



**TOWN OF LOS GATOS
FINANCE COMMISSION AGENDA
AUGUST 09, 2021
110 EAST MAIN STREET
LOS GATOS, CA
5:00 PM**

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

**IMPORTANT NOTICE REGARDING THE AUGUST 9, 2021
FINANCE COMMISSION MEETING**

This meeting is being conducted utilizing teleconferencing and electronic means consistent with State of California Executive Order N-29- 20 dated March 17, 2020, regarding the COVID- 19 pandemic. In accordance with Executive Order N-29- 20, the public may only view the meeting online and not in the Council Chamber.

PARTICIPATION

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

- Join from a PC, Mac, iPad, iPhone or Android device: Please click this URL to join.
<https://losgatosca.gov.zoom.us/j/86222479034?pwd=SnNGc0oxWW8vQ09Qd0RXcHNUUzNPQT09>
Passcode: 102312. You can also type in 86222479034 in the "Join a Meeting" page on the Zoom website at <https://zoom.us/join>.
- Join by Telephone: Dial: 877-336-1829 US Toll-free or USA 636 651 0002 US Toll
Conference code: 986172

During the meeting:

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

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

TOWN OF LOS GATOS
FINANCE COMMISSION MEETING AGENDA
AUGUST 9, 2021
110 EAST MAIN STREET
LOS GATOS, CA
5:00 PM

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

MEETING CALL TO ORDER

ROLL CALL

CONSENT ITEMS *(Items appearing on the Consent Items are considered routine Town business and may be approved by one motion. Any member of the Commission may request to have an item removed from the Consent Items for comment and action. Members of the public may provide input on any or multiple Consent Item(s) when the Chair asks for public comments on the Consent Items. If you wish to comment, please follow the Participation Instructions contained on Page 1 of this agenda. If an item is removed, the Chair has the sole discretion to determine when the item will be heard.)*

- [1.](#) Approve Minutes of July 12, 2021 Finance Commission Meeting
- [2.](#) Receive CEPPT 115 Trust Update
- [3.](#) Receive Other Post Employment Benefit (OPEB) Trust Account Reports
- [4.](#) Receive CalPERS Preliminary Investment Return for FY 2020/21
- [5.](#) Receive the Fourth Quarter Investment Report (April through June 2021) for Fiscal Year 2020/21

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

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

- [6.](#) Discuss Upcoming Audit and Provide Feedback on June 30, 2020 Annual Financial Report with the Town's Independent Auditor
- [7.](#) Receive Subcommittee Report

- [8.](#) Receive ARPA Update
- [9.](#) Review of Market Fluctuation Reserve (Continued from July 12, 2021)
- [10.](#) Review Police Costs Relative to Total Expenditures and Revenues (Continued from July 12, 2021)
- [11.](#) Review the Draft Request for Proposals (RFP) for Professional Auditing Services
- [12.](#) Receive Information on Vacant Storefront Fee and Tax Assessment Programs
- [13.](#) Receive Information on Business License Amnesty
- [14.](#) Continue Discussion of Key Performance Indicators (Continued from July 12, 2021)
- [15.](#) Discuss Topics for Future Commission Agendas

ADJOURNMENT



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

MEETING DATE: 8/9/2021

ITEM NO: 1

Item 1.

**DRAFT
Minutes of the Finance Commission Meeting
July 12, 2021**

The Finance Commission of the Town of Los Gatos conducted a regular meeting via teleconference via COVID-19 Shelter in Place Guidelines on Monday, June 14, 2021, at 5:00 p.m.

MEETING CALLED TO ORDER AT 5:00 P.M.

ROLL CALL

Present: Chair Ron Dickel, Vice Chair Kyle Park (joined at 5:04 p.m.), Commissioner Stacey Dell, Commissioner Loreen Huddleston, Commissioner Rick Tinsley, Vice Mayor Rob Rennie, and Council Member Matthew Hudes. (All participating remotely.)

Absent: None

Staff Present: Town Manager Laurel Prevetti, Town Attorney Rob Schultz, Assistant Town Manager Arn Andrews, Finance Director Stephen Conway, Police Chief Peter Decena, Finance and Budget Manager Gitta Ungvari.

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

1. Approve Minutes of the June 14, 2021 Finance Commission Regular Meeting.

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

VOTE: Motion passed 4-0. Commissioner Park was not yet present.

VERBAL COMMUNICATIONS

None.

OTHER BUSINESS

2. Receive Subcommittee Report

Commissioner Huddleston summarized that the Finance Subcommittee would like to better understand the Town's financial processes, procedures, policies, Budget, and Annual Financial Report development.

PAGE 2 OF 4

SUBJECT: Draft Minutes of the Finance Commission Meeting of July 12, 2021

DATE: August 2, 2021

Opened Public Comment.

None.

Closed Public Comment.

3. Discuss Cost Recovery Fees (Fee Study and Fee Schedule).

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

Opened Public Comment.

None.

Closed Public Comment.

4. Discuss and Recommend Options to Pursue for a Town Council Strategic Priority – "Explore New Revenue Opportunities."

Arn Andrews, Assistant Town Manager, presented the report. Staff answered the Commissioners' questions regarding different revenue opportunities.

Opened Public Comment.

Catherine Somers - Commented on her support for taxing commercial property owners with pro-longed empty storefronts.

Lee Fagot - Commented on the Town's procedure and lost potential to address the Ditto's Lane property. He recommended that the Town sell the Venue property to the High School for \$1.00.

Closed Public Comment.

After discussion of several revenue options, Commissioners requested additional information on an additional tax for commercial property with empty store fronts and a business license amnesty program and audit.

5. Discuss Updates to the American Rescue Plan Act (ARPA).

Arn Andrews, Assistant Town Manager, presented the report.

PAGE 3 OF 4

SUBJECT: Draft Minutes of the Finance Commission Meeting of July 12, 2021

DATE: August 2, 2021

Commissioners discussed the item.

Opened Public Comment.

None.

Closed Public Comment.

6. Appoint Finance Commissioner to the Independent Auditor Selection Process.

Opened Public Comment.

None.

Closed Public Comment.

Commissioners discussed the item.

MOTION: Motion by **Commissioner Huddleston** to appoint Vice-Chair Park to represent the Finance Commission on the auditor selection panel. **Seconded by Commissioner Tinsley.**

VOTE: Motion passed unanimously.

7. Continue Discussion of Key Performance Indicators.

8. Review Police Costs Relative to Total Expenditures and Revenues.

9. Review of Market Fluctuation Reserve.

10. Discuss Topics for Future Commission Agendas.

Due to the length of the meeting, Chair Dickel moved Items 7, 8, and 9 to the next Finance Commission meeting on August 9, 2021.

Opened Public Comment.

None.

PAGE 4 OF 4

SUBJECT: Draft Minutes of the Finance Commission Meeting of July 12, 2021

DATE: August 2, 2021

ADJOURNMENT:

The meeting adjourned at 6:54 p.m.

This is to certify that the foregoing is a true and correct copy of the minutes of the July 12, 2021 meeting as approved by the Finance Commission.

Gitta Ungvari, Finance and Budget Manager



**TOWN OF LOS GATOS
FINANCE COMMISSION REPORT**

MEETING DATE: 08/09/2021

ITEM NO: 2

Item 2.

DATE: July 29, 2021
TO: Finance Commission
FROM: Laurel Prevetti, Town Manager
SUBJECT: Receive CEPPT 115 Trust Update

RECOMMENDATION:

Receive CEPPT 115 Trust Update.

DISCUSSION:

Attachment 1 contains staff report provided to the Town Council on August 3, 2021.

Attachments:

1. CEPPT

PREPARED BY: Arn Andrews
Assistant Town Manager

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



TOWN OF LOS GATOS
TOWN PENSION AND OPEB TRUSTS
OVERSIGHT COMMITTEE REPORT

MEETING DATE: 08/03/2021

ITEM NO: 4

Item 2.

DATE: July 15, 2021
TO: Town Pension and OPEB Trusts Oversight Committee
FROM: Laurel Prevetti, Town Manager
SUBJECT: Receive Update on the Town of Los Gatos IRS Section 115 Pension Trust

RECOMMENDATION:

Receive on the Town of Los Gatos IRS Section 115 Pension Trust.

BACKGROUND:

On November 5, 2019, the Town Council authorized the Town Manager to enter into an agreement with CalPERS for participation in the CEPPT program.

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

DISCUSSION:

On April 14, 2021, the remaining CEPPT balance of approximately \$700,000 was liquidated for inclusion in a \$2,050,942 additional discretionary payment toward the June 30, 2013 gain/loss amortization base. The CEPPT account remains open with no assets at no cost.

PREPARED BY: Arn Andrews
Assistant Town manager

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



**TOWN OF LOS GATOS
FINANCE COMMISSION REPORT**

MEETING DATE: 08/09/2021

ITEM NO: 3

Item 3.

DATE: July 29, 2021
TO: Finance Commission
FROM: Laurel Prevetti, Town Manager
SUBJECT: Receive Other Post Employment Benefit (OPEB) Trust Account Reports

RECOMMENDATION:

Receive OPEB Trust Account Reports.

DISCUSSION:

Attachment 1 contains reports provided to the Town Council on August 3, 2021.

Attachments:

1. OPEB Trust Account Reports

PREPARED BY: Arn Andrews
Assistant Town Manager

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



TOWN OF LOS GATOS
TOWN PENSION AND OPEB TRUSTS
OVERSIGHT COMMITTEE REPORT

MEETING DATE: 08/03/2021

ITEM NO: 3

Item 3.

DATE: July 15, 2021
TO: Town Pension and OPEB Trusts Oversight Committee
FROM: Laurel Prevetti, Town Manager
SUBJECT: Receive OPEB Trust Account Summary Quarterly Report for the Period Ending March 31, 2021, CERBT Strategy 1 Performance Report as of May 31, 2021, and OPEB Account Update Report for the California Employers' Retiree Benefit Trust (CERBT).

RECOMMENDATION:

Receive OPEB Trust Account Summary Quarterly Report for the Period Ending March 31, 2021 (Attachment 1), CERBT Strategy 1 Performance Report as of May 31, 2021 (Attachment 2), and OPEB Account Update Report (Attachment 3) for the California Employers' Retiree Benefit Trust (CERBT).

BACKGROUND:

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

DISCUSSION:

As of May 31, 2021, the CERBT Strategy 1 fund returned 1.25% net of fees for the month and 25.62% net of fees fiscal year to date. The ending account balance as of December 31, 2020 was \$24,064,162.63.

Attachments:

1. CERBT 115 Trust Account Summary as of March 31, 2021
2. CERBT 115 Trust Strategy 1 Performance Report as of May 31, 2021
3. CERBT Account Update

PREPARED BY: Arn Andrews
Assistant Town Manager

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

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Market Value Summary:

	QTD Current Period	Fiscal Year to Date
Beginning Balance	\$23,560,833.39	\$20,124,350.96
Contribution	0.00	0.00
Disbursement	0.00	0.00
Transfer In	0.00	0.00
Transfer Out	0.00	0.00
Investment Earnings	508,965.19	3,954,721.94
Administrative Expenses	(2,895.46)	(8,252.75)
Investment Expense	(2,740.49)	(6,657.52)
Other	0.00	0.00
Ending Balance	\$24,064,162.63	\$24,064,162.63
FY End Contrib per GASB 74 Para 22	0.00	0.00
FY End Disbursement Accrual	0.00	0.00
Grand Total	\$24,064,162.63	\$24,064,162.63

Unit Value Summary:

	QTD Current Period	Fiscal Year to Date
Beginning Units	1,154,205.292	1,154,205.292
Unit Purchases from Contributions	0.000	0.000
Unit Sales for Withdrawals	0.000	0.000
Unit Transfer In	0.000	0.000
Unit Transfer Out	0.000	0.000
Ending Units	1,154,205.292	1,154,205.292
Period Beginning Unit Value	20.413035	17.435677
Period Ending Unit Value	20.849118	20.849118

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

Statement of Transaction Detail for the Quarter Ending 03/31/2021

Town of Los Gatos

Entity #: SKB0-4589482285



Item 3.

Date	Description	Amount	Unit Value	Units	Check/Wire	Notes
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California Employers' Retiree Benefit Trust (CERBT)

CERBT Strategy 1

May 31, 2021

**Objective**

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

Strategy

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

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

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

Assets Under Management

as of the specified reporting month-end:

CERBT Strategy 1	Annual Operating Ratio
\$12,718,933,819	0.10%

Composition**Asset Class Allocations and Benchmarks**

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

Asset Class	Target Allocation ¹	Target Range	Benchmark
Global Equity	59%	± 5%	MSCI All Country World Index IMI (Net)
Fixed Income	25%	± 5%	Bloomberg Barclays Long Liability Index
Treasury Inflation-Protected Securities ("TIPS")	5%	± 3%	Bloomberg Barclays US TIPS Index, Series L
Real Estate Investment Trusts ("REITs")	8%	± 5%	FTSE EPRA/NAREIT Developed Index (Net)
Commodities	3%	± 3%	S&P GSCI Total Return Index
Cash	-	+ 2%	91-Day Treasury Bill

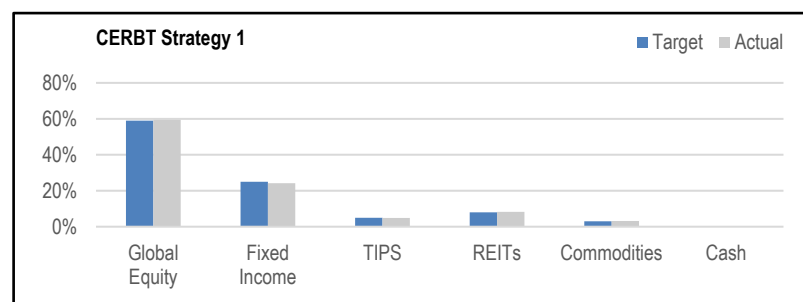
¹ Allocations were approved by the Board at the May 2018 Investment Committee meeting.

Portfolio Benchmark

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

Target vs. Actual Asset Class Allocations

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

**CERBT Strategy 1 Performance as of May 31, 2021**

	1 Month	3 Months	Fiscal YTD	1 Year	3 Years*	5 Years*	10 Years*	Since Inception* (June 1, 2007)
Gross Return ^{1,3}	1.26%	6.24%	25.72%	28.95%	11.35%	10.75%	8.11%	6.22%
Net Return ^{2,3}	1.25%	6.22%	25.62%	28.84%	11.26%	10.66%	8.00%	6.14%
Benchmark Returns	1.28%	6.23%	25.55%	28.72%	11.07%	10.36%	7.83%	5.79%
Standard Deviation ⁴	-	-	-	-	12.91%	10.41%	10.07%	12.78%

* Returns for periods greater than one year are annualized.

¹ Gross returns are net of SSGA operating expenses.

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

³ Performance is reported in more detail on page 2 of this document.

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

CERBT Strategy 1

May 31, 2021



General Information

Information Accessibility

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

Portfolio Manager Information

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

Custodian and Record Keeper

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

Expenses

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

What Employers Own

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

Price

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

Principal Risks of the Portfolio

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

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

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

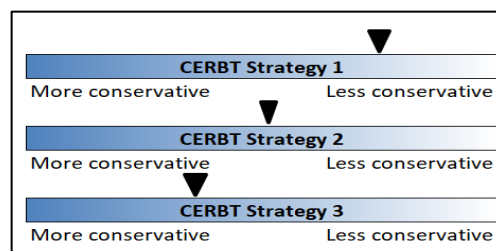
Fund Performance

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

CERBT Strategy Risk Levels

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

Asset Class Target Allocations	Strategy 1	Strategy 2	Strategy 3
Global Equity	59%	40%	22%
Fixed Income	25%	43%	49%
Treasury Inflation-Protected Securities	5%	5%	16%
Real Estate Investment Trusts	8%	8%	8%
Commodities	3%	4%	5%



CERBT Account Update

Town of Los Gatos

as of March 31, 2021



OPEB Valuation Report Summary

OPEB Actuarial Valuation Report by Bartel Associates, LLC	
Valuation Date	6/30/2017
Total OPEB Liability (TOL)	\$24,773,000
Valuation Assets	\$13,605,000
Net OPEB Liability (NOL)	\$11,168,000
Funded Status	55%
Actuarially Determined Contribution (ADC)	\$2,108,000
CERBT Asset Allocation Strategy	Strategy 1
Discount Rate	6.75%

CERBT Account Summary

As of March 31, 2021	Strategy 1
Initial contribution (06/29/2009)	\$400,000
Additional contributions	\$14,160,000
Disbursements	\$0
CERBT expenses	(\$96,870)
Investment earnings	\$9,601,033
Total assets	\$24,064,163
Annualized net rate of return (06/29/2009-03/31/2021 = 11.76 years)	9.26%

Cash Flow Summary by Fiscal Year

Fiscal Year	Contributions	Disbursements	Cumulative Investment Gains (Losses)	Cumulative Fees	Cumulative Ending Assets
2006-07	\$0	\$0	\$0	\$0	\$0
2007-08	\$0	\$0	\$0	\$0	\$0
2008-09	\$400,000	\$0	(\$28)	(\$2)	\$399,971
2009-10	\$550,000	\$0	\$60,907	(\$462)	\$1,010,445
2010-11	\$0	\$0	\$312,877	(\$1,958)	\$1,260,919
2011-12	\$1,910,000	\$0	\$416,755	(\$4,373)	\$3,272,382
2012-13	\$1,200,000	\$0	\$815,342	(\$9,740)	\$4,865,602
2013-14	\$1,300,000	\$0	\$1,717,930	(\$17,124)	\$7,060,806
2014-15	\$1,300,000	\$0	\$1,709,948	(\$24,242)	\$8,345,705
2015-16	\$1,500,000	\$0	\$1,828,698	(\$31,133)	\$9,957,565
2016-17	\$2,600,000	\$0	\$2,881,199	(\$39,994)	\$13,601,205
2017-18	\$1,600,000	\$0	\$3,968,811	(\$52,247)	\$16,276,565
2018-19	\$1,100,000	\$0	\$4,985,901	(\$66,129)	\$18,379,772
2019-20	\$1,100,000	\$0	\$5,646,311	(\$81,960)	\$20,124,351
as of 3/31/2021	\$0	\$0	\$9,601,033	(\$96,870)	\$24,064,163

CERBT/ CEPPT Investment Returns Outperform Benchmarks

Periods ended February 28, 2021

Fund	Assets	1 Month	3 Months	FYTD	1 Year	3 Years	5 Years	10 Years	ITD
CERBT Strategy 1 (Inception June 1, 2007)	\$11,797,094,997	1.44%	4.61%	18.33%	20.42%	9.40%	11.03%	7.70%	5.87%
Benchmark		1.43%	4.56%	18.19%	20.01%	9.12%	10.60%	7.42%	5.44%
CERBT Strategy 2 (Inception October 1, 2011)	\$1,705,837,808	0.55%	2.58%	12.68%	14.64%	8.72%	9.36%	-	8.06%
Benchmark		0.54%	2.53%	12.55%	14.34%	8.50%	8.95%	-	7.76%
CERBT Strategy 3 (Inception January 1, 2012)	\$797,491,056	-0.17%	1.14%	8.23%	9.75%	7.78%	7.58%	-	6.28%
Benchmark		-0.17%	1.10%	8.14%	9.50%	7.62%	7.22%	-	5.97%
CERBT Total	\$14,300,423,861								
CEPPT Strategy 1 (Inception October 1, 2019)	\$19,364,172	0.47%	2.58%	12.15%	14.29%	-	-	-	10.94%
Benchmark		0.60%	2.64%	12.05%	14.41%	-	-	-	11.05%
CEPPT Strategy 2 (Inception January 1, 2020)	\$10,034,968	-0.52%	0.21%	4.87%	6.62%	-	-	-	6.61%
Benchmark		-0.46%	0.13%	4.69%	6.45%	-	-	-	6.44%
CEPPT Total	\$29,399,140								

CERBT Expected Rates of Return & Risk

Portfolios	CERBT Strategy 1	CERBT Strategy 2	CERBT Strategy 3
Expected Return	7.59%	7.01%	6.22%
Risk	11.83%	9.24%	7.28%

CERBT Portfolio Details

Asset Classification	Benchmark	CERBT Strategy 1	CERBT Strategy 2	CERBT Strategy 3
Global Equity	MSCI All Country World Index	59% ±5%	40% ±5%	22% ±5%
Fixed Income	Barclays Capital Long Liability Index (CERBT)	25% ±5%	43% ±5%	49% ±5%
Global Real Estate (REITs)	FTSE EPRA/NAREIT Developed Liquid Index	8% ±5%	8% ±5%	8% ±5%
Treasury Inflation Protected Securities (TIPS)	Barclays Capital Global Real: US TIPS Index	5% ±3%	5% ±3%	16% ±3%
Commodities	S&P GSCI Total Return Index	3% ±3%	4% ±3%	5% ±3%
Cash	3-Month Treasury Bill	0% +2%	0% +2%	0% +2%

Total Participation Cost Fee Rate

- Total all-inclusive cost of participation
 - Combines administrative, custodial, and investment fees
 - Separate trust funds
 - Self-funded, fee rate may change in the future
 - Fee is applied daily to assets under management
 - 10 basis points - CERBT
 - 25 basis points - CEPPT

CERBT/CEPPT Consistently Low Fee Rate History

Fiscal Year	CERBT	CEPPT
2007-2008	2.00 basis points	-
2008-2009	6.00 basis points	-
2009-2010	9.00 basis points	-
2010-2011	12.00 basis points	-
2011-2012	12.00 basis points	-
2012-2013	15.00 basis points	-
2013-2014	14.00 basis points	-
2014-2015	10.00 basis points	-
2015-2016	10.00 basis points	-
2016-2017	10.00 basis points	-
2017-2018	10.00 basis points	-
2018-2019	10.00 basis points	-
2019-2020	10.00 basis points	25.00 basis points
2020-2021	10.00 basis points	25.00 basis points

586 Prefunding Program Employers

580 CERBT and 30 CEPPT

- State of California
- 151 Cities or Towns
- 12 Counties
- 73 School Employers
- 31 Courts
- 319 Special Districts and other Public Agencies
 - (97 Water, 34 Sanitation, 33 Fire, 24 Transportation)

Financial Reporting

- CERBT is the Plan
 - Provides audited and compliant GASB 74 report in a Schedule of Changes in Fiduciary Net Position (FNP)
 - Published in February each year

FNP Fiscal Year	Availability
2015-16	Available at https://www.calpers.ca.gov/cerbt
2016-17	
2017-18	
2018-19	
2019-20	

Questions? Where to Get Trust Fund Information?

Name	Title	E-mail	Desk	Mobile
Matt Goss	Outreach & Support Program Manager	Matthew.Goss@calpers.ca.gov	(916) 795-9071	(916) 382-6487
Karen Lookingbill	Outreach & Support Manager	Karen.Lookingbill@calpers.ca.gov	(916) 795-1387	(916) 501-2219
Jasper Jacobs	Outreach & Support Analyst	Jasper.Jacobs@calpers.ca.gov	(916) 795-0432	(916) 717-3886
Jean MacDonald	Outreach & Support Analyst	Jean.MacDonald@calpers.ca.gov	(916) 795-0675	(916) 291-1325
Colleen Cain-Herrback	Administration & Reporting Program Manager	Colleen.Cain-Herrback@calpers.ca.gov	(916) 795-2474	(916) 505-2506
Robert Sharp	Assistant Division Chief	Robert.Sharp@calpers.ca.gov	(916) 795-3878	(916) 397-0756

Program E-mail Addresses	Prefunding Programs Webpages
CERBT4U@calpers.ca.gov – Questions & Document Submittal	www.calpers.ca.gov/CERBT
CEPPT4U@calpers.ca.gov – Questions & Document Submittal	www.calpers.ca.gov/CEPPT
CERBTACCOUNT@calpers.ca.gov – Online Record Keeping System	



**TOWN OF LOS GATOS
FINANCE COMMISSION REPORT**

MEETING DATE: 08/09/2021

ITEM NO: 4

Item 4.

DATE: July 29, 2021
TO: Finance Commission
FROM: Laurel Prevetti, Town Manager
SUBJECT: Receive CalPERS Preliminary Investment Return for FY 2020/21

RECOMMENDATION:

Receive CalPERS Preliminary Investment Return for FY 2020/21.

DISCUSSION:

Attachment 1 contains information provided to the Town Council on August 3, 2021.

Attachments:

1. CalPERS Return

PREPARED BY: Arn Andrews
Assistant Town Manager

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



TOWN OF LOS GATOS
TOWN PENSION AND OPEB TRUSTS
OVERSIGHT COMMITTEE REPORT

MEETING DATE: 08/03/2021

ITEM NO: 2

Item 4.

DATE: July 14, 2021
TO: Town Pension and OPEB Trusts Oversight Committee
FROM: Laurel Prevetti, Town Manager
SUBJECT: Receive CalPERS Preliminary Investment Return for FY 2020/21

RECOMMENDATION:

Receive CalPERS Preliminary Investment Return for FY 2020/21.

DISCUSSION:

Attachment 1 contains the CalPERS press release announcing a preliminary 21.3% investment return for FY 2020/21 and subsequent reduction of the discount rate from 7.0% to 6.8% per the Funding Risk Mitigation Policy.

Attachments:

1. CalPERS Press Release

PREPARED BY: Arn Andrews
Assistant Town Manager

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

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CalPERS Reports Preliminary 21.3% Investment Returns for Fiscal Year 2020-21; Strong Returns Trigger Reduction in Discount Rate to 6.8%

July 12, 2021

Communications & Stakeholder Relations

Contact: Megan White, Information Officer

(916) 795-3991 - newsroom@calpers.ca.gov

Sacramento, Calif. – CalPERS today reported a preliminary 21.3% net return on investments for the 12-month period that ended June 30, 2021. CalPERS assets at the end of the fiscal year stood at more than \$469 billion. The preliminary 21.3% return lagged behind the fiscal year total fund benchmark of 21.7%.

Under the Funding Risk Mitigation Policy (PDF), approved by the CalPERS Board of Administration in 2015, the double-digit return will trigger a reduction in the discount rate used to calculate employer and Public Employees' Pension Reform Act (PEPRA) member contributions. The discount rate, or assumed rate of return, will drop to 6.8%, from its current level of 7%.

The Funding Risk Mitigation Policy lowers the discount rate in years of good investment returns. This is the first time it has been triggered.

The 21.3% 2020-21 fiscal year return for the Public Employees' Retirement Fund (PERF) were driven by Private Equity and Public Equity, with net returns of 43.8% and 36.3%, respectively.

Based on these preliminary fiscal year returns, the funded status of the overall PERF is an estimated 82%. This estimate is based on a 7% discount rate. Under the new 6.8% discount rate, however, the funded status of the overall PERF drops to 80%. This is because existing assets are assumed to grow at a slightly slower rate annually into the future. As intended under the Funding Risk Mitigation Policy, the lower discount rate increases the likelihood that CalPERS can reach its target over the longer term.

ATTACHMENT 1

The CalPERS Board of Administration will continue to review the discount rate through its Liability Management process during the rest of the calendar year.

Item 4.

"Our investment team has done an outstanding job of capturing strong returns in this very dynamic investment environment," said Theresa Taylor, chair of the CalPERS Investment Committee. "These results prove that we have the right investment strategy in place to take full advantage of what the markets have to offer."

"But as pleased as we are with these great returns, let me emphasize that we don't count on this kind of investing environment every year. We know markets go up and down. As a long-term investor, our job is to make sure we have a carefully considered plan to strengthen our fund no matter the economic climate so that we can pay the benefits our members have earned."

The 2020-21 fiscal year returns brings total fund performance to 10.3% for the five-year period, 8.5% for the 10-year period, and 6.9% for the 20-year period. Over the past 30 years, the PERF returned an annualized return of 8.4%.

Today's announcement includes 12-month asset class performance as follows:

Asset Class	Net Rate of Return
Total Fund	21.3%
Public Equity	36.3%
Private Equity	43.8%
Fixed Income	-0.1%
Real Assets	2.6%
Liquidity	0.1%

The official total fund performance numbers go through multiple layers of review and oversight. View the Total Fund and Benchmark Performance Calculation – Wilshire Associates (PDF) for more information.

Returns for real assets and private equity reflect market values through March 31, 2021. Private Equity has been CalPERS' highest returning asset class over longer periods, with 10-year annualized return of 12.0% and 20-year annualized return of 10.1%.

"I'm proud of our investment office and of our ability to execute on our strategy to achieve strong returns in these unprecedented times," said Dan Bienvenue, CalPERS interim chief investment officer. "But I'm also mindful that we're in the middle of determining our asset mix and discount rate for the future. As a long-term investor we're focused on ensuring that our analysis captures realistic projections about the investment outlook over many years and even decades."

Item 4.

CalPERS' 2020-21 final fiscal year investment performance will be calculated based on audited figures and will be reflected in contribution levels for the State of California and school districts in fiscal year 2022-23, and for contracting cities, counties, and special districts in fiscal year 2023-24.

The ending value of the PERF is based on several factors and not investment performance alone. Contributions made to CalPERS from employers and employees, monthly payments made to retirees, investment fees and the performance of its investments, among other factors, all influence the ending total value of the PERF.

About CalPERS

For more than eight decades, CalPERS has built retirement and health security for state, school, and public agency members who invest their lifework in public service. Our pension fund serves more than 2 million members in the CalPERS retirement system and administers benefits for more than 1.5 million members and their families in our health program, making us the largest defined-benefit public pension in the U.S. CalPERS' total fund market value currently stands at approximately \$472 billion. For more information, visit www.calpers.ca.gov.

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**TOWN OF LOS GATOS
FINANCE COMMISSION REPORT**

MEETING DATE: 08/09/2021

ITEM NO: 4

DESK ITEM

Item 4.

DATE: August 9, 2021
TO: Finance Commission
FROM: Laurel Prevetti, Town Manager
SUBJECT: Receive CalPERS Preliminary Investment Return for FY 2020/21

REMARKS:

Attachment 2 contain public comments received after the distribution of the Staff Report.

Attachment received with Staff Report:

1. CalPERS Return

Attachment received with this Desk Item:

2. Public Comment

PREPARED BY: Arn Andrews
Assistant Town Manager

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

-----Original Message-----

From: Phil Koen [REDACTED]
Sent: Monday, August 9, 2021 11:57 AM
To: Laurel Prevetti <LPrevetti@losgatosca.gov>; Arn Andrews <aandrews@losgatosca.gov>
Cc: Ron Dickel [REDACTED]; Kyle Park [REDACTED] Rick Tinsley
[REDACTED]; Loreen Huddleston [REDACTED];
[stacey.del\[REDACTED\]](mailto:stacey.del[REDACTED]) Matthew Hudes <MHudes@losgatosca.gov>; Rob Rennie
<RRennie@losgatosca.gov>
Subject: CALPERs result and impact on unfunded pension liabilities - Agenda item #4

Hello Laurel and Arn,

Based on CALPERs strong results, what is your estimate of the unfunded pension liability if the plans are now projected to be 80% funded? I have a sense that the dollar reduction could be substantial, which is terrific news for the Town. Obviously the additional ADPs were timely and greatly contributed to the reduction in unfunded pension liabilities.

When will the Town receive the new actuarial reports from CALPERs?

Thanks,

Phil Koen



**TOWN OF LOS GATOS
FINANCE COMMISSION REPORT**

MEETING DATE: 8/9/2021

ITEM NO: 5

Item 5.

DATE: July 30, 2021
TO: Mayor and Town Council
FROM: Laurel Prevetti, Town Manager
SUBJECT: Receive the Fourth Quarter Investment Report (April through June 2021) for Fiscal Year 2020/21.

RECOMMENDATION:

Receive the Fourth Quarter Investment Report (April through June 2021) for Fiscal Year (FY) 2020/21.

DISCUSSION:

As of June 30, 2021, the Town's weighted portfolio yield was 1.37% which trended above the Local Agency Investment Fund (LAIF) yield of 0.26%. This favorable yield differential to LAIF was primarily due to the LAIF portfolio's weighted average maturity (WAM) of 291 days and the Town's longer WAM of 526 days. The Town's weighted average rate of return of 1.37% at the close of the Fourth quarter was 68 basis points lower when compared to the Fourth quarter return of 2.05% in 2020.

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

In mid-June 2021 the Federal Reserve (Fed) released its latest statement announcing no change to its current policy. The Fed said it is committed to keeping the target range for the federal funds rate at 0% to 0.25% as long as labor market conditions and inflation meet the Fed's desired targets.

PREPARED BY: Stephen Conway
Finance Director

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

PAGE 2 OF 2

SUBJECT: Receive the Fourth Quarter Investment Report (April through June 2021) for
Fiscal Year 2020/21

DATE: July 30, 2021

CONCLUSION:

Staff recommends that the Finance Commission receive the Fourth Quarter Investment Report (April through June 2021) for Fiscal Year 2020/21.

Attachment:

1. Fourth Quarter Investment Report for FY 2020/21 (April through June 2021)

**Town of Los Gatos
Summary Investment Information
June 30, 2021**

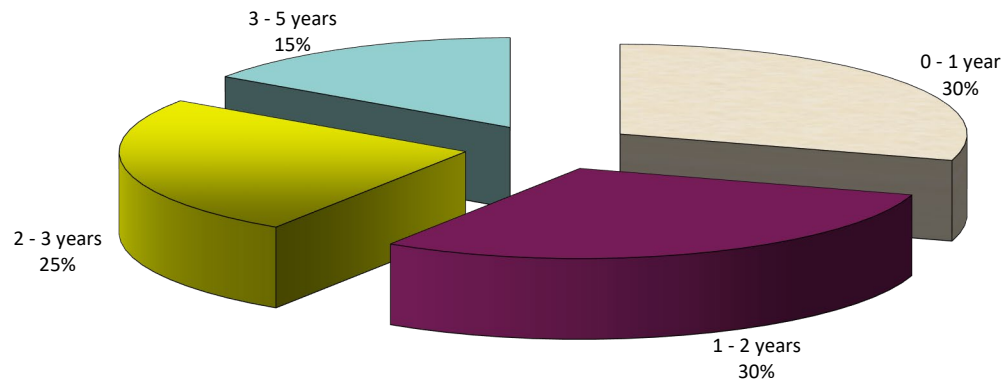
Weighted Average YTM Portfolio Yield: **1.37%** **Weighted Average Maturity (days)** **526**

	<u>This Month</u>	<u>Last Month</u>	<u>One year ago</u>
Portfolio Balance	\$67,951,235	\$64,959,658	\$72,013,634

Benchmarks/ References:

Town's Average Yield	1.37%	1.40%	2.05%
LAIF Yield for month	0.26%	0.32%	2.43%
3 mo. Treasury	0.05%	0.02%	2.09%
6 mo. Treasury	0.06%	0.04%	2.10%
2 yr. Treasury	0.25%	0.15%	1.76%
5 yr. Treasury (most recent)	0.89%	0.80%	1.77%
10 Yr. Treasury	1.50%	1.60%	2.01%

Portfolio Maturity Profile

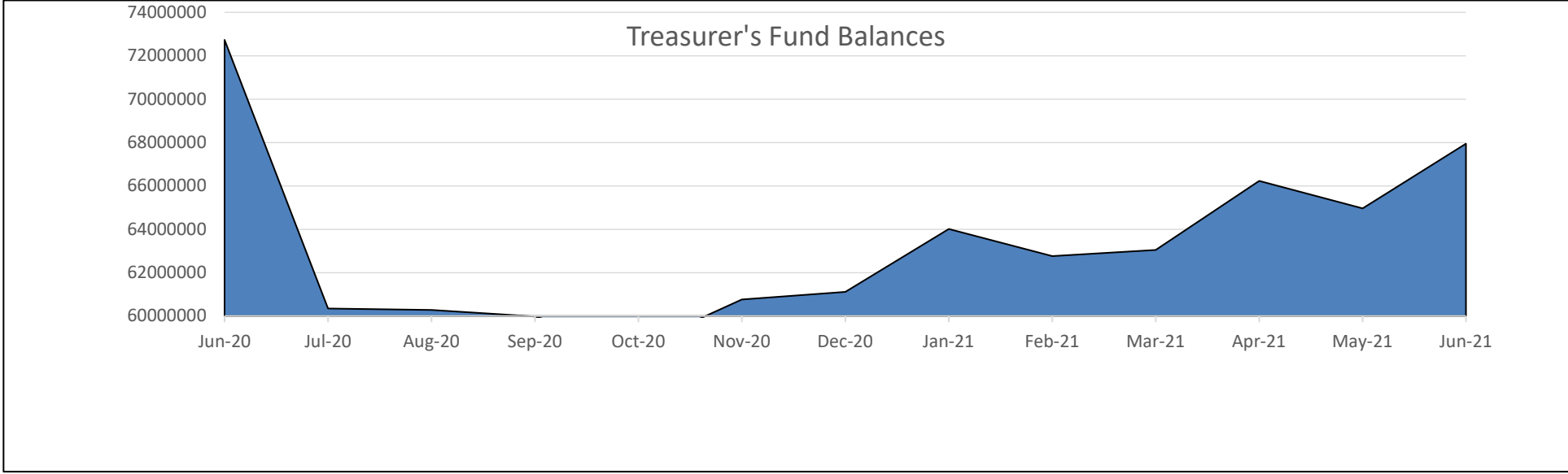
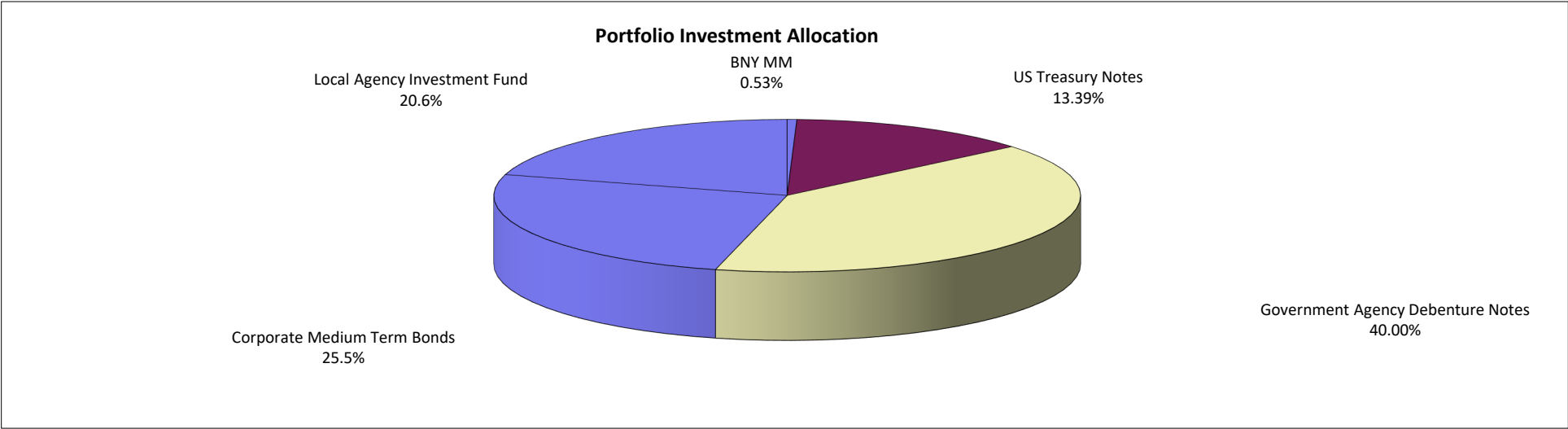


Compliance: The Town's investments are in compliance with the Town's investment policy dated November 3, 2020 and also in compliance with the requirements of Section 53601 of the California State Code. Based on the information available, the Town has sufficient funds to meet the cash demands for the next six months.

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

	Month	YTD
Fund Balances - Beginning of Month/Period	\$64,959,658.21	\$72,729,892.43
Receipts	7,229,619.26	54,513,057.07
Disbursements	(4,238,042.38)	(59,291,714.41)
Fund Balances - End of Month/Period	<u>\$67,951,235.09</u>	<u>\$67,951,235.09</u>

Portfolio Allocation:		% of Portfolio	Max. % Or \$ Allowed Per State Law or Policy
BNY MM	\$305,796.61	0.53%	20% of Town Portfolio
US Treasury Notes	\$7,723,182.05	13.39%	No Max. on US Treasuries
Government Agency Debenture Notes	\$23,078,639.75	40.00%	No Max. on Non-Mortgage Backed
Corporate Medium Term Bonds	\$14,708,522.51	25.49%	30% of Town Portfolio
Local Agency Investment Fund	\$11,879,230.16	20.59%	\$75 M per State Law
Subtotal - Investments	57,695,371.08	100.00%	
Reconciled Demand Deposit Balances	<u>10,255,864.01</u>		
Total Treasurer's Fund	<u>\$67,951,235.09</u>		



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

	Beginning Balance	JUNE 21 Deposits Realized Gain/Adj.	JUNE 21 Interest/ Earnings	JUNE 21 Withdrawals	Ending Balance	
Non-Treasury Funds:						
Cert. of Participation 2002 Series A Reserve Fund	\$ 686,267.91		\$ 5.89		\$ 686,273.80	Note 1
Cert. Of Participation 2010 Ser A Lease Pymt Fund	0.39				\$ 0.39	Note 1
Cert. of Participation 2002 Lease Payment Fund	19.71				\$ 19.71	Note 1
Cert. of Participation 2010 Series Reserve Fund	1,298,186.25		7.12		1,298,193.37	Note 2
Total Restricted Funds:	<u>\$ 1,984,474.26</u>	<u>\$ -</u>	<u>\$ 13.01</u>	<u>\$ -</u>	<u>\$ 1,984,487.27</u>	
CEPPT IRS Section 115 Trust	0.00	0.00	0.00	0.00	0.00	
Grand Total COP's and CEPPT Trust	<u>\$ 1,984,474.26</u>	<u>\$ -</u>	<u>\$ 13.01</u>	<u>\$ -</u>	<u>\$ 1,984,487.27</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 po

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

Interest by Month

July 2020	\$78,263.77
August 2020	78,263.76
September 2020	75,077.38
October 2020	71,634.00
November 2020	68,018.31
December 2020	70,285.58
January 2021	69,933.93
February 2021	60,470.54
March 2021	65,158.26
April 2021	60,531.06
May 2021	62,227.07
June 2021	62,363.40
	\$822,227.06

Town of Los Gatos Investment Schedule March
2021

Institution	CUSIP #	Security	Deposit Date	Par Value	Original Cost	Market Value	Purchased Interest	Maturity Date or Call Date	Yield to Maturity or Call	Interest Received to Date	Interest Earned Prior Yrs.	Interest Earned Current FY	Days to Maturity
Treasury	91282CAP6	US Treasury Note	6/30/2021	1,000,000.00	995,390.63	995,703.12	259.56	10/15/2023	0.33%	\$ (259.56)	\$ -	\$ -	837
Toyota Motor Credit	89236TDP7	Corporate Bond	05/20/19	1,100,000.00	1,102,596.00	1,113,676.36		1/11/2022	2.50%	\$ 46,951.67	\$ 30,798.33	\$ 27,620.12	195
Toyota Motor Credit	89236THA6	Corporate Bond	4/12/2021	500,000.00	510,580.00	509,905.44	881.25	8/25/2023	0.45%	\$ (881.25)	\$ -	\$ 494.69	786
American Express Credit Corp.	0258M0EG0	Corporate Bond	4/5/2021	1,000,000.00	1,020,330.00	1,014,576.07	2,400.00	1/31/2022	0.46%	\$ (2,400.00)	\$ -	\$ 553.07	215
FFCB	3133EKMx1	Gov. Agency Debenture	8/2/2019	1,000,000.00	1,014,400.00	1,048,324.35		2/23/2024	1.90%	\$ 40,325.83	\$ 17,466.66	\$ 19,145.14	968
FFCB	3133EMBE1	Gov. Agency Debenture	10/8/2020	1,600,000.00	1,598,000.00	1,593,282.18		3/28/2024	0.34%	\$ 2,253.34	\$ -	\$ 3,903.24	1002
FFCB	3133EMCQ3	Gov. Agency Debenture	10/16/2020	2,000,000.00	1,998,000.00	1,996,418.76		10/13/2024	0.31%	\$ 2,753.33	\$ -	\$ 4,295.55	1201
BankAmerica Corp	06051GHC6	Corporate Bond	10/9/2020	1,300,000.00	1,366,287.00	1,347,252.56		12/20/2023	0.66%	\$ 27,227.92	\$ -	\$ 13,250.31	903
IBM	459200HG9	Corporate Bond	8/8/2019	1,000,000.00	995,010.00	1,016,961.11		8/1/2022	2.05%	\$ 27,760.42	\$ 18,296.32	\$ 20,422.50	397
IBM	459200JY8	Corporate Bond	3/25/2021	1,000,000.00	1,071,040.00	1,065,741.21		5/15/2024	0.71%	\$ 4,166.67	\$ -	\$ 1,964.86	1050
US Treasury	912828R28	US Treasury Note	7/2/2019	500,000.00	497,246.09	512,656.25		4/30/2023	1.77%	\$ 14,859.04	\$ 8,819.78	\$ 8,844.01	669
Freddie Mac	3137EAEN5	Gov. Agency Debenture	7/19/2019	2,000,000.00	2,072,358.00	2,098,372.50		6/19/2023	1.79%	\$ 105,416.67	\$ 34,741.74	\$ 36,543.91	719
FFCB	3133EKVF0	Gov. Agency Debenture	7/22/2019	1,000,000.00	999,630.00	1,026,456.28		1/17/2023	1.89%	\$ 27,864.58	\$ 17,771.06	\$ 18,855.92	566
Treasury	912828L57	US Treasury Note	7/22/2019	1,200,000.00	1,197,988.40	1,224,140.63		9/30/2022	2.09%	\$ 35,516.39	\$ 20,385.25	\$ 21,629.70	457
Freddie Mac	3137EADB2	Gov. Agency Debenture	1/17/2020	2,100,000.00	2,132,039.70	2,125,704.00		1/13/2022	2.12%	\$ 49,320.84	\$ 15,274.50	\$ 33,789.04	197
US Treasury	912828Y20	Gov. Agency Debenture	1/31/2020	1,000,000.00	1,016,601.56	1,000,997.56		7/15/2021	1.47%	\$ 25,096.16	\$ 6,138.62	\$ 14,838.38	15
American Honda	02665WCZ2	Corporate Bond	11/27/2019	1,000,000.00	1,012,410.01	1,049,922.16		6/27/2024	2.12%	\$ 36,733.34	\$ 12,601.45	\$ 21,294.11	1093
JP Morgan Chase	46625HJE1	Gov. Agency Debenture	2/11/2020	900,000.00	934,587.00	932,448.52		9/23/2022	1.74%	\$ 32,662.50	\$ 6,148.83	\$ 16,030.88	450
Honeywell Int'l.	438516BW5	Corporate Bond	11/20/2019	1,000,000.00	1,014,660.00	1,049,861.22		7/15/2024	1.64%	\$ 27,983.33	\$ 12,127.88	\$ 19,850.56	1111
Caterpillar Financial Serv	14913Q2V0	Corporate Bond	2/23/2021	1,000,000.00	1,077,370.00	1,062,791.67		5/17/2024	0.44%	\$ 6,650.00	\$ -	\$ 1,582.27	1052
FNMA	3135G0V75	Gov. Agency Debenture	10/17/2019	1,100,000.00	1,105,833.30	1,143,598.50		7/2/2024	1.63%	\$ 23,581.25	\$ 12,682.51	\$ 18,012.12	1098
US Bancorp	91159HHV5	Corporate Bond	12/24/2019	1,000,000.00	1,049,040.00	1,070,976.45		1/5/2024	2.12%	\$ 37,593.75	\$ 11,183.73	\$ 21,598.20	919
FHLB	3133834G3	Gov. Agency Debenture	3/11/2021	1,400,000.00	1,460,522.00	1,447,096.98		6/9/2023	0.19%	\$ 7,272.22	\$ -	\$ 854.65	709
FFCB	3133EKQA7	Gov. Agency Debenture	10/21/2019	1,000,000.00	1,019,780.00	1,049,633.59		9/10/2024	1.66%	\$ 28,831.11	\$ 11,615.55	\$ 16,757.61	1168
PNC Financial	693476BN2	Corporate Bond	8/15/2019	1,000,000.00	1,029,280.00	1,018,339.57		2/6/2022	2.12%	\$ 51,608.33	\$ 18,589.78	\$ 21,203.97	221
FHLB	313379Q69	Gov. Agency Debenture	7/22/2019	1,000,000.00	1,006,960.00	1,019,100.00		6/10/2022	1.87%	\$ 40,020.83	\$ 17,755.82	\$ 18,839.75	345
FNMA	3135G0V59	Gov. Agency Debenture	11/27/2019	1,540,000.00	1,562,924.44	1,565,565.71		4/12/2022	1.61%	\$ 47,643.75	\$ 14,793.93	\$ 24,999.00	286
JP Morgan Chase	46625HJT8	Corporate Bond	9/23/2019	1,400,000.00	1,485,414.00	1,516,382.74		2/1/2024	2.39%	\$ 73,538.89	\$ 26,688.85	\$ 34,667.02	946
American Honda	02665WDH1	Corporate Bond	2/14/2020	600,000.00	603,756.00	617,995.34		5/10/2023	1.75%	\$ 16,445.00	\$ 3,955.80	\$ 10,539.17	679
FHLB	3130AABG2	US Treasury Note	4/15/2019	1,000,000.00	988,250.00	1,007,491.09		11/29/2021	2.34%	\$ 39,791.67	\$ 28,121.02	\$ 23,222.11	152
FNMA	3135G0Q89	Gov. Agency Debenture	2/10/2020	1,000,000.00	998,702.00	1,003,505.48		10/7/2021	1.38%	\$ 15,927.08	\$ 5,614.15	\$ 14,533.09	99
FHLB	3130ALH98	Gov. Agency Debenture	2/26/2021	1,000,000.00	997,610.00	995,449.69		2/26/2024	0.33%	\$ -	\$ -	\$ 1,119.96	971
Treasury	912828M80	US Treasury Note	7/22/2019	1,000,000.00	1,006,175.23	1,025,859.38		11/30/2022	1.81%	\$ 37,158.47	\$ 17,118.04	\$ 18,163.03	518
Treasury	912828U57	US Treasury Note	7/31/2019	1,000,000.00	1,011,875.00	1,043,242.19		11/30/2023	1.84%	\$ 38,958.33	\$ 16,990.40	\$ 18,511.92	883
Treasury	912828X70	US Treasury Note	12/30/2019	1,000,000.00	1,010,589.29	1,044,375.00		4/30/2024	1.75%	\$ 29,703.30	\$ 9,805.98	\$ 19,558.38	1035
Treasury	912828XT2	US Treasury Note	10/31/2019	1,000,000.00	1,015,667.41	1,045,039.06		5/31/2024	1.64%	\$ 31,639.34	\$ 11,040.77	\$ 16,583.87	1066
Wells Fargo	94988J6A0	Corporate Bond	6/24/2020	1,350,000.00	1,370,749.50	1,354,501.35		9/9/2021	0.80%	\$ 18,912.83	\$ 163.99	\$ 9,975.93	71
FFCB	3133EJ3Q0	Gov. Agency Debenture	8/28/2019	1,500,000.00	1,587,503.75	1,592,589.47		12/21/2023	2.12%	\$ 78,223.96	\$ 19,226.80	\$ 22,859.22	904
Freddie Mac	3133EKKT2	Gov. Agency Debenture	6/24/2019	1,550,000.00	1,573,188.00	1,601,460.93		2/8/2023	1.82%	\$ 65,293.75	\$ 29,033.70	\$ 28,487.36	588
Subtotal				\$ 44,640,000.00	\$ 45,510,344.31	\$ 45,947,394.47	\$ 3,540.81			\$ 1,192,145.08	\$ 454,951.22	\$ 625,394.65	
BNY MM			Money Market		305,796.61	305,796.61			0.00%				1
LAIF			State Investment Pool		11,879,230.16	11,879,230.16			0.26%			63,877.49	1
					\$57,695,371.08	\$58,132,421.24				\$ 1,192,145.08	\$ 454,951.22	\$ 689,272.14	

Matured Assets													
FNMA	3133EHYM9	Gov. Agency Debenture	9/21/2017	1,300,000.00	1,295,866.00			9/14/2020	1.61%	\$ 58,120.83	\$ 57,964.67	\$ 4,348.78	
FFCB	3133ELVV3	Gov. Agency Debenture	4/8/2020	1,600,000.00	1,600,000.00			10/8/2020	0.93%	\$ 15,200.00	\$ 3,456.44	\$ 4,164.38	
FNMA	3136G0AW1	Gov. Agency Debenture	12/13/2017	2,000,000.00	2,017,900.00			10/16/2020	2.02%	\$ 133,558.33	\$ 103,715.85	\$ 12,044.42	
BankAmerica Corp	06051GGS2	Corporate Bond	4/30/2020	1,300,000.00	1,302,314.00			10/1/2020	1.21%	\$ 27,826.08	\$ 4,141.23	\$ 6,313.69	
Disney	254687CK0	Corporate Bond	3/4/2020	1,000,000.00	1,029,080.00			2/15/2021	1.39%	\$ 42,625.00	\$ 4,687.49	\$ 9,136.62	
FNMA	3135G0J20	Gov. Agency Debenture	2/10/2020	1,000,000.00	998,882.00			2/26/2021	1.48%	\$ 14,361.11	\$ 5,724.31	\$ 9,784.10	
FFCB	3133EKCS3	Gov. Agency Debenture	3/21/2019	1,400,000.00	1,403,262.00			3/11/2021	2.43%	\$ 70,408.33	\$ 43,563.60	\$ 23,694.12	
Oracle	68389XBL8	Corporate Bond	7/8/2019	1,000,000.00	1,008,880.00			3/25/2021	2.18%	\$ 40,466.67	\$ 21,374.17	\$ 21,792.10	
American Express	0258M0EB1	Corporate Bond	2/11/2020	1,000,000.00	1,007,210.00			4/4/2021	1.66%	\$ 27,750.00	\$ 6,215.30	\$ 12,341.82	
Toyota Motor Credit	89236TCZ6	Corporate Bond	3/13/2020	500,000.00	504,440.00			4/8/2021	1.06%	\$ 10,159.72	\$ 1,599.24	\$ 4,137.48	
Treasury	912828WR7	US Treasury Note	4/2/2019	1,000,000.00	995,625.00			6/30/2021	2.33%	\$ 47,724.45	\$ 28,917.32	\$ 23,197.41	
Total Investments "Matured"												\$ 130,954.92	
Total Interest FY 20_21 Matured and Current												\$ 820,227.06	

Maturity Profile				Amount
	0-1 year			\$24,413,459.97
	1-2 years			\$11,340,460.72
	2-3 years			\$16,803,177.09
	3-5 years		\$	5,138,273.30
				<u>\$57,695,371.08</u>

Market to Cost Position Report

Institution	Amortized Cost
BNY Assets	\$45,510,344.31
BNY MM	305,796.61
LAIF	11,879,230.16
Totals:	\$57,695,371.08

**Town of Los Gatos
Summary Investment Information
May 31, 2021**

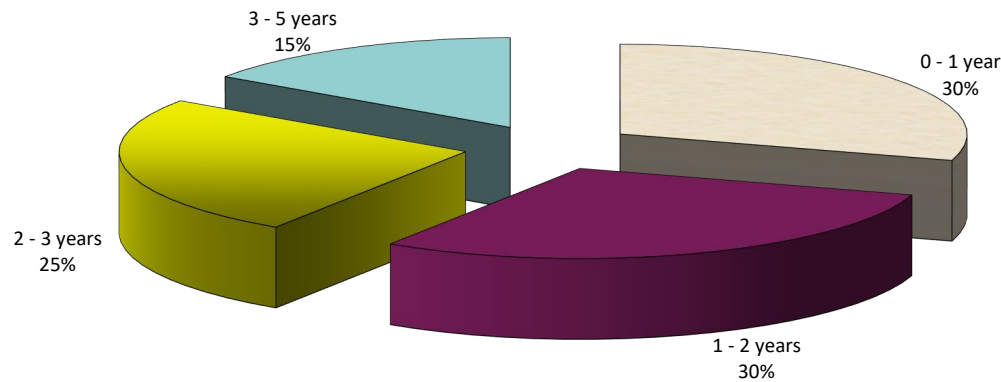
Weighted Average YTM Portfolio Yield: **1.40%** **Weighted Average Maturity (days)** **536**

	<u>This Month</u>	<u>Last Month</u>	<u>One year ago</u>
Portfolio Balance	\$64,959,658	\$66,219,351	\$69,817,884

Benchmarks/ References:

Town's Average Yield	1.40%	1.41%	1.87%
LAIF Yield for month	0.32%	0.34%	1.36%
3 mo. Treasury	0.02%	0.02%	0.15%
6 mo. Treasury	0.04%	0.04%	0.19%
2 yr. Treasury	0.15%	0.16%	0.16%
5 yr. Treasury (most recent)	0.80%	0.85%	0.30%
10 Yr. Treasury	1.60%	1.63%	0.65%

Portfolio Maturity Profile

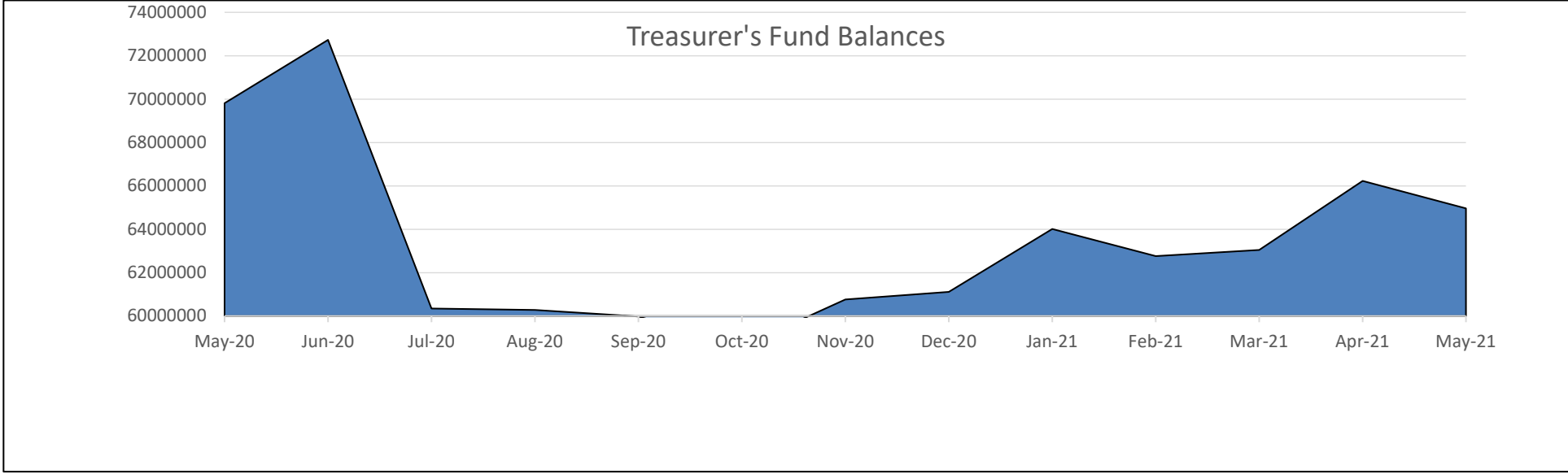
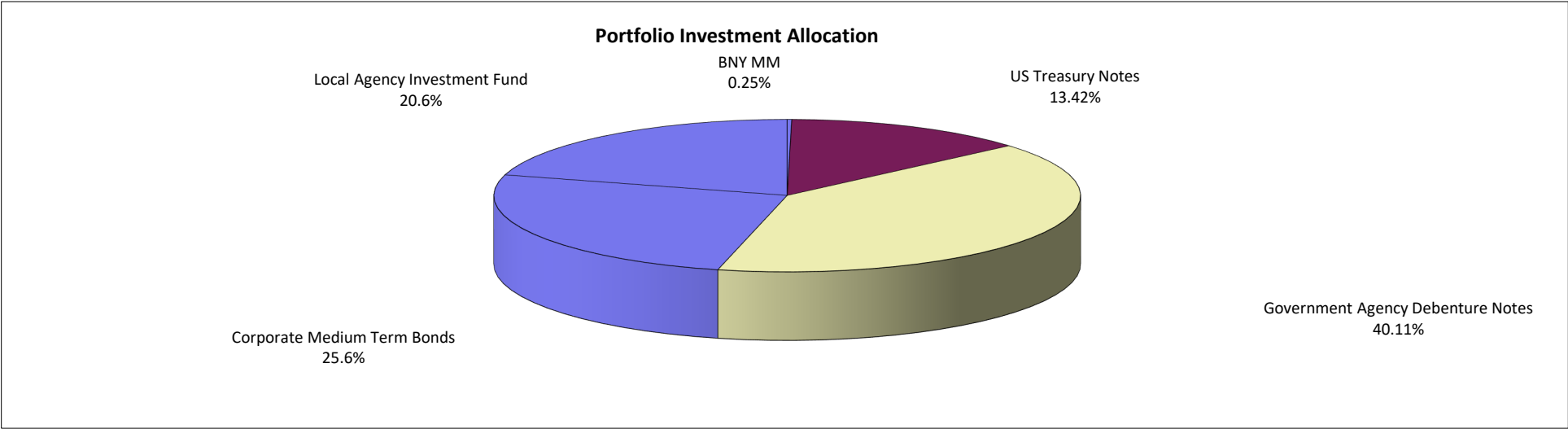


Compliance: The Town's investments are in compliance with the Town's investment policy dated November 3, 2020 and also in compliance with the requirements of Section 53601 of the California State Code. Based on the information available, the Town has sufficient funds to meet the cash demands for the next six months.

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

	Month	YTD
Fund Balances - Beginning of Month/Period	\$66,219,351.32	\$72,729,892.43
Receipts	1,905,002.35	47,283,437.81
Disbursements	(3,164,695.46)	(55,053,672.03)
Fund Balances - End of Month/Period	<u>\$64,959,658.21</u>	<u>\$64,959,658.21</u>

<u>Portfolio Allocation:</u>		% of Portfolio	<u>Max. % Or \$ Allowed Per State Law or Policy</u>
BNY MM	\$144,732.52	0.25%	20% of Town Portfolio
US Treasury Notes	\$7,723,416.42	13.42%	No Max. on US Treasuries
Government Agency Debenture Notes	\$23,078,639.75	40.11%	No Max. on Non-Mortgage Backed
Corporate Medium Term Bonds	\$14,708,522.51	25.56%	30% of Town Portfolio
Local Agency Investment Fund	\$11,879,230.16	20.65%	\$75 M per State Law
Subtotal - Investments	57,534,541.36	100.00%	
Reconciled Demand Deposit Balances	<u>7,425,116.85</u>		
Total Treasurer's Fund	<u>\$64,959,658.21</u>		



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

	Beginning Balance	MAY 21 Deposits Realized Gain/Adj.	MAY 21 Interest/ Earnings	MAY 21 Withdrawals	Ending Balance	
Non-Treasury Funds:						
Cert. of Participation 2002 Series A Reserve Fund	\$ 686,262.21		\$ 5.70		\$ 686,267.91	Note 1
Cert. Of Participation 2010 Ser A Lease Pymt Fund	0.39				\$ 0.39	Note 1
Cert. of Participation 2002 Lease Payment Fund	19.71				\$ 19.71	Note 1
Cert. of Participation 2010 Series Reserve Fund	1,298,175.50		10.75		1,298,186.25	Note 2
Total Restricted Funds:	<u>\$ 1,984,457.81</u>	<u>\$ -</u>	<u>\$ 16.45</u>	<u>\$ -</u>	<u>\$ 1,984,474.26</u>	
CEPPT IRS Section 115 Trust	0.00	0.00	0.00	0.00	0.00	
Grand Total COP's and CEPPT Trust	<u>\$ 1,984,457.81</u>	<u>\$ -</u>	<u>\$ 16.45</u>	<u>\$ -</u>	<u>\$ 1,984,474.26</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 po

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

Interest by Month

July 2020	\$78,263.77
August 2020	78,263.76
September 2020	75,077.38
October 2020	71,634.00
November 2020	68,018.31
December 2020	70,285.58
January 2021	69,933.93
February 2021	60,470.54
March 2021	65,158.26
April 2021	60,531.06
May 2021	62,227.07
June 2021	

\$759,863.66

Town of Los Gatos Investment Schedule March
2021

Institution	CUSIP #	Security	Deposit Date	Par Value	Original Cost	Market Value	Purchased Interest	Maturity Date or Call Date	Yield to Maturity or Call	Interest Received to Date	Interest Earned Prior Yrs.	Interest Earned Current FY	Days to Maturity
Treasury	912828WR7	US Treasury Note	4/2/2019	1,000,000.00	995,625.00	1,001,683.73		6/30/2021	2.33%	\$ 37,099.45	\$ 28,917.32	\$ 21,290.77	30
Toyota Motor Credit	89236TD7	Corporate Bond	05/20/19	1,100,000.00	1,102,596.00	1,116,088.51		1/11/2022	2.50%	\$ 46,951.67	\$ 30,798.33	\$ 25,349.98	225
Toyota Motor Credit	89236THA6	Corporate Bond	4/12/2021	500,000.00	510,580.00	510,785.10	881.25	8/25/2023	0.45%	\$ (881.25)	\$ -	\$ 306.83	816
American Express Credit Corp.	0258M0EG0	Corporate Bond	4/5/2021	1,000,000.00	1,020,330.00	1,016,912.02	2,400.00	1/31/2022	0.46%	\$ (2,400.00)	\$ -	\$ 360.14	245
FFCB	3133EKMx1	Gov. Agency Debenture	8/2/2019	1,000,000.00	1,014,400.00	1,051,816.32		2/23/2024	1.90%	\$ 40,325.83	\$ 17,466.66	\$ 17,571.57	998
FFCB	3133EMBE1	Gov. Agency Debenture	10/8/2020	1,600,000.00	1,598,000.00	1,600,000.75		3/28/2024	0.34%	\$ 2,253.34	\$ -	\$ 3,461.37	1032
FFCB	3133EMCQ3	Gov. Agency Debenture	10/16/2020	2,000,000.00	1,998,000.00	2,000,038.66		10/13/2024	0.31%	\$ 2,753.33	\$ -	\$ 3,794.13	1231
BankAmerica Corp	06051GHC6	Corporate Bond	10/9/2020	1,300,000.00	1,366,287.00	1,352,659.83		12/20/2023	0.66%	\$ 7,701.92	\$ -	\$ 11,744.60	933
IBM	459200HG9	Corporate Bond	8/8/2019	1,000,000.00	995,010.00	1,019,182.42		8/1/2022	2.05%	\$ 27,760.42	\$ 18,296.32	\$ 18,743.94	427
IBM	459200JY8	Corporate Bond	3/25/2021	1,000,000.00	1,071,040.00	1,072,155.33		5/15/2024	0.71%	\$ 4,166.67	\$ -	\$ 1,357.17	1080
US Treasury	912828R28	US Treasury Note	7/2/2019	500,000.00	497,246.09	514,101.56		4/30/2023	1.77%	\$ 14,859.04	\$ 8,819.78	\$ 8,117.11	699
Freddie Mac	3137EAEN5	Gov. Agency Debenture	7/19/2019	2,000,000.00	2,072,358.00	2,105,123.24		6/19/2023	1.79%	\$ 77,916.67	\$ 34,741.74	\$ 33,540.30	749
FFCB	3133EKVF0	Gov. Agency Debenture	7/22/2019	1,000,000.00	999,630.00	1,028,344.75		1/17/2023	1.89%	\$ 27,864.58	\$ 17,771.06	\$ 17,306.12	596
Treasury	912828L57	US Treasury Note	7/22/2019	1,200,000.00	1,197,988.40	1,226,250.00		9/30/2022	2.09%	\$ 35,516.39	\$ 20,385.25	\$ 19,851.92	487
Freddie Mac	3137EADB2	Gov. Agency Debenture	1/17/2020	2,100,000.00	2,132,039.70	2,130,234.83		1/13/2022	2.12%	\$ 49,320.84	\$ 15,274.50	\$ 31,011.86	227
US Treasury	912828Y20	Gov. Agency Debenture	1/31/2020	1,000,000.00	1,016,601.56	1,003,162.29		7/15/2021	1.47%	\$ 25,096.16	\$ 6,138.62	\$ 13,618.79	45
American Honda	02665WCZ2	Corporate Bond	11/27/2019	1,000,000.00	1,012,410.01	1,057,679.76		6/27/2024	2.12%	\$ 36,733.34	\$ 12,601.45	\$ 19,543.91	1123
JP Morgan Chase	46625HJE1	Gov. Agency Debenture	2/11/2020	900,000.00	934,587.00	935,246.37		9/23/2022	1.74%	\$ 32,662.50	\$ 6,148.83	\$ 14,713.28	480
Honeywell Int'l.	438516BW5	Corporate Bond	11/20/2019	1,000,000.00	1,014,660.00	1,056,815.15		7/15/2024	1.64%	\$ 27,983.33	\$ 12,127.88	\$ 18,219.01	1141
Caterpillar Financial Serv	14913Q2V0	Corporate Bond	2/23/2021	1,000,000.00	1,077,370.00	1,070,515.41		5/17/2024	0.44%	\$ 6,650.00	\$ -	\$ 1,208.50	1082
FNMA	3135G0V75	Gov. Agency Debenture	10/17/2019	1,100,000.00	1,105,833.30	1,147,118.90		7/2/2024	1.63%	\$ 23,581.25	\$ 12,682.51	\$ 16,531.67	1128
US Bancorp	91159HHV5	Corporate Bond	12/24/2019	1,000,000.00	1,049,040.00	1,076,150.94		1/5/2024	2.12%	\$ 37,593.75	\$ 11,183.73	\$ 19,823.01	949
FHLB	3133834G3	Gov. Agency Debenture	3/11/2021	1,400,000.00	1,460,522.00	1,454,752.35	7,602.78	6/9/2023	0.19%	\$ (7,602.78)	\$ -	\$ 623.66	739
FFCB	3133EKQA7	Gov. Agency Debenture	10/21/2019	1,000,000.00	1,019,780.00	1,055,627.56		9/10/2024	1.66%	\$ 28,831.11	\$ 11,615.55	\$ 15,380.28	1198
PNC Financial	693476BN2	Corporate Bond	8/15/2019	1,000,000.00	1,029,280.00	1,020,877.13		2/6/2022	2.12%	\$ 51,608.33	\$ 18,589.78	\$ 19,461.18	251
FHLB	313379Q69	Gov. Agency Debenture	7/22/2019	1,000,000.00	1,006,960.00	1,020,889.62		6/10/2022	1.87%	\$ 29,395.83	\$ 17,755.82	\$ 17,291.28	375
FNMA	3135G0V59	Gov. Agency Debenture	11/27/2019	1,540,000.00	1,562,924.44	1,569,244.60		4/12/2022	1.61%	\$ 47,643.75	\$ 14,793.93	\$ 22,944.28	316
JP Morgan Chase	46625HJT8	Corporate Bond	9/23/2019	1,400,000.00	1,485,414.00	1,525,876.35		2/1/2024	2.39%	\$ 73,538.89	\$ 26,688.85	\$ 31,817.67	976
American Honda	02665WDH1	Corporate Bond	2/14/2020	600,000.00	603,756.00	619,302.55		5/10/2023	1.75%	\$ 16,445.00	\$ 3,955.80	\$ 9,672.94	709
FHLB	3130AABG2	US Treasury Note	4/15/2019	1,000,000.00	988,250.00	1,009,081.69		11/29/2021	2.34%	\$ 39,791.67	\$ 28,121.02	\$ 21,313.44	182
FNMA	3135G0Q89	Gov. Agency Debenture	2/10/2020	1,000,000.00	998,702.00	1,004,700.00		10/7/2021	1.38%	\$ 15,927.08	\$ 5,614.15	\$ 13,338.59	129
FHLB	3130ALH98	Gov. Agency Debenture	2/26/2021	1,000,000.00	997,610.00	998,970.20		2/26/2024	0.33%	\$ -	\$ -	\$ 849.00	1001
Treasury	912828M80	US Treasury Note	7/22/2019	1,000,000.00	1,006,175.23	1,028,203.12		11/30/2022	1.81%	\$ 37,158.47	\$ 17,118.04	\$ 16,670.18	548
Treasury	912828U57	US Treasury Note	7/31/2019	1,000,000.00	1,011,875.00	1,047,578.12		11/30/2023	1.84%	\$ 38,958.33	\$ 16,990.40	\$ 16,990.40	913
Treasury	912828X70	US Treasury Note	12/30/2019	1,000,000.00	1,010,589.29	1,049,414.06		4/30/2024	1.75%	\$ 29,703.30	\$ 9,805.98	\$ 17,950.84	1065
Treasury	912828XT2	US Treasury Note	10/31/2019	1,000,000.00	1,015,667.41	1,050,156.25		5/31/2024	1.64%	\$ 31,639.34	\$ 11,040.77	\$ 15,220.81	1096
Wells Fargo	94988J6A0	Corporate Bond	6/24/2020	1,350,000.00	1,370,749.50	1,356,899.97		9/9/2021	0.80%	\$ 18,912.83	\$ 163.99	\$ 9,155.99	101
FFCB	3133EJ3Q0	Gov. Agency Debenture	8/28/2019	1,500,000.00	1,587,503.75	1,598,786.45		12/21/2023	2.12%	\$ 56,661.46	\$ 19,226.80	\$ 20,980.38	934
Freddie Mac	3133EKKT2	Gov. Agency Debenture	6/24/2019	1,550,000.00	1,573,188.00	1,605,029.74		2/8/2023	1.82%	\$ 65,293.75	\$ 29,033.70	\$ 26,145.94	618
Subtotal				\$ 44,640,000.00	\$ 45,510,578.68	\$ 46,107,455.63	\$ 10,884.03			\$ 1,135,415.59	\$ 483,868.54	\$ 593,272.82	
BNY MM			Money Market		144,732.52	144,732.52			0.00%				1
LAIF			State Investment Pool		11,879,230.16	11,879,230.16			0.32%			60,624.47	1
					\$57,534,541.36	\$58,131,418.31				\$ 1,135,415.59	\$ 483,868.54	\$ 653,897.28	

Matured Assets													
FNMA	3133EHYM9	Gov. Agency Debenture	9/21/2017	1,300,000.00	1,295,866.00			9/14/2020	1.61%	\$ 58,120.83	\$ 57,964.67	\$ 4,348.78	
FFCB	3133ELVV3	Gov. Agency Debenture	4/8/2020	1,600,000.00	1,600,000.00			10/8/2020	0.93%	\$ 15,200.00	\$ 3,456.44	\$ 4,164.38	
FNMA	3136G0AW1	Gov. Agency Debenture	12/13/2017	2,000,000.00	2,017,900.00			10/16/2020	2.02%	\$ 133,558.33	\$ 103,715.85	\$ 12,044.42	
BankAmerica Corp	06051GGS2	Corporate Bond	4/30/2020	1,300,000.00	1,302,314.00			10/1/2020	1.21%	\$ 27,826.08	\$ 4,141.23	\$ 6,313.69	
Disney	254687CK0	Corporate Bond	3/4/2020	1,000,000.00	1,029,080.00			2/15/2021	1.39%	\$ 42,625.00	\$ 4,687.49	\$ 9,136.62	
FNMA	3135G0J20	Gov. Agency Debenture	2/10/2020	1,000,000.00	998,882.00			2/26/2021	1.48%	\$ 14,361.11	\$ 5,724.31	\$ 9,784.10	
FFCB	3133EKC33	Gov. Agency Debenture	3/21/2019	1,400,000.00	1,403,262.00			3/11/2021	2.43%	\$ 70,408.33	\$ 43,563.60	\$ 23,694.12	
Oracle	68389XBL8	Corporate Bond	7/8/2019	1,000,000.00	1,008,880.00			3/25/2021	2.18%	\$ 40,466.67	\$ 21,374.17	\$ 20,000.97	
American Express	0258M0EB1	Corporate Bond	2/11/2020	1,000,000.00	1,007,210.00			4/4/2021	1.66%	\$ 27,750.00	\$ 6,215.30	\$ 12,341.82	
Toyota Motor Credit	89236TCZ6	Corporate Bond	3/13/2020	500,000.00	504,440.00			4/8/2021	1.06%	\$ 10,159.72	\$ 1,599.24	\$ 4,137.48	

Total Investments "Matured"	\$ 105,966.38
Total Interest FY 20_21 Matured and Current	\$ 759,863.66

Maturity Profile	Amount
0-1 year	\$24,241,060.88
1-2 years	\$8,814,540.72
2-3 years	\$17,312,589.04
3-5 years	\$ 7,166,350.72
	<u>\$57,534,541.36</u>

Market to Cost Position Report

Institution	Amortized Cost
BNY Assets	\$45,510,578.68
BNY MM	144,732.52
LAIF	11,879,230.16
Totals:	\$57,534,541.36

**Town of Los Gatos
Summary Investment Information
April 30, 2021**

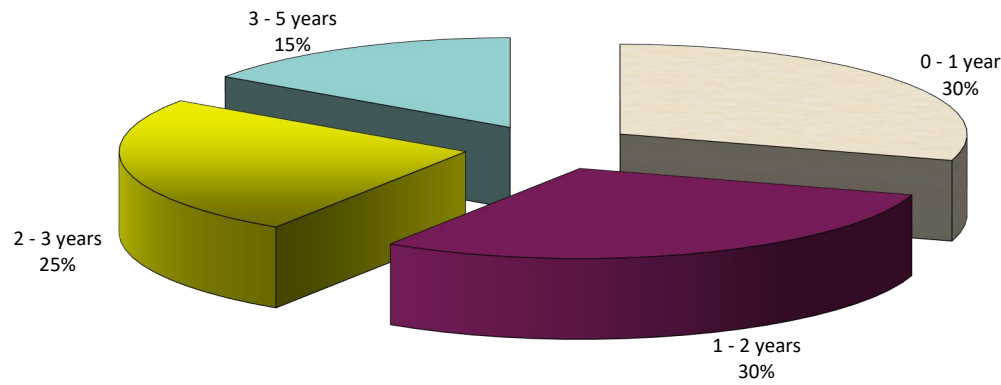
Weighted Average YTM Portfolio Yield: **1.41%** **Weighted Average Maturity (days)** **561**

	<u>This Month</u>	<u>Last Month</u>	<u>One year ago</u>
Portfolio Balance	\$66,219,351	\$63,051,470	\$72,729,892

Benchmarks/ References:

Town's Average Yield	1.41%	1.43%	1.86%
LAIF Yield for month	0.34%	0.36%	1.22%
3 mo. Treasury	0.02%	0.02%	0.15%
6 mo. Treasury	0.04%	0.04%	0.19%
2 yr. Treasury	0.16%	0.16%	0.15%
5 yr. Treasury (most recent)	0.85%	0.94%	0.29%
10 Yr. Treasury	1.63%	1.74%	0.66%

Portfolio Maturity Profile

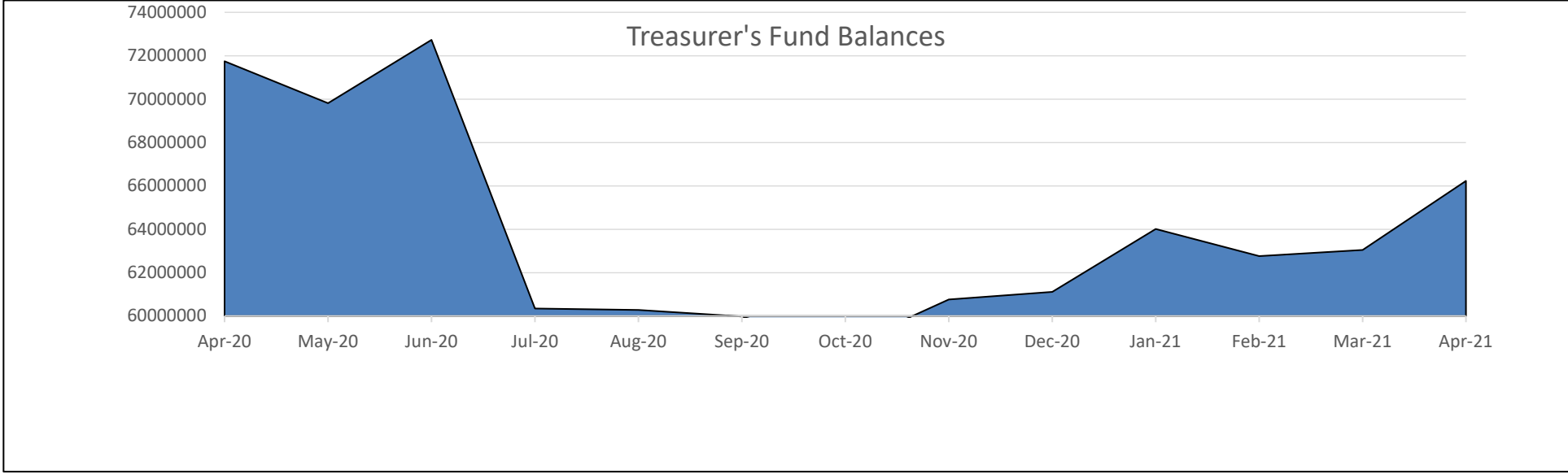
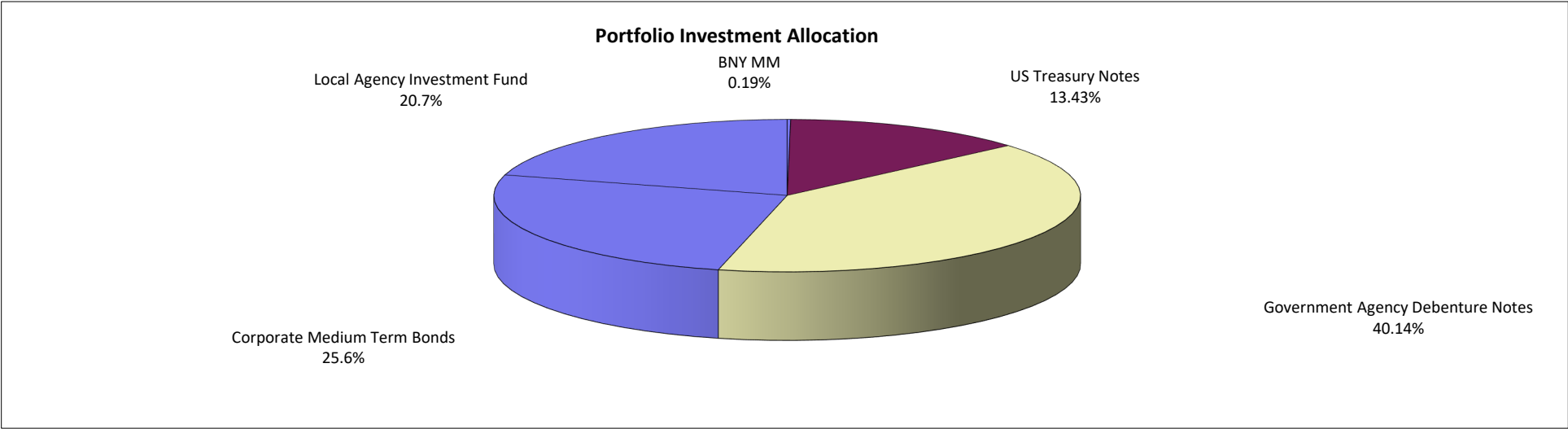


Compliance: The Town's investments are in compliance with the Town's investment policy dated November 3, 2020 and also in compliance with the requirements of Section 53601 of the California State Code. Based on the information available, the Town has sufficient funds to meet the cash demands for the next six months.

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

	Month	YTD
Fund Balances - Beginning of Month/Period	\$63,051,470.37	\$72,729,892.43
Receipts	8,336,252.15	45,378,435.46
Disbursements	(5,168,371.20)	(51,888,976.57)
Fund Balances - End of Month/Period	<u>\$66,219,351.32</u>	<u>\$66,219,351.32</u>

Portfolio Allocation:		% of Portfolio	Max. % Or \$ Allowed Per State Law or Policy
BNY MM	\$109,631.17	0.19%	20% of Town Portfolio
US Treasury Notes	\$7,723,416.42	13.43%	No Max. on US Treasuries
Government Agency Debenture Notes	\$23,078,639.75	40.14%	No Max. on Non-Mortgage Backed
Corporate Medium Term Bonds	\$14,708,522.51	25.58%	30% of Town Portfolio
Local Agency Investment Fund	\$11,879,230.16	20.66%	\$75 M per State Law
Subtotal - Investments	57,499,440.01	100.00%	
Reconciled Demand Deposit Balances	<u>8,719,911.31</u>		
Total Treasurer's Fund	<u>\$66,219,351.32</u>		



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

	Beginning Balance	APR 21 Deposits Realized Gain/Adj.	APR 21 Interest/ Earnings	APR 21 Withdrawals	Ending Balance	
Non-Treasury Funds:						
Cert. of Participation 2002 Series A Reserve Fund	\$ 686,256.32		\$ 5.89		\$ 686,262.21	Note 1
Cert. Of Participation 2010 Ser A Lease Pymt Fund	0.39				\$ 0.39	Note 1
Cert. of Participation 2002 Lease Payment Fund	19.71				\$ 19.71	Note 1
Cert. of Participation 2010 Series Reserve Fund	1,298,163.66		11.84		1,298,175.50	Note 2
Total Restricted Funds:	<u>\$ 1,984,440.08</u>	<u>\$ -</u>	<u>\$ 17.73</u>	<u>\$ -</u>	<u>\$ 1,984,457.81</u>	
CEPPT IRS Section 115 Trust	699,679.04	0.00	7,308.96	706,988.00	0.00	
Grand Total COP's and CEPPT Trust	<u>\$ 2,684,119.12</u>	<u>\$ -</u>	<u>\$ 7,326.69</u>	<u>\$ 706,988.00</u>	<u>\$ 1,984,457.81</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 po

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

Interest by Month

July 2020	\$78,263.77
August 2020	78,263.76
September 2020	75,077.38
October 2020	71,634.00
November 2020	68,018.31
December 2020	70,285.58
January 2021	69,933.93
February 2021	60,470.54
March 2021	65,158.26
April 2021	60,531.06
May 2021	
June 2021	
	<u><u>\$697,636.59</u></u>

Town of Los Gatos Investment Schedule March
2021

Item 5.

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	912828WR7	US Treasury Note	4/2/2019	1,000,000.00	995,625.00	1,003,323.74		6/30/2021	2.33%	\$ 37,099.45	\$ 28,917.32	\$ 19,320.58	61
Toyota Motor Credit	89236TDP7	Corporate Bond	05/20/19	1,100,000.00	1,102,596.00	1,117,589.24		1/11/2022	2.50%	\$ 46,951.67	\$ 30,798.33	\$ 23,004.16	256
Toyota Motor Credit	89236THA6	Corporate Bond	4/12/2021	500,000.00	510,580.00	510,965.18	881.25	8/25/2023	0.45%	\$ (881.25)	\$ -	\$ 112.71	847
American Express Credit Corp.	0258M0EG0	Corporate Bond	4/5/2021	1,000,000.00	1,020,330.00	1,018,588.07	2,400.00	1/31/2022	0.46%	\$ (2,400.00)	\$ -	\$ 160.78	276
FFCB	3133EKMx1	Gov. Agency Debenture	8/2/2019	1,000,000.00	1,014,400.00	1,051,582.36		2/23/2024	1.90%	\$ 40,325.83	\$ 17,466.66	\$ 15,945.54	1029
FFCB	3133EMBE1	Gov. Agency Debenture	10/8/2020	1,600,000.00	1,598,000.00	1,598,347.50		3/28/2024	0.34%	\$ 2,253.34	\$ -	\$ 3,004.76	1063
FFCB	3133EMCQ3	Gov. Agency Debenture	10/16/2020	2,000,000.00	1,998,000.00	1,997,184.48		10/13/2024	0.31%	\$ 2,753.33	\$ -	\$ 3,275.98	1262
BankAmerica Corp	06051GHC6	Corporate Bond	10/9/2020	1,300,000.00	1,366,287.00	1,351,415.00		12/20/2023	0.66%	\$ 7,701.92	\$ -	\$ 10,188.69	964
IBM	459200HG9	Corporate Bond	8/8/2019	1,000,000.00	995,010.00	1,022,020.23		8/1/2022	2.05%	\$ 27,760.42	\$ 18,296.32	\$ 17,009.42	458
IBM	459200JY8	Corporate Bond	3/25/2021	1,000,000.00	1,071,040.00	1,074,720.59	10,833.33	5/15/2024	0.71%	\$ (10,833.33)	\$ -	\$ 729.23	1111
US Treasury	912828R28	US Treasury Note	7/2/2019	500,000.00	497,246.09	514,453.13		4/30/2023	1.77%	\$ 14,859.04	\$ 8,819.78	\$ 7,365.97	730
Freddie Mac	3137EAEN5	Gov. Agency Debenture	7/19/2019	2,000,000.00	2,072,358.00	2,108,332.42		6/19/2023	1.79%	\$ 77,916.67	\$ 34,741.74	\$ 30,436.57	780
FFCB	3133EKVF0	Gov. Agency Debenture	7/22/2019	1,000,000.00	999,630.00	1,029,526.58		1/17/2023	1.89%	\$ 27,864.58	\$ 17,771.06	\$ 15,704.66	627
Treasury	912828L57	US Treasury Note	7/22/2019	1,200,000.00	1,197,988.40	1,227,843.74		9/30/2022	2.09%	\$ 35,516.39	\$ 20,385.25	\$ 18,014.88	518
Freddie Mac	3137EADB2	Gov. Agency Debenture	1/17/2020	2,100,000.00	2,132,039.70	2,134,024.03		1/13/2022	2.12%	\$ 49,320.84	\$ 15,274.50	\$ 28,142.11	258
US Treasury	912828Y20	Gov. Agency Debenture	1/31/2020	1,000,000.00	1,016,601.56	1,005,191.37		7/15/2021	1.47%	\$ 25,096.16	\$ 6,138.62	\$ 12,358.57	76
American Honda	02665WCZ2	Corporate Bond	11/27/2019	1,000,000.00	1,012,410.01	1,053,864.56		6/27/2024	2.12%	\$ 36,733.34	\$ 12,601.45	\$ 17,735.37	1154
JP Morgan Chase	46625HJE1	Gov. Agency Debenture	2/11/2020	900,000.00	934,587.00	937,042.47		9/23/2022	1.74%	\$ 32,662.50	\$ 6,148.83	\$ 13,351.75	511
Honeywell Int'l.	438516BW5	Corporate Bond	11/20/2019	1,000,000.00	1,014,660.00	1,056,218.16		7/15/2024	1.64%	\$ 27,983.33	\$ 12,127.88	\$ 16,533.07	1172
Caterpillar Financial Serv	14913Q2V0	Corporate Bond	2/23/2021	1,000,000.00	1,077,370.00	1,069,735.67	7,600.00	5/17/2024	0.44%	\$ (7,600.00)	\$ -	\$ 822.28	1113
FNMA	3135G0V75	Gov. Agency Debenture	10/17/2019	1,100,000.00	1,105,833.30	1,148,545.76		7/2/2024	1.63%	\$ 23,581.25	\$ 12,682.51	\$ 15,001.87	1159
US Bancorp	91159HHV5	Corporate Bond	12/24/2019	1,000,000.00	1,049,040.00	1,078,602.58		1/5/2024	2.12%	\$ 37,593.75	\$ 11,183.73	\$ 17,988.64	980
FHLB	3133834G3	Gov. Agency Debenture	3/11/2021	1,400,000.00	1,460,522.00	1,456,405.94	7,602.78	6/9/2023	0.19%	\$ (7,602.78)	\$ -	\$ 384.98	770
FFCB	3133EKQA7	Gov. Agency Debenture	10/21/2019	1,000,000.00	1,019,780.00	1,055,216.60		9/10/2024	1.66%	\$ 28,831.11	\$ 11,615.55	\$ 13,957.03	1229
PNC Financial	693476BN2	Corporate Bond	8/15/2019	1,000,000.00	1,029,280.00	1,023,051.21		2/6/2022	2.12%	\$ 51,608.33	\$ 18,589.78	\$ 17,660.30	282
FHLB	313379Q69	Gov. Agency Debenture	7/22/2019	1,000,000.00	1,006,960.00	1,020,186.08		6/10/2022	1.87%	\$ 29,395.83	\$ 17,755.82	\$ 15,691.19	406
FNMA	3135G0V59	Gov. Agency Debenture	11/27/2019	1,540,000.00	1,562,924.44	1,571,672.83		4/12/2022	1.61%	\$ 47,643.75	\$ 14,793.93	\$ 20,821.08	347
JP Morgan Chase	46625HJT8	Corporate Bond	9/23/2019	1,400,000.00	1,485,414.00	1,527,364.79		2/1/2024	2.39%	\$ 73,538.89	\$ 26,688.85	\$ 28,873.35	1007
American Honda	02665WDH1	Corporate Bond	2/14/2020	600,000.00	603,756.00	618,389.64		5/10/2023	1.75%	\$ 10,595.00	\$ 3,955.80	\$ 8,777.83	740
FHLB	3130AABG2	US Treasury Note	4/15/2019	1,000,000.00	988,250.00	1,010,458.05		11/29/2021	2.34%	\$ 30,416.67	\$ 28,121.02	\$ 19,341.15	213
FNMA	3135G0Q89	Gov. Agency Debenture	2/10/2020	1,000,000.00	998,702.00	1,005,724.80		10/7/2021	1.38%	\$ 15,927.08	\$ 5,614.15	\$ 12,104.27	160
FHLB	3130ALH98	Gov. Agency Debenture	2/26/2021	1,000,000.00	997,610.00	997,467.01		2/26/2024	0.33%	\$ -	\$ -	\$ 569.01	1032
Treasury	912828M80	US Treasury Note	7/22/2019	1,000,000.00	1,006,175.23	1,029,531.25		11/30/2022	1.81%	\$ 27,158.47	\$ 17,118.04	\$ 15,127.57	579
Treasury	912828U57	US Treasury Note	7/31/2019	1,000,000.00	1,011,875.00	1,048,046.88		11/30/2023	1.84%	\$ 28,333.33	\$ 16,990.40	\$ 15,418.15	944
Treasury	912828X70	US Treasury Note	12/30/2019	1,000,000.00	1,010,589.29	1,049,492.19		4/30/2024	1.75%	\$ 29,703.30	\$ 9,805.98	\$ 16,289.72	1096
Treasury	912828XT2	US Treasury Note	10/31/2019	1,000,000.00	1,015,667.41	1,050,273.44		5/31/2024	1.64%	\$ 21,639.34	\$ 11,040.77	\$ 13,812.32	1127
Wells Fargo	94988J6A0	Corporate Bond	6/24/2020	1,350,000.00	1,370,749.50	1,358,434.50		9/9/2021	0.80%	\$ 18,912.83	\$ 163.99	\$ 8,308.72	132
FFCB	3133EJ3Q0	Gov. Agency Debenture	8/28/2019	1,500,000.00	1,587,503.75	1,601,287.53		12/21/2023	2.12%	\$ 56,661.46	\$ 19,226.80	\$ 19,038.91	965
Freddie Mac	3133EKKT2	Gov. Agency Debenture	6/24/2019	1,550,000.00	1,573,188.00	1,607,673.22		2/8/2023	1.82%	\$ 65,293.75	\$ 29,033.70	\$ 23,726.46	649
Subtotal				\$ 44,640,000.00	\$ 45,510,578.68	\$ 46,139,792.82	\$ 29,317.36			\$ 1,060,315.59	\$ 483,868.54	\$ 536,109.60	
BNY MM			Money Market		109,631.17	109,631.17			0.00%				1
LAIF			State Investment Pool		11,879,230.16	11,879,230.16			0.34%			57,411.44	1
					\$57,499,440.01	\$58,128,654.15				\$ 1,060,315.59	\$ 483,868.54	\$ 593,521.04	

Matured Assets												
FNMA	3133EHYM9	Gov. Agency Debenture	9/21/2017	1,300,000.00	1,295,866.00			9/14/2020	1.61%	\$ 58,120.83	\$ 57,964.67	\$ 4,348.78
FFCB	3133ELVV3	Gov. Agency Debenture	4/8/2020	1,600,000.00	1,600,000.00			10/8/2020	0.93%	\$ 15,200.00	\$ 3,456.44	\$ 4,164.38
FNMA	3136G0AW1	Gov. Agency Debenture	12/13/2017	2,000,000.00	2,017,900.00			10/16/2020	2.02%	\$ 133,558.33	\$ 103,715.85	\$ 12,044.42
BankAmerica Corp	06051GGS2	Corporate Bond	4/30/2020	1,300,000.00	1,302,314.00			10/1/2020	1.21%	\$ 27,826.08	\$ 4,141.23	\$ 6,313.69
Disney	254687CK0	Corporate Bond	3/4/2020	1,000,000.00	1,029,080.00			2/15/2021	1.39%	\$ 42,625.00	\$ 4,687.49	\$ 9,136.62
FNMA	3135G0J20	Gov. Agency Debenture	2/10/2020	1,000,000.00	998,882.00			2/26/2021	1.48%	\$ 14,361.11	\$ 5,724.31	\$ 9,784.10
FFCB	3133EKCS3	Gov. Agency Debenture	3/21/2019	1,400,000.00	1,403,262.00			3/11/2021	2.43%	\$ 70,408.33	\$ 43,563.60	\$ 23,694.12
Oracle	68389XBL8	Corporate Bond	7/8/2019	1,000,000.00	1,008,880.00			3/25/2021	2.18%	\$ 40,466.67	\$ 21,374.17	\$ 18,150.13
American Express	0258M0EB1	Corporate Bond	2/11/2020	1,000,000.00	1,007,210.00			4/4/2021	1.66%	\$ 16,500.00	\$ 6,215.30	\$ 12,341.82
Toyota Motor Credit	89236TCZ6	Corporate Bond	3/13/2020	500,000.00	504,440.00			4/8/2021	1.06%	\$ 10,159.72	\$ 1,599.24	\$ 4,137.48

Total Investments "Matured"	\$ 104,115.55
Total Interest FY 20_21 Matured and Current	\$ 697,636.59

Maturity Profile	Amount
0-1 year	\$24,205,959.53
1-2 years	\$7,713,538.63
2-3 years	\$15,254,591.84
3-5 years	\$ 10,325,350.01
	<u>\$57,499,440.01</u>

Market to Cost Position Report

Institution	Amortized Cost
BNY Assets	\$45,510,578.68
BNY MM	109,631.17
LAIF	11,879,230.16
Totals:	\$57,499,440.01



**TOWN OF LOS GATOS
FINANCE COMMISSION REPORT**

MEETING DATE: 08/09/2021

ITEM NO: 6

Item 6.

DATE: August 4, 2021
TO: Finance Commission
FROM: Laurel Prevetti, Town Manager
SUBJECT: Discuss Upcoming Audit and Provide Feedback on June 30, 2020 Annual Financial Report with the Town's Independent Auditor

DISCUSSION:

Discuss upcoming audit and provide feedback on June 30, 2020 Annual Financial Report with the Town's independent auditor.

PREPARED BY: Arn Andrews
Assistant Town Manager

Reviewed by: Town Manager



**TOWN OF LOS GATOS
FINANCE COMMISSION REPORT**

MEETING DATE: 08/09/2021

ITEM NO: 7

Item 7.

DATE: July 30, 2021
TO: Finance Commission
FROM: Laurel Prevetti, Town Manager
SUBJECT: Receive Subcommittee Report

RECOMMENDATION:

Receive Subcommittee Report

DISCUSSION:

Subcommittee Chair Huddleston will provide an oral report.

PREPARED BY: Arn Andrews
Assistant Town manager

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



**TOWN OF LOS GATOS
FINANCE COMMISSION REPORT**

MEETING DATE: 08/09/2021

ITEM NO: 8

Item 8.

DATE: July 29, 2021
TO: Finance Commission
FROM: Laurel Prevetti, Town Manager
SUBJECT: Receive ARPA Update

RECOMMENDATION:

Receive ARPA Update.

DISCUSSION:

Attachment 1 contains information provided to the Town Council on August 3, 2021.

Attachments:

1. ARPA Update

PREPARED BY: Arn Andrews
Assistant Town Manager

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



**TOWN OF LOS GATOS
COUNCIL AGENDA REPORT**

MEETING DATE: 08/03/2021

ITEM NO:

Item 8.

DATE: July 20, 2021
TO: Mayor and Town Council
FROM: Laurel Prevetti, Town Manager
SUBJECT: Receive Update on ARPA Allocations to Nonentitlement Units of Government and the Town's Allocation

RECOMMENDATION:

Receive update on ARPA allocations to Nonentitlement Units (NEUs) of Government and the Town's allocation.

BACKGROUND:

On March 29, 2021, the Town Council received a staff report describing the American Rescue Plan Act (ARPA), and receipt on March 10, 2021, of notification from Congressional Representative Eshoo's Office that Los Gatos will receive \$5,688,630 based on a modified version of the Community Development Block Grant formula.

The ARPA delineated local governments which generally have populations below 50,000 as nonentitlement units of local government (NEUs). Unlike other ARPA allocation recipients NEUs were programmed to receive their allocations directly from the State. The ARPA requires that States and territories allocate funding to NEUs in an amount that bears the same proportion as the population of the NEU bears to the total population of all NEUs in the State.

DISCUSSION:

Based on the State Finance Department's proportional population calculations, the Town is now slated to receive \$7,229,744 of which the first tranche payment of \$3,614,872 was received on July 13, 2021. Given the States proportional population calculation the Town's allocation will increase by \$1,541,114.

PREPARED BY: Arn Andrews
Assistant Town Manager

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

SUBJECT: ARPA Allocation Update

DATE: July 19, 2021

DISCUSSION (continued):

To date, the Town Council has pledged a total of \$5,106,898 in eligible ARPA allocations with \$2,122,846 of ARPA funding currently unallocated. Pledged allocations total \$1,831,452 toward assistance to households, small businesses, nonprofits, and impacted industries such as hospitality and \$3,275,446 toward the provision of governmental services to the extent of revenue reduction due to the pandemic. While staff tracks Council commitments by fiscal year for accounting purposes, ARPA funding does not need to be expended until December 31, 2024 and can remain fluid until that time. As an example, if FY 2021/22 revenue budget projections perform better than anticipated, then the current commitment of ARPA funding toward provision of governmental services would be less and the funding can be diverted to other eligible uses.

	FY 2020/21	FY 2021/22
Estimated ARPA Funds	\$3,614,872	\$3,614,872
Replace Revenue Reduction	\$1,362,910	\$1,912,536
Economic Development		
• Parklets	\$250,000	\$550,000
• CUP Fee waiver	\$50,000	
• ADA Fee waiver		\$25,000
• Destination Marketing		\$55,000
Nonprofit/Public Assistance		
• Rent Waiver		\$341,452
• Direct Grants	\$60,000	
• Enhanced Senior Services		\$500,000
Total Allocations	\$1,722,910	\$3,383,988
Total ARPA Funds Unallocated	\$1,891,962	\$230,884

CONCLUSION:

Staff will continue to monitor ARPA guidance for the allocation of funding toward eligible uses and any Council funding commitments.

PAGE 3 OF 3

SUBJECT: ARPA Allocation Update

DATE: July 19, 2021

COORDINATION:

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

FISCAL IMPACT:

None

ENVIRONMENTAL ASSESSMENT:

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



**TOWN OF LOS GATOS
FINANCE COMMISSION REPORT**

MEETING DATE: 08/09/2021

ITEM NO: 9

Item 9.

DATE: July 7, 2021
TO: Finance Commission
FROM: Laurel Prevetti, Town Manager
SUBJECT: Review of Market Fluctuation Reserve (Continued from July 12, 2021)

REMARKS:

This item is continued from the July 12, 2021 Finance Commission Meeting. The staff report is being provided as Attachment 1.

Attachment

1. July 12, 2021 Market Fluctuation Reserve Staff Report

PREPARED BY: Stephen Conway
Finance Director

Reviewed by: Town Manager



**TOWN OF LOS GATOS
FINANCE COMMISSION REPORT**

MEETING DATE: 07/12/2021

ITEM NO: 9

Item 9.

DATE: July 7, 2021
TO: Finance Commission
FROM: Laurel Prevetti, Town Manager
SUBJECT: Review of Market Fluctuation Reserve

RECOMMENDATION:

Review of Market Fluctuation Reserve.

REMARKS:

Staff utilizes the Reserve for Market Fluctuations to assign or reserve Town General Fund balance when substantial unrealized gains (market value of investment above its historical cost to the Town) on its operating portfolio are determined upon the last day of the fiscal year. Under the requirements of Governmental Accounting Standards Board (GASB) 31 this gain or loss must be included as part of the calculation of interest earned for the fiscal year.

GASB 31 was issued in 1997 as a direct response to investment losses incurred in 1984 by the City of San Jose (\$60M) and the 1994 Orange County bankruptcy.) Both governments mentioned held substantial holdings in bonds that had market values below actual cost. When both governments were forced to liquidate investments ahead of their maturity date substantial losses were incurred. Under the accounting rules prior to the adoption of GASB 31, cities reported no loss on the financial statements until such time as the bonds were sold. Typically, market value declines are irrelevant because most municipalities held bonds to maturity so the government would receive the original par value for the bonds with no loss being recorded. However, if the governments were forced to sell the bonds prior to maturity, losses could result if the current prevailing interest rates at the time of the sale were unfavorable.

The GASB responded to this issue by adopting fair value measurement requiring that at year end the city must compare or "mark" its historical cost of investments against the market value

PREPARED BY: Stephen Conway
Finance Director

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

PAGE 2 OF 3

SUBJECT: Review of Market Fluctuation Reserve

DATE: July 7, 2021

of those investments as determined at its fiscal year end date. If the market value is below cost, a negative interest earned adjustment is made to the city's interest earned for the fiscal year. Conversely, if the market valuations exceed historical cost, a positive increase is added to the calculation of interest earned for the fiscal year.

The Town has utilized the Reserve for Market Fluctuations previously on three occasions. The historical information is presented below:

Reserve for Market Fluctuations	Reserve Balance As Reported on FYE CAFR
Fiscal Year Ended June 30, 2010	\$ 526,525
Fiscal Year Ended June 30, 2011	\$ 247,705
Fiscal Year Ended June 30, 2012	\$ -
Fiscal Year Ended June 30, 2013	\$ -
Fiscal Year Ended June 30, 2014	\$ -
Fiscal Year Ended June 30, 2015	\$ -
Fiscal Year Ended June 30, 2016	\$ -
Fiscal Year Ended June 30, 2017	\$ -
Fiscal Year Ended June 30, 2018	\$ -
Fiscal Year Ended June 30, 2019	\$ -
Fiscal Year Ended June 30, 2020	\$ 1,218,732

The Town had a substantial gain of market value above cost as of June 30, 2020 of approximately \$1.2 million. The Town's investment strategy is essentially a "buy and hold" strategy for its investments. This means that the Town typically holds these investments till they mature and will receive the yield for these bonds and par amount over the life of the bonds. However, holding to maturity does mean that a favorable \$1.2 million position of unrealized market value above cost as of June 30, 2020, does not represent actual cash on hand.

PAGE 3 OF 3

SUBJECT: Review of Market Fluctuation Reserve

DATE: July 7, 2021

June 30, 2020 GASB 31 Mark to Market	Historical Cost	Market Value	
BNY Custody Account	\$ 46,578,670	\$ 47,797,402.30	Per BNY June 2020 Custody Acct Statement
BNY Custody Account-Dreyfus Gov Sec	\$ 145,920	\$ 145,919.90	Per BNY June 2020 Custody Acct Statement
Subtotal BNY	\$ 46,724,590	\$ 47,943,322.20	
LAIF	\$ 12,185,730	\$ 12,185,729.51	Per LAIF 6-30-20 Monthly Statements
Bank of the West Checking Account	\$ 15,285,669	\$ 15,285,668.55	Bank Balance Per BankWest Statement 6_30_20
Bank of the West Money Market	\$ 17,388	\$ 17,387.56	Bank Balance Per BankWest Statement 6_30_20
Subtotal LAIF & Bank of the West	\$ 27,488,786	\$ 27,488,785.62	
	\$ 74,213,376	\$ 75,432,107.82	
		\$ 1,218,731.98	Market Value Above Cost (Added to Interest Earned Calculation for FYE 6/30/20)

The recognition of \$1.2M in fiscal year 2020 interest revenue for substantial unrealized gains presents a problem for the financial statements in terms of its assigned reserves. For instance, for fiscal year ending (FYE) June 30, 2020, the \$1.2M in market value gains added to the interest earned calculation for FYE 2020 eventually flowed to increase total fund balances because there was a \$1.2 million of revenue recorded that wasn't actually received in terms of actual cash on hand. The result is that unless staff were to assign the \$1.2 million in unrealized gains to its Market Fluctuations reserve, under the Town's General Fund Reserve Policy, these unrealized gains would eventually flow to the Town's Reserve for Capital and Special projects indicating balances that are not actually available in cash to spend. To prevent this potential overstatement of assigned reserves available for actual expenditure, in years where staff recognizes substantial year-end gains of market value above the Town's original cost of its investments, staff assigns these unrealized gains in the Town's Reserve for Market Fluctuations.



**TOWN OF LOS GATOS
FINANCE COMMISSION REPORT**

MEETING DATE: 07/12/2021

Item 9.

ITEM NO: 9

DESK ITEM

DATE: July 12, 2021
TO: Finance Commission
FROM: Laurel Prevetti, Town Manager
SUBJECT: Review of Market Fluctuation Reserve

REMARKS:

Attachment 1 contains public comment received after the July 8, 2021 distribution of the staff report.

Attachment received with this Desk Item:
Attachment 1 – Public Comment

PREPARED BY: Arn Andrews
Assistant Town Manager

Reviewed by: Town Manager

From: Phil Koen [REDACTED]
Sent: Saturday, July 10, 2021 10:27 AM
To: Ron Dickel [REDACTED]; Kyle Park [REDACTED]
 stacey.del [REDACTED] loreen [REDACTED] ricktinsley [REDACTED] Rob Rennie
 <RRennie@losgatosca.gov>; Matthew Hudes <MHudes@losgatosca.gov>
Cc: Laurel Prevetti <LPrevetti@losgatosca.gov>; Arn Andrews <aandrews@losgatosca.gov>;
 jvannada [REDACTED] Lee Fagot [REDACTED]
Subject: Market Fluctuation Reserve - Agenda Item #9

Finance Committee Members,

GASB 72 "Fair Value Measurement and Application" requires the Town's investments to be recorded at fair value. This is disclosed in Note 1 of the CAFR. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income as of the balance sheet date. Historically the Town's fair value of investments has closely approximated original cost.

For FY 2020, the Town recorded \$1.2m (total investment earnings was \$2.4m) as investment earnings resulting from fair value measurement. The Staff memo discusses the need to segregate these earnings in the Town's General Fund Market Fluctuations Reserve to avoid having these earnings potentially flowing to the Town's Reserve for Capital and Special Projects. This is a reasonable approach.

However, the Staff memo does not disclose that since recording the \$1.2m in unrealized investment gain as of June 30, 2020, the fair value of investments as of March 31, 2021, has decreased by \$576k to \$642k. Assuming no change for the remainder of the current fiscal year, this will result in a \$576 loss in investment income being recorded for FY 2021. This loss will eventually flow to the General Fund Reserve which will reduce the Market Fluctuation Reserve.

The important point is to remember that fair value measurement will create "unrealize" gains and losses at the time of measurement which are then reported in the Statement of Activities as investment earnings. The only way to prevent the "whip saw" impact on investment valuations and earnings is to actually monetize the "unrealized" gain. If the Town had sold the investments which had increased in market value, the gain on the sale would be turned into cash and Town would have realized a true gain of \$1.2m. Barring any other concerns, this would have been a reasonable action to take, rather than to continue to hold the investment until maturity and have the market value gain disappear as the bond values approach par value.

Please let me know if you have any questions.

Phil Koen



TOWN OF LOS GATOS
FINANCE COMMISSION REPORT

MEETING DATE: 08/09/2021

ITEM NO: 10

Item 10.

DATE: August 4, 2021
TO: Finance Commission
FROM: Laurel Prevetti, Town Manager
SUBJECT: Review Police Costs Relative to Total Expenditures and Revenues (Continued from July 12, 2021)

REMARKS:

This item is continued from the July 12, 2021 Finance Commission Meeting. The staff report is being provided as Attachment 1.

Attachment

1. July 12, 2021 Police Costs Staff Report

PREPARED BY: Steve Conway
Finance Director

Reviewed by: Town Manager



**TOWN OF LOS GATOS
FINANCE COMMISSION REPORT**

MEETING DATE: 07/12/2021

ITEM NO: 8

Item 10.

DATE: July 8, 2021
TO: Finance Commission
FROM: Laurel Prevetti, Town Manager
SUBJECT: Review Police Costs Relative to Total Expenditures and Revenues

RECOMMENDATION:

Review Police costs relative to total expenditures and revenues.

DISCUSSION:

Per the Finance Commission Chair's request, Attachment 1 contains historic Police Department expense data relative to total Town expenses and revenues.

Attachment:

1. PD Expense Slides

PREPARED BY: Steve Conway
Finance Director

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

Town of Los Gatos Police Costs Compared to Overall Town Costs



POLICE EXPENSES

- **Data source:
Comprehensive Annual
Financial Reports for
FY09/10 through FY19/20**
- **Comparison based on the
Statement of Activities
(SOA) and Public Safety
Expenses**
- **SOA Prepared on Full
Accrual Basis**

POLICE EXPENSES

Fiscal Years (FY)	Public Safety Expenses	Total Expenses	Percentage of Public Safety Expenses of Total Expenses
FY 2009/10	\$ 13,266,849	\$ 33,167,689	40.00%
FY 2010/11	\$ 13,495,885	\$ 33,111,306	40.76%
FY 2011/12	\$ 14,124,798	\$ 34,752,448	40.64%
FY 2012/13	\$ 13,731,754	\$ 36,019,116	38.12%
FY 2013/14	\$ 14,119,786	\$ 36,273,544	38.93%
FY 2014/15	\$ 12,644,221	\$ 34,271,936	36.89%
FY 2015/16	\$ 12,825,688	\$ 34,417,918	37.26%
FY 2016/17	\$ 14,587,597	\$ 39,290,901	37.13%
FY 2017/18	\$ 15,545,521	\$ 43,039,932	36.12%
FY 2018/19	\$ 17,725,475	\$ 44,236,037	40.07%
FY 2019/20	\$ 20,446,188	\$ 48,007,443	42.59%

Overall 11-Year Average	38.96%
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POLICE EXPENSES

Fiscal Years (FY)	Public Safety Expenses	Total Program and Government Revenues	Percentage of Public Safety Expenses of Total Program and Government Revenues
FY 2009/10	\$ 13,266,849	\$ 42,884,530	30.94%
FY 2010/11	\$ 13,495,885	\$ 39,722,496	33.98%
FY 2011/12	\$ 14,124,798	\$ 40,263,015	35.08%
FY 2012/13	\$ 13,731,754	\$ 39,834,671	34.47%
FY 2013/14	\$ 14,119,786	\$ 40,414,689	34.94%
FY 2014/15	\$ 12,644,221	\$ 43,139,836	29.31%
FY 2015/16	\$ 12,825,688	\$ 40,401,294	31.75%
FY 2016/17	\$ 14,587,597	\$ 41,571,138	35.09%
FY 2017/18	\$ 15,545,521	\$ 43,775,789	35.51%
FY 2018/19	\$ 17,725,475	\$ 48,586,229	36.48%
FY 2019/20	\$ 20,446,188	\$ 48,039,005	42.56%

Overall 11-Year Average	34.55%
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**TOWN OF LOS GATOS
FINANCE COMMISSION REPORT**

MEETING DATE: 07/12/2021

ITEM NO: 8

DESK ITEM

Item 10.

DATE: July 12, 2021
TO: Finance Commission
FROM: Laurel Prevetti, Town Manager
SUBJECT: Review Police Costs Relative to Total Expenditures and Revenues

REMARKS:

Attachment 2 contains public comment received after the July 8, 2021 distribution of the staff report.

Attachment received with staff report:

1. PD Expense Slides

Attachment received with this Desk Item:

2. Public Comment

PREPARED BY: Arn Andrews
Assistant Town Manager

Reviewed by: Town Manager

From: Phil Koen [REDACTED]
Sent: Saturday, July 10, 2021 8:17 AM
To: Ron Dickel [REDACTED]; Kyle Park [REDACTED]; stacey.del [REDACTED]; loreen [REDACTED]; ricktinsley [REDACTED]; Rob Rennie <RRennie@losgatosca.gov>; Matthew Hudes <MHudes@losgatosca.gov>
Cc: Laurel Prevetti <LPrevetti@losgatosca.gov>; Arn Andrews <aandrews@losgatosca.gov>; Robert Schultz <RSchultz@losgatosca.gov>; jvannada [REDACTED]; Lee Fagot [REDACTED]; Catherine Somers [REDACTED]; Jim Foley [REDACTED]
Subject: Agenda Item 8 - Analysis of Police Expense

Members of the Finance Commission,

I have attached a more relevant analysis of the Town's historical expenditures for public safety which shows how the Town has funded public safety expenditures over the past 11 years. These numbers were taken from the Statement of Activities.

The Statement of Activities (see FY 2020 attached) reports gross functional/program expenditures, all revenues which were earned by the function/program and the resulting net functional/program expenditures. The attached spreadsheet shows public safety data for the period from FY 2010 through FY 2020. Since FY 2010, gross public safety expenditures have increased 54.1% or at a CAGR of 4.4%. The cost of public safety is the fastest growing expense for the Town.

The Town has funded these expenditures through a combination of functional/program revenues and general tax revenue. The functional/program revenues are comprised of various funding sources such as payments from Monte Sereno for police services provided to that city, vehicle code fines, federal and state grant money, and donations. Historically these functional sources of funds have contributed approximately \$2.2m to \$3.5m toward the total cost of public safety. It is important to understand that program revenues are generated by the associated functions and are generally restricted to those programs/functions and in some instances (such as grants) are non-recurring revenue sources.

Although some governmental functions are self-supporting (such as sanitation) by raising enough revenue on their own to cover their costs, most of the Town's functions (Public Safety, Parks and Public Works, Community Development, Library Services) are not self-supporting and depend upon general tax revenues to fund the shortfall. **This is the critical issue to understand – namely, how much of the general tax revenue base is the cost of public safety consuming and what has been the trend over the past 11 years.**

The Staff analysis does not answer this question. In fact, the analysis is flawed since public safety expenditures are compared to ALL revenue including program revenues that do not fund public safety (such as VTA grants, or construction permits).

If we deduct the public safety functional revenue from the gross expenditures for public safety, the resulting net expenditures for public safety must be funded from general tax revenues. The spreadsheet also shows the total revenues received by the Town from General Tax Revenue. The principal tax revenues for the Town are compromised of property taxes, sales taxes, franchise taxes and other miscellaneous taxes.

Since FY 2010, public safety expenditures have consumed a greater portion of the Town's general tax revenue, increasing from 37% in FY 2010 to 59% in FY 2020. This increasing trend is driven by net public safety expenditures growing at a 5% CAGR while total general tax revenues have grown at a .2% CAGR. The result is public safety expenditures are consuming more and more of the Town's general tax revenues which is "crowding out" the ability for the Town to fund critical services the Town must also provide, such as senior services, parks and recreation, street repair and cleaning, etc.

This should not be a surprise to anyone since the Town's auditor clearly called this out in his most recent presentation to the Town Council of the FY 2020 results. In that presentation the auditor presented a slide (which is attached) which shows that **in FY 2020 the Town's total net cost of service exceeded the Town's total tax revenue**. And the main driver of this, was the growth in public safety expenditures. This should be a wake-up call for anyone concerned about long-term fiscal stability because the Town cannot continuously operate in a fiscal condition where the total net cost of services provided exceeds general tax revenues collected.

Please let me know if you have any questions.

Phil Koen

	Gross Public Safety Expenditures	Less: Functional Revenues	Net Public Safety Expenditures	Total Tax Revenue	Net Public Safety Exp/ Total Tax Rev
FY 2010	13,266,849	2,192,354	11,074,495	29,796,920	37.2%
FY 2011	13,495,885	2,181,591	11,314,294	31,103,674	36.4%
FY 2012	14,124,798	2,354,377	11,770,421	27,676,719	42.5%
FY 2013	13,731,754	2,541,990	11,189,764	22,877,632	48.9%
FY 2014	14,119,786	3,249,240	10,870,546	23,460,288	46.3%
FY 2015	12,644,221	3,554,004	9,090,217	25,412,604	35.8%
FY 2016	12,825,688	3,376,723	9,448,965	25,521,022	37.0%
FY 2017	14,587,597	2,914,017	11,673,580	28,399,621	41.1%
FY 2018	15,545,521	2,784,089	12,761,432	28,567,313	44.7%
FY 2019	17,725,475	2,572,532	15,152,943	30,682,158	49.4%
FY 2020	20,446,188	2,510,352	17,935,836	30,269,417	59.3%
Average Analysis					
FY 2010 - FY 2015	13,563,882	2,678,926	10,884,956	26,721,306	41.2%
FY 2016 - FY 2020	16,226,094	2,831,543	13,394,551	28,687,906	46.3%

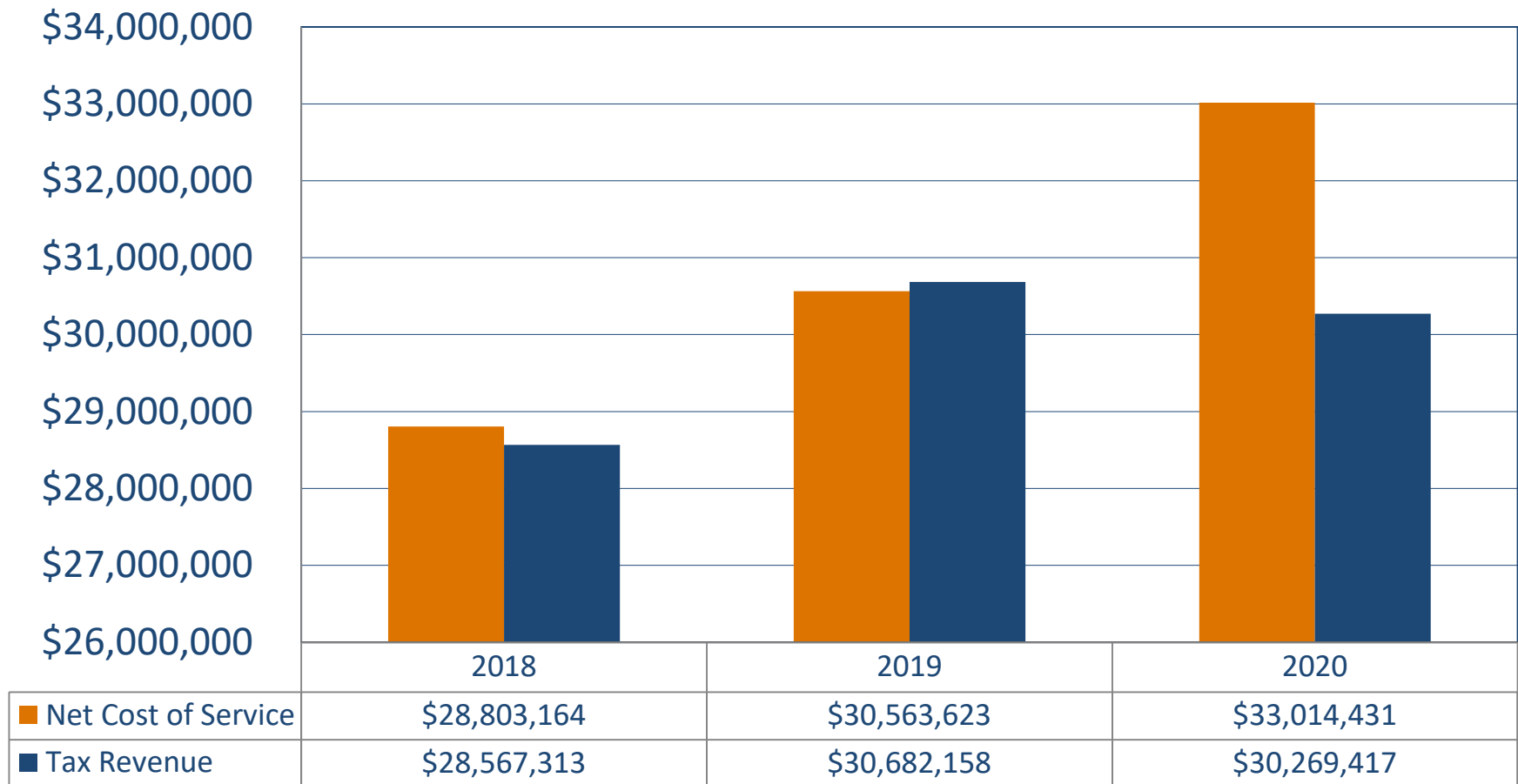
**TOWN OF LOS GATOS
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenues and Changes in Net Position
					Governmental Activities
Governmental Activities:					
General government	\$ 7,405,368	\$ 1,470,324	\$ 12,290	\$ 8,258	\$ (5,914,496)
Public safety	20,446,188	1,549,207	952,045	9,100	(17,935,836)
Parks and public works	11,803,005	3,674,222	2,824,638	832,755	(4,471,390)
Community development	5,001,958	3,351,753	15,864	-	(1,634,341)
Library services	3,347,523	11,522	49,351	-	(3,286,650)
Sanitation	3,041	231,323	-	-	228,282
Total Governmental Activities	<u>\$ 48,007,083</u>	<u>\$ 10,288,351</u>	<u>\$ 3,854,188</u>	<u>\$ 850,113</u>	<u>(33,014,431)</u>
General revenues:					
Taxes:					
Property taxes					18,330,426
Sales taxes					7,531,425
Franchise taxes					2,495,792
Other taxes					1,911,774
Motor vehicle in lieu					24,526
Investment earnings					2,428,470
Miscellaneous					<u>323,940</u>
Total general revenues					33,046,353
Change in Net Position					31,922
Net Position - Beginning					<u>114,819,109</u>
Net Position - Ending					<u>\$ 114,851,031</u>

Government-Wide Financial Statements

Item 10.

Net Cost of Service to Tax Revenue





**TOWN OF LOS GATOS
FINANCE COMMISSION REPORT**

MEETING DATE: 08/09/2021

Item 10.

ITEM NO: 10

ADDENDUM

DATE: August 5, 2021
TO: Finance Commission
FROM: Laurel Prevetti, Town Manager
SUBJECT: Review Police Costs Relative to Total Expenditures and Revenues (Continued from July 12, 2021)

REMARKS:

Attachment 2 contains public comments received after the August 4, 2021 distribution of the Staff Report.

Attachment received with Staff Report:

1. July 12, 2021 Police Costs Staff Report

Attachment received with Addendum:

2. Public Comment

PREPARED BY: Steve Conway
Finance Director

Reviewed by: Town Manager

On Aug 4, 2021, at 6:50 PM, Phil Koen <[REDACTED]> wrote:

Hello Laurel and Ron,

Please include my email below and the attached Grand Jury report as an idea as of how police costs could possibly be reduced by consolidating dispatch centers with no reduction in service levels. This idea was originally embraced in 2011 by the Town but was never acted on.

Thank you.

Phil Koen

Begin forwarded message:

From: Phil Koen <[REDACTED]>

Date: July 16, 2021 at 8:42:14 AM PDT

To: Ron Dickel [REDACTED], Kyle Park [REDACTED], Loreen Huddleston

[REDACTED], Rick Tinsley [REDACTED], [stacey.del\[REDACTED\]](mailto:stacey.del[REDACTED])

Rob Rennie <RRennie@losgatosca.gov>, Matthew Hudes <MHudes@losgatosca.gov>

Cc: Laurel Prevetti <LPrevetti@losgatosca.gov>, Arn Andrews <aandrews@losgatosca.gov>, Robert Schultz <RSchultz@losgatosca.gov>

Subject: Dispatch center consolidation

Dear Finance Commission members,

I came across this 2011 Civil Grand Jury report which discusses the functions and costs of emergency dispatching functions. The Grand Jury recommended the elimination of local dispatch centers and local jurisdictional lines to improve emergency response and reduce costs. The Grand Jury report stated "clinging to local control seems to be a luxury rather than necessity and it is a luxury municipalities may find they simply cannot afford to retain".

In September 2011, the Town replied to the Grand Jury's recommendation and agreed that the dispatch center should be consolidated. The Town's response also stated the recommendation "will be implemented in the future".

Given the acute staffing issues and cost of the local dispatch function, perhaps the time has come to implement the recommendation made 10 years ago. As I mentioned in my earlier email, cost reduction should also be closely examined along with revenue enhancement. Here is a very obvious cost reduction action that should be reviewed.

Phil Koen

https://www.scsccourt.org/court_divisions/civil/cgj/2011/EmergencyDispatch.pdf

Sent from my iPhone
<EmergencyDispatch.pdf>

ATTACHMENT 2



2010-2011 SANTA CLARA COUNTY CIVIL GRAND JURY REPORT

Item 10.

“CAN YOU HEAR ME NOW?” EMERGENCY DISPATCH IN SANTA CLARA COUNTY

Introduction

When a resident of Santa Clara County (SCC) calls 9-1-1, certain basic expectations follow: that the call will be answered promptly, and that it will result in help being sent as soon as possible. What that caller does not think about, but what the Grand Jury undertook to explore, are the procedures, mechanics, city boundaries, political and economic interests that directly affect the response to any given call.

One of the fundamental obligations of County government is to maintain adequate levels of public safety and security by ensuring that citizens receive an appropriate and speedy response to emergency calls. The role of the emergency dispatch in delivering this service is vital to the quality of emergency response in Santa Clara County. Nevertheless, the Grand Jury has concerns regarding the effectiveness of the emergency dispatch system as it is now configured. These concerns include the apparent duplication of services among Santa Clara County Communications (County Comm) and individual municipalities, incompatibility of technology and dispatch protocols. Each raises serious issues relating to cost efficiency, given existing and projected reductions in revenue to government agencies in light of the economic downturn. The Grand Jury inquired into the existing dispatch system and sought to explore different or better ways in which this vital service can be provided.

Background

During the Grand Jury's exploration of possible changes in fire departments, it became clear that the manner in which emergency personnel and equipment are dispatched in response to 911 calls was a matter of broad concern that extended beyond the deployment of fire equipment and crews to include police, sheriff, and medical dispatch. These concerns can be summarized as follows:

- Basic dispatching functions and costs are being duplicated among a number of different agencies and jurisdictions, which wastes resources
- Duplication of dispatching functions may lead to a delayed, inadequate, or “over-adequate” response, i.e., too many units from too many jurisdictions are responding to a single incident

- The presence of a “middle-man,” i.e., in jurisdictions where 911 calls first go to a local dispatch center before being transferred to County Comm, delays response anywhere from 20 seconds to 3 minutes or more, depending on the state of the local agency’s communications equipment
- Regional radio communications equipment is not in place, meaning local jurisdictions cannot easily communicate with each other, local agents cannot communicate with their “home” area when the agent is out of range, and the entire network of county emergency responders cannot easily communicate in the event of a regional need, such as following a major earthquake or PG&E gas line rupture.

Methodology

In conjunction with its inquiry, the Grand Jury interviewed the following:

- All 15 SCC City and Town Managers
- All SCC County Fire Chiefs
- Presidents of both the Saratoga and Los Altos Hills Fire District Boards
- Selected Police Chiefs in SCC jurisdictions which maintain local dispatching centers

The Grand Jury also received and reviewed budget information for SCC cities, dispatch and response time reports, and information from County Comm regarding response protocols.

Discussion

In order to dispatch emergency personnel in response to a 911 call, four basic components must come together:

- The call must be answered (a dispatch center)
- The nature of the emergency must be assessed and prioritized (response protocols)
- The information received in the call must be transmitted (radio technology)
- The location from which emergency fire and medical responders are dispatched must be determined (jurisdiction).

These building blocks and how they affect response effectiveness are discussed below. The overall flow of a 911 call through dispatch is illustrated in Figure 1.

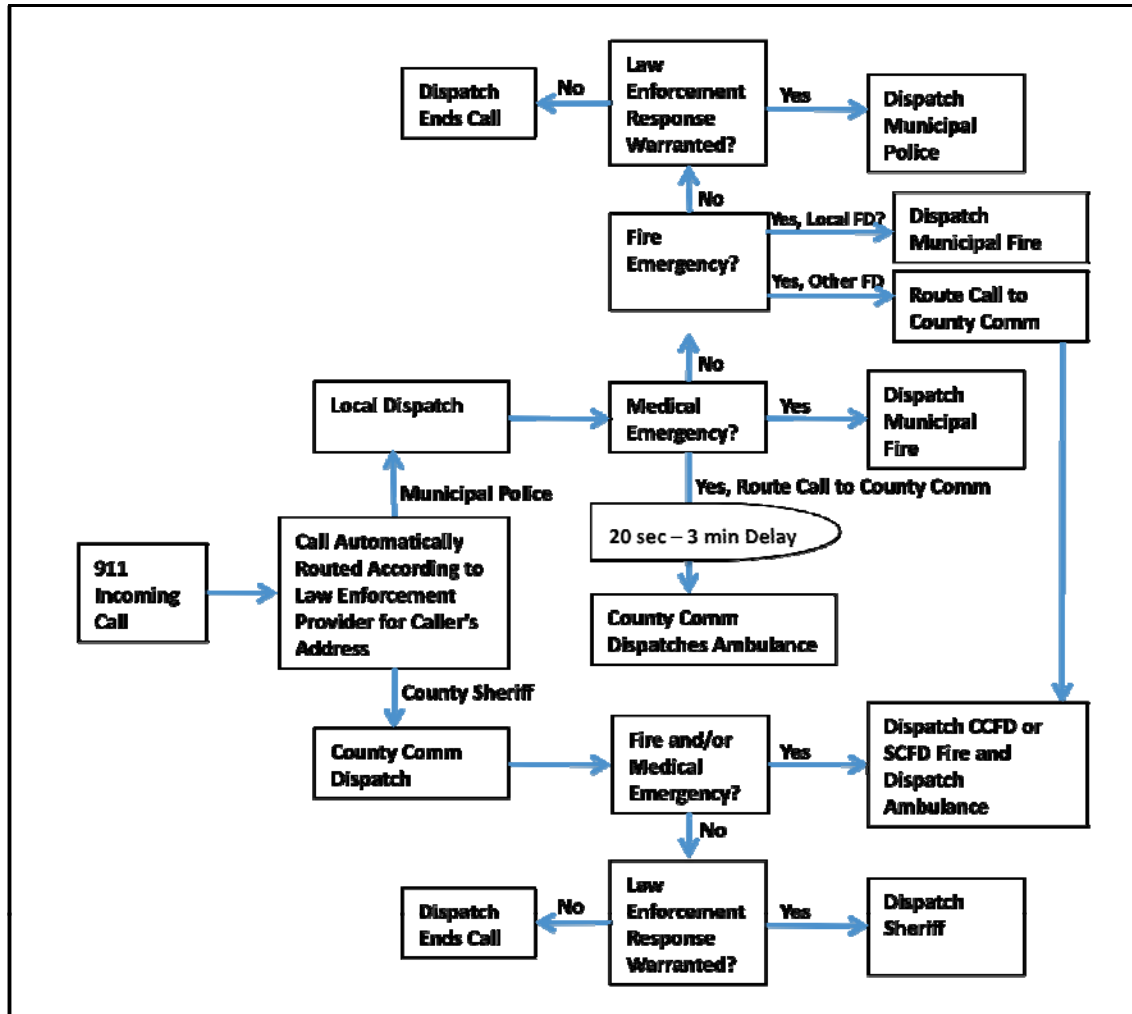


Figure 1: Overview of 911 Dispatching. Duplication of dispatch among municipalities and County Comm results in potential delay of fire and ambulance response, as well as duplication of equipment deployed.

Dispatch Centers

911 calls are automatically routed to the agency with jurisdiction over the permanent address associated with the caller's landline phone number (calls from cell phones are not addressed in this report). As shown in Figure 1, municipalities with police departments see 911 calls routed to their own local dispatch centers, which are operated by their police departments. For municipalities whose law enforcement needs are provided by the Sheriff, 911 calls are routed to County Comm. County Comm dispatches the county-contracted Emergency Medical Service (EMS), or ambulances; therefore, medical emergency calls that first route to a local dispatch must be transferred to County Comm for ambulance dispatch. Table 1 shows those municipalities that have local dispatch centers and those that use County Comm dispatch.

Table 1: Initial Response and Routing of 911 Calls to Dispatch*

Agency	911 Call Routing	Law Enforcement Dispatch	Fire Dispatch
Campbell	Campbell Police	Local	County Comm
Cupertino	County Comm	County Comm (Sheriff)	County Comm
Gilroy	Gilroy Police	Local	Local
Los Altos	Los Altos Police	Local	County Comm
Los Altos Hills	County Comm	County Comm (Sheriff)	County Comm
Los Gatos	Los Gatos Police	Local	County Comm
Milpitas	Milpitas Police	Local	Local
Monte Sereno	Los Gatos Police	Local	County Comm
Morgan Hill	Morgan Hill Police	Local	County Comm
Mountain View	Mountain View Police	Local	Local
Palo Alto	Palo Alto Police	Local	Local
San Jose	San Jose Police	Local	Local
City of Santa Clara	Public Safety Dispatch	Local	Local
Saratoga	County Comm	County Comm (Sheriff)	County Comm
Sunnyvale	Sunnyvale Public Safety	Local	Local
SCC	County Comm	County Comm (Sheriff)	County Comm

* All ambulance dispatching is done by County Comm.

Local dispatch centers are staffed by seven to fourteen city employees, which can create a significant liability to city budgets. For example, the Town of Los Gatos budgets 12 full-time equivalent Police Administration Services employees—which includes dispatch and records—with a budget of ~\$1.8 million for the 2010/2011 fiscal year. Further, in 2010, Milpitas considered consolidating its dispatch center with other SCC cities, citing the potential \$1 million cost savings by eliminating 12 city employees as a reason to do so. Overtime is an additional cost factor, as is coverage for sick and vacationing employees—a particularly significant factor in maintaining a round-the-clock emergency dispatch service for small centers. In a small center, employees may also be hampered professionally due to limited advancement or learning opportunities.

An added expense for local dispatch is maintaining back-up power in the event of a power outage. Failure might occur due to a simple power outage, or be caused by a catastrophic event such as an earthquake. Personnel back-up, which is needed if an event overwhelms a local dispatch center, is typically provided by routing calls to a neighboring municipality or to County Comm. In many cities, needed back-up is provided by County Comm; in fact, County Comm is the 911 “Alternate Answer Point” (AAP) for all but two SCC cities. The fact that such redundancy exists and is called upon from time to time also is an indication that some form of permanent regionalization can be accomplished.

In addition to the expense associated with maintaining local dispatch centers, the risk of a delayed emergency response resulting when calls are transferred to County Comm must be considered. When a call comes into a local dispatch facility, if it is requesting a law enforcement response, there is no delay. However, all calls requiring a medical response must be transferred to County Comm, as must *all* calls requesting ambulance service. Depending on the state of the municipality’s dispatching equipment, this transfer may take anywhere from twenty seconds to three minutes or more. For example, San Jose has one-button call transfer ability, which transfers a call in seconds. By contrast, Gilroy has less sophisticated equipment, and dispatchers must phone County Comm to transfer the call, which can take up to three minutes or more. All municipalities have the ability to transfer calls to County Comm and all municipalities can use County Comm as a back up 911 call center in case of a local emergency.

Since County Comm is already responsible for more fire dispatching than any other dispatch center, and is responsible for *all* ambulance dispatching, the Grand Jury asked interviewees the obvious question: “Given that there is duplication in the dispatching function, why maintain a local center?” Responses varied, but several themes emerged:

- Residents want a local connection with the dispatch center
- Police officers benefit by having an established relationship with a local dispatcher
- The manner in which a dispatcher responds to a call and even *whether* resources are dispatched, is a reflection of local values
- A local dispatcher has a familiarity with local geography that is valuable.

Upon closer examination, most of these concerns hold little merit. Interviewees could not point to evidence that residents really care who answers their 911 call; it is far more likely that callers simply want a speedy response from a knowledgeable resource.

Regarding law enforcement officer relationships with dispatch, the Grand Jury learned that the standard practice in areas with consolidated dispatch is to assign a particular “desk” to a particular community, such that the responder and dispatcher are able to develop the relationship and trust that some interviewees claimed could only come through a local operation.

The question of whether resources are actually dispatched is discussed in more detail below, but given the number and type of resources available to any given community, it may choose to send a response to a type of call, e.g., a complaint about a loud leaf blower, that another would not. Such local preferences can be made part of the dispatching protocol for that community, and has happened in Cupertino, Los Altos Hills and Saratoga, who contract with the Sheriff for somewhat customized law enforcement response for their communities.

Finally, with the proliferation of GPS systems, it is hard to justify the expense associated with maintaining a local dispatch center simply to ensure that people who “know the city” are available. One interviewee did argue that “GPS can show you where you’re going, but not what you’re getting into.” But another countered with the assertion that local police and fire personnel have the primary responsibility to know all aspects of their community and its geography as an integral part of their jobs.

Response Protocols

Consolidated dispatch centers and standardized equipment assure that 911 calls are answered and emergency personnel dispatched, but in order to achieve an effective and efficient response, protocols must be in place to determine which call will receive the most immediate attention. County Comm employs a prioritization system that ranks 911 calls by degree of seriousness, from an emergency that endangers life, down to complaints about violations of city ordinances (see Appendix A). Prioritization protocols in most SCC jurisdictions mirror this model. While in rare instances residents in some parts of SCC, often those living in unincorporated pockets, complain about slow response by law enforcement, most cities meet internal goals for response times based upon priority protocols. Further, response protocols for fire and emergency medical are virtually the same countywide, and pose no barrier to communications consolidation.

Law enforcement response protocols are very similar, as necessitated by legal boundaries. Yet police chiefs claim local dispatch control is required because their municipality has “nuanced” response protocol. This means, for example, that while one city would not respond to complaints of overly loud leaf blowers, another would. But there is no reason to think that such response nuances could not be implemented in a consolidated center where dispatchers are assigned to municipalities, and trained in area-specific, nuanced response protocol.

Radio Technology

Communications equipment is integral to the dispatch function. In order for dispatch consolidation to really work, all agencies must be able to talk to each other. However, equipment varies, as was noted above in discussing call transfer capability.

Radio equipment capability varies too. The Grand Jury learned that circumstances exist where a police chief may not be able to communicate with his own department when out of radio range, or one city may not be able to talk to another due to differences in equipment or radio frequencies used. In fact, Grand Jurors who participated in “Ride-Alongs” with the SCC Sheriff’s Office, observed that a number of patrol deputies chose to use personal cell phones rather than Sheriff’s radios. While this workaround may be effective for one-on-one communication, it is a wholly inadequate substitute for reliable long-range, countywide communication capability.

Standardization of equipment and technology is essential to successfully consolidating emergency communication and dispatch. This may pose a cost barrier initially, but long-term savings potential is worth going through the cost-benefit analysis.

Jurisdiction

Jurisdictional boundaries define which agency is called to respond to an emergency event. These boundaries largely follow city boundaries, but the lines do not make good sense from a response standpoint. Local dispatch systems may not have the visibility or authority to dispatch the closest resource when jurisdictional lines are not to be crossed. Particularly for fire or medical emergencies, this can impede the fastest response. For example, San Jose Fire Station 23 is closer to some areas of Milpitas than any of the four Milpitas fire stations; Palo Alto Station 5 is closer to some areas of Mountain View than any of Mountain View’s fire stations.

Improved response across all agencies can be expected through “boundary drop.” This is where jurisdictional lines are ignored such that the closest emergency resource responds to a given event. Once a 911 call is prioritized for response, equipment and crews are dispatched from the nearest possible location. Interviewees uniformly agreed that boundary drop would result in faster, more efficient emergency response, and many also agreed that the “communications component” is a major barrier in achieving full boundary drop as dispatching is not presently occurring from a central location. Adoption of a boundary drop system in dispatching may also lead to standardization in response protocols, radio technology, training and equipping of crews and emergency apparatus, and ultimately a breakdown in the artificial barriers standing in the way of full dispatch consolidation, which all interviewees agreed would result in better emergency response.

Communications Consolidation

Local dispatch centers clearly represent a duplication of services. The Grand Jury was encouraged to learn that most, if not all interviewees, recognize this as a problem and are already working to consolidate the dispatching function. All agreed that fire dispatch, which employs standardized response protocols and “speaks the same language,” lends itself easily to consolidation. There was more disagreement regarding

whether police dispatch could be easily integrated due to differing local law enforcement policies, but most interviewees acknowledged that these differences could be overcome with the right approach to consolidation – such as by establishing a Joint Powers Agreement (JPA); or consolidating by geographic region (North County, West Valley, South County) rather than county-wide. Active efforts to consolidate the dispatching function are being pursued in several SCC cities:

- Los Gatos and Campbell currently have a joint Request for Proposal (RFP) out to explore complete or partial consolidation of their two dispatch centers.
- Los Altos, Palo Alto, and Mountain View are pursuing “virtual consolidation,” which would give dispatchers the same information by computer and allow dispatching throughout the area without requiring construction of a new “brick and mortar” facility.

City Managers cited several reasons to pursue consolidation, focusing primarily on economy of scale, cost-savings, and efficiency. In addition, many cited the benefit of a faster, better response, which would in turn create safer communities. Finally, many advanced the theory that if SCC cities were able to achieve consolidation of emergency dispatch, functional consolidation of other agencies, such as fire departments, would more likely follow.

In fact, regional and functional consolidation has been successfully implemented both in the Bay Area and around the country. In San Mateo County, for example, all emergency dispatch is handled by a single countywide agency. Dispatchers work with a map displaying all available emergency vehicles, which are simply numbered in order, rather than by jurisdiction, and then dispatch the closest resources to any given event. In West Jordan, Utah, consolidated dispatch served several different municipalities in the Salt Lake City area; in Scottsdale, Arizona, a regional model developed in the 1970s is still in use today, whereby a single dispatch center serves 25 different fire departments. According to interviewees familiar with that system, it has been reproduced successfully elsewhere. The Grand Jury learned that many SCC police and fire officials bring out-of-state experience with successful multi-jurisdictional systems and can be instrumental in leading change.

In spite of resistance to consolidation, agencies throughout the county have demonstrated their ability to collaborate effectively through the Silicon Valley Regional Interoperability Association (SVRIA). The Department of Homeland Security has identified interoperability as one of the nation’s highest priorities. For first responders, there is no greater area of concern when facing a regional emergency, such as the

1989 earthquake or the 2010 San Bruno fire. In general, interoperability refers to the ability of emergency responders to share information via voice and data signals on demand, in real time, when needed, and as authorized. SVRIA is a Joint Powers Authority (JPA) among SCC agencies that has developed a long-term work plan to implement a regional communications system.

Conclusions

Clinging to local control seems to be a luxury rather than necessity, and it is a luxury municipalities may find they simply cannot afford to retain, particularly when County Comm offers both a capable and more technologically advanced alternative compared to the outdated equipment used in some municipalities.

The Grand Jury found that officials throughout Santa Clara County recognize, and are working to correct, inefficiencies in the existing emergency dispatch system. Elimination of local dispatch centers and elimination of local jurisdictional lines can go a long way toward providing faster, more efficient, and more cost-effective emergency response. The Grand Jury strongly encourages cities to work quickly and cooperatively to achieve the consolidation which will provide better emergency response service to the citizens of Santa Clara County.

Findings and Recommendations

Finding 1

Dispatch consolidation would result in more cost-effective and efficient emergency response and should be implemented throughout Santa Clara County.

Recommendation 1

Jurisdictions which maintain their own dispatching centers – Campbell, Gilroy, Los Altos, Los Gatos, Milpitas, Monte Sereno, Morgan Hill, Mountain View, Palo Alto, San Jose, the City of Santa Clara, and Sunnyvale – and all jurisdictions which use Santa Clara County Communications for dispatch—Cupertino, Los Altos Hills, and Saratoga—should consolidate dispatch with neighboring jurisdictions and, where appropriate, should issue RFPs to do so.

Finding 2

Radio equipment has not been standardized and impedes effective countywide communication and emergency dispatch.

Recommendation 2

Jurisdictions which maintain their own dispatching centers – Campbell, Gilroy, Los Altos, Los Gatos, Milpitas, Monte Sereno, Morgan Hill, Mountain View, Palo Alto, San Jose, the City of Santa Clara, and Sunnyvale; all jurisdictions which use Santa Clara County Communications for dispatch—Cupertino, Los Altos Hills, and Saratoga; the Santa Clara County Sheriff's Office; and Santa Clara County, should continue to work with the Silicon Valley Regional Interoperability Association to achieve countywide standardization of radio technology.

This report was **PASSED** and **ADOPTED** with a concurrence of at least 12 grand jurors on this 19th day of May, 2011.

Helene I. Popenhager
Foreperson

Gerard Roney
Foreperson pro tem

Kathryn Janoff
Secretary



**TOWN OF LOS GATOS
FINANCE COMMISSION REPORT**

MEETING DATE: 08/09/2021

Item 10.

ITEM NO: 10

ADDENDUM B

DATE: August 6, 2021
TO: Finance Commission
FROM: Laurel Prevetti, Town Manager
SUBJECT: Review Police Costs Relative to Total Expenditures and Revenues (Continued from July 12, 2021)

REMARKS:

Attachment 3 contain public comments received after the August 4, 2021 distribution of the Staff Report.

Attachment received with Staff Report:

1. July 12, 2021 Police Costs Staff Report

Attachment received with Addendum:

2. Public Comment received at 6:50 pm on August 4, 2021

Attachment received with Addendum B:

3. Public Comment received at 7:13 am on August 6, 2021

PREPARED BY: Steve Conway
Finance Director

Reviewed by: Town Manager

From: Phil Koen [REDACTED]
Sent: Friday, August 6, 2021 7:13 AM
To: Ron Dickel [REDACTED]; Kyle Park [REDACTED]; ricktinsley@losgatosca.gov; loreer@losgatosca.gov; stacey.del@losgatosca.gov; Matthew Hudes <MHudes@losgatosca.gov>; Rob Rennie <RRennie@losgatosca.gov>
Cc: Laurel Prevetti <LPrevetti@losgatosca.gov>; Arn Andrews <aandrews@losgatosca.gov>
Subject: Agenda Item #10

Finance Commission Members,

I would like to recap my earlier note to the Commission regarding the Staff analysis of Public Safety Expenditures. Staff has presented two trend analyses – one showing gross public safety expenditures as a percentage of total gross expenditures and another showing gross public safety expenditures as a percentage of total town revenues. While an interesting way to look at the trends, it doesn't tell the entire story.

The problem with Staff's analyses is it fails to show the trend in net expenditures for Public Safety. Looking at net public safety expenditures is a better way to view the underlying trend because the functional revenues are netted against the gross public safety expenditures. The reason why functional revenues should be netted against gross functional expenditures is because these revenues are generated through charges for services, user fees, grants or contributions that are restricted to the function and are usually non-recurring in nature. An analysis of net expenditures provides valuable insight into the core cost of providing a service which is masked at the gross expenditure level. To the extent a function can increase dedicated funding sources, the function will be less reliant on funding from total tax revenues.

For example, in FY 2020 there was a total of \$15m in total functional revenues, but only \$2.5m is directly attributed to public safety. The majority of this \$2.5m was a payment for public safety services provide under the police services contract with Monte Sereno. **These functional revenues should be netted against the gross public safety expenditures to obtain the net cost to provide public safety services to the Town's residents.** This net expenditure is funded by the Town's tax revenue base. The remaining \$12.5m in functional revenues were funds from VTA grants or construction permits, etc. which were used to fund the other Town functions, totally unrelated to public safety.

The attached public safety trend analysis shows the trend in net public safety expenditures and as a percentage of total tax revenues over the past 10 years. Over the past 10 years net public safety expenditures have increased 62% while total tax revenues have increased only 2%. Since the rate of growth in net public safety expenditures far exceeds the growth in total tax revenue, more and more general tax dollars are being used today to provide public safety services. This is leading to a "crowding out" effect as there is less total tax revenue to fund all the other services the Town must provide.

I think this is a better way to view the trend in public safety expenditures and reveals a much deeper issue than Staff's analysis.

Thank you.

Phil Koen

TOWN OF LOS GATOS
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenues and
					Governmental Activities
Governmental Activities:					
General government	\$ 7,405,368	\$ 1,470,324	\$ 12,290	\$ 8,258	\$ (5,914,496)
Public safety	20,446,188	1,549,207	952,045	9,100	(17,935,836)
Parks and public works	11,803,005	3,674,222	2,824,638	832,755	(4,471,390)
Community development	5,001,958	3,351,753	15,864	-	(1,634,341)
Library services	3,347,523	11,522	49,351	-	(3,286,650)
Sanitation	3,041	231,323	-	-	228,282
Total Governmental Activities	\$ 48,007,083	\$ 10,288,351	\$ 3,854,188	\$ 850,113	(33,014,431)
General revenues:					
Taxes:					
Property taxes					18,330,426
Sales taxes					7,531,425
Franchise taxes					2,495,792
Other taxes					1,911,774
Motor vehicle in lieu					24,526
Investment earnings					2,428,470
Miscellaneous					323,940
Total general revenues					33,046,353
Change in Net Position					31,922
Net Position - Beginning					114,819,109
Net Position - Ending					\$ 114,851,031

Staffs

$$\textcircled{A} \frac{20,446,188}{48,039,005} = 42.5\%$$

Recommended

$$\textcircled{C} \frac{17,935,836}{30,269,417} = 59.3\%$$

	Gross Public Safety Expenditures	Less: Functional Revenues	Net Public Safety Expenditures	Total Tax Revenue	Net Public Safety Exp/ Total Tax Rev
FY 2010	13,266,849	2,192,354	11,074,495	29,796,920	37.2%
FY 2011	13,495,885	2,181,591	11,314,294	31,103,674	36.4%
FY 2012	14,124,798	2,354,377	11,770,421	27,676,719	42.5%
FY 2013	13,731,754	2,541,990	11,189,764	22,877,632	48.9%
FY 2014	14,119,786	3,249,240	10,870,546	23,460,288	46.3%
FY 2015	12,644,221	3,554,004	9,090,217	25,412,604	35.8%
FY 2016	12,825,688	3,376,723	9,448,965	25,521,022	37.0%
FY 2017	14,587,597	2,914,017	11,673,580	28,399,621	41.1%
FY 2018	15,545,521	2,784,089	12,761,432	28,567,313	44.7%
FY 2019	17,725,475	2,572,532	15,152,943	30,682,158	49.4%
FY 2020	20,446,188	2,510,352	17,935,836	30,269,417	59.3%
Average Analysis					
FY 2010 - FY 2015	13,563,882	2,678,926	10,884,956	26,721,306	41.2%
FY 2016 - FY 2020	16,226,094	2,831,543	13,394,551	28,687,906	46.3%



**TOWN OF LOS GATOS
FINANCE COMMISSION REPORT**

MEETING DATE: 08/09/2021

Item 10.

ITEM NO: 10

DESK ITEM

DATE: August 9, 2021
TO: Finance Commission
FROM: Laurel Prevetti, Town Manager
SUBJECT: Review Police Costs Relative to Total Expenditures and Revenues (Continued from July 12, 2021)

REMARKS:

In reviewing the Town response (Attachment 4) to the Grand Jury report of 2011, staff learned that a consultant was hired to analyze the feasibility of consolidating dispatch services with the City of Campbell. The feasibility study (Attachment 5) determined that of three scenarios considered, the most feasible option at the time was for the City of Campbell to provide dispatch services for Los Gatos. Based on discussions between the entities, it was determined that the potential savings weren't material enough to transition services to Campbell.

Attachment received with Staff Report:

1. July 12, 2021 Police Costs Staff Report

Attachment received with Addendum:

2. Public Comment received at 6:50 pm on August 4, 2021

Attachment received with Addendum B:

3. Public Comment received at 7:13 am on August 6, 2021

Attachments received with this Desk Item:

4. September 6, 2011 Staff Report on Santa Clara County Grand Jury Reports regarding Dispatch and Fire Services
5. Campbell-LG Communications Feasibility Study 2016

PREPARED BY: Arn Andrews
Assistant Town Manager

Reviewed by: Town Manager



MEETING DATE: 9/6/2011

ITEM NO:

1a.

COUNCIL AGENDA REPORT

DATE: AUGUST 31, 2011

TO: MAYOR AND TOWN COUNCIL

FROM: GREG LARSON, TOWN MANAGER

SUBJECT: APPROVE RESPONSE TO THE SANTA CLARA COUNTY GRAND JURY
REPORTS REGARDING DISPATCH AND FIRE SERVICESRECOMMENDATION:

Approve response to the Santa Clara County Grand Jury reports regarding dispatch and fire services.

BACKGROUND:

On June 15, 2011, the Santa Clara County Civil Grand Jury issued separate reports regarding dispatch and fire services within public safety. The report directs individual cities to respond to specific findings and recommendations.

DISCUSSION:

The Santa Clara County Civil Grand Jury has issued two separate reports regarding 1) emergency dispatch services within public safety and 2) fire department response protocol and consolidation opportunities. Both reports focus on the importance of regionalization and consolidation and the implementation of best practices to improve service delivery and reduce operational costs.

Each report makes specific findings and recommendations relative to the report topic. The Town of Los Gatos is included in each report as the Police Department maintains a dispatch center and uses dispatch services and the Town receives fire services from the Santa Clara County Central Fire District. Due to its inclusion in each report, the Town is required to respond, by letter to the Grand Jury, to specifically identified findings and recommendations. This report discusses each of the findings and recommendations as they relate to the Town and states the Town's intended response to the Grand Jury. Following state law, the Grand Jury utilizes a structured format for response. In its response, the Town is required to either agree or disagree with the applicable finding. If the Town agrees with a finding, the

PREPARED BY: SCOTT R. SEAMAN, CHIEF OF POLICE

Reviewed by: (S) Assistant Town Manager (Q) Town Attorney _____ Finance

MAYOR AND TOWN COUNCIL

SUBJECT: APPROVE RESPONSE TO THE SANTA CLARA COUNTY GRAND JURY REPORTS
REGARDING DISPATCH AND FIRE SERVICES

AUGUST 31, 2011

Town must respond with one of four possible actions. If the Town disagrees with a finding, the response must include reasons for disagreement.

Grand Jury Report: "Can You Hear Me Now?" Emergency Dispatch in Santa Clara County

The dispatch report outlines the basic issues associated with providing dispatch service to a community for both police and fire. The report's inquiry and discussion leads to findings and recommendations supporting consolidation of services and standardization of equipment and technology. The report specifically recognized the Town and Campbell for their current work to issue a request for proposals to study a full or partial consolidation of dispatch services. Two findings and recommendations were made in the report. The Town is required to respond to both.

Finding 1

Dispatch consolidation would result in more cost-effective and efficient emergency response and should be implemented throughout Santa Clara County.

Recommendation 1

Jurisdictions which maintain their own dispatching centers – Campbell, Gilroy, Los Altos, Los Gatos, Milpitas, Monte Sereno, Morgan Hill, Mountain View, Palo Alto, San Jose, The City of Santa Clara, and Sunnyvale – and all jurisdictions which use Santa Clara County Communications for dispatch – Cupertino, Los Altos Hills and Saratoga – should consolidate dispatch with neighboring jurisdictions and, where appropriate, should issue RFPs to do so.

Town response:

Agree. The recommendation has not been implemented, but will be implemented in the future.

The Town of Los Gatos is preparing to issue a contract to study consolidation of dispatch with the City of Campbell and expects to have the results of that study by January 2012. While the Town indicates that it agrees with the recommendation, a decision to consolidate with Campbell is dependent upon receipt and consideration of the study and Town Council consideration of cost savings/service level impacts.

In addition, the Town of Los Gatos has participated in regional dispatch consolidation research through the Chief of Police's involvement as chair of the Silicon Valley Regional Interoperability Authority (SVRIA) Working Committee. The chief has convened two meetings with public safety officials to discuss regional consolidation and also participated in a December 2010 site visit to the Utah dispatch center identified in the Grand Jury report. The complete study and analysis of regional dispatch is a high priority for County police chiefs including the Los Gatos Chief. Several agencies are exploring varying models of collaboration to include virtual and traditional brick and mortar regionalization. Since the

MAYOR AND TOWN COUNCIL

SUBJECT: APPROVE RESPONSE TO THE SANTA CLARA COUNTY GRAND JURY REPORTS
REGARDING DISPATCH AND FIRE SERVICES

AUGUST 31, 2011

role of the dispatcher plays a key part in the successful delivery of community safety, agencies are deliberate in their review to help ensure the highest quality dispatch services.

Finding 2

Radio equipment has not been standardized and impedes effective countywide communication and emergency dispatch.

Recommendation 2

Jurisdictions which maintain their own dispatching centers – Campbell, Gilroy, Los Altos, Los Gatos, Milpitas, Monte Sereno, Morgan Hill, Mountain View, Palo Alto, San Jose, The City of Santa Clara, and Sunnyvale; all jurisdictions which use Santa Clara County Communications for dispatch – Cupertino, Los Altos Hills and Saratoga; the Santa Clara County Sheriff's Office, and Santa Clara County, should continue to work with the Silicon Valley Regional Interoperability Authority to achieve countywide standardization of radio technology.

Town Response

Agree. The recommendation has been implemented.

A county-wide interoperable radio system is in the planning stages. The Silicon Valley Regional Interoperability Authority is preparing a formal request for proposals to be released in late 2011. A project of this magnitude requires significant infrastructure investment funded through sources not yet identified. Until a project funding stream is identified, this project will receive priority funding for Homeland Security Grants. In addition, the Town is upgrading and standardizing its dispatch system as a sub-recipient through the City of Sunnyvale.

Grand Jury Report: Fighting Fire or Fighting Change? Rethinking Fire Department Response Protocol and Consolidation Opportunities

This report addresses the fire discipline and is less specific to the Town, except to the degree that the Town receives fire safety services from the Central Fire District.

Finding 1

It is extremely costly to equip a fire department for only the occasional fire response; the County and fifteen towns/cities have not been proactive in challenging fire departments to adopt changes that are more cost effective and that better serve their communities. Further, unions are more interested in job preservation than in providing the right mix of capabilities at a reasonable cost, using scare tactics to influence the public and fostering firefighter unwillingness to collaborate with EMS.

MAYOR AND TOWN COUNCIL

SUBJECT: APPROVE RESPONSE TO THE SANTA CLARA COUNTY GRAND JURY REPORTS
REGARDING DISPATCH AND FIRE SERVICES

AUGUST 31, 2011

The Santa Clara County Central Fire Protection District has responded to the Grand Jury directly on this finding and individual recommendations. The Fire District disagrees with this finding and offers a lengthy explanation of how management has worked to improve efficiencies and work cooperatively with their labor organizations.

Recommendation 1B

All fifteen towns/cities – Campbell, Cupertino, Gilroy, Los Altos, Los Altos Hills, Los Gatos, Monte Sereno, Morgan Hill, Milpitas, Mountain View, Palo Alto, San Jose, Santa Clara, Saratoga, Sunnyvale – and the County (for CCFD and SCFD) should determine the emergency response service they want to achieve, particularly as to the result, then determine how best to achieve that.

Town Response

Agree. The recommendation has been implemented.

The Central Fire Protection District has separately responded to the Grand Jury documenting its actions to create standards for response across all the cities served by the district. As the Town receives services from the Santa Clara County Fire Protection District independently and separately, opportunities for individual municipal customization of fire response standards are all but non-existent. The Town is working with the Fire Protection District to obtain additional emergency management and other services in consideration of significant property tax revenues provided to the Central Fire Protection District from Los Gatos.

Finding 3

Whether the emergency responder is a firefighter-paramedic or an EMS paramedic matters little to the person with the medical emergency; using firefighter-paramedics in firefighting equipment as first responders to all non-police emergencies is unnecessarily costly when less expensive paramedics on ambulances possess the skills needed to address the 96% of calls that are not fire related.

The Santa Clara County Fire Protection District has separately responded to this finding and partially disagrees citing a lack of sufficient detail to fully address the issue.

Recommendation 3A

All fifteen towns/cities – Campbell, Cupertino, Gilroy, Los Altos, Los Altos Hills, Los Gatos, Monte Sereno, Morgan Hill, Milpitas, Mountain View, Palo Alto, San Jose, Santa Clara, Saratoga, Sunnyvale – and the County (for CCFD and SCFD) should adopt an emergency services department mentality and staff or contract accordingly to meet demand.

MAYOR AND TOWN COUNCIL

SUBJECT: APPROVE RESPONSE TO THE SANTA CLARA COUNTY GRAND JURY REPORTS
REGARDING DISPATCH AND FIRE SERVICES

AUGUST 31, 2011

Town Response:

Agree. The recommendation requires further analysis.

As the Town receives services from the Santa Clara County Fire Protection District independently and separately, opportunities for individual municipal customization of fire response standards are all but non-existent. There is value in the emergency response of firefighter-paramedics to non-police emergencies as the response time can be shorter than the response time of an ambulance. The Town will hold discussions within the next six months with the Central Fire District to explore how to lower operating costs in non-police emergencies.

The Town is working with the Fire Protection District to obtain additional emergency management services in consideration of significant property tax revenues provided to the Central Fire Protection District from the Town of Los Gatos.

CONCLUSION:

Staff recommends council approve the responses to the above recommendations. Staff will prepare a letter to the Grand Jury by the September 16, 2011 due date.

ENVIRONMENTAL ASSESSMENT:

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

FISCAL IMPACT:

There is no direct fiscal impact associated with responding to the Grand Jury. Implementation of the recommendation has varying fiscal impacts, which will be identified as the issues are brought forward.

Attachments:

1. Letter dated June 15, 2011 from Grand Jury regarding its Final Report, "Can You Hear Me Now?"
Emergency Dispatch in Santa Clara County
2. Letter dated June 15, 2011 from Grand Jury regarding its Final Report, Fighting Fire or Fighting Change? Rethinking Fire Department Response Protocol and Consolidation Opportunities

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RECEIVED

JUN 16 2011

TOWN MANAGER

Item 10.

June 15, 2011

Honorable Joe Pirzynski
Mayor
Town of Los Gatos
Town Hall
110 East Main Street
Los Gatos, CA 95030

Dear Mayor Pirzynski and Members of the Town Council:

The 2010-2011 Santa Clara County Civil Grand Jury is transmitting to you its Final Report, **"Can You Hear Me Now?" Emergency Dispatch in Santa Clara County.**

California Penal Code § 933(c) requires that a governing body of the particular public agency or department which has been the subject of a Grand Jury final report shall respond within 90 days to the Presiding Judge of the Superior Court on the findings and recommendations pertaining to matters under the control of the governing body. California Penal Code § 933.05 contains guidelines for responses to Grand Jury findings and recommendations and is attached to this letter.

PLEASE NOTE:

1. As stated in Penal Code § 933.05(a), attached, you are required to "Agree" or "Disagree" with each APPLICABLE Finding(s) 1 & 2. *If you disagree, in whole or part, you must include an explanation of the reasons you disagree.*
2. As stated in Penal Code § 933.05(b), attached, you are required to respond to each APPLICABLE Recommendation(s) 1 & 2, *with one of four possible actions.*

Your comments are due in the office of the Honorable Richard J. Loftus, Jr., Presiding Judge, Santa Clara County Superior Court, 191 North First Street, San Jose, CA 95113, no later than **Friday, September 16, 2011.**

Copies of all responses shall be placed on file with the Clerk of the Court.

Sincerely,


HELENE I. POPENHAGER
Foreperson
2010-2011 Civil Grand Jury

HIP:dsa
Enclosures (2)

cc: Mr. Greg Larson, Town Manager, Town of Los Gatos

SUPERIOR COURT BUILDING • 191 NORTH FIRST STREET, SAN JOSE, CA 95113

TEL: (408) 298-2000 FAX: (408) 298-2005

California Penal Code Section 933.05, in relevant part:

933.05. (a) For purposes of subdivision (b) of Section 933, as to each grand jury finding, the responding person or entity shall indicate one of the following:

(1) The respondent agrees with the finding.

(2) The respondent disagrees wholly or partially with the finding, in which case the response shall specify the portion of the finding that is disputed and shall include an explanation of the reasons therefor.

(b) For purposes of subdivision (b) of Section 933, as to each grand jury recommendation, the responding person or entity shall report one of the following actions:

(1) The recommendation has been implemented, with a summary regarding the implemented action.

(2) The recommendation has not yet been implemented, but will be implemented in the future, with a time frame for implementation.

(3) The recommendation requires further analysis, with an explanation and the scope and parameters of an analysis or study, and a time frame for the matter to be prepared for discussion by the officer or head of the agency or department being investigated or reviewed, including the governing body of the public agency when applicable. This timeframe shall not exceed six months from the date of publication of the grand jury report.

(4) The recommendation will not be implemented because it is not warranted or is not reasonable, with an explanation therefor.



2010-2011 SANTA CLARA COUNTY
CIVIL GRAND JURY REPORT

(ENDORSED)
FILED

Item 10.

JUN 15 2011

DAVID H. YAMASAKI
Chief Executive Officer/Clerk,
Superior Court of CA County of Santa Clara
BY D. ALDYCKI DEPUTY

**"CAN YOU HEAR ME NOW?"
EMERGENCY DISPATCH IN SANTA CLARA COUNTY**

Introduction

When a resident of Santa Clara County (SCC) calls 9-1-1, certain basic expectations follow: that the call will be answered promptly, and that it will result in help being sent as soon as possible. What that caller does not think about, but what the Grand Jury undertook to explore, are the procedures, mechanics, city boundaries, political and economic interests that directly affect the response to any given call.

One of the fundamental obligations of County government is to maintain adequate levels of public safety and security by ensuring that citizens receive an appropriate and speedy response to emergency calls. The role of the emergency dispatch in delivering this service is vital to the quality of emergency response in Santa Clara County. Nevertheless, the Grand Jury has concerns regarding the effectiveness of the emergency dispatch system as it is now configured. These concerns include the apparent duplication of services among Santa Clara County Communications (County Comm) and individual municipalities, incompatibility of technology and dispatch protocols. Each raises serious issues relating to cost efficiency, given existing and projected reductions in revenue to government agencies in light of the economic downturn. The Grand Jury inquired into the existing dispatch system and sought to explore different or better ways in which this vital service can be provided.

Background

During the Grand Jury's exploration of possible changes in fire departments, it became clear that the manner in which emergency personnel and equipment are dispatched in response to 911 calls was a matter of broad concern that extended beyond the deployment of fire equipment and crews to include police, sheriff, and medical dispatch. These concerns can be summarized as follows:

- Basic dispatching functions and costs are being duplicated among a number of different agencies and jurisdictions, which wastes resources
- Duplication of dispatching functions may lead to a delayed, inadequate, or "over-adequate" response, i.e., too many units from too many jurisdictions are responding to a single incident

- The presence of a "middle-man," i.e., in jurisdictions where 911 calls first go to a local dispatch center before being transferred to County Comm, delays response anywhere from 20 seconds to 3 minutes or more, depending on the state of the local agency's communications equipment
- Regional radio communications equipment is not in place, meaning local jurisdictions cannot easily communicate with each other, local agents cannot communicate with their "home" area when the agent is out of range, and the entire network of county emergency responders cannot easily communicate in the event of a regional need, such as following a major earthquake or PG&E gas line rupture.

Methodology

In conjunction with its inquiry, the Grand Jury interviewed the following:

- All 15 SCC City and Town Managers
- All SCC County Fire Chiefs
- Presidents of both the Saratoga and Los Altos Hills Fire District Boards
- Selected Police Chiefs in SCC jurisdictions which maintain local dispatching centers

The Grand Jury also received and reviewed budget information for SCC cities, dispatch and response time reports, and information from County Comm regarding response protocols.

Discussion

In order to dispatch emergency personnel in response to a 911 call, four basic components must come together:

- The call must be answered (a dispatch center)
- The nature of the emergency must be assessed and prioritized (response protocols)
- The information received in the call must be transmitted (radio technology)
- The location from which emergency fire and medical responders are dispatched must be determined (jurisdiction).

These building blocks and how they affect response effectiveness are discussed below. The overall flow of a 911 call through dispatch is illustrated in Figure 1.

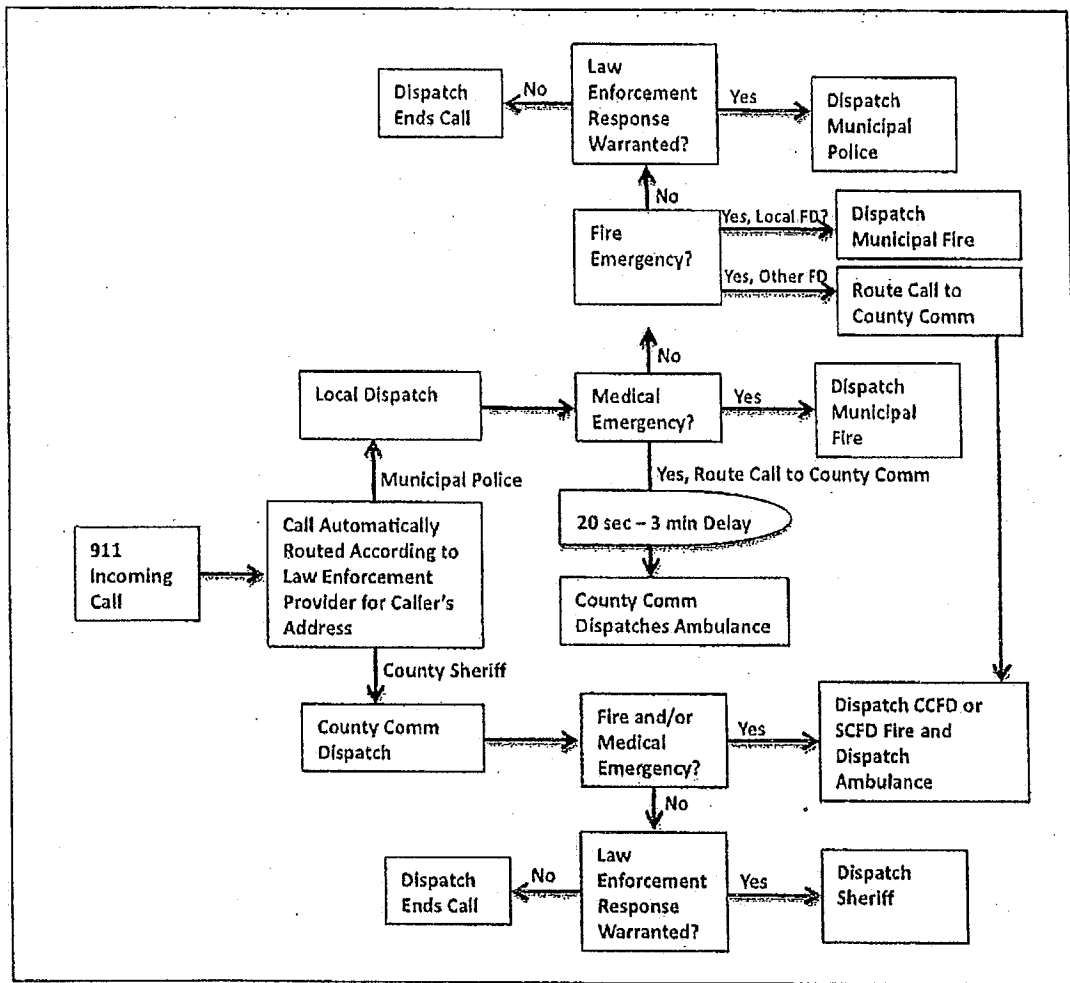


Figure 1: Overview of 911 Dispatching. Duplication of dispatch among municipalities and County Comm results in potential delay of fire and ambulance response, as well as duplication of equipment deployed.

Dispatch Centers

911 calls are automatically routed to the agency with jurisdiction over the permanent address associated with the caller's landline phone number (calls from cell phones are not addressed in this report). As shown in Figure 1, municipalities with police departments see 911 calls routed to their own local dispatch centers, which are operated by their police departments. For municipalities whose law enforcement needs are provided by the Sheriff, 911 calls are routed to County Comm. County Comm dispatches the county-contracted Emergency Medical Service (EMS), or ambulances; therefore, medical emergency calls that first route to a local dispatch must be transferred to County Comm for ambulance dispatch. Table 1 shows those municipalities that have local dispatch centers and those that use County Comm dispatch.

Table 1: Initial Response and Routing of 911 Calls to Dispatch*

Agency	911 Call Routing	Law Enforcement Dispatch	Fire Dispatch
Campbell	Campbell Police	Local	County Comm
Cupertino	County Comm	County Comm (Sheriff)	County Comm
Gilroy	Gilroy Police	Local	Local
Los Altos	Los Altos Police	Local	County Comm
Los Altos Hills	County Comm	County Comm (Sheriff)	County Comm
Los Gatos	Los Gatos Police	Local	County Comm
Milpitas	Milpitas Police	Local	Local
Monte Sereno	Los Gatos Police	Local	County Comm
Morgan Hill	Morgan Hill Police	Local	County Comm
Mountain View	Mountain View Police	Local	Local
Palo Alto	Palo Alto Police	Local	Local
San Jose	San Jose Police	Local	Local
City of Santa Clara	Public Safety Dispatch	Local	Local
Saratoga	County Comm	County Comm (Sheriff)	County Comm
Sunnyvale	Sunnyvale Public Safety	Local	Local
SCC	County Comm	County Comm (Sheriff)	County Comm

* All ambulance dispatching is done by County Comm.

Local dispatch centers are staffed by seven to fourteen city employees, which can create a significant liability to city budgets. For example, the Town of Los Gatos budgets 12 full-time equivalent Police Administration Services employees—which includes dispatch and records—with a budget of ~\$1.8 million for the 2010/2011 fiscal year. Further, in 2010, Milpitas considered consolidating its dispatch center with other SCC cities, citing the potential \$1 million cost savings by eliminating 12 city employees as a reason to do so. Overtime is an additional cost factor, as is coverage for sick and vacationing employees—a particularly significant factor in maintaining a round-the-clock emergency dispatch service for small centers. In a small center, employees may also be hampered professionally due to limited advancement or learning opportunities.

An added expense for local dispatch is maintaining back-up power in the event of a power outage. Failure might occur due to a simple power outage, or be caused by a catastrophic event such as an earthquake. Personnel back-up, which is needed if an event overwhelms a local dispatch center, is typically provided by routing calls to a neighboring municipality or to County Comm. In many cities, needed back-up is provided by County Comm; in fact, County Comm is the 911 "Alternate Answer Point" (AAP) for all but two SCC cities. The fact that such redundancy exists and is called upon from time to time also is an indication that some form of permanent regionalization can be accomplished.

In addition to the expense associated with maintaining local dispatch centers, the risk of a delayed emergency response resulting when calls are transferred to County Comm must be considered. When a call comes into a local dispatch facility, if it is requesting a law enforcement response, there is no delay. However, all calls requiring a medical response must be transferred to County Comm, as must *all* calls requesting ambulance service. Depending on the state of the municipality's dispatching equipment, this transfer may take anywhere from twenty seconds to three minutes or more. For example, San Jose has one-button call transfer ability, which transfers a call in seconds. By contrast, Gilroy has less sophisticated equipment, and dispatchers must phone County Comm to transfer the call, which can take up to three minutes or more. All municipalities have the ability to transfer calls to County Comm and all municipalities can use County Comm as a back up 911 call center in case of a local emergency.

Since County Comm is already responsible for more fire dispatching than any other dispatch center, and is responsible for *all* ambulance dispatching, the Grand Jury asked interviewees the obvious question: "Given that there is duplication in the dispatching function, why maintain a local center?" Responses varied, but several themes emerged:

- Residents want a local connection with the dispatch center
- Police officers benefit by having an established relationship with a local dispatcher
- The manner in which a dispatcher responds to a call and even *whether* resources are dispatched, is a reflection of local values
- A local dispatcher has a familiarity with local geography that is valuable.

Upon closer examination, most of these concerns hold little merit. Interviewees could not point to evidence that residents really care who answers their 911 call; it is far more likely that callers simply want a speedy response from a knowledgeable resource.

Regarding law enforcement officer relationships with dispatch, the Grand Jury learned that the standard practice in areas with consolidated dispatch is to assign a particular "desk" to a particular community, such that the responder and dispatcher are able to develop the relationship and trust that some interviewees claimed could only come through a local operation.

The question of whether resources are actually dispatched is discussed in more detail below, but given the number and type of resources available to any given community, it may choose to send a response to a type of call, e.g., a complaint about a loud leaf blower, that another would not. Such local preferences can be made part of the dispatching protocol for that community, and has happened in Cupertino, Los Altos Hills and Saratoga, who contract with the Sheriff for somewhat customized law enforcement response for their communities.

Finally, with the proliferation of GPS systems, it is hard to justify the expense associated with maintaining a local dispatch center simply to ensure that people who “know the city” are available. One interviewee did argue that “GPS can show you where you’re going, but not what you’re getting into.” But another countered with the assertion that local police and fire personnel have the primary responsibility to know all aspects of their community and its geography as an integral part of their jobs.

Response Protocols

Consolidated dispatch centers and standardized equipment assure that 911 calls are answered and emergency personnel dispatched, but in order to achieve an effective and efficient response, protocols must be in place to determine which call will receive the most immediate attention. County Comm employs a prioritization system that ranks 911 calls by degree of seriousness, from an emergency that endangers life, down to complaints about violations of city ordinances (see Appendix A). Prioritization protocols in most SCC jurisdictions mirror this model. While in rare instances residents in some parts of SCC, often those living in unincorporated pockets, complain about slow response by law enforcement, most cities meet internal goals for response times based upon priority protocols. Further, response protocols for fire and emergency medical are virtually the same countywide, and pose no barrier to communications consolidation.

Law enforcement response protocols are very similar, as necessitated by legal boundaries. Yet police chiefs claim local dispatch control is required because their municipality has “nuanced” response protocol. This means, for example, that while one city would not respond to complaints of overly loud leaf blowers, another would. But there is no reason to think that such response nuances could not be implemented in a consolidated center where dispatchers are assigned to municipalities, and trained in area-specific, nuanced response protocol.

Radio Technology

Communications equipment is integral to the dispatch function. In order for dispatch consolidation to really work, all agencies must be able to talk to each other. However, equipment varies, as was noted above in discussing call transfer capability.

Radio equipment capability varies too. The Grand Jury learned that circumstances exist where a police chief may not be able to communicate with his own department when out of radio range, or one city may not be able to talk to another due to differences in equipment or radio frequencies used. In fact, Grand Jurors who participated in "Ride-Alongs" with the SCC Sheriff's Office, observed that a number of patrol deputies chose to use personal cell phones rather than Sheriff's radios. While this workaround may be effective for one-on-one communication, it is a wholly inadequate substitute for reliable long-range, countywide communication capability.

Standardization of equipment and technology is essential to successfully consolidating emergency communication and dispatch. This may pose a cost barrier initially, but long-term savings potential is worth going through the cost-benefit analysis.

Jurisdiction

Jurisdictional boundaries define which agency is called to respond to an emergency event. These boundaries largely follow city boundaries, but the lines do not make good sense from a response standpoint. Local dispatch systems may not have the visibility or authority to dispatch the closest resource when jurisdictional lines are not to be crossed. Particularly for fire or medical emergencies, this can impede the fastest response. For example, San Jose Fire Station 23 is closer to some areas of Milpitas than any of the four Milpitas fire stations; Palo Alto Station 5 is closer to some areas of Mountain View than any of Mountain View's fire stations.

Improved response across all agencies can be expected through "boundary drop." This is where jurisdictional lines are ignored such that the closest emergency resource responds to a given event. Once a 911 call is prioritized for response, equipment and crews are dispatched from the nearest possible location. Interviewees uniformly agreed that boundary drop would result in faster, more efficient emergency response, and many also agreed that the "communications component" is a major barrier in achieving full boundary drop as dispatching is not presently occurring from a central location. Adoption of a boundary drop system in dispatching may also lead to standardization in response protocols, radio technology, training and equipping of crews and emergency apparatus, and ultimately a breakdown in the artificial barriers standing in the way of full dispatch consolidation, which all interviewees agreed would result in better emergency response.

Communications Consolidation

Local dispatch centers clearly represent a duplication of services. The Grand Jury was encouraged to learn that most, if not all interviewees, recognize this as a problem and are already working to consolidate the dispatching function. All agreed that fire dispatch, which employs standardized response protocols and "speaks the same language," lends itself easily to consolidation. There was more disagreement regarding

whether police dispatch could be easily integrated due to differing local law enforcement policies, but most interviewees acknowledged that these differences could be overcome with the right approach to consolidation – such as by establishing a Joint Powers Agreement (JPA); or consolidating by geographic region (North County, West Valley, South County) rather than county-wide. Active efforts to consolidate the dispatching function are being pursued in several SCC cities:

- Los Gatos and Campbell currently have a joint Request for Proposal (RFP) out to explore complete or partial consolidation of their two dispatch centers.
- Los Altos, Palo Alto, and Mountain View are pursuing “virtual consolidation,” which would give dispatchers the same information by computer and allow dispatching throughout the area without requiring construction of a new “brick and mortar” facility.

City Managers cited several reasons to pursue consolidation, focusing primarily on economy of scale, cost-savings, and efficiency. In addition, many cited the benefit of a faster, better response, which would in turn create safer communities. Finally, many advanced the theory that if SCC cities were able to achieve consolidation of emergency dispatch, functional consolidation of other agencies, such as fire departments, would more likely follow.

In fact, regional and functional consolidation has been successfully implemented both in the Bay Area and around the country. In San Mateo County, for example, all emergency dispatch is handled by a single countywide agency. Dispatchers work with a map displaying all available emergency vehicles, which are simply numbered in order, rather than by jurisdiction, and then dispatch the closest resources to any given event. In West Jordan, Utah, consolidated dispatch served several different municipalities in the Salt Lake City area; in Scottsdale, Arizona, a regional model developed in the 1970s is still in use today, whereby a single dispatch center serves 25 different fire departments. According to interviewees familiar with that system, it has been reproduced successfully elsewhere. The Grand Jury learned that many SCC police and fire officials bring out-of-state experience with successful multi-jurisdictional systems and can be instrumental in leading change.

In spite of resistance to consolidation, agencies throughout the county have demonstrated their ability to collaborate effectively through the Silicon Valley Regional Interoperability Association (SVRIA). The Department of Homeland Security has identified interoperability as one of the nation's highest priorities. For first responders, there is no greater area of concern when facing a regional emergency, such as the

1989 earthquake or the 2010 San Bruno fire. In general, interoperability refers to the ability of emergency responders to share information via voice and data signals on demand, in real time, when needed, and as authorized. SVRIA is a Joint Powers Authority (JPA) among SCC agencies that has developed a long-term work plan to implement a regional communications system.

Conclusions

Clinging to local control seems to be a luxury rather than necessity, and it is a luxury municipalities may find they simply cannot afford to retain, particularly when County Comm offers both a capable and more technologically advanced alternative compared to the outdated equipment used in some municipalities.

The Grand Jury found that officials throughout Santa Clara County recognize, and are working to correct, inefficiencies in the existing emergency dispatch system. Elimination of local dispatch centers and elimination of local jurisdictional lines can go a long way toward providing faster, more efficient, and more cost-effective emergency response. The Grand Jury strongly encourages cities to work quickly and cooperatively to achieve the consolidation which will provide better emergency response service to the citizens of Santa Clara County.

Findings and Recommendations

Finding 1

Dispatch consolidation would result in more cost-effective and efficient emergency response and should be implemented throughout Santa Clara County.

Recommendation 1

Jurisdictions which maintain their own dispatching centers – Campbell, Gilroy, Los Altos, Los Gatos, Milpitas, Monte Sereno, Morgan Hill, Mountain View, Palo Alto, San Jose, the City of Santa Clara, and Sunnyvale – and all jurisdictions which use Santa Clara County Communications for dispatch—Cupertino, Los Altos Hills, and Saratoga—should consolidate dispatch with neighboring jurisdictions and, where appropriate, should issue RFPs to do so.

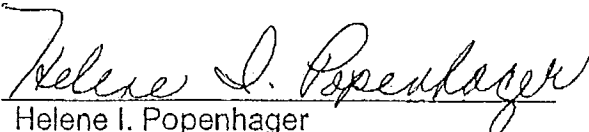
Finding 2

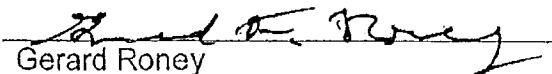
Radio equipment has not been standardized and impedes effective countywide communication and emergency dispatch.

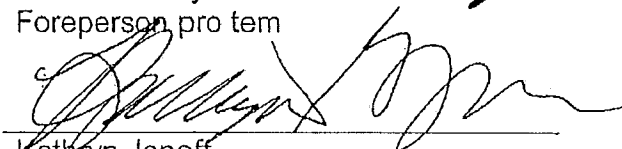
Recommendation 2

Jurisdictions which maintain their own dispatching centers – Campbell, Gilroy, Los Altos, Los Gatos, Milpitas, Monte Sereno, Morgan Hill, Mountain View, Palo Alto, San Jose, the City of Santa Clara, and Sunnyvale; all jurisdictions which use Santa Clara County Communications for dispatch—Cupertino, Los Altos Hills, and Saratoga; the Santa Clara County Sheriff's Office; and Santa Clara County, should continue to work with the Silicon Valley Regional Interoperability Association to achieve countywide standardization of radio technology.

This report was **PASSED** and **ADOPTED** with a concurrence of at least 12 grand jurors on this 19th day of May, 2011.


Helene I. Popenhager
Foreperson


Gerard Roney
Foreperson pro tem


Kathryn Janoff
Secretary

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RECEIVED

JUN 16 2011

TOWN MANAGER

COPY

June 15, 2011

Item 10.

Honorable Joe Pirzynski
Mayor
Town of Los Gatos
Town Hall
110 East Main Street
Los Gatos, CA 95030

Dear Mayor Pirzynski and Members of the Town Council:

The 2010-2011 Santa Clara County Civil Grand Jury is transmitting to you its Final Report, **Fighting Fire or Fighting Change? Rethinking Fire Department Response Protocol and Consolidation Opportunities.**

California Penal Code § 933(c) requires that a governing body of the particular public agency or department which has been the subject of a Grand Jury final report shall respond within 90 days to the Presiding Judge of the Superior Court on the findings and recommendations pertaining to matters under the control of the governing body. California Penal Code § 933.05 contains guidelines for responses to Grand Jury findings and recommendations and is attached to this letter.

PLEASE NOTE:

1. As stated in Penal Code § 933.05(a), attached, you are required to "Agree" or "Disagree" with each APPLICABLE Finding(s) 1 & 3. *If you disagree, in whole or part, you must include an explanation of the reasons you disagree.*
2. As stated in Penal Code § 933.05(b), attached, you are required to respond to each APPLICABLE Recommendation(s) 1B & 3A, *with one of four possible actions.*

Your comments are due in the office of the Honorable Richard J. Loftus, Jr., Presiding Judge, Santa Clara County Superior Court, 191 North First Street, San Jose, CA 95113, no later than **Friday, September 16, 2011.**

Copies of all responses shall be placed on file with the Clerk of the Court.

Sincerely,


HELENE I. POPENHAGER
Foreperson
2010-2011 Civil Grand Jury

HIP:dsa
Enclosures (2)

cc: Mr. Greg Larson, Town Manager, Town of Los Gatos

SUPERIOR COURT BUILDING • 191 NORTH FIRST STREET, SAN JOSE, CA

ATTACHMENT 2

California Penal Code Section 933.05, in relevant part:

933.05. (a) For purposes of subdivision (b) of Section 933, as to each grand jury finding, the responding person or entity shall indicate one of the following:

(1) The respondent agrees with the finding.

(2) The respondent disagrees wholly or partially with the finding, in which case the response shall specify the portion of the finding that is disputed and shall include an explanation of the reasons therefor.

(b) For purposes of subdivision (b) of Section 933, as to each grand jury recommendation, the responding person or entity shall report one of the following actions:

(1) The recommendation has been implemented, with a summary regarding the implemented action.

(2) The recommendation has not yet been implemented, but will be implemented in the future, with a time frame for implementation.

(3) The recommendation requires further analysis, with an explanation and the scope and parameters of an analysis or study, and a time frame for the matter to be prepared for discussion by the officer or head of the agency or department being investigated or reviewed, including the governing body of the public agency when applicable. This timeframe shall not exceed six months from the date of publication of the grand jury report.

(4) The recommendation will not be implemented because it is not warranted or is not reasonable, with an explanation therefor.



2010-2011 SANTA CLARA COUNTY CIVIL GRAND JURY REPORT

(ENDORSED)
FILE Item 10.

JUN 15 2011

DAVID H. YAMASAKI
Chief Executive Officer/Clerk,
Superior Court of CA County of Santa Clara
BY D. ALDYCKI DEPUTY

FIGHTING FIRE OR FIGHTING CHANGE? RETHINKING FIRE DEPARTMENT RESPONSE PROTOCOL AND CONSOLIDATION OPPORTUNITIES

Introduction

With police and fire department expenses constituting the majority share of city budgets, the public may well wonder what public services will be left if these agencies remain entrenched in old service and old cost structures. Our communities are deeply rooted in public safety traditions. But particularly in light of the economic difficulties Santa Clara County (SCC) and its constituent cities face—both now and in the foreseeable future—taxpayers can no longer afford to fund the status quo. Therefore, and in light of complaints that it is common to see fire departments over-deploy multiple firefighting apparatus in response to non-life-threatening medical emergencies, seemingly a waste of taxpayer dollars, the Grand Jury focused its inquiry on exploring change in fire departments.

Town and city managers (collectively CMs) and fire chiefs were interviewed to understand how changes to response protocol or various forms of consolidation had been considered to improve effectiveness and reduce cost. The Grand Jury found that, if considered at all, changes had not been implemented. However, CMs and fire chiefs generally agreed that fire department operations as currently configured are unsustainable. All agreed, in principle, that fire departments should rethink their response protocols—which are based on an historically fire-oriented model that does not match today's overwhelmingly medical-based demand for emergency services. CMs and fire chiefs also agreed that opportunities for consolidation warrant a closer look, particularly since fire departments throughout the county deliver the same services in much the same ways. In doing so, it is extremely important to separate the iconography of shiny red trucks and Dalmatians from the reality of today's firefighting.

It is not the Grand Jury's intent to advise how fire departments should fight fire or deliver other emergency services; rather this report discusses how shifting resources, changing skill mix and adopting other reforms can improve service, reduce costs and enable stations to remain open in spite of strained budgets.

Background

By far, public safety is the most costly service cities provide. Broadly speaking, public safety includes Police and Fire Departments; additional functions under this umbrella include record keeping and retrieval and dispatch communications, among other services. Public safety costs account for anywhere from 50% to 70% of city budgets, and fire departments, on average, consume ~20% of city budgets (see Table 1).

Table 1: Cost of Fire Service to SCC Towns and Cities

City/Special District	2010 Population (From Census)	2010 City Budget (\$M) ¹	2010 Fire Dept. Budget (\$M) ²	Fire Dept. Budget as % of City Budget (Approx.)	Fire Budget per Capita	Fire Service Provider
Gilroy	48,821	33.7	7.6	21%	\$156	City Dept.
Milpitas	66,790	167.3	14.2	19%	\$213	City Dept.
Mountain View	74,066	91	20.6	19%	\$278	City Dept.
Palo Alto	64,403	146.7	27.0	13%	\$419	City Dept.
San Jose	945,942	983.9	153.3	13%	\$162	City Dept.
Santa Clara	116,468	144.9	33.7	19%	\$289	City Dept.
Sunnyvale	140,081	228	25.0	10%	\$178	City Dept.
Campbell	39,349	36.2	6.3	17%	\$160	Contracts with CCFD
Morgan Hill	37,882	28.0	5.4	19%	\$143	Contracts with SCFD
Los Altos	29,976	26.6	5.3	20%	\$177	Contracts with CCFD
Los Altos Hills Fire District ^{3,4}	7,922	4.5	6.9	See note 4	\$871	Contracts with CCFD
Saratoga Fire District ^{3,4}	~14,300	15.0	5.0	See note 4	\$375	Contracts with CCFD
Saratoga	~15,626	15.0	Indigenous to CCFD Special Fire District, CCFD is funded directly through property tax (Prop 13)		See CCFD	CCFD
Cupertino	58,302	43.1				
Los Gatos	29,413	32.6				
Monte Sereno	3,341	2.1				
CCFD ³	297,356 ²	NA	81.8	NA	\$275	NA
SCFD ³	24,533 ²	NA	5.9	NA	\$240	CAL FIRE

¹Data sourced from Sheriff's summary of average costs per citizen for Police Services.

²Data sourced from the LAFCO report titled "2010 Countywide Review of Fire Services."

³Agencies are Special Districts. Revenue comes from property taxes in accordance with Proposition 13.

⁴Los Altos Hills and Saratoga fire special districts' revenue is in addition to the city budgets. They spend less on their contracts with CCFD, or 4.8M and 5.1M, respectively.

Fire departments within SCC are either city-"owned" and operated or are special districts established decades ago to provide fire protection services in underserved areas. Special districts are funded by property taxes received and apportioned in accordance with Proposition 13. Like cities, special districts may provide fire services with their districts or contract with another agency for such services. For example, Santa Clara County Central Fire District (CCFD) sells its services to other cities and special districts outside of its District boundaries on a contractual basis.

Most fire departments in the county are organized around the same service model, where firefighters are the first responders to a non-police emergency, providing paramedic support as needed, and calling in ambulance for transporting patients to hospital. Sunnyvale and Palo Alto have slightly different service models:

- Sunnyvale combines police and fire services under a Public Safety Department that operates under a single administrative structure. The Department dual-trains personnel in police and fire disciplines such that staff is functionally interchangeable. Rotation between police and fire duty is mandated on a periodic basis. All Sunnyvale public safety staff are trained in basic life support (BLS), and rely on County-provided Emergency Medical Services (EMS) paramedics and ambulances for advanced life support (ALS) and transport.
- By special permission, Palo Alto is exempt from the county's mandated Emergency Medical Response (EMR) service. The City funds its own EMR staff and ambulance service, which is operated on a fee-recovery basis.

History and Evolution

Organized firefighting in America was established over a century ago primarily to guard against loss of property. (See Appendix A for an overview of fire department evolution in SCC.) Over time, the nature of emergency calls has changed. By the 1970s, calls for fire service were dwindling dramatically, largely due to the development and enforcement of stringent building codes calling for, among other things, the use of fire-retardant building materials and the installation of sprinkler systems in most buildings.

In response to the decline in "business" that code improvements created, fire departments broadened their service models and capabilities, creating an "all hazards" approach to emergency services delivery. This shift would increase business, retain jobs and prevent station closures. Fire departments are now the first responder to any number of emergency situations—including property and car fires, medical emergencies, natural hazards and disasters, domestic and international terrorism, and a variety of unique situations, including the disposal of diseased chickens. Notwithstanding fire departments' very broad capabilities, statistically, the overwhelming majority of their calls are medical in nature. As shown in Table 2, in SCC just 4% of the emergencies to which firefighters respond are fire-related. An overwhelming 70% of the emergencies to which firefighters respond to are medical in nature.

Table 2: Number and Type of Fire Service Calls (developed from data found in the 2010 LAFCO Fire Service Review Report)

Agency	Total Service Calls	FIRE		EMERGENCY MEDICAL (EM)		OTHER				
		Structure Fire	Other Fire	EM Calls	EM as % of Total	Rescue Calls	Public Serv.	Haz. Mat.	False Alarm	Other
Gilroy	2,727	50	49	1,884	69.1	4	155	57	NR*	528
Milpitas	4,439	38	114	2,638	59.4	272	634	86	383	NR
Mtn. View	7,794	1,109	872	5,551	71.2	NR	262	NR	NR	NR
Palo Alto	7,549	20	219	4,509	59.7	NR	328	165	1,065	1,243
San Jose	70,892	320	1,367	51,645	72.9	713	3,230	281	3,342	9,994
Santa Clara	8,140	90	94	6,187	76.0	27	805	99	824	14
CCFD	16,553	153	354	10,836	65.5	111	1,050	168	2,202	1,679
SCFD	3,101	32	274	1,108	35.7	NR	NR	811	NR	876
Sunnyvale	7,286	137	2	4,993	68.5	NR	1,491	620	43	NR
TOTALS	128,481	1,949	3,345	89,349	69.5	1,127	7,955	2,287	7,859	14,334
<i>Percent of Total</i>		1.5	2.6		69.5	0.9	6.2	1.8	6.1	11.2
County-wide Totals		4% Fire		70% Medical		26% Other				

*NR = Not Reported in LAFCO data

Methodology

The Grand Jury interviewed the following:

- All fifteen SCC CMs
- All fire chiefs and public safety chiefs responsible for fire departments in SCC
- Presidents of the Los Altos and Saratoga special fire district boards
- Selected police chiefs with a focus on the emergency dispatch function.

Interviews were focused on two primary lines of inquiry:

- Fire response protocol: Why do fire departments use a "one-size fits all" approach, deploying a full-blown firefighting contingent to every emergency, given that the majority of calls are medical in nature?
- Consolidation: Has leadership considered various forms of consolidation among fire departments to improve effectiveness and reduce costs while maintaining service levels?

Supplementing the interviews, the Grand Jury relied on the December 2010, SCC Local Agency Formation Commission (LAFCO) report titled *Countywide Fire Service Area Review* (the LAFCO report). This report may be found online at LAFCO's website: <http://www.santaclara.lafco.ca.gov/>. Special districts, including fire districts, fall under the purview of LAFCO, a state-mandated agency with oversight responsibility for special districts (see Appendix B for a more detailed discussion of SCC LAFCO and Special Districts). The LAFCO report presents a comprehensive summary of fire department operations and statistical information pertaining to all fire departments in the County. CMs and fire chiefs agreed that the LAFCO report contained useful and generally accurate data; therefore, the Grand Jury drew upon LAFCO data in constructing the tables that appear throughout this report.

Discussion

Notwithstanding the overall decline in the number of actual fires to which SCC departments respond, fire response protocol remains relatively unchanged from a time, decades ago, when most calls were fire related. The typical emergency call comes in to a central communications center (often operated out of a city's police department). This center dispatches firefighters to areas within their jurisdiction. The responding firefighters, typically a three-person crew, gear up in firefighting clothing and drive to the emergency in firefighting vehicles. As the first responders, firefighters are responsible for on-scene triage and for calling in—or calling off—additional support, such as county EMS ambulance support or additional firefighting crews. This response model is used throughout SCC, regardless of the nature of the emergency.

Given the “all hazards” nature of today's firefighting business, and the fact that the vast majority of the emergencies to which firefighters respond to in SCC are not fire related, the question arises whether it makes sense to respond to all emergencies using a fire-emergency model. When the Grand Jury asked fire chiefs why firefighting apparatus and crews are sent out on 100% of calls when as many as 96% (SCC average, Table 2) of these calls do not require firefighting equipment, responses varied:

- To ensure equipment is operational
- To exercise the crew
- To ensure the crew is intact, with fire apparatus, in case a second call comes in while the crew is out, and it needs to proceed to the next event without going back to the station
- Always over-respond just in case, because you don't know what you'll find, and can't trust that information received from a caller is reliable
- Tailor response to fire rather than medical to get as much productivity out of staff already on duty who would otherwise just be standing by
- All available equipment and crew can be dispatched on each call without wasting resources because the frequency of responding to an actual fire is so low.

Regarding the third bullet above, some interviewees conceded this "double call" seldom happens—one interviewee reported that over 75% of calls are single-event.

It is noteworthy that fire departments uniformly consider all calls to be fire-related until, as a number of firefighter interviewees stated, their "eyes on the scene" determine otherwise. This approach means fire equipment will be dispatched regardless of the information provided by the caller as to the nature of the emergency, whether it be a broken arm, a person struck in a crosswalk, a heart attack or an actual fire. Even though an ambulance or paramedic crew may well be the most efficient and effective response, entrenched protocol gives priority to firefighters aboard fire trucks or fire engines. It is not uncommon under this model to see several fire apparatus at a scene, regardless of whether they are needed.

Real or Imagined Public Fear Against Fire Department Change

When asked about changing fire response protocol or the notion of consolidation, the Grand Jury listened as one interviewee after another leapt to the extreme in assuming that "change" would mean cutting staff and closing stations. A number of interviewees elaborated on a largely untested assumption that the public would react negatively to staff reduction or closure of stations. A broad middle ground between the status quo and closing stations needs to be explored. Finally, all those interviewed agreed that current economic conditions demand rethinking fire response protocols, more effectively managing resources and finding opportunities for fire department consolidation.

Fire Department Response Protocol

In seeking to develop recommendations for cost-efficient service delivery, the Grand Jury explored alternative response models with CMs and fire chiefs.

Firefighting Personnel and Equipment Response is Mismatched to Need

Given that approximately 70% of calls to fire departments are reporting medical emergencies rather than fire, and that only one of every three fire crew members (33%) is trained to respond to medical situations and conditions, there appears to be a mismatch between service needed and service provided. Further, while a great majority of calls received require a medical-based response, most of the SCC fire departments do not have apparatus that is built specifically for that purpose, i.e., an ambulance. Those fire departments that do (with the exception of Palo Alto) are not permitted by the county to use these vehicles in a first responder role. Conversely, the current EMS provider, AMR, is required by contract to subcontract with fire departments to serve as first responders.

Paramedic supplies are carried on each fire vehicle; however, there is an obvious mismatch between excessive equipment provided—i.e., medical supplies on a \$500,000 fire engine versus medical supplies on a \$100,000 ambulance—as opposed to the medical equipment needed to respond effectively to most calls. Because fire apparatus is considerably more expensive than ambulance vans, it seems both logical and cost-effective for fire departments to purchase less expensive dedicated medical vehicles (i.e., ambulances) or other less expensive utility vehicles. Further, if expensive firefighting apparatus were used more selectively—i.e., based on the nature of the emergency, as opposed to being dispatched on every call—the reduced wear-and-tear would mean vehicles would last considerably longer.

Ambulance Paramedic Response versus Firefighters Trained as Paramedics

Given that 96% of emergency calls to which SCC fire departments respond are non-fire events, the Grand Jury inquired of interviewees “Why have fire departments remained fire-biased as opposed to evolving into emergency response departments?” No truly defensible answers emerged. Some pointed to the existing response protocol under which the fire department provides first-response paramedic support, then calls EMS for ambulance transport to hospitals once the situation is stabilized. This seems to be an arbitrary separation of duties.

Ambulance crews typically consist of two persons: an emergency medical technician (EMT) and a paramedic. Both are trained to perform basic life support (BLS) functions, but the paramedic has additional training and certification that allows him or her to engage in advanced life support (ALS). ALS involves the administration of medication and internal treatment; i.e., any procedure that requires puncturing the skin, such as drug injections, IV treatment, or the performance of a tracheotomy. The California Health and Safety Code (Sec. 1797.200, et. seq.) mandates counties throughout the state to provide EMS services. SCC has fulfilled this mandate through its Emergency Medical Services Agency, which negotiates and manages the contract for ambulance services. Further, SCC requires cities, except Palo Alto,¹ to use the county-contracted EMS services. Today, 36 ambulances are roaming the county at any given time.

In addition to paramedics on the county EMS ambulance crews, all SCC fire departments, except Sunnyvale, require at least one firefighter trained as a paramedic and assigned to each crew. These firefighter paramedics earn firefighter pay plus a premium for their paramedic certification. As noted earlier, firefighters are the designated first responders to all non-police emergency events. So, for the 70% of calls that are medical events, fire departments deploy personnel who are over-trained to meet the need—i.e., paramedics also trained as firefighters.

¹ Palo Alto is exempt because it had operated its own EMS fleet prior to the mandate.

Changing the response protocol to allow EMS teams to serve as first responders to medical emergencies, authorized to call in fire support if needed, makes good sense. When asked why an ambulance-as-first-responders model was not considered, apart from union objections, interviewees consistently said: Ambulance crews are not trained as firefighters, so are not able to determine the true nature of the emergency. But using such nimble ambulances, staffed with paramedics, already roaming the county may improve response times. In 2003 Sunnyvale's Public Safety department studied the effectiveness of using cheaper and more nimble "light response vehicles" compared to fire equipment. Data showed an improvement in response using smaller vehicles, and it showed an even better response when these vehicles were roaming the city compared to parked vehicles deployed from a fire station. In spite of this data, Sunnyvale Public Safety department could not generate the institutional and political support necessary to implement change.

Sunnyvale also attempted to alter response practices when its public safety chief struck a deal with County EMS to house ambulances at fire stations. Because Sunnyvale does not have paramedics on its fire crews, this concept makes good sense, particularly since nearly 68.5% (Table 2) of Sunnyvale's emergency calls are medical in nature. Unfortunately, the effort at reform was killed by the Sunnyvale firefighters union, which argued that contract ambulance personnel did not have the same training as firefighters. More unfortunately, firefighters themselves resisted integration with ambulance crews. Now, while ambulances are housed in sheds on Sunnyvale fire department property, ambulance and fire crews do not intermingle or coordinate emergency response from the station. Improved camaraderie should improve service response, and this opportunity is missed when firefighters object to co-locating with EMS providers. Clearly the failure to integrate is not in the best interest of the public.

County EMS Agency's Impact on Response Protocol

SCC's EMS Agency (EMSA) measures the response time for each EMS call against ALS standards. Failure to meet the required response standards may result in financial penalties (see Appendix C for details regarding penalties and fines). The timeframe being measured starts when a unit is dispatched after a 911 call and ends when the first responder arrives on the scene. Fire departments are under subcontract with the EMS provider to be designated first responders. This arrangement is contractually required by the county; therefore, EMSA may be—intentionally or not—a barrier to improving response protocol by requiring firefighters to be first responders.

Overall, fire departments meet the response requirement (Table 3), but at a high cost compared to implementing an emergency response service model. If using a faster, roaming service, it seems likely response times will improve. Certainly, there is no indication response times would deteriorate.

Table 3: EMS Response Performance (data sourced from LAFCO Report)

Fire Dept.	Medical Response Against ALS Std. (90%)	EMS Agency % OK (Data from EMSA)	Fire Response Target	Actual Fire Response (% or minutes)
Gilroy	97.7%	97.6	90% in 5 min	88%
Milpitas	99.0%	98.7	Not Established	4.03 mins (average)
Mtn. View	98.8%	97.3	100% in 6 min	100%
Palo Alto	99.0%	NA	90% in 8 min	91%
San Jose	95.0%	95.5	80 % in 8 min	82%
Santa Clara	95.9%	96.5	3 Minutes (Average)	4.53 mins (average)
CCFD	95.1%	95.7	85 % in 8 min	88%
SCFD	97.5%	97.5	90%	90%
Sunnyvale	98.0%	97.9	93 % in 6 min	93%

Further, while the EMSA contract and penalty structure makes sense in the abstract, it has the effect of emphasizing the speed of the response versus the nature of the response. That is, the contract model does not challenge SCC fire departments to rethink response protocols in dispatching equipment and crews, rather it rewards the simple arrival at any given emergency within a set time, whether it be with ten people or two; with two fire engines, a ladder truck, and an articulated vehicle or with just an ambulance when the latter is all that is required. By more carefully structuring financial penalties to encourage *effective* response instead of *any* response, EMSA could be a catalyst for change instead of another cog in the machine of entrenched response protocols.

Public Expectation for Response

In the course of its interviews, the Grand Jury heard the assertion that the public demands rapid response time. This goes without saying; however, the Grand Jury heard nothing to indicate that the public demand is for a certain *type* of response. A 911 caller wants help to arrive as soon as possible. It is of little consequence to that caller whether help comes on a fire engine or an ambulance. Logic would dictate that SCC fire departments' continued insistence on clinging to a 100-year-old response model designed to fight structure fires makes no sense given the modern reality that structure fires are the exception and medical emergencies are the norm. Interviewees agreed, and further emphasized that a confluence of public awareness, political will and agency leadership, all pushing for reform, would be the only way to effect change.

Managing Human Resources Effectively

Minimum Staffing or Right-Sizing?

In their responses to Grand Jury questions regarding firefighter staffing and salary levels, some interviewees described firefighting as "the best part-time job in America," conceding these well-rewarded firefighters wear "golden handcuffs." Others acknowledged that firefighters are paid for "23 hours of sitting around for one hour of work" because that is how "insurance" works. But if cities are paying for insurance in the form of idle staff, why not effect change to maximize that insurance "premium?" Fire departments can be more successful and cost-effective when fire chiefs have the latitude to assign and manage staff according to the situation.

The ability of fire chiefs to manage staff effectively is directly related to whether their firefighter contracts contain minimum staffing requirements. There are two forms of minimum staffing requirements in SCC fire department contracts:

- A minimum number of personnel per shift
- A minimum number of personnel assigned to a particular piece of apparatus.

CMs and fire chiefs describe union pressure to retain minimum staffing contract clauses, also known as "entitlement operations." Yet fire chiefs pointed out that there are clear peak and low demands for service on any given day, day of the week, or season of the year, such that a more flexible staffing model would make much more sense both administratively and economically.

Those cities with fire contracts mandating minimum staffing levels and crew size are at a disadvantage compared to those with the discretion to staff as needed. In minimum staffing jurisdictions, fire chiefs have no flexibility to adapt crew composition, equipment assignments, or the form of response in the most efficient and effective manner. Those fire chiefs facing minimum shift staffing fare slightly better because chiefs can deploy more or fewer firefighters where needed. But neither contract minimum allows chiefs to consider statistically known time of day or seasonal changes in demand in determining deployment strategies.

Crew Size versus Skill Mix

The argument over crew size—three or four or five—may be less of an issue than skill mix within the crew. When 70% of calls require a medical response, and only 1-in-3 crewmembers are trained and certified to provide that response, there is a demand-to-service mismatch. The consequence of this mismatch may be that paramedics are overworked and firefighters are under-used. A comparison to the operation of private industry is instructive here. Where most businesses operating with a view toward right-sizing their capabilities to meet demand would take a closer look at such an imbalance, analyze needs, and make adjustments if warranted, publically funded fire departments choose to look the other way. Perhaps more two-person crews composed of paramedics and EMTs and fewer firefighters are needed. Perhaps true collaboration

with the county EMS provider would produce better and more cost-efficient service to the community. The fact that few departments are exploring or testing revised skill mix to better meet service demands is a potential waste of taxpayer monies at best, and may result in delayed response and potential loss of life at worst, if more cumbersome resources are slow to respond.

Residency Requirements and Realities

A final note on staffing relates to residency. While city agencies cannot dictate where employees live, they can impose a maximum travel time or mileage distance; e.g., "within 90 minutes" or "within 50 miles." Interviewees observed that when firefighters do not live in the community they serve, they risk losing touch with its residents, and their goals, values and identities. But city agencies cannot dictate where employees live. Because fire departments typically employ a "days on-days off" schedule, firefighters can arrange their schedules to have days and sometimes weeks off at a time. With such schedule flexibility many firefighters choose to live outside SCC, and some live outside of the state. In one department, 71% of firefighters live outside SCC.

In addition to isolation from the community, *insulation* also results when firefighters interact only with firefighters in their department or station. Isolation or insulation is counter-productive, particularly when making demands during contract negotiations that seem at odds with public sentiment. With staffing and shift structures that allow employees to live far outside the communities they serve, fire departments may unintentionally foster a culture of insensitivity to residents' sentiments. This can lead to a reputation for being "entitlement-minded" versus "service-minded," such as when unions vocalize dissatisfaction with generous contract benefits when local unemployment runs high. Or where firefighters lobby for protections that would further tie cities' hands, such as in Palo Alto, where well-informed voters overwhelmingly voted against the firefighters-sponsored ballot initiative.

Firefighter isolation and insulation may be overcome if firefighters take time to engage with the community, beyond responding to a service call.

Budget/Salary Structure

If fire departments provide essentially the same service, then one would expect variations in department costs to be minimal. But costs vary widely, as shown in Table 4. When asked why such variations occur in providing essentially the same service, interviewees stated some variation is due to differences in equipment needed to handle rural versus urban needs. It is not clear to the Grand Jury that this sufficiently explains the differences. But it does appear that the two primary cost variables are firefighting equipment and firefighters' wages, and neither has a direct bearing on effective service delivery for non-fire emergencies. Thus, while some departments struggle to keep stations open, others with more resources purchase seemingly extravagant single-purpose pieces of equipment. Certainly, if taxpayers can afford to and choose to fund such purchases, it is not the place of the Grand Jury to say they cannot; however, a consolidation of resources and strategic deployment of seldom-needed specialty equipment seems more prudent.

Table 4: Agency Costs Comparison (data sourced from LAFCO Report)

Agency	2010 Population (From 2010 Census)	Total Budget (\$K) 2010/2011	\$ per capita	\$K per Station	\$K per Fire Dept. Personnel	\$ per Service Call
Gilroy	48,821	7,645	157	2,548	201	2,804
Milpitas	66,790	14,256	213	3,564	178	3,212
Mtn. View	74,066	20,599	278	4,120	233	2,643
Palo Alto	64,403	27,007	419	3,376	223	3,578
San Jose	945,942	153,332	162	4,510	199	2,163
Santa Clara	116,468	33,723	290	3,372	188	4,143
CCFD	297,356	81,786	275	4,811	266	4,941
SCFD	24,533	5,899	240	1,475	163	1,902
Sunnyvale	140,081	25,042	179	4,174	250	3,437

Consolidation Opportunities

Fire departments consistently deliver the same services in the same ways, day in and day out. Because of this, interviewees all agreed that fire department consolidation of fire services seemed both possible and natural without disruption of service to the public. Again, this is because protocols, training and equipment are essentially the same for fire response throughout the county. Consolidation of dispatch communications was also deemed feasible. Both fire department and dispatch communications have been successfully consolidated, regionally, in communities including San Mateo County, CA; Scottsdale, AZ and West Jordan, UT, offering models for SCC fire chiefs to learn from.

Fire chiefs conceded that fire response and protocol is uniform, as are requirements to meet standardized response times. Although fire departments vary in size, number of fire department personnel they employ per capita, the number of square miles each station serves and the amount of equipment available per firefighter (Table 5), such variations are largely the result of individual department budgets more than from any demand factor. Such variations should not be viewed as inherent fire services differences that would prohibit consolidation.

Table 5: Fire Department Assets and Coverage (data sourced from LAFCO Report)

Agency	2010 Population (Census data)	Stations	Companies	Apparatus	Sworn Personnel	Sworn Fire-fighter per Apparatus	Total Personnel FTEs	Ratio of Total FTEs to Station
Gilroy	48,821	3	3	9	36	4	38.0	12.7
Milpitas	66,790	4	6	12	63	5	80.0	20.0
Mtn. View	74,066	5	7	12	70	6	88.5	17.7
Palo Alto	64,403	8	11	18	105	6	121.0	15.1
San Jose	945,942	34	41	52	630	12	770.5	22.7
Santa Clara	116,468	10	13	20	148	7	179.5	18.0
CCFD 9	297,356	17	21	43	247	6	308.0	18.1
SCFD	24,533	4	4	7	29	4	36.3	9.1
Sunnyvale	140,081	6	12	17	82	5	100.0	16.7
Totals	1,778,460	91	117	190	1,410	7	1721.8	16.7

Police and Fire Administration Consolidation

Administration consolidation occurs when public safety functions are combined under one chief responsible for delivering emergency services in their jurisdiction, regardless of whether they are police or fire.

In SCC, Sunnyvale has operated a public safety model for many years, and Palo Alto has recently consolidated police and fire administration. Administration consolidation is gaining popularity for reasons associated with budgeting, efficiency and a reported lack of qualified fire department management candidates in SCC. According to interviewees, the primary reason firefighters are not interested in fire management jobs is lack of incentive. Typical pay increases for management jobs are minimal compared to shift work, and shift work has no management headaches. Further, the standard 40-hour work week—let alone the additional uncompensated time investment demanded of a typical manager—is not worth the trade given the flexibility of a 24-hours on/96-hours off (or similar 48/72) shift and associated hourly pay. Finally, administrative work is not what most line firefighters hired on to do.

Therefore, administration consolidation offers the following benefits:

- Eliminates duplicate administrative positions
- Streamlines public safety approach, communications and decision-making
- Improves appreciation of other public safety duties and abilities
- Broadens recruitment possibilities to more incentivized, non-firefighter candidates.

Consolidation to Eliminate the Unplanned Cost of Inter-Department Aid

An interesting aspect of fire department operations is that they provide support to neighboring departments through two forms of aid:

- Automatic aid, where one department automatically responds to service calls in another jurisdiction based upon pre-agreement
- Mutual aid, where one department requests on-scene support from another department on a case-by-case basis.

These types of aid underscore the ability of fire departments to work together relatively seamlessly, which supports the feasibility of department consolidation (Table 6).

It should be noted that fire departments neither pay for aid received from another department nor charge for aid provided. This "gentleman's agreement" to support neighboring jurisdictions has worked for many years; but with recent budget cuts, it is a system ripe for exploitation. A city could underfund its fire department and look to a neighboring city fire department for aid to fill the gap. Reportedly Morgan Hill, for instance, is doing just that. Morgan Hill contracts with CCFD to provide its fire protection, but the amount that Morgan Hill funds CCFD is reportedly not sufficient to cover its demand for fire service. As a result, neighboring departments are routinely called upon to provide support. Morgan Hill therefore receives support it does not pay for, and the supporting agencies incur unplanned increases in cost.² Other departments also report disproportional requests of mutual aid, which may result in some communities footing a disproportional cost to provide emergency response in other communities. Consolidation, or regionalization, of fire departments gives cities that participate in a consolidated model the opportunity to normalize fire service costs and spread that cost proportionally and fairly.

² In 2010, Morgan Hill received more than 250 calls for mutual aid. This gave rise to SCC BOS agenda item 79, February 8, 2011 to discuss "Memo to governing board of SCCFD from Jeff Smith, re SC Fire Service regionalization" which may be viewed at the following web-link: http://www.sccgov.org/portal/site/scc/boardagenda?contentId=c855644cff8ed210VgnVCM10000048dc4a92____&agendaType=BOS%20Agenda. Also see "Committee nixes fire, EMS consolidation study," Michael Moore, Morgan Hill Times, April 15, 2011.

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Table 6: Stations, Coverage and Aid Given/Received (data sourced from LAFCO Report)

Fire Dept.	Sq. Miles	Stations	Sq.Mi./ Station	Com-panies	ISO rating	Aid Received (Auto+Mut'l)	Aid Given (Auto+Mut'l)
Gilroy	16.2	3	5.4	3	4	117	284
Milpitas	13.2	4	3.3	5	3	4	276
Mtn.View	12.0	5	2.4	7	2	N/A	97
Palo Alto	23.0	8	2.9	11	2	181	148
San Jose	205.0	34	6.0	41	3/9	3	61
Santa Clara	19.3	10	1.9	13	2	2	12
CCFD	137.0	17	8.1	21	2/8	1239	1316
CAL FIRE (for SCCFD)	260.0	4	65.0	4	5	969	876
Sunnyvale	23.8	6	4.0	12	2	45	66

Consolidation through Boundary Drop or Regionalization

Regionalization of fire service coverage and response may be accomplished through "boundary drop," which is where jurisdictional lines are ignored such that the closest fire crew responds to a given event, regardless of where the event occurs. This form of consolidation offers the opportunity to eliminate stations that are in very close proximity to each other, although technically located in different cities. For example, San Jose Fire Station 23 is closer to some areas of Milpitas than any of the four Milpitas fire stations; Palo Alto Station 5 is closer to some areas of Mountain View than any of the Mountain View fire stations. Full boundary drop in SCC would be best achieved if dispatch communications were also consolidated. Enabling the closest station to respond 100% of the time can yield a cost savings and improve service to the broader community. Boundary drop can be accomplished through a Joint Powers Authority (JPA), where each city maintains departments and budgets but works collectively to provide fire service. Boundary drop may also be accomplished through fire department consolidation. In both cases, once old jurisdictional boundaries are dropped, cost savings may be gained by closing fire stations that are in very close proximity to each other without degradation in response time or effectiveness of response.

Fire Department Consolidation

Economic savings may be derived from combining multiple city, county or special district fire departments into one or more fire departments. Some interviewees resisted consolidation considerations, claiming residents wanted to see the name of their town or city on pieces of equipment; those more open to change observed that fast response was what mattered, not the origin of service.

Consolidation results in cost savings through the elimination of duplicate administrative positions, excess equipment, and through streamlining operations. Efforts to consolidate have been successful in the past, such as when Campbell disbanded its local fire department and contracted with CCFD. The change was motivated by Campbell's need to build an additional fire station when the city did not have the resources to do so. Contracting with CCFD enabled Campbell to receive the broader coverage needed using CCFD stations.

Today, three fire departments provide contract services within SCC, which offers other agencies experienced fire departments to choose from: CAL FIRE, CCFD and Palo Alto, each discussed below.

Although capable of expanding its contracted service through agreements with other agencies, CAL FIRE does not actively pursue new business. This policy was adopted primarily because CAL FIRE does not wish to incur inter-departmental enmity. CAL FIRE will respond to a request for proposal (RFP) *only* if it is clear that the requesting city has the complete backing of local political agencies. It should be noted that CAL FIRE provides the same services as other SCC fire departments, but its personnel costs are roughly 30% lower than that of other departments because CAL FIRE wages are based on a lower, state-wide pay scale.

CCFD is a special district (see Appendix B for a discussion on special districts) that has successfully operated a "for-hire" fire department for many years. For the same reasons as CAL FIRE, CCFD will respond to RFPs but does not actively market itself; however, CCFD is adept at selling itself as evidenced by its comprehensive business plan and capabilities statement available online. Nine agencies in SCC currently receive CCFD fire service, either as one of the indigenous cities in the CCFD special district (Los Gatos, Monte Sereno, Cupertino and parts of Saratoga) or by contracting for fire protection services (Saratoga Fire District, Campbell, Los Altos, Los Altos Hills Fire District, and Morgan Hill). CCFD is good example of regionalized consolidation.

Palo Alto contracts out fire protection services to Stanford University. The revenue stream generated by that contract represents approximately 30% of Palo Alto fire department's revenue.

CMs who contract out for fire service reported that they are glad to avoid the headaches associated with operating their own fire department and the attendant management issues, particularly those related to union relations. CMs do express some concern over having little control over future cost increases, and some commented that CCFD may be "gold-plating" its services, based upon recent cost increases. Having multiple agencies to select from does offer competition for services, which inherently helps to control costs.

Consolidated fire departments may offer fire protection services on a contract basis or through a joint powers authority (JPA) agreement.

Consolidation Versus Closing Stations

According to those interviewed, proximity to an event is the key determinant of response effectiveness. It therefore makes sense to spread resources more broadly and more strategically, rather than simply staffing all stations the same way, all day, all year long in a particular jurisdiction. Such strategic staffing approaches should enable departments to keep their stations open.

In fact, without implementing boundary drop as discussed above, closing stations has the potential to negatively affect a property owner's fire insurance rates. Here's how: A non-profit organization called the Insurance Services Office (ISO) rates fire departments against a set of criteria. Ratings range from a high of 1 to a low of 10. In turn, some insurance companies use the ISO ratings to establish fire insurance rates for premium-holders. When a department receives an ISO rating of 5 or below, some insurance carriers will increase rates—sometimes significantly—or may deny coverage altogether.

Response time is one of the ISO rating factors. Response times can be improved as discussed above by changes in protocol, staff or equipment. If cities and fire departments are unwilling to move toward more flexible medical-based response, proximity is the biggest driver in meeting response times. Therefore, caution should be exercised when considering station closure unless some form of consolidation is put in place to ensure response times can be maintained.

Consolidating Purchasing of Apparatus, Equipment and Maintenance and Exercising Purchasing Restraint

With approximately 117 companies operating 190 pieces of apparatus at an average cost per engine of \$500,000, there is a major opportunity for shared maintenance and consolidated purchases among SCC fire departments. In interviews with fire chiefs, and as underscored by the LAFCO report, the Grand Jury found that consolidation of equipment purchases does not occur very often. Apparatus dealers say "no two fire engines are alike." This is because departments have the option to customize their rigs. If fire departments deliver essentially the same service, customized vehicles are needlessly more expensive. Customization also prevents other departments from combining orders to achieve volume discount.

Standardization of equipment and equipment configuration not only saves cost but also ensures effective inter-department operability. Many interviewees noted that differentiated equipment hinders automatic or mutual aid in that firefighters from one jurisdiction may not be readily able to find stowed items on customized vehicles. When equipment is stowed in the same location on the same types of apparatus, firefighters do not have to think twice when interacting with any other department's vehicles. This in turn ensures maximum effectiveness and efficiency of response—if seconds count, then seconds should not be wasted searching for tools stowed in non-standard locations. In Scottsdale, Arizona, where there is a firefighting consortium, all trucks are stocked and packed in the same way so they can be used effectively by any firefighter.

Regarding maintenance, all fire departments incur the cost of equipment maintenance and storage. In addition to maintaining active equipment, fire departments maintain equipment in reserve. Reserves make sense because they can be deployed if needed, and retaining capital equipment as a back-up, particularly equipment as expensive as fire apparatus, provides some insurance against unanticipated breakdowns. But not every department needs its own reserves and not every department needs its own maintenance crew. Consolidating offers an obvious opportunity for maintenance resources and storage cost savings.

Department purchasing is so insular that the Grand Jury noted, particularly where departments or special districts were flush with monetary reserves, equipment purchases sometimes gravitated toward highly specialized pieces of equipment that may be fun and impressive to own, but may be seldom used. Such equipment includes articulated vehicles built for occasional off-road need, a machine that performs chest compressions, and a sling designed to remove horses from swimming pools. Some of this specialized, seldom-used equipment is duplicated in other departments. Therefore, department would also result in more shared equipment and less waste of taxpayer dollars.

Training consolidation

If the duties of firefighters, and the skills needed to perform them are essentially the same, it makes sense to consolidate training. Similar to maintenance consolidation, training functions and facilities can be consolidated rather than duplicated. Eliminating duplicate training staff and training facilities saves money, and a consolidated training approach builds teamwork across jurisdictions. Given that all fire departments support each other through automatic and mutual aid, it is highly likely that firefighters will need to work with their counterparts in different departments. Breaking down personnel barriers through combined-department training improves camaraderie and builds trust, such that firefighters from different jurisdictions are comfortable working with each other. Most SCC fire chiefs agree that shared training promotes the eventual acceptance of consolidation at the staff level and, more importantly, serves to standardized emergency response throughout SCC.

Firefighter Unions

The structure and operation of firefighter unions are outside the jurisdiction of the Grand Jury; however, because unions directly affect the ability—or willingness—of CMs and fire chiefs to consider and implement fire department change, we address unions here. Interviewees consistently commented that efforts to think outside the box have been stymied by the firefighter unions. Union leadership is doing a good job at what they are tasked to do: get as much for membership as they can. But unions must see that firefighter reputation is tarnished by a public perception of union greed, particularly in an economic environment where such greed—manifested by negotiations intractability—is forcing other necessary and popular city services, such as parks, libraries, and recreation to be cut. The result is a clear impression of firefighters as self-serving rather than community serving.

It was reported to the Grand Jury that firefighter unions appear to be content to focus on protecting jobs regardless of cost or the need for minimum staffing. It is reasonable to hold firefighter unions accountable to the cities and public they serve when unions focus on sustaining old models, entrenched expectations, and ongoing entitlements at the expense of better-performing, more efficient fire departments.

The Political Will to Effect Change

In spite of union barriers to change, it is the responsibility of city leadership to demonstrate a willingness to rethink consolidation and response protocols. To neutralize union efforts to spread a message of fear in order to prevent budget cuts—e.g., *If our budget is cut, houses will burn because it will take too long for us to reach you*—cities need to get in front of the message, leading the unions and the public in an informed discussion of the alternatives. Milpitas, for example, is spearheading a collaborative approach to making change: city managers, chiefs, union leaders, and politicians regularly meet and collaborate in making decisions; then develop a strategy to effectively articulate the proposed change to the public.

The Grand Jury asked CMs if any had challenged fire response protocols in their jurisdictions or had undertaken initiatives to cause reform. Most had not, except through broad discussions about budget constraints. However, when faced with an intransigent firefighters union and the realities of economic recession, Palo Alto commissioned an independent agency to conduct a comprehensive study of fire services.³ The report recommended changes including, for example, administrative consolidation of police and fire, which address some of the concerns raised in this report. Still, it remains to be seen whether other city councils, faced with a perceived public outcry at any reduction in staffing and stations, will have the political will to either propose, or actually enact, needed changes.

Conclusion

The Grand Jury found that in fire departments across SCC, an outmoded service delivery model does not match today's emergency response needs. Emergency response suffers when publicly funded and independently operated fire departments are cobbled together with contracted ambulance service. Most cities or SCC have not taken on the difficult challenge of rethinking fire service to better serve the community. Given that fire departments deliver essentially the same services in a uniform manner, three areas for improvement exist:

- Managing fire department personnel more effectively

³ Palo Alto Fire Department, CA, *Fire Services Utilization and Resources Study*, Final Report, by TriData Division, System Planning Corporation and ICMA Center for Public Safety Excellence. Prepared for the City of Palo Alto. January 2011.

- Changing fire department response protocol to an emergency response department model to better respond to the nearly 70% of emergency calls county-wide that are medical in nature
- Exploring and implementing consolidation opportunities.

CMs and fire chiefs agree that these changes would offer opportunities to save money without compromising service delivery, and may improve service. However, no CM or fire chief can make recommended changes without the political will and backing of their city council or the SCC Board of Supervisors. Cities successful in implementing change were successful in communicating with the public, firefighters, and unions by publishing information and opening dialogues in advance of formalized hearings, negotiations or public meetings where change was to be considered. This open door policy was key to negating inflammatory politicking by unions intent on defeating reform.

In this time of economic challenges, city leaders have a rare opportunity to challenge the status quo and to make the changes necessary to deliver a sustainable, effective *emergency* response service.

Findings and Recommendations

Finding 1

It is extremely costly to equip a fire department for only the occasional fire response; the County and fifteen towns/cities have not been proactive in challenging fire departments to adopt changes that are more cost effective and that better serve their communities. Further, unions are more interested in job preservation than in providing the right mix of capabilities at a reasonable cost, using scare tactics to influence the public and fostering firefighter unwillingness to collaborate with EMS.

Recommendation 1A

All cities that manage their own fire department—Gilroy, Milpitas, Mountain View, Palo Alto, San Jose, Santa Clara, Sunnyvale—and the County (for CCFD and SCFD) should benchmark and observe best practices from communities that have demonstrated successful changes in response protocol and consolidation efforts, such as in San Mateo County, CA; West Jordan, UT; or Scottsdale, Arizona.

Recommendation 1B

All fifteen towns/cities—Campbell, Cupertino, Gilroy, Los Altos, Los Altos Hills, Los Gatos, Monte Sereno, Morgan Hill, Milpitas, Mountain View, Palo Alto, San Jose, Santa Clara, Saratoga, Sunnyvale—and the County (for CCFD and SCFD) should determine the emergency response service they want to achieve, particularly as to the result, then determine how best to achieve that.

Recommendation 1C

All cities that manage their own fire department—Gilroy, Milpitas, Mountain View, Palo Alto, San Jose, Santa Clara, Sunnyvale—and the County (for CCFD and SCFD) should collaborate with their fire department, union and political leadership to drive fire department change and develop consistent, joint communications messages for the public.

Finding 2

Based on SCC's fluctuating demand for emergency services; contractually based minimum staffing requirements are not warranted and hinder fire chiefs in effectively managing firefighter staffing to meet time of day, day of week, season of year demand. This wastes money and may drive station closure as budgets continue to erode.

Recommendation 2

All cities that manage their own fire department—Gilroy, Milpitas, Mountain View, Palo Alto, San Jose, Santa Clara, Sunnyvale—and the County (for CCFD and SCFD) and that also have contractual minimum staffing requirements should reopen negotiations with the unions to eliminate this term and any other term that limits a fire chief's ability to "right-size" staffing given the time of day or time of year.

Finding 3

agree further analysis
Whether the emergency responder is a firefighter-paramedic or an EMS paramedic matters little to the person with the medical emergency; using firefighter-paramedics in firefighting equipment as first responders to all non-police emergencies is unnecessarily costly when less expensive paramedics on ambulances possess the skills needed to address the 96% of calls that are not fire related.

★ Recommendation 3A

All fifteen towns/cities—Campbell, Cupertino, Gilroy, Los Altos, Los Altos Hills, Los Gatos, Monte Sereno, Morgan Hill, Milpitas, Mountain View, Palo Alto, San Jose, Santa Clara, Saratoga, Sunnyvale—and the County (for CCFD and SCFD) should adopt an emergency services department mentality and staff or contract accordingly to meet demand.

Recommendation 3B

The County should modify its approach to mandating (through direct contract or through the EMS provider contract) that fire departments serve as first-responder, reserve the use of firefighting vehicles for fire events, and enable the EMS contractor to be first responder.

Recommendation 3C

In consideration of non-fire emergencies, all cities that manage their own fire department—Gilroy, Milpitas, Mountain View, Palo Alto, San Jose, Santa Clara, Sunnyvale—and the County (for CCFD and SCFD) should modify fire department protocols to authorize, incorporate and use less expensive non-firefighter paramedics and non-firefighting equipment.

Recommendation 3D

All cities that manage their own fire department—Gilroy, Milpitas, Mountain View, Palo Alto, San Jose, Santa Clara, Sunnyvale—and the County (for CCFD and SCFD) should consider ways to extend the service life of expensive firefighting vehicles by augmenting with ambulance vehicles—either newly purchased as fire apparatus is replaced or in collaboration with the county EMS provider.

Finding 4

Emergency callers care less about seeing their city/town name on the equipment door than receiving timely assistance when needed, and a wide variety of consolidation opportunities offer cities ways to deliver emergency response services at a reduced cost and without compromising service response times.

Recommendation 4A

All cities that manage their own fire department—Gilroy, Milpitas, Mountain View, Palo Alto, San Jose, Santa Clara, Sunnyvale—and the County (for CCFD and SCFD) should evaluate and implement cost-saving consolidations, including administration consolidation, boundary drop, department or regional consolidation, purchasing, personnel training and equipment maintenance.

Recommendation 4B

All cities that manage their own fire department—Gilroy, Milpitas, Mountain View, Palo Alto, San Jose, Santa Clara, Sunnyvale—and the County (for CCFD and SCFD) should consider adopting a vehicle fleet management approach by establishing a county-wide standard for vehicles and equipment, consolidating purchases to take advantage of lowered costs, and consolidating maintenance or revisiting guaranteed maintenance contracts on new vehicle purchases.

Appendix A: Fire Department Origins

South County Fire District (SCFD)	South County Fire District was created in 1980 to serve the unincorporated areas of south SCC. SCFD is a "dependent District" governed by the SCC Board of Supervisors, who in turn appoints a seven-member fire commission. CAL FIRE is currently the fire services contractor for SCFD.
CAL FIRE	CAL FIRE is a statewide organization that provides wild-land firefighting and offers fire protection for municipalities on a contract basis.
SCC Central Fire District (CCFD)	CCFD is a full-service fire department that has evolved through fire district consolidations. In 1947, two agencies, the Cottage Grove Fire District and the Oakmead Farms fire district were consolidated and joined with other agencies of unincorporated areas that had no fire protection to become the SCC CCFD. CCFD is a "dependent District" governed by the SCC Board of Supervisors. Provides county-funded fire service to all unincorporated areas and to the following communities: Los Gatos: Indigenous to the special district Monte Sereno: Indigenous to the special district Cupertino: Indigenous to the special district Campbell: Contracts with CCFD Morgan Hill: Contracts with CCFD Los Altos: Contracts with CCFD Saratoga: Special District and partially indigenous, partly contracts with CCFD Los Altos Hills: Special District, Contracts with CCFD
Saratoga Fire District	Originated in 1923, Saratoga created a "Fire Protection District," which allowed residents to opt in or out, so the current District has odd boundaries. It is now a "dependent" District governed by the Board of Supervisors and a Commission. Members of the Commission are elected, but if no one runs for a seat, members are appointed and serve at the pleasure of the Board. The District covers an area of twelve sq. miles with a population of 15,000. The Sanborn Road area has recently been annexed into the District as part of its "sphere of influence."
Los Altos Hills Fire District	Special Fire District governed by seven-member Commission appointed by the Board of Supervisors (five from LA Hills and two from unincorporated area included within District). Appointments made following application and interview process. Supervisor usually accepts recommendations for appointment from current commissioners.
Milpitas	Historically a city-run department.
Mountain View	Historically a city-run department.
San Jose	Historically a city-run department.
Palo Alto:	City-run Department but unique in county as having own ambulance/transport service
Santa Clara	Historically a city-run department.
Gilroy	Historically a city-run department.
Sunnyvale	Historically a city run public safety department that combines Police and Fire administration and all public safety officers are dual-trained in police and fire service and serve both departments on a rotational basis.

Appendix B: LAFCO and Special Districts

The Local Agency Formation Commission (LAFCO) is a state-mandated agency with oversight responsibility for cities and special districts. Among other duties, LAFCO has a responsibility to evaluate fire service throughout the county. Their most recent fire service review was issued in December 2010 and offers a good overview of fire departments in the county, and analyzes each according to a standard set of criteria. The Grand Jury's report, in part, used LAFCO-generated data. Further, the Grand Jury found many of LAFCO's recommendations are based on sound analysis. Fire departments are not required to read or take action on LAFCO's findings and recommendations.

It is worth noting that the four special district fire departments addressed in this report receive revenue from property taxes under the guidance of Assembly Bill (AB) 8. Arguably the property tax apportionment as established in 1978 appears to be arbitrarily disproportionate across the districts that receive this funding: as illustrated in Table B1, special district fire department funding ranges from \$875 (Los Altos Hills) to \$240 for SCFD. Those levels were established based on the portion agencies were receiving before Proposition 13 was enacted. No scrutiny was made then, or since then, to determine the reasonableness of the property tax apportionment for the fire services delivered. It would appear the difference between Los Altos Hills and Saratoga is indefensible. Further, what money isn't spent is held in reserve *in perpetuity*. According to LAFCO, a reserve of 15% to 25% is considered reasonable (p. 145 of the LAFCO report). The existence of Los Altos Hills' excessive reserve calls to question whether this district should continue to receive new tax monies it apparently does not need.

Tables B2 and B3 provide consolidated LAFCO data drawn upon in this report.

Table B1: Fire District Special District Funding and Expenditures Summary

City/Special District	2010 Population (From Census) ¹	2010 Revenue from Property Tax (\$M) ²	2010 Fire Service Operating Budget (\$M)	Fire Service per Capita	Reserves (\$M)	Reserves (% of Operating budget)
Los Altos Hills Fire District	7,922	7.0	4.5	\$884	17.8	~396%
Saratoga Fire District	~14,300	5.0	4.7	\$350	1.6	~34%
CCFD	297,356 ²	49.1	81.8	\$275	14.5	~18%
SCFD	24,533 ²	4.3	5.9	\$240	2.3	~40%

¹Based on 2010 Census data.

²Based on LAFCO Report data

Table B2: Consolidated Data from LAFCO Report: *Countywide Fire Services Review* (December 15, 2010)

Agency	Agency Details										Costs				
	Population 2010	Est. Pop. Gro. %	Est. Pop. 2035 (thousands)	Square miles	Stations	Sq.mi./Station	Companies	Apparatus	Sworn Personnel	Tot. Personnel FTE's	Total Budget (K\$) 2010/2011	\$/capita	K\$/Station	K\$/Personnel	\$/Service Call
Notes	1							2							
Gilroy	49,800	40	70	16.2	3	5.4	3	9	36	38.0	7,645	154	2,548	201	2,804
Milpitas	69,000	54	106	13.2	4	3.3	5	12	63	80.0	14,256	207	3,564	178	3,212
Mtn.View	72,100	26	91	12.0	5	2.4	7	12	70	88.5	20,599	286	4,120	233	2,643
Los Altos	77,779	36	85	23	8	2.9	11	18	105	121.0	27,007	347	3,376	223	3,572
San José	1,037,567	41	1,381	205	34	6.0	41	52	630	770.5	153,332	148	4,510	199	2,163
Santa Clara	114,700	37	157	19.9	10	1.9	13	20	148	179.5	33,723	294	3,372	188	4,143
CCFD ³	297,356	15	341	137	17	8.1	21	43	247	308.0	81,786	275	4,811	266	4,941
BCFD	24,533	8	27	260	4	65.0	4	7	30	36.3	5,899	240	1,475	163	1,902
Sunnyvale	135,200	21	163	23.8	6	4.0	12	17	82	100.0	25,042	185	4,174	250	3,437

NOTES:

1. Population served (may be more than just city).
2. Apparatus (including reserves) listed in LAFCO report Appendix C.
3. CCFD data includes contracted Los Altos Hills Fire District and Saratoga Fire District.

**Table B3: Consolidated Data from LAFCO Report:
Countywide Fire Services Review (December 15, 2010)**

	Service Call Details											Emergency Response									
Agency	Total Service Calls	Structure Fire	Other Fire	Emergency Medical	Rescue Calls	Public Service	Hazardous Materials	False Alarm	Other	Mutual/Auto Aid	% Med Calls	% fire calls	Medical				Fire			Aid	
													Medical Resp. ALS std. 90%	EMS Agency Late	EMS Agency Totals	EMS Agency % OK	Target fire resp. (% within X min)	Actual fire resp. (% or min)	ISO rating	Aid Received (Auto+Mut'l)	Aid Given (Auto+Mut'l)
Notes											4	5		6	6	6	7	8			
Gilroy	2,727	50	49	1,884	4	155	57		528		69	4	97.7%	47	1,997	97.6	90% in 5 min	88%	4	117	284
Milpitas	4,499	58	114	2,636	272	634	86	383		276	59	3	99.0%	22	1,643	98.7		4.03	3		276
Mtn.View	7,794	1,109	872	5,551		262					71	25	98.8%	83	3,105	97.3	100% in 6 min	100%	2	N/A	97
Palo Alto	7,549	20	219	4,509		328	165	1,065	1,243		60	3	99.0%				90% in 8 min	91%		1,113	1,148
San Jose	70,892	320	1,367	51,645	713	3,230	281	3,342	9,994		73	2	95.0%	2,367	52,090	95.5	80 % in 8 min	82%	3/9	3	61
Santa Clara	8,140	90	94	6,187	27	805	99	824	14		76	2	95.9%	159	4,488	96.5		1.53	2		312
CCFD ⁹	16,553	153	354	10,836	111	1,050	168	2,202	1,679		65	3	95.1%	506	11,724	95.7	85 % in 8 min	88%	2/8	1239	1316
CPD	3,101	32	274	1,108			811		876		36	10	97.5%	27	1,092	97.5	90%	90%		969	872
Sunnyvale	7,286	137	2	4,993		1,491	620	43			69	2	98.0%	108	5,127	97.9	93 % in 6 min	93%	2	45	66

NOTES (continued):

4. Emergency Medical Calls only.
5. Total of structure and other fires.
6. EMS Agency data from 2009 Exception Reports by EMSA Committee

7. Set by each department

8. ISO rating may affect insurance rates

9. CCFD data includes contracted Los Altos Hills and Saratoga Districts

Appendix C: Santa Clara County Emergency Medical Services Agency Response Requirements and Performance Penalties

(excerpted from the EMS Agency's Exemption Review Committee Process
Guide – EMS 830, Pgs 14 and 15)

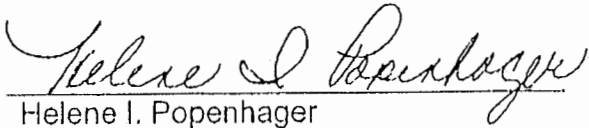
Response Time Requirements

Response Priority	Population Density	First Responder (Contractor in the absence of FRP Contracts for ALS or BLS services)	Transport Provider
Code 2	Metro/Urban	≤12:59	≤16:59
	Suburban	≤14:59	≤21:59
	Rural	≤21:59	≤41:59
Code 3	Metro/Urban	≤7:59	≤11:59
	Suburban	≤9:59	≤16:59
	Rural	≤11:59	≤21:59

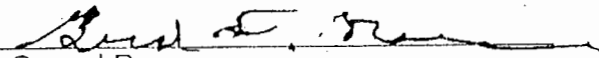
PERFORMANCE PENALTIES – First Response

First Responder response time penalties in areas where First Responder hold subcontract (In absence of contracts for ALS or BLS First Response, these response times apply to the Contractor):						
Code 2 - Responses			Code 3 - Responses			Fine*
Metro/Urban	Suburban	Rural	Metro/Urban	Suburban	Rural	
13:00 - 16:59	15:00 - 18:59	22:00 - 25:59	8:00 - 11:59	10:00 - 13:59	12:00 - 15:59	\$13 / minute
17:00 - 19:59	19:00 - 21:59	26:00 - 28:59	12:00 - 14:59	14:00 - 16:59	16:00 - 18:59	\$50 / minute
20:00 - 22:59	22:00 - 24:59	29:00 - 31:59	15:00 - 17:59	17:00 - 19:59	19:00 - 21:59	\$75 / minute
23:00 - 31:59	25:00 - 33:59	32:00 - 40:59	18:00 - 26:59	20:00 - 28:59	22:00 - 30:59	\$100 / minute
32:00 - 36:59	34:00 - 38:59	41:00 - 45:59	27:00 - 31:59	29:00 - 33:59	31:00 - 35:59	\$5,000
37:00 - 46:59	39:00 - 48:59	46:00 - 55:59	32:00 - 41:59	34:00 - 43:59	36:00 - 45:59	\$6,500
47:00 - 51:59	49:00 - 53:59	56:00 - 60:59	42:00 - 46:59	44:00 - 48:59	46:00 - 50:59	\$8,000
≥52:00	≥54:00	≥61:00	≥47:00	≥49:00	≥51:00	\$10,000

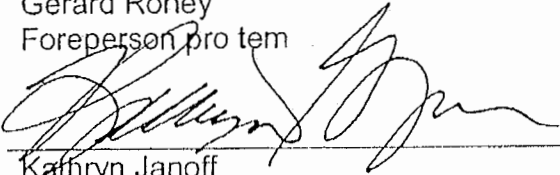
This report was **PASSED** and **ADOPTED** with a concurrence of at least 12 grand jurors on this 12th day of May, 2011.



Helene I. Popenhager
Foreperson



Gerard Roney
Foreperson pro tem



Kathryn Janoff
Secretary

Feasibility Study for Dispatch Consolidation

LOS GATOS / CAMPBELL, CALIFORNIA

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November 12, 2012

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FEASIBILITY STUDY FOR DISPATCH CONSOLIDATION

Los Gatos and Campbell, California

In September 2011, the Matrix Consulting Group initiated the Feasibility Study of Dispatch Consolidation (the Study) between the Town of Los Gatos and the City of Campbell (CA) to determine the available consolidation options and identify the potential impacts from a management, organizational, operational, and cost perspective. To complete the Study, the project team conducted the following activities:

- Held a project kick-off meeting with the management and supervisory positions of the respective police departments, including the chiefs of police, the administrators / managers of communications and records, and key information technology personnel to confirm project goals and objectives, schedule, etc.
- Individual interviews with the respective dispatch center managers, supervisors, and staff (including "sit-alongs") to understand organizational structure, staffing levels, scheduling approaches, roles and responsibilities, policies and procedures, etc., as well as perspectives on consolidation opportunities.
- Individual interviews with the key elected officials from each jurisdiction to obtain their perceptions of the feasibility of dispatch center consolidation, the expected benefits of consolidation, as well as challenges to implementation.
- Collection and review of dispatch center information, including respective budget and financial data, community-generated and officer-initiated calls for service activity, emergency and non-emergency phone call workloads, personnel leave utilization and compensation levels, and technology assets.
- Employee survey of the respective dispatch center users (i.e., the field personnel) to identify perceptions on the quality of current service levels, dispatching processes and procedures, equipment, as well as opinions of potential dispatch center consolidation.

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Feasibility Study for Dispatch Consolidation

Throughout the Study, the project team communicated with the respective cities to review interim deliverables, collect, and confirm data and information, schedule interviews with appropriate staff, etc.

Executive Summary

In order to assess the dispatch consolidation options available to the Town and the City, we have researched various alternatives ranging from a complete consolidation to simply sharing a 9-1-1 phone system. For this particular study, three options were considered for the co-location of dispatch staff to serve both jurisdictions.

1. **Option 1** – Campbell provides dispatch services for Los Gatos.
2. **Option 2** – Los Gatos provides dispatch services for Campbell.
3. **Option 3** – Full physical consolidation at a new shared location. 3

The consolidation option that is the most feasible at this time is for the City of Campbell to provide dispatch services for the Town of Los Gatos. The Campbell Police Department dispatch center has adequate space to accommodate additional personnel with minimal renovations. Preliminary reviews of costs associated with either option 2, or option 3, were expected to significantly exceed the costs for option 1. Therefore, this study primarily focused on the potential cost savings that could be realized with a consolidation of the two dispatch centers at the Campbell Police Department facility; however, it does not rule out the other two options. Option 2 would require significant costs for retrofitting the Los Gatos dispatch center. Option 3 would require identification of a new site which has not been identified and therefore we are not able to assess costs associated with that option.

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Feasibility Study for Dispatch Consolidation

Dispatch centers operate utilizing three separate and distinct systems: a 9-1-1 telephone network and associated call taking equipment; a computer aided dispatch (CAD) system for recording event information; and a radio broadcast system. These three systems are the required backbone for dispatch operations and must be fully integrated in any type of a consolidation effort. The costs associated with maintenance, configuration changes or purchases of new equipment can be significant. Therefore, the methodology utilized in option 1 was to rely on staff's "best guess" approach on costs. Additional funds would have been required to conduct vendor requests for proposals or quotations in order to obtain specific costs and were beyond the scope of this project. Therefore, this report should not be considered as guaranteed cost savings for either agency without further and more detailed cost analysis on these three systems by experts in those fields.

It is important to note that other regional dispatch consolidations are in the process of, or have already taken place, in other jurisdictions throughout California and the country. Because there are so many variations of consolidation efforts taking place, the various options were simply too extensive to be evaluated fully in this study. Additionally, there are current projects already underway that could impact the success of the consolidation between Campbell and Los Gatos.

For example, the Town of Los Gatos has purchased and is in the process of implementation of a shared CAD/RMS (Computer Aided Dispatch/Records Management System) with the City of Sunnyvale. This equipment consolidation is expected to increase functionality between Sunnyvale and Los Gatos while reducing costs associated with on-going maintenance and upgrades to the system. The

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Feasibility Study for Dispatch Consolidation

opportunity to share systems and data between both jurisdictions is one small step towards a regional interoperability solution. Additionally, it allows for instantaneous take-over of operations if needed in the event of an emergency. The true functionality of this shared equipment solution had not been fully tested before the completion of this report.

Three north county agencies - Los Altos, Palo Alto, and Mountain View – have begun implementation of a jointly owned and operated CAD system to create a “virtual dispatch operation.” Such an approach allows those agencies to scale the sharing of duties and workload among the three centers depending upon individual agency needs.

All cities in Santa Clara County have been considering, to some extent, physical or virtual consolidation of dispatch operations in a few locations that are in geographic proximity, or one single center serving the entire county. This concept requires additional regional discussion and exploration. Cities which are not involved in consolidation efforts have opted for the wait and see approach until other test cases have been fully vetted.

Additionally, over the next several years, the State of California will be upgrading California’s legacy 9-1-1 system to a Next Generation 9-1-1 (NG9-1-1) IP based network with capabilities for applications like location-based routing, dynamic call routing, and the ability to send/receive texts, videos, photos, etc. This upgrade, when it occurs, will dramatically change the complexity of operations for all dispatch centers in California. The State of California 9-1-1 Division is currently engaged in five NG9-1-1 regional projects in various regions throughout the State and has no plans to authorize additional NG9-1-1 networks until these five projects are completed.

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In addition to the upcoming transition to NG9-1-1, both Campbell and Los Gatos' existing 9-1-1 systems are due for upgrades. Both agencies are considering the possibility of a shared, hosted 9-1-1 system. The State provides funding to agencies to upgrade their 9-1-1 systems, however the State 9-1-1 contract does not include funding for the network to support a shared system so network costs are likely to be imposed upon the individual agencies. Both agencies are conducting research and gathering pricing information to determine the best path forward for upgrading their existing 9-1-1 systems.

Based on the assessment of current dispatching organization, operations, management, and staffing levels, as well as a number of key assumptions and utilizing a cost allocation approach, the major cost / savings impacts are summarized below and discussed in detail later in the report. Costs, or savings, identified in this report are expected to change if key assumptions change, specifically as they relate to infrastructure decisions whereas employee salary and benefits costs are generally more predictable.

Town of Los Gatos:

Based on a per capita cost allocation method (45% / 55%), Los Gatos' portion of annual operating costs is estimated to between \$1.0 – \$1.2 million per year with one-time costs the first year estimated at almost \$900,000. Los Gatos could save over \$300,000 per year, but these savings would not be realized until at least the 3rd year of consolidation due to the one-time costs the first year.

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City of Campbell:

Based on a per capita cost allocation method (45% / 55%), Campbell's portion of annual operating costs is estimated to be between \$1.2 – \$1.4 Million per year with one-time costs the first year estimated at a little over \$900,000. Campbell could save over \$240,000 per year, but these savings would not be realized until at least the 4th year of consolidation.

If it were the interest of the municipalities to equalize the period of time in which costs would be recouped by each municipality and to create proportional savings in future years, some additional investment would be required of the Town of Los Gatos, above the one-time and yearly costs identified in this study. This adjustment would reduce the amount that Los Gatos saves each year and would increase the amount that Campbell saves each year.

PROFILE OF CURRENT OPERATIONS

This first chapter represents the summary profile of the organization, operations, workloads and services levels, and associated costs of the dispatch centers for the Town of Los Gatos and the City of Campbell, both of which are organized under the respective police departments. The information contained in this chapter is based on interviews with respective police department and dispatch center managers, supervisors, and staff, collection of personnel and budget data, and review of other available pertinent documentation, and includes the following:

- Overall Organizational Structure
- Dispatch Staff Allocation and Roles / Responsibilities
- Dispatch Staff Schedule and Deployment
- Calls for Service Workload
- Budget and Human Resources
- Regional Projects

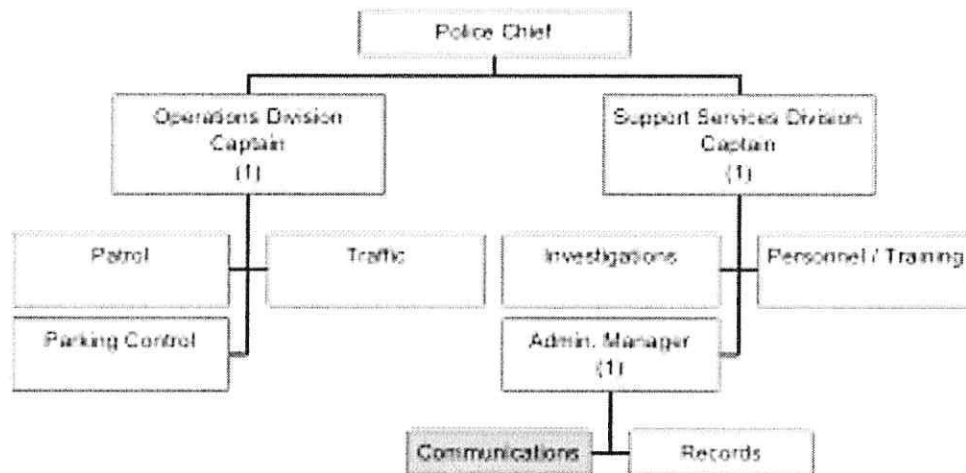
The project team utilizes this baseline data to assess current operations, as well as the feasibility of potentially consolidating dispatch centers, as any shared service approach will be shaped by workload demands, staffing level impacts, one-time and ongoing cost impacts, etc.

1. OVERALL ORGANIZATIONAL STRUCTURE

Based on the FY 2012 / 2013 Adopted Budget, the Los Gatos / Monte Sereno Police Department has a total staffing allocation of 59.5 general funded full-time equivalents, organized among the following functions and programs:

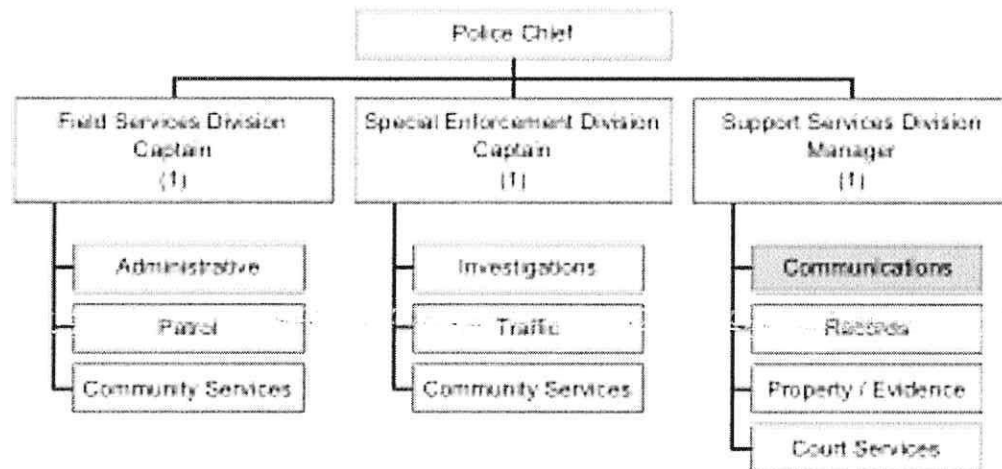
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Overall Organizational and Management Structure – Los Gatos Police Department



Based on the FY 2012 / 2013 Adopted Budget, the Campbell Police Department has a total staffing allocation of 63.35 total budgeted positions, organized among the following functions and programs:

Overall Organizational and Management Structure – Campbell Police Department



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2. DISPATCH STAFF ALLOCATION AND ROLES / RESPONSIBILITIES

The table below summarizes the key roles and responsibilities for the managers, supervisors, and staff allocated to the operation of the respective dispatch centers, including the number of authorized full-time equivalents (the project team assumes 0.5 FTEs for the respective Manager positions, as they supervise other functions and services as well).

Town of Los Gatos		City of Campbell	
Classification / FTE	Key Roles and Responsibilities	Classification / FTE	Key Roles and Responsibilities
Police Administrative Services Manager (0.5)	- Managing the budget development and monitoring the expenditures of the dispatch center - Managing the overall operations of the dispatch center, including staffing and scheduling - Working on special projects related to inter-operability and regional communications efforts (e.g., the microwave project, integration with Sunnyvale, integrated justice, etc.) - Developing staff reports and attending Town Council meetings, as necessary - Overseeing public records requests, tape requests, managing grants and reporting, and conducting employee performance evaluations - Includes all tasks outlined in communications supervisor position outlined below	Support Services Division Manager (0.5)	- Managing the budget, including reviewing finance reports, approving invoices, annual budget preparation and grant management - Planning, supervising, and evaluating the daily operations of staff allocated to the dispatch center, including timecard approvals, addressing internal and external complaints, etc. - Managing various projects related to technical services, radio systems, and software applications - Developing and producing statistical reports for outside audits and analysis - Managing and processing public records requests, releasing of information, etc.

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Town of Los Gatos		City of Campbell	
Classification / FTE	Key Roles and Responsibilities	Classification / FTE	Key Roles and Responsibilities
Communications Supervisor (0.0)	• NA	Communications Supervisor (1.0)	• Providing the first-line supervision of the dispatch center on a daily basis • Scheduling of the dispatchers, including approvals for vacation, overtime, etc. • Processing the accounts payables for records and communications, as well as billing for the residential and commercial false alarms • Coordinating the repairs and maintenance of the communications equipment, including the ordering and replacing of cell phones for the department • Conducting performance evaluations

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Town of Los Gatos		City of Campbell	
Classification / FTE	Key Roles and Responsibilities	Classification / FTE	Key Roles and Responsibilities
Communications Dispatcher (7.5)	• Answering the emergency phone calls and determining the appropriate response, including the dispatching of field unit(s), transferring the call to fire or EMS, etc. • Answering the non-emergency phone calls and addressing the public need, including routing the phone call, etc. • Providing records checks for field units during officer-initiated activities such as traffic stops • Handling various collateral duties including training, developing policies and procedures, serving as tactical dispatchers, etc. • Monitoring the video of the main police building and police operations building to handle any in-person visits, including contacting police personnel to address. • Handling non-dispatcher tasks such as the records functions during non-business hours (e.g., vehicle releases, verification of warrants, stolen vehicles and missing persons confirmations, etc.)	Public Safety Dispatcher (9)	• Receiving and dispatching for emergency and non-emergency calls for service • Maintaining records of the status and activities of on-duty field personnel • Providing information to field personnel from various databases during records checks • Answering various non-emergency phone call and addressing / routing / transferring as necessary • Handling various collateral duties such as making the CDs for the court DA requests, entering in FI cards, updating policies and procedures, etc. • Monitoring the video of the police lobby and addressing in-person visits during non-business hours. • Handling non-dispatcher tasks such as records functions during non-business hours (e.g., vehicle releases, verification of warrants, stolen vehicles and missing persons confirmations, etc.)
Temp / Part-Time Communications Dispatcher (0.25)	• Currently utilizing 3 separate individuals to provide staffing coverage, with 2 of the individuals working as full-time Campbell dispatchers and 1 of the individuals working as a Santa Clara Police Department dispatcher.	Temp / Part-Time Public Safety Dispatcher (0.15)	• Currently utilizing temporary individuals to provide staffing coverage.

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3. DISPATCH STAFF SCHEDULE AND DEPLOYMENT

The Los Gatos dispatch personnel are on a 12 / hour schedule for which dispatchers earn 4 hours of overtime that is taken as comp time off on every other Wednesday. The 4 hours earned in the previous week are utilized and count towards achieving a 40-hour work week on the second week. Given the current number of full-time dispatchers, the table below illustrates a typical hourly and weekly scheduled deployment:

Los Gatos PD Dispatcher Deployment

Hour	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Avg.
0000	1	1	1	1	1	2	2	1.3
0100	1	1	1	1	1	2	2	1.3
0200	1	1	1	1	1	1	1	1.0
0300	1	1	1	1	1	1	1	1.0
0400	1	1	1	1	1	1	1	1.0
0500	1	1	1	1	1	1	1	1.0
0600	1	1	1	1	1	1	1	1.0
0700	1	1	1	1	1	1	1	1.0
0800	1	1	1	1	1	1	1	1.0
0900	1	1	1	1	2	2	2	1.4
1000	1	1	1	1	2	2	2	1.4
1100	1	1	1	1	2	2	2	1.4
1200	2	2	2	2	3	2	2	2.1
1300	2	2	2	2	3	2	2	2.1
1400	2	2	2	2	2	2	2	2.0
1500	2	2	2	2	2	2	2	2.0
1600	2	2	2	2	2	2	2	2.0
1700	2	2	2	2	2	2	2	2.0
1800	2	2	2	2	2	2	2	2.0
1900	2	2	2	2	2	2	2	2.0
2000	2	2	2	1	2	2	2	1.9
2100	2	2	2	1	2	2	2	1.9
2200	2	2	2	2	2	2	2	2.0
2300	2	2	2	2	2	2	2	2.0
Avg.	1.5	1.5	1.5	1.4	1.7	1.7	1.7	1.6

The Campbell dispatch personnel are on a 4 - 10 / hour schedule deployed within 5 separate shifts, including the A-shift (2100 - 0700), the B-shift (0700 - 1700), the C-shift (1700 - 0300), the D-shift (1100 - 2100), and the E-shift (0400 – 1400). Given the

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current number of full-time dispatchers, the table below illustrates a typical hourly and weekly scheduled deployment:

Campbell PD Dispatcher Deployment

Hour	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Avg.
0000	2	2	2	2	2	2	2	2.0
0100	2	2	2	2	2	2	2	2.0
0200	2	2	2	2	2	2	2	2.0
0300	1	1	1	1	1	1	1	1.0
0400	1	1	1	2	2	2	2	1.6
0500	2	2	2	2	2	2	2	2.0
0600	2	2	2	2	2	2	2	2.0
0700	2	2	2	2	2	2	2	2.0
0800	2	2	2	2	2	2	2	2.0
0900	2	2	2	2	2	2	2	2.0
1000	2	2	2	2	2	2	2	2.0
1100	2	3	3	3	3	3	3	2.9
1200	2	2	2	3	3	3	3	2.6
1300	2	2	2	3	3	3	3	2.6
1400	2	2	2	2	2	2	2	2.0
1500	2	2	2	2	2	2	2	2.0
1600	2	2	2	2	2	2	2	2.0
1700	2	2	2	2	2	2	2	2.0
1800	2	2	2	2	2	2	2	2.0
1900	2	2	2	2	2	2	2	2.0
2000	2	2	2	2	2	2	2	2.0
2100	2	2	2	2	2	2	2	2.0
2200	2	2	2	2	2	2	2	2.0
2300	2	2	2	2	2	2	2	2.0
Avg.	1.9	2.0	2.0	2.1	2.1	2.1	2.1	2.0

As the tables above illustrate, Los Gatos typically has between 1 and 2 dispatchers on duty, while Campbell typically has 2 dispatchers on duty (with some hours up to 3 dispatchers on duty).

4. CALLS FOR SERVICE WORKLOAD

This section details the CAD workload activity based on raw data for FY 2010 / 2011.

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(1) Los Gatos CAD Activity

The table illustrates the total number of CAD incidents (i.e., call numbers) created by the dispatch personnel:

Los Gatos Police Department - Total CAD Call Numbers Created

Hour	Sun	Mon	Tue	Wed	Thur	Fri	Sat	Total	Avg. / Hour
0000	258	176	166	174	173	188	256	1,391	3.8
0100	244	165	148	149	158	153	229	1,246	3.4
0200	287	143	102	114	155	130	300	1,231	3.4
0300	221	139	122	132	110	143	214	1,081	3.0
0400	158	123	75	77	104	84	204	825	2.3
0500	128	61	56	71	73	61	102	552	1.5
0600	62	48	91	65	68	62	71	467	1.3
0700	98	155	200	186	155	131	100	1,025	2.8
0800	154	253	284	250	276	244	143	1,604	4.4
0900	233	319	292	321	324	336	239	2,064	5.7
1000	242	391	301	364	307	349	255	2,209	6.1
1100	241	403	363	371	354	348	284	2,364	6.5
1200	228	414	338	427	352	363	277	2,399	6.6
1300	236	375	293	412	332	330	266	2,244	6.1
1400	242	346	356	368	349	344	266	2,271	6.2
1500	249	291	296	307	276	286	229	1,934	5.3
1600	196	237	267	262	265	263	219	1,709	4.7
1700	209	226	262	265	236	248	230	1,676	4.6
1800	157	201	217	198	208	186	167	1,334	3.7
1900	146	184	181	178	179	173	168	1,209	3.3
2000	197	152	200	185	203	258	235	1,430	3.9
2100	183	162	187	164	174	293	280	1,443	4.0
2200	198	163	174	192	155	246	283	1,411	3.9
2300	181	174	172	184	193	239	239	1,382	3.8
Total	4,748	5,301	5,143	5,416	5,179	5,458	5,256	36,501	4.2

Based on the data above, the Los Gatos dispatchers create between 4 to 5 CAD call numbers per hour, based on various reasons, including community-generated calls for service, officer-initiated activities, and other administrative reasons. The table below illustrates the total number of incidents resulting from a community-generated call for service as indicated by a call date and time, a unit dispatch date and time, an arrival time, and a clearance time:

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Los Gatos Police Department - Community-Generated Call for Service

Hour	Sun	Mon	Tue	Wed	Thur	Fri	Sat	Total	Avg. / Hour
0000	55	41	27	36	29	38	55	281	0.8
0100	52	18	32	25	27	34	39	227	0.6
0200	47	13	13	24	30	17	52	196	0.5
0300	31	17	18	13	18	25	29	151	0.4
0400	14	21	15	11	15	14	19	109	0.3
0500	16	15	15	20	27	18	8	119	0.3
0600	18	19	31	22	13	26	24	153	0.4
0700	40	46	44	47	43	40	37	297	0.8
0800	35	61	64	55	77	77	47	416	1.1
0900	53	78	74	82	83	94	56	520	1.4
1000	58	80	75	104	90	88	71	566	1.6
1100	58	87	85	91	96	85	67	569	1.6
1200	91	123	103	94	80	103	77	671	1.8
1300	74	106	89	95	82	89	86	621	1.7
1400	83	111	127	110	100	89	73	693	1.9
1500	83	120	103	109	98	97	68	678	1.9
1600	69	109	97	96	117	95	70	653	1.8
1700	76	88	108	104	98	86	68	628	1.7
1800	56	86	83	71	78	73	62	509	1.4
1900	68	84	65	75	61	94	66	513	1.4
2000	74	54	71	73	84	83	77	516	1.4
2100	73	51	62	57	58	76	85	462	1.3
2200	65	44	62	59	72	76	90	468	1.3
2300	45	38	40	48	50	85	70	376	1.0
Total	1,334	1,510	1,503	1,521	1,526	1,602	1,396	10,392	1.2

As shown above, the LGPD dispatchers handle between 1 and 2 community-generated calls per hour. These community-generated calls for service were prioritized as follows:

Priority	Total	% of Total
1	135	1.3%
2	4,494	43.2%
3	5,320	51.2%
9	443	4.3%
Total	10,392	100.0%

The table below illustrates the total number of officer-initiated activities as indicated by the call time, unit dispatch time, and unit arrival time equating to zero:

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Los Gatos Police Department - Officer-Initiated Activities

Hour	Sun	Mon	Tue	Wed	Thur	Fri	Sat	Total	Avg. / Hour
0000	180	131	133	130	134	129	181	1,018	2.8
0100	178	138	110	116	119	106	172	939	2.6
0200	227	116	79	81	109	105	245	962	2.6
0300	187	122	96	104	84	107	179	879	2.4
0400	132	96	57	57	75	65	171	653	1.8
0500	103	45	36	37	38	31	81	371	1.0
0600	14	12	39	30	35	14	27	171	0.5
0700	38	83	132	114	83	43	44	537	1.5
0800	94	147	179	160	162	135	67	944	2.6
0900	141	190	188	194	201	197	156	1,267	3.5
1000	146	252	191	205	179	211	145	1,329	3.6
1100	138	254	208	246	208	216	173	1,443	4.0
1200	103	250	197	270	209	216	168	1,413	3.9
1300	137	214	176	280	191	199	137	1,334	3.7
1400	118	191	179	197	206	198	151	1,240	3.4
1500	129	115	137	145	130	144	117	917	2.5
1600	96	103	131	121	108	143	110	812	2.2
1700	108	102	119	130	105	125	115	804	2.2
1800	56	88	102	94	91	64	57	552	1.5
1900	63	83	94	73	82	66	65	526	1.4
2000	91	74	93	90	95	132	131	706	1.9
2100	75	95	101	75	92	169	155	762	2.1
2200	107	100	98	113	65	144	145	772	2.1
2300	118	121	118	120	116	140	147	880	2.4
Total	2,779	3,122	2,993	3,182	2,917	3,099	3,139	21,231	2.4

As shown above, the dispatchers process between 2 to 3 officer-initiated activities per hour. Finally, the table below documents the incidents that were created in CAD, however, did not result in a field unit dispatch (such as a 9-1-1 hang-up / call-back or a citizen calling to provide information only):

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Los Gatos Police Department – No Field Unit Activity

Hour	Sun	Mon	Tue	Wed	Thur	Fri	Sat	Total	Avg. / Hour
0000	9	8	9	13	18	22	18	97	0.3
0100	10	9	9	10	16	12	17	83	0.2
0200	8	8	12	18	9	10	12	77	0.2
0300	5	8	15	10	10	10	9	67	0.2
0400	5	4	8	12	7	13	11	60	0.2
0500	4	5	13	12	10	10	9	63	0.2
0600	11	18	10	19	19	20	24	121	0.3
0700	28	23	24	20	41	21	22	179	0.5
0800	40	34	34	45	34	25	24	236	0.6
0900	38	30	34	26	49	26	33	236	0.6
1000	69	41	59	44	37	37	46	333	0.9
1100	54	60	41	49	46	40	40	330	0.9
1200	46	34	53	59	43	34	35	304	0.8
1300	52	37	40	59	42	43	24	297	0.8
1400	48	49	60	41	62	45	37	342	0.9
1500	49	45	48	45	41	46	39	313	0.9
1600	39	48	48	43	31	37	35	281	0.8
1700	31	34	40	39	34	44	28	250	0.7
1800	20	35	24	40	36	41	29	225	0.6
1900	27	24	34	36	25	43	26	215	0.6
2000	25	33	26	30	47	32	33	226	0.6
2100	21	25	32	20	42	38	35	213	0.6
2200	14	17	21	21	35	41	28	177	0.5
2300	16	18	19	25	23	31	21	153	0.4
Total	669	647	713	736	757	721	635	4,878	0.6

As shown above, a Los Gatos dispatcher can expect to create less than 1 incident in CAD per hour that does not result in a field unit activity.

(2) Campbell CAD Activity

The table illustrates the total number of CAD incidents (i.e., call numbers) created by the dispatch personnel:

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Campbell Police Department - Total CAD Call Numbers Created

Hour	Sun	Mon	Tue	Wed	Thur	Fri	Sat	Total	Avg. / Hour
0000	209	179	167	158	155	197	246	1,311	3.6
0100	264	163	180	161	135	242	284	1,429	3.9
0200	194	92	117	120	104	212	208	1,047	2.9
0300	118	66	83	76	77	87	106	613	1.7
0400	60	74	59	56	56	63	71	439	1.2
0500	39	57	60	58	44	46	36	340	0.9
0600	74	59	56	74	69	77	46	455	1.2
0700	70	148	125	143	148	144	90	868	2.4
0800	104	267	231	259	255	252	135	1,503	4.1
0900	168	268	251	269	312	213	161	1,642	4.5
1000	176	289	288	310	303	285	181	1,832	5.0
1100	192	291	288	294	288	272	193	1,818	5.0
1200	206	250	235	272	267	253	178	1,661	4.6
1300	227	267	270	299	271	269	175	1,778	4.9
1400	236	286	304	297	280	289	196	1,888	5.2
1500	229	299	285	275	309	267	193	1,857	5.1
1600	249	217	270	221	267	229	226	1,679	4.6
1700	163	250	256	264	239	241	215	1,628	4.5
1800	172	239	254	233	228	261	202	1,589	4.4
1900	214	315	282	229	245	261	192	1,738	4.8
2000	203	251	237	194	190	226	181	1,482	4.1
2100	237	223	217	214	215	261	252	1,619	4.4
2200	256	245	242	217	227	282	246	1,715	4.7
2300	185	195	211	170	227	266	228	1,482	4.1
Total	4,245	4,990	4,968	4,863	4,911	5,195	4,241	33,413	3.8

Based on the data above, the Campbell dispatchers create between 3 to 4 CAD call numbers per hour, based on various reasons, including community-generated calls for service, officer-initiated activities, and other administrative reasons. The table below illustrates the total number of incidents resulting from a community-generated call for service as indicated by a call date and time, a unit dispatch date and time, an arrival time, and a clearance time:

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Campbell Police Department - Community-Generated Call for Service

Hour	Sun	Mon	Tue	Wed	Thur	Fri	Sat	Total	Avg. / Hour
0000	96	67	55	58	52	77	112	517	1.4
0100	127	48	49	46	55	64	117	506	1.4
0200	95	22	35	57	31	73	90	403	1.1
0300	68	29	24	33	41	48	50	293	0.8
0400	40	38	19	22	24	27	38	208	0.6
0500	20	23	27	32	29	24	21	176	0.5
0600	34	28	39	43	40	50	29	263	0.7
0700	42	64	65	58	76	69	47	421	1.2
0800	59	114	108	110	97	100	75	663	1.8
0900	92	108	107	119	106	104	100	736	2.0
1000	79	120	130	130	146	103	114	822	2.3
1100	81	119	122	136	111	137	124	830	2.3
1200	108	136	114	132	110	135	103	838	2.3
1300	117	132	118	129	134	133	112	875	2.4
1400	113	144	146	151	120	162	112	948	2.6
1500	110	157	147	150	149	162	111	986	2.7
1600	132	106	128	120	149	130	138	903	2.5
1700	106	164	131	149	127	141	121	939	2.6
1800	104	119	139	129	124	160	116	891	2.4
1900	110	119	135	110	128	132	103	837	2.3
2000	85	108	101	92	97	133	106	722	2.0
2100	100	91	109	104	106	124	130	764	2.1
2200	100	95	109	108	98	146	119	775	2.1
2300	64	75	82	72	88	109	122	612	1.7
Total	2,082	2,226	2,239	2,290	2,238	2,543	2,310	15,928	1.8

As shown above, the Campbell dispatchers handle between 1 and 2 community-generated calls per hour. These community-generated calls for service were prioritized as follows:

Priority	Total	% of Total
1	2,820	17.7%
2	10,382	65.2%
3	2,717	17.1%
4	9	0.1%
Total	15,928	100.0%

The table below illustrates the total number of officer-initiated activities as indicated by "call received" as an "officer" or "on-view":

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Campbell Police Department - Officer-Initiated Activities

Hour	Sun	Mon	Tue	Wed	Thur	Fri	Sat	Total	Avg. / Hour
0000	76	93	91	82	77	89	91	599	1.6
0100	102	96	112	94	66	153	142	765	2.1
0200	64	56	67	48	53	110	89	487	1.3
0300	18	29	48	30	24	25	30	204	0.6
0400	5	24	30	24	26	17	10	136	0.4
0500	2	23	21	19	7	8	2	82	0.2
0600	21	18	6	5	7	5	8	70	0.2
0700	18	51	47	54	42	38	23	273	0.7
0800	30	111	93	113	117	106	36	606	1.7
0900	51	116	121	106	164	78	38	674	1.8
1000	57	122	117	143	120	128	44	731	2.0
1100	77	113	127	116	131	82	30	676	1.9
1200	64	76	91	92	97	72	33	525	1.4
1300	76	77	113	120	89	92	29	596	1.6
1400	91	86	106	106	113	65	36	603	1.7
1500	90	85	98	89	101	63	34	560	1.5
1600	77	62	83	65	75	45	31	438	1.2
1700	20	34	62	59	59	20	24	278	0.8
1800	19	65	58	48	49	34	31	304	0.8
1900	70	150	111	80	69	53	39	572	1.6
2000	83	104	98	65	46	41	30	467	1.3
2100	90	90	53	66	73	81	67	520	1.4
2200	114	113	87	67	71	85	77	614	1.7
2300	95	97	96	67	93	108	65	621	1.7
Total	1,410	1,891	1,936	1,758	1,769	1,598	1,039	11,401	1.3

As shown above, the dispatchers process between 1 to 2 officer-initiated activities per hour. Finally, the table below documents the incidents that were created in CAD, however, did not result in a field unit dispatch (such as a 9-1-1 hang-up / call-back or a citizen calling to provide information only):

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Campbell Police Department – No Field Unit Activity

Hour	Sun	Mon	Tue	Wed	Thur	Fri	Sat	Total	Avg. / Hour
0000	19	21	18	26	31	43	37	195	0.5
0100	19	19	21	14	25	25	35	158	0.4
0200	14	15	15	20	29	29	35	157	0.4
0300	8	11	13	12	14	26	32	116	0.3
0400	12	10	10	6	19	23	15	95	0.3
0500	11	12	7	8	14	13	17	82	0.2
0600	13	11	26	22	22	9	19	122	0.3
0700	33	13	31	30	37	20	10	174	0.5
0800	42	30	36	41	46	24	15	234	0.6
0900	44	23	44	42	31	23	25	232	0.6
1000	47	41	37	37	54	23	40	279	0.8
1100	59	39	42	46	53	39	34	312	0.9
1200	38	30	48	60	46	42	34	298	0.8
1300	58	39	50	48	44	34	34	307	0.8
1400	56	52	40	47	62	48	32	337	0.9
1500	57	40	36	59	42	48	29	311	0.9
1600	49	59	36	43	54	57	40	338	0.9
1700	52	63	56	53	80	70	37	411	1.1
1800	55	57	56	55	67	55	49	394	1.1
1900	46	36	39	48	76	50	34	329	0.9
2000	39	38	37	47	52	45	35	293	0.8
2100	42	55	44	36	56	55	47	335	0.9
2200	37	46	42	58	51	50	42	326	0.9
2300	23	33	31	46	49	41	26	249	0.7
Total	873	793	815	904	1,054	892	753	6,084	0.7

As shown above, a Campbell dispatcher can expect to create less than 1 incident in CAD per hour that does not result in a field unit activity.

The next table summarizes the total hourly average number of community-generated calls for service, officer-initiated activities, and incidents not resulting in a field dispatch for both the Los Gatos Police Department and the Campbell Police Department:

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Los Gatos PD and Campbell PD – Average CAD Activities per Hour

Hour	Community-Generated CFS		Officer-Initiated Activity		Incident / No Dispatch		Sub-Total		Total
	Los Gatos	Campbell	Los Gatos	Campbell	Los Gatos	Campbell	Los Gatos	Campbell	LG&C
0000	0.8	1.4	2.8	1.6	0.3	0.5	3.8	3.6	7.4
0100	0.6	1.4	2.6	2.1	0.2	0.4	3.4	3.9	7.3
0200	0.5	1.1	2.6	1.3	0.2	0.4	3.4	2.9	6.3
0300	0.4	0.8	2.4	0.6	0.2	0.3	3.0	1.7	4.7
0400	0.3	0.6	1.8	0.4	0.2	0.3	2.3	1.2	3.5
0500	0.3	0.5	1.0	0.2	0.2	0.2	1.5	0.9	2.4
0600	0.4	0.7	0.5	0.2	0.3	0.3	1.2	1.2	2.5
0700	0.8	1.2	1.5	0.7	0.5	0.5	2.8	2.4	5.2
0800	1.1	1.8	2.6	1.7	0.6	0.6	4.4	4.1	8.5
0900	1.4	2.0	3.5	1.8	0.6	0.6	5.5	4.5	10.0
1000	1.6	2.3	3.6	2.0	0.9	0.8	6.1	5.0	11.1
1100	1.6	2.3	4.0	1.9	0.9	0.9	6.4	5.0	11.4
1200	1.8	2.3	3.9	1.4	0.8	0.8	6.5	4.6	11.1
1300	1.7	2.4	3.7	1.6	0.8	0.8	6.2	4.9	11.0
1400	1.9	2.6	3.4	1.7	0.9	0.9	6.2	5.2	11.4
1500	1.9	2.7	2.5	1.5	0.9	0.9	5.2	5.1	10.3
1600	1.8	2.5	2.2	1.2	0.8	0.9	4.8	4.6	9.4
1700	1.7	2.6	2.2	0.8	0.7	1.1	4.6	4.5	9.1
1800	1.4	2.4	1.5	0.8	0.6	1.1	3.5	4.4	7.9
1900	1.4	2.3	1.4	1.6	0.6	0.9	3.4	4.8	8.2
2000	1.4	2.0	1.9	1.3	0.6	0.8	4.0	4.1	8.0
2100	1.3	2.1	2.1	1.4	0.6	0.9	3.9	4.4	8.4
2200	1.3	2.1	2.1	1.7	0.5	0.9	3.9	4.7	8.6
2300	1.0	1.7	2.4	1.7	0.4	0.7	3.9	4.1	7.9
Total	1.2	1.8	2.4	1.3	0.6	0.7	4.2	3.8	8.0

The following points summarize the information above:

- Los Gatos dispatchers process approximately 1.2 community-generated calls for service per hour, compared to 1.8 for Campbell.
- Los Gatos dispatchers process approximately 2.4 officer-initiated activities per hour, compared to 1.3 for Campbell – the key difference can be attributable to the business process in Los Gatos for which officer status updates are recorded in the CAD.
- Los Gatos dispatchers process approximately 0.6 CAD incidents per hour that did not result in a field dispatch, compared to 0.7 for Campbell.

In total, both agencies together currently create an average of 8 CAD incidents per hour, ranging from a low of 2 to 3 CAD incidents between 0500 and 0700, to a high

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of 11 to 12 CAD incidents between 1000 and 1600. The next sub-section provides the total phone call and CAD activities for Los Gatos and Campbell, per hour.

(3) Total Phone Call Activity and 9-1-1 Call Volume

The following table illustrates the total number of inbound (including 9-1-1, 7-digit emergency and non-emergency phone calls) and outbound phone call activity per hour for each of the respective dispatch centers during FY 2010 / 2011:

Los Gatos and Campbell Police Department - Total Phone Activity

Hour	Inbound Calls Answered			Outbound Calls			TOTAL Calls	Avg./Hour
	Los Gatos	Campbell	Total	Los Gatos	Campbell	Total		
0000	1,056	1,717	2,773	419	528	947	3,720	10.2
0100	826	1,146	1,972	365	534	899	2,871	7.9
0200	676	1,073	1,749	394	527	921	2,670	7.3
0300	642	779	1,421	326	339	665	2,086	5.7
0400	639	596	1,235	278	306	584	1,819	5.0
0500	868	600	1,468	615	277	892	2,360	6.5
0600	1,084	794	1,878	460	264	724	2,602	7.1
0700	1,910	1,360	3,270	1,242	375	1,617	4,887	13.4
0800	2,828	2,148	4,976	2,007	556	2,563	7,539	20.7
0900	3,274	2,495	5,769	1,857	629	2,486	8,255	22.6
1000	3,664	2,791	6,455	1,181	590	1,771	8,226	22.5
1100	3,600	2,771	6,371	1,260	821	2,081	8,452	23.2
1200	3,707	2,727	6,434	1,257	711	1,968	8,402	23.0
1300	3,697	2,910	6,607	1,339	792	2,131	8,738	23.9
1400	3,809	2,991	6,800	1,398	978	2,376	9,176	25.1
1500	4,071	3,085	7,156	1,362	962	2,324	9,480	26.0
1600	3,635	2,935	6,570	1,058	923	1,981	8,551	23.4
1700	3,394	2,966	6,360	912	983	1,895	8,255	22.6
1800	2,855	2,971	5,826	765	1,006	1,771	7,597	20.8
1900	2,862	2,729	5,591	758	840	1,598	7,189	19.7
2000	2,544	2,341	4,885	698	823	1,521	6,406	17.6
2100	2,063	2,236	4,299	600	738	1,338	5,637	15.4
2200	1,731	2,103	3,834	501	704	1,205	5,039	13.8
2300	1,250	1,633	2,883	396	668	1,064	3,947	10.8
Total	56,685	49,897	106,582	21,448	15,874	37,322	143,904	16.4

As shown above, the respective dispatch centers are experiencing between 16 to 17 phone calls per hour (both incoming and outgoing). It is important to note that each respective jurisdiction has unique business processes that impact the difference in call volume. For example, the Los Gatos dispatchers serve as the respective "switch-board"

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to handle and route administrative phone calls. Assuming the citizens of Los Gatos would call the police dispatch center (for emergency and non-emergency matters) at the same rate as the citizens of the City of Campbell (equating to a rate of 1.22 calls per citizen), the Town of Los Gatos police dispatch center would be experiencing approximately 37,614 police dispatch center calls (excluding the general Town administrative calls). The project team assumes that the difference of 19,071 calls (the above 56,685 minus the 37,614) is administrative in nature and would need to be addressed by Town staff (assuming the dispatch center is consolidated). It is probable that Los Gatos will have to hire additional clerical staff of some nature to assume responsibility for these 19,071 +/- calls.

To further identify key workload indicators and differences between the jurisdictions, the table below shows the number of 9-1-1 calls per hour for FY 2010 / 2011 (note that Los Gatos utilizes a 3-trunk 9-1-1 system while Campbell utilizes an 8-trunk 9-1-1 system).

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Los Gatos and Campbell – Total 9-1-1 Activity

Hour	Los Gatos		Campbell		Total	Avg. / Hour
	Answered	Avg. / Hour	Answered	Avg. / Hour		
0000	188	0.5	863	2.4	1,051	2.9
0100	153	0.4	421	1.2	574	1.6
0200	122	0.3	397	1.1	519	1.4
0300	102	0.3	258	0.7	360	1.0
0400	85	0.2	191	0.5	276	0.8
0500	96	0.3	164	0.4	260	0.7
0600	108	0.3	231	0.6	339	0.9
0700	211	0.6	340	0.9	551	1.5
0800	319	0.9	504	1.4	823	2.3
0900	332	0.9	538	1.5	870	2.4
1000	391	1.1	684	1.9	1,075	2.9
1100	426	1.2	747	2.0	1,173	3.2
1200	410	1.1	743	2.0	1,153	3.2
1300	348	1.0	867	2.4	1,215	3.3
1400	451	1.2	917	2.5	1,368	3.7
1500	467	1.3	981	2.7	1,448	4.0
1600	365	1.0	871	2.4	1,236	3.4
1700	410	1.1	1,016	2.8	1,426	3.9
1800	398	1.1	989	2.7	1,387	3.8
1900	377	1.0	866	2.4	1,243	3.4
2000	374	1.0	805	2.2	1,179	3.2
2100	296	0.8	784	2.1	1,080	3.0
2200	288	0.8	684	1.9	972	2.7
2300	239	0.7	558	1.5	797	2.2
Total	6,956	19.1	15,419	42.2	22,375	61.3

As the table above shows, the Town of Los Gatos dispatchers handle between 19 to 20 emergency 9-1-1 calls per working day (or nearly 1 per hour), while the City of Campbell dispatchers handle between 42 to 43 emergency 9-1-1 calls per working day (or nearly 2 per hour). The Town of Los Gatos also experienced 980 abandoned 9-1-1 calls (approximately 12% of total volume), while the City of Campbell experienced 1,695 abandoned 9-1-1 calls (approximately 10% of total volume).

5. BUDGET AND HUMAN RESOURCES

This sub-section provides information relating to the respective dispatch center budgets, including personnel, operations and maintenance costs, as well as compensation levels, leave utilization, and overtime utilization.

(1) Total Estimated Annual Operating Costs

The table below illustrates the estimated annual operating costs of the respective dispatch centers:

Total Estimated Annual Dispatch Center Costs for FY 2012 / 2013

Budget Item	Town of Los Gatos	City of Campbell (FY 13)
Base Salary (All Classifications)	\$713,836	\$916,785
Temporary Personnel	\$19,994	\$10,000
Holiday Pay	\$25,394	\$41,313
Overtime	\$61,012	\$40,000
PERS	\$145,059	\$131,210
Other Benefits (Medical, etc)	\$166,587	\$221,029
Sub-Total Personnel (est.)	\$1,131,882	\$1,360,337
Operations/Maintenance	\$226,568	\$144,296
Internal Service Charges	\$42,996	\$59,728
Total Annual Operations (est.)	\$1,401,446	\$1,564,361

As shown above, the Town of Los Gatos allocates approximately \$1.4 Million for the annual operations of the dispatch center (and assumes 0.5 FTE of the Administrative Services Manager and 70% of Operating Expenditures and Internal Service Charges as the Town combines Communications and Records for budgeting purposes), while the City of Campbell allocates approximately \$1.56 Million (and includes the partial allocation of the Support Services Manager). It is important to note that each of the jurisdictions also have indirect costs associated with the operation of the respective dispatch centers which are not part of the annual dispatch center budget.

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(2) Dispatch Staff Compensation

The following table compares the overall compensation of an average actual full-time dispatcher for Los Gatos and Campbell based on FY 2012 / 2013 budget figures:

Current Compensation for Full-Time Dispatcher

Budget Item	Town of Los Gatos	City of Campbell
Base Salary	\$79,946	\$90,410
Holiday Pay	\$3,382	\$4,340
Overtime	\$8,794	\$4,000
PERS	\$15,409	\$13,562
Other Benefits (Medical, etc)	\$21,377	\$22,603
Total Dispatcher Cost (Avg.)	\$128,908	\$134,915

As shown above, the average compensation is similar for base salary, holiday pay, overtime pay, and general health and medical benefits.

(3) Average Dispatch Staff Utilization and Availability

The following table compares the average annual hours worked for the Los Gatos and Campbell dispatchers and is based on actual utilization of leave time (sick, vacation, etc.), as well as on annual overtime and compensatory time earned figures.

Average Annual Hours Worked for Full-Time Dispatcher

Budget Item	Town of Los Gatos	City of Campbell
Total Annual Hours	2,080	2,080
Overtime Hours	134	89
Leave Hours	(290)	(351)
Annual Hours Worked (Avg.)	1,924	1,818
Comp. Time Hours	41	45

As these figures indicate, the Los Gatos dispatcher worked an average of 1,924 hours (or 1,790 not counting overtime) versus 1,818 hours (or 1,729 hours not counting

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overtime) for a Campbell dispatcher. The key difference is the higher use of overtime in Los Gatos, coupled with the less utilization of leave time.

6. REGIONAL PROJECTS

The table below summarizes some of the recently completed or on-going projects at the local and state levels that may directly impact a consolidation between Los Gatos and Campbell.

Current Regional System Projects

Project	Summary
SVRCS – Silicon Valley Radio Communication System project under the umbrella of SVRIA – Silicon Valley Regional Interoperability Authority	Radio interoperability is a key initiative for all public safety or first responders in Santa Clara County. Working committees under the direction of SVRIA are currently evaluating paths towards the enhancement of radio system communications for all participants. Some type of a regional system to be used in daily operations and for mutual aid purposes is being studied.
ECOMM – BayRics and BayLoop	Ecomm is a microwave network that is jointly owned and operated by all agencies in Santa Clara County who have membership in SVRIA. The ECOMM network connects all public safety agencies and some other closely related justice partners throughout the county. Long term plans include linking the county network with other neighboring counties to ultimately provide a BayLoop which is a ring of linked microwave networks.

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Project	Summary
COPLINK	Coplink is a middle-ware software that extracts data directly from individual participating law enforcement agencies records management systems. It then normalizes the data and transfers it to a federal regional fusion center. The fusion center can be accessed by local, state and federal justice agencies for data mining purposes. It was designed in response to the Federal 9-1-1 Commission mandate for information sharing.
Virtual CAD System	Mountain View / Los Altos / Palo Alto have jointly purchased and will share one centralized CAD system between three agencies. This project will be the beginning of a "virtual consolidation" for those three agencies and is planned to be completed near year-end 2013.
CAD to CAD	CAD to CAD is another regional project under the direction of SVRIA. It is designed with the ultimate goal of sharing all CAD event data seamlessly between all public safety first responders in Santa Clara County. This is expected to be a multi-year project with all Fire dispatch agencies to be loaded first on the system. It will ultimately be rolled out to other agencies within the County. Expected completion data is roughly year end 2014.
Los Gatos/Sunnyvale CAD/RMS hosted system	The City of Sunnyvale and the Town of Los Gatos have jointly purchased one new CAD/RMS system. The City of Sunnyvale will be the host agency and Los Gatos will be a remote site. The functionality for both cities will include the ability to monitor traffic in each city from either dispatch center as well as assume control for dispatch if needed. The RMS portion integrates all data currently held by each city into one shared database. This allows for seamless sharing of data and reports in addition to providing back up processes if needed. Planned project completion data is mid-year 2013.
Sunnyvale/Santa Clara shared radio system	The cities of Sunnyvale and Santa Clara plan to jointly own and operate one shared radio system. Each city will continue to operate individual agency channels for routine traffic but allows for immediate transition to mutual aid on an identified channel by either agency. Planned project completion date is year-end 2013.

2. PERSPECTIVES OF STAKEHOLDERS

This chapter provides the results of the user-survey (respective sworn and non-sworn staff – excluding dispatch staff) which provides the perceptions of the key stakeholder group regarding the current delivery of dispatch services, as well as potential for consolidating communications. The distribution and response rate are illustrated below:

Jurisdiction	# of Employees for Distribution	# of Responses	Response Rate
Los Gatos	55	30 (20 sworn / 10 non-sworn)	55%
Campbell	44	34 (21 sworn / 13 non-sworn)	77%
Total	99	64	65%

As shown above, the overall response rate was approximately 65%, including 55% from the Town of Los Gatos and 77% from the City of Campbell. The distribution e-mail lists were developed by the respective jurisdictions and provided to the project team and included both sworn and non-sworn personnel. The survey included a number of statements for which the respondent was asked to mark “strongly agree”, “agree”, “neutral”, “disagree”, or “strongly disagree.” Respondents were also asked open-ended questions regarding the potential benefits of consolidation, the challenges of consolidation, and the potential approaches to address the consolidation challenges.

It is important to note that the project team conducted center observations and had conversations with staff regarding general operations, policies, and procedures of the respective centers, including opportunities for improvement and the potential

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impacts of consolidation. While the project team respects the confidentiality of dispatcher staff feedback, the following points summarize the key themes from the dispatch staff regarding potential consolidation:

Los Gatos Dispatch Staff

- The policies and procedures would need to be agreed upon (both from a dispatcher perspective and how the field units operate)
- The records processing would be a major issue after hours, including how the general administrative calls are handled (as “our phone number is the main number for the Town”)
- The level of service would be degraded for the citizens of Los Gatos – as the citizens of Los Gatos have higher service level expectations
- The level of service would be degraded for our officers (we “will help officers on cases as much as possible”)

Campbell Dispatch Staff

- The policies and procedures would need to be agreed upon (both from a dispatcher perspective and how the field units operate)
- The merging of “culture” would be challenging as we have “too many strong personalities”
- It would be easier for Campbell dispatch staff to absorb the workload of Los Gatos – as they are not as busy
- Some level of fear over losing job / seniority in a consolidation

As shown above, one of the key themes for both agencies was the standardization of policies and procedures would be the most significant challenge. Overall, it is the project team’s perception that the Campbell dispatch staff were more open to the idea than the Los Gatos dispatch staff – as there is a natural feeling by Campbell dispatchers that since they are the larger and more active dispatch center, the impact on them would be lessened from a workload perspective. On the other hand,

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dispatch staff from both agencies were skeptical regarding the potential annual cost savings, and that significant one-time and transitional costs would be incurred due to disparate systems.

With this context, the results below show the difference between Los Gatos and Campbell employee perceptions (excluding the dispatchers), followed by the difference between sworn and non-sworn employee perceptions.

1. LOS GATOS VERSUS CAMPBELL EMPLOYEE PERCEPTIONS

The sections that follow summarize the results between Los Gatos and Campbell employees.

(1) Service Quality

The table below summarizes the employee survey results for statements relating to general service quality and consistency.

		Los Gatos	Campbell
1. Dispatch is providing a high quality service to our citizens.	Strongly Disagree	0.0%	0.0%
	Disagree	0.0%	0.0%
	Neutral	0.0%	13.3%
	Agree	30.0%	73.3%
	Strongly Agree	70.0%	13.3%
2. Dispatch provides a high quality service to our personnel.	Strongly Disagree	0.0%	0.0%
	Disagree	6.7%	3.3%
	Neutral	6.7%	30.0%
	Agree	16.7%	56.7%
	Strongly Agree	70.0%	10.0%
3. Dispatch provides a consistent level of service (day to day, shift by shift).	Strongly Disagree	3.3%	6.7%
	Disagree	16.7%	10.0%
	Neutral	3.3%	53.3%
	Agree	33.3%	23.3%
	Strongly Agree	43.3%	6.7%
4. Dispatch provides a consistent level of service (person by person).	Strongly Disagree	3.3%	6.7%
	Disagree	20.0%	30.0%
	Neutral	16.7%	30.0%
	Agree	23.3%	23.3%
	Strongly Agree	36.7%	6.7%

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As shown above, the vast majority of respondents in Los Gatos and Campbell agree or strongly agree that dispatchers provide a high quality service to both the public and the police personnel (with Los Gatos having stronger overall agreement). In regards to dispatching consistency between days, shifts, and staff, the majority of Los Gatos respondents agree or strongly agree that consistency exists, while the Campbell respondents have a more neutral stance.

(2) Processes

The table below summarizes the employee survey results for statements relating to general business processes for answering and dispatching calls for service.

		Los Gatos	Campbell
5. The current process of answering emergency (9-1-1) calls for service is efficient and effective.	Strongly Disagree	0.0%	0.0%
	Disagree	0.0%	3.3%
	Neutral	6.7%	30.0%
	Agree	40.0%	50.0%
	Strongly Agree	53.3%	16.7%
6. The current process of answering non-emergency calls for service is efficient and effective.	Strongly Disagree	0.0%	0.0%
	Disagree	6.7%	6.7%
	Neutral	0.0%	33.3%
	Agree	43.3%	50.0%
	Strongly Agree	50.0%	10.0%
7. The current process of dispatching emergency units is efficient and effective	Strongly Disagree	0.0%	0.0%
	Disagree	10.0%	3.4%
	Neutral	3.3%	44.8%
	Agree	30.0%	37.9%
	Strongly Agree	56.7%	13.8%
8. The initial information received from dispatch when responding to calls is accurate	Strongly Disagree	0.0%	0.0%
	Disagree	6.7%	13.3%
	Neutral	20.0%	40.0%
	Agree	36.7%	36.7%
	Strongly Agree	36.7%	10.0%
9. The initial classification of calls I am sent on is accurate.	Strongly Disagree	0.0%	0.0%
	Disagree	0.0%	3.4%
	Neutral	33.3%	34.5%
	Agree	36.7%	55.2%
	Strongly Agree	30.0%	6.9%

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		Los Gatos	Campbell
10. The number and types of units dispatched to calls are appropriate.	Strongly Disagree	0.0%	0.0%
	Disagree	3.3%	6.7%
	Neutral	6.7%	40.0%
	Agree	36.7%	43.3%
	Strongly Agree	53.3%	10.0%

For each of these dispatch processing statements, the majority of respondents from both Los Gatos and Campbell were in agreement or strong agreement, with the exception of the Campbell response regarding the "initial information" being accurate.

(3) Staffing and Personnel

The table below summarizes the employee survey results for statements relating to general staffing and personnel issues:

		Los Gatos	Campbell
11. Dispatch personnel are responsive when I need additional information.	Strongly Disagree	0.0%	0.0%
	Disagree	0.0%	6.7%
	Neutral	3.3%	50.0%
	Agree	40.0%	33.3%
	Strongly Agree	56.7%	10.0%
12. The dispatch center personnel follow the appropriate policies and procedures for my agency.	Strongly Disagree	0.0%	0.0%
	Disagree	6.7%	3.3%
	Neutral	10.0%	36.7%
	Agree	20.0%	50.0%
	Strongly Agree	63.3%	10.0%
13. Dispatch is adequately staffed to meet our needs.	Strongly Disagree	6.7%	3.3%
	Disagree	26.7%	16.7%
	Neutral	13.3%	33.3%
	Agree	43.3%	40.0%
	Strongly Agree	10.0%	6.7%
14. The Dispatch personnel are adequately trained to meet our needs.	Strongly Disagree	0.0%	0.0%
	Disagree	3.3%	3.3%
	Neutral	6.7%	40.0%
	Agree	53.3%	46.7%
	Strongly Agree	36.7%	10.0%

As shown above, the Los Gatos respondents had higher levels of agreement (were more positive) regarding dispatcher responsiveness and adequacy of training, with the majority of respondents in both jurisdictions agreeing that dispatch center

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personnel follow appropriate policies and procedures. Finally, the majority of Los Gatos respondents perceive their dispatch center to be adequately staffed, with slightly less agreement on this statement in Campbell.

(4) Technology and Equipment

The table below indicates that Los Gatos respondents are much more positive regarding their technology system and communications equipment versus Campbell:

		Los Gatos	Campbell
15. The information and technology systems utilized by Dispatch are well integrated and function well.	Strongly Disagree	0.0%	3.3%
	Disagree	6.7%	3.3%
	Neutral	26.7%	50.0%
	Agree	43.3%	36.7%
	Strongly Agree	23.3%	6.7%
16. The equipment (e.g., radios, phones, etc.) utilized by Dispatch are properly maintained and function well.	Strongly Disagree	0.0%	10.0%
	Disagree	6.7%	23.3%
	Neutral	23.3%	36.7%
	Agree	60.0%	26.7%
	Strongly Agree	10.0%	3.3%

(5) Overall Interaction

The table below summarizes the employee survey results for statements relating to general problem resolution, responsiveness, and support.

		Los Gatos	Campbell
17. The process for resolving issues between Dispatch personnel and field responders is clear.	Strongly Disagree	3.3%	3.3%
	Disagree	13.3%	6.7%
	Neutral	30.0%	50.0%
	Agree	33.3%	33.3%
	Strongly Agree	20.0%	6.7%
18. When problems arise between Dispatch personnel and field responders, they are resolved quickly / fairly.	Strongly Disagree	0.0%	3.3%
	Disagree	23.3%	10.0%
	Neutral	36.7%	60.0%
	Agree	20.0%	23.3%
	Strongly Agree	20.0%	3.3%
19. The Dispatch supervisors are available and responsive to my	Strongly Disagree	23.3%	6.7%
	Disagree	20.0%	13.3%
	Neutral	36.7%	46.7%
	Agree	3.3%	30.0%

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		Los Gatos	Campbell
needs.	Strongly Agree	16.7%	3.3%
20. Overall, our field responders are well supported by Dispatch during emergency incidents.	Strongly Disagree	0.0%	0.0%
	Disagree	0.0%	0.0%
	Neutral	0.0%	23.3%
	Agree	40.0%	63.3%
	Strongly Agree	60.0%	13.3%

For both jurisdictions, there are potential opportunities for improvement regarding problem resolution and responsiveness, with the majority of respondents indicating neutrality or disagreement that problems are resolved quickly and fairly, or that supervisors are available and responsive to their respective needs. Overall, however, the vast majority of respondents in both jurisdictions agree that field responders are well supported during incidents.

(6) Consolidation

The table below summarizes the employee survey results for statements relating to potential consolidation and related issues:

		Los Gatos	Campbell
21. Consolidating dispatch centers would improve service to the public.	Strongly Disagree	36.7%	16.7%
	Disagree	30.0%	10.0%
	Neutral	30.0%	53.3%
	Agree	0.0%	16.7%
	Strongly Agree	0.0%	0.0%
22. Consolidating dispatch centers would improve service to our field responders.	Strongly Disagree	40.0%	20.0%
	Disagree	20.0%	6.7%
	Neutral	36.7%	60.0%
	Agree	3.3%	10.0%
	Strongly Agree	0.0%	3.3%
23. Consolidating dispatch centers would be a good way to save money.	Strongly Disagree	26.7%	20.0%
	Disagree	10.0%	3.3%
	Neutral	46.7%	56.7%
	Agree	13.3%	16.7%
	Strongly Agree	3.3%	3.3%
24. Contracting for dispatch service would be a good way to save	Strongly Disagree	43.3%	43.3%
	Disagree	16.7%	6.7%
	Neutral	30.0%	40.0%

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		Los Gatos	Campbell
our Town / City money.	Agree	6.7%	6.7%
	Strongly Agree	3.3%	0.0%
25. Our CAD system would be improved through a consolidation.	Strongly Disagree	26.7%	16.7%
	Disagree	13.3%	0.0%
	Neutral	56.7%	63.3%
	Agree	3.3%	16.7%
	Strongly Agree	0.0%	0.0%
26. The Los Gatos and Campbell Dispatch Centers Provide Similar Levels of Service.	Strongly Disagree	6.7%	16.7%
	Disagree	20.0%	6.7%
	Neutral	43.3%	63.3%
	Agree	26.7%	13.3%
	Strongly Agree	0.0%	0.0%

As these results clearly show, although the respondents from both jurisdictions are not in strong favor of consolidating or contracting of dispatch operations, the respondents tended to be more neutral on the subject. Overall, respondents from Los Gatos were less favorable of consolidation / contracting than Campbell respondents.

(7) Summary of Comments

The table below summarizes the typical comments provided by the survey respondents to the various questions:

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Question	Los Gatos	Campbell
What are the most significant benefits of consolidating dispatch centers?	• Dispatch center for both Agencies would be at a single location and contact point • Generalized increase in the level of training/development of dispatchers • Possibly having 24 hour coverage with a minimum of two dispatchers working at a time. • Fewer overall number of personnel and potential cost savings. • Easier coordination to have other city's units respond to assist in the other city when needed • Integrated systems amongst different agencies • More structure and adherence to policy if integrated • Better supervision and coverage	• The benefit would be to the public since boundaries would not exist, jurisdiction between the two cities would not be an issue. • If this turns out to be a money saver, perhaps resources can go towards efficiency through tools and timely maintenance. • There would be additional staffing and coverage. • In emergencies, officers from both cities could respond into either city for major emergencies, calls for help from officers, emergency calls from citizens where the officers are not available in one of the cities. • Cost savings due to non duplication of equipment and less personnel • Personal experience levels from different departments.
What are the most significant challenges of consolidating dispatch centers?	• Moving telephone lines, radios, and computer equipment to a consolidated dispatch center. • Resolving conflicts/issues between patrol and dispatch will be more difficult when it is not a sole LG facility. • Loss of personal contact/sense of depersonalization of staff and services/physical relocation of one agency's staff • Possible conflicting policy issues between departments • The two agencies operate on different software systems. • Loss of the personal connection between officers and dispatchers-residents and dispatchers • Who would be actually be in charge of the center • Location of Services and Personnel seniority and the handling of this. • Loss of staffing and consistency amongst dispatch/field responder communications	• After learning code systems and jurisdictional boundaries and personnel, adjusting to activity level and public expectations would be the most challenging • Cross training of dispatchers • Bringing Los Gatos personnel up to our level of service and call volume cross training dispatchers to use different codes for the different cities • Who would be responsible for the center (which Chief) • Diminished identification/relationships (working and otherwise) between officers and dispatchers (whose team are they on) • Getting acquainted with new people and styles • High initial cost and not likely to make that up • Dispatchers being able to meet the needs/expectations of the other department's officers

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Question	Los Gatos	Campbell
How would you address any challenges related to potential dispatch center consolidation?	• Work with Verizon/AT&T for phones, SO for radios and each Agency IT Dept. for computers and connectivity. • Hold routine dispatch/patrol coordination meetings to keep problems from festering/growing attention to interpersonal issues of combining centers with differing experience, pay, culture, technology • Need structured way of interaction between field units and dispatchers • We would have to come to a mutual understanding of procedures/policy • Establish clear service levels for staff and public interaction • Department meetings to explain the actual consolidation and employee input	• Adequate time for inter personnel "fellowship." Time for people to get to know each other and learn to trust each other. • Transparency. • Publicly posting changes like personnel changes, policy changes and reasons for changes. • Explain ALL costs involved in this consolidation so that both City Manager/Councils see that it will end up costing more money • Get current dispatchers involved and their input on all aspects of the consolidation • Clearly identify the roles of each dispatcher in the unit and per shift. • Having Dispatchers work in the "new" environment and give feedback to see if major changes need to be made

2. SWORN VERSUS NON-SWORN EMPLOYEE PERCEPTIONS

The sections that follow summarize the results between sworn and non-sworn employees:

(1) Service Quality

The table below summarizes the employee survey results for statements relating to general service quality and consistency.

		Sworn	Non-Sworn
1. Dispatch is providing a high quality service to our citizens.	Strongly Disagree	0.0%	0.0%
	Disagree	0.0%	0.0%
	Neutral	7.3%	5.3%
	Agree	56.1%	42.1%
	Strongly Agree	36.6%	52.6%
2. Dispatch provides a high quality service to our personnel.	Strongly Disagree	0.0%	0.0%
	Disagree	7.3%	0.0%
	Neutral	22.0%	10.5%
	Agree	36.6%	36.8%
	Strongly Agree	34.1%	52.6%
3. Dispatch provides a	Strongly Disagree	7.3%	0.0%

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		Sworn	Non-Sworn
consistent level of service (day to day, shift by shift).	Disagree	17.1%	5.3%
	Neutral	34.1%	15.8%
	Agree	24.4%	36.8%
	Strongly Agree	17.1%	42.1%
4. Dispatch provides a consistent level of service (person by person).	Strongly Disagree	7.3%	0.0%
	Disagree	31.7%	11.1%
	Neutral	26.8%	16.7%
	Agree	22.0%	27.8%
	Strongly Agree	12.2%	44.4%

As shown above, the majority of sworn and non-sworn employees agree that dispatch provides a high quality of services to the public and the department personnel, however, the sworn personnel are not as positive as non-sworn personnel in regards to the consistency of services between dispatch shifts and dispatch personnel.

(2) Processes

The table below summarizes the employee survey results for statements relating to general business processes for answering and dispatching calls for service.

		Sworn	Non-Sworn
5. The current process of answering emergency (9-1-1) calls for service is efficient and effective.	Strongly Disagree	0.0%	0.0%
	Disagree	2.4%	0.0%
	Neutral	19.5%	15.8%
	Agree	48.8%	36.8%
	Strongly Agree	29.3%	47.4%
6. The current process of answering non-emergency calls for service is efficient and effective.	Strongly Disagree	0.0%	0.0%
	Disagree	9.8%	0.0%
	Neutral	14.6%	21.1%
	Agree	51.2%	36.8%
	Strongly Agree	24.4%	42.1%
7. The current process of dispatching emergency units is efficient and effective	Strongly Disagree	0.0%	0.0%
	Disagree	10.0%	0.0%
	Neutral	25.0%	21.1%
	Agree	37.5%	26.3%
	Strongly Agree	27.5%	52.6%
8. The initial information received from dispatch when responding to calls is accurate	Strongly Disagree	0.0%	0.0%
	Disagree	14.6%	0.0%
	Neutral	29.3%	31.6%
	Agree	43.9%	21.1%
	Strongly Agree	12.2%	47.4%

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		Sworn	Non-Sworn
9. The initial classification of calls I am sent on is accurate.	Strongly Disagree	0.0%	0.0%
	Disagree	2.4%	0.0%
	Neutral	31.7%	38.9%
	Agree	53.7%	27.8%
	Strongly Agree	12.2%	33.3%
10. The number and types of units dispatched to calls are appropriate.	Strongly Disagree	0.0%	0.0%
	Disagree	7.3%	0.0%
	Neutral	22.0%	26.3%
	Agree	46.3%	26.3%
	Strongly Agree	24.4%	47.4%

For each of these dispatch processing statements, the level of agreement between sworn and non-sworn is consistent.

(3) Staffing and Personnel

The table below summarizes the employee survey results for statements relating to general staffing and personnel issues:

		Sworn	Non-Sworn
11. Dispatch personnel are responsive when I need additional information.	Strongly Disagree	0.0%	0.0%
	Disagree	4.9%	0.0%
	Neutral	24.4%	31.6%
	Agree	43.9%	21.1%
	Strongly Agree	26.8%	47.4%
12. The dispatch center personnel follow the appropriate policies and procedures for my agency.	Strongly Disagree	0.0%	0.0%
	Disagree	4.9%	5.3%
	Neutral	24.4%	21.1%
	Agree	43.9%	15.8%
	Strongly Agree	26.8%	57.9%
13. Dispatch is adequately staffed to meet our needs.	Strongly Disagree	2.4%	10.5%
	Disagree	26.8%	10.5%
	Neutral	22.0%	26.3%
	Agree	43.9%	36.8%
	Strongly Agree	4.9%	15.8%
14. The Dispatch personnel are adequately trained to meet our needs.	Strongly Disagree	0.0%	0.0%
	Disagree	4.9%	0.0%
	Neutral	24.4%	21.1%
	Agree	58.5%	31.6%
	Strongly Agree	12.2%	47.4%

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As shown above, the responses between sworn and non-sworn are consistent for each statement.

(4) Technology and Equipment

The table below summarizes the employee survey results for statements relating to general technology and equipment issues:

		Sworn	Non-Sworn
15. The information and technology systems utilized by Dispatch are well integrated and function well.	Strongly Disagree	2.4%	0.0%
	Disagree	7.3%	0.0%
	Neutral	39.0%	36.8%
	Agree	43.9%	31.6%
	Strongly Agree	7.3%	31.6%
16. The communications equipment (e.g., radios, phones, etc.) utilized by Dispatch are properly maintained and function well.	Strongly Disagree	7.3%	0.0%
	Disagree	19.5%	5.3%
	Neutral	24.4%	42.1%
	Agree	46.3%	36.8%
	Strongly Agree	2.4%	15.8%

As this shows, the responses are relatively consistent between sworn and non-sworn personnel

(5) Overall Interaction

The table below summarizes the employee survey results for statements relating to general problem resolution, responsiveness, and support.

		Sworn	Non-Sworn
17. The process for resolving issues between Dispatch personnel and field responders is clear.	Strongly Disagree	4.9%	0.0%
	Disagree	14.6%	0.0%
	Neutral	36.6%	47.4%
	Agree	34.1%	31.6%
	Strongly Agree	9.8%	21.1%
18. When problems arise between Dispatch personnel and field responders, they are resolved quickly and fairly.	Strongly Disagree	2.4%	0.0%
	Disagree	24.4%	0.0%
	Neutral	41.5%	63.2%
	Agree	26.8%	10.5%
	Strongly Agree	4.9%	26.3%
19. The Dispatch supervisors are available and responsive to my	Strongly Disagree	19.5%	5.3%
	Disagree	24.4%	0.0%
	Neutral	36.6%	52.6%

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		Sworn	Non-Sworn
needs.	Agree	17.1%	15.8%
	Strongly Agree	2.4%	26.3%
20. Overall, our field responders are well supported by Dispatch during emergency incidents.	Strongly Disagree	0.0%	0.0%
	Disagree	0.0%	0.0%
	Neutral	9.8%	15.8%
	Agree	61.0%	31.6%
	Strongly Agree	29.3%	52.6%

As this shows, the most significant difference in perceptions between sworn and non-sworn personnel relates to the clarity of problem resolution between field units and dispatch, as well as the availability of dispatch supervisors to respond to unit needs.

(6) Consolidation

The table below summarizes the employee survey results for statements relating to potential consolidation and related issues:

		Sworn	Non-Sworn
21. Consolidating dispatch centers would improve service to the public.	Strongly Disagree	25.0%	33.3%
	Disagree	25.0%	11.1%
	Neutral	40.0%	50.0%
	Agree	10.0%	5.6%
	Strongly Agree	0.0%	0.0%
22. Consolidating dispatch centers would improve service to our field responders.	Strongly Disagree	26.8%	36.8%
	Disagree	17.1%	5.3%
	Neutral	46.3%	52.6%
	Agree	7.3%	5.3%
	Strongly Agree	2.4%	0.0%
23. Consolidating dispatch centers would be a good way to save money.	Strongly Disagree	19.5%	31.6%
	Disagree	7.3%	5.3%
	Neutral	51.2%	52.6%
	Agree	19.5%	5.3%
	Strongly Agree	2.4%	5.3%
24. Contracting for dispatch service would be a good way to save our Town / City money.	Strongly Disagree	41.5%	50.0%
	Disagree	17.1%	0.0%
	Neutral	31.7%	44.4%
	Agree	9.8%	0.0%
	Strongly Agree	0.0%	5.6%
25. Our CAD system would be improved through a	Strongly Disagree	19.5%	27.8%
	Disagree	7.3%	5.6%
	Neutral	58.5%	66.7%

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		Sworn	Non-Sworn
consolidation.	Agree	14.6%	0.0%
	Strongly Agree	0.0%	0.0%
26. The Los Gatos and Campbell Dispatch Centers Provide Similar Levels of Service.	Strongly Disagree	14.6%	5.6%
	Disagree	17.1%	5.6%
	Neutral	46.3%	72.2%
	Agree	22.0%	16.7%
	Strongly Agree	0.0%	0.0%

As these results show, both sworn and non-sworn personnel are relatively consistent in the overall extent disagreement with the concept of consolidation or contracting, with the plurality of respondents being neutral on most statements.

3. ASSESSMENT OF CURRENT OPERATIONS

This chapter provides a high-level assessment of key elements of the respective dispatch centers and sets the foundation for a cost sharing model.

1. GIVEN THE POPULATION AND CRIME RATE GROWTH DURING THE PAST DECADE, THERE SHOULD ONLY BE A SLIGHT INCREASE IN CALLS FOR SERVICE DEMANDS IN THE NEAR FUTURE.

To provide a baseline for population projections and potential impact on the calls for service demands on the respective dispatch centers, the sub-sections below provide data from the California State Department of Finance, as well as crime data from "city-data.com".

(1) The Population of Los Gatos Has Been Experiencing an Annual Growth Rate of Less than 1% with a Stable Crime Rate.

The table below shows the population and the number of Part I crimes (homicide, rape, robbery, assault, burglaries, thefts, auto thefts, and arson) between 2001 and 2010:

Los Gatos – Population and Crime Rate (2001 to 2010)

	2001	2002	2003	2004	2005	2006
Population	28,832	28,851	28,841	28,859	28,872	28,965
Crime	616	618	574	623	627	606
Crime / 1,000	21	21	20	22	22	21
	2007	2008	2009	2010	Annual % Change	5-Yr Change
Population	29,236	30,161	30,495	30,802	0.74%	6.68%
Crime	689	711	656	622	0.33%	-0.80%
Crime / 1,000	24	24	22	20	-0.40%	-7.01%

The following points highlight the information above:

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- The population is increasing at a rate of less than 1% annually, from nearly 29,000 residents in 2001 to a current population of approximately 31,000, for a 10-year change of nearly 7%.
- The total number of Part 1 crimes has remained steady at a change of less than 0.3% annually.
- Although the total number of population and crimes have increased slightly, the crime rate per 1,000 has remained steady.

With the crime rate per 1,000 remaining steady, the data suggests the calls for service workload should also remain steady and have little impact on the staffing requirements over the next decade (assuming growth rates remain steady).

(2) The Population of Campbell Has Been Experiencing an Annual Growth Rate of Less than 1%, but a Crime Rate Increase of Nearly 3%.

The table below shows the population and the number of Part I crimes (homicide, rape, robbery, assault, burglaries, thefts, auto thefts, and arson) between 2001 and 2010:

Campbell – Population and Crime Rate (2001 to 2010)

	2001	2002	2003	2004	2005	2006
Population	38,259	38,298	38,207	38,328	38,276	38,378
Crime	1,193	1,191	1,115	1,337	1,305	1,332
Crime / 1,000	31	31	29	35	34	35
	2007	2008	2009	2010	Annual % Change	5-Yr Change
Population	39,515	39,978	40,415	40,860	0.74%	6.75%
Crime	1,638	1,489	1,555	1,552	3.46%	18.93%
Crime / 1,000	41	37	38	38	2.66%	11.41%

The following points highlight the information above:

- The population is increasing at a rate of less than 1% annually, from approximately 38,000 residents in 2001 to a current population of approximately 41,000, for a 10-year change of nearly 7%.
- The total number of Part 1 crimes has been increasing slightly at a rate of 3.5% annually.

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- Given population and crime trends, the crimes per 1,000 has been experiencing an average annual increase of 2.7%.

As this data suggests, the change in crime rate for Campbell will have a greater impact on calls for service demands over the next decade than Los Gatos. It is also important to note that the Town of Los Gatos and the City of Campbell are experiencing an annual growth less than the State of California as whole (with annual growth of 1.3% between 2001 and 2010).

(3) The Calls for Service Demand Will Increase Slightly Over the Next Decade.

Based on the population growth for the past decade, as well as the current rate of community-generated calls for service per resident, the project team projected the population and calls for service over a 5-year and 10-year period, summarized in the table below:

5-Year and 10-Year Calls for Service Projection

Los Gatos	Current	5-Year Projection (@ 6.68%)	10-Year Projection (@ 6.83%)
Population	30,802	32,860	32,906
Calls for Service (0.34 per Resident)	10,392	11,086	11,102
Avg. / Day	28.5	30.4	30.4
Campbell	Current	5-Year Projection (@ 6.75%)	10-Year Projection (@ 6.80)
Population	40,860	43,618	44,129
Calls for Service (0.39 per Resident)	15,928	17,003	17,202
Avg. / Day	43.6	46.6	47.1

The points below highlight the projections, as follows:

- For Los Gatos:

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- Between 2001 and 2010, the Town of Los Gatos has grown by 6.83% over the 10-year period, and between 2005 and 2010, the Town of Los Gatos grew by 6.68%
- The current population was increased by the historical 5-year and 10-year percentages above, resulting in a projected population of 32,860 and 32,906, respectively.
- Given the current rate of 0.34 community-generated calls for service per resident, this was applied to the 5-year and 10-year population projections, resulting in 11,086 calls for service and 11,102 calls for service, respectively
- For Campbell:
 - Between 2001 and 2010, the City of Campbell has grown by 6.80% over the 10-year period, and between 2005 and 2010, the City of Campbell grew by 6.75%
 - The current population was increased by the historical 5-year and 10-year percentages above, resulting in a projected population of 43,618 and 44,129, respectively.
 - Given the current rate of 0.39 community-generated calls for service per resident, this was applied to the 5-year and 10-year population projections, resulting in 17,003 calls for service and 17,202 calls for service, respectively.

Given these assumptions, the project team estimates the annual number of community-generated calls for service will not significantly increase over the next decade, with an estimated increase of approximately 2 – 3 additional community-generated calls for service per day. It is also important to note two major development and/or annexation projects that are in progress in the Town and City, including the Los Gatos North 40 project (anticipated to be a maximum of 750 residential units by 2020 – or approximately 2,190 residents at 2.92 residents per household) and Campbell's Cambrian 36 annexation (which estimates approximately 1,000 additional residents and several businesses).

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Given the Town rate of 0.34 calls for service per resident, the project team estimates an additional 745 community-generated calls for service when completely built out (or 2 calls per day). Given the City's rate of 0.36 calls for service per resident, the project team estimates an additional 922 community-generated calls for service when completely built out (or 2.5 calls per day). In total, when both projects are at maximum build out, the combined dispatch centers may experience between 4 to 5 additional calls for service per day (or approximately 1 additional call every 5 working hours). As such, the project team does not anticipate a significant workload impact in the near-term.

2. THE CURRENT STAFFING LEVELS ARE GENERALLY APPROPRIATE TO MEET CALLS FOR SERVICE WORKLOAD DEMANDS..

This section discusses the current resources levels and deployment based on minimum staffing coverage requirements, calls for service demands (radios and phones), as well as key measures and indicators regarding the utilization and adequacy of staffing levels.

(1) A Town of Los Gatos Dispatcher Handles Between 6 to 7 Measurable Phone and Radio-Related Activities per Hour.

Based on the number of phone call and CAD activities during FY 2010 / 2011, as well as the current deployment of dispatch staff, the table below illustrates the average number of activities a dispatcher handled:

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Average CAD / Radio Activities per Hour, per Los Gatos Dispatcher

Hour	Avg. Dispatcher / Hour	9-1-1 (Phone Calls)	Other (Phone Calls)	CG CFS (CAD)	OI CFS (CAD)	Other (CAD)	Total
0000	1.3	0.4	1.8	0.6	2.1	0.2	5.2
0100	1.3	0.3	1.4	0.5	2.0	0.2	4.4
0200	1.0	0.3	1.5	0.5	2.6	0.2	5.2
0300	1.0	0.3	1.5	0.4	2.4	0.2	4.8
0400	1.0	0.2	1.5	0.3	1.8	0.2	4.0
0500	1.0	0.3	2.1	0.3	1.0	0.2	3.9
0600	1.0	0.3	2.7	0.4	0.5	0.3	4.2
0700	1.0	0.6	4.7	0.8	1.5	0.5	8.0
0800	1.0	0.9	6.9	1.1	2.6	0.6	12.1
0900	1.4	0.6	5.8	1.0	2.5	0.5	10.4
1000	1.4	0.8	6.4	1.1	2.6	0.7	11.5
1100	1.4	0.8	6.2	1.1	2.8	0.6	11.6
1200	2.1	0.5	4.3	0.9	1.8	0.4	8.0
1300	2.1	0.5	4.4	0.8	1.7	0.4	7.8
1400	2.0	0.6	4.6	0.9	1.7	0.5	8.3
1500	2.0	0.6	4.9	0.9	1.3	0.4	8.2
1600	2.0	0.5	4.5	0.9	1.1	0.4	7.4
1700	2.0	0.6	4.1	0.9	1.1	0.3	7.0
1800	2.0	0.5	3.4	0.7	0.8	0.3	5.7
1900	2.0	0.5	3.4	0.7	0.7	0.3	5.6
2000	1.9	0.5	3.1	0.7	1.0	0.3	5.8
2100	1.9	0.4	2.5	0.7	1.1	0.3	5.0
2200	2.0	0.4	2.0	0.6	1.1	0.2	4.3
2300	2.0	0.3	1.4	0.5	1.2	0.2	3.6
Total	1.6	0.5	3.5	0.7	1.5	0.3	6.6

The points below summarize these workload findings for a typical Los Gatos dispatcher:

- The dispatch center typically is staffed with 1 to 2 dispatchers per hour, per day.
- The dispatcher can expect to answer a 9-1-1 phone call 0.5 times per hour (or once every other hour), with the highest number of 9-1-1 calls coming during the 1000 and 1100 hours, and the lowest during the early morning hours.
- The dispatcher can expect to answer and handle between 3 and 4 emergency and non-emergency 7-digit phone calls, with the highest number of calls occurring between 0800 and 1200, and the lowest number of calls occurring between 2300 and 0500.
- The dispatcher can expect to create a CAD incident and process nearly 1 community-generated call for service per hour, with one typically occurring

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between 0800 and 1200, and the lowest number expected between 0300 and 0700.

- The dispatcher can expect to create a CAD incident and process between 1 and 2 officer-initiated activities per hour, with the highest number occurring between 0800 and 1200.
- The dispatcher can expect to create a CAD incident for other types of activities which do not result in a unit dispatch (information only, cancelled calls, etc.) approximately 0.3 times per hour (or once every other 3 hours).

During dispatch observations, the project team tracked phone call activity for 8 hours, with an average of 3 phone calls handled per hour per dispatcher, ranging from 2 calls handled, up to 5 calls handled (which aligns with the data above). It is important to note that (in comparison to Campbell), the Los Gatos dispatchers handle non-emergency administrative calls for the Town, as well as create unique CAD incidents for officers relating to administrative items (report writing, area checks, etc.). As a result, the workload activity is higher than that of Campbell in regards to these data elements (administrative phone calls and officer-initiated CAD activities).

(2) A City of Campbell Dispatcher Handles Between 5 to 6 Measurable Phone and Radio-Related Activities per Hour.

Based on the number of phone call and CAD activities during FY 2010 / 2011, as well as the current deployment of dispatch staff, the table below illustrates the average number of activities a dispatcher handled:

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Average CAD / Radio Activities per Hour, per Campbell Dispatcher

Hour	Avg. Dispatcher / Hour	9-1-1 (Phone Calls)	Other (Phone Calls)	CG CFS (CAD)	OI CFS (CAD)	Other (CAD)	Total
0000	2.0	1.2	1.2	0.7	0.8	0.3	4.1
0100	2.0	0.6	1.0	0.7	1.0	0.2	3.5
0200	2.0	0.5	0.9	0.6	0.7	0.2	2.9
0300	1.0	0.7	1.4	0.8	0.6	0.3	3.8
0400	1.6	0.3	0.7	0.4	0.2	0.2	1.8
0500	2.0	0.2	0.6	0.2	0.1	0.1	1.3
0600	2.0	0.3	0.8	0.4	0.1	0.2	1.7
0700	2.0	0.5	1.4	0.6	0.4	0.2	3.1
0800	2.0	0.7	2.3	0.9	0.8	0.3	5.0
0900	2.0	0.7	2.7	1.0	0.9	0.3	5.7
1000	2.0	0.9	2.9	1.1	1.0	0.4	6.3
1100	2.9	0.7	1.9	0.8	0.6	0.3	4.3
1200	2.6	0.8	2.1	0.9	0.6	0.3	4.6
1300	2.6	0.9	2.2	0.9	0.6	0.3	4.9
1400	2.0	1.3	2.8	1.3	0.8	0.5	6.7
1500	2.0	1.3	2.9	1.4	0.8	0.4	6.8
1600	2.0	1.2	2.8	1.2	0.6	0.5	6.3
1700	2.0	1.4	2.7	1.3	0.4	0.6	6.3
1800	2.0	1.4	2.7	1.2	0.4	0.5	6.2
1900	2.0	1.2	2.6	1.1	0.8	0.5	6.1
2000	2.0	1.1	2.1	1.0	0.6	0.4	5.2
2100	2.0	1.1	2.0	1.0	0.7	0.5	5.3
2200	2.0	0.9	1.9	1.1	0.8	0.4	5.2
2300	2.0	0.8	1.5	0.8	0.9	0.3	4.3
Total	2.0	0.9	2.0	0.9	0.7	0.3	4.8

The points below summarize these workload findings for a typical Campbell dispatcher:

- When staffing is at 100%, the dispatch center typically is staffed with 2 dispatchers per hour, per day with the exception of some early morning hours when staffing levels decrease to one dispatcher.
- The dispatcher can expect to answer a 9-1-1 phone call 0.9 times per hour, with the highest number of 9-1-1 calls coming between the 1400 and 1900 hours, and the lowest during the early morning hours between 0400 and 0700.
- The dispatcher can expect to answer and handle 2 emergency and non-emergency 7-digit phone calls per hour, with the majority of calls occurring between 0800 and 2000.
- The dispatcher can expect to create a CAD incident and process nearly 1 community-generated call for service per hour, with the highest numbers

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occurring between 1400 and 1800, and the lowest numbers occurring between 0400 and 0700.

- The dispatcher can expect to create a CAD incident and process nearly 1 officer-initiated activity per hour.
- The dispatcher can expect to create a CAD incident for other types of activities which do not result in a unit dispatch (information only, cancelled calls, etc.) approximately 0.3 times per hour (or once every other 3 hours).

During dispatch observations, the project team tracked phone call activity for several hours, with the number of calls ranging from between 2 and 5 (which aligns with the data above).

(3) Based on General Staffing Indicators, the Current Levels of Staffing are Appropriate to Address Workloads and Meet Minimum Staffing Coverage.

Given the size of the jurisdictions and resulting workloads on police dispatchers, the Town of Los Gatos and the City of Campbell staffing levels are driven more by the necessity to meet current minimum staffing coverage versus the necessity to adequately meet workload demands. The table below provides a summary assessment of staffing requirements based on various approaches:

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Summary of Staffing Requirements

Approach	Town of Los Gatos	City of Campbell
Matrix-based approach which utilizes a standard 8.9 minutes per each community-generated call for service which accounts for phone calls, radio activity, records checks, and administrative time.	Given the total number of community-generated calls for service and the actual annual work hours for a dispatcher (and assuming a 50% utilization rate), the number of full-time equivalents to handle the workload is approximately 1.7 (or 2) dispatch staff.	Given the total number of community-generated calls for service and the actual annual work hours for a dispatcher (and assuming a 50% utilization rate), the number of full-time equivalents to handle the workload is approximately 2.7 (or 3) dispatch staff.
APCO-based approach which utilizes total number of transactions and time estimates from Matrix and RCC Consultants, including 90 seconds per phone call and 36 seconds of radio transmission per CAD event.	Given the total number of phone calls and estimated radio transmissions per CAD event (and assuming a 50% utilization rate), the number of full-time equivalents to handle the workload is approximately 3.1 (or 3) dispatch staff.	Given the total number of phone calls and estimated radio transmissions per CAD event (and assuming a 50% utilization rate), the number of full-time equivalents to handle the workload is approximately 3.3 (or 3) dispatch staff.

Another perspective is estimating the number of minutes per hour each dispatcher is engaged in a telephone or radio / CAD-based activity. Using the following assumed time estimates, the table which follows shows the number of minutes the average dispatcher is utilized on an activity:

- 120 seconds to process a 9-1-1 phone call (RCC Consultants)
- 90 seconds to process emergency / non-emergency phone calls (Matrix)
- 36 seconds of radio transmission per incident (RCC Consultants)

Based on the actual workload numbers for Los Gatos and Campbell, the applicable time estimates, and dispatcher schedule, the following table results:

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Minutes of Utilization on Phone / Radio per Hour, per Dispatcher

Hour	Los Gatos (Utilization per Dispatcher)	Campbell (Utilization per Dispatcher)
0000	10.6	10.4
0100	8.7	7.6
0200	10.0	6.7
0300	9.2	9.1
0400	8.2	4.3
0500	9.2	3.2
0600	10.7	4.3
0700	19.6	7.5
0800	29.4	12.0
0900	24.6	13.7
1000	27.5	15.4
1100	27.5	10.6
1200	18.8	11.5
1300	18.4	12.4
1400	20.0	16.7
1500	20.5	17.1
1600	18.3	16.0
1700	17.3	16.3
1800	14.4	16.2
1900	14.3	15.3
2000	14.0	13.2
2100	11.8	12.9
2200	9.8	12.4
2300	7.8	9.9
Avg.	15.8	11.7

These estimates include an assumption of doubling the time requirement to account for any administrative time associated with handling this workload. Again, it is important to note that Los Gatos dispatchers handle specific business processes and additional tasks not addressed by Campbell dispatchers, thus there is a difference in utilization. In addition to these quantitative indicators of staffing, there are also qualitative indicators that current staffing levels are adequate. Given the project team experience conducting hundreds of surveys regarding workload and staffing, the vast majority of municipal employees typically disagree that "staffing levels are adequate to meet workloads." For Los Gatos, 34% of respondents disagree that staffing is adequate,

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and in Campbell, only 20% of respondents disagree that staffing is adequate – indicating that staff generally feel that they can handle their respective workloads.

Using these findings as context, the project team is not suggesting that as stand-alone agencies, workload can be handled with fewer resources. This does, however, provide insights to the potential number of additional resources that would be required under a consolidation situation (as discussed further in the next chapter). As noted earlier, the staffing requirements in Los Gatos and Campbell are driven by the need for 24 / 7 / 365 coverage, as identified below:

Staffing Requirements to Meet Hourly Target

Elements	Los Gatos	Campbell
Average Scheduled Staffing	1.6	2.0
Staff Hours for 24 / 7 Coverage	14,016	17,895
Staff Required (no overtime)	7.8	10.4
Staff Required (w/ current overtime)	7.3	9.8
Current Dispatch Staffing	7.5	8.5
Variance	NA	(1 to 2)

As this indicates, the current staffing levels allocated for Los Gatos is appropriate given actual annual availability of its dispatch personnel (1,790 hours after leave utilization, and 1,924 hours after leave utilization and use of overtime hours).

Conversely, for Campbell to meet its scheduled hourly staffing, this shows a variance of 1 to 2 positions given actual annual availability of its dispatch personnel (1,729 hours after leave utilization, and 1,818 hours after leave utilization and use of overtime hours). Finally, one last indicator of staff level appropriateness is the extent to which overtime is used. The project team utilizes the best practice that less than 10% for total salaries and benefits should be allocated for overtime costs, with the following summarizing how Los Gatos and Campbell measures:

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- Los Gatos allocates 5% for overtime based on FY 2012 / 2013 budget figures
- Campbell allocates 3% for overtime based on FY 2012 / 2013 budget figures

As this shows, these dispatch centers are managing their resources well as indicated by the low use of overtime based on this best practice measure (e.g., organizations that use more than 10% for overtime are typically limited by staff resources). In both Los Gatos and Campbell, vacancies are covered first by temporary dispatchers before being offered as overtime to permanent dispatchers. Additionally, Campbell's Communications Supervisor often covers for vacancies that occur during her regularly scheduled workday. In both agencies there is a focused effort to reduce the use of overtime to backfill for vacancies.

In sum, these findings (from a quantitative and qualitative perspective) suggest that both Los Gatos and Campbell are adequately staffed and are able to handle dispatch center workloads.

4. ASSESSMENT OF CONSOLIDATION FEASIBILITY

The project team identified a consolidation option that is the most feasible at this time based on fiscal benefits, projected savings, least expensive transition costs; and ability to maintain current service delivery standards. The fiscal benefits, both short and long term, will vary based upon which type of funding arrangement is contractually agreed upon. Most dispatch consolidations which have occurred develop a cost allocation approach based on agreed upon factors. Typically, these factors are either fixed (i.e., unchanging) or variable or a hybrid of the two. These approaches are described below:

- **Fixed Factors:** Generally recognizing that the costs and benefits of consolidation can only be recognized in a joint effort that does not depend on workload or other variable factor, many dispatch consolidations base their cost allocation on a factor that changes little over time. Population is the fixed factor most often utilized in these consolidations.
- **Variable Factors:** Variable factors, typically workload based, recognize that the amount of workload generated by a dispatch partner impacts the operations and costs of the consolidated center. Workload based factors usually include such variables as incidents, 911 telephone calls, crime levels, etc.

The percentage of a split is typically determined by a fixed starting point with reference to one or more of these factors.. For Campbell and Los Gatos, the data for each of these approaches is provided below.

Cost Allocation Alternative Factors
Town of Los Gatos and City of Campbell

Element	Town of Los Gatos	City of Campbell	Total	Town of Los Gatos	City of Campbell
Part I Crimes	622	1,552	2,174	28.6%	71.4%
9-1-1 Calls	6,956	15,419	22,375	31.1%	68.9%
CG CFS	10,392	15,928	26,320	39.5%	60.5%
Population	30,802	40,860	71,662	43.0%	57.0%

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A cost allocation methodology should meet several objectives, including:

- It should be easy to compute and update.
- It should be fair and equitable in the sense that all participants experience the benefits and challenges.
- It should be 'scalable' with new participants.

Regarding the factors listed in the table, above, the project team provides the following assessment regarding their usability in this proposed dispatch consolidation:

- While Part I crimes can represent a 'proxy' for the intensity of dispatch effort, they are rarely used in consolidation efforts because they represent so few incidents and can vary tremendously from year to year especially in smaller communities.
- 911 telephone calls are often used as a cost allocation factor because they are easy to define and count as a workload element. On the other hand, they are often not used because they are a duplicative factor with calls for service and serve to 'double weight' workload variables.
- Calls for service are the most common cost allocation factor because they too are easy to define and count as a workload element.
- Population is also commonly used as a cost allocation factor but, alone, does not recognize that call generation rates and dispatch center workloads vary.

As a result, the project team believes that a simple cost allocation approach which recognizes both fixed and variable factors equally is an effective approach for Los Gatos and Campbell. An effective way of expressing this cost allocation approach is on a "per 1,000 residents" basis, resulting in the following:

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Cost Allocation Percentage (Per 1,000 Basis) – Town of Los Gatos and City of Campbell

Element	Town of Los Gatos	City of Campbell	Total	Town of Los Gatos	City of Campbell
Population	30,802	40,860	71,662	43.0%	57.0%
CG CFS	337	390	727	46.4%	53.6%
Total				44.7%	55.3%

On a per 1,000 resident basis, then, the unweighted fixed and variable cost allocation approach results in the Town of Los Gatos representing 44.7%, while the City of Campbell represents 55.3% of the total.

Estimated Annual Operating Costs – Campbell Provides Dispatch Services for Los Gatos

Operating costs are usually divided into two distinct categories; salary and benefits and general operating costs that include equipment maintenance, new purchases, and replacement. Utilizing Option 1 (Campbell provides dispatch services for Los Gatos) and the previously noted workload data, the project team estimated the total annual operating costs for Campbell to provide dispatch services for Los Gatos, and includes the following key assumptions:

- The City of Campbell would hire 4 additional dispatchers for a total of 13 dispatcher positions. A total of 13 dispatchers would be needed to adequately handle the workload for both jurisdictions and provide 2 to 3 dispatchers per hour per day.
- Of the 13 front-line dispatch positions, 2 of the 13 will be promoted to the position of lead-dispatcher to provide for additional supervision across the teams and help to insure that quality service is provided 24/7.
- The existing Support Services Manager and Communications Supervisor positions will be retained.
- Salary and benefit costs for line level dispatchers will be based on current compensation packages for Campbell dispatchers.
- Salary and benefit costs for the lead dispatchers are set at 5% above line level dispatchers.

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- Annual operations and maintenance charges are based on the City of Campbell's current rates of approximately 13% of the total Communications operating budget.
- Internal service charges are based on the City of Campbell's current internal service charge of 5%.

Salary and Benefit Costs

Utilizing the current City of Campbell compensation rates (FY 2012-13) the estimated cost for a single dispatcher position and a single lead dispatcher position are depicted below.

Budget Item	Full-Time Dispatcher
Base Salary	\$90,410
Holiday Pay	\$4,340
Overtime	\$4,000
PERS	\$13,562
Other Benefits (Medical, etc)	\$22,603
Total Dispatcher Cost (Avg.)	\$134,914
Budget Item	Lead Dispatcher
Base Salary	\$94,931
Holiday Pay	\$4,557
Overtime	\$4,000
PERS	\$14,240
Other Benefits (Medical, etc)	\$22,603
Total Lead Dispatcher Cost (Avg.)	\$140,329

The table below summarizes the total current annual operating costs for each agency, and adds new costs associated with employee benefit and salary costs for Campbell to provide dispatch services to Los Gatos.

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Total Estimated Dispatch Center Costs
Campbell Provides Dispatch Service to Los Gatos

Budget Item	Town of Los Gatos	City of Campbell (FY 13)	New Costs	Total New Operating Costs – Year 1
Base Salary (All Classifications)	\$713,836	\$916,785	\$370,681	\$1,287,466
Temporary Personnel	\$19,994	\$10,000	\$10,000	\$20,000
Holiday Pay	\$25,394	\$41,313	\$17,793	\$59,106
Overtime	\$61,012	\$40,000	\$16,000	\$56,000
PERS	\$145,059	\$131,210	\$55,602	\$186,812
Other Benefits (Medical, etc)	\$166,587	\$221,029	\$90,410	\$311,439
Sub-Total Personnel (est.)	\$1,131,882	\$1,360,337	\$560,486	\$1,920,823
Operations/Maintenance	\$226,568	\$144,296	\$72,863	\$217,159
Internal Service Charges	\$42,996	\$59,728	\$28,024	\$87,752
Total Annual Operations (est.)	\$1,401,446	\$1,564,361	\$661,373	\$2,225,734

Based on the above chart, the total new, annual operating costs for Campbell to provide dispatch services for Los Gatos are estimated at approximately \$2.2 million dollars.

One Time Costs

Additional funds will be required to modify, upgrade, purchase, or integrate existing equipment and technology such as CAD systems, radio infrastructure, workstations, and other miscellaneous items associated with a dispatch consolidation as noted in the table below. This is not a complete listing of all costs, but is to be used as a starting point for evaluating the potential cost savings for both jurisdictions. There are many variables in this particular section that have the potential to greatly impact start-up costs driving a commensurate increase or decrease on the estimates offered below. These costs were provided by staff and should be considered preliminary only as they are based on staff best estimates. Additional research in this area is highly encouraged before a final decision on consolidation is made.

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Estimated Initial Capital Costs and One-Time Transitional Costs

Initial Capital Costs & One-Time Transition Costs	Cost
CPE (9-1-1 Equipment)	
9-1-1 Trunk Line Set-Up	\$10,000
Administrative Phones	
Admin/PBX Phones - Add to existing workstations	\$10,000
Radio Systems	
Add LG Public Works Channel to Console	\$2,500
Add LG Police Channels to Console	\$2,500
Changes to Radio Infrastructure (Add Additional Transceivers)	\$80,000
Reprogramming of Mobile & Portable Radios	\$500
Logging Recorder	
Add LG Channels to DLI Recorder	\$1,000
CAD/RMS/MDC Integration	
Campbell transitions to new CAD/RMS/MDC Product	\$2,000,000
Integrate Campbell's new CAD/RMS/MDC product to Los Gatos Tiburon System	\$100,000
Geofile/Mapping Setup	\$50,000
CAD Hardware/Workstation for 4th Position	\$5,000
Facility	
4th Workstation - Dispatch Workstation Furniture	\$10,000
4th Workstation - Radio Console	\$30,000
4th Workstation - Additional Equipment (Chair, Non-CAD Computers etc)	\$15,000
Costs to remodel facility to accommodate 4th dispatch workstation	\$10,000
Electrical Work for Consoles	\$2,000
Security System Monitoring	
Add LG feeds to CPD Dispatch Center	\$5,000
Professional Services	
Hire vendor to create Policies & Procedures manual	\$10,000
Hire Project Manager to oversee consolidation	\$100,000
Overhead Costs (One-Time)	
Overtime costs to cover training, staffing needs during transition, participation in consolidation tasks or committees.	\$60,000
Payroll Changes	\$1,000
Recruitment & Testing	\$5,000
Total - Capital & Start-Up Costs	\$2,509,500

Of particular note in this area is the \$2 million dollars for a new CAD/RMS/MDC system. A CAD system is the backbone for dispatch operations. Often the CAD is so integrated with other police systems such as the mobile data computers (MDC) in patrol vehicles and the records management system (RMS), that a replacement or reconfiguration of one part dictates a replacement or reconfiguration of the other parts.

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These systems tend to be very expensive because of their level of complexity and integration. Therefore, a decision must be made early on as to what system will be utilized because the costs associated with that decision will greatly impact the one-time transitional costs.

Rather than a proportional cost allocation as recommended for operating costs, start up and transitional costs could be borne as equal investments by the two communities. This recognizes that both communities have technology needs that would have to be met if consolidation did not occur. It also facilitates any reimbursement in the future if there is a dissolution because of the allocation changes in intervening years.

SUMMARY OF KEY COST IMPACTS UTILIZING A COST ALLOCATION APPROACH

Once the variables for personnel and equipment have been selected, the recommended cost allocation approach based on per capita can be applied. This approach represents a 45:55 split for Los Gatos and Campbell respectively. It is assumed that a contract between the two jurisdictions will include some sort of annual inflationary factor that will also be applied. Often, the inflationary factor will vary more when added to employee compensation rates rather than in the materials and supply categories. For purposes of this report, a 2.5% inflationary factory will be applied to both the salary compensation and materials and supply categories each year for the next five years. The table below demonstrates the potential cost savings for each jurisdiction applying that simple methodology.

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Feasibility Study for Dispatch Consolidation

Estimated Annual Shared Cost per Agency

Agency	Current Operating Budget (Increased by 2.5% each year)	Addit. Ops. Costs	Total New Operating Costs*	Annual Shared Cost Per Agency	One Time Costs	Total New Annual Costs	Savings
Year One							
Los Gatos (45%)	\$1,401,446	N/A	\$2,225,734	\$1,001,580	\$1,254,750	\$2,256,330	(\$854,884)
Campbell (55%)	\$1,564,361	\$661,373		\$1,224,154	\$1,254,750	\$2,478,904	(\$914,543)
Year Two**							
Los Gatos (45%)	\$1,436,482	N/A	\$2,481,377	\$1,116,620	N/A	\$1,116,620	\$319,862
Campbell (55%)	\$1,603,470	N/A		\$1,364,758	N/A	\$1,364,758	\$238,712
Year Three							
Los Gatos (45%)	\$1,472,394	N/A	\$2,543,412	\$1,144,535	N/A	\$1,144,535	\$327,850
Campbell (55%)	\$1,643,557	N/A		\$1,398,876	N/A	\$1,398,876	\$244,680
Year Four							
Los Gatos (45%)	\$1,509,204	N/A	\$2,606,997	\$1,173,149	N/A	\$1,173,149	\$336,055
Campbell (55%)	\$1,684,646	N/A		\$1,433,848	N/A	\$1,433,848	\$250,797
Year Five							
Los Gatos (45%)	\$1,546,934	N/A	\$2,672,172	\$1,202,407	N/A	\$1,202,477	\$344,457
Campbell (55%)	\$1,726,762	N/A		\$1,469,695	N/A	\$1,469,695	\$257,067

*Includes 2.5% inflation rate in subsequent years. 2.50%

**Operating costs increase in year two by \$200,000 for maintenance costs related to new CAD/RMS/MDC software (10% of purchase price).

This cost allocation approaches shows a result which may be counter-intuitive: that the smaller agency, Los Gatos, has greater cost savings than the larger one, Campbell. This is because for smaller agencies costs are not proportional to size and workload. There is a certain minimum size necessary to be in the 'dispatching business'. The inefficiencies resulting from this and the potential for economies of scale is one of the principal reasons to explore consolidation.

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Key Decision Points - Campbell

Based on option 1 – Campbell provides dispatch service to the Town of Los Gatos; the elements noted in the table below describe some of the key decision factors for the City of Campbell as the service provider agency.

Element	Key Point
Governance and Organizational Structure	The governance approach would be spelled out in the contract, including lines of communication and authority, issue resolution, terms and conditions of payment, etc.
Policies and Procedures	The City of Campbell policies and procedures would be the overriding document, with any particular service levels or unique procedures being identified via the contract document with the Town of Los Gatos.
Personnel / Human Resources	The dispatch center would require an average of 2.5 dispatchers per hour (i.e., staffing levels of between 2 to 3 dispatchers each hour). The City would need to hire 4 additional dispatch staff to meet this level of staffing for a total of 13 dispatchers. Of the 13 dispatcher positions, the City would create two working lead dispatcher positions to assist with supervision which would be selected from the full staffing pool based on a City run competitive promotional process. As with any consolidation, a large portion of the cost savings is generated through the reduction of employees needed to staff the new center. There are three approaches that could be utilized to select staff members. The method selected should be agreed upon by both agencies and outlined in the contract. • Blending personnel from both agencies based on a combination of years of service and job performance which would allow Campbell the opportunity to select the best qualified from either agency. • All employees from Los Gatos would be terminated with the ability to re-apply to Campbell in an open competitive recruitment process. • The five most senior employees would be absorbed by Campbell and the remaining employees from Los Gatos would be laid off. Regardless of the method selected the City of Campbell should outline which process will be utilized in order to give the Town the opportunity to weigh in since it could result in the potential layoff of Los Gatos employees.
Training	All staff would be required to complete a dispatch training or refresher program in order to understand the unique demographics and operating conditions of both jurisdictions.
Technology Systems	The City would either procure a new CAD system (with or without a joint arrangement with the Town), or join the current agreement between the Town / Sunnyvale and utilize Tiburon.
Facilities	The current facility would require a 4th staff position (potentially remodeling of the current supervisor position as back-up), with upgrading / integration for the 9-1-1 system, phones, and radios.

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Element	Key Point
Administrative Surcharge	This analysis assumes that the City of Campbell provides dispatch services to the Town of Los Gatos for the cost advantages of sharing this service. Many agencies involved in consolidation implement a contract or administrative charge on top of direct costs. This recognizes that the lead or contracting agency handles personnel, risk, legal, information technology on behalf of both agencies.

The elements in the table, below, represent the key decision factors for the Town of Los Gatos:

Key Decision Points – Los Gatos

Policies and Procedures	Los Gatos would abide by policies and procedures that are dictated by Campbell. The contract language should include a process for major decision making, but the day to day operations, personnel management and budgetary decisions would all be managed under the direction of the Campbell Police Chief. There may be some services currently provided by Los Gatos dispatchers to both internal and external customers that will not be offered from Campbell. Examples are after hours front counter service, 24/7 staff on site at headquarters, and facilitation of administrative phone calls. These services, if they are to be continued, would likely require the addition of staff to handle these tasks and others currently done by Los Gatos dispatchers.
Personnel / Human Resources	See items noted above for Campbell
Technology Systems	The County of Santa Clara does not currently operate with an automated warrant confirmation system. It relies on a person to provide physical confirmation and then send an automated message. This task is currently provided by Los Gatos dispatchers and would not be able to be provided by Campbell. Therefore, Los Gatos would have to pull officers in off the street to complete this task. Due to the technological limitations of existing county systems, Los Gatos may have to consider adding staff to replace 24/7 tasks that are currently assigned to on-site dispatch staff.

As noted in the tables above, each agency would need to make critical decisions regarding operations for both agencies that have a cost value attached to it. For Campbell, the most significant costs would be associated with the replacement of their existing CAD/RMS/MDC system. For Los Gatos, it would be the addition of staff to provide 24/7 service functionality that is currently provided by the on-site dispatch staff.

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Therefore, the decision makers for each jurisdiction must carefully evaluate these key decision points as they will significantly impact estimated future cost savings.

Summary

Although the initial plan anticipated a study that included other consolidation approaches, this report focused primarily on Campbell providing dispatch services to Los Gatos. The cost savings identified in this report are a preliminary indication of potential savings from a two jurisdiction consolidation.

Staff from both agencies have contributed significant input and analysis in support of the project team, supplying agency specific knowledge of equipment, personnel, staffing and facility needs. Staff have expressed that other significant costs may not have been fully explored and would need to perform additional analysis before any consolidation could occur. Consolidation efforts between jurisdictions are most often executed in order to reduce budget costs associated with operating and offering 9-1-1 services to local communities. This concept also holds true for Los Gatos and Campbell but the length of time for the agencies to realize a return on the investment is open ended.

The project team is aware, and staff have specific knowledge, that other consolidation options are worthy of consideration to bring cost savings and efficiencies to dispatch operations. These include shared, hosted CAD systems and 9-1-1 systems. The Los Gatos and Campbell Police Departments are in a unique position because of their existing relationship to easily make a transition when a clear path forward has been identified.

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In the interim, there are some steps that can and should be taken, either in preparation for a consolidation, or just good business practice such as the documentation of unit work flow, including a policy and procedures manual. These tools are often used as a foundation, or a starting point from which operational decisions and service standards in a consolidated service center are made.

The agencies should also keep abreast of new technology or industry trends that lend themselves to making a more efficient and cost effective sharing environment. As noted earlier, there are several related projects taking place within the County of Santa Clara and at the state level. The success or failures of these test cases will be good indicators for the future direction chosen by Los Gatos and Campbell.



TOWN OF LOS GATOS
FINANCE COMMISSION REPORT

MEETING DATE: 08/09/2021

ITEM NO: 11

Item 11.

DATE: August 2, 2021
TO: Finance Commission
FROM: Laurel Prevetti, Town Manager
SUBJECT: Review the Draft Request for Proposals (RFP) for Professional Auditing Services

RECOMMENDATION:

Review the Draft Request for Proposals (RFP) for Professional Auditing Services

BACKGROUND:

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

(a) The Finance Commission shall:

- (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.

It should be noted, that while staff acknowledges the language used in Measure A, on July 11, 2021 GFOA requested that all industry affiliates stop using the four-letter acronym commonly associated with the Comprehensive Annual Financial Report. Going forward staff will be using Annual Financial Report in all its publications.

In March 2017, the Town released a Request for Proposals (RFP) for auditing services. Prior to the release of the RFP, the Town's annual audits were completed by Chavan and Associates, LLP

PREPARED BY: Stephen Conway
Finance Director

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

PAGE 2 OF 2

SUBJECT: Review Audit Services RFP

DATE: July 6, 2021

BACKGROUND (continued):

for five years. Based upon the proposals, interviews and reference checks, Town staff selected the firm of Badawi and Associates at the conclusion of the RFP process.

DISCUSSION:

The current contract was for a three-year term with one or two-year option period renewal options. The two-year option period will expire June 30, 2022. Staff is initiating a new RFP process for auditing services beginning in September of 2021. Attachment 1 contains the draft Request for Proposal for Independent Audit Services.

The proposed anticipated timeline of the RFP process is provided in the table below:

Timeline	
Distribution of RFP	09/15/21
Deadline for Questions	09/22/21
Proposals Due to the Town	10/8/21
Oral Presentations/Interviews	Week of 10/25/21
Council Consideration of Contract	12/7/21

In order for the Commission to *“Provide written comments and recommendations regarding the selection of auditors for the Annual Financial Report,”* the Commission selected Vice Chair, Kyle Park to be a non-voting observer of the selection process.

RECOMMENDATION:

Staff recommends that the Finance Commission review and provide feedback on the draft RFP. Staff will take Commission feedback under consideration before issuing the RFP in September 2021.

Attachment:

1. Draft Request for Proposals (RFP) Professional Auditing Services



DRAFT REQUEST FOR PROPOSALS (RFP) PROFESSIONAL AUDITING SERVICES

Proposals Due:

October 8, 2021 by 5:00 pm

RFP Contact:

Gitta Ungvari

Finance and Budget Manager

gungvari@losgatosca.gov

408-354-6805

Deliver To:

Town of Los Gatos
Finance Department
110 E. Main Street
Los Gatos, CA 95030

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2. TERM OF ENGAGEMENT
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8. SUBMISSION OF PROPOSAL
9. EVALUATION PROCEDURES
10. ATTACHMENTS

ATTACHMENTS ARE AS FOLLOWS:

ATTACHMENT 1 - CONFLICT OF INTEREST STATEMENT (FOR SUBMITTAL)

ATTACHMENT 2 - NON-COLLUSION DECLARATION (FOR SUBMITTAL)

ATTACHMENT 3 - REFERENCES (FOR SUBMITTAL)

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

INSURANCE ACKNOWLEDGMENT CERTIFICATE (FOR SUBMITTAL)

ATTACHMENT 5 - SAMPLE CONSULTANT SERVICES AGREEMENT (INFORMATION)

1. INTRODUCTION

The Town of Los Gatos (Town) is soliciting proposals from qualified firms of certified public accountants to audit its financial statements and private-purpose funds of the Town for the three fiscal years with the option to extend for two additional one-year terms, not to exceed a total of five fiscal years. These audits are to be performed in accordance with generally accepted auditing standards; the standards set forth for financial audits in the U.S. General Accountability Office's most recent *Government Auditing Standards*; the provisions of the Federal Single Audit Act of 1984 and the Single Audit Act Amendments of 1996; the U. S. Office of Management and Budget's (OMB) guidance for federal awards and agreements as provided in the Code of Federal Regulation (CFR) 2 Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and relevant Governmental Accounting Standards Board (GASB) Statements.

There is no expressed or implied obligation for the Town to reimburse responding firms for any expenses incurred in preparing proposals in response to this Request for Proposals (RFP).

The Town reserves the right to retain all proposals submitted and to use any ideas in a proposal regardless of whether that firm is ultimately selected. Submission of a proposal indicates acceptance by the firm of the conditions contained in this RFP, unless clearly and specifically noted in the proposal submitted and confirmed in the subsequent contract between the Town and the firm selected.

To be considered, five printed copies and one electronic copy of the technical proposal and five sealed, printed copies and one electronic copy of the dollar cost bid must be received by the Town of Los Gatos by 5:00 pm on October 8, 2021. Printed proposals are to be mailed or delivered in person to: Town of Los Gatos: Attention Gitta Ungvari, Finance and Budget Manager, 110 East Main Street, Los Gatos, CA, 95030. Electronic proposals are to be emailed to **gungvari@losgatosca.gov**. The Town reserves the right to reject any or all proposals submitted. Late proposals will not be considered.

It is anticipated that selection of a firm will be completed by November, and that a contract will be approved by the Town Council and executed by late December.

2. TERM OF ENGAGEMENT

It is the intent of the Town to contract for the services listed in this RFP for a term of three years. The Town reserves the right to extend the term of this contract for two additional one-year terms, for a maximum of five years, subject to the annual review and recommendation of the Director of Finance, approval of the Town Manager, and satisfactory negotiation of terms.

3. SERVICES REQUIRED

- a. **Entrance Conference.** Before commencement of interim field work, the firm must schedule an entrance conference with the Town Manager, Finance Director, and Finance Commission for the purpose of discussing any potential audit issues, clarifying responsibilities, and making arrangements for the workspace and other needs of its staff. The Finance Commission shall not participate in conference discussions that pertain to confidential employment or attorney-client privileged matters.
- b. **Status Reports.** During the engagement, the firm must meet with and provide status reports to the Town Manager and Director of Finance on a regular basis.
- c. **Exit Conference.** Upon completion of field work, and before issuing any report or management letter, the firm must schedule an exit conference with the Town Manager and the Director of Finance, the Budget and Finance Manager, and other Town staff as may be assigned. The purpose of the exit conference is to discuss observations, findings, and recommendations; and, as appropriate, any matters to be included in required communications and/or in a management letter.
- d. **Advice and Consultation.** Throughout the contract period, the firm must be available during regular business hours to provide the Town with informal advice and consultation on matters relating to accounting and financial reporting. The firm will be expected to keep the Town updated on the working requirements of all new accounting and financial reporting pronouncements of GASB, OMB, and the State of California. A senior staff member, at the manager, director, or partner level, will be responsible for responding to Town communications within one business day.
- e. **Town Requirements.** The firm must comply with all relevant Town requirements, such as obtaining a Los Gatos business license, providing proof of insurance for at least the minimum required amounts, and executing a Town contract for consulting services. Information about Los Gatos business licenses is available on the Town's website, www.LosGatosCA.gov/businesslicense. Information about current insurance requirements is available from the Clerk Administrator at (408) 354-6888. A sample Town contract is available from the Town Attorney's Office at (408) 354-6880.
- f. **Town Council and Finance Commission Meetings.** The firm shall make available up to four times per fiscal year a senior staff member at the manager, director or partner level to attend Town Council meetings and/or Finance Commission meetings for the purpose of discussing the audit, the management letter and its conclusions, the Comprehensive Annual Financial Report (Annual Report), and other reports prepared by the auditor.

4. SCOPE OF WORK

- a. **Town of Los Gatos Audit.** Audit and issue a report on the fair presentation of the Basic Financial Statements of the Town of Los Gatos in accordance with generally accepted auditing standards; the standards set forth for financial audits in the U.S. General Accountability Office's most recent Government Auditing Standards; the provisions of the federal Single Audit Act of 1984 and the Single Audit Act Amendments of 1996; OMB guidance for federal awards and agreements as provided in the Code of Federal Regulation (CFR) 2 Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards; and relevant GASB Statements. The audit shall be conducted for the purpose of forming an opinion on the Town's Basic Financial Statements taken as a whole, and to determine whether the operations were conducted in accordance with legal and regulatory requirements.
- b. **Comprehensive Annual Financial Report.** Prepare, with limited involvement of the Town, the Comprehensive Annual Financial Report (Annual Report) for the Town of Los Gatos and the activities of the private-purpose trust funds of the Successor Agency to the Los Gatos Redevelopment Agency. The Town shall retain ultimate responsibility for the approval and dissemination of the Annual Report; however, the firm shall prepare the draft and complete related tasks, including but not limited to the following:
 - Evaluate the document against the Annual Report reporting checklists of the Government Finance Officers Association (GFOA) and the California Society of Municipal Finance Officers (CSMFO) to ensure eligibility for their respective Annual Report award programs. It is the Town's intention to continue to receive these awards annually and expect that the Annual Report will meet their requirements.
 - Verification of implementation of recommended improvements from prior year submissions to GFOA under the Annual Report award program.
 - Proofreading and overall review, including layout, design, and making suggested improvements to the document.
 - Printing and binding of the final document.
 - Assisting with the written responses to the recommendations and questions posed by the Finance Commission prior to the Annual Report's consideration by Town Council.
- c. **Reportable Conditions.** In the required reports on internal controls, the firm shall communicate any reportable conditions found during the audits. A reportable condition is defined as a significant deficiency in the design or operation of the internal control structure, which could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions that are also material weaknesses shall be identified as such in the report. Non-reportable conditions discovered by the auditors shall be reported in a separate letter to management, which

shall be referred to in the reports on internal controls. The reports on compliance shall include all instances of noncompliance.

- d. **Management Letter.** Completion of a management letter, if applicable, reporting material weaknesses and significant control deficiencies. Prior to completion of the management letter, the firm shall meet with the Town Manager, Director of Finance, the Finance and Budget Manager, the Town Finance Commission, and other Town staff as assigned to review findings and recommendations in detail before the final letter and Town responses are published.
- e. **Optional Services.**
 - Development of Agreed Upon Procedures for the review and reporting of Measure G district sales tax revenues and expenditures.
 - Preparation of the Cities Financial Transactions and Compensation Report (State Controller's Report).
- f. **Deliverables.**
 - One electronic file, in PDF format, and 25 bound copies, of the Annual Report, including the necessary audit opinion letters.
 - One electronic file, in PDF format, and 25 bound copies, of the federal single audit report, if applicable, including the necessary audit opinion letters.
 - One electronic file, in PDF format, and 25 bound copies, of the management letter, if applicable.
 - One electronic file, in PDF format, and 25 bound copies, of the required Appropriations Limit Review reporting upon agreed-upon procedures on compliance with Proposition 111 for the year audited.
- g. **Irregularities and Illegal Acts.** Auditors shall be required to make an immediate, written report of all irregularities and illegal acts or indications of illegal acts of which they become aware to the following parties:
 - Los Gatos Town Council
 - Town Manager
 - Town Attorney
- h. **Working Paper Retention and Access.** All working papers and reports must be retained at the firm's expense for a minimum of seven years, unless otherwise notified in writing by the Town. The firm will be required to make such working papers available, on request, to the following parties or their designees:
 - Town of Los Gatos
 - Parties designated by the Town, or federal or state governments, as part of an audit quality review process
 - Auditors of entities of which the Town is a subrecipient of grant funds.

In addition, the firm shall respond to the reasonable inquiries of successor auditors and allow successor auditors to review working papers relating to matters of continuing accounting significance.

The Town's most recent audit was conducted by Badawi and Associates. The work papers of this previous audit may be reviewed by the successful firm.

5. PROPOSED TENTATIVE TIMELINE

Timeline	
Distribution of RFP	09/15/21
Deadline for Questions	09/22/21
Proposals Due to the Town	10/8/21
Oral Presentations/Interviews	Week of 10/25/21
Council Consideration of Contract	12/7/21

6. TOWN RESPONSIBILITIES

- a. **Technical Support and Assistance.** Finance staff and responsible management personnel will be available during the audit to assist the firm by directing audit personnel to needed sources of information, documentation, and explanations. It is expected that the firm will rely on the assistance of Town staff to a minimum level, in consideration of limited staff capacity.
- b. **Statements and Schedules.** Finance staff will prepare and/or provide all statements and schedules requested by the firm in its Prepared By Client (PBC) list. The preparations of confirmations will be the responsibility of the Town.
- c. **Work Area and Equipment.** The Town will provide the firm with reasonable workspace, desks, and chairs; and access to telephone lines, photocopying, and fax machines.
- d. **Manner of Payment.** The Town will make progress payments on the basis of hours of work completed and out-of-pocket expenses incurred, in accordance with the successful firm's dollar cost bid, and in response to invoices submitted on a monthly basis. The final ten percent of the total all-inclusive maximum price will be retained and paid on delivery of the final audit documents.

7. DESCRIPTION OF THE GOVERNMENT

- a. **Background Information.** Information regarding Los Gatos and the Town organization, such as history, governmental structure, services provided, the current Operating and

Capital Budgets, and the most recent Annual Report, is available on the Town website at the Financial Transparency page:

<https://www.losgatosca.gov/DocumentCenter/View/26586/FY-201920-CAFR?bidId=>.

- b. **Fund Structure.** The Town and its component unit use the following fund types and account groups in financial reporting:

Fund Type	Number of Funds
General Fund	1
Special Revenue Funds	9
Debt Service Funds	1
Capital Projects Funds	8
Internal Service Funds	7
Trust & Agency Funds	7
Total	33

- c. **Budgetary Basis of Accounting.** Governmental fund types and fiduciary fund budgets are developed using the modified accrual basis of accounting. Proprietary fund budgets are developed using the full accrual basis of accounting. At fiscal year-end, budget appropriations lapse.
- d. **Pension Plans.** The Town contributes to the California Public Employees' Retirement System (CalPERS), a multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating public agencies within the state of California.
- e. **Finance Operations.** The Finance Department is headed by Finance Director, Stephen Conway. The Department is responsible for budgeting, financial reporting, treasury, financial audits, payroll, accounts payable, accounts receivable, cash collection, business license, purchasing, and other general accounting functions.
- f. **Computer Systems.** The Town has personal computers that run Windows 10 and Windows 7, networked with Windows servers. This network extends to all Town Departments and provides enterprise-wide connectivity and email capability.

The Town uses the FinancePlus financial software by SunGard Public Sector, including the budgeting, payroll, purchasing, accounts payable, accounts receivable, cash receipts, business

license, and fixed assets functions, which are fully integrated with the General Ledger module. The Town uses Office 2010 professional suite.

8. SUBMISSION OF PROPOSAL

The following materials must be submitted for a proposal to be considered: Five printed copies and one electronic copy of a technical proposal must be submitted. There should be no cost information whatsoever in the technical proposal document. The purpose of the technical proposal is to demonstrate the qualifications, competence, and capacity of the firm and of the particular staff to be assigned, in conformity with this RFP. It should also specify an audit approach that will meet the requirements of this RFP.

The technical proposal should address all the points outlined in this RFP (excluding cost information). At a minimum, the following components must be included:

- a. **Title Page**, showing the RFP subject; the firm's name; the name, address, telephone number, and email address of the contact person; and the date of the proposal.
- b. **Table of Contents**, including a clear and complete identification of the materials submitted by section and page number. Cross-referencing to section and page number in this RFP is preferred.
- c. **Transmittal letter**, briefly stating the proposer's understanding of the work to be done, the commitment to perform the work within the timeline in this RFP, a statement addressing why the firm believes itself to be the best qualified to perform the work, and a statement that the proposal is a firm and irrevocable offer for 90 days. Certify that the person signing the proposal is entitled to represent the firm, empowered to submit the bid, and authorized to sign a contract with the Town.
- d. **Independence**. The firm shall provide an affirmative statement that it is independent of the Town as defined by generally accepted auditing standards and the U.S. General Accountability Office's *Government Auditing Standards*. The firm should list and describe the firm's professional relationships, if any, involving the Town or any of its component units for the past five years, together with a statement explaining why such relationships do not constitute a conflict of interest relative to the scope of services contemplated in this RFP. In addition, the successful firm shall be required to give the Town written notice of any professional relationships entered into during the period of the contract.
- e. **License to Practice in California**. An affirmative statement should be included that the firm and all assigned professional staff are properly licensed to practice as certified public accountants in California.

- f. **Firm Qualifications and Experience.** State the size of the firm, the size of the firm's governmental audit staff, the location of the office from which the work on this engagement is to be performed, the number and titles/roles of the professional staff to be employed in this engagement on a full-time basis, and the number and titles/roles of the staff to be so employed on a part-time basis. If the proposer is a joint venture or consortium, the qualifications of each firm comprising it must be separately identified, and the firm that is to serve as the principal auditor must be noted. The firm must submit a copy of a report on its most recent external quality control peer review, with a statement of whether that review included a review of specific government agency engagements. The firm must also provide information on the results of any federal or state desk reviews or field reviews of its audits during the past three years. In addition, the firm must provide information on the circumstances and status of any disciplinary action taken or pending against the firm during the past three years with state regulatory bodies or professional organizations.
- g. **Partner, Supervisory, and Staff Qualifications and Government Experience.** Identify the principal supervisory and management staff, including engagement partners, managers, other supervisors, and specialists, who would be assigned to the engagement. Provide information on the government auditing experience of each person, including information on relevant continuing professional education for the past three years, and membership in professional organizations relevant to the performance of this audit. Provide as much information as possible regarding the number, qualifications, experience, certifications, licensure, registrations, and training of the specific staff to be assigned to this engagement. Indicate how the quality of staff over the term of the contract would be assured.

Engagement partners, managers, other supervisory staff, and specialists may be replaced during the period of the contract if those personnel leave the firm. These personnel may also be replaced for other reasons with the express prior written permission of the Town. However, in either case, the Town retains the right to approve or reject replacements.

Consultants and firm specialists identified in the proposal may only be replaced with the express prior written permission of the Town, which retains the right to approve or reject replacements. Other audit personnel may be replaced at the discretion of the firm, provided that replacements have substantially the same or better qualifications and experience.

- h. **Similar Engagements and References.** For the firm's office that will be assigned responsibility for this engagement, list at least the five most significant assignments performed in the last five years that are similar to that described in this RFP. The assignments listed should be with government entities, preferably of a similar size and located in the Bay Area. For each, indicate the name of the organization, scope of

work, dates during which service was provided, engagement partners, total staff hours, and the name and telephone number of the principal client contact.

- i. **Specific Audit Approach.** Include a work plan and proposed timeline, including an explanation of the audit methodology to be followed, to perform the services listed in Section II of this RFP. In developing the work plan, the firm should make reference to such sources of information as the Town's budget and related materials, organizational charts, manuals and programs, and financial and other management information systems. The following information must be included in the audit approach:
 - Proposed segmentation of the engagement
 - Level of staff, or outside experts, and number of hours to be assigned to each proposed segment
 - Sample size and the extent to which statistical sampling would be used
 - Type and extent of analytical procedures to be used
 - Approach to be taken to gain and document an understanding of the Town's internal control structure
 - Approach to be taken in determining laws and regulations that would be subject to audit test work
 - Approach to be taken in drawing audit samples for the purpose of tests of compliance
- j. **Discussion of Relevant Accounting Issues.** The firm must identify and describe recent changes in accounting principles and pronouncements and their impacts on the presentation, scope, and disclosure of the Town's financial report.
- k. **Prepared By Client List.** Include a list of standard client-prepared audit schedules the firm anticipates Town staff to provide.
- l. **Proposer Warranties.** Include an executed copy of Appendix A to this RFP, Proposer Warranties.
- m. **Sealed Dollar Cost Bid.** Five sealed, printed copies and one electronic copy of a dollar cost bid must be submitted. The dollar cost bid should contain all pricing information relative to performing the audit engagement as described in this RFP. The total all-inclusive maximum price to be bid should contain all direct and indirect costs, including all out-of-pocket expenses. The Town will not be responsible for expenses incurred in preparing and submitting either a technical proposal or a dollar cost bid in response to this RFP: such costs should not be included in a dollar cost bid. The bid for optional services identified in the Scope of Work should be submitted separately.

The dollar cost bid should address all the points outlined in this RFP. At a minimum, the following components must be included:

- Name of Firm.
- Certification, that the person signing the bid is entitled to represent the firm, empowered to submit the bid, and authorized to sign a contract with the Town.
- A Total All-Inclusive Maximum Price, for each of the first three fiscal years' engagements. Prices for the optional services are to be submitted separately.
- Include separate schedules of all fees and expenses for each of the work tasks and deliverables described in this RFP, and for the optional services for each of the first three fiscal years' engagements. These schedules should include hourly rates and number of hours anticipated for each staff level; as well as out-of-pocket expenses such as transportation, meals, communications, and duplication costs. The total of these separate schedules should have a direct relationship to the total all-inclusive maximum price.
- If it should become necessary for the Town to request the successful firm to render any additional services to either supplement the services requested in this RFP or to perform any additional work as a result of the specific recommendations included in any report issued on this engagement, then such additional work shall be performed only if set forth in an addendum to the contract between the Town and the firm. Any such additional work would be performed at the same rates submitted in the dollar cost bid.

9. EVALUATION PROCEDURES

All submitted proposals will be evaluated by a Finance Commission representative, the Director of Finance, the Finance and Budget Manager, and other key Town staff. The evaluators will use a point system, as outlined below, during the review process to score proposals. Each evaluator will first score each of the technical proposals; these individual scores will then be combined to arrive at a total technical score for each firm. Any firm with an unacceptably low technical score will be eliminated from further consideration.

Next, the sealed dollar cost bids will be opened and scored. The maximum score for price will be assigned to the firm offering the lowest total all-inclusive maximum price; appropriate fractional scores will be assigned to the other firms.

The Town will invite at least the firms with the top three scores to make oral presentations/ interviews during the week of October 25, 2021. It is anticipated that selection of a firm will be completed by November with review and recommendations by the Finance Commission, and that a contract will be considered by the Town Council in early December 2021.

All proposals will be evaluated on the using the criteria shown below. If a firm does not meet all the mandatory criteria, it will not be evaluated further. Firms whose technical proposals achieve an acceptable score will then have their dollar costs bids scored. The following represent the principal selection criteria that will be applied during the evaluation process.

EVALUATION OF PROPOSALS – 100 MAXIMUM POINTS

SCORING WEIGHT	EVALUATION CRITERIA
Mandatory	Independent, licensed to practice in California. No conflict of interest. Adhered to instructions on preparation and submission of RFP. Copy of last external quality control review report submitted. Has a record of producing quality audit work.
25 points	Technical Experience of Firm: Past experience on comparable engagements. Past experience and performance with similar software (Finance Plus financial software by SunGard Public Sector).
20 points	Staff Qualifications: Experience and qualification of the firm's personnel assigned to engagement; quality of firm's management support available for technical consultation.
25 points	Responsiveness of Proposal: Clearly stating an understanding of services to be provided. Appropriateness and adequacy of proposed procedures; sampling techniques; analytical procedures; reasonableness of proposed work plan and timeline.
30 points	Cost of the audit

10. ATTACHMENTS

The following attachments are incorporated into the Request for Qualifications:

ATTACHMENT 1 – CONFLICT OF INTEREST STATEMENT (FOR SUBMITTAL)

ATTACHMENT 2 – NON-COLLUSION DECLARATION (FOR SUBMITTAL)

ATTACHMENT 3 – REFERENCES (FOR SUBMITTAL)

ATTACHMENT 4 – STATEMENT REGARDING INSURANCE COVERAGE AND WORKER'S
COMPENSATION INSURANCE ACKNOWLEDGMENT CERTIFICATE (FOR SUBMITTAL)

ATTACHMENT 5 – SAMPLE CONSULTANT SERVICES AGREEMENT (INFORMATION)

ATTACHMENT 1 - CONFLICT OF INTEREST STATEMENT

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

PROFESSIONAL AUDITING SERVICES

The undersigned declares:

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

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

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

immediately notify the Town if it becomes aware of any facts concerning the contract to be awarded that constitute a violation of said provisions.

Furthermore, if there is reason to believe that collusion exists among the Proposers, the Town may refuse to consider proposals from participants in such collusion. No person, firm, or corporation under the same or different name, shall make, file, or be interested in more than one proposal for the same work unless alternate proposals are called for. A person, firm, or corporation who has submitted a sub-proposal to a Proposer, or who has quoted prices on materials to a Proposer, is not thereby disqualified from submitting a sub-proposal or quoting prices to other Proposers. Reasonable ground for believing that any Proposer is interested in more than one proposal for the same work will cause the rejection of all proposals for the work in which a Proposer is interested. If there is reason to believe that collusion exists among the Proposers, the Town may refuse to consider proposals from participants in such collusion. Proposers shall submit as part of their proposals documents the completed Non-Collusion Declaration provided herein.

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

Proposer Name (Person, Firm, Corp.)

Title of Authorized Representative

Address

Name of Authorized Representative

City, State, Zip

Date

Signed

ATTACHMENT 2 – NON-COLLUSION DECLARATION**THIS FORM MUST BE PRINTED OUT, COMPLETED AND SUBMITTED WITH THE PROPOSAL
PROFESSIONAL AUDITING SERVICES**

The undersigned declares:

I am the _____ [Insert Title] of _____, [Insert name of company, corporation, LLC, partnership or joint venture] the party making the foregoing proposal.

The proposal is not made in the interest of, or on behalf of, any undisclosed person, partnership, company, association, organization, or corporation. The proposal is genuine and not collusive or sham. The Respondent has not directly or indirectly induced or solicited any other respondent to put in a false or sham proposal. The Respondent has not directly or indirectly colluded, conspired, connived, or agreed with any bidder or anyone else to put in a sham proposal, or to refrain from responding. All statements contained in the proposal are true.

Any person executing this declaration on behalf of a respondent that is a corporation, partnership, joint venture, limited liability company, limited liability partnership, or any other entity, hereby represents that he or she has full power to execute, and does execute, this declaration on behalf of the respondent.

ATTACHMENT 3 - REFERENCES**THIS FORM MUST BE PRINTED OUT, COMPLETED AND SUBMITTED WITH THE PROPOSAL****PROFESSIONAL AUDITING SERVICES**

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

1.

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

Description of services performed including costs.

2.

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

Description of services performed including costs.

3.

 Name of Agency

 Agency Address

 Contact Name

 Contact Title

 Contact Telephone

 Contact Email Address

 Contract Period

 Contract Amount

Description of services performed including costs.

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

 Signature of Proposer

 Name

 Date

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

By: _____

Name: _____

Title: _____

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

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

PROFESSIONAL AUDITING SERVICES

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

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

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

Name of Proposer (Person, Firm, or Corporation)

Signature of Proposer's Authorized Representative

Name & Title of Authorized Representative

Date of Signing

ATTACHMENT 5 – SAMPLE CONSULTANT SERVICES AGREEMENT

[ATTACHED BEHIND THIS PAGE]

AGREEMENT FOR CONSULTANT SERVICES

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

I. RECITALS

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

II. AGREEMENTS

- 2.1 Scope of Services. Consultant shall provide services as described in that certain NAME OF DOCUMENT (EX: ENGAGEMENT LETTER, PROPOSAL, ETC.) sent to the Town on DATE DOCUMENT SENT, which is hereby incorporated by reference and attached as Exhibit A. IF NO DOCUMENT DESCRIBES SERVICES, then INSERT DESCRIPTION OF WHAT CONSULTANT WILL BE DOING HERE.
- 2.2 Term and Time of Performance. This contract will remain in effect from _____ to _____. Consultant shall perform the services described in this agreement as follows: ENTER DESCRIPTION OF SERVICE SCHEDULE.
- 2.3 Compliance with Laws. The Consultant shall comply with all applicable laws, codes, ordinances, and regulations of governing federal, state and local laws. Consultant represents and warrants to Town that it has all licenses, permits, qualifications and approvals of whatsoever nature which are legally required for Consultant to practice its profession. Consultant shall maintain a Town of Los Gatos business license pursuant to Chapter 14 of the Code of the Town of Los Gatos.
- 2.4 Sole Responsibility. Consultant shall be responsible for employing or engaging all persons necessary to perform the services under this Agreement.

- 2.5 Information/Report Handling. All documents furnished to Consultant by the Town and all reports and supportive data prepared by the Consultant under this Agreement are the Town's property and shall be delivered to the Town upon the completion of Consultant's services or at the Town's written request. All reports, information, data, and exhibits prepared or assembled by Consultant in connection with the performance of its services pursuant to this Agreement are confidential until released by the Town to the public, and the Consultant shall not make any of these documents or information available to any individual or organization not employed by the Consultant or the Town without the written consent of the Town before such release. The Town acknowledges that the reports to be prepared by the Consultant pursuant to this Agreement are for the purpose of evaluating a defined project, and Town's use of the information contained in the reports prepared by the Consultant in connection with other projects shall be solely at Town's risk, unless Consultant expressly consents to such use in writing. Town further agrees that it will not appropriate any methodology or technique of Consultant which is and has been confirmed in writing by Consultant to be a trade secret of Consultant.
- 2.6 Compensation. Compensation for Consultant's professional services **shall not exceed \$AMOUNT**, inclusive of all costs. Payment shall be based upon Town approval of each task.
- 2.7 Billing. Billing shall be monthly by invoice within thirty (30) days of the rendering of the service and shall be accompanied by a detailed explanation of the work performed by whom at what rate and on what date. Also, plans, specifications, documents or other pertinent materials shall be submitted for Town review, even if only in partial or draft form.
- Payment shall be net thirty (30) days. All invoices and statements to the Town shall be addressed as follows:
- Invoices:
 Town of Los Gatos
 Attn: Accounts Payable
 P.O. Box 655
 Los Gatos, CA 95031-0655
- 2.8 Availability of Records. Consultant shall maintain the records supporting this billing for not less than three years following completion of the work under this Agreement. Consultant shall make these records available to authorized personnel of the Town at the Consultant's offices during business hours upon written request of the Town.
- 2.9 Assignability and Subcontracting. The services to be performed under this Agreement are unique and personal to the Consultant. No portion of these services shall be assigned or subcontracted without the written consent of the Town.

- 2.10 Independent Contractor. It is understood that the Consultant, in the performance of the work and services agreed to be performed, shall act as and be an independent contractor and not an agent or employee of the Town. As an independent contractor he/she shall not obtain any rights to retirement benefits or other benefits which accrue to Town employee(s). With prior written consent, the Consultant may perform some obligations under this Agreement by subcontracting, but may not delegate ultimate responsibility for performance or assign or transfer interests under this Agreement. Consultant agrees to testify in any litigation brought regarding the subject of the work to be performed under this Agreement. Consultant shall be compensated for its costs and expenses in preparing for, traveling to, and testifying in such matters at its then current hourly rates of compensation, unless such litigation is brought by Consultant or is based on allegations of Consultant's negligent performance or wrongdoing.
- 2.11 Conflict of Interest. Consultant understands that its professional responsibilities are solely to the Town. The Consultant has and shall not obtain any holding or interest within the Town of Los Gatos. Consultant has no business holdings or agreements with any individual member of the Staff or management of the Town or its representatives nor shall it enter into any such holdings or agreements. In addition, Consultant warrants that it does not presently and shall not acquire any direct or indirect interest adverse to those of the Town in the subject of this Agreement, and it shall immediately disassociate itself from such an interest, should it discover it has done so and shall, at the Town's sole discretion, divest itself of such interest. Consultant shall not knowingly and shall take reasonable steps to ensure that it does not employ a person having such an interest in this performance of this Agreement. If after employment of a person, Consultant discovers it has employed a person with a direct or indirect interest that would conflict with its performance of this Agreement, Consultant shall promptly notify Town of this employment relationship, and shall, at the Town's sole discretion, sever any such employment relationship.
- 2.12 Equal Employment Opportunity. Consultant warrants that it is an equal opportunity employer and shall comply with applicable regulations governing equal employment opportunity. Neither Consultant nor its subcontractors do and neither shall discriminate against persons employed or seeking employment with them on the basis of age, sex, color, race, marital status, sexual orientation, ancestry, physical or mental disability, national origin, religion, or medical condition, unless based upon a bona fide occupational qualification pursuant to the California Fair Employment & Housing Act.

III. INSURANCE AND INDEMNIFICATION

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

- ii. Consultant agrees to have and maintain for the duration of the contract, an Automobile Liability insurance policy ensuring him/her and his/her staff to an amount not less than one million dollars (\$1,000,000) combined single limit per accident for bodily injury and property damage.
- iii. Consultant shall provide to the Town all certificates of insurance, with original endorsements effecting coverage. Consultant agrees that all certificates and endorsements are to be received and approved by the Town before work commences.
- iv. Consultant agrees to have and maintain, for the duration of the contract, professional liability insurance in amounts not less than \$1,000,000 which is sufficient to insure Consultant for professional errors or omissions in the performance of the particular scope of work under this agreement.

General Liability:

- i. The Town, its officers, officials, employees and volunteers are to be covered as insured as respects: liability arising out of activities performed by or on behalf of the Consultant; products and completed operations of Consultant, premises owned or used by the Consultant. This requirement does not apply to the professional liability insurance required for professional errors and omissions.
- ii. The Consultant's insurance coverage shall be primary insurance as respects the Town, its officers, officials, employees and volunteers. Any insurance or self-insurances maintained by the Town, its officers, officials, employees or volunteers shall be excess of the Consultant's insurance and shall not contribute with it.
- iii. Any failure to comply with reporting provisions of the policies shall not affect coverage provided to the Town, its officers, officials, employees or volunteers.
- iv. The Consultant's insurance shall apply separately to each insured against whom a claim is made or suit is brought, except with respect to the limits of the insurer's liability.

- 3.2 All Coverages. Each insurance policy required in this item shall be endorsed to state that coverage shall not be suspended, voided, cancelled, reduced in coverage or in limits except after thirty (30) days' prior written notice by certified mail, return receipt requested, has been given to the Town. Current certification of such insurance shall be kept on file at all times during the term of this agreement with the Town Clerk.

- 3.3 Workers' Compensation. In addition to these policies, Consultant shall have and maintain Workers' Compensation insurance as required by California law and shall provide evidence of such policy to the Town before beginning services under this Agreement. Further, Consultant shall ensure that all subcontractors employed by Consultant provide the required Workers' Compensation insurance for their respective employees.
- 3.4 Indemnification. The Consultant shall save, keep, hold harmless and indemnify and defend the Town its officers, agent, employees and volunteers from all damages, liabilities, penalties, costs, or expenses in law or equity that may at any time arise or be set up because of damages to property or personal injury received by reason of, or in the course of performing work which may be occasioned by a willful or negligent act or omissions of the Consultant, or any of the Consultant's officers, employees, or agents or any subconsultant.

IV. GENERAL TERMS

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

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

CONSULTANT NAME

 Attn:
 ADDRESS HERE

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

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

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

Town of Los Gatos by:

Consultant, by:

 Laurel Prevetti, Town Manager

Recommended by:

 Department Head

 Printed Name and Title

Approved as to Form:

Robert Schultz, Town Attorney

Attest:

Shelley Neis, MMC, CPMC
Town Clerk



TOWN OF LOS GATOS
FINANCE COMMISSION REPORT

MEETING DATE: 08/09/2021

ITEM NO: 12

Item 12.

DATE: July 28, 2021
TO: Finance Commission
FROM: Laurel Prevetti, Town Manager
SUBJECT: Receive Information on Vacant Storefront Fee and Tax Assessment Programs

RECOMMENDATION:

Receive information on vacant storefront fee and tax assessment programs.

BACKGROUND:

On July 12, 2021, the Finance Commission received a staff report entitled *Discuss and Recommend Options to Pursue for a Town Council Strategic Priority – “Explore New Revenue Opportunities”*. The report was predicated on the Town Council’s identification of “Explore New Revenue Opportunities” as a FY 2021-2023 Strategic Priority. In addition, during the recent budget deliberations of May 18, the Council reconfirmed their commitment to establish new revenues for capital needs and maintaining the high level of operating services.

DISCUSSION:

During the deliberations of July 12, 2021, the Commission discussed the potential of instituting a fee for vacant storefronts. The Commission asked staff to perform due diligence on the topic and report back to the Commission.

Based on a review of the literature, there appear to be two primary methods of affixing fees on commercial buildings with vacant storefronts. The most common practice is imposing fees on vacant storefronts. A less common approach is the imposition of a voter approved tax. In the jurisdictions where a either a fee or a tax has been adopted, the intent of the legislation was primarily focused on the elimination of blight, economic stimulation, and better insight into commercial activity as opposed to revenue generation.

PREPARED BY: Arn Andrews
Assistant Town Manager

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

PAGE 2 OF 4

SUBJECT: Vacant Storefront Fee Assessment

DATE: July 28, 2021

DISCUSSION (continued):

Vacant Storefront Registration Fees

As previously mentioned, multiple jurisdictions have instituted a fee program and registry for vacant storefront in commercial properties. The annual registration fees associated with these programs range from a low \$25 to a high of \$880. Several of the programs also institute a monitoring, or noncompliance, fee for violating properties which can reach thousands annually. Following is some more detailed information from some of the jurisdictions.

San Jose

The City Council approved necessary ordinance changes to Title 17 on May 1, 2018 and those ordinance changes became effective June 15, 2018.

Pursuant to the adopted 2019-2020 Schedule of Fees and Charges, the Neglected Vacant Building/Storefronts Mandatory Registration Fee is \$220 per quarter and is billed quarterly. The monthly monitoring fee for those properties in violation (Neglected Vacant Building/Storefront Monitoring Fee) is \$660 per quarter and is billed quarterly. Any penalties assessed resulting from code violations identified by a Code Inspector are charged in addition to registration and monitoring fees.

There are three ways a property owner can be exempt from mandatory registration of their Downtown vacant building or storefront.

- The first is if the property owner provides satisfactory proof to the City that they are actively offering the building/storefront for sale, lease or rent.
- The second is satisfactory proof of physical occupancy of a tenant, and
- the third is if there are open and active building permits on the property address. To have “an open and active” building permit, a property owner or tenant must have at least one building inspection every six months, meaning there is active progress toward the completion of repairs or improvements to the space in question, in theory toward having a tenant occupy the space.

San Francisco

As amended on February 4, 2019, by Ordinance 52-19, the Building Code imposes the following requirements on San Francisco property owners:

1. An owner is required to register a Commercial Storefront within 30 days of it becoming Vacant or Abandoned with the following exceptions.

PAGE 3 OF 4

SUBJECT: Vacant Storefront Fee Assessment

DATE: July 28, 2021

DISCUSSION (continued):

- Exemptions for Vacant Commercial Storefronts that have been issued permits for repair, rehabilitation or construction, or where an owner or lessee is actively pursuing a required permit.
- 2. A property owner must pay an annual registration fee (\$711) at the time of registration.
- 3. After registering a Vacant or Abandoned Commercial Storefront, a property owner is also required to hire a licensed professional each year (at the owner's cost) to certify that the Commercial Storefront meets code requirements.
- 4. If a property owner fails to register with DBI and receives a Notice of Violation, DBI may impose a new penalty equal to 4x the annual registration fee (\$2,844).

Vacant Storefront Voter Approved Taxes

Oakland

On November 6, 2018, Oakland voters approved Measure W, the Oakland Vacant Property Tax ("VPT"). The VPT Act establishes an annual tax of \$3,000 to \$6,000 on vacant property. A property is considered "vacant" if it is "in use less than fifty (50) days in a calendar year," and not subject to any of ten (10) exemptions.

San Francisco

On March 3, 2020, San Francisco voters approve Prop. D which imposes an excise tax on landlords whose ground floor commercial space remains vacant for more than 182 days. The tax is calculated based on a building's frontage (the total length of commercial space facing the street) and the amount of time the commercial space is vacant. The tax is levied at \$250 per foot of sidewalk frontage in the first year, increase to \$500 per foot in Year 2 and then double to \$1,000 per foot a year after that. The tax would apply to commercial properties in neighborhood commercial business districts and commercial transit districts. Revenue generated by the tax is earmarked for a Small Business Assistance Fund to support the maintenance and operation of small businesses in San Francisco.

The measure lays out the following exceptions to calculating vacancy:

- The period after a property owner has applied for a permit for repair, rehabilitation or construction would not count toward a commercial space's vacancy (but could not exceed one year).
- The one-year period after the city issues a permit for repair, rehabilitation or construction would not count toward a commercial space's vacancy.
- The 183-day period after a property owner applies for a conditional use permit would not count toward a commercial space's vacancy. If the Planning Commission has not granted or

PAGE 4 OF 4

SUBJECT: Vacant Storefront Fee Assessment

DATE: July 28, 2021

DISCUSSION (continued):

denied the permit within 183 days, this period could extend up to December 31 of the year the application is filed.

- The two-year period following the date that a commercial space is severely damaged because of fire or natural disaster would not count toward the space's vacancy.

On June 9, 2020, the Board of Supervisors unanimously passed an Ordinance on first read calling for the suspension of Prop D for the 2021 tax year due to the economic impacts of the pandemic.

CONCLUSION:

Based on staff's research neither vacant storefront fee nor tax programs would yield much in the way of material new revenue for Los Gatos. Rather, these programs are policy initiatives aimed at elimination of blight, economic stimulation, and better insight into commercial activity. In addition, the programs incur administration costs for compliance and revenues beyond expenses are often targeted toward specific gentrification activities.

COORDINATION:

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

FISCAL IMPACT:

None

ENVIRONMENTAL ASSESSMENT:

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



TOWN OF LOS GATOS
FINANCE COMMISSION REPORT

MEETING DATE: 08/09/2021

ITEM NO: 13

Item 13.

DATE: July 28, 2021
TO: Finance Commission
FROM: Laurel Prevetti, Town Manager
SUBJECT: Receive Information on Business License Amnesty

RECOMMENDATION:

Receive Information on Business License Amnesty.

BACKGROUND:

On July 12, 2021, the Finance Commission received a staff report entitled *Discuss and Recommend Options to Pursue for a Town Council Strategic Priority – “Explore New Revenue Opportunities”*. The report was predicated on the Town Council’s identification of “Explore New Revenue Opportunities” as a FY 2021-2023 Strategic Priority. In addition, during the recent budget deliberations of May 18, the Council reconfirmed their commitment to establish new revenues for capital needs and maintaining the high level of operating services.

DISCUSSION:

During the deliberations of July 12, 2021, the Commission discussed the potential of a business license audit program that would precede with a business license amnesty program. The Commission asked staff to perform due diligence on the business license amnesty program as the first step and report back to the Commission.

To date, the Town has explored but has not engaged in a full-scale Town-wide business license audit. However, staff does periodically cross checks other business databases, works with Town Departments and other local agencies to ensure proper licensing within Town limits.

Industry best practices show that a business license audit works more efficiently if it is preceded by a business license amnesty program. Typically, small jurisdictions with limited in-

PREPARED BY: Stephen Conway
Finance Director

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

PAGE 2 OF 4

SUBJECT: Business License Amnesty Program

DATE: August 2, 2021

DISCUSSION (continued):

house resources would hire an outside firm to conduct the business license audit. This firm usually works for a commission based on a formulaic calculation of the recovered business license taxes. If an unlicensed business takes advantage of the business license amnesty program, the penalties and fees are waived under the program which will lower the overall fees paid to the Town and its audit contractor. The City of San Jose has administered three Amnesty Programs since 2006, successfully increasing both compliance and revenue.

An Amnesty Program typically is a limited-time opportunity for persons and businesses engaged in business activity in Town of Los Gatos, to pay a defined amount in exchange for forgiveness of a tax liability, including penalties. Waiving fees and penalties will lower revenues collected but will give businesses an opportunity to obtain proper license status and build goodwill with those businesses that may be unaware of their licensing requirements.

The Town Business License Tax program is governed by Chapter 14 of the Los Gatos Town Code: [Los Gatos Town Code - Business Licenses](#). The Articles I through III of the business license chapter are enacted solely to raise revenue for Municipal purposes and are not intended for regulation. It is unlawful for any person to transact and carry on any business, trade, profession, calling or occupation in the Town without first having procured a license from the Town. A separate license shall be obtained for each location of the business transacted and carried on, and for each separate type of business at the same location.

In addition, the businesses activity and location are governed by the Chapter 29 of the Los Gatos Town Code. [Town of Los Gatos - Zoning Regulations](#). Each business that is located within Town limits must be approved by the Planning Department to ensure the Town of Los Gatos zoning regulations. Business licenses are issued for the calendar year. New license fees are prorated at the first year based on the time of the business establishment. The business license tax payment is due by January 2nd annually and penalties accrue 25% each month after February 2nd. Late fee penalties can go up to 100% if the license tax is not paid by May 2nd. Please note, that due to the pandemic, Town Council authorized staff to give a calendar year first quarter exemption to hair and nail service providers who were not able to operate due to Santa Clara Public Health Order restrictions and omit late business license penalties for all businesses in 2021.

The Town issues different types of business licenses based on the type of activity. The amount of business license tax paid by each business is also based on its business activity. Fees for activities such as wholesales and manufacturing are charged on a sliding scale based on gross receipts, as is retail, with retail being capped at \$975. These gross receipt activities account for approximately 25% of annual business licenses, while the remaining 75% are flat fee businesses. While the Town Code list different license types, the most common ones are listed below with the appropriate business license tax and fees. These business license tax rates were established in 1991.

PAGE 3 OF 4

SUBJECT: Business License Amnesty Program

DATE: August 2, 2021

DISCUSSION (continued):

Typical Business License Taxes and Fees			
Business License Processing Fee (Annual)	\$40 at the Time of Establishment/ \$30 at Renewal - Located In Los Gatos \$20 - Not Located in Los Gatos		
Planning Fees - Businesses Located in Los Gatos (One-time)	\$161.20 Home Occupancy Permit - Home Based Businesses \$176.70 Change of Occupancy / \$262.20 Change of Use - Commercial Zoning		
State Mandated Fee (Annual)	\$4		
Type of Business License	Business License Tax - Without Penalty Minimum (Annual)	Business License Tax - Without Penalty Maximum (Annual)	Typical Businesses
Retail (Based on Gross Receipt)	\$75	\$975	Restaurant, Grocery Store , Gas Station, Hair Salon
Wholesale/Manufacturee/Wholesale/Ecommerce (Based on Gross Receipt)	\$150	Based on sliding scale \$4,837.50 for \$12,000,000 in gross receipt plus \$75 for each \$550,000 or fracntion therfor in excess of \$12,000,000	Netflix, Manufacturers
Professional/Semiprofessional (per employee)	\$200	\$200	Medical Doctor, Attorney, Tutor, Massage Therapist, Broker
Support Staff - Professional/Semiprofessional (per employee)	\$15	\$15	Real Estate Agent
Service (per business)	\$100	\$100	Gardeners, Repair Service, Hair Stylist, Janitorial service
Contractor (per business)	\$224	\$224	Licensed California State Contractor

The process for initiating a Business License Amnesty Program would start with staff presenting a report to the Town Council. If the Town Council approved the Program, staff would inform the business community about the upcoming Amnesty Program through a variety of mechanisms available to the Town, including advertisements in print media, social media, and other avenues to inform unlicensed businesses and delinquent taxpayers of the requirements to register and comply with Town regulation.

Staff would recommend that businesses coming forward through the Amnesty Program should be approved by Planning Department and pay appropriate one-time Planning fees, annual State mandated fees, one-year of the business license processing fee, and business license taxes without penalties back up to three years.

Noncompliant businesses typically engage and follow up in greater numbers if approached just prior to federal and state tax filing deadlines, when the owner of a business applying for any type of loans, may need to provide proof of a business license for any official reason.

At the conclusion of the Amnesty Program staff would then contract with a firm for extensive database matching and cross referencing to identify remaining noncompliant businesses. There are a variety of independent companies that perform contract business license audit services. Businesses identified during the audit process would be subject to back fees and penalties for a three-year period.

PAGE 4 OF 4

SUBJECT: Business License Amnesty Program

DATE: August 2, 2021

FISCAL IMPACT:

The Amnesty Program would incur advertising and mailing cost that can be absorbed in the existing Finance Departmental budget. The administration of the program would also increase workloads for both the Finance and the Planning Departments with potential offset by increased revenues. Staff would monitor activities associated with amnesty and audit programs and request additional temporary help from the Town Council if required.



**TOWN OF LOS GATOS
FINANCE COMMISSION REPORT**

MEETING DATE: 08/09/2021

ITEM NO: 14

Item 14.

DATE: August 4, 2021
TO: Finance Commission
FROM: Laurel Prevetti, Town Manager
SUBJECT: Continue Discussion of Key Performance Indicators (Continued from July 12, 2021)

REMARKS:

This item is continued from the July 12, 2021 Finance Commission Meeting. The staff report is being provided as Attachment 1.

Attachment

1. July 12, 2021 Key Performance Indicators Staff Report

PREPARED BY: Arn Andrews
Assistant Town Manager

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



**TOWN OF LOS GATOS
FINANCE COMMISSION REPORT**

MEETING DATE: 07/12/2021

ITEM NO: 7

Item 14.

DATE: July 7, 2021
TO: Finance Commission
FROM: Laurel Prevetti, Town Manager
SUBJECT: Continue Discussion of Key Performance Indicators

RECOMMENDATION:

Continue discussion of key performance indicators.

BACKGROUND:

On June 14, 2021, the Finance Commission had an initial discussion of key performance indicators it would like to see throughout the year. Among other items, Commissioners requested information related to major revenues and personnel metrics (such as number of average employees on the payroll, current filled positions, retirements and voluntary terminations, number of employees out on Workers Compensation, and any other extraordinary items). The Commission also asked if staff could develop additional performance indicators, such as the processing time to issue a permit, etc.

DISCUSSION:

As a starting point, provided below is a summary of the Town's primary revenues and data availability.

Property Tax and Motor Vehicle in Lieu Fee (VLF)

Property tax and VLF are the single largest revenue source for the Town and comprised approximately 42% of total Town General Fund projected revenues for FY 2020/21. Property tax is levied by the Santa Clara County Assessor's Office at 1% of a property's assessed value, of which the Town receives approximately 9.3 cents per dollar paid on property located within the municipal limits of Los Gatos. In compliance with Proposition 13, the assessed value of real property is based on the 1975/76 assessment roll value, adjusted by a 2% inflation factor

PREPARED BY: Arn Andrews
Assistant Town Manager

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

PAGE 2 OF 4

SUBJECT: Key Performance Indicators

DATE: July 7, 2021

DISCUSSION (continued):

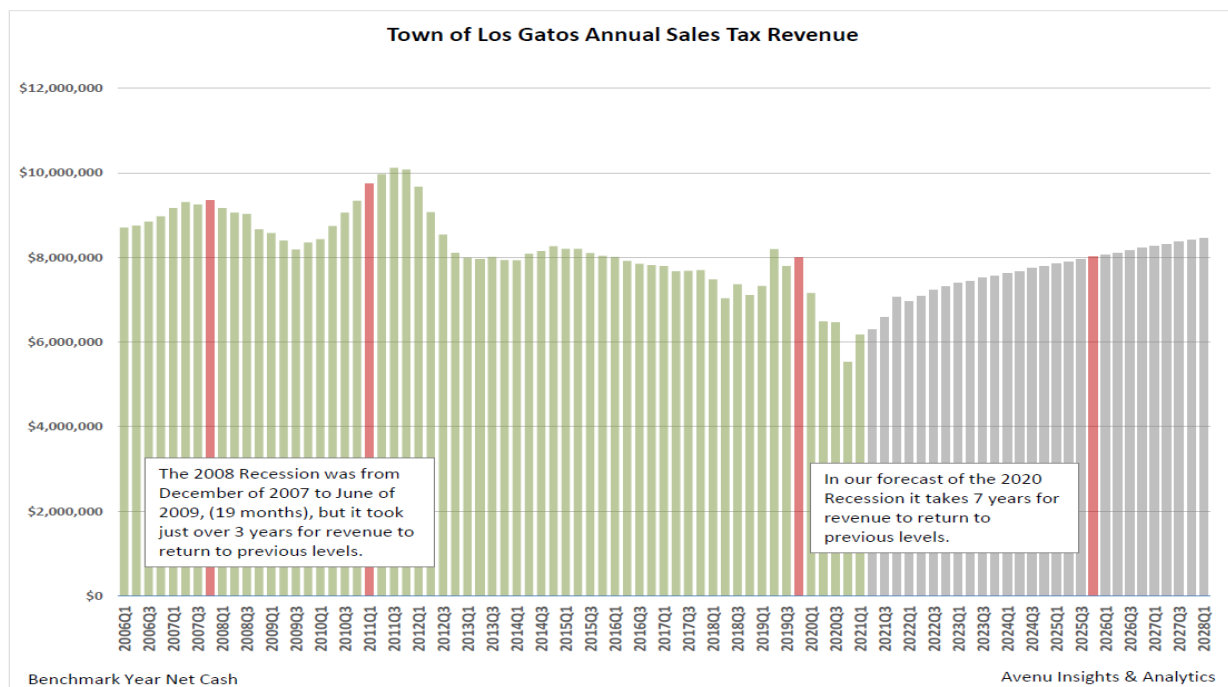
thereafter. However, when property changes hands or new construction occurs, property is then reassessed at its current market value. The County of Santa Clara provides property tax collection updates and projections throughout the year. Property tax distributions are largely received in the third and fourth quarters.

As staff receives relevant property tax information and receipts, it will be shared with the Commission.

Sales Tax

Sales tax is the second largest revenue source for the Town's General Fund, accounting for 18% of budgeted General Fund projected revenues for FY 2020/21. The Town currently receives 1.125 cent for every 9.125 cents of sales tax paid per dollar on retail sales and taxable services transacted within Los Gatos, including the Town of Los Gatos residents' approved ballot Measure G enacting a one-eighth cent (0.125%) district sales tax for 20 years.

Sales tax estimates are based on actual sales tax data provided by the Town's consultant, MuniServices. MuniServices provides staff with quarterly updates and any revisions to prior estimates. While most of the data contained in the quarterly reports provided by MuniServices are not public due to references to individual businesses, staff is able to provide aggregate data to the Commission. Provided below is the latest quarterly data for the 1st Quarter:



PAGE 3 OF 4

SUBJECT: Key Performance Indicators

DATE: July 7, 2021

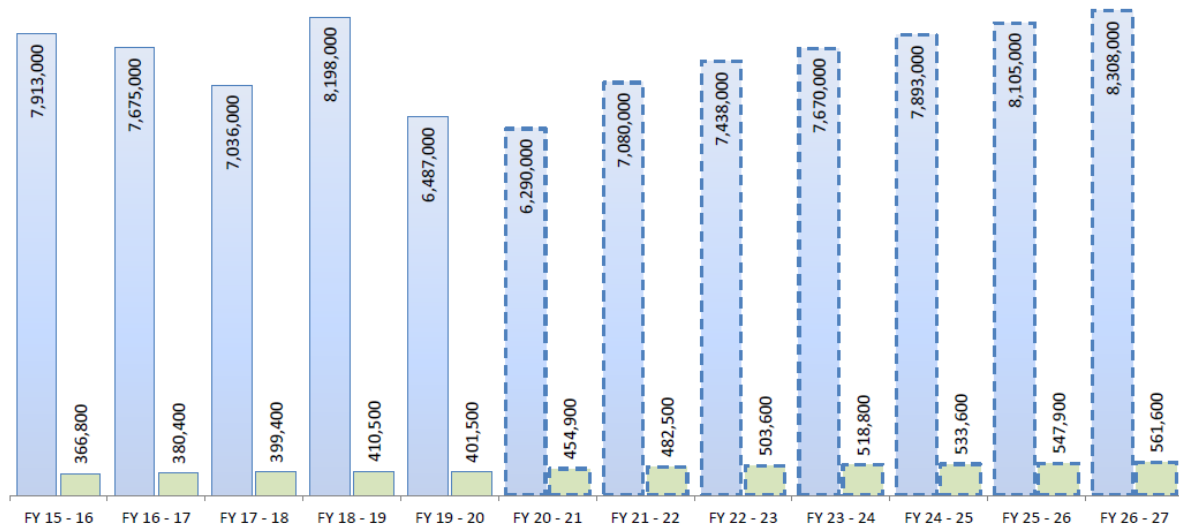
DISCUSSION (continued):

Town of Los Gatos Sales & Use Tax Forecast Summary

Accrual through August Clean-up (Historical through Balance: September)

Bradley Burns	FY 19 - 20	FY 20 - 21	FY 21 - 22	FY 22 - 23	FY 23 - 24	FY 24 - 25	FY 25 - 26	FY 26 - 27
Cash Projection	6,487,000	6,290,000	7,080,000	7,438,000	7,670,000	7,893,000	8,105,000	8,308,000
Percent Change	-20.9%	-3.0%	12.6%	5.1%	3.1%	2.9%	2.7%	2.5%

Prop 172	FY 19 - 20	FY 20 - 21	FY 21 - 22	FY 22 - 23	FY 23 - 24	FY 24 - 25	FY 25 - 26	FY 26 - 27
Cash Projection	401,500	454,900	482,500	503,600	518,800	533,600	547,900	561,600
Percent Change	-2.2%	13.3%	6.1%	4.4%	3.0%	2.9%	2.7%	2.5%

Franchise Fees

Franchise fees are collected by the Town for the privilege of operating a utility service within Los Gatos, and as a fee in lieu of a business license tax. Franchise fees are currently received from Comcast for cable television, PG&E for gas and electric services, West Valley Collection and Recycling for solid waste collection services, and AT&T and Comcast for video services.

Franchise fees represent 6% of projected General Fund revenues in FY 2020/21. Historically, franchise payments are not remitted equally throughout the fiscal year; therefore, quarterly receipts are not necessarily predictive of future receipts.

As staff receives relevant information regarding receipts, it will be shared with the Commission.

Business License Tax

The Town requires all businesses located within Los Gatos and/or those that operate within Los Gatos to obtain a business license. The amount of business license tax paid by each business is

PAGE 4 OF 4

SUBJECT: Key Performance Indicators

DATE: July 7, 2021

DISCUSSION (continued):

based on its business activity. Fees for activities such as wholesale sales and manufacturing are charged on a sliding scale based on gross receipts, as is retail, with retail being capped at \$975. These gross receipt activities account for approximately 25% of annual business licenses, while the remaining 75% are flat fee businesses. Annual renewal payments are due on January 2 of each year. Payments for new flat-fee-based businesses are pro-rated by quarter.

The FY 2021/22 adopted budget estimated \$1.3 million in collections in FY 2020/21 for business license tax. Actual business license tax collected to date is \$1.4 million in FY 2020/21.

According to the Town Code, gross receipt type businesses pay a business license tax based on an estimated number. During the summer months, staff collects actual gross receipts numbers for gross receipt type businesses which will either create the need for an additional invoice or a credit on the business account. As staff receives additional information regarding receipts, it will be shared with the Commission.

Transient Occupancy Tax

TOT is an important revenue source for the Town and comprised approximately 3.4% of total Town budgeted revenues of \$2.3 million for FY 2020/21. The Town levies a 12% transient occupancy tax (TOT) on all hotel and motel rooms within the municipal limits of Los Gatos. The 12% rate has been in effect since January 1, 2017 after the voters approved a ballot measure to increase the TOT from 10% to 12% at the November 8, 2016 election. TOT receipts are self-reported by the hotels in Town and remitted either monthly or quarterly.

In addition, the Town now allows short-term rentals which are subject to TOT. The Town entered into a voluntary collection agreement with Airbnb who directly bills for TOT at booking and then remits receipts to the Town.

The FY 2021/22 adopted budget estimated \$0.7 million of TOT collections in FY 2020/21. actual data reported as of June 30, 2021 estimates \$0.9 million in TOT collections in FY 2020/21. As staff receives additional information regarding receipts, it will be shared with the Commission.

CONCLUSION:

The Commission should continue its discussion, identify any additional indicators, and prioritize those of greatest interest.



**TOWN OF LOS GATOS
FINANCE COMMISSION REPORT**

MEETING DATE: 07/12/2021

ITEM NO: 7

DESK ITEM

Item 14.

DATE: July 12, 2021
TO: Finance Commission
FROM: Laurel Prevetti, Town Manager
SUBJECT: Continue Discussion of Key Performance Indicators

REMARKS:

Attachment 1 contains public comment received after the July 8, 2021 distribution of the staff report.

Attachment received with this Desk Item:

1. Public Comment

PREPARED BY: Arn Andrews
Assistant Town Manager

Reviewed by: Town Manager

From: Phil Koen [REDACTED]
Sent: Saturday, July 10, 2021 10:53 AM
To: Ron Dickel [REDACTED]; Kyle Park [REDACTED];
 stacey.del [REDACTED]; loreen [REDACTED]; ricktinsley [REDACTED]; Rob Rennie
 <RRennie@losgatosca.gov>; Matthew Hudes <MHudes@losgatosca.gov>
Cc: Laurel Prevetti <LPrevetti@losgatosca.gov>; Arn Andrews <aandrews@losgatosca.gov>;
 jvannada [REDACTED]; Lee Fagot [REDACTED]
Subject: Key Performance Indicators - Agenda Item #7

Finance Commission Members,

Timely review of key performance metrics will allow the Town to adjust more quickly to both positive and negative financial events. We saw the importance of this as the economic impact of Covid 19 worked its way through the Town's finances.

The Staff report identified the importance of tracking Property Tax receipts and VLF fees. A report that the Town might want to share with the Finance Commission is the Property Tax Revenue Summary which is produced by the County of Santa Clara and distributed to the various cities in the county. I have attached a copy of the November 2020 report for the Commissions review.

This report contains valuable information which would further inform the Commission and the Council on forecasted property tax revenues as well as RDA residual apportionment and excess ERAF revenue. RDA and ERAF are major components of the projection for property tax and have not been historically publicly discussed or disclosed.

I would suggest that the City Meeting report produced by the County's Finance Agency be reviewed by the Finance Commission on a timely basis.

Item 14.

* Non-teeter city: Actual revenue received will be different from the projection as the projection is based on the levy amount.

Note 2: Aircraft is YTD

Note 4: No update yet, see Sch F for Excess ERAF.

Note 5: Projection base on October 1 Estimate for Pass-through.

Note 6: Projection base on October 1 Estimate for

Note 7: RDA SA Other Assets Apportionment for FY20-21 is YTD actual, plus the upcoming November distribution of Santa Clara SA Lease Revenue.

Note 8: Admin Fee is estimated to increase by 5%.



**TOWN OF LOS GATOS
FINANCE COMMISSION**

MEETING DATE: 08/09/2021

ITEM NO: 15

Item 15.

DATE: August 4, 2021
TO: Finance Commission
FROM: Laurel Prevetti, Town Manager
SUBJECT: Discuss Topics for Future Commission Agendas

RECOMMENDATION:

Discuss Topics for Future Commission Agendas.

PREPARED BY: Arn Andrews
Assistant Town Manager

Reviewed by: Town Manager
