date: Thursday, November 10, 2022 9:24:08 PM

EXTERNAL SENDER

Dear Finance Commission,

It would be very helpful if the Staff provided answers to the following questions:

1. Does the latest 5-year forecast include the **most likely** salary and benefit cost increases for the 5 -year forecast period? What would be the cumulative impact on the deficit position if the most likely salary and benefit cost increases were included in the forecast?
2. Please explain why it is relevant to compare today's headcount of 153 FTEs to the 180 FTEs in 2001, which be the way is 6 years before the first iPhone was introduced! The comparison seems totally irrelevant because technology has profoundly impacted productivity levels over the last 20 years, making a 23-year-old data point irrelevant and misleading. Please explain why it isn't more appropriate to compare the more recent headcount of 136 in FY 2013 to today's staffing level. If the Town could operate successfully at that level in 2013, why can't it operate at that level today? What service levels have increased as a result of the increase in staffing? Please explain.
3. What are Staff's recommendations regarding a pathway to close the \$1.5m deficit in FY 24? The Staff provides a list of potential cost reductions, but there are no recommendations. Shouldn't the Staff provide recommendations to the Finance Commission, which recommendations would then be discussed and evaluated by the Finance Commission?
4. How does Staff define "discretionary non-essential services and programs"? What parameters are used to identify such services and programs? If they are truly non-essential and totally discretionary, why not eliminate all of these costs? Please explain the cost/benefit of the Town incurring these costs when the Town is projected to run operating deficits.
5. Has Staff retained an independent consultant to prepare a wage and benefit comparison of the Town's costs for all management positions versus other jurisdictions of similar size and complexity? If not, wouldn't the Town want to benchmark current management salary and benefit costs to determine how competitive the Town was in attracting and retaining talent?

Thank you.

Phil Koen

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From: [Phil Koen](#)
To: [Ron Dickel](#); [Kyle Park](#); [Rick Tinsley](#)
Cc: [Laurel Prevetti](#); [Arn Andrews](#); [Matthew Hudes](#); [Rob Rennie](#); [REDACTED]; [Lee Fagot](#)
Subject: Pages from MEET-Packet-9242639fa2514535a48be577ab00b94f.pdf
Date: Friday, November 11, 2022 7:43:14 AM
Attachments: [Pages from MEET-Packet-9242639fa2514535a48be577ab00b94f.pdf](#)

EXTERNAL SENDER

Dear Finance Commission,

Perhaps Staff can explain the impact of the FMV being less than Cost. This wasn't discussed in the Staff memo. Will this impact the Town's General Fund Balance?

Thank you,

Phil Koen

Town of Los Gatos Investment Schedule September 2022

Item 3.

Institution	CUSIP #	Security	Deposit Date	Par Value	Original Cost	Market Value	Purchased Interest	Maturity Date or Call Date	Yield to Maturity or Call	Interest Received to Date	Interest Earned Prior Yrs.	Interest Earned Current FY	Days to Maturity
Treasury	91282CAP6	US Treasury Note	6/30/2021	1,000,000.00	995,390.63	957,890.62		10/15/2023	0.33%	\$ 990.44	\$ 3,260.06	\$ 821.71	380
Toyota Motor Credit	89236THA6_1	Corporate Bond	04/12/21	500,000.00	510,580.00	485,470.00		8/25/2023	0.45%	\$ 9,243.75	\$ 2,780.30	\$ 576.10	329
Toyota Motor Credit	89236THA6	Corporate Bond	1/11/2022	1,100,000.00	1,107,315.00	1,068,034.00		8/25/2023	0.94%	\$ 9,240.00	\$ 4,812.29	\$ 2,604.30	329
US Treasury	91282CDD0	US Treasury Note	1/13/2022	1,100,000.00	1,090,675.78	1,054,367.18		10/31/2023	0.85%	\$ 1,219.27	\$ 4,286.54	\$ 2,347.39	396
US Treasury	91282CCN9	US Treasury Note	1/13/2022	1,200,000.00	1,188,375.00	1,159,875.00		7/31/2023	0.75%	\$ 823.37	\$ 4,153.18	\$ 2,274.36	304
FFCB	3133EKMx1	Gov. Agency Debenture	8/2/2019	1,000,000.00	1,014,400.00	971,811.35		2/23/2024	1.90%	\$ 73,775.83	\$ 55,756.94	\$ 4,825.62	511
FFCB	3133EMBE1	Gov. Agency Debenture	10/8/2020	1,600,000.00	1,598,000.00	1,502,713.78		3/28/2024	0.34%	\$ 9,453.34	\$ 9,279.41	\$ 1,355.09	545
FFCB	3133EMCQ3	Gov. Agency Debenture	10/16/2020	2,000,000.00	1,998,000.00	1,912,674.66		10/13/2024	0.31%	\$ 8,353.33	\$ 10,396.24	\$ 1,537.71	744
BankAmerica Corp	06051GHC6	Corporate Bond	10/9/2020	1,300,000.00	1,366,287.00	1,293,097.70		12/20/2023	0.66%	\$ 66,279.92	\$ 31,569.88	\$ 4,617.53	446
Home Depot	437076BM3	Corporate Bond	8/4/2022	1,000,000.00	991,960.00	944,643.14	10,250.00	1/1/2026	3.04%	\$ (10,250.00)	\$ -	\$ 5,052.73	1189
Home Depot	912828ZW3	US Treasury Note	8/9/2022	350,000.00	322,096.88	314,138.67	95.11	6/30/2025	3.16%	\$ (95.11)	\$ -	\$ 1,498.67	1004
IBM	459200IY8	Corporate Bond	3/25/2021	1,000,000.00	1,071,040.00	972,680.13		5/15/2024	0.71%	\$ 34,166.67	\$ 9,358.41	\$ 1,863.58	593
US Treasury	912828R28	US Treasury Note	7/2/2019	500,000.00	497,246.09	493,046.88		4/30/2023	1.77%	\$ 22,984.04	\$ 26,507.80	\$ 2,229.18	212
Freddie Mac	3137EAEN5	Gov. Agency Debenture	7/19/2019	2,000,000.00	2,072,358.00	1,978,254.26		6/19/2023	1.79%	\$ 160,416.67	\$ 107,829.55	\$ 9,211.07	262
FFCB	3133EKFV0	Gov. Agency Debenture	7/22/2019	1,000,000.00	999,630.00	995,158.88		1/17/2023	1.89%	\$ 55,989.58	\$ 55,482.90	\$ 4,752.73	109
Treasury	91282CBT7	US Treasury Note	9/30/2022	800,000.00	712,565.18	710,343.75		3/31/2026	4.14%	\$ -	\$ -	\$ -	1278
FFCB	3133ENP95	Gov. Agency Debenture	9/30/2022	900,000.00	900,939.60	896,970.80		9/30/2025	4.14%	\$ -	\$ -	\$ -	1096
US Treasury	91282CDA6	Gov. Agency Debenture	1/31/2022	1,100,000.00	1,085,222.44	1,056,515.63		9/30/2023	1.07%	\$ 1,820.74	\$ 4,781.92	\$ 2,932.91	365
US Treasury	91282CAW1	Gov. Agency Debenture	7/15/2021	1,200,000.00	1,199,437.50	1,147,031.26		11/15/2023	0.27%	\$ 2,502.72	\$ 3,107.52	\$ 816.83	411
American Honda	02665WC22	Corporate Bond	11/27/2019	1,000,000.00	1,012,410.01	960,463.79		6/27/2024	2.12%	\$ 72,733.34	\$ 55,189.68	\$ 5,367.28	636
JP Morgan Chase	46625HRS1	Gov. Agency Debenture	9/23/2022	500,000.00	474,660.00	464,179.21	4,355.56	3/15/2026	4.70%	\$ (4,355.56)	\$ -	\$ 446.63	1262
Honeywell Int'l.	438516BW5	Corporate Bond	11/20/2019	1,000,000.00	1,014,660.00	959,787.36		7/15/2024	1.64%	\$ 62,483.33	\$ 51,828.99	\$ 5,003.43	654
Caterpillar Financial Serv	14913Q2V0	Corporate Bond	2/23/2021	1,000,000.00	1,077,370.00	973,305.92		5/17/2024	0.44%	\$ 35,150.00	\$ 6,129.72	\$ 1,146.21	595
FNMA	3135G0V75	Gov. Agency Debenture	10/17/2019	1,100,000.00	1,105,833.30	1,053,162.83		7/2/2024	1.63%	\$ 52,456.25	\$ 48,706.74	\$ 4,540.04	641
US Bancorp	91159HHV5	Corporate Bond	12/24/2019	1,000,000.00	1,049,040.00	982,792.66		1/5/2024	2.12%	\$ 88,218.75	\$ 54,380.13	\$ 5,443.93	462
FHLB	3133834G3	Gov. Agency Debenture	3/11/2021	1,400,000.00	1,460,522.00	1,379,349.69		6/9/2023	0.19%	\$ 37,022.22	\$ 3,664.98	\$ 708.36	252
FFCB	3133EKAQ7	Gov. Agency Debenture	10/21/2019	1,000,000.00	1,019,780.00	957,920.18		9/10/2024	1.66%	\$ 60,031.11	\$ 45,130.78	\$ 4,223.84	711
PNC Financial	69349LAM0	Corporate Bond	2/7/2022	1,000,000.00	1,033,470.00	994,488.14		6/25/2023	1.49%	\$ 17,733.33	\$ 5,372.34	\$ 3,456.33	268
FHLB	3135G0SX7	Gov. Agency Debenture	6/10/2022	1,200,000.00	1,102,952.40	1,072,980.47		8/25/2025	3.04%	\$ 937.50	\$ 1,902.68	\$ 8,752.32	1060
Treasury	912828ZL7	Gov. Agency Debenture	4/12/2022	1,700,000.00	1,583,927.57	1,539,894.53		4/30/2025	2.72%	\$ 316.99	\$ 9,611.14	\$ 11,192.72	943
JP Morgan Chase	46625HJT8	Corporate Bond	9/23/2019	1,400,000.00	1,485,414.00	1,383,451.22		2/1/2024	2.39%	\$ 154,913.89	\$ 96,022.89	\$ 8,737.99	489
American Honda	02665WDH1	Corporate Bond	2/14/2020	600,000.00	603,756.00	591,917.98		5/10/2023	1.75%	\$ 28,145.00	\$ 25,034.14	\$ 2,656.45	222
Treasury	912828V23	US Treasury Note	11/29/2021	1,000,000.00	1,032,933.04	975,390.62		12/31/2023	0.66%	\$ 13,206.52	\$ 3,924.44	\$ 1,695.07	457
Treasury	91282CBE0_2	Gov. Agency Debenture	10/7/2021	1,000,000.00	994,768.98	947,851.56		1/15/2024	0.36%	\$ 964.67	\$ 2,587.41	\$ 894.89	472
FHLB	3130ALH98	Gov. Agency Debenture	2/26/2021	1,000,000.00	997,610.00	941,164.91		2/26/2024	0.33%	\$ 3,750.00	\$ 4,416.63	\$ 830.94	514
Treasury	912828M80	US Treasury Note	7/22/2019	1,000,000.00	1,006,175.23	998,087.75		11/30/2022	1.81%	\$ 57,158.47	\$ 53,444.10	\$ 4,578.08	61
Treasury	912828U57	US Treasury Note	7/31/2019	1,000,000.00	1,011,875.00	975,781.25		11/30/2023	1.84%	\$ 60,208.33	\$ 54,014.24	\$ 4,666.02	426
Treasury	912828X70	US Treasury Note	12/30/2019	1,000,000.00	1,010,589.29	964,570.31		4/30/2024	1.75%	\$ 51,703.30	\$ 48,922.73	\$ 4,929.78	578
Treasury	912828XT2	US Treasury Note	10/31/2019	1,000,000.00	1,015,667.41	963,085.94		5/31/2024	1.64%	\$ 51,639.34	\$ 44,208.50	\$ 4,180.04	609
American Honda	02665WCQ2	Corporate Bond	9/14/2021	950,000.00	1,012,871.00	941,710.15		10/10/2023	0.41%	\$ 19,705.90	\$ 3,232.93	\$ 1,029.17	375
FFCB	3133EJ3Q0	Gov. Agency Debenture	8/28/2019	1,500,000.00	1,587,503.75	1,475,983.77		12/21/2023	2.12%	\$ 121,348.96	\$ 64,945.24	\$ 5,761.78	447
Freddie Mac	3133EKKT2	Gov. Agency Debenture	6/24/2019	1,550,000.00	1,573,188.00	1,543,058.90		2/8/2023	1.82%	\$ 117,606.25	\$ 86,008.42	\$ 7,180.38	131
Treasury	91282CBE0	Gov. Agency Debenture	9/15/2021	650,000.00	647,615.46	616,103.51		1/15/2024	0.28%	\$ 675.62	\$ 1,447.14	\$ 462.28	472
Subtotal				\$ 46,200,000.00	\$ 46,636,111.54	\$ 44,571,200.34	\$ 14,700.67			\$ 1,550,668.07	\$ 1,103,488.93	\$ 147,201.46	
BNY MM		Money Market			124,284.61	124,284.61			0.00%				1
LAIF		State Investment Pool			6,918,398.79	6,918,398.79			1.51%			23,540.77	1
					\$53,678,794.94	\$51,613,883.74				\$ 1,550,668.07	\$ 1,103,488.93	\$ 170,742.23	
Matured Assets													
IBM	459200HG9	Corporate Bond	8/8/2019	1,000,000.00	995,010.00			8/1/2022	2.05%	\$ 55,885.42	\$ 59,141.32	\$ 1,790.47	
JP Morgan Chase	46625HJE1	Gov. Agency Debenture	2/11/2020	900,000.00	934,587.00			9/23/2022	1.74%	\$ 76,537.50	\$ 38,210.60	\$ 3,733.22	
Treasury	912828L57	US Treasury Note	7/22/2019	1,200,000.00	1,197,988.40			9/30/2022	2.09%	\$ 67,016.39	\$ 63,644.66	\$ 5,451.87	
Total Investments "Matured"												\$ 10,975.56	
Total Interest FY 22_23 Matured and Current												\$ 181,717.79	
Maturity Profile					Amount								
		0-1 year			\$20,180,521.16								
		1-2 years			\$25,411,172.15								
		2-3 years			\$5,006,976.85								
		3-5 years			\$ 3,080,124.78								
					\$53,678,794.94								
Market to Cost Position Report					Amortized								
Institution					Cost								
BNY Assets					\$46,636,111.54								
BNY MM					124,284.61								
LAIF					6,918,398.79								
Totals:					\$53,678,794.94								

From: [Phil Koen](#)
To: [Ron Dickel](#); [Kyle Park](#)
Cc: [Laurel Prevetti](#); [Arn Andrews](#); [Matthew Hudes](#); [Rob Rennie](#); [REDACTED]; [Lee Fagot](#);
Subject: Charging rent to not for profits using Town assets
Date: Friday, November 11, 2022 8:44:13 AM
Attachments: [Pages from MEET-Packet-9242639fa2514535a48be577ab00b94f\(1\).pdf](#)

EXTERNAL SENDER

Dear Finance Commission,

I am very surprised to see the Staff would include Town owned facilities which are used by community oriented not for profit organizations on a list of “discretionary non-essential services”.

First and foremost, each of these organizations which use Town owned assets, are critical to what defines the Town’s sense of community. As an example, the recently adopted 2040 General Plan describes NUMU as “a key cultural element of the Town since its founding in 1965”. The same can be said of the LGS Recreation and the Billy Jones Wildcat Railroad.

From a cultural point of view, the services these organization’s provide are just as essential as the library, which is heavily subsidized by the Town. This goes to my earlier email as to what criteria was used to determine “discretionary non-essential services”? Frankly it appears totally arbitrary.

My second point is not for profit organizations which are providing key cultural services should not be paying any money to “rent” Town owned assets. These assets are owned by the residents of the Town and should be used free of charge by those not for profit organizations that are providing critical services for the benefit of residents.

At the highest level it makes no sense for LGS Recreation or NUMU to transfer funds they earned either through service fees or charitable donations to pay “rent” when these funds are better retained by the respective organizations to invest in more services and programs for the community’s benefit.

By retaining these funds, a virtuous cycle is created where more programs and services are created which will drive even more community participation and more service fees. To have “rent” payments transferred to the Town when the Town is incapable of recycling these funds into high value services on par with LGS Recreation or NUMU makes no sense and diminishes the Town’s cultural value. Why is paying rent the right answer?

Lastly, the notion that there is a true market rate for the space occupied is questionable and largely irrelevant. Unless the Town has made a strategic decision to go into the commercial real estate leasing business and rent out all of the Town assets, including the library, to the highest bidder, it is inappropriate to view this space as a potential revenue stream since there isn’t any third party demand for this space.

It’s time to recognize that the structural deficit the Town is facing is largely do to the staffing

levels and wage and benefit costs the Town has taken on in the past 6 years. The Town has increased both the actual number of FTE's as well as the wage and benefit cost per FTE. The solution should start with a benchmarking the Town's cost structure against similar local jurisdictions to identify structural opportunities the Town could potentially address.

In closing, for the sake of full disclosure, our family has been a strong financial supporter of NUMU and we are very knowledgeable of NUMU's financial position.

Thank you.

Phil Koen

PAGE 6 OF 9

SUBJECT: Review of Five-Year Forecast

DATE: November 1, 2022

General Collections - \$171,200 Youth Collections - \$66,100 Reduce annual collection purchases.	
Annual Community Grant Program Each year the Town provides community grant funding to organizations that assist in projects that benefit residents. FY 2022/23 Adopted Budget includes \$151,000. Recurring Grants (Live Oak, WVCS, CASSY, Next Door) \$70,000 One-time Grants \$75,000 Innovation Grants \$6,000	Approx. \$151,000/yr – Ongoing
Chamber of Commerce Visitor Center The Chamber of Commerce receives \$55,000 annually for supporting a visitor information center.	Approx. \$55,000/yr – Ongoing
Town Facility Subsidized Leases Billy Jones Wildcat Railroad. Original contract through 2021 and currently under a 5-year option. The Town charges \$1 dollar/yr 208 Main Street LGS Recreation. Contract through 2029. Current subsidized rent \$218,325 versus market rate of \$485,172. 123 Main Street LGS Recreation. Lease month to month. Current subsidized rent \$40,431 versus market rate of \$265,669. 106 East Main Street NUMU. Contract thru 2024. Current subsidized rent \$25,000 versus market rate of \$429,782.	TBD
Approximate Totals for Programs Listed (doesn't include approximations for subsidized leases)	\$1,054,100



**TOWN OF LOS GATOS
FINANCE COMMISSION REPORT**

MEETING DATE: 11/14/2022

ITEM NO: 3

DESK ITEM

Item 3.

DATE: November 14, 2022
TO: Finance Commission
FROM: Laurel Prevetti, Town Manager
SUBJECT: Receive Financial Information and Continue Review and Analysis of the Town's Five-Year Forecast

REMARKS:

Attachment 3 contains public comments received 11:01 a.m. November 11 to 11:00 a.m. November 14, 2022.

Attachment previously received with the Staff Report:

1. Historic Vacancy Savings Analysis

Attachment previously received with this Addendum:

2. Public Comment received 11:01 a.m. November 10 to 11:00 a.m. November 11, 2022

Attachment received with this Desk Item:

3. Public Comment received 11:01 a.m. November 11 to 11:00 a.m. November 14, 2022

PREPARED BY: Arn Andrews
Assistant Town Manager

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

From: [REDACTED]
To: [Wendy Wood](#)
Cc: [Arn Andrews](#); [Rick Van Hoesen](#); [Phil Koen](#); [Kyle Park](#); [Town Manager](#); [Ron Dickel](#); [Stacey Dell](#); [Rick Tinsley](#); [Gabrielle Whelan](#)
Subject: Finance Commission Meeting 11/14/22 Item 3
Date: Monday, November 14, 2022 10:57:21 AM

EXTERNAL SENDER

I noticed that the Commission is looking at potential reduction in costs to cover the budgeted losses and have a couple of things to add to the list.

1. The Town has thus far spent \$1.1M dollars for a study on the Blossom Hill Ped/Bike Bridge. As a biker, and having grandkids who bike, I think it is a terrific idea. But the reality is that it has to fit within the budget and this project is so far beyond our financial capabilities that we need to postpone it for 5-10 years. If we have to pay for 10-20% of the project that has gone up significantly (15%?) in estimated price recently, we simply do not have the money anywhere within the next 5, and I would estimate 10 years is the more realistic number.
2. I agree 100% with all points of Mr. Koen's letters. One of our money problems has stemmed from salary and benefit costs. We need to commission a study to see how we compare to other cities like Saratoga and Los Altos. Les White, the former interim Town Manager and I met to discuss the Police Cost study that he did. While I don't agree with some of it, he did say that wage costs for the Sheriff and for our Town were about equal. He went on to say that one reason we are \$5-\$7M more annually is that LG requires a higher level of service. If that is the case, then LG should analyze the service levels to see what reductions could be made there to bring us more into alignment with Saratoga.
3. I also agree with Mr. Koen that the Adult Recreation Center and NUMU are embroidered into the fabric of this Community. They ARE a big reason that everyone says, "I Love Los Gatos". To make them a "profit center" for the Town is not something any other Town or City does in California that I can see. We should be supporting them; not penalizing them for doing such a good job.
4. The Town has refused to do a Financial Impact Analysis on the massive growth approved by 3 Councilmembers. I suggest that the **Finance Committee insists on doing the FIA** on whatever number of housing units are approved for the 2040 GP. Hopefully that unit number is no more than the 1993 prescribed by the state as I anticipate the "surplus" to be a negative **financial** benefit that we will need to pay for, driving us deeper into a hole. We may never see that bridge if that is the case, and I do like the idea of a bridge. Keep in mind that over an 11 year period, there were

16 bike accidents of which only **2 were severe**. There are many, many more severe bike accidents on the Jones Trail (not apples to apples, I realize, but you might set up gates to slow down bicyclists and reduce the injuries significantly. Perhaps a better way to spend money if your goal is to reduce severe accidents)

--

Jak Van Nada -

Los Gatos Community Alliance

Facts Matter; Transparency Matters; Honesty Matters

www.lgca.town





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

MEETING DATE: November 14, 2022

ITEM NO: 4

Item 4.

DATE: November 7, 2022
TO: Chairperson and Finance Commission Members
FROM: Laurel Prevetti, Town Manager
SUBJECT: Discuss Options for Providing Information to the Finance Commission During Labor Negotiations

RECOMMENDATION:

Discuss options for Providing Information to the Finance Commission during labor negotiations.

BACKGROUND:

At its September meeting, the Finance Commission asked staff to return with options for providing information to the Finance Commission during labor negotiations. The Finance Commission is specifically concerned about impacts to the Town's budget resulting from financial commitments made during labor negotiations.

Duties of Finance Commission

Town Code Section 2.50.225 (see Attachment 1) sets forth the duties of the Town's Finance Commission. Subsection (c) of Section 2.50.225 states that one of the duties of the Finance Commission is to "minimize the [Town's] cost to provide core services and required activities."

PREPARED BY: Gabrielle Whelan
Town Attorney

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

PAGE 2 OF 3

SUBJECT: Options for Providing Information During Labor Negotiations

DATE: November 7, 2022

BACKGROUND (continued):

State Law

The state Meyers-Milias-Brown Act (MMBA) is the law that governs California public agency labor negotiations.¹ The Act authorizes local agencies to adopt rules regarding employer-employee relations (Gov. Code Section 3507). The Town has adopted an Employer-Employee Relations resolution (see Attachment 2), which provides that the Town Council designates representatives of the Town for the purpose of meeting and conferring and consulting with recognized employee organizations. The MMBA requires that the parties to a negotiation meet and confer with each side's designated bargaining representatives.

DISCUSSION:

To minimize labor costs, the Finance Commission has expressed interest in being involved with labor negotiations. In accordance with the Town's Employer-Employee Resolution, the Town Council has designated the following representatives for purposes of labor negotiations: outside labor counsel, Assistant Town Manager, and Human Resources Director.

To develop options that balance the request of the Finance Commission and the bounds of labor negotiations, staff has consulted with outside labor and employment counsel to discuss best practices and has reviewed information from other jurisdictions. Based on staff's review and analysis, here are some options:

- 1) The Town could post a labor negotiations schedule on its website and provide that information to the Finance Commission.
- 2) The Finance Commission could provide written comments or recommendations to either the Town's designated labor negotiators or the Town Council before negotiations commence.
- 3) The Council always receives verbal communications preceding closed session. The Finance Commission could provide either comments or recommendations during verbal communications prior to any closed session regarding labor negotiations.
- 4) The Commission could invite the Town's negotiator(s) for a Q&A session before negotiations begin.

¹ A recent court decision highlights the degree to which a public agency's governing body has exclusive authority over labor negotiations [Pacifica Firefighters Association v. City of Pacifica, 76 Cal.App.5th 758 (2022)]. In the Pacifica decision, the City's voters adopted a ballot measure to provide that, in the event of an impasse in labor negotiations, salary and benefits would be set at an amount not less than the average for five neighboring cities. The court ruled that the authority for labor negotiations rested solely with the City Council and could not be delegated to the voters. As a result, the ballot measure was overturned. 10272546.1 LO007-005

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SUBJECT: Options for Providing Information During Labor Negotiations

DATE: November 7, 2022

CONCLUSION:

Staff looks forward to the Commission's discussion of these options and if the Commission has any preference for keeping the Finance Commission informed with regard to aspects of labor negotiations that will impact the Town's budget.

COORDINATION:

This report was coordinated with the Town Manager's Office, Town Attorney's Office, and Human Resources Department.

ATTACHMENTS:

1. Town Code Section 2.50.225
2. Employer-Employee Relations Resolution

Sec. 2.50.225. Duties.

(a) The Finance Commission shall:

- (1) Serve as an on-going, substantive and expert advisory body to the Town and Town Council so that the Town and Town Council can make informed decisions about the Town's financial, budgetary and investment matters and operations related thereto.
- (2) Review the Town Manager's annual proposed budget prepared in accordance with section 2.30.295(6) of the Town Code, and provide written comments and recommendations to the Town Council.
 - a. The Finance Commission's comments and recommendations shall include a recommendation about whether the Town Council should approve or disapprove the proposed budget. The Finance Commission may make a recommendation of approval of the budget conditional upon the Town Council's acceptance of one or more of the Finance Commission's recommendations.
 - b. The Town Manager must provide a proposed budget to the Finance Commission at least twenty (20) business days before the first meeting at which the proposed budget is considered by the Town Council.
- (3) Review the Town Manager's draft Comprehensive Annual Financial Report (CAFR) for the preceding fiscal year and provide written comments and recommendations to the Town Manager.
 - a. The Town Manager shall respond in writing to the Finance Commission providing the Town Manager's rationale for accepting or rejecting each of the Finance Commission's comments and recommendations prior to presenting the CAFR to the Town Council for formal consideration.
 - b. The Town Manager may not present the CAFR to the Town Council for formal consideration unless or until the Town Manager considers and responds in writing to all of the Finance Commission's comments and recommendations.
- (4) Review the Director of Finance's summary of the Town's financial report required by section 53891 of the California Government Code and prepared in accordance with section 2.50.010(c) of the Town Code, and provide written comments and recommendations to the Director of Finance prior to the publishing of the summary of the report.
- (5) Review the financial policies and procedures manual developed in accordance with section 2.50.010(f) of the Town Code and provide written comments and recommendations to the Director of Finance.
- (6) Prior to the Town's expenditure of any revenues from the tax authorized by sections 25.60.010 et seq. of the Town Code, review the proposed expenditures and advise the Town Council on whether such expenditures meet the Town Council's objectives for that tax:
 - a. Maintaining and enhancing neighborhood police patrols and local crime prevention programs;
 - b. Improving traffic flow to reduce congestion;
 - c. Repairing potholes and maintaining the Town's streets, roads, and sidewalks; and
 - d. Maintaining the Town's long-term financial stability.
- (7) Issue an annual public report of the expenditures and appropriations of sales tax revenues approved by the Town Council during each fiscal year.
- (8) Make recommendations to the Town Council about policies and programs:
 - a. To maximize the Town's revenues consistent with existing taxation structures and inter-governmental funding opportunities;

- b. To maximize fee generation consistent with market rate charges for Town- provided services and market rate fees for utilization of Town-owned assets;
 - c. To minimize the City's cost to provide core services and required activities. Consistent with the desired service level for residents and other internal and external customers;
 - d. To set funding goals for reserves. and review on-going progress related thereto:
 - e. To assess the risk associated with the structure and documentation of any proposed debt financing;
 - f. To fund the Town's long-term compensation and benefit program liabilities in the most responsible and cost-effective way; and
 - g. To monitor investment performance and make recommendations related to the Town's investment policy and performance.
- (9) Provide written comments and recommendations regarding the selection of auditors for the CAFR.
- (10) Participate in pre-audit meetings with auditors. provided that the Finance Commission shall not participate in those portions of any meetings which pertain to confidential employment or attorney-client privileged matters.
- (11) Review and monitor any events or issues which may affect the financial status of the Town.
- (b) The duties of the Finance Commission shall not be altered, abridged or abrogated in any way by any body except by a vote of the majority of the voters of the Town.
- (c) The Town Council shall make changes to the budgetary and all other Town processes and calendars as necessary to allow for consideration of the comments and recommendations of the Finance Commission outlined herein.
- (Ord. No. 2314 , § 3(§ 1), 11-3-20; Ord. No. 2320 , § III, 9-7-21)

RESOLUTION NO. 1974-41

A RESOLUTION OF THE TOWN COUNCIL
OF THE TOWN OF LOS GATOS ESTABLISHING
THE PROCEDURE FOR RECOGNITION OF
EMPLOYEE ORGANIZATIONS AND CONFERRING
WITH SAID ORGANIZATIONS.

WHEREAS, Government Code Section 3507 empowers a city to adopt reasonable rules and regulations after consultation in good faith with representatives of its employee organizations for the administration of employer-employee relations; and

WHEREAS, the Town of Los Gatos desires to adopt such reasonable rules and regulations as authorized by law;

NOW, THEREFORE, the Town Council of the Town of Los Gatos does hereby resolve as follows:

Section 1: DEFINITIONS.

As used in this Resolution the following terms shall have the meanings indicated:

- (A) Appropriate Unit - means a unit of employees established pursuant to Section 4 of this Resolution.
- (B) Town - means the Town of Los Gatos, a municipal corporation, and where appropriate herein, Town refers to the Town Council, the governing body of the Town, or any duly authorized management employee as herein defined.
- (C) Consult or Consultation in Good Faith - means to communicate orally or in writing for the purpose of presenting and obtaining views or advising of intended actions.
- (D) Employee - means any person regularly employed by the Town, except those persons elected by popular vote.

- (E) Employee, Confidential - means an employee who is privy to decisions of Town management affecting employer-employee relations. The incumbents of the following classifications are hereby designated as confidential employees pursuant to the provisions of Section 3507.5 of the Government Code: Secretary to Town Manager, Secretary to Town Attorney, Police Clerk Matron III, Senior Secretary-Stenographer.
- (F) Employee-Management - means:
- (1) Any employee having significant responsibilities for formulating and administering Town policies and programs; and
 - (2) Any employee having authority to exercise independent judgment, including the Town Manager, department heads, assistant department heads, division heads, but excluding the foreman level. The incumbents of the following positions are hereby designated as management employees pursuant to the provisions of Section 3507.5 of the Government Code: Town Manager, Administrative Assistant, Administrative Aide, Town Attorney, Director of Public Works, Assistant Director of Public Works, Maintenance Superintendent, Planning Director, Assistant Planning Director, Chief Building Inspector, Chief of Police, Police Captain, Police Lieutenant, General Services Supervisor, Town Librarian, Superintendent of Parks and Forestry, Parks Supervisor.
- (G) Employee, Professional - means employees engaged in work requiring specialized knowledge and skills normally attained

through completion of a recognized and accredited course of instruction, as well as professional registration or licensing by the State of California.

- (H) Employee Organization - means any organization which meets the basic requirements for recognition, and which has as one of its primary purposes representation of employees in employee relations matters with the Town.
- (I) Impasse - means a deadlock in discussions between the representatives of a recognized employee organization and the Town over any matters concerning which they are required to meet and confer in good faith.
- (J) Majority Representative - means an employee organization, or its duly authorized representative, that has been granted formal recognition by the Town Manager as representing the majority of employees in an appropriate unit.
- (K) Mediation or Conciliation - means the efforts of an impartial third person, or persons, functioning as intermediaries, to assist the parties in reaching a voluntary resolution to an impasse, through interpretation, suggestion, and advice. Mediation and conciliation are interchangeable terms.
- (L) Meet and Confer in Good Faith (sometimes referred to herein as "meet and confer" or "meeting and conferring") - means performance by duly authorized Town representatives and duly authorized representatives of a recognized employee organization of their mutual obligation to meet at reasonable times and confer in good faith regarding matters within the scope

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of representation, including wages, hours, and other terms and conditions of employment, in an effort to:

- (1) Reach agreement on those matters within the authority of such representatives; and
- (2) Reach agreement on what will be recommended to the Town Council on those matters within the decision-making authority of the Town Council. This does not require either party to agree to a proposal or to make a concession.

- (M) Scope of Representation - means all matters relating to employment conditions and employer-employee relations, including but not limited to, wages, hours, and other terms and conditions of employment.

Section 2: MEETING AND CONFERRING WITH RECOGNIZED EMPLOYEE ORGANIZATIONS.

- (A) The Town Council designates representatives of the Town for the purpose of meeting and conferring and consulting with recognized employee organizations. The Town, through its Town representatives, shall meet and confer in good faith with representatives of recognized employee organizations regarding matters within the scope of representation.
- (B) The meet and confer process between the Town representatives and all recognized employee organizations regarding matters within the scope of representation shall be carried on in the following manner: An initial meeting will be held no later than 120 days prior to the end of the fiscal year or the termination date of any current Memorandum of Understanding, whichever is later.

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- (C) The Town shall not be required to meet and confer in good faith on any subject preempted by Federal or State law, nor shall it be required to meet and confer in good faith on Employee or Town rights as defined in (D) and (E) below. Proposed amendments to the regulations in this resolution are excluded from the scope of meeting and conferring.
- (D) Employees of the Town shall have the right to form, join, and participate in the activities of employee organizations of their own choosing for the purpose of representation on appropriate matters of employer-employee relations, including, but not limited to, wages, hours, and other terms and conditions of employment. Employees of the Town also shall have the right to refuse to join or participate in the activities of employee organizations and shall have the right to represent themselves individually in their employment relations with the Town. No employee shall be interfered with, intimidated, restrained, coerced, or discriminated against because of his exercise of these rights.
- (E) The rights of the Town include, but are not limited to, the exclusive right to determine the mission of its constituent departments, commissions and boards; set the standards of selection for employment and promotion; direct its employees; take disciplinary action; relieve its employees from duty because of lack of work or for other legitimate reasons; maintain the efficiency of governmental operations; determine the methods, means and personnel by which government operations are to be conducted; determine the content of job classifications; take

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all necessary action to carry out its mission in emergencies; and exercise complete control and discretion over its organization and the technology of performing its work.

- (F) Reasonable written notice shall be given to each recognized employee organization affected by any ordinance, rule, resolution, or regulation directly relating to matters within the scope of representation proposed to be adopted by the Town Council or by any board or commission of the Town for the purpose of consulting with them on the proposed action. Each organization shall be given the opportunity to meet with such body prior to adoption.
- (G) If agreement is reached by representatives of the employee organization and the Town, they shall jointly prepare a written memorandum of such understanding, which shall not be binding, and present it to the Town Council for determination.
- (H) The Town of Los Gatos shall allow a reasonable number of the employee organization representatives (maximum of four [4]) reasonable time off without loss of pay or other benefits when formally meeting and conferring with representatives of the Town on matters within the scope of representation.

Section 3: PETITION FOR RECOGNITION OF EMPLOYEE ORGANIZATIONS.

- (A) An employee organization that seeks recognition for purposes of meeting and conferring in good faith as the majority representative of employees in an appropriate unit or units

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shall file a petition with the Town Manager containing the following information and documentation:

- (1) Name and address of the employee organization.
- (2) Names and titles of its officers.
- (3) A statement that the employee organization has, as one of its primary purposes, representing employees in their employment relations with the Town.
- (4) A statement whether the employee organization is a chapter or local of, or is affiliated directly or indirectly in any manner with, a regional, state, national, or international organization, and if so, the name and addresses of each such regional, state, national or international organization.
- (5) A copy of the organization's constitution and by-laws.
- (6) A statement that the employee organization has no restriction on membership based on race, color, creed, sex, or national origin.
- (7) A statement of the job classifications or titles of employees in the unit claimed to be appropriate, and the number of employees therein.
- (8) A statement signed by an appropriate officer certifying that the employee organization has in its possession sufficient employee signatures on a petition or authorization cards, dated within three months of the date upon which the petition is filed, to

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establish that at least 35 percent of employees in the unit claimed to be appropriate have designated the employee organization to represent them in their employment relations with the Town. This statement shall be submitted to the Town Manager and shall accompany the petition for recognition. The Town Manager may require that evidence supporting this statement be submitted to a neutral third party for confirmation.

- (9) A request that the Town Manager recognize the employee organization as the majority representative of the employees in the unit claimed to be appropriate for the purpose of meeting and conferring in good faith on all matters within the scope of representation.

Section 4: APPROPRIATE UNIT.

- (A) The Town Manager, after reviewing a petition filed by an employee organization seeking formal recognition as a majority representative, shall first determine whether the proposed unit qualifies as an appropriate unit. The following standards shall be applied in determining the appropriate unit:

- (1) The unit shall be the broadest feasible group of employees who share a community of interest. Factors to be considered include the extent to which employees have similar working conditions, supervision, educational and training requirements, skills, and related occupations or job classifications and duties.
- (2) Consideration shall be given to the effect of the unit on the efficient operation of Town services and

sound employer-employee relations.

- (3) Consideration may be given to the history of employee relations: (a) in the unit; (b) among other employees in the Town; and (c) in similar public employment, provided, however, that no unit shall be established solely on the basis of the extent to which employees in the proposed unit have organized.

(B) In the establishment of appropriate units:

- (1) No job classification shall be included in more than one representation unit;
- (2) Confidential employees who are included in the same unit with non-management or non-confidential employees may not represent such employees on matters within the scope of representation.
- (3) Management employees shall not be included in the same unit as non-management employees.
- (4) Professional employees shall not be denied the right to be represented separately from non-professional employees.

(C) In the event of disagreement with the Town Manager's decision on the appropriate unit, the dispute shall be resolved by a Hearing Officer. This person shall be mutually selected by both parties. In the event the parties are unable mutually to agree on a hearing officer, either party may request the State Conciliation Service to submit a panel of no less than five (5) persons experienced in the arbitration process. The parties shall then select the Hearing Officer by alternately striking names until the one remaining shall be the Hearing Officer.

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The party entitled to strike the first name shall be determined by drawing lots. The decision of the Hearing Officer as to what constitutes the appropriate unit(s) shall be binding on all parties involved.

Section 5: RECOGNITION OF EMPLOYEE ORGANIZATIONS AS MAJORITY REPRESENTATIVE.

The Town Manager shall determine the majority representative of Town employees of an appropriate unit by arranging for a secret ballot election, or by any other reasonable method which is based upon written proof, and is designed to ascertain the free choice of a majority of such employees. The employee organization found by the Town Manager to represent a majority of the employees in each appropriate unit shall be granted formal recognition and shall be the only employee organization entitled to meet and confer with the Town on matters within the scope of representation for employees in such unit. Formal recognition of an organization shall not preclude other employee organizations, if any, or an individual employee, from consulting with management representatives on employer-employee relations matters of concern to him or them.

Section 6: DECERTIFICATION OR MODIFICATION OF AN ESTABLISHED UNIT.

A group of employees or an employee organization may petition for decertification or modification of an established unit, challenging the right of the recognized employee organization as the majority representative. Such petitions shall be filed only during the period January 1 through January 15, only when more than eighteen (18) months have elapsed from the date of certification of the recognized employee organization, and only during the final twelve (12) months of the term of any memorandum of understanding with the recognized

employee organization then in effect.

(A) A Petition for Decertification, including all accompanying documents, shall be verified and may be accompanied by Petition for Recognition by a challenging organization. The Petition for Decertification shall contain the following information:

- (1) The name of the recognized employee organization.
- (2) An allegation that the recognized employee organization no longer represents a majority of the employees in the appropriate unit, and other relevant and material facts.
- (3) A statement signed by an appropriate officer certifying that at least 40 percent of the employees in the organization do not desire to be represented by the recognized employee organization. The Town Manager may require that written evidence supporting this statement, dated within three months of the date upon which the Petition is filed, be submitted to a neutral third party for confirmation. The Town Manager shall arrange for a secret ballot election to determine if the recognized employee organization shall retain its recognition rights. The recognized employee organization shall be decertified if a majority of those casting valid ballots vote for decertification, provided that a majority of all the employees eligible to vote in the unit voted. There shall be no more than one decertification election in the same unit in any twelve-month period.

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- (B) A Petition for Modification shall contain all the information set forth in Sections 3 and 4, together with a statement of all relevant facts in support of the proposed modified unit. It shall be accompanied by a statement signed by an appropriate officer certifying that a majority of the employees within the proposed modified unit have designated the employee organization to represent them in their employment relations with the Town. The Town Manager may require that written evidence supporting this statement, dated within three months of the date upon which the Petition is filed, be submitted to a neutral third party for confirmation. The Town Manager shall hold a hearing on the Petition, at which time all affected employee organizations shall be heard. Thereafter, the Town Manager shall determine the appropriate unit as between the existing unit and the proposed modified unit. If the Town Manager determines that the proposed modified unit is the appropriate unit, then he shall follow the procedures set forth in Sections 3-5, inclusive, for determining the recognition rights in such unit.
- (C) In the event of disagreement with the Town Manager's decision on the modified unit, the dispute shall be resolved by the Hearing Officer chosen in the manner provided in Section 4(C).

Section 7: RESOLUTION OF IMPASSES.

Impasse procedures may be invoked in the meet and confer process only after the possibility of settlement by direct discussion has been exhausted. Any party may initiate the impasse procedure by filing with the other party (or parties) affected a written request for an impasse meeting, together with a statement of its position on all disputed issues. An impasse meeting shall then be scheduled

by the Town Manager forthwith after the date of filing of the written request for such a meeting, with written notice to all parties affected. The purpose of such impasse meeting is to permit a review of the positions of all parties, in a final effort to reach agreement on the disputed issues. If agreement is not concluded, the parties shall pursue the impasse procedures in the order set forth in this section.

- (A) Mediation (or conciliation) (defined in Section 1[K]). A conciliator shall be mutually selected by the Town and the employee organization or organizations directly involved in the impasse from the State Conciliation Service of the State of California. All conciliation proceedings shall be private. The conciliator shall make no public recommendations, nor take any public position concerning the issues.
- (B) Any other dispute-resolving procedure to which the parties mutually agree, or the Town Council may order.
- (C) In the absence of agreement between the parties on point (B), the matter shall be referred to the Town Council which, after a hearing on the merits of the dispute, shall make the final determination.

The fees and expenses, if any, of mediators or of any other impasse procedure, shall be payable one-half by the Town and one-half by the employee organization or employee organizations. Fees and/or expenses of attorneys representing an employee or employee organization shall be borne by the employee or employee organization alone.

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PASSED AND ADOPTED at a regular meeting of the Town Council of the Town of Los Gatos, California, held on the 15th day of April, 1974, by the following vote:

AYES:	COUNCILMEN	Ruth Cannon
		Mark B. DiDuca
		Egon Jensen
		Albert B. Smith
		John B. Lochner
NOES:	COUNCILMEN	None
ABSENT:	COUNCILMEN	None

SIGNED:


 MAYOR OF THE TOWN OF LOS GATOS

ATTEST:


 Deputy
 CLERK OF THE TOWN OF LOS GATOS



**TOWN OF LOS GATOS
FINANCE COMMISSION REPORT**

MEETING DATE: 11/14/2022

ITEM NO: 5

Item 5.

DATE: November 8, 2022
TO: Finance Commission
FROM: Laurel Prevetti, Town Manager
SUBJECT: Review the Recommended Updates to the Town of Los Gatos IRS Section 115 Pension Trust and OPEB Trust Investment Policy and Forward a Recommendation of Approval to the Town Council.

RECOMMENDATION:

Review the recommended updates to the Town of Los Gatos IRS Section 115 Pension Trust and OPEB Trust Investment Policy and forward a recommendation of approval to the Town Council.

BACKGROUND:

At its November 7, 2017 meeting, the Town Council reviewed and discussed the IRS Section 115 Trust governance. At the conclusion of the meeting, the Town Council established the Town Council as an Oversight Committee for the Town of Los Gatos IRS Section 115 Pension Trust and Other Post-Employment Benefits (OPEB) Trust and adopted an Investment Policy for the Trusts.

At its December 18, 2018 meeting, the Town Pension and OPEB Trusts Oversight Committee adopted revisions to the Investment Policy to reflect that the “purpose” of the 115 pension funds is for “long-term capital accumulation and appreciation, additional discretionary payments (ADPs), and pension contribution management strategies. “

At its December 3, 2019 meeting, the Town Pension and OPEB Trusts Oversight Committee adopted revisions to the Investment Policy to include simplifying the Title of the Investment Policy, acknowledging the closure of the PARS 115 pension trust, identifying the Town’s participation in the CalPERS California Employers’ Pension Prefunding Trust (CEPPT), and stating that the OPEB actuarial valuations occur biennially.

PREPARED BY: Arn Andrews
Assistant Town Manager

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

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SUBJECT: Pension OPEB Investment Policy Updates

DATE: November 8, 2022

DISCUSSION:

At the September 12, 2022 Finance Commission meeting, Commissioners discussed potentially developing a policy for when it would be appropriate to utilize assets in the OPEB 115 Trust. Commissioners asked staff to review options and present a recommendation to the Commission.

Similar to earlier deliberations regarding the appropriate use of assets in the Pension 115 Trust, staff recommends that this is best addressed by updating the Town of Los Gatos IRS Section 115 Pension Trust and OPEB Trust Investment Policy.

The current proposed revisions to the Investment Policy (Attachment 1) address that the California Employers' Retiree Benefit Trust (CERBT) is the sole source of assets for funding OPEB liabilities and introduces reimbursing the Town for Other Post-Employment Benefits pay-as-you-go expenses as an eligible use.

Actual execution of this policy update would be achieved through consultation with the Town actuary and review by the Finance Commission consistent with the adoption and execution of additional discretionary payments (ADP) to the pension plans.

CONCLUSION:

Approval of the recommended updates to the Town Council will bring the Investment Policy in conformity with recent practice and be consistent with prior policy updates.

Attachment:

1. Town of Los Gatos IRS Section 115 Pension Trust and OPEB Trust Investment Policy (redline)

		
TITLE: Town of Los Gatos IRS Section 115 Pension Trust and OPEB Trust Investment Policy		POLICY NUMBER: 4-04
EFFECTIVE DATE: 11/7/17		PAGES: 3
ENABLING ACTIONS: 2017-062		REVISED DATES: 12/18/2018; 12/03/2019
APPROVED:		

PURPOSE

The Town of Los Gatos (the "Town") has established IRS Section 115 Trusts for both pension and other post-employment benefits (OPEB). The Pension Trust is administered by the CalPERS California Employers' Pension Prefunding Trust (the "CEPPT") and the OPEB trust is administered by the California Employers' Retiree Benefit Trust (the "CERBT"), collectively the "115 Trusts". The 115 Trusts provide for funding of pension, retiree health and other post-employment benefits for the City's eligible retirees.

The CEPPT acts as an additional investment vehicle for the overall funding of pension liabilities associated with the Town's Miscellaneous and Safety Pension Plans (the "Pension Plans"). Funds in the 115 Pension Trust may be used for long-term capital accumulation and appreciation, additional discretionary payments (ADPs), and pension contribution management strategies.

The CERBT is the single investment vehicle for the Town's OPEB Plan ("OPEB Plan") **and the sole source of assets for the overall funding of OPEB liabilities. As such, the primary objective of the OPEB trust is to prefund the Town's obligations for postemployment benefits other than pensions. Funds in the 115 OPEB Trust may be used for reimbursing the Town for Other Post-Employment Benefits pay-as-you-go expenses.**

The Town has established the 115 Trusts Oversight Committee (the "Oversight Committee") to oversee the assets of the 115 Trusts and to perform the duties and responsibilities set forth in this Investment Policy (IP).

COMPOSITION

The membership of the Oversight Committee is composed of the entire Town Council.

FIDUCIARY DUTIES AND RESPONSIBILITIES

1. The Oversight Committee has exclusive control of the investments of the 115 Trusts. The Oversight Committee will manage the funds under the Trusts:
 - a) solely in the interest of, and for the exclusive purposes of providing for funding of benefits for participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the Trusts;

- b) with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims; and
 - c) by diversifying the investments of the Trusts so as to minimize the risk of loss and to maximize the rate of return, unless under the circumstances it is clearly prudent not to do so.
2. The work of the Oversight Committee shall be consistent with written statement of Investment Policy (i.e., this Investment Policy for the Trusts). At least once every three years, the Oversight Committee will evaluate the appropriateness of the Investment Policy and, based on such evaluation, either confirm the tenets of the Investment Policy as then in effect, or amend the 115 Trusts Investment Policy as appropriate. The Investment Policy must include the following:
- a) document investment objectives, performance expectations and investment guidelines for assets under the Trusts;
 - b) establish an appropriate investment strategy for managing all assets under the Trusts, including an investment time horizon, risk tolerance ranges and asset allocation to provide sufficient diversification and overall return over the long-term time horizon of the Trusts; and
 - d) establish periodic performance reporting requirements that will effectively monitor investment results and ensure that the investment policy is being followed.

INVESTMENT OBJECTIVES

1. The primary objective of the 115 Trusts investment portfolios is to satisfy the Pension Plans and OPEB Plan obligations to pay benefits to members and their beneficiaries. To do so, the 115 Trusts will seek to achieve long-term net returns in excess of the actuarial investment return assumption while maintaining a reasonable level of investment risk.
2. The funds will be managed as an ongoing concern with a long-term investment horizon, consistent with demographic profile of the members and beneficiaries of the plans.
3. A range of risks will be managed in connection with the trusts, with an emphasis on the following:
 - a) The impact of the investment decisions on the funded status of the plans and the resulting volatility of contributions.
 - b) Risk of loss of plan assets.
4. In determining the investment strategies of the 115 Trusts, various factors will be considered including, but not limited to:
 - a) The structure and duration of the Pension Plans and OPEB Plan liabilities.
 - b) Modern Portfolio Theory.
 - c) The liquidity needs of Pension Plans and OPEB Plan.

INVESTMENT STRATEGY/ASSET ALLOCATION

The Oversight Committee has delegated the investment management function to third parties. These third parties offer multiple asset allocation options with varying degrees of risk return profiles. The Oversight Committee has the sole discretion to select the asset allocation which best aligns with the aforementioned fiduciary standards and investment objectives.

The Oversight Committee will review the selected asset allocations annually. However, the Oversight Committee can review the current asset allocation selections at any time in light of market conditions.

MONITORING AND REPORTING

1. Monitor the 115 Trusts investment managers on an ongoing basis and may be terminated by Oversight Committee at any time due to performance or other developments that call into question the investment manager's ability to continue to effectively manage assets of the 115 Trusts.
2. Review and assess the performance of any Investment Manager(s) appointed by the Oversight Committee to perform services related to the Trusts quarterly.
3. Measure and evaluate the annual and quarterly performance of investment managers relative to appropriate long-term performance benchmark.
4. Measure and evaluate annual and quarterly fees.
5. Review quarterly cash flow statements associated with the Trusts.
6. Review the actuarial pension evaluation annually.
7. Review the actuarial OPEB evaluation biennially.
8. Monitor compliance with this Investment Policy for the Trusts.

Approved as to Form:

Gabrielle Whelan
Town Attorney