



**TOWN OF LOS GATOS  
FINANCE COMMISSION AGENDA  
AUGUST 08, 2022  
TELECONFERENCE  
5:00 PM**

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

**IMPORTANT NOTICE**

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

**PARTICIPATION**

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

- **Zoom webinar:** Join from a PC, Mac, iPad, iPhone or Android device: Please click this URL to join: <https://losgatosca.gov.zoom.us/j/83988866573?pwd=U1BQTHhOS3BXWW12bEpYb3pZdjZGdz09>. Passcode: 784957. You can also type in 838 16469 867 in the “Join a Meeting” page on the Zoom website at <https://zoom.us/join>.
- **Join by Telephone:** Dial: USA 877 336 1829 US Toll-free or 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, you will be asked to provide your full name and your town/city of residence. This identifying information is optional and not a requirement for participation. Please limit your comments to three (3) minutes, or such other time as the Chair may decide, consistent with the time limit for speakers at a Council meeting. If you wish to speak to an item or items on the Consent Calendar, please state which item number(s) you are commenting on at the beginning of your time.

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

## **RULES OF DECORUM AND CIVILITY**

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

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

- addressing the Planning Commission without first being recognized;
- interrupting speakers, Planning Commissioners, or Town staff;
- continuing to speak after the allotted time has expired;
- failing to relinquish the microphone when directed to do so;
- repetitiously addressing the same subject.

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

**REMOTE LOCATION PARTICIPANTS** The following Council 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 RICK TISLEY, MAYOR ROB RENNIE, 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 2 of this agenda. If an item is removed, the Chair has the sole discretion to determine when the item will be heard.)*

- [1.](#) Approve Minutes of the June 13, 2022 Finance Commission Meeting.
- [2.](#) Approve Minutes of the July 28, 2022 Special Finance Commission Meeting.
- [3.](#) Receive the Fourth Quarter Investment Report (April through June 2022) for Fiscal Year 2021/22.

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

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

- [4.](#) Discuss Upcoming Audit and Provide Input on June 30, 2022 Annual Comprehensive Financial Report with the Town's Independent Auditor.

- [5.](#) Receive the Town of Los Gatos Retiree Healthcare Plan June 30, 2021 Actuarial Valuation and its Assumptions as Prepared and Recommended by Bartel Associates, LLC.
- [6.](#) Discussion of Key Performance Indicators (KPIs).
- [7.](#) Receive Financial Information and Initiate Review of the Town's Structural Deficit per Town Council Directive.

**ADJOURNMENT** *(Council policy is to adjourn no later than midnight unless a majority of Council votes for an extension of time)*



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

MEETING DATE: 8/8/2022

ITEM NO: 1

Item 1.

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**DRAFT  
Minutes of the Finance Commission Regular Meeting  
June 13, 2022**

The Finance Commission of the Town of Los Gatos conducted a special meeting utilizing teleconference and electronic means consistent with Government Code Section 54953, as Amended by Assembly Bill 361, in response to the state of emergency relating to COVID-19 and enabling teleconferencing accommodations by suspending or waiving specified provisions in the Ralph M. Brown Act (Government Code § 54950 et seq.) and Town of Los Gatos Resolution 2021-044 on Monday, June 13, 2022, at 5:00 p.m.

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

**ROLL CALL**

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

Absent: Commissioner Loreen Huddleston and Commissioner Rick Tinsley

Staff Present: Town Manager Laurel Prevetti, Town Attorney Robert Schultz, Assistant Town Manager Arn Andrews, Finance Director Stephen Conway, and Finance and Budget Manager Gitta Ungvari.

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

1. Approve Minutes of the May 9, 2022 Finance Commission Meeting.

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

**VOTE:** Motion passed 3-0. Commissioners Huddleston and Tinsley absent.

**VERBAL COMMUNICATIONS**

None.

**OTHER BUSINESS**

2. Receive Budget Update and Report Out on Council Budget Actions, and Provide any Additional Recommendations to the Town Council

Arn Andrews, Assistant Town Manager, presented the staff report.



PAGE 2 OF 4

SUBJECT: Draft Minutes of the Finance Commission Regular Meeting of June 13, 2022

DATE: June 17, 2022

Staff responded to Commissioners' questions.

Opened Public Comment.

-Phil Koen commented that the Finance Commission and the Town should acknowledge the true structural deficit, acknowledge the actual ARPA funding available, and improve clarity on these issues.

Closed Public Comment

Opened Public Comment.

-Catherine Somers commented that if the unused ARPA funds deposited back into unallocated reserve, the Council has the authority to assign it for any other uses.

Closed Public Comment

**MOTION:**      **Motion by Chair Dickel** to recommend to Council to accept the staff's budget balancing approach to pay for the labor agreements, including use of Measure G funds and OPEB (utilizing the OPEB 115 Trust to fund budgeted retiree Pay Go healthcare expenses) as presented in the June 7, 2022 staff report to Council.  
**Seconded by Vice Chair Park.**

**VOTE:**          **Motion passed 3-0. Commissioners Huddleston and Tinsley absent.**

3. Receive the Town of Los Gatos Business License Analysis and Ordinance Review and Recommend the Town Council Pursue a Ballot Measure to Modernize and Create a More Equitable Tax Structure Arn Andrews, Assistant Town Manager, presented the staff report.

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

Opened Public Comment.

-Catherine Somers commented that the Chamber will work with the Town to make sure that the proposed business license modernization will be equitable, ensures business retention, and encourages new business to relocate to Los Gatos.

Closed Public Comment

PAGE 3 OF 4

SUBJECT: Draft Minutes of the Finance Commission Regular Meeting of June 13, 2022

DATE: June 17, 2022

**MOTION:**      **Motion by Vice Chair Spark** to recommend to Council to move forward to continue to do research and public outreach on business license tax modernization.    **Seconded by Chair Dickel.**

**VOTE:**            **Motion passed 3-0. Commissioners Huddleston and Tinsley absent.**

4. Receive FY 2020/21 Federal Single Audit Corrective Action Plan

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

Opened Public Comment.

None.

Closed Public Comment

5. Discussion and Potential Action on Commission Schedule

Arn Andrews, Assistant Town Manager, presented the staff report.

Staff responded to Commissioners' questions.

Opened Public Comment.

None.

Closed Public Comment

**MOTION:**      **Motion by Chair Dickel** recommended to cancel the July 11, 2022 regular Council meeting. The Finance Commission will set up a special meeting depending on the Council decision regarding the business license tax modernization ballot language.    **Seconded by Commissioner Dell**

**VOTE:**            **Motion passed 3-0. Motion passed 3-0. Commissioners Huddleston and Tinsley absent.**

PAGE 4 OF 4

SUBJECT: Draft Minutes of the Finance Commission Regular Meeting of June 13, 2022

DATE: June 17, 2022

**ADJOURNMENT:**

The meeting adjourned at 7:15 p.m.

This is to certify that the foregoing is a true and correct copy of the minutes of the June 13, 2022 meeting as approved by the Finance Commission.

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Gitta Ungvari, Finance and Budget Manager



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

MEETING DATE: 8/8/2022

ITEM NO: 2

Item 2.

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**DRAFT  
Minutes of the Finance Commission Special Meeting  
July 28, 2022**

The Finance Commission of the Town of Los Gatos conducted a special meeting utilizing teleconference and electronic means consistent with Government Code Section 54953, as Amended by Assembly Bill 361, in response to the state of emergency relating to COVID-19 and enabling teleconferencing accommodations by suspending or waiving specified provisions in the Ralph M. Brown Act (Government Code § 54950 et seq.) and Town of Los Gatos Resolution 2021-044 on Monday, July 28, 2022, at 5:00 p.m.

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

**ROLL CALL**

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

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

**VERBAL COMMUNICATIONS**

None.

**OTHER BUSINESS**

1. Receive Town of Los Gatos Business License Model Analysis and Business Outreach Input and Recommend the Town Council Pursue a Ballot Measure with One of Three Model Options to Modernize the Current Tax Structure

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

Opened Public Comment.

-None

Closed Public Comment

PAGE 2 OF 2

SUBJECT: Draft Minutes of the Finance Commission Special Meeting of July 28, 2022

DATE: July 29, 2022

**MOTION:**      **Motion by Commissioner Tinsley** to recommend to Council to move forward with an enhanced version of Model 1. The Commission Model would increase all flat fees and the gross receipts tax schedules for E-Commerce, Manufacturing, Wholesaling, and Jobbing and Retailing 100% to account for inflation. In addition, the Commission expanded the Retailing gross receipts table to include two additional payment levels above the current \$2,000,000 (and above) threshold. **Seconded by Vice Chair Dickel.**

**VOTE:**              **Motion passed 3-0. Commissioner Dell absent.**

**ADJOURNMENT:**

The meeting adjourned at 5:59 p.m.

This is to certify that the foregoing is a true and correct copy of the minutes of the July 28, 2022 meeting as approved by the Finance Commission.

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Gitta Ungvari, Interim Finance Director



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

MEETING DATE: 08/08/2022

ITEM NO: 3

Item 3.

DATE: August 1, 2022  
TO: Finance Commission  
FROM: Laurel Prevetti, Town Manager  
SUBJECT: Receive the Fourth Quarter Investment Report (April through June 2022) for Fiscal Year 2021/22

**RECOMMENDATION:**

Receive the Fourth Quarter Investment Report (April through June 2022) for Fiscal Year 2021/22.

**DISCUSSION:**

As of June 30, 2022, the Town's weighted portfolio yield was 1.37% which trended approximately 51 basis points above the Local Agency Investment Fund (LAIF) yield of 0.86%. This favorable yield differential to LAIF was primarily due to the LAIF portfolio's lower weighted average maturity (WAM) of 311 days versus the Town's longer WAM of 453 days. The Town's weighted average rate of return of 1.37% for the close of the fourth quarter is 21 basis points better than the 1.16% return at the close of the third quarter.

During the fourth quarter, LAIF yields climbed from 37 basis points to 86 basis points through the end of June 2022. Staff in coordination with the Town's investment advisor continued primarily replacing maturing investments in shorter to medium term maturities in the two- to three-year maturity range. These investments capture current yields that exceed the rates expected to be earned in the State Local Agency Investment Fund (LAIF) pool during that same time period. The State LAIF pool typically lags the market when current market yields are either increasing or decreasing.

Interest rates rose across the yield curve in the quarter, especially in the short-term maturity range of six months to two years. The rise in short term rates was influenced by a 75-basis point interest rate hike instead of a 50-basis point hike at the June 15 Federal Open Market Committee meeting.

**PREPARED BY:** Gitta Ungvari  
Interim Finance Director

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

PAGE 2 OF 2

SUBJECT: Receive the Fourth Quarter Investment Report (April through June 2021) for  
Fiscal Year 2021/22

DATE: August 1, 2022

DISCUSSION (continued):

It was the largest interest rate move by the Federal Reserve since 1994, taking the federal funds rate to a range of 1.5-1.75%. The Federal Open Market Committee statement offered “the Committee decided to raise the target range for the federal funds rate to 1-1/2 to 1-3/4 percent and anticipates that ongoing increases in the target range will be appropriate.”

CONCLUSION:

Staff recommends that the Finance Commission receive the Fourth Quarter Investment Report (April through June 2022) for Fiscal Year 2021/22.

Attachment:

1. Fourth Quarter Investment Report for FY 2021/22 (April through June 2022)

**Town of Los Gatos**  
**Summary Investment Information**  
**June 30, 2022**

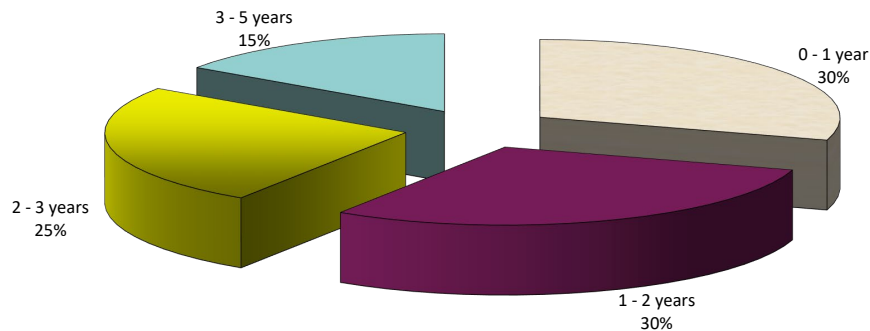
**Weighted Average YTM Portfolio Yield:** **1.37%** **Weighted Average Maturity (days)** **453**

	<u><b>This Month</b></u>	<u><b>Last Month</b></u>	<u><b>One year ago</b></u>
<b>Portfolio Balance</b>	\$72,886,943	\$76,336,706	\$67,951,235

**Benchmarks/ References:**

Town's Average Yield	1.37%	1.27%	1.37%
LAIF Yield for month	0.86%	0.68%	0.26%
3 mo. Treasury	1.71%	1.08%	0.05%
6 mo. Treasury	2.52%	1.58%	0.06%
2 yr. Treasury	2.96%	2.56%	0.25%
5 yr. Treasury (most recent)	3.04%	2.82%	0.89%
10 Yr. Treasury	3.02%	2.85%	1.50%

**Portfolio Maturity Profile**



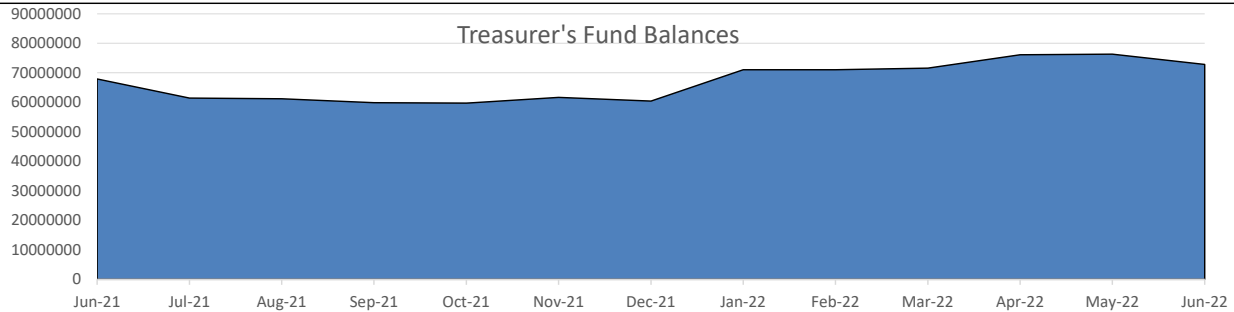
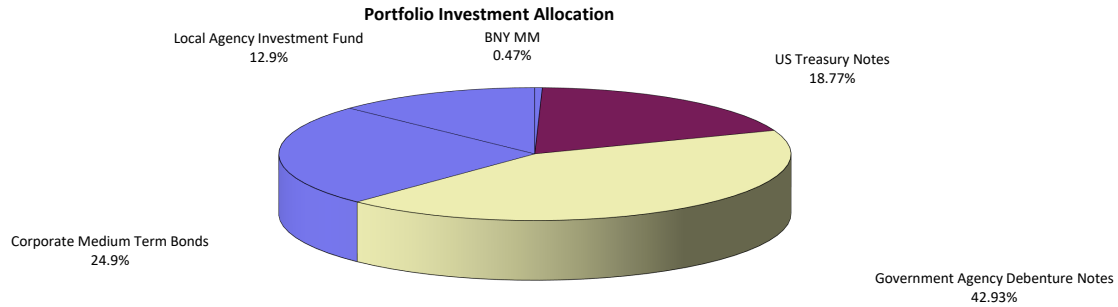
**Compliance:** The Town's investments are in compliance with the Town's investment policy dated September 21, 2021 and also in compliance with the requirements of Section 53601 of the California State Code. Based on the information available, the Town has sufficient funds to meet the cash demands for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



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

	<u>Month</u>	<u>YTD</u>
Fund Balances - Beginning of Month/Period	\$76,336,706.30	\$67,951,235.09
Receipts	8,110,362.42	72,959,325.89
Disbursements	<u>(11,560,125.89)</u>	<u>(68,023,618.15)</u>
Fund Balances - End of Month/Period	<u>\$72,886,942.83</u>	<u>\$72,886,942.83</u>

<u>Portfolio Allocation:</u>	<u>% of Portfolio</u>	<u>Max. % Or \$ Allowed Per State Law or Policy</u>
BNY MM	\$253,598.98	0.47%
US Treasury Notes	\$10,046,915.87	18.77%
Government Agency Debenture Notes	\$22,975,336.40	42.93%
Corporate Medium Term Bonds	\$13,339,223.01	24.92%
Local Agency Investment Fund	\$6,905,470.30	12.90%
Subtotal - Investments	53,520,544.56	100.00%
Reconciled Demand Deposit Balances	<u>19,366,398.27</u>	
Total Treasurer's Fund	<u>\$72,886,942.83</u>	



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

	<u>Beginning Balance</u>	<u>JUNE 22 Deposits Realized Gain/Adj.</u>	<u>JUNE 22 Interest/ Earnings</u>	<u>JUNE 22 Withdrawals</u>	<u>Ending Balance</u>	
Non-Treasury Funds:						
Cert. of Participation 2002 Series A Reserve Fund	686,341.17		\$ 92.21		\$ 686,433.38	Note 1
Cert. Of Participation 2010 Ser A Lease Pymt Fund	0.65				\$ 0.65	Note 1
Cert. of Participation 2002 Lease Payment Fund	0.16				\$ 0.16	Note 1
Cert. of Participation 2010 Series Reserve Fund	<u>1,277,446.68</u>		<u>553.40</u>		<u>1,278,000.08</u>	Note 2
Total Restricted Funds:	<u>\$ 1,963,788.66</u>	<u>\$ -</u>	<u>\$ 645.61</u>	<u>\$ -</u>	<u>\$ 1,964,434.27</u>	
CEPPT IRS Section 115 Trust	<u>387,834.74</u>	<u>300,000.00</u>	<u>(11,684.71)</u>	<u>0.00</u>	<u>676,150.03</u>	
Grand Total COP's and CEPPT Trust	<u>\$ 2,351,623.40</u>	<u>\$ 300,000.00</u>	<u>\$ (11,039.10)</u>	<u>\$ -</u>	<u>\$ 2,640,584.30</u>	

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

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

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

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

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

Interest by Month

July 2021	\$57,076.80
August 2021	56,600.18
September 2021	54,523.00
October 2021	54,951.68
November 2021	51,445.84
December 2021	55,030.55
January 2022	51,909.39
February 2022	46,264.19
March 2022	50,912.58
April 20202	52,989.32
May 2022	55,136.41
June 2022	54,366.35
	<hr/>
	\$641,206.29
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**Town of Los Gatos Investment Schedule June 2022**

*Item 3.*

Institution	CUSIP #	Security	Deposit Date	Par Value	Original Cost	Market Value	Purchased Interest	Maturity Date or Call Date	Yield to Maturity or Call	Interest Received to Date	Interest Earned Prior Yrs.	Interest Earned Current FY	Days to Maturity
Treasury	91282CAP6	US Treasury Note	6/30/2021	1,000,000.00	995,390.63	964,062.50		10/15/2023	0.33%	\$ 990.44	\$ -	\$ 3,260.06	472
Toyota Motor Credit	89236THA6_1	Corporate Bond	04/12/21	500,000.00	510,580.00	488,839.09		8/25/2023	0.45%	\$ 5,868.75	\$ 494.69	\$ 2,285.61	421
Toyota Motor Credit	<b>89236THA6</b>	Corporate Bond	1/11/2022	1,100,000.00	1,107,315.00	1,075,446.00		8/25/2023	0.94%	\$ 1,815.00	\$ -	\$ 4,812.29	421
US Treasury	<b>91282CDD0</b>	US Treasury Note	1/13/2022	1,100,000.00	1,090,675.78	1,063,046.88		10/31/2023	0.85%	\$ 1,219.27	\$ -	\$ 4,286.54	488
US Treasury	<b>91282CCN9</b>	US Treasury Note	1/13/2022	1,200,000.00	1,188,375.00	1,164,000.00		7/31/2023	0.75%	\$ 73.37	\$ -	\$ 4,153.18	396
FFCB	3133EKMx1	Gov. Agency Debenture	8/2/2019	1,000,000.00	1,014,400.00	987,826.09		2/23/2024	1.90%	\$ 62,625.83	\$ 36,611.80	\$ 19,145.14	603
FFCB	3133EMBE1	Gov. Agency Debenture	10/8/2020	1,600,000.00	1,598,000.00	1,527,766.56		3/28/2024	0.34%	\$ 7,053.34	\$ 3,903.24	\$ 5,376.16	637
FFCB	3133EMCQ3	Gov. Agency Debenture	10/16/2020	2,000,000.00	1,998,000.00	1,933,503.54		10/13/2024	0.31%	\$ 8,353.33	\$ 4,295.55	\$ 6,100.69	836
BankAmerica Corp	06051GHC6	Corporate Bond	10/9/2020	1,300,000.00	1,366,287.00	1,295,738.43		12/20/2023	0.66%	\$ 66,279.92	\$ 13,250.31	\$ 18,319.56	538
IBM	459200HG9	Corporate Bond	8/8/2019	1,000,000.00	995,010.00	999,502.94		8/1/2022	2.05%	\$ 46,510.42	\$ 38,718.82	\$ 20,422.50	32
IBM	459200JY8	Corporate Bond	3/25/2021	1,000,000.00	1,071,040.00	991,990.68		5/15/2024	0.71%	\$ 34,166.67	\$ 1,964.86	\$ 7,393.55	685
US Treasury	912828R28	US Treasury Note	7/2/2019	500,000.00	497,246.09	494,941.41		4/30/2023	1.77%	\$ 22,984.04	\$ 17,663.79	\$ 8,844.01	304
Freddie Mac	3137EAE5	Gov. Agency Debenture	7/19/2019	2,000,000.00	2,072,358.00	1,995,292.76		6/19/2023	1.79%	\$ 160,416.67	\$ 71,285.65	\$ 36,543.91	354
FFCB	3133EKFV0	Gov. Agency Debenture	7/22/2019	1,000,000.00	999,630.00	995,726.02		1/17/2023	1.89%	\$ 46,614.58	\$ 36,626.98	\$ 18,855.92	201
Treasury	912828L57	US Treasury Note	7/22/2019	1,200,000.00	1,197,988.40	1,199,810.06		9/30/2022	2.09%	\$ 56,516.39	\$ 42,014.96	\$ 21,629.70	92
US Treasury	<b>91282CDA6</b>	Gov. Agency Debenture	1/31/2022	1,100,000.00	1,085,222.44	1,063,734.38		9/30/2023	1.07%	\$ 445.74	\$ -	\$ 4,781.92	457
US Treasury	91282CAW1	Gov. Agency Debenture	7/15/2021	1,200,000.00	1,199,437.50	1,156,406.26		11/15/2023	0.27%	\$ 2,502.72	\$ -	\$ 3,107.52	503
American Honda	02665WCZ2	Corporate Bond	11/27/2019	1,000,000.00	1,012,410.01	976,797.19		6/27/2024	2.12%	\$ 60,733.34	\$ 33,895.56	\$ 21,294.11	728
JP Morgan Chase	46625HJE1	Gov. Agency Debenture	2/11/2020	900,000.00	934,587.00	901,391.06		9/23/2022	1.74%	\$ 61,912.50	\$ 22,179.72	\$ 16,030.88	85
Honeywell Int'l.	438516BW5	Corporate Bond	11/20/2019	1,000,000.00	1,014,660.00	982,084.39		7/15/2024	1.64%	\$ 50,983.33	\$ 31,978.44	\$ 19,850.56	746
Caterpillar Financial Serv	14913QZV0	Corporate Bond	2/23/2021	1,000,000.00	1,077,370.00	990,983.47		5/17/2024	0.44%	\$ 35,150.00	\$ 1,582.27	\$ 4,547.46	687
FNMA	3135G0V75	Gov. Agency Debenture	10/17/2019	1,100,000.00	1,105,833.30	1,075,146.34		7/2/2024	1.63%	\$ 42,831.25	\$ 30,694.63	\$ 18,012.12	733
US Bancorp	91159HHV5	Corporate Bond	12/24/2019	1,000,000.00	1,049,040.00	997,723.43		1/5/2024	2.12%	\$ 71,343.75	\$ 32,781.93	\$ 21,598.20	554
FHLB	313834G3	Gov. Agency Debenture	3/11/2021	1,400,000.00	1,460,522.00	1,388,360.26		6/9/2023	0.19%	\$ 37,022.22	\$ 854.65	\$ 2,810.33	344
FFCB	3133EKAQ7	Gov. Agency Debenture	10/21/2019	1,000,000.00	1,019,780.00	978,930.17		9/10/2024	1.66%	\$ 49,631.11	\$ 28,373.17	\$ 16,757.61	803
PNC Financial	69349LAM0	Corporate Bond	2/7/2022	1,000,000.00	1,033,470.00	1,002,715.63	1,266.67	6/25/2023	1.49%	\$ (1,266.67)	\$ -	\$ 5,372.34	360
FHLB	3135G05X7	Gov. Agency Debenture	6/10/2022	1,200,000.00	1,102,952.40	1,102,108.69	1,312.50	8/25/2025	3.04%	\$ (1,312.50)	\$ -	\$ 1,902.68	1152
Treasury	912828XL7	Gov. Agency Debenture	4/12/2022	1,700,000.00	1,583,927.57	1,577,746.10		4/30/2025	2.72%	\$ 316.99	\$ -	\$ 9,611.14	1035
JP Morgan Chase	46625HJT8	Corporate Bond	9/23/2019	1,400,000.00	1,485,414.00	1,408,666.00		2/1/2024	2.39%	\$ 127,788.89	\$ 61,355.87	\$ 34,667.02	581
American Honda	02665WDH1	Corporate Bond	2/14/2020	600,000.00	603,756.00	593,717.56		5/10/2023	1.75%	\$ 28,145.00	\$ 14,494.97	\$ 10,539.17	314
Treasury	912828V23	US Treasury Note	11/29/2021	1,000,000.00	1,032,933.04	989,296.88		12/31/2023	0.66%	\$ 13,206.52	\$ -	\$ 3,924.44	549
Treasury	91282CBE0_2	Gov. Agency Debenture	10/7/2021	1,000,000.00	994,768.98	957,226.56		1/15/2024	0.36%	\$ 339.67	\$ -	\$ 2,587.41	564
FHLB	<b>3130ALH98</b>	Gov. Agency Debenture	2/26/2021	1,000,000.00	997,610.00	959,212.41		2/26/2024	0.33%	\$ 2,500.00	\$ 1,119.96	\$ 3,296.67	606
Treasury	912828M80	US Treasury Note	7/22/2019	1,000,000.00	1,006,175.23	998,437.50		11/30/2022	1.81%	\$ 57,158.47	\$ 35,281.07	\$ 18,163.03	153
Treasury	912828U57	US Treasury Note	7/31/2019	1,000,000.00	1,011,875.00	988,515.62		11/30/2023	1.84%	\$ 60,208.33	\$ 35,502.32	\$ 18,511.92	518
Treasury	912828X70	US Treasury Note	12/30/2019	1,000,000.00	1,010,589.29	982,539.06		4/30/2024	1.75%	\$ 51,703.30	\$ 29,364.36	\$ 19,558.38	670
Treasury	912828XT2	US Treasury Note	10/31/2019	1,000,000.00	1,015,667.41	981,914.06		5/31/2024	1.64%	\$ 51,639.34	\$ 27,624.64	\$ 16,583.87	701
American Honda	02665WCQ2	Corporate Bond	9/14/2021	950,000.00	1,012,871.00	952,517.20		10/10/2023	0.41%	\$ 19,705.90	\$ -	\$ 3,232.93	467
FFCB	3133EJ3Q0	Gov. Agency Debenture	8/28/2019	1,500,000.00	1,587,503.75	1,500,018.51		12/21/2023	2.12%	\$ 121,348.96	\$ 42,086.02	\$ 22,859.22	539
Freddie Mac	3133EKK72	Gov. Agency Debenture	6/24/2021	1,550,000.00	1,573,188.00	1,547,845.70		2/8/2023	1.82%	\$ 100,168.75	\$ 57,521.06	\$ 28,487.36	223
Treasury	91282CBE0	Gov. Agency Debenture	9/15/2021	650,000.00	647,615.46	622,197.26		1/15/2024	0.28%	\$ 269.37	\$ -	\$ 1,447.14	564
Subtotal				\$ 45,750,000.00	\$ 46,361,475.28	\$ 44,853,724.65	\$ 2,579.17			\$ 1,565,964.30	\$ 753,521.26	\$ 510,964.25	
BNY MM		Money Market			253,598.98	253,598.98			0.00%				1
LAIF		State Investment Pool			6,905,470.30	6,905,470.30			0.86%			29,469.56	1
					<b>\$53,520,544.56</b>	<b>\$52,012,793.93</b>				<b>\$ 1,565,964.30</b>	<b>\$ 753,521.26</b>	<b>\$ 540,433.81</b>	

<b>Matured Assets</b>													
US Treasury	912828Y20	Gov. Agency Debenture	1/31/2020	1,000,000.00	1,016,601.56			7/15/2021	1.47%	\$ 38,221.16	\$ 20,977.00	\$ 609.80	
Wells Fargo	94988J6A0	Corporate Bond	6/24/2020	1,350,000.00	1,370,749.50			9/9/2021	0.80%	\$ 46,023.53	\$ 10,139.92	\$ 1,940.52	
FNMA	3135G0Q89	Gov. Agency Debenture	2/10/2020	1,000,000.00	998,702.00			10/7/2021	1.38%	\$ 22,802.08	\$ 20,147.24	\$ 3,941.85	
FHLB	3130AABG2	US Treasury Note	4/15/2019	1,000,000.00	988,250.00			11/29/2021	2.34%	\$ 49,166.67	\$ 51,343.12	\$ 9,670.58	
Toyota Motor Credit	89236TDP7	Corporate Bond	05/20/19	1,100,000.00	1,102,596.00			1/11/2022	2.50%	\$ 75,551.67	\$ 58,418.45	\$ 14,755.96	
Freddie Mac	3137EADB2	Gov. Agency Debenture	1/17/2020	2,100,000.00	2,132,039.70			1/13/2022	2.12%	\$ 99,195.84	\$ 49,063.54	\$ 18,236.83	
American Express Credit Corp.	0258M0EG0	Corporate Bond	4/5/2021	1,000,000.00	1,020,330.00			1/31/2022	0.46%	\$ 24,600.00	\$ 553.07	\$ 1,382.68	
PNC Financial	693476BN2	Corporate Bond	8/15/2019	1,000,000.00	1,029,280.00			2/6/2022	2.12%	\$ 84,608.33	\$ 39,793.76	\$ 12,838.57	
FNMA	3135G0V59	Gov. Agency Debenture	11/27/2019	1,540,000.00	1,562,924.44			4/12/2022	1.61%	\$ 82,293.75	\$ 39,792.92	\$ 19,588.25	
FHLB	313379Q69	Gov. Agency Debenture	7/22/2019	1,000,000.00	1,006,960.00			6/10/2022	1.87%	\$ 61,270.83	\$ 36,595.58	\$ 17,807.44	0

Total Investments "Matured" \$ 100,772.47

Total Interest FY 20\_21 Matured and Current \$ 641,206.29

<b>Maturity Profile</b>	Amount
0-1 year	\$19,533,000.00
1-2 years	\$25,149,981.28
2-3 years	\$7,734,610.88
3-5 years	\$ 1,102,952.40
	<b>\$53,520,544.56</b>

**Market to Cost Position Report**

<u>Institution</u>	<u>Amortized Cost</u>
BNY Assets	\$46,361,475.28
BNY MM	253,598.98
LAIF	6,905,470.30
	<b>\$53,520,544.56</b>

**Town of Los Gatos**  
**Summary Investment Information**  
**May 31, 2022**

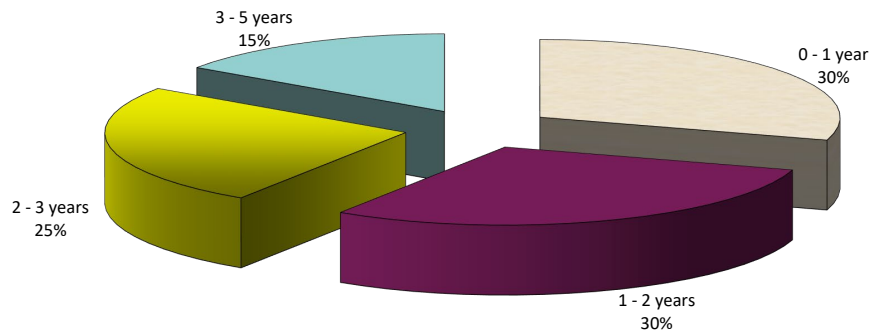
**Weighted Average YTM Portfolio Yield:** **1.27%** **Weighted Average Maturity (days)** **453**

	<u><b>This Month</b></u>	<u><b>Last Month</b></u>	<u><b>One year ago</b></u>
<b>Portfolio Balance</b>	\$76,336,706	\$76,134,869	\$64,959,658

**Benchmarks/ References:**

Town's Average Yield	1.27%	1.27%	1.40%
LAIF Yield for month	0.68%	0.52%	0.32%
3 mo. Treasury	1.08%	0.85%	0.02%
6 mo. Treasury	1.58%	1.41%	0.04%
2 yr. Treasury	2.56%	2.72%	0.15%
5 yr. Treasury (most recent)	2.82%	2.96%	0.80%
10 Yr. Treasury	2.85%	2.94%	1.60%

**Portfolio Maturity Profile**

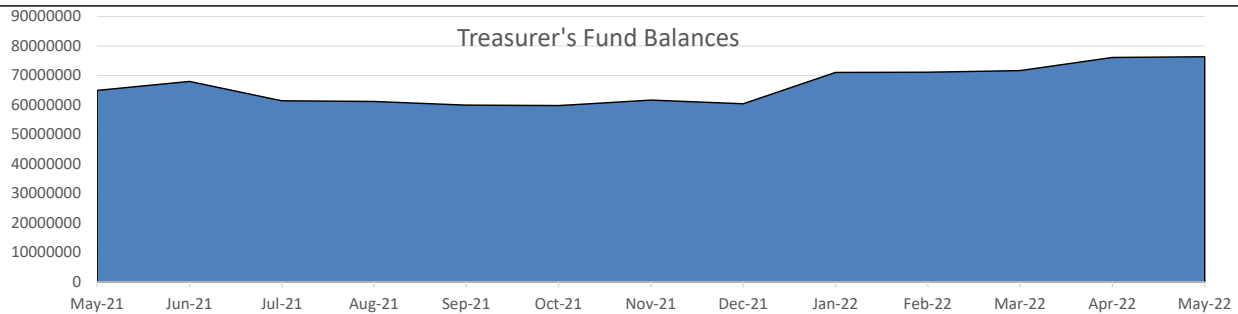
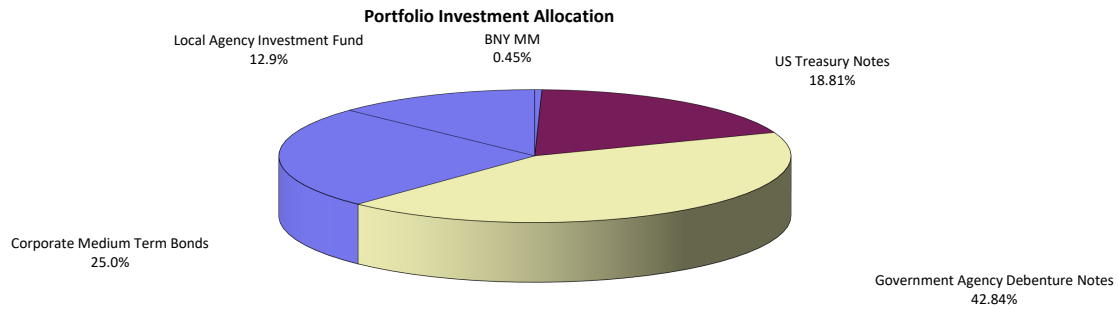


**Compliance:** The Town's investments are in compliance with the Town's investment policy dated September 21, 2021 and also in compliance with the requirements of Section 53601 of the California State Code. Based on the information available, the Town has sufficient funds to meet the cash demands for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

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

	<u>Month</u>	<u>YTD</u>
Fund Balances - Beginning of Month/Period	\$76,134,869.43	\$67,951,235.09
Receipts	3,443,254.21	64,848,963.47
Disbursements	<u>(3,241,417.34)</u>	<u>(56,463,492.26)</u>
Fund Balances - End of Month/Period	<u>\$76,336,706.30</u>	<u>\$76,336,706.30</u>

<u>Portfolio Allocation:</u>		<u>% of Portfolio</u>	<u>Max. % Or \$ Allowed Per State Law or Policy</u>
BNY MM	\$240,447.60	0.45%	20% of Town Portfolio
US Treasury Notes	\$10,046,915.87	18.81%	No Max. on US Treasuries
Government Agency Debenture Notes	\$22,879,344.00	42.84%	No Max. on Non-Mortgage Backed
Corporate Medium Term Bonds	\$13,339,223.01	24.97%	30% of Town Portfolio
Local Agency Investment Fund	\$6,905,470.30	12.93%	\$75 M per State Law
Subtotal - Investments	53,411,400.78	100.00%	
Reconciled Demand Deposit Balances	<u>22,925,305.52</u>		
Total Treasurer's Fund	<u>\$76,336,706.30</u>		



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

	<u>Beginning Balance</u>	<u>MAY 22 Deposits Realized Gain/Adj.</u>	<u>MAY 22 Interest/ Earnings</u>	<u>MAY 22 Withdrawals</u>	<u>Ending Balance</u>	
Non-Treasury Funds:						
Cert. of Participation 2002 Series A Reserve Fund	686,335.47		\$ 5.70		\$ 686,341.17	Note 1
Cert. Of Participation 2010 Ser A Lease Pymt Fund	0.65				\$ 0.65	Note 1
Cert. of Participation 2002 Lease Payment Fund	0.16				\$ 0.16	Note 1
Cert. of Participation 2010 Series Reserve Fund	<u>1,277,223.26</u>		<u>223.42</u>		<u>1,277,446.68</u>	Note 2
Total Restricted Funds:	<u>\$ 1,963,559.54</u>	<u>\$ -</u>	<u>\$ 229.12</u>	<u>\$ -</u>	<u>\$ 1,963,788.66</u>	
CEPPT IRS Section 115 Trust	<u>387,511.56</u>	<u>0.00</u>	<u>323.18</u>	<u>0.00</u>	<u>387,834.74</u>	
Grand Total COP's and CEPPT Trust	<u>\$ 2,351,071.10</u>	<u>\$ -</u>	<u>\$ 552.30</u>	<u>\$ -</u>	<u>\$ 2,351,623.40</u>	

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

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

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

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

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

Interest by Month

July 2021	\$57,076.80
August 2021	56,600.18
September 2021	54,523.00
October 2021	54,951.68
November 2021	51,445.84
December 2021	55,030.55
January 2022	51,909.39
February 2022	46,264.19
March 2022	50,912.58
April 20202	52,989.32
May 2022	55,136.41
June 2022	
	<hr/>
	<u><u>\$586,839.94</u></u>



# Town of Los Gatos Investment Schedule May 2022

Item 3.

Institution	CUSIP #	Security	Deposit Date	Par Value	Original Cost	Market Value	Purchased Interest	Maturity Date or Call Date	Yield to Maturity or Call	Interest Received to Date	Interest Earned Prior Yrs.	Interest Earned Current FY	Days to Maturity
Treasury	91282CAP6	US Treasury Note	6/30/2021	1,000,000.00	995,390.63	970,781.25		10/15/2023	0.33%	\$ 990.44	\$ -	\$ 2,992.11	502
Toyota Motor Credit	89236THA6_1	Corporate Bond	04/12/21	500,000.00	510,580.00	493,354.08		8/25/2023	0.45%	\$ 5,868.75	\$ 494.69	\$ 2,097.75	451
Toyota Motor Credit	89236THA6	Corporate Bond	1/11/2022	1,100,000.00	1,107,315.00	1,085,378.98		8/25/2023	0.94%	\$ 1,815.00	\$ -	\$ 3,963.06	451
US Treasury	91282CDD0	US Treasury Note	1/13/2022	1,100,000.00	1,090,675.78	1,070,609.38		10/31/2023	0.85%	\$ 1,219.27	\$ -	\$ 3,521.09	518
US Treasury	91282CCN9	US Treasury Note	1/13/2022	1,200,000.00	1,188,375.00	1,171,312.50		7/31/2023	0.75%	\$ 73.37	\$ -	\$ 3,411.54	426
FFCB	3133EKMx1	Gov. Agency Debenture	8/2/2019	1,000,000.00	1,014,400.00	995,364.44		2/23/2024	1.90%	\$ 62,625.83	\$ 36,611.80	\$ 17,571.57	633
FFCB	3133EMBE1	Gov. Agency Debenture	10/8/2020	1,600,000.00	1,598,000.00	1,535,626.24		3/28/2024	0.34%	\$ 7,053.34	\$ 3,903.24	\$ 4,934.29	667
FFCB	3133EMCQ3	Gov. Agency Debenture	10/16/2020	2,000,000.00	1,998,000.00	1,946,459.72		10/13/2024	0.31%	\$ 8,353.33	\$ 4,295.55	\$ 5,599.26	866
BankAmerica Corp	06051GHC6	Corporate Bond	10/9/2020	1,300,000.00	1,366,287.00	1,299,666.65		12/20/2023	0.66%	\$ 46,753.92	\$ 13,250.31	\$ 16,813.84	568
IBM	459200HG9	Corporate Bond	8/8/2019	1,000,000.00	995,010.00	1,000,354.41		8/1/2022	2.05%	\$ 46,510.42	\$ 38,718.82	\$ 18,743.94	62
IBM	459200JY8	Corporate Bond	3/25/2021	1,000,000.00	1,071,040.00	1,001,526.18		5/15/2024	0.71%	\$ 34,166.67	\$ 1,964.86	\$ 6,785.86	715
US Treasury	912828R28	US Treasury Note	7/2/2019	500,000.00	497,246.09	497,890.63		4/30/2023	1.77%	\$ 22,984.04	\$ 17,663.79	\$ 8,117.11	334
Freddie Mac	3137EAE5	Gov. Agency Debenture	7/19/2019	2,000,000.00	2,072,358.00	2,012,968.80		6/19/2023	1.79%	\$ 132,916.67	\$ 71,285.65	\$ 33,540.30	384
FFCB	3133EKFV0	Gov. Agency Debenture	7/22/2019	1,000,000.00	999,630.00	1,001,768.09		1/17/2023	1.89%	\$ 46,614.58	\$ 36,626.98	\$ 17,306.12	231
Treasury	912828L57	US Treasury Note	7/22/2019	1,200,000.00	1,197,988.40	1,201,546.87		9/30/2022	2.09%	\$ 56,516.39	\$ 42,014.96	\$ 19,851.92	122
US Treasury	91282CDA6	Gov. Agency Debenture	1/31/2022	1,100,000.00	1,085,222.44	1,071,382.82		9/30/2023	1.07%	\$ 445.74	\$ -	\$ 3,825.54	487
US Treasury	91282CAW1	Gov. Agency Debenture	7/15/2021	1,200,000.00	1,199,437.50	1,164,656.26		11/15/2023	0.27%	\$ 2,502.72	\$ -	\$ 2,841.16	533
American Honda	02665WCZ2	Corporate Bond	11/27/2019	1,000,000.00	1,012,410.01	986,274.10		6/27/2024	2.12%	\$ 60,733.34	\$ 33,895.56	\$ 19,543.91	758
JP Morgan Chase	46625HJE1	Gov. Agency Debenture	2/11/2020	900,000.00	934,587.00	903,801.28		9/23/2022	1.74%	\$ 61,912.50	\$ 22,179.72	\$ 14,713.28	115
Honeywell Int'l.	438516BW5	Corporate Bond	11/20/2019	1,000,000.00	1,014,660.00	989,975.65		7/15/2024	1.64%	\$ 50,983.33	\$ 31,978.44	\$ 18,219.01	776
Caterpillar Financial Serv	14913QZV0	Corporate Bond	2/23/2021	1,000,000.00	1,077,370.00	999,248.38		5/17/2024	0.44%	\$ 35,150.00	\$ 1,582.27	\$ 4,173.69	717
FNMA	3135G0V75	Gov. Agency Debenture	10/17/2019	1,100,000.00	1,105,833.30	1,082,632.19		7/2/2024	1.63%	\$ 42,831.25	\$ 30,694.63	\$ 16,531.67	763
US Bancorp	91159HHV5	Corporate Bond	12/24/2019	1,000,000.00	1,049,040.00	1,005,985.55		1/5/2024	2.12%	\$ 71,343.75	\$ 32,781.93	\$ 19,823.01	584
FHLB	3133834G3	Gov. Agency Debenture	3/11/2021	1,400,000.00	1,460,522.00	1,398,879.51		6/9/2023	0.19%	\$ 22,147.22	\$ 854.65	\$ 2,579.34	374
FFCB	3133EKAQ7	Gov. Agency Debenture	10/21/2019	1,000,000.00	1,019,780.00	986,997.83		9/10/2024	1.66%	\$ 49,631.11	\$ 28,373.17	\$ 15,380.28	833
PNC Financial	69349LAM0	Corporate Bond	2/7/2022	1,000,000.00	1,033,470.00	1,010,744.77	1,266.67	6/25/2023	1.49%	\$ (1,266.67)	\$ -	\$ 4,245.28	390
FHLB	313379Q69	Gov. Agency Debenture	7/22/2019	1,000,000.00	1,006,960.00	1,000,344.94		6/10/2022	1.87%	\$ 50,645.83	\$ 36,595.58	\$ 17,291.28	10
Treasury	912828ZL7	Gov. Agency Debenture	4/12/2022	1,700,000.00	1,583,927.57	1,588,371.10		4/30/2025	2.72%	\$ 316.99	\$ -	\$ 5,961.34	1065
JP Morgan Chase	46625HJT8	Corporate Bond	9/23/2019	1,400,000.00	1,485,414.00	1,422,367.04		2/1/2024	2.39%	\$ 127,788.89	\$ 61,355.87	\$ 31,817.67	611
American Honda	02665WDH1	Corporate Bond	2/14/2020	600,000.00	603,756.00	597,468.98		5/10/2023	1.75%	\$ 28,145.00	\$ 14,494.97	\$ 9,672.94	344
Treasury	912828V23	US Treasury Note	11/29/2021	1,000,000.00	1,032,933.04	998,046.88		12/31/2023	0.66%	\$ 1,956.52	\$ -	\$ 3,371.71	579
Treasury	91282CBE0_2	Gov. Agency Debenture	10/7/2021	1,000,000.00	994,768.98	964,218.75		1/15/2024	0.36%	\$ 339.67	\$ -	\$ 2,295.59	594
FHLB	3130ALH98	Gov. Agency Debenture	2/26/2021	1,000,000.00	997,610.00	965,996.38		2/26/2024	0.33%	\$ 2,500.00	\$ 1,119.96	\$ 3,025.71	636
Treasury	912828M80	US Treasury Note	7/22/2019	1,000,000.00	1,006,175.23	1,001,953.12		11/30/2022	1.81%	\$ 57,158.47	\$ 35,281.07	\$ 16,670.18	183
Treasury	912828U57	US Treasury Note	7/31/2019	1,000,000.00	1,011,875.00	996,914.06		11/30/2023	1.84%	\$ 60,208.33	\$ 35,502.32	\$ 16,990.40	548
Treasury	912828X70	US Treasury Note	12/30/2019	1,000,000.00	1,010,589.29	990,625.00		4/30/2024	1.75%	\$ 51,703.30	\$ 29,364.36	\$ 17,950.84	700
Treasury	912828XT2	US Treasury Note	10/31/2019	1,000,000.00	1,015,667.41	989,804.69		5/31/2024	1.64%	\$ 51,639.34	\$ 27,624.64	\$ 15,220.81	731
American Honda	02665WCQ2	Corporate Bond	9/14/2021	950,000.00	1,012,871.00	959,764.29		10/10/2023	0.41%	\$ 19,705.90	\$ -	\$ 2,897.33	497
FFCB	3133EJ3Q0	Gov. Agency Debenture	8/28/2019	1,500,000.00	1,587,503.75	1,513,594.17		12/21/2023	2.12%	\$ 99,786.46	\$ 42,086.02	\$ 20,980.38	569
Freddie Mac	3133EKKT2	Gov. Agency Debenture	6/24/2021	1,550,000.00	1,573,188.00	1,555,763.52		2/8/2023	1.82%	\$ 100,168.75	\$ 57,521.06	\$ 26,145.94	253
Treasury	91282CBE0	Gov. Agency Debenture	9/15/2021	650,000.00	647,615.46	626,742.19		1/15/2024	0.28%	\$ 269.37	\$ -	\$ 1,296.39	594
Subtotal				\$ 45,550,000.00	\$ 46,265,482.88	\$ 45,057,161.67	\$ 1,266.67			\$ 1,523,209.13	\$ 790,116.83	\$ 478,714.41	
BNY MM		Money Market			240,447.60	240,447.60			0.00%				1
LAIF		State Investment Pool			6,905,470.30	6,905,470.30			0.68%			25,160.49	1
					\$53,411,400.78	\$52,203,079.57				\$ 1,523,209.13	\$ 790,116.83	\$ 503,874.90	

Matured Assets													
US Treasury	912828Y20	Gov. Agency Debenture	1/31/2020	1,000,000.00	1,016,601.56			7/15/2021	1.47%	\$ 38,221.16	\$ 20,977.00	\$ 609.80	
Wells Fargo	94988J6A0	Corporate Bond	6/24/2020	1,350,000.00	1,370,749.50			9/9/2021	0.80%	\$ 46,023.53	\$ 10,139.92	\$ 1,940.52	
FNMA	3135G0Q89	Gov. Agency Debenture	2/10/2020	1,000,000.00	998,702.00			10/7/2021	1.38%	\$ 22,802.08	\$ 20,147.24	\$ 3,941.85	
FHLB	3130AABG2	US Treasury Note	4/15/2019	1,000,000.00	988,250.00			11/29/2021	2.34%	\$ 49,166.67	\$ 51,343.12	\$ 9,670.58	
Toyota Motor Credit	89236TDP7	Corporate Bond	05/20/2019	1,100,000.00	1,102,596.00			1/11/2022	2.50%	\$ 75,551.67	\$ 58,418.45	\$ 14,755.96	
Freddie Mac	3137EADB2	Gov. Agency Debenture	1/17/2020	2,100,000.00	2,132,039.70			1/13/2022	2.12%	\$ 99,195.84	\$ 49,063.54	\$ 18,236.83	
American Express Credit Corp.	0258M0EG0	Corporate Bond	4/5/2021	1,000,000.00	1,020,330.00			1/31/2022	0.46%	\$ 24,600.00	\$ 553.07	\$ 1,382.68	
PNC Financial	693476BN2	Corporate Bond	8/15/2019	1,000,000.00	1,029,280.00			2/6/2022	2.12%	\$ 84,608.33	\$ 39,793.76	\$ 12,838.57	
FNMA	3135G0V59	Gov. Agency Debenture	11/27/2019	1,540,000.00	1,562,924.44			4/12/2022	1.61%	\$ 82,293.75	\$ 39,792.92	\$ 19,588.25	

Total Investments "Matured"												\$ 82,965.04	
Total Interest FY 20_21 Matured and Current												\$ 586,839.94	

Maturity Profile		Amount
0-1 year		\$15,960,458.62
1-2 years		\$28,700,663.87
2-3 years		\$8,750,278.29
3-5 years		\$ -
		\$53,411,400.78

## Market to Cost Position Report

Institution	Amortized Cost
BNY Assets	\$46,265,482.88
BNY MM	240,447.60
LAIF	6,905,470.30
	\$53,411,400.78

**Town of Los Gatos**  
**Summary Investment Information**  
**April 30, 2022**

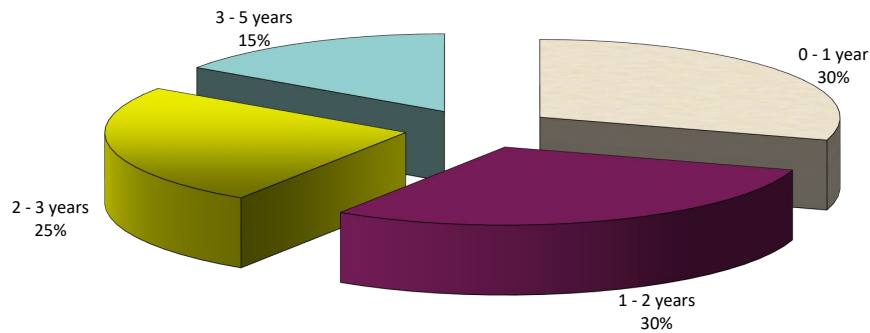
**Weighted Average YTM Portfolio Yield:** **1.27%** **Weighted Average Maturity (days)** **481**

	<u>This Month</u>	<u>Last Month</u>	<u>One year ago</u>
<b>Portfolio Balance</b>	\$76,134,869	\$71,616,902	\$66,219,351

**Benchmarks/ References:**

Town's Average Yield	1.27%	1.16%	1.41%
LAIF Yield for month	0.52%	0.37%	0.34%
3 mo. Treasury	0.85%	0.51%	0.02%
6 mo. Treasury	1.41%	1.03%	0.04%
2 yr. Treasury	2.72%	2.34%	0.16%
5 yr. Treasury (most recent)	2.96%	2.46%	0.85%
10 Yr. Treasury	2.94%	2.34%	1.63%

**Portfolio Maturity Profile**

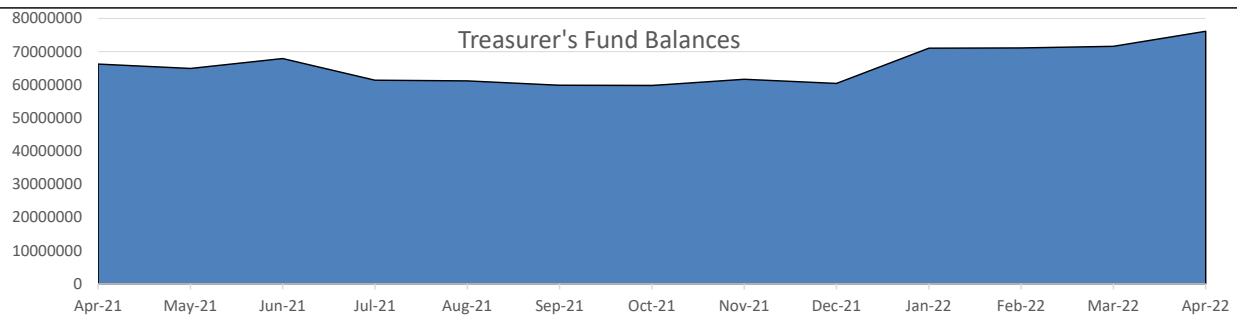
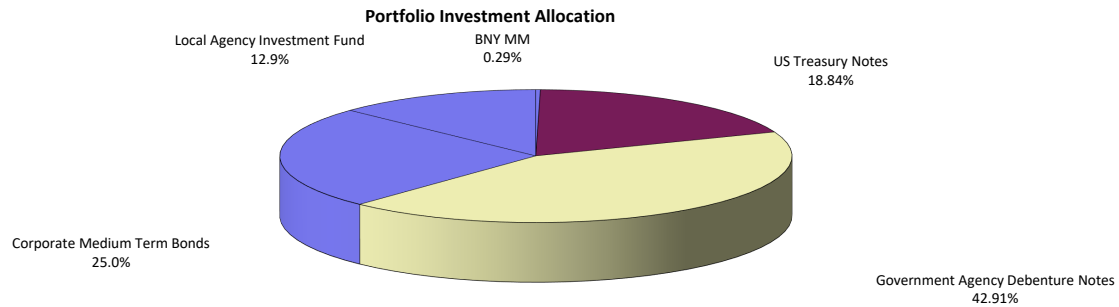


**Compliance:** The Town's investments are in compliance with the Town's investment policy dated September 21, 2021 and also in compliance with the requirements of Section 53601 of the California State Code. Based on the information available, the Town has sufficient funds to meet the cash demands for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

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

	<u>Month</u>	<u>YTD</u>
Fund Balances - Beginning of Month/Period	\$71,616,901.74	\$67,951,235.09
Receipts	8,289,913.05	61,405,709.26
Disbursements	<u>(3,771,945.36)</u>	<u>(53,222,074.92)</u>
Fund Balances - End of Month/Period	<u>\$76,134,869.43</u>	<u>\$76,134,869.43</u>

<u>Portfolio Allocation:</u>		<u>% of Portfolio</u>	<u>Max. % Or \$ Allowed Per State Law or Policy</u>
BNY MM	\$153,893.45	0.29%	20% of Town Portfolio
US Treasury Notes	\$10,046,915.87	18.84%	No Max. on US Treasuries
Government Agency Debenture Notes	\$22,879,344.00	42.91%	No Max. on Non-Mortgage Backed
Corporate Medium Term Bonds	\$13,339,223.01	25.02%	30% of Town Portfolio
Local Agency Investment Fund	\$6,905,470.30	12.95%	\$75 M per State Law
Subtotal - Investments	53,324,846.63	100.00%	
Reconciled Demand Deposit Balances	<u>22,810,022.80</u>		
Total Treasurer's Fund	<u>\$76,134,869.43</u>		



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

	<u>Beginning Balance</u>	<u>APR 22 Deposits Realized Gain/Adj.</u>	<u>APR 22 Interest/ Earnings</u>	<u>APR 22 Withdrawals</u>	<u>Ending Balance</u>	
Non-Treasury Funds:						
Cert. of Participation 2002 Series A Reserve Fund	686,329.58		\$ 5.89		\$ 686,335.47	Note 1
Cert. Of Participation 2010 Ser A Lease Pymt Fund	0.65				\$ 0.65	Note 1
Cert. of Participation 2002 Lease Payment Fund	0.16				\$ 0.16	Note 1
Cert. of Participation 2010 Series Reserve Fund	1,277,148.48		74.78		1,277,223.26	Note 2
Total Restricted Funds:	<u>\$ 1,963,478.87</u>	<u>\$ -</u>	<u>\$ 80.67</u>	<u>\$ -</u>	<u>\$ 1,963,559.54</u>	
CEPPT IRS Section 115 Trust	0.00	390,000.00	(2,488.44)	0.00	387,511.56	
Grand Total COP's and CEPPT Trust	<u>\$ 1,963,478.87</u>	<u>\$ 390,000.00</u>	<u>\$ (2,407.77)</u>	<u>\$ -</u>	<u>\$ 2,351,071.10</u>	

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

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

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

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

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

Interest by Month

July 2021	\$57,076.80
August 2021	56,600.18
September 2021	54,523.00
October 2021	54,951.68
November 2021	51,445.84
December 2021	55,030.55
January 2022	51,909.39
February 2022	46,264.19
March 2022	50,912.58
April 20202	52,989.32
May 2022	
June 2022	
	<hr/>
	<u>\$531,703.53</u>

# Town of Los Gatos Investment Schedule April 2022

Item 3.

Institution	CUSIP #	Security	Deposit Date	Par Value	Original Cost	Market Value	Purchased Interest	Maturity Date or Call Date	Yield to Maturity or Call	Interest Received to Date	Interest Earned Prior Yrs.	Interest Earned Current FY	Days to Maturity
Treasury	91282CAP6	US Treasury Note	6/30/2021	1,000,000.00	995,390.63	966,132.81		10/15/2023	0.33%	\$ 990.44	\$ -	\$ 2,715.23	533
Toyota Motor Credit	89236THA6_1	Corporate Bond	04/12/21	500,000.00	510,580.00	491,172.32		8/25/2023	0.45%	\$ 5,868.75	\$ 494.69	\$ 1,903.63	482
Toyota Motor Credit	89236THA6	Corporate Bond	1/11/2022	1,100,000.00	1,107,315.00	1,080,579.09		8/25/2023	0.94%	\$ 1,815.00	\$ -	\$ 3,085.53	482
US Treasury	91282CDD0	US Treasury Note	1/13/2022	1,100,000.00	1,090,675.78	1,065,195.32		10/31/2023	0.85%	\$ 1,219.27	\$ -	\$ 2,730.12	549
US Treasury	91282CCN9	US Treasury Note	1/13/2022	1,200,000.00	1,188,375.00	1,166,671.87		7/31/2023	0.75%	\$ 73.37	\$ -	\$ 2,645.18	457
FFCB	3133EKMx1	Gov. Agency Debenture	8/2/2019	1,000,000.00	1,014,400.00	995,245.79		2/23/2024	1.90%	\$ 62,625.83	\$ 36,611.80	\$ 15,945.54	664
FFCB	3133EMBE1	Gov. Agency Debenture	10/8/2020	1,600,000.00	1,598,000.00	1,529,209.34		3/28/2024	0.34%	\$ 7,053.34	\$ 3,903.24	\$ 4,477.68	698
FFCB	3133EMCQ3	Gov. Agency Debenture	10/16/2020	2,000,000.00	1,998,000.00	1,939,193.82		10/13/2024	0.31%	\$ 8,353.33	\$ 4,295.55	\$ 5,081.12	897
BankAmerica Corp	06051GHC6	Corporate Bond	10/9/2020	1,300,000.00	1,366,287.00	1,296,952.06		12/20/2023	0.66%	\$ 46,753.92	\$ 13,250.31	\$ 15,257.94	599
IBM	459200HG9	Corporate Bond	8/8/2019	1,000,000.00	995,010.00	998,784.83		8/1/2022	2.05%	\$ 46,510.42	\$ 38,718.82	\$ 17,009.42	93
IBM	459200Y8	Corporate Bond	3/25/2021	1,000,000.00	1,071,040.00	995,199.15		5/15/2024	0.71%	\$ 19,166.67	\$ 1,964.86	\$ 6,157.91	746
US Treasury	912828R28	US Treasury Note	7/2/2019	500,000.00	497,246.09	497,343.75		4/30/2023	1.77%	\$ 22,984.04	\$ 17,663.79	\$ 7,365.97	365
Freddie Mac	3137EAE5	Gov. Agency Debenture	7/19/2019	2,000,000.00	2,072,358.00	2,009,389.52		6/19/2023	1.79%	\$ 132,916.67	\$ 71,285.65	\$ 30,436.57	415
FFCB	3133EKFV0	Gov. Agency Debenture	7/22/2019	1,000,000.00	999,630.00	1,001,799.63		1/17/2023	1.89%	\$ 46,614.58	\$ 36,626.98	\$ 15,704.66	262
Treasury	912828L57	US Treasury Note	7/22/2019	1,200,000.00	1,197,988.40	1,202,109.37		9/30/2022	2.09%	\$ 56,516.39	\$ 42,014.96	\$ 18,014.88	153
US Treasury	91282CDA6	Gov. Agency Debenture	1/31/2022	1,100,000.00	1,085,222.44	1,066,054.68		9/30/2023	1.07%	\$ 445.74	\$ -	\$ 2,837.27	518
US Treasury	91282CAW1	Gov. Agency Debenture	7/15/2021	1,200,000.00	1,199,437.50	1,158,515.63		11/15/2023	0.27%	\$ 1,002.72	\$ -	\$ 2,565.92	564
American Honda	02665WCZ2	Corporate Bond	11/27/2019	1,000,000.00	1,012,410.01	984,225.82		6/27/2024	2.12%	\$ 60,733.34	\$ 33,895.56	\$ 17,735.37	789
JP Morgan Chase	46625HJE1	Gov. Agency Debenture	2/11/2020	900,000.00	934,587.00	905,157.17		9/23/2022	1.74%	\$ 61,912.50	\$ 22,179.72	\$ 13,351.75	146
Honeywell Int'l.	438516BW5	Corporate Bond	11/20/2019	1,000,000.00	1,014,660.00	987,393.49		7/15/2024	1.64%	\$ 50,983.33	\$ 31,978.44	\$ 16,533.07	807
Caterpillar Financial Serv	14913QZV0	Corporate Bond	2/23/2021	1,000,000.00	1,077,370.00	997,013.34		5/17/2024	0.44%	\$ 20,900.00	\$ 1,582.27	\$ 3,787.47	748
FNMA	3135G0V75	Gov. Agency Debenture	10/17/2019	1,100,000.00	1,105,833.30	1,077,166.83		7/2/2024	1.63%	\$ 42,831.25	\$ 30,694.63	\$ 15,001.87	794
US Bancorp	91159HHV5	Corporate Bond	12/24/2019	1,000,000.00	1,049,040.00	1,003,818.76		1/5/2024	2.12%	\$ 71,343.75	\$ 32,781.93	\$ 17,988.64	615
FHLB	3133834G3	Gov. Agency Debenture	3/11/2021	1,400,000.00	1,460,522.00	1,397,657.32		6/9/2023	0.19%	\$ 22,147.22	\$ 854.65	\$ 2,340.66	405
FFCB	3133EKAQ7	Gov. Agency Debenture	10/21/2019	1,000,000.00	1,019,780.00	982,541.48		9/10/2024	1.66%	\$ 49,631.11	\$ 28,373.17	\$ 13,957.03	864
PNC Financial	69349LAM0	Corporate Bond	2/7/2022	1,000,000.00	1,033,470.00	1,009,129.89	1,266.67	6/25/2023	1.49%	\$ (1,266.67)	\$ -	\$ 3,080.64	421
FHLB	313379Q69	Gov. Agency Debenture	7/22/2019	1,000,000.00	1,006,960.00	1,001,659.44		6/10/2022	1.87%	\$ 50,645.83	\$ 36,595.58	\$ 15,691.19	41
Treasury	912828ZL7	Gov. Agency Debenture	4/12/2022	1,700,000.00	1,583,927.57	1,577,812.50		4/30/2025	2.72%	\$ 316.99	\$ -	\$ 2,189.88	1096
JP Morgan Chase	46625HJT8	Corporate Bond	9/23/2019	1,400,000.00	1,485,414.00	1,419,328.36		2/1/2024	2.39%	\$ 127,788.89	\$ 61,355.87	\$ 28,873.35	642
American Honda	02665WDH1	Corporate Bond	2/14/2020	600,000.00	603,756.00	595,307.03		5/10/2023	1.75%	\$ 22,295.00	\$ 14,494.97	\$ 8,777.83	375
Treasury	912828V23	US Treasury Note	11/29/2021	1,000,000.00	1,032,933.04	994,179.69		12/31/2023	0.66%	\$ 1,956.52	\$ -	\$ 2,800.54	610
Treasury	91282CBE0_2	Gov. Agency Debenture	10/7/2021	1,000,000.00	994,768.98	958,515.62		1/15/2024	0.36%	\$ 339.67	\$ -	\$ 1,994.05	625
FHLB	3130ALH98	Gov. Agency Debenture	2/26/2021	1,000,000.00	997,610.00	961,171.45		2/26/2024	0.33%	\$ 2,500.00	\$ 1,119.96	\$ 2,745.72	667
Treasury	912828M80	US Treasury Note	7/22/2019	1,000,000.00	1,006,175.23	1,002,304.69		11/30/2022	1.81%	\$ 47,158.47	\$ 35,281.07	\$ 15,127.57	214
Treasury	912828U57	US Treasury Note	7/31/2019	1,000,000.00	1,011,875.00	993,320.31		11/30/2023	1.84%	\$ 49,583.33	\$ 35,502.32	\$ 15,418.15	579
Treasury	912828X70	US Treasury Note	12/30/2019	1,000,000.00	1,010,589.29	986,210.94		4/30/2024	1.75%	\$ 51,703.30	\$ 29,364.36	\$ 16,289.72	731
Treasury	912828XT2	US Treasury Note	10/31/2019	1,000,000.00	1,015,667.41	985,078.12		5/31/2024	1.64%	\$ 41,639.34	\$ 27,624.64	\$ 13,812.32	762
American Honda	02665WCQ2	Corporate Bond	9/14/2021	950,000.00	1,012,871.00	957,143.80		10/10/2023	0.41%	\$ 19,705.90	\$ -	\$ 2,550.55	528
FFCB	3133EJ3Q0	Gov. Agency Debenture	8/28/2019	1,500,000.00	1,587,503.75	1,510,227.23		12/21/2023	2.12%	\$ 99,786.46	\$ 42,086.02	\$ 19,038.91	600
Freddie Mac	3133EKK72	Gov. Agency Debenture	6/24/2021	1,550,000.00	1,573,188.00	1,555,915.02		2/8/2023	1.82%	\$ 100,168.75	\$ 57,521.06	\$ 23,726.46	284
Treasury	91282CBE0	Gov. Agency Debenture	9/15/2021	650,000.00	647,615.46	623,035.15		1/15/2024	0.28%	\$ 269.37	\$ -	\$ 1,140.63	625
Subtotal				\$ 45,550,000.00	\$ 46,265,482.88	\$ 44,924,862.43	\$ 1,266.67			\$ 1,455,984.13	\$ 790,116.83	\$ 427,887.93	
BNY MM		Money Market			153,893.45	153,893.45			0.00%				1
LAIF		State Investment Pool			6,905,470.30	6,905,470.30			0.52%			20,850.57	1
					\$53,324,846.63	\$51,984,226.18				\$ 1,455,984.13	\$ 790,116.83	\$ 448,738.50	

Matured Assets													
US Treasury	912828Y20	Gov. Agency Debenture	1/31/2020	1,000,000.00	1,016,601.56			7/15/2021	1.47%	\$ 38,221.16	\$ 20,977.00	\$ 609.80	
Wells Fargo	94988J6A0	Corporate Bond	6/24/2020	1,350,000.00	1,370,749.50			9/9/2021	0.80%	\$ 46,023.53	\$ 10,139.92	\$ 1,940.52	
FNMA	3135G0Q89	Gov. Agency Debenture	2/10/2020	1,000,000.00	998,702.00			10/7/2021	1.38%	\$ 22,802.08	\$ 20,147.24	\$ 3,941.85	
FHLB	3130AABG2	US Treasury Note	4/15/2019	1,000,000.00	988,250.00			11/29/2021	2.34%	\$ 49,166.67	\$ 51,343.12	\$ 9,670.58	
Toyota Motor Credit	89236TDP7	Corporate Bond	5/20/2019	1,100,000.00	1,102,596.00			1/11/2022	2.50%	\$ 75,551.67	\$ 58,418.45	\$ 14,755.96	
Freddie Mac	3137EADB2	Gov. Agency Debenture	1/17/2020	2,100,000.00	2,132,039.70			1/13/2022	2.12%	\$ 99,195.84	\$ 49,063.54	\$ 18,236.83	
American Express Credit Corp.	0258M0EG0	Corporate Bond	4/5/2021	1,000,000.00	1,020,330.00			1/31/2022	0.46%	\$ 24,600.00	\$ 553.07	\$ 1,382.68	
PNC Financial	693476BN2	Corporate Bond	8/15/2019	1,000,000.00	1,029,280.00			2/6/2022	2.12%	\$ 84,608.33	\$ 39,793.76	\$ 12,838.57	
FNMA	3135G0V59	Gov. Agency Debenture	11/27/2019	1,540,000.00	1,562,924.44			4/12/2022	1.61%	\$ 82,293.75	\$ 39,792.92	\$ 19,588.25	

Total Investments "Matured"												\$ 82,965.04	
Total Interest FY 20_21 Matured and Current												\$ 531,703.53	

Maturity Profile				Amount
	0-1 year			\$15,270,148.47
	1-2 years			\$26,145,420.58
	2-3 years			\$10,325,350.01
	3-5 years			\$ 1,583,927.57
				\$53,324,846.63

## Market to Cost Position Report

Institution	Amortized Cost
BNY Assets	\$46,265,482.88
BNY MM	153,893.45
LAIF	6,905,470.30
	\$53,324,846.63

## Town of Los Gatos

## Insight ESG Ratings as of June 30, 2022

Security Description	Maturity Date	Par/Shares	Moody Rating	S&P Rating	Insight ESG Rating	Environment	Social	Governance
IBM CORP 1.875% 01AUG2022	8/1/2022	\$ 1,000,000	A3	A-	2	1	2	4
JPMORGAN CHASE & CO 3.25% 23SEP2022	9/23/2022	\$ 900,000	A2	A-	3	1	2	4
AMERICAN HONDA FINANCE 1.95% 10MAY2023	5/10/2023	\$ 600,000	A3	A-	3	1	3	3
PNC BANK NA 3.8% 25JUL2023 (CALLABLE 25JUN23)	7/25/2023	\$ 1,000,000	A3	A-	3	2	3	2
TOYOTA MOTOR CREDIT CORP 1.35% 25AUG2023	8/25/2023	\$ 1,600,000	A1	A+	3	2	3	5
AMERICAN HONDA FINANCE 3.625% 10OCT2023	10/10/2023	\$ 950,000	A3	A-	3	1	3	3
BANK OF AMERICA CORP 3.004% 20DEC2023 (CALLABLE 20DEC22)	12/20/2023	\$ 1,300,000	A2	A-	3	1	3	3
JPMORGAN CHASE & CO 3.875% 01FEB2024	2/1/2024	\$ 1,400,000	A2	A-	3	1	2	4
US BANCORP 3.375% 05FEB2024 (CALLABLE 05JAN24)	2/5/2024	\$ 1,000,000	A2	A+	3	3	4	3
IBM CORP 3.0% 15MAY2024	5/15/2024	\$ 1,000,000	A3	A-	2	1	2	4
CATERPILLAR FIN SERVICES 2.85% 17MAY24	5/17/2024	\$ 1,000,000	A2	A	3	3	2	4
AMERICAN HONDA FINANCE 2.4% 27JUN2024	6/27/2024	\$ 1,000,000	A3	A-	3	1	3	3
HONEYWELL INTERNATIONAL 2.3% 15AUG2024 (CALLABLE 15JUL24)	8/15/2024	\$ 1,000,000	A2	A	3	3	4	3
<b>Total/Average</b>		<b>\$ 13,750,000</b>			<b>2.8</b>	<b>1.6</b>	<b>2.8</b>	<b>3.5</b>

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



**TOWN OF LOS GATOS  
FINANCE COMMISSION REPORT**

MEETING DATE: 08/08/2022

ITEM NO: 4

Item 4.

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DATE: August 8, 2022  
TO: Finance Commission  
FROM: Laurel Prevetti, Town Manager  
SUBJECT: Discuss Upcoming Audit and Provide Input on June 30, 2022 Annual Comprehensive Financial Report with the Town's Independent Auditor

**REMARKS:**

Discuss upcoming audit and provide input on June 30, 2022 Annual Comprehensive Financial Report with the Town's independent auditor.

**ATTACHMENT:**

1. Presentation Chavan and Associates, llp

**PREPARED BY:** Gitta Ungvari  
Interim Finance Director

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Reviewed by: Town Manager and Assistant Town Manager

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# Town of Los Gatos

## Audit Plan Summary

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JUNE 30, 2022



Chavan and Associates, LLP  
Certified Public Accountants

ATTACHMENT 1

# Audit Process

1

- Audit Planning & Preparation

2

- Audit Execution

3

- Audit Reporting

4

- Follow-up

# Auditing Standards

- **AICPA's Statements on Auditing Standards**
- **GAO/GAGAS**
  - We will conduct our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States



# Audit Objective/Responsibilities

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## Objective

- To express an opinion on the financial statements based on our audit.

## Responsibilities

- Plan and perform the audit to obtain ***reasonable assurance*** about whether the financial statements are free from material misstatement.



# Audit Objective/Responsibilities

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## Responsibilities Continued

- An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements.
- The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.
- In making those risk assessments, the auditor considers internal control relevant to the Town's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but ***not for the purpose of expressing an opinion on the effectiveness of the Town's internal control.***



# Significant Areas and Risk Areas

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- Federal compliance: ARPA grant
- Payroll and payroll allocations between departments, funds and sources.
- Disbursements and purchases
- Cash, AR, Capital Assets, Interfund Transactions, AP, other liabilities and Fund Balance.
- Pensions and OPEB
- GASB 87: Leases



# Timeline

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- Interim testing 5/2 through 5/9
- Year-end testing 9/26 through 9/30
- Year-end exit conference 9/30
- List of recommendations and audit adjustments 10/21
- Draft reports and letters 11/4
- Final reports and letters 11/25
- Report to commission and council, as needed.



# Questions

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

MEETING DATE: 08/08/2022

ITEM NO: 5

Item 5.

DATE: July 28, 2022  
TO: Finance Commission  
FROM: Laurel Prevetti, Town Manager  
SUBJECT: Receive the Town of Los Gatos Retiree Healthcare Plan June 30, 2021 Actuarial Valuation and its Assumptions as Prepared and Recommended by Bartel Associates, LLC.

**RECOMMENDATION:**

Staff recommends that the Finance Commission receive the Town of Los Gatos Retiree Healthcare Plan June 30, 2021 actuarial valuation and its assumptions as prepared and recommended by Bartel Associates, LLC.

**BACKGROUND:**

The Town's healthcare plan pays all, or a portion of, health insurance premiums for qualified retirees and their survivors and dependents. Healthcare benefits are also referred to as Other Post-Employment Benefits or OPEB. The Town's healthcare plan is an Internal Revenue Code Section 115 Trust which is administered by the Town Pension and OPEB Trusts Oversight Committee. The Oversight Committee consists of the five Town Council Members. The Oversight Committee is responsible for the management and control of the healthcare assets. The healthcare assets are maintained at CalPERS and invested in the CalPERS managed California Employers' Retiree Benefit Trust (CERBT) Strategy 1.

In 2009, the Town proactively opted to transition from a "pay-as-you-go" (PayGo) funding policy for OPEB benefits and adopted a ten-year phase-in approach to prefunding the OPEB obligations. Since implementation of the ten-year phase-in of prefunding, the healthcare plan has gone from zero percent funded to the current 81.0% funding ratio.

As part of adoption of the Fiscal Year (FY) 2022/23 Operating Budget, Council approved the use of \$902,579 from available OPEB 115 Trust assets for retiree PayGo expenses in FY 2022/23.

**PREPARED BY:** Gitta Ungvari  
Interim Finance Director

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

PAGE 2 OF 3

SUBJECT: Receive the Town of Los Gatos Retiree Healthcare Plan June 30, 2021 actuarial valuation and its assumptions as prepared and recommended by Bartel Associates, LLC.

DATE: July 28, 2021

BACKGROUND (continued):

This was possible based upon the most recent valuation projections of Town's annually actuarially required contributions.

DISCUSSION:

For the healthcare plan, the Town Pension and OPEB Trusts Oversight Committee retain the services of Bartel and Associates, LLC to analyze the respective assets and liabilities of the Healthcare Plan. In order for the Town to understand the value of future healthcare benefit payments, an actuarial valuation is performed every other year for the healthcare plan with the last valuation occurring in 2019.

Attachment 1 to this staff report presents the June 30, 2021 Actuarial Valuation Final Results from the Town's actuary, Bartel and Associates. Since the 2019 valuation, the total OPEB Actuarial Accrued Liability increased from \$27.0 million to \$28.7 million as of June 30, 2021. The Unfunded Actuarial Accrued Liability decreased from approximately \$8.7 million as of June 30, 2019 to \$5.5 million as of the June 30, 2021. The decrease in the Unfunded Actuarial Accrued Liability since 2019 was primarily the result of positive investment and demographic experience. The net result is an increase in the funded status for the OPEB plan as of June 30, 2021 to 81.0% from 67.9%.

	June 30, 2021	June 30, 2019
Actuarial Value of Plan Assets	\$23,252,000	\$18,341,000
Actuarial Accrued Liability	28,720,000	27,017,000
Unfunded Actuarial Accrued Liability	5,468,000	8,676,000
Funded Status	81.0%	67.9%

In addition, the development of the actuarial valuation includes assumption recommendations by the Town's actuary. The following table provides the primary actuarial assumptions recommended for the Oversight Committee's consideration and adoption. The Finance Commission is welcome to provide comments on the assumptions for the Oversight Committee's consideration.

PAGE 3 OF 3

SUBJECT: Receive the Town of Los Gatos Retiree Healthcare Plan June 30, 2021 actuarial valuation and its assumptions as prepared and recommended by Bartel Associates, LLC.

DATE: July 28, 2021

DISCUSSION (continued):

Assumption	June 30, 2021	June 30, 2019
General Inflation	2.50%	2.75%
Discount Rate	6.25%	6.75%
Payroll Increases	3.00%	2.75%
Amortization UAL	16 Years	18 Years

CONCLUSION:

Receive the Town of Los Gatos Retiree Healthcare Plan June 30, 2021 actuarial valuation and its assumptions as prepared and recommended by Bartel Associates, LLC.

COORDINATION:

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

FISCAL IMPACT:

There is no fiscal impact related reviewing the OPEB actuarial report.

ENVIRONMENTAL ASSESSMENT:

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

Attachment:

1. June 30, 2021 OPEB Actuarial Valuation Final Results



**BARTTEL**  
ASSOCIATES, LLC

## **TOWN OF LOS GATOS RETIREE HEALTHCARE PLAN**

**June 30, 2021 Actuarial Valuation  
Final Results**

**Bartel Associates, LLC**  
Mary Beth Redding, Vice President  
Wai Man Yam, Actuarial Analyst  
Katherine Moore, Associate Actuary  
**June 15, 2022**


### **CONTENTS**

<u>Topic</u>	<u>Page</u>
Benefit Summary	1
Funding Policy	5
Participant Summary	7
Assets	11
Valuation Results	14
Bartel Associates OPEB Database	29
Actuarial Certification	32
Exhibits	33

## BENEFIT SUMMARY

Item 5.

■ Eligibility	<ul style="list-style-type: none"> <li>• Retire directly from Town under CalPERS (service or disability)</li> <li>• Town Council members in CalPERS eligible</li> </ul>
■ Retiree Medical Benefit Tier 1	<ul style="list-style-type: none"> <li>• Maximum Town contribution is Kaiser Region 1 single premium plus 90% of difference between Kaiser premium for coverage elected (2-party and family) and single premium using:                             <ul style="list-style-type: none"> <li>➢ Non-Medicare premium for employees who retired before 2/1/16</li> <li>➢ Non-Medicare and Medicare premiums for employees who retired on or after 2/1/16</li> </ul> </li> <li>• Town contribution uses PEMHCA 5% unequal method                             <ul style="list-style-type: none"> <li>➢ Town joined PEMHCA in 1991</li> <li>➢ Maximum annual increase of \$100 per month - \$1,847.16 for family coverage (B/B/B) for 2021</li> </ul> </li> </ul>


 June 15, 2022

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## BENEFIT SUMMARY

■ Retiree Medical Benefit Tier 2	<ul style="list-style-type: none"> <li>• PEMHCA minimum amount for:                             <table border="1" data-bbox="730 1260 1214 1617"> <thead> <tr> <th>Employee Group</th><th>Hired After</th></tr> </thead> <tbody> <tr> <td>TEA</td><td>8/22/18</td></tr> <tr> <td>AFSCME</td><td>7/1/18</td></tr> <tr> <td>POA</td><td>10/1/18</td></tr> <tr> <td>Management</td><td>10/1/18</td></tr> <tr> <td>Confidential</td><td>10/1/18</td></tr> <tr> <td>Town Manager</td><td>10/1/18</td></tr> <tr> <td>Town Attorney</td><td>10/1/18</td></tr> <tr> <td>Town Council</td><td>10/1/18</td></tr> </tbody> </table> </li> </ul>	Employee Group	Hired After	TEA	8/22/18	AFSCME	7/1/18	POA	10/1/18	Management	10/1/18	Confidential	10/1/18	Town Manager	10/1/18	Town Attorney	10/1/18	Town Council	10/1/18
Employee Group	Hired After																		
TEA	8/22/18																		
AFSCME	7/1/18																		
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Confidential	10/1/18																		
Town Manager	10/1/18																		
Town Attorney	10/1/18																		
Town Council	10/1/18																		
■ PEMHCA Minimum Amount	<table> <tr> <td>2021</td><td>\$143 / month</td></tr> <tr> <td>2022</td><td>\$149 / month</td></tr> <tr> <td>2023</td><td>\$151 / month (estimated)</td></tr> <tr> <td>2024+</td><td>Medical CPI increases</td></tr> </table>	2021	\$143 / month	2022	\$149 / month	2023	\$151 / month (estimated)	2024+	Medical CPI increases										
2021	\$143 / month																		
2022	\$149 / month																		
2023	\$151 / month (estimated)																		
2024+	Medical CPI increases																		
■ Surviving Spouse Benefit	<ul style="list-style-type: none"> <li>• Retiree benefit paid to surviving spouse of retiree with CalPERS joint and survivor payment option</li> <li>• Retiree benefit paid to spouse of active employee who died while eligible to retire receiving CalPERS survivor benefit</li> </ul>																		

 June 15, 2022

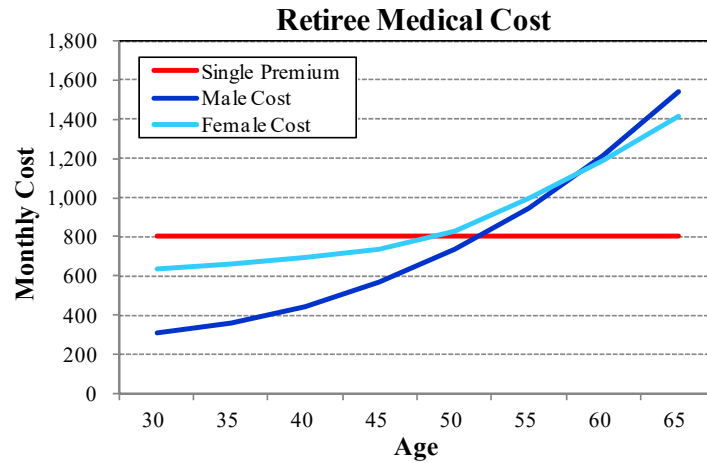


## BENEFIT SUMMARY

Item 5.

### ■ Implicit Subsidy

- Retirees pay blended medical premiums rather than expected medical costs by age and gender
- Active premiums subsidize non-Medicare eligible retiree medical costs (“implicit subsidy”)



- Implicit subsidy required by Actuarial Standards of Practice for actuarial valuations for PEMHCA plans after 3/31/15



## BENEFIT SUMMARY



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## FUNDING POLICY

Item 5.


### ■ Funding Policy

- Contribute at least full ADC<sup>1</sup> less cash subsidy and implicit subsidy benefit payments with OPEB trust (CERBT Investment Strategy #1)
- Cash subsidy and implicit subsidy benefit payments and PEMHCA administrative fees currently paid by the Town and not reimbursed from OPEB trust
- Unfunded Liability amortized over 16 years for 2022/23

### ■ Pay-As-You-Go Cost (000's)

<u>Fiscal Year</u>	<u>Cash Subsidy</u>	<u>Implicit Subsidy</u>	<u>PEMHCA Fees</u>	<u>Total PayGo</u>	<u>Trust Paid</u>	<u>Town Paid</u>
2020/21	\$1,279	\$216	\$11	\$1,506	\$0	\$1,506
2019/20	1,199	201	8	1,408	0	1,408
2018/19	1,104	195	8	1,307	0	1,307
2017/18	1,138	188	9	1,335	0	1,335
2016/17	1,040	229	9	1,278	0	1,278
2015/16	943	253	n/a	1,196	0	1,196
2014/15	859	n/a	n/a	859	0	859
2013/14	754	n/a	n/a	754	0	754
2012/13	687	n/a	n/a	687	0	687
2011/12	636	n/a	n/a	636	0	636

<sup>1</sup> Actuarially Determined Contribution (ADC) is GASBS 75's terminology for the recommended funding contribution.

 June 15, 2022

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## FUNDING POLICY

### ■ Town Contributions ('000's)

<u>Fiscal Year</u>	<u>Town PayGo</u>	<u>Trust Prefund</u>	<u>Total Contrib</u>	<u>ARC/ADC</u>	<u>Discount Rate</u>
2020/21	\$1,506	\$591	\$2,097	\$1,859	6.75%
2019/20	1,408	1,100	2,508	2,172	6.75%
2018/19	1,307	1,100	2,407	2,108	6.75%
2017/18	1,335	1,600	2,935	2,129	7.25%
2016/17	1,278	2,600	3,878	2,067	7.25%
2015/16	1,196	1,500	2,696	1,913	7.25%
2014/15	859	1,300	2,159	1,864	7.25%
2013/14	754	1,300	2,054	2,619	S&U
2012/13	687	1,200	1,887	2,492	S&U
2011/12	636	1,060	1,696	2,129	S&U
2010/11	581	850	1,431	1,990	S&U
2009/10	400	550	950	1,953	S&U
2008/09	346	400	746	1,801	S&U



# PARTICIPANT SUMMARY

Item 5.

## Eligible Participants - June 30, 2021

CalPERS Classification	Misc		Safety		Total	
<b>■ Actives</b>						
• Participating	88	78%	26	70%	114	76%
• Waived Coverage	<u>25</u>	<u>22%</u>	<u>11</u>	<u>30%</u>	<u>36</u>	<u>24%</u>
• Total Actives	113	100%	37	100%	150 <sup>2</sup>	100%
• Average Age	45.4		42.2		44.6	
• Average Town Service	8.0		9.9		8.5	
• Total Payroll (000's)	\$11,229		\$5,324		\$16,553	
<b>■ Retirees</b>						
• Participating	101	77%	41	79%	142	77%
• Waived Coverage	<u>31</u>	<u>23%</u>	<u>11</u>	<u>21%</u>	<u>42</u>	<u>23%</u>
• Total Retirees	132	100%	52	100%	184	100%
• Average Age	73.1		63.8		70.4	
• Average Service Retirement Age	59.9		53.7		58.6	
• Average Disabled Retirement Age	49.8		45.8		46.0	
<b>■ Retirees/Actives</b>	117%		141%		123%	

<sup>2</sup> 37 active employees on 6/30/21 are in Tier 2.

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# PARTICIPANT SUMMARY

## Eligible Participants - June 30, 2019

CalPERS Classification	Misc		Safety		Total	
<b>■ Actives</b>						
• Participating	87	78%	30	79%	117	79%
• Waived Coverage	<u>24</u>	<u>22%</u>	<u>8</u>	<u>21%</u>	<u>32</u>	<u>21%</u>
• Total Actives	111	100%	38	100%	149 <sup>3</sup>	100%
• Average Age	44.8		43.1		44.4	
• Average Town Service	8.0		10.7		8.7	
• Total Payroll (000's)	\$10,364		\$5,522		\$15,886	
<b>■ Retirees</b>						
• Participating	94	74%	36	75%	130	74%
• Waived Coverage	<u>33</u>	<u>26%</u>	<u>12</u>	<u>25%</u>	<u>45</u>	<u>26%</u>
• Total Retirees	127	100%	48	100%	175	100%
• Average Age	72.3		64.6		70.2	
• Average Service Retirement Age	59.9		53.4		58.6	
• Average Disabled Retirement Age	49.8		46.3		46.5	
<b>■ Retirees/Actives</b>	114%		126%		117%	

<sup>3</sup> 10 active employees on 6/30/19 are in Tier 2.





## PARTICIPANT SUMMARY

Item 5.

### Participant Reconciliation

Participants	Actives	Retirees			
		Service	Disabled	Survivors	Total
■ June 30, 2019	149	139	17	19	175
• Terminations <sup>4</sup>	(13)	-	-	-	-
• New Retirees & Survivors	(15)	13	2	0	15
• Retiree Deaths with Survivor	-	(1)	(0)	1	-
• Retiree Deaths without Survivor <sup>5</sup>	-	(2)	(0)	(4)	(6)
• New Participants	29	-	-	-	-
■ June 30, 2021	150	149	19	16	184

<sup>4</sup> Active employees reported for the 6/30/19 valuation and not reported for the 6/30/21 valuation were assumed to be terminations or deaths before retirement.

<sup>5</sup> Retirees reported for the 6/30/19 valuation and not reported for the 6/30/21 valuation were assumed to be deaths without covered survivors.

BA June 15, 2022

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## PARTICIPANT SUMMARY



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# ASSETS

Item 5.

## Market Value of Plan Assets (Trust Only)

(Amounts in 000's)

Market Value of Assets (MVA)	2017/18	2018/19	2019/20	2020/21	Projected 2021/22
■ MVA at Beginning of Year	\$13,601	\$16,277	\$18,380	\$20,124	\$26,235
• Trust Prefunding Contributions	1,600	1,100	1,100	591	149 <sup>6</sup>
• Investment Earnings	1,088	1,017	660	5,539	1,650
• Benefit Payments	0	0	0	0	0
• Investment Expenses	(5)	(6)	(7)	(8)	(11)
• CERBT Admin Expenses	(7)	(8)	(9)	(11)	(13)
■ MVA at End of Year	16,277	18,380	20,124	26,235	28,009
■ Estimated Annual Return	8.0%	6.2%	3.6%	27.5%	6.25%

<sup>6</sup> Provided by the Town

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# ASSETS

## Actuarial Value of Plan Assets (AVA)

(Amounts in 000's)

	Actual 6/30/21	Projected 6/30/22
■ Market Value of Assets	\$26,235	\$28,009
■ Unrecognized (Gain)/Loss		
• 1 year prior – 80%	(3,338)	-
• 2 years prior – 60%	353	(2,503)
• 3 years prior – 40%	35	235
• 4 years prior – 20%	(33)	18
■ Adjustment to MVA	(2,983)	(2,250)
■ AVA	23,252	25,759
■ Ratio: AVA/MVA	89%	92%

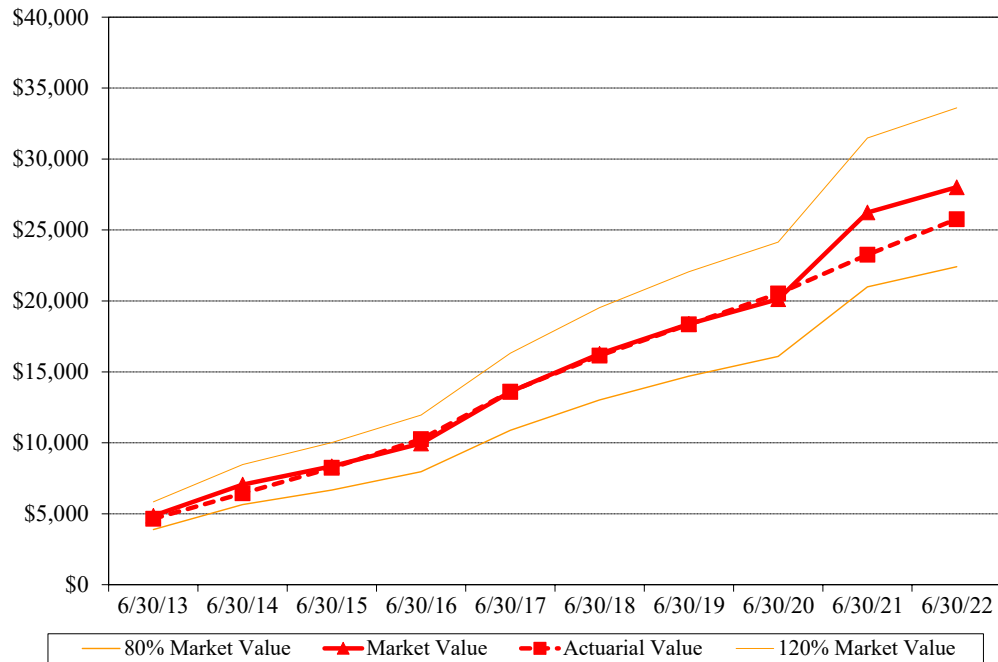


## ASSETS

Item 5.

### Historical Plan Assets

(Amounts in 000's)



BA June 15, 2022

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## VALUATION RESULTS

### Actuarial Obligations

Actuarial Obligations (Amounts in 000's)	Actual 6/30/19	Actual 6/30/21	Projected 6/30/22
■ <b>Discount Rate</b>	6.75%	6.25%	6.25%
■ <b>Present Value of Benefits</b>			
• Actives (future retirees)	\$19,848	\$18,251	
• Retirees	<u>16,952</u>	<u>18,809</u>	
• Total	36,800	37,060	
■ <b>Actuarial Accrued Liability</b>			
• Actives (future retirees)	10,065	9,911	
• Retirees	<u>16,952</u>	<u>18,809</u>	
• Total	27,017	28,720	\$29,913
■ <b>Actuarial (Smoothed) Asset Value</b>	<u>18,341</u>	<u>23,252</u>	<u>25,759</u>
■ <b>Unfunded AAL</b>	8,676	5,468	4,154
■ <b>Funded Percentage</b>	67.9%	81.0%	86.1%
■ <b>Normal Cost<sup>7</sup> (2020/21 and 2022/23)</b>	1,203	n/a	1,022

<sup>7</sup> Including estimated administrative expenses.

BA June 15, 2022

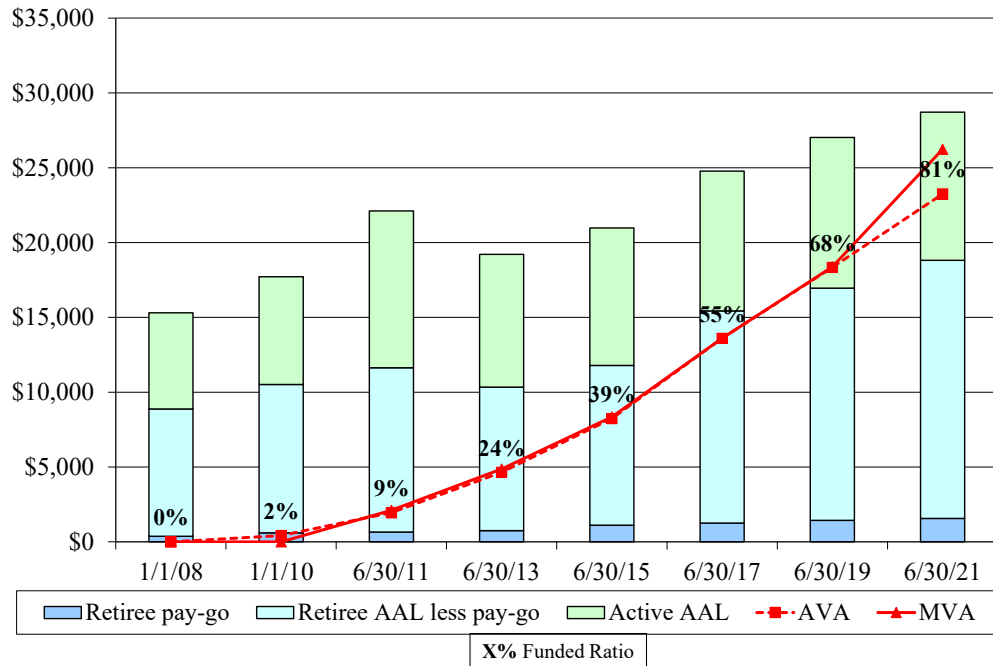


## VALUATION RESULTS

Item 5.

### Funded Status

(Amounts in 000's)



BA June 15, 2022

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## VALUATION RESULTS

### Actuarial Obligations

June 30, 2021

Actuarial Obligations (Amounts in 000's)	Cash Subsidy	Implicit Subsidy	Total Subsidy
■ <b>Discount Rate</b>	6.25%	6.25%	6.25%
■ <b>Present Value of Benefits</b>			
• Actives (future retirees)	\$14,329	\$3,922	\$18,251
• Retirees	<u>17,133</u>	<u>1,676</u>	<u>18,809</u>
• Total	31,462	5,598	37,060
■ <b>Actuarial Accrued Liability</b>			
• Actives (future retirees)	7,817	2,094	9,911
• Retirees	<u>17,133</u>	<u>1,676</u>	<u>18,809</u>
• Total	24,950	3,770	28,720
■ <b>Actuarial (Smoothed) Asset Value <sup>8</sup></b>	<u>20,200</u>	<u>3,052</u>	<u>23,252</u>
■ <b>Unfunded AAL</b>	4,750	718	5,468
■ <b>Normal Cost 2022/23<sup>9</sup></b>	814	208	1,022

<sup>8</sup> Actuarial Value of Assets allocated to cash subsidy and implicit subsidy in proportion to Actuarial Accrued Liability.

<sup>9</sup> Including estimated administrative expenses.

BA June 15, 2022



# VALUATION RESULTS

Item 5.

## Actuarial Obligations by Tier – Actives Only June 30, 2021

■ Benefit Tier	Tier 1	Tier 2	Total
■ Active Count	113	37	150
■ Projected 2022/23 Active Employee Payroll	\$14,583,000	\$2,893,000	\$17,476,000
■ 2022/23 Normal Cost	\$937,000	\$67,000	\$1,004,000
■ Normal Cost as % of Payroll	6.4%	2.3%	5.7%
■ Actuarial Accrued Liability	\$9,866,000	\$45,000	\$9,911,000



# VALUATION RESULTS

## Estimated Gains & Losses

Actuarial Gains & Losses (Amounts in 000's)	Accrued Liability	(Assets) (AVA)	Unfunded (UAAL)
■ 6/30/19 Actual Amounts	\$27,017	\$(18,341)	\$ 8,676
■ 6/30/21 Expected Amounts	30,155	(21,949)	8,206
■ Experience Losses (Gains)			
• Actual versus expected premiums <sup>10</sup>	(3,019)	-	(3,019)
• Demographic, primarily more retirees than expected	530	-	530
• Asset loss (gain)	-	(1,303)	(1,303)
■ Assumption Changes			
• Implicit subsidy added for Tier 1 Medicare eligible	382		382
• Mortality improvement scale updated	(88)	-	(88)
• CalPERS new demographic assumptions	(91)	-	(91)
• Lower Kaiser Medicare healthcare trend	(599)	-	(599)
• Retiree & family participation rates at retirement	395	-	395
• Inflation, discount rate & salaries decrease 25 b.p.	282	-	282
• Discount rate lowered additional 25 b.p.	773	-	773
■ Total Changes	(1,435)	(1,303)	(2,738)
■ 6/30/21 Actual Amounts	28,720	(23,252)	5,468

<sup>10</sup> Includes the impact of actual versus expected premiums and changes in claims aging factors.



## VALUATION RESULTS

Item 5.


### Actuarially Determined Contributions (ADC)<sup>11</sup>

(Amounts in 000's)

Actuarially Determined Contribution	<u>6/30/19 Valuation</u>		<u>6/30/21 Valuation</u>	
	2020/21	2021/22	2022/23	2023/24 <sup>12</sup>
■ <b>Discount Rate</b>	6.75%	6.75%	6.25%	6.25%
■ <b>ADC - \$</b>				
• Normal Cost	\$1,191	\$1,171	\$1,004	\$1,001
• Administrative Expenses	12	13	18	19
• UAAL Amortization	<u>656</u>	<u>676</u>	<u>350</u>	<u>407</u>
• Total ADC	1,859	1,860	1,372	1,427
■ <b>Projected Payroll</b>	16,853	17,359	17,476	17,957
■ <b>ADC - %</b>				
• Normal Cost	7.0%	6.7%	5.7%	5.6%
• Administrative Expenses	0.1%	0.1%	0.1%	0.1%
• UAAL Amortization	<u>3.9%</u>	<u>3.9%</u>	<u>2.0%</u>	<u>2.3%</u>
• Total ADC%	11.0%	10.7%	7.9%	7.9%
■ <b>UAAL Amortization Years</b>	18	17	16	15

<sup>11</sup> 1-year lag period between valuation date and first fiscal year ADC. Due to rounding, the numbers may not add.

<sup>12</sup> Assumes Town requests cash and implicit subsidy benefit payment reimbursements from the trust in 2022/23 and makes no trust contributions in 2022/23.

 June 15, 2022

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## VALUATION RESULTS


### Actuarially Determined Contribution (ADC)<sup>13</sup>

**2022/23 Fiscal Year**

(Amounts in 000's)

Actuarially Determined Contribution	Cash Subsidy	Implicit Subsidy	Total Subsidy
■ <b>Discount Rate</b>	6.25%	6.25%	6.25%
■ <b>ADC - \$</b>			
• Normal Cost	\$796	\$208	\$1,004
• Administrative Expenses	18	-	18
• UAAL Amortization	<u>303</u>	<u>47</u>	<u>350</u>
• Total ADC	1,117	255	1,372
■ <b>Projected Payroll</b>	17,476	17,476	17,476
■ <b>ADC - %</b>			
• Normal Cost	4.6%	1.2%	5.7%
• Administrative Expenses	0.1%	0.0%	0.1%
• UAAL Amortization	<u>1.7%</u>	<u>0.3%</u>	<u>2.0%</u>
• Total ADC	6.4%	1.5%	7.9%
■ <b>UAAL Amortization Years</b>	16	16	16

<sup>13</sup> Due to rounding the numbers may not add.

 June 15, 2022

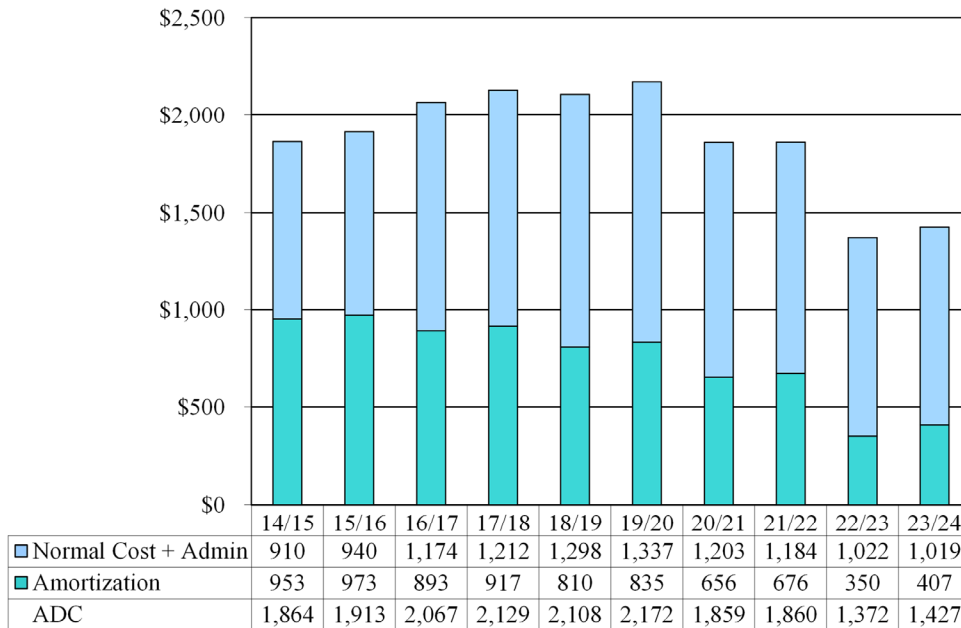


## VALUATION RESULTS

Item 5.

### Actuarially Determined Contributions (ADC)

(Amounts in \$000's)



## VALUATION RESULTS

### Benefit Payment Projection

(Amounts in 000's)

Fiscal Year End	Cash Subsidy <sup>14</sup>			Implicit Subsidy	Total Benefit Payments
	Current Actives	Current Retirees	Total Cash		
2023	\$114	\$1,308	\$1,422	\$201	\$1,623
2024	194	1,299	1,493	181	1,674
2025	278	1,290	1,568	176	1,744
2026	362	1,320	1,682	214	1,896
2027	457	1,326	1,783	239	2,022
2028	564	1,315	1,879	266	2,144
2029	656	1,328	1,984	332	2,316
2030	726	1,308	2,034	340	2,374
2031	820	1,248	2,068	324	2,393
2032	942	1,260	2,202	444	2,646

<sup>14</sup> Does not include estimated PEMHCA administrative fees.



## VALUATION RESULTS

Item 5.

### Total Payments Projection

(Amounts in 000's)

Fiscal Year End	Cash Benefit Payments	PEMHCA Admin Expense	Implicit Subsidy Payments	Total Benefit Payments	Percent of Payroll
2023	\$1,422	\$4	\$201	\$1,627	9.3%
2024	1,493	4	181	1,678	9.3%
2025	1,568	4	176	1,748	9.5%
2026	1,682	5	214	1,901	10.0%
2027	1,783	5	239	2,027	10.4%
2028	1,879	5	266	2,149	10.7%
2029	1,984	6	332	2,322	11.3%
2030	2,034	6	340	2,380	11.3%
2031	2,068	6	324	2,399	11.0%
2032	2,202	7	444	2,653	11.9%



## VALUATION RESULTS

### Contribution Projection - ADC Funding

(Amounts in 000's)

Fiscal Year End	Actuarially Determined Contribution					Town Contributions <sup>15</sup>			
	Normal Cost	UAAL Amort	ADC	Projected Payroll	ADC % Pay	Cash Subsidy	Implicit Subsidy	Trust Funding	Total Contrib
2023	\$1,022	\$350	\$1,372	\$17,476	7.9%	\$1,426	\$201	\$(1,627)	\$-
2024	1,019	407	1,427	17,957	7.9%	1,497	181	(70)	1,608
2025	1,002	325	1,327	18,450	7.2%	1,572	176	(245)	1,503
2026	983	228	1,211	18,958	6.4%	1,687	214	(476)	1,425
2027	962	211	1,173	19,479	6.0%	1,788	239	(615)	1,412
2028	942	189	1,130	20,015	5.6%	1,884	266	(754)	1,396
2029	926	160	1,086	20,565	5.3%	1,990	332	(904)	1,418
2030	906	119	1,025	21,131	4.9%	2,040	340	(1,015)	1,365
2031	885	70	955	21,712	4.4%	2,074	324	(1,119)	1,279
2032	869	16	885	22,309	4.0%	2,209	444	(1,324)	1,329

<sup>15</sup> Projection assumes Town requests cash and implicit subsidy benefit payment reimbursements from the trust in 2022/23 and thereafter contributes the ADC to the trust and requests reimbursements for cash benefit payments. Normal cost includes expenses partly based on asset value. Cash subsidy includes PEMHCA administrative expenses. Negative trust funding indicates reimbursement requested.





## VALUATION RESULTS

Item 5.

### Funded Status Projection - ADC Funding

(Amounts in 000's)

Fiscal Year End	Actuarial Value of Assets (AVA) <sup>16</sup>						Funded Status		
	BOY AVA	Trust Funding	Cash Subsidy Reimbursed	Implicit Subsidy Payments	Expected Earnings	EOY AVA	BOY AAL	BOY UAAL <sup>17</sup>	BOY Fund%
2023	\$25,759	\$ -	\$(1,426)	\$(201)	\$2,385	26,517	\$29,913	\$4,154	86%
2024	26,517	-	(70)	-	2,411	28,858	31,113	4,596	85%
2025	28,858	-	(245)	-	2,626	31,239	32,333	3,475	89%
2026	31,239	-	(476)	-	1,885	32,648	33,539	2,300	93%
2027	32,648	-	(615)	-	1,968	34,001	34,643	1,995	94%
2028	34,001	-	(754)	-	2,050	35,297	35,664	1,663	95%
2029	35,297	-	(904)	-	2,127	36,520	36,602	1,305	96%
2030	36,520	-	(1,015)	-	2,201	37,706	37,404	884	98%
2031	37,706	-	(1,119)	-	2,274	38,861	38,176	470	99%
2032	38,861	-	(1,324)	-	2,342	39,879	38,955	94	100%

<sup>16</sup> Projection assumes Town requests cash and implicit subsidy benefit payment reimbursements from the trust in 2022/23 and thereafter contributes the ADC to the trust and requests reimbursements for cash benefit payments.

<sup>17</sup> UAAL is amortized over 16 years for 2022/23 and decreases by 1 year for each year thereafter.



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## VALUATION RESULTS

### CERBT Investment Options

#### ■ 2018 Asset Allocation

	Strategy 1	Strategy 2	Strategy 3
Global Equity	59%	40%	22%
Fixed Income	25%	43%	49%
TIPS	5%	5%	16%
Commodities	3%	4%	5%
REITs	8%	8%	8%
Total	100%	100%	100%

#### ■ 2022 Asset Allocation (approved March 14, 2022)

	Strategy 1	Strategy 2	Strategy 3
Global Equity	49%	34%	23%
Fixed Income	23%	41%	51%
TIPS	5%	5%	9%
Commodities	3%	3%	3%
REITs	20%	17%	14%
Total	100%	100%	100%



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## VALUATION RESULTS

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### Discount Rate

- Future expected returns
  - Stochastic simulations of geometric average returns over 20 years
  - 5,000 trials
  - 2.50% inflation assumption
  - Projections based on 8 independent Investment Advisors 2021 10-year Capital Market Assumptions and where available, investment advisors long-term trends
  - Confidence levels (based on 2022 asset allocations):

	Strategy 1	Strategy 2	Strategy 3
50% Confidence Level	<b>6.25%</b>	5.75%	5.25%
55% Confidence Level	6.00%	5.50%	5.00%
60% Confidence Level	5.75%	5.25%	4.75%

- Town currently in Strategy 1
  - Recommend 6.25% discount rate



## VALUATION RESULTS

### CERBT Prefunding

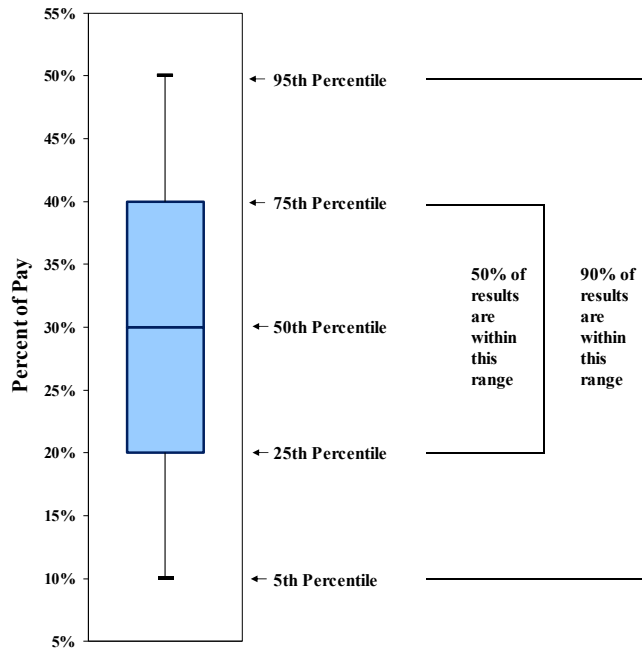
(Amounts in 000's)

■ Investment Strategy	CERBT #1	CERBT #2	CERBT #3
■ Discount Rate	6.25%	5.75%	5.25%
■ Present Value of Benefits	\$37,060	\$39,876	\$43,055
■ Funded Status - 6/30/21			
• Actuarial Accrued Liability	28,720	30,376	32,194
• Actuarial Value of Assets	<u>23,252</u>	<u>23,252</u>	<u>23,252</u>
• Unfunded AAL	5,468	7,124	8,942
• Funded Percentage	81.0%	76.5%	72.2%
■ ADC 2022/23			
• Normal Cost + Admin. Expenses	1,022	1,117	1,222
• UAAL Amortization <sup>18</sup>	<u>350</u>	<u>476</u>	<u>605</u>
• Total ADC	1,372	1,593	1,827
■ ADC% 2022/23	7.9%	9.1%	10.5%

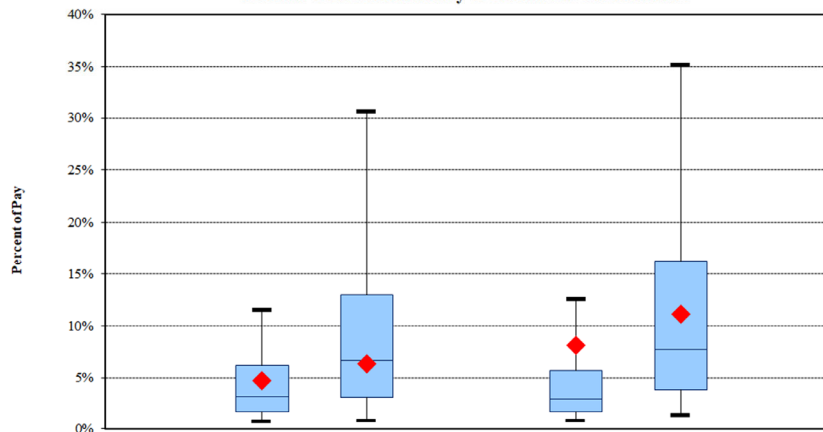
<sup>18</sup> Amortized as a level percentage of payroll over a 16-year period.



**Bartel Associates OPEB Database  
Sample Percentile Graph**



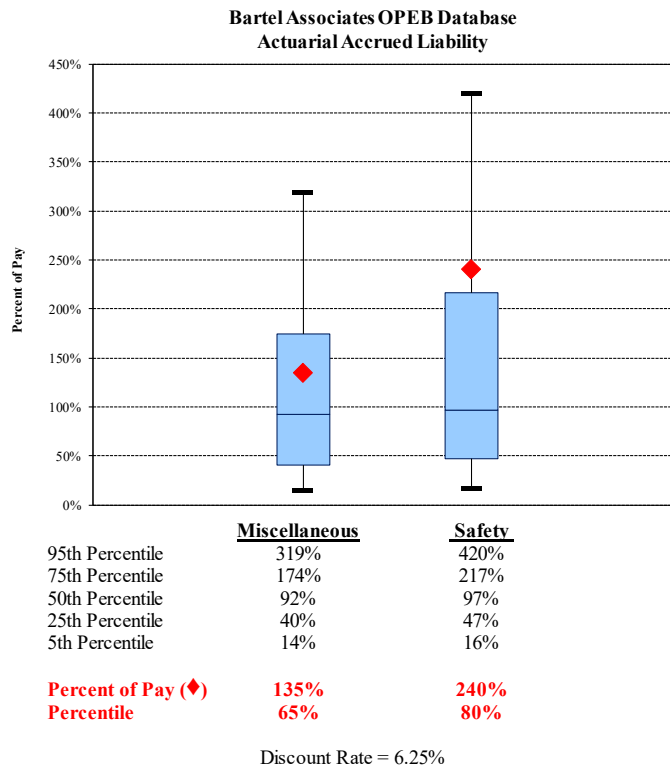
**Bartel Associates OPEB Database  
Normal Cost & Actuarially Determined Contribution**



	Miscellaneous		Safety	
	NC	ADC	NC	ADC
95th Percentile	11.6%	30.7%	12.6%	35.2%
75th Percentile	6.2%	13.0%	5.7%	16.3%
50th Percentile	3.2%	6.7%	2.9%	7.7%
25th Percentile	1.8%	3.1%	1.7%	3.9%
5th Percentile	0.8%	0.9%	0.9%	1.4%
Percent of Pay (♦)	4.7%	6.3%	8.2%	11.1%
Percentile	67%	52%	87%	65%

Discount Rate = 6.25%, Average Amortization Period = 16.0 Years





## ACTUARIAL CERTIFICATION

This report presents the Town of Los Gatos Retiree Healthcare Plan (“Plan”) June 30, 2021 actuarial valuation. The purpose of this valuation is to calculate the June 30, 2021 funded status and 2022/23 and 2023/24 Actuarially Determined Contributions and provide the basis for the Town’s GASBS 75 accounting information report for the fiscal years ending on June 30, 2022 and June 30, 2023. The report may not be appropriate for other purposes.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as: plan experience differing from that anticipated by the assumptions; changes in assumptions; changes expected as part of the natural progression of the plan; and changes in plan provisions or applicable law. Actuarial models necessarily rely on the use of estimates and are sensitive to changes. Small variations in estimates may lead to significant changes in actuarial measurements. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of such measurements.

Information under Governmental Accounting Standards Board Statement No. 75 (GASBS 75) has been provided under a separate report.

The valuation is based on Plan provisions, participant data, and asset information provided by the Town as summarized in this report, which we relied on but did not audit. We reviewed the participant data for reasonableness.

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

Respectfully submitted,

Mary Elizabeth Redding, FSA, EA, FCA,MAAA  
Vice President  
Bartel Associates, LLC  
June 15, 2022

Katherine Moore, ASA, MAAA  
Associate Actuary  
Bartel Associates, LLC  
June 15, 2022



# EXHIBITS

Item 5.

Topic	Page
Premiums	E-1
Participant Statistics	E-3
Actuarial Assumptions	E-15
Actuarial Methods	E-27
Definitions	E-29



# PREMIUMS

## 2021 PEMHCA Monthly Premiums Region 1

Medical Plan	Non-Medicare Eligible			Medicare Eligible		
	Single	2-Party	Family	Single	2-Party	Family
Anthem Select	\$925.60	\$1,851.20	\$2,406.56	\$383.37	\$766.74	\$1,150.11
Anthem Traditional	1,307.86	2,615.72	3,400.44	383.37	766.74	1,150.11
Blue Shield Access+	1,170.08	2,340.16	3,042.21	n/a	n/a	n/a
Health Net SmartCare	1,120.21	2,240.42	2,912.55	n/a	n/a	n/a
Kaiser	813.64	1,627.28	2,115.46	324.48	648.96	973.44
UnitedHealthcare	941.17	1,882.34	2,447.04	311.56	623.12	934.68
Western Health Adv.	757.02	1,514.04	1,968.25	n/a	n/a	n/a
PERS Choice	935.84	1,871.68	2,433.18	349.97	699.94	1,049.91
PERS Select	566.67	1,133.34	1,473.34	349.97	699.94	1,049.91
PERSCare	1,294.69	2,589.38	3,366.19	381.25	762.50	1,143.75
PORAC	799.00	1,725.00	2,199.00	513.00	1,022.00	1,635.00



# PREMIUMS

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## **2022 PEMHCA Monthly Premiums** **Region 1**

Medical Plan	Non-Medicare Eligible			Medicare Eligible		
	Single	2-Party	Family	Single	2-Party	Family
Anthem Select	\$1,015.81	\$2,031.62	\$2,641.11	\$360.19	\$720.38	\$1,080.57
Anthem Traditional	1,304.00	2,608.00	3,390.40	360.19	720.38	1,080.57
Blue Shield Access+	1,116.01	2,232.02	2,901.63	353.11	706.22	1,059.33
Health Net SmartCare	1,153.00	2,306.00	2,997.80	n/a	n/a	n/a
Kaiser	857.06	1,714.12	2,228.36	302.53	605.06	907.59
UnitedHealthcare	1,020.28	2,040.56	2,652.73	294.65	589.30	883.95
UnitedHealthcare Edge	n/a	n/a	n/a	347.21	694.42	1,041.63
Western Health Adv.	741.26	1,482.52	1,927.28	314.94	629.88	944.82
PERS Platinum	1,057.01	2,114.02	2,748.23	381.94	763.88	1,145.82
PERS Gold	701.23	1,402.46	1,823.20	377.41	754.82	1,132.23
PORAC	799.00	1,725.00	2,219.00	461.00	919.00	1,471.00



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# PARTICIPANT STATISTICS

## **Medical Plan Participation** **Miscellaneous Non-Waived Participants**

Medical Plan	June 30, 2019			June 30, 2021		
	Actives	Retirees		Actives	Retirees	
		< 65	≥ 65		< 65	≥ 65
Anthem HMO Select	15%	13%	1%	13%	14%	3%
Anthem HMO Traditional	3%	4%	0%	2%	0%	0%
Blue Shield Access+	0%	0%	0%	0%	0%	0%
Health Net SmartCare	1%	0%	0%	0%	0%	0%
Kaiser Permanente	63%	42%	30%	65%	41%	29%
UnitedHealthcare	0%	0%	16%	0%	0%	15%
Western Health Advantage	0%	0%	0%	0%	0%	0%
PERS Choice	17%	33%	30%	16%	36%	29%
PERS Select	1%	4%	0%	3%	0%	3%
PERSCare	0%	4%	23%	1%	9%	21%
Total	100%	100%	100%	100%	100%	100%



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# PARTICIPANT STATISTICS

Item 5.

## Medical Plan Participation Safety Non-Waived Participants

Medical Plan	June 30, 2019			June 30, 2021		
	Actives	Retirees		Actives	Retirees	
		< 65	≥ 65		< 65	≥ 65
Anthem HMO Select	10%	10%	0%	8%	5%	5%
Anthem HMO Traditional	0%	0%	7%	0%	0%	0%
Blue Shield Access+	0%	0%	0%	0%	0%	0%
Health Net SmartCare	0%	0%	0%	0%	0%	0%
Kaiser Permanente	57%	33%	20%	54%	36%	21%
UnitedHealthcare	0%	0%	0%	0%	0%	0%
Western Health Advantage	0%	0%	0%	0%	0%	0%
PERS Choice	3%	24%	20%	4%	23%	21%
PERS Select	0%	0%	7%	0%	0%	5%
PERSCare	0%	0%	13%	4%	0%	11%
PORAC	30%	33%	33%	30%	36%	37%
Total	100%	100%	100%	100%	100%	100%



# PARTICIPANT STATISTICS

## Active Medical Coverage Miscellaneous

Medical Plan	Single	2-Party	Family	Cash	Total
Anthem HMO Select	3	3	5		11
Anthem HMO Traditional	2				2
Blue Shield Access+					0
Health Net SmartCare					0
Kaiser Permanente	25	8	24		57
UnitedHealthcare					0
Western Health Advantage					0
PERS Choice	5	3	6		14
PERS Select	1	1	1		3
PERSCare	1				1
Waived				25	25
Total	37	15	36	25	113



# PARTICIPANT STATISTICS

Item 5.

## Active Medical Coverage Safety

Medical Plan	Single	2-Party	Family	Cash	Total
Anthem HMO Select		1	1		2
Anthem HMO Traditional					0
Blue Shield Access+					0
Health Net SmartCare					0
Kaiser Permanente	5	2	7		14
UnitedHealthcare					0
Western Health Advantage					0
PERS Choice	1				1
PERS Select					0
PERSCare	1				1
PORAC		2	6		8
Waived				11	11
Total	7	5	14	11	37



# PARTICIPANT STATISTICS

## Retiree Medical Coverage Miscellaneous - Under Age 65

Medical Plan	Single	2-Party	Family	Waived	Total
Anthem HMO Select	2		1		3
Anthem HMO Traditional					0
Blue Shield Access+					0
Health Net SmartCare					0
Kaiser Permanente	4	3	2		9
UnitedHealthcare					0
Western Health Advantage					0
PERS Choice	5	3			8
PERS Select					0
PERSCare	1	1			2
Waived				3	3
Total	12	7	3	3	25





# PARTICIPANT STATISTICS

Item 5.

## Retiree Medical Coverage Safety - Under Age 65

Medical Plan	Single	2-Party	Family	Waived	Total
Anthem HMO Select			1		1
Anthem HMO Traditional					0
Blue Shield Access+					0
Health Net SmartCare					0
Kaiser Permanente	3	3	2		8
UnitedHealthcare					0
Western Health Advantage					0
PERS Choice	2	1	2		5
PERS Select					0
PERSCare					0
PORAC	2	3	3		8
Waived				4	4
Total	7	7	8	4	26



# PARTICIPANT STATISTICS

## Retiree Medical Coverage Miscellaneous - Age 65 & Over

Medical Plan	Single	2-Party	Family	Waived	Total
Anthem HMO Select		1	1		2
Anthem HMO Traditional					0
Blue Shield Access+					0
Health Net SmartCare					0
Kaiser Permanente	17	6			23
UnitedHealthcare	6	6			12
Western Health Advantage					0
PERS Choice	11	12			23
PERS Select		1	1		2
PERSCare	10	7			17
Waived				28	28
Total	44	33	2	28	107



# PARTICIPANT STATISTICS

Item 5.

## Retiree Medical Coverage Safety - Age 65 & Over

Medical Plan	Single	2-Party	Family	Waived	Total
Anthem HMO Select		1			1
Anthem HMO Traditional					0
Blue Shield Access+					0
Health Net SmartCare					0
Kaiser Permanente	2	2			4
UnitedHealthcare					0
Western Health Advantage					0
PERS Choice	3	1			4
PERS Select		1			1
PERSCare	1		1		2
PORAC	2	5			7
Waived				7	7
Total	8	10	1	7	26



# PARTICIPANT STATISTICS

## Actives by Age and Town Service Miscellaneous

Age	Town Service							Total
	< 1	1-4	5-9	10-14	15-19	20-24	≥ 25	
< 25		1						1
25-29	4	7	2					13
30-34		8	5					13
35-39	1	4	6	1				12
40-44	1	6	5	1	2	1		16
45-49		2	6	3	2	2		15
50-54	2	4	4	3	2	1		16
55-59	1	2	5	2	4			14
60-64		4	3			1	1	9
≥ 65	1					1	2	4
Total	10	38	36	10	10	6	3	113



# PARTICIPANT STATISTICS

Item 5.

## Actives by Age and Town Service Safety

Age	Town Service							Total
	< 1	1-4	5-9	10-14	15-19	20-24	≥ 25	
< 25		2						2
25-29	2	2						4
30-34	1	2	2					5
35-39		1		3				4
40-44			1	1	1			3
45-49	1	1	5		1	5		13
50-54		1			1	1		3
55-59						1		1
60-64								0
≥ 65		1			1			2
Total	4	10	8	4	4	7	0	37



# PARTICIPANT STATISTICS

## Retiree Medical Coverage by Age Group Miscellaneous

Age	Single	2-Party	Family	Waived	Total
Under 50					0
50-54	1				1
55-59	2	1	2		5
60-64	9	6	1	3	19
65-69	12	8	2	3	25
70-74	11	11		8	30
75-79	11	9		5	25
80-84	6	2		7	15
85+	4	3		5	12
Total	56	40	5	31	132



# PARTICIPANT STATISTICS

Item 5.

## Retiree Medical Coverage by Age Group Safety

Age	Single	2-Party	Family	Waived	Total
Under 50			4	1	5
50-54	1	1	3	3	8
55-59	1	4	1		6
60-64	5	2			7
65-69	2	5	1	2	10
70-74	2	3		1	6
75-79	2	2		2	6
80-84	2			2	4
85+					0
Total	15	17	9	11	52



# ACTUARIAL ASSUMPTIONS

Assumption	June 30, 2019 Valuation	June 30, 2021 Valuation
■ Valuation Date	<ul style="list-style-type: none"> <li>• June 30, 2019</li> <li>• 2020/21 and 2021/22 ADCs</li> <li>• ADC calculated as of beginning of the year with interest to end of year</li> <li>• 1-year lag period between valuation date and first fiscal year ADC</li> </ul>	<ul style="list-style-type: none"> <li>• June 30, 2021</li> <li>• 2022/23 and 2023/24 ADCs</li> <li>• ADC calculated as of beginning of the year with interest to end of year</li> <li>• 1-year lag period between valuation date and first fiscal year ADC</li> </ul>
■ Funding Policy	<ul style="list-style-type: none"> <li>• Prefund full ADC less cash and implicit subsidy benefit payments with CERBT #1</li> <li>• Benefit payments currently made from Town assets</li> </ul>	<ul style="list-style-type: none"> <li>• Same</li> </ul>
■ General Inflation	<ul style="list-style-type: none"> <li>• 2.75% annually</li> <li>• Basis for aggregate payroll and discount rate assumptions</li> </ul>	<ul style="list-style-type: none"> <li>• 2.50% annually</li> <li>• Basis for aggregate payroll and discount rate assumptions</li> </ul>



# ACTUARIAL ASSUMPTIONS

Item 5.

Assumption	June 30, 2019 Valuation	June 30, 2021 Valuation
■ Discount Rate	• 6.75%	• 6.25%
■ Aggregate Payroll Increases	<ul style="list-style-type: none"> <li>• 3.00% annually</li> <li>• Inflation plus 0.25%</li> <li>• For Normal Cost calculation and UAAL amortization</li> </ul>	<ul style="list-style-type: none"> <li>• 2.75% annually</li> <li>• Inflation plus 0.25%</li> <li>• For Normal Cost calculation and UAAL amortization</li> </ul>
■ Merit Payroll Increases	<ul style="list-style-type: none"> <li>• CalPERS 1997-2015 Experience Study</li> <li>• Added to aggregate payroll increase assumption for Normal Cost calculation</li> </ul>	<ul style="list-style-type: none"> <li>• CalPERS 2000-2019 Experience Study</li> <li>• Added to aggregate payroll increase assumption for Normal Cost calculation</li> </ul>
■ Administration Expenses	<ul style="list-style-type: none"> <li>• CERBT - 0.05% of assets added to Normal Cost</li> <li>• PEMHCA - 0.27% of retiree premium added to Normal Cost (2019/20 PEMHCA administrative fee)</li> </ul>	<ul style="list-style-type: none"> <li>• CERBT - 0.05% of assets included in ADC</li> <li>• PEMHCA - 0.25% of retiree premium included in ADC (2021/22 PEMHCA administrative fee)</li> </ul>



June 15, 2022

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# ACTUARIAL ASSUMPTIONS

Assumption	June 30, 2019 Valuation		June 30, 2021 Valuation		
■ Medical Trend	<u>Increase from Prior Year</u>		<u>Increase from Prior Year</u>		
	<u>Year</u>	<u>Non-Medicare</u> <u>Medicare</u>	<u>Year</u>	<u>Non-Medicare</u> <u>Medicare</u> <u>Kaiser</u> <u>Other</u>	
	2017	n/a	2020	n/a	
	2018	n/a	2021	Actual Premiums	
	2019	Premiums	2022	Actual Premiums	
	2020	Premiums	2023	6.50%	4.60%   5.65%
	2021	7.25%	2024	6.25%	4.45%   5.45%
	2022	7.00%	2025	6.00%	4.35%   5.25%
	2023	6.75%	2026	5.75%	4.25%   5.05%
	2024	6.50%	2027	5.55%	4.20%   4.90%
	2025	6.25%	2028	5.35%	4.15%   4.75%
	2026	6.00%	2029	5.15%	4.10%   4.60%
	2027	5.80%	2030	4.95%	4.05%   4.45%
	2028	5.60%	2031-2035	4.80%	4.00%   4.35%
	2029	5.40%	2036-2045	4.65%	3.95%   4.25%
	2030	5.20%	2046-2055	4.50%	3.90%   4.20%
	2031-2035	5.05%	2056-2065	4.35%	3.85%   4.15%
	2036-2045	4.90%	2066-2075	4.05%	3.80%   3.95%
	2046-2055	4.75%	2076+	3.75%	3.75%   3.75%
	2056-2065	4.60%			
	2066-2075	4.30%			
	2076+	4.00%			



June 15, 2022

E-17



# ACTUARIAL ASSUMPTIONS

Item 5.

Assumption	June 30, 2019 Valuation	June 30, 2021 Valuation
■ Medical Trend (continued)	■ n/a	■ PEMHCA medical premiums after 2022 and estimated claims after 2021 do not take into account buy-downs (CalPERS subsidizations of premium rates from reserves). <sup>19</sup>
■ Mortality, Termination, Disability	<ul style="list-style-type: none"> <li>• CalPERS 1997-2015 Experience Study</li> <li>• Mortality Improvement Scale 2019</li> </ul>	<ul style="list-style-type: none"> <li>• CalPERS 2000-2019 Experience Study</li> <li>• Mortality Improvement Scale 2021</li> </ul>
■ Service Retirement	<ul style="list-style-type: none"> <li>• CalPERS 1997-2015 Experience Study</li> </ul>	<ul style="list-style-type: none"> <li>• CalPERS 2000-2019 Experience Study</li> </ul>

<sup>19</sup> Applies to Basic plans: Anthem Select, Anthem Traditional, Blue Shield Trio, Health Net Salud y Mas, UnitedHealthcare Alliance, Western Health Advantage, and PERS Platinum; Medicare Advantage plan: Anthem Medicare Preferred; Medicare Supplement plans: PERS Platinum and PERS Gold.



June 15, 2022

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# ACTUARIAL ASSUMPTIONS

Assumption	June 30, 2019 Valuation	June 30, 2021 Valuation
■ Participation at Retirement	<ul style="list-style-type: none"> <li>• Tier 1 Actives: <ul style="list-style-type: none"> <li>➢ Participating - 100%</li> <li>➢ Waived - 80%</li> </ul> </li> <li>• Tier 2 Actives: <ul style="list-style-type: none"> <li>➢ Participating - 60%</li> <li>➢ Waived: <ul style="list-style-type: none"> <li>- Agency service &lt; 3 months - 60%</li> <li>- Agency service ≥ 3 months - 40%</li> </ul> </li> </ul> </li> <li>• Retirees: <ul style="list-style-type: none"> <li>➢ Participating - 100%</li> <li>➢ Waived: <ul style="list-style-type: none"> <li>- &lt; 65 - 20% elect at 65</li> <li>- ≥ 65 - 0%</li> </ul> </li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Tier 1 Actives: <ul style="list-style-type: none"> <li>➢ Participating - 100%</li> <li>➢ Waived - 100%</li> </ul> </li> <li>• Tier 2 Actives: <ul style="list-style-type: none"> <li>➢ Participating - 60%</li> <li>➢ Waived - 40%</li> </ul> </li> <li>• Retirees: <ul style="list-style-type: none"> <li>➢ Participating - 100%</li> <li>➢ Waived: <ul style="list-style-type: none"> <li>- &lt; 65 - 0% elect at 65</li> <li>- ≥ 65 - 0%</li> </ul> </li> </ul> </li> </ul>



June 15, 2022

E-19



# ACTUARIAL ASSUMPTIONS

Item 5.

Assumption	June 30, 2019 Valuation	June 30, 2021 Valuation
<p>■ Medical Plan at Retirement</p>	<ul style="list-style-type: none"> <li>Participating: <ul style="list-style-type: none"> <li>➢ Current plan election</li> <li>➢ UnitedHealthcare when eligible for Medicare if Medicare eligible plan not available for current plan election</li> </ul> </li> <li>Waived - Kaiser</li> </ul>	<ul style="list-style-type: none"> <li>Same</li> <li>Participants with PERS Choice and PERSCare move to PERS Platinum</li> <li>Participants with PERS Select move to PERS Gold</li> </ul>
<p>■ Marital Status at Retirement</p>	<ul style="list-style-type: none"> <li>Actives: <ul style="list-style-type: none"> <li>➢ Married if currently elect 2-party or family coverage</li> <li>➢ Waived - 80% married</li> </ul> </li> <li>Retirees - based on spouse information if provided</li> </ul>	<ul style="list-style-type: none"> <li>Same</li> </ul>



# ACTUARIAL ASSUMPTIONS

Assumption	June 30, 2019 Valuation	June 30, 2021 Valuation
<p>■ Retiree Coverage Election at Retirement</p>	<ul style="list-style-type: none"> <li>Covered - based on current coverage election</li> <li>Waived <ul style="list-style-type: none"> <li>➢ Single coverage if assumed to not be married</li> <li>➢ 2-party coverage if assumed to be married</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Same</li> </ul>
<p>■ Spouse Age</p>	<ul style="list-style-type: none"> <li>Actives - males 3 years older than females</li> <li>Retirees - males 3 years older than females if spouse birth date not provided</li> </ul>	<ul style="list-style-type: none"> <li>Same</li> </ul>



# ACTUARIAL ASSUMPTIONS

Item 5.

Assumption	June 30, 2019 Valuation	June 30, 2021 Valuation
<b>■ Spouse &amp; Dependent Coverage at Retirement</b>	<ul style="list-style-type: none"> <li>Surviving spouse coverage - 100% of married retirees elect CalPERS joint and survivor annuity</li> <li>Family coverage: <ul style="list-style-type: none"> <li>➤ Current actives: <ul style="list-style-type: none"> <li>- Misc - 5% until age 65</li> <li>- Safety - 25% until age 65</li> </ul> </li> <li>➤ Current retirees <ul style="list-style-type: none"> <li>- Current coverage until 65</li> </ul> </li> <li>➤ No coverage after age 65</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Surviving spouse coverage - 100% of married retirees elect CalPERS joint and survivor annuity</li> <li>Family coverage: <ul style="list-style-type: none"> <li>➤ Current Tier 1 actives: <ul style="list-style-type: none"> <li>- Misc - 10% until age 65</li> <li>- Safety - 35% until age 65</li> </ul> </li> <li>➤ Current retirees <ul style="list-style-type: none"> <li>- Current coverage until 65</li> </ul> </li> <li>➤ No coverage after age 65</li> </ul> </li> </ul>
<b>■ Medicare Eligibility</b>	<ul style="list-style-type: none"> <li>100% eligible for Medicare at age 65</li> <li>Medicare eligible retirees will elect Part B coverage</li> </ul>	<ul style="list-style-type: none"> <li>Same</li> </ul>



# ACTUARIAL ASSUMPTIONS

Assumption	June 30, 2021 Valuation								
<b>■ Medical Claims Costs 2022 Calendar Year</b>	<ul style="list-style-type: none"> <li>Sample estimated monthly claims costs: <div> <div>Region 1</div> <div> <div>Anthem</div> <div> <div>Anthem Select</div> <div>Traditional</div> <div>Kaiser</div> <div>UnitedHealthcare</div> </div> </div> </div> </li> </ul>								
	Age	M	F	M	F	M	F	M	F
	25	\$423	\$804	\$526	\$1,001	\$347	\$661	\$424	\$807
	35	495	832	616	1,035	407	683	497	835
	45	686	896	854	1,115	564	736	688	899
	55	1,134	1,138	1,412	1,416	932	934	1,138	1,142
	60	1,535	1,387	1,911	1,727	1,261	1,139	1,541	1,392
	64	1,881	1,615	2,342	2,010	1,545	1,326	1,888	1,621
	65	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	70	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	75	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	80	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a





# ACTUARIAL ASSUMPTIONS

Item 5.

Assumption	June 30, 2021 Valuation					
<b>■ Medical Claims Costs 2022 Calendar Year</b>	<b>• Sample estimated monthly claims costs:</b>					
	<u>Region 1</u>					
	<u>PERS Platinum</u>		<u>PERS Gold</u>		<u>PORAC</u>	
	<u>Age</u>	<u>M</u>	<u>F</u>	<u>M</u>	<u>F</u>	
	25	\$364	\$715	\$285	\$573	\$324 \$643
	35	429	742	337	595	383 666
	45	604	803	481	646	542 720
	55	1,031	1,035	836	840	928 929
	60	1,420	1,277	1,162	1,042	1,278 1,147
	64	1,750	1,492	1,436	1,220	1,576 1,341
	65	378	329	379	330	436 377
	70	420	364	421	365	484 417
	75	452	393	453	394	521 450
	80	468	410	469	412	540 470



June 15, 2022

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# ACTUARIAL ASSUMPTIONS

Assumption	June 30, 2021 Valuation
<b>■ Basis for Assumptions</b>	<ul style="list-style-type: none"> <li>■ 2021 CalPERS experience study covering 2000 to 2019 experience</li> <li>■ Mortality improvement based on Society of Actuaries table</li> <li>■ Inflation based on the Plan's very long time horizon</li> <li>■ Participation and coverage take into account Plan experience</li> <li>■ Capital market assumptions based on 2021 Bartel Associates stochastic analysis, taking into account capital market assumptions of investment advisory firms</li> <li>■ PEMHCA medical claims costs were developed by Axene Health Partners based on demographic data for the CalPERS health plans provided by CalPERS and Axene's proprietary AHP Cost Model.</li> <li>■ Short-term medical trend developed in consultation with Axene Health Partners' healthcare actuaries</li> <li>■ Long-term medical trend developed using Society of Actuaries' Getzen Model of Long-Run Medical Cost Trends</li> </ul>



June 15, 2022

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## ACTUARIAL ASSUMPTIONS

Item 5.

Assumption	June 30, 2021 Valuation
■ Data Quality	■ Our valuation used census data provided by the Town and CalPERS OPEB data extract. We reviewed the data for reasonableness and resolved any questions with the Town. We believe the resulting data can be relied on for all purposes of this valuation without limitation.
■ Actuarial Modeling	■ Our valuation was performed using and relying on ProVal, an actuarial model leased from WinTech. Our use of ProVal is consistent with its intended purpose. We have reviewed and understand ProVal and its operation, sensitivities and dependencies
■ COVID-19	■ No adjustments to the assumptions have been made for COVID-19 since there is not yet enough data to evaluate the future impacts



## ACTUARIAL METHODS

Method	June 30, 2019 Valuation	June 30, 2021 Valuation
■ Cost Method	<ul style="list-style-type: none"> <li>• Entry Age Normal</li> <li>• Normal Cost is a level percentage of payroll</li> </ul>	<ul style="list-style-type: none"> <li>• Same</li> </ul>
■ Actuarial Value of Assets	<ul style="list-style-type: none"> <li>• Investment gains and losses spread over a 5-year rolling period</li> <li>• Not less than 80% nor more than 120% of market value</li> </ul>	<ul style="list-style-type: none"> <li>• Investment gains and losses spread over a 5-year fixed period</li> <li>• Not less than 80% nor more than 120% of market value</li> </ul>
■ Amortization Method	<ul style="list-style-type: none"> <li>• Level percent of payroll</li> </ul>	<ul style="list-style-type: none"> <li>• Same</li> </ul>
■ Amortization Periods	<ul style="list-style-type: none"> <li>• 30-year fixed (closed) period for 2008/09 ARC</li> <li>• 18-year fixed (closed) period for 6/30/20 projected UAAL for 2020/21 ADC</li> </ul>	<ul style="list-style-type: none"> <li>• 30-year fixed (closed) period for 2008/09 ARC</li> <li>• 16-year fixed (closed) period for 6/30/22 projected UAAL for 2022/23 ADC</li> </ul>



## ACTUARIAL METHODS

Item 5.

Method	June 30, 2019 Valuation	June 30, 2021 Valuation
■ Implicit Subsidy	<ul style="list-style-type: none"> <li>Implicit subsidy estimate included for non-Medicare eligible retirees</li> </ul>	<ul style="list-style-type: none"> <li>Implicit subsidy estimate included for non-Medicare eligible retirees and Tier 1 Medicare eligible retirees in non-Medicare Advantage plans.</li> <li>Due to age-risk adjusted federal subsidies, no age-based claims cost were included for Medicare Advantage plans.</li> </ul>
■ Projections	<ul style="list-style-type: none"> <li>Valuation Results - closed group, no new hires</li> <li>Projections - Simplified open group projection</li> </ul>	<ul style="list-style-type: none"> <li>Same</li> </ul>



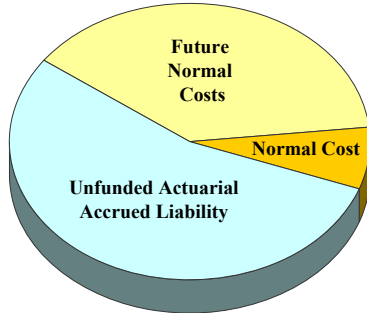
## DEFINITIONS

■ Actuarial Obligations	<ul style="list-style-type: none"> <li>The Present Value of Benefits (PVB) is calculated as follows: <ul style="list-style-type: none"> <li>Project future employer-provided retiree benefits for current retirees and current active employees (future retirees)</li> <li>Discount projected benefits to valuation date using the discount rate</li> <li>Discount rate is the expected long-term net rate of return on assets for benefits projected to be paid from the OPEB trust and the expected long-term net rate of return on Town investments for benefits projected to be paid from Town assets</li> <li>Allocate the PVB to past, current, and future working periods using the Entry Age Normal Cost Method</li> </ul> </li> <li>Normal Cost (NC) is portion of the PVB allocated to one fiscal year</li> <li>Actuarial Accrued Liability (AAL) is the portion of the PVB allocated to prior Town service, that is, the accumulation of prior years' NCs</li> <li>Unfunded AAL (UAAL) is AAL less the Actuarial Value of Assets</li> <li>Actuarial Value of Assets (AVA) smooths market value of assets (MVA) volatility by spreading investment gains and losses over 5 years</li> </ul>
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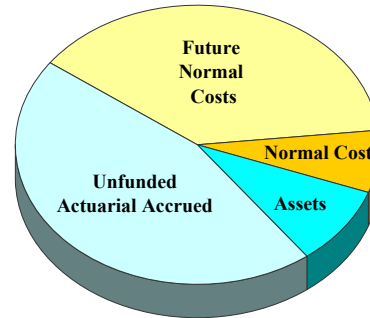


## Present Value of Benefits

**Present Value of Benefits  
(Without Plan Assets)**



**Present Value of Benefits  
(With Plan Assets)**



■ **PayGo Cost**

- Cash Subsidy is the Town's pay-as-you-go cash payments for its portion of retiree premiums
- Implicit Subsidy is the difference between the expected cost of retiree healthcare benefits, by age and gender, and retiree premiums, that is, it is the portion of retiree healthcare costs subsidized by active employee premiums

■ **Terminology  
Used in  
Report**

- AAL - Actuarial Accrued Liability
- ADC - Actuarially Determined Contribution
- AVA - Actuarial Value of Assets
- GASBS 75 - Governmental Accounting Standards Board Statement No. 75
- MVA - Market Value of Assets
- NC - Normal Cost
- OPEB - Other (than pensions) Postemployment Benefits
- PVB - Present Value of Benefits
- UAAL - Unfunded Actuarial Accrued Liability



**TOWN OF LOS GATOS  
FINANCE COMMISSION REPORT**

MEETING DATE: 08/08/2022

ITEM NO: 6

Item 6.

DATE: August 3, 2022  
TO: Finance Commission  
FROM: Laurel Prevetti, Town Manager  
SUBJECT: Discussion of Key Performance Indicators (KPIs)

**RECOMMENDATION:**

Discussion of key performance indicators.

**BACKGROUND:**

On March 14, 2022, The Commission discussed the latest draft of the proposed KPI dashboard. Commissioners requested, to the extent possible, staff include a brief Management Discussion & Analysis type presentation of any significant observations or trends.

Attachment 1 contains the draft dashboard with several of the suggested additions. Staff will continue to explore readily available effective data which meets the Commissions dashboard goals.

**Attachments:**

1. KPI Dashboard

**PREPARED BY:** Arn Andrews  
Assistant Town Manager

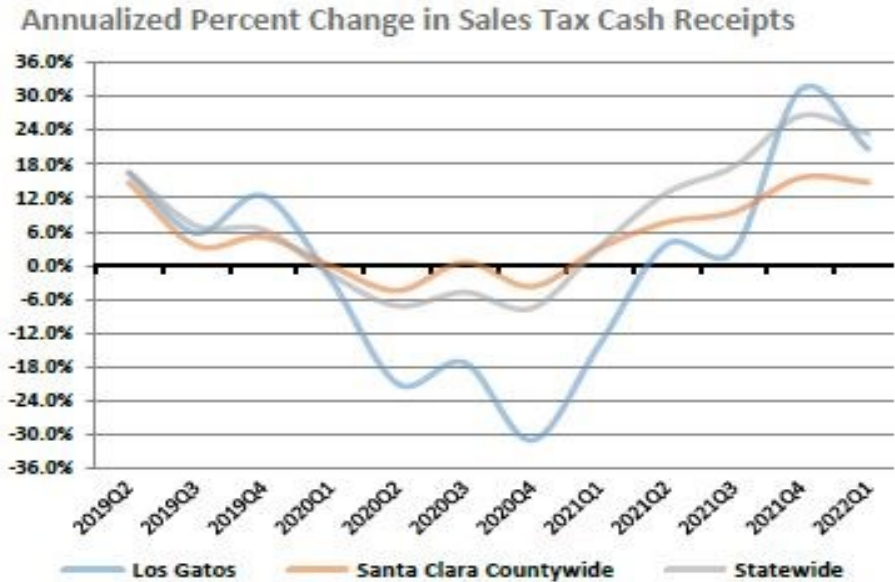
Reviewed by: Town Manager and Interim Finance Director

# Town Revenues

	FY 2019/20 Actual	FY 2020/21 Adjusted Budget	FY 2020/21 Actual	FY 2021/22 Adjusted Budget	FY 2021/22 4Q
Property Tax	\$ 14,454,513	\$ 14,652,325	\$ 15,826,162	\$ 15,908,858	\$ 16,729,212
VLF Backfill	3,875,914	4,053,000	4,052,672	4,229,462	4,229,462
Sales & Use Tax	3,535,034	6,214,200	6,794,218	7,430,851	6,384,857
Measure G District Tax	996,390	1,087,669	1,139,386	1,240,755	1,141,249
Franchise Fees	2,495,792	2,532,289	2,499,463	2,514,020	2,581,490
Transient Occupancy Tax	1,869,685	707,723	1,044,820	1,475,000	1,743,623
Other Taxes	1,357,080	1,300,000	1,386,943	1,425,000	1,470,002
Licenses & Permits	2,696,457	2,911,898	3,018,786	3,074,907	4,750,154
Intergovernmental	1,104,075	4,341,088	1,573,697	4,031,378	1,055,572
Town Services	4,447,213	4,016,119	4,816,887	4,363,547	6,314,475
Fines & Forfeitures	271,117	94,950	103,467	213,450	292,339
Interest	2,266,134	626,409	96,061	551,233	273,281
Other Sources	3,286,211	4,727,796	3,576,238	633,631	1,004,515
<b>Total Revenues</b>	45,655,616	47,265,466	45,928,800	47,092,092	47,970,231
Transfers In:	599,669	652,056	1,833,218	633,352	104,659
<b>Revenues &amp; Transfers In</b>	\$ 46,255,285	\$ 47,917,522	\$ 47,762,018	\$ 47,725,444	\$ 48,074,890

# Economically Sensitive Revenues

SALES TAX	FY 2019/20 Actual	FY 2020/21 Actual	FY 2021/22 Actual
1Q	\$1,887,634	\$1,863,996	\$1,726,453
2Q	2,073,379	1,135,409	1,758,763
3Q	956,191	1,589,990	1,756,251
4Q	1,617,830	2,204,823	1,143,390
<b>Total</b>	<b>\$6,535,034</b>	<b>\$6,794,218</b>	<b>\$6,384,856</b>



MEASURE G TAX	FY 2019/20 Actual	FY 2020/21 Actual	FY 2021/22 Actual
1Q	\$264,161	\$300,599	\$316,317
2Q	299,137	261,746	324,525
3Q	195,465	249,733	295,671
4Q	237,627	327,308	204,736
<b>Total</b>	<b>\$996,390</b>	<b>\$1,139,386</b>	<b>\$1,141,249</b>

TOT	FY 2019/20 Actual	FY 2020/21 Actual	FY 2021/22 Actual
1Q	\$739,494	\$316,515	\$469,006
2Q	599,113	203,807	428,749
3Q	434,493	176,030	341,835
4Q	96,585	348,466	504,034
<b>Total</b>	<b>\$1,869,685</b>	<b>\$1,044,819</b>	<b>\$1,743,623</b>

## Department Expenses

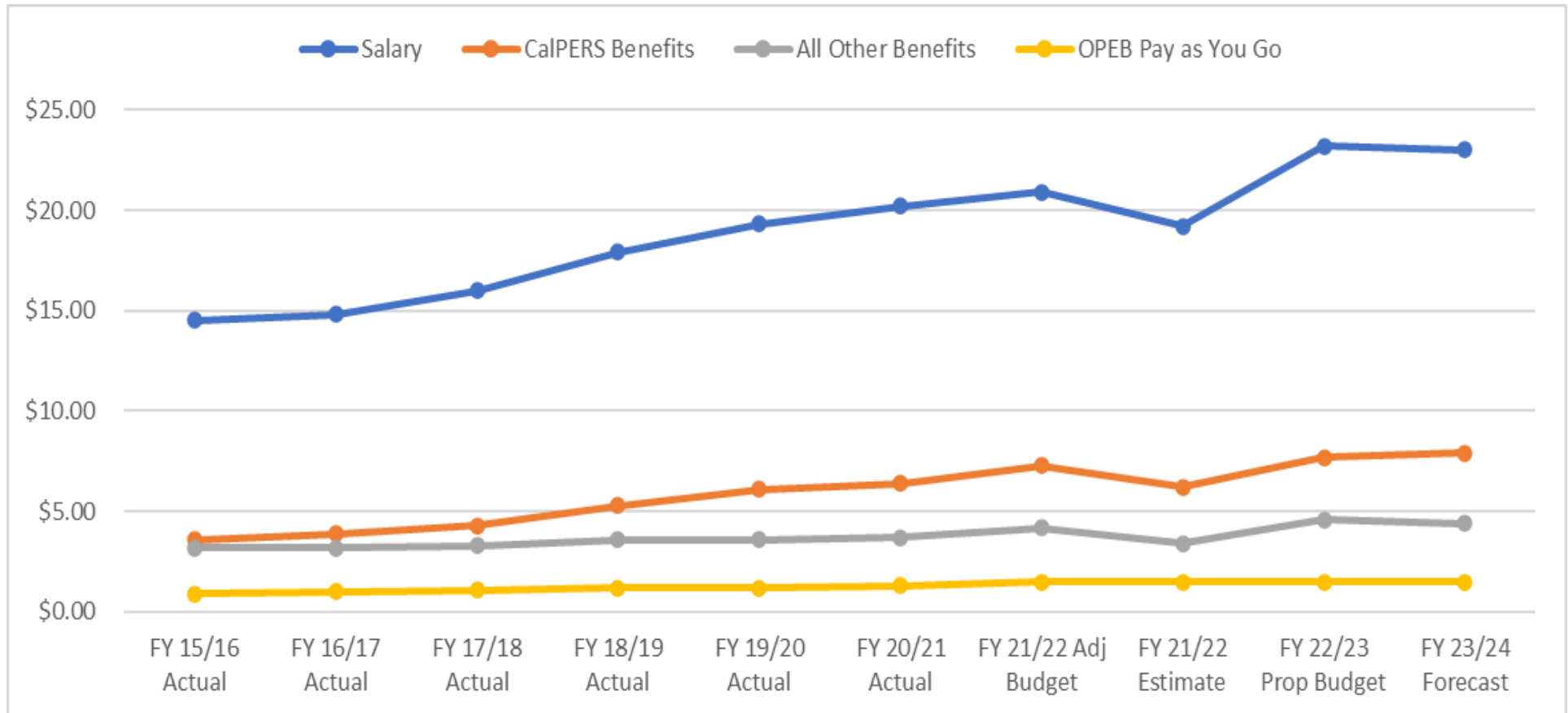
	FY 2019/20 Actual	FY 2020/21 Adjusted Budget	FY 2020/21 Actual	FY 2021/22 Adjusted Budget	FY 2021/22 4Q
<b>Expenditures</b>					
Police Department	\$15,895,008	\$17,487,761	\$ 16,570,836	\$ 17,390,969	\$ 16,622,287
Parks & Public Works	8,168,039	8,209,850	8,179,757	9,080,662	8,520,349
Non-Departmental	3,505,098	8,157,687	7,882,762	4,255,024	3,453,462
Community Dev	4,473,790	5,605,215	5,009,798	5,461,716	4,958,144
Admin Services	4,388,762	4,995,847	4,731,133	5,849,527	5,189,689
Library Services	2,700,802	2,957,531	2,828,873	3,062,708	2,736,641
Town Council	206,163	243,486	192,280	202,891	184,953
Town Attorney	559,010	658,831	532,424	669,733	598,096
<b>Total General Fund Expenditures</b>	<b>\$39,896,672</b>	<b>\$48,316,208</b>	<b>\$45,927,863</b>	<b>\$45,973,230</b>	<b>\$42,263,621</b>



# Salary & Benefit Expenses

	FY 2020/21 Actual	FY 2021/22 Adjusted Budget	FY 2021/22 Estimate	FY 2022/23 Proposed Budget	FY 2023/24 Forecast
<b>Expenditures (millions)</b>					
Salary	\$20.2	\$20.9	\$19.2	\$23.2	\$23.0
CalPERS Benefits	\$6.4	\$7.3	\$6.2	\$7.7	\$7.9
All Other Benefits	\$3.7	\$4.2	\$3.4	\$4.6	\$4.4
OPEB Pay as You Go	\$1.3	\$1.5	\$1.5	\$1.5	\$1.5
<b>Salary &amp; Benefit Expenditures</b>	<b>\$31.6</b>	<b>\$33.7</b>	<b>\$30.3</b>	<b>\$37.0</b>	<b>\$36.8</b>
	FY 2015/16 Actual	FY 2016/17 Actual	FY 2017/18 Actual	FY 2018/19 Actual	FY 2019/20 Actual
<b>Expenditures (millions)</b>					
Salary	\$14.5	\$14.8	\$16.0	\$17.9	\$19.3
CalPERS Benefits	\$3.6	\$3.9	\$4.3	\$5.3	\$6.1
All Other Benefits	\$3.2	\$3.2	\$3.3	\$3.6	\$3.6
OPEB Pay as You Go	\$0.9	\$1.0	\$1.1	\$1.2	\$1.2
<b>Salary &amp; Benefit Expenditures</b>	<b>\$22.2</b>	<b>\$22.9</b>	<b>\$24.7</b>	<b>\$28.0</b>	<b>\$30.2</b>

# Salary & Benefit Expenses



Since FY 15/16 Salary has increased 58.6%

Since FY 15/16 CalPERS and other benefits have increased 79.2%

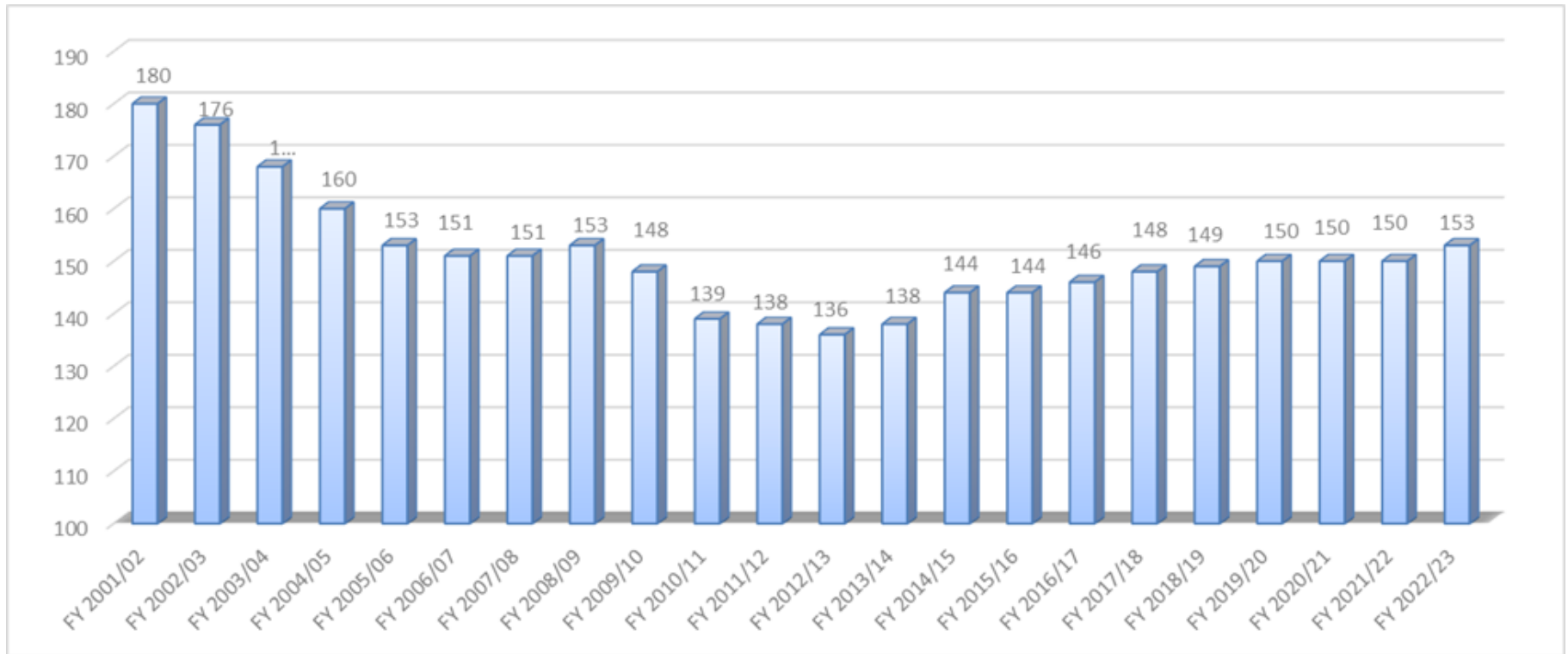
# Organizational Staffing

DEPARTMENTS	FY 2020/21 Authorized/Funded Positions	FY 2021/22 Authorized/Funded Positions	FY 2022/23 Authorized/Funded Positions
Town Council	0.50	0.50	0.50
Town Attorney	1.88	2.13	2.13
Administrative Services	20.18	20.18	20.18
Community Development	20.20	20.20	20.20
Police Department	60.00	60.00	60.00
Parks & Public Works	34.75	35.75	36.75
Library	12.50	12.50	13.50
<b>Total Positions</b>	<b>150.00</b>	<b>151.24</b>	<b>153.25</b>
All Dept Staff Converted to Hourly	11.03	11.09	11.46
<b>Total Positions</b>	<b>161.03</b>	<b>162.33</b>	<b>164.71</b>

NUMBER OF WC

7/1/22—6/30/22 = 15

# Organizational Staffing

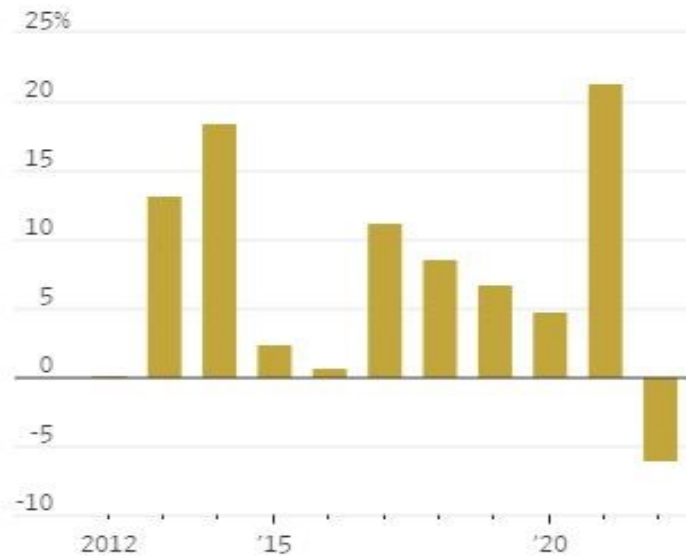


# Organizational Staffing

Department	Position		Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	
Town Attorney	Legal Administrative Assistant	Separation	Vacant					Filled - Temp							
Town Attorney	Town Attorney	Retirement	Filled - Permanent					Filled - Interim					Filled - Permanent		
Admin Services	Emergency Manager - Temp	Separation	Vacant								Filled - Permanent				
Admin Services	Administrative Technician	Retirement	Filled - Permanent					Vacant	Filled - Permanent						
Admin Services	Finance Director	Retirement	Filled - Permanent					Filled - Interim							
Admin Services	IT Technician	Separation	Filled - Permanent											Vacant	
Admin Services	Events and Marketing Spec	Separation	Filled - Permanent											Vacant	
CDD	Planning Manager	Retirement	Vacant	Filled - Interim			Filled - Permanent								
CDD	Assistant Planner	Promotion	Filled - Permanent			Vacant		Filled - Temp	Filled - Permanent						
CDD	Senior Planner	Promotion	Filled - Permanent					Vacant	Filled - Permanent						
CDD	Associate Planner	Separation	Filled - Permanent											Vacant	
CDD	Permit Technician	Separation	Filled - Permanent								Filled - Temp		Filled - Permanent		
Police	Police Dispatcher	Separation	Vacant											Filled - Permanent	
Police	Police Dispatcher	Separation	Vacant												
Police	Police Dispatcher	Separation	Vacant											Filled - Permanent	
Police	Police Dispatcher	Separation	Filled - Permanent		Vacant										
Police	Police Officer	Separation	Vacant												
Police	Police Officer	Separation	Vacant								Filled - Permanent				
Police	Police Officer	Separation	Filled - Permanent		Vacant			Filled - Permanent							
Police	Police Officer	Retirement	Filled - Permanent					Vacant		Filled - Permanent					
Police	Police Officer	Retirement	Filled - Permanent					Vacant							
Police	Police Officer	Retirement	Filled - Permanent					Vacant							
Police	Police Chief	Separation	Filled - Permanent			Vacant			Filled - Permanent						
Police	Police Captain	Promotion	Filled - Permanent					Vacant							
Police	Records & Com Manager	Separation	Filled - Permanent					Vacant							
Police	Police Record Specialist	Promotion	Filled - Permanent					Vacant							
Police	Senior Parking Control Officer	Retirement	Filled - Permanent											Vacant	
PPW	Streets Maintenance Worker	Separation	Filled with Temp			Filled with Trainee									
PPW	Administrative Assistant	Promotion	Filled - Permanent		Vacant					Filled - Permanent					
PPW	Parks & Public Works	Separation	Filled - Permanent											Filled - Interim	
PPW	Senior Civil Engineer		Filled - Permanent											Vacant	
Library	Library Specialist	Separation	Vacant		Filled - Permanent										
Library	Librarian	Separation	Vacant			Filled - Permanent									
Library	Senior Library Page	Separation	Filled - Permanent				Vacant - Filled with Temp				Filled - Permanent		Vacant		

# Potential Headwinds

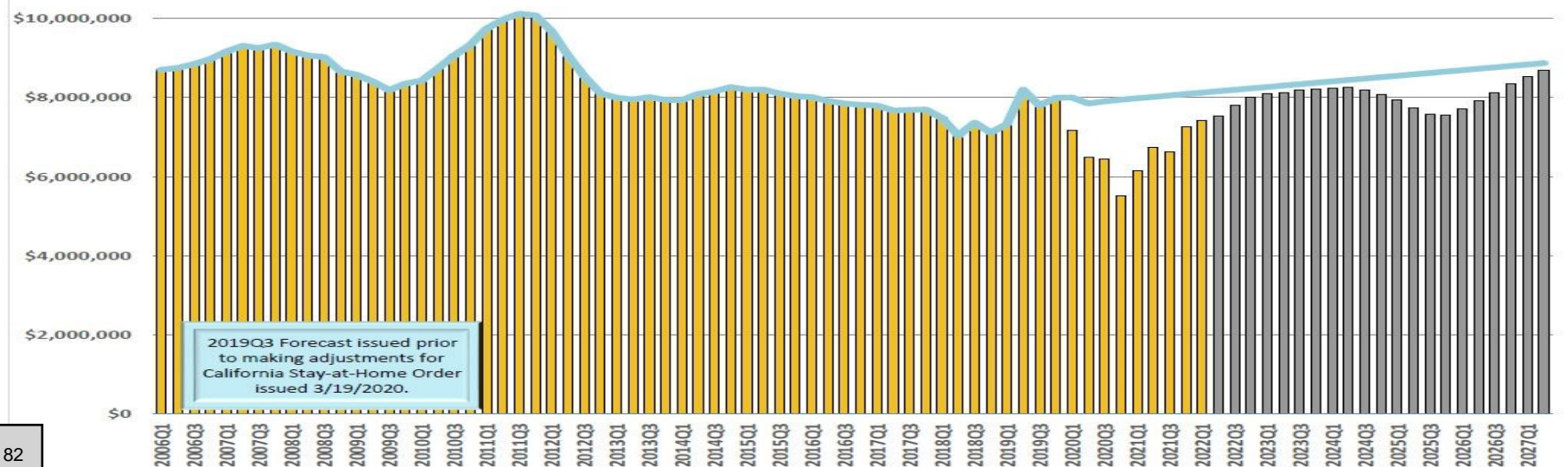
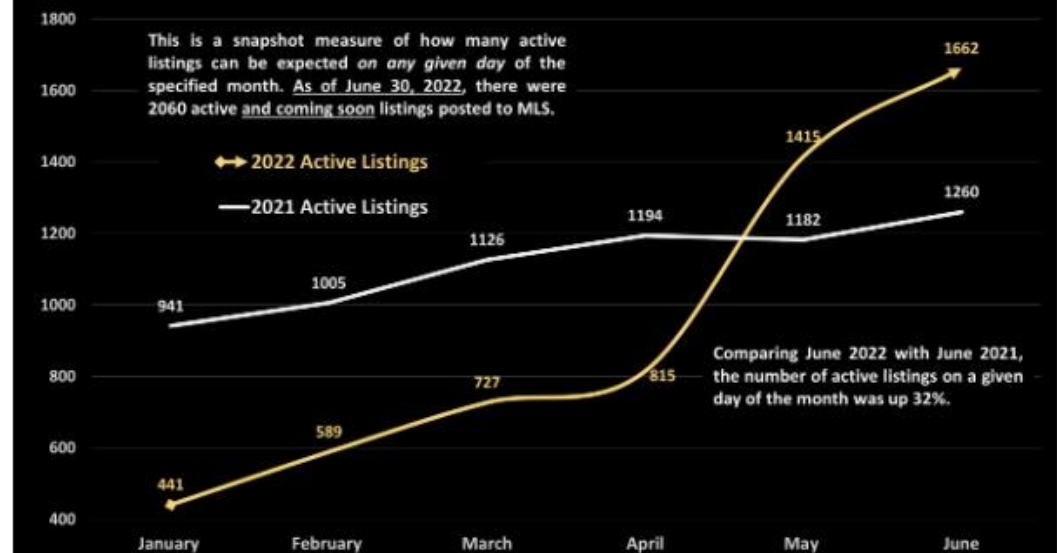
Calpers' yearly returns



Note: Fiscal year ends June 30.

Source: California Public Employees' Retirement System

Active Listings on Market  
Santa Clara County Market: Year-over-Year Comparison





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

MEETING DATE: 08/08/2022

ITEM NO: 7

Item 7.

DATE: August 2, 2022  
TO: Finance Commission  
FROM: Laurel Prevetti, Town Manager  
SUBJECT: Receive Financial Information and Initiate Review of the Town's Structural Deficit per Town Council Directive.

**RECOMMENDATION:**

Receive financial information and initiate review of the Town's structural deficit per Town Council directive.

**BACKGROUND:**

On May 17, 2022, the Town Council considered recommendations from the Finance Commission regarding the development of the Fiscal Year (FY) 2022/23 Proposed Operating and Capital budgets. Among the Finance Commission recommendations was the communication to Council that the Commission believes that a "Structural Financial Deficit" currently exists, for Council to acknowledge the Commission's finding and direct the Commission to work with Town management to confirm the actual amount of the deficits that the Town is facing and come back to the Council with suggestions/ideas on how we can fix the "Structural Financial Deficit" and fund capital projects. At the conclusion of the meeting, the Finance Commission recommendation was approved by Town Council, including the following excerpt from the motion:

"...acknowledge Finance Commission finding and direct the Commission to work with Town management to confirm the actual amount of the deficit and request recommendations on how to cure the deficit."

**PREPARED BY:** Arn Andrews  
Assistant Town Manager

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

PAGE 2 OF 4

SUBJECT: Initiate Review of Town's Structural Deficit

DATE: August 2, 2022

**DISCUSSION:**

To assist Commission members in preparing for this review, staff has assembled a list of previous financial resources provided to the Commission in addition to the updated Five-Year Forecast (Forecast).

On April 26, 2021, the Finance Commission received responses to Commissioner budget questions (Attachment 1) which included illustrative employee costing for salary and benefits.

On May 3, 2021, the Finance Commission received responses to Commissioner Budget questions (Attachments 2 and 3) on a broad range of financial topics and a presentation illustrating 1% changes to primary revenues and expenses (Attachment 4).

On May 10, 2021, the Finance Commission received responses to Commissioner Budget questions (Attachment 5).

On July 12, 2021, the Finance Commission received information regarding Police costs relative to total expenditures and revenues (Attachment 6).

On October 11, 2021, the Finance Commission received information on Town bargaining groups and North 40 budget modeling (Attachments 7 and 8).

On June 21, 2022, the Town Council adopted revisions related to salary and benefit costs associated with labor agreements adopted on June 7, 2022 (Attachment 9). The Forecast on the following page has been updated to reflect the adjustments to salary and benefit costs. The following table illustrates the previous projected deficits relative to the updated Forecast.

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

Staff anticipates updating revenues in the coming months as additional information becomes available.

In addition, Vice Chair Park asked to provide the Commission with a communication in Attachment 10.



PAGE 3 OF 4

SUBJECT: Initiate Review of Town's Structural Deficit

DATE: August 2, 2022

**Town of Los Gatos General Fund 5-Year Forecast**  
(in \$ million)

Account	Revenue Category	2021/22 Adjusted Budget	2021/22 Estimates	2022/23 Proposed Budget	2023/24 Forecast	2024/25 Forecast	2025/26 Forecast	2026/27 Forecast	2027/28 Forecast
4100	Property Tax	\$ 15.4	\$ 15.7	\$ 16.6	\$ 15.7	\$ 16.1	\$ 16.6	\$ 17.1	\$ 17.6
4110	VLF Backfill Property Tax	4.2	4.2	4.4	4.5	4.6	4.8	4.9	5.1
4200	Sales & Use Tax	7.0	7.5	7.9	8.2	8.5	8.8	9.1	9.3
4200	Measure G District Sales Tax	1.2	1.2	1.3	1.4	1.4	1.5	1.5	1.5
4250	Franchise Fees	2.5	2.4	2.5	2.6	2.6	2.7	2.8	2.9
4251	Transient Occupancy Tax	1.4	1.4	1.6	1.7	1.8	1.9	1.9	2.0
4400	Business License Tax	1.3	1.3	1.4	1.4	1.4	1.4	1.4	1.4
4400	Licenses & Permits	3.1	3.1	2.8	2.8	2.9	3.0	3.1	3.2
4500	Intergovernmental	4.0	1.1	1.1	1.0	1.0	1.0	1.2	1.1
4600	Town Services	4.2	4.3	3.5	4.0	4.1	4.1	4.2	4.3
4700	Fines & Forfeitures	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
4800	Interest	0.4	0.4	0.4	0.3	0.3	0.3	0.3	0.3
4850	Other Sources	2.6	2.4	3.8	2.2	2.2	2.2	2.3	2.2
4900	Fund Transfers In	0.6	0.6	0.5	0.5	0.5	0.5	0.5	0.5
<b>TOTAL OPERATING REVENUES &amp; TRANSFERS*</b>		<b>\$ 48.1</b>	<b>\$ 45.8</b>	<b>\$ 48.0</b>	<b>\$ 46.5</b>	<b>\$ 47.6</b>	<b>\$ 49.0</b>	<b>\$ 50.5</b>	<b>\$ 51.6</b>
	Use of Capital/Special Project Reserve - Capital	0.6	0.6	2.4	0.8	0.8	0.8	0.8	0.8
	Use of Pension/OPEB Reserve	-	0.3	-	-	-	-	-	-
	Use of Property Surplus Reserve	1.2	1.2	-	-	-	-	-	-
	Use of Measure G Reserve	1.1	1.1	0.7	-	-	-	-	-
	ARPA Replacement Revenue	-	-	1.6	-	-	-	-	-
<b>TOTAL REVENUES, TRANSFERS, AND USE OF RESERVES</b>		<b>\$ 51.0</b>	<b>\$ 49.0</b>	<b>\$ 52.7</b>	<b>\$ 47.3</b>	<b>\$ 48.4</b>	<b>\$ 49.8</b>	<b>\$ 51.3</b>	<b>\$ 52.4</b>
Account	Expenditure Category	2021/22 Adjusted Budget	2021/22 Estimates	2022/23 Proposed Budget	2023/24 Forecast	2024/25 Forecast	2025/26 Forecast	2026/27 Forecast	2027/28 Forecast
5110	Salary	20.9	19.2	23.2	23.0	23.5	23.9	24.5	25.0
5120	CalPERS Benefits	7.3	6.2	7.7	7.9	8.3	8.1	8.4	8.5
5200	All Other Benefits	4.2	3.4	4.6	4.4	4.5	4.6	4.7	4.8
6211	OPEB Pay as You Go	1.5	1.5	1.5	1.5	1.6	1.7	1.8	1.9
6000	Operating Expenditures	6.4	7.0	6.9	6.8	7.1	7.1	7.4	7.5
7200	Grants & Awards	1.0	0.8	0.2	0.2	0.2	0.2	0.2	0.3
7400	Utilities	0.6	0.6	0.6	0.6	0.7	0.7	0.7	0.7
8060	Internal Service Charges	2.7	2.6	2.7	2.9	3.1	3.4	3.7	3.8
8900	Debt Service	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9
<b>TOTAL OPERATING EXPENDITURES</b>		<b>\$ 46.6</b>	<b>\$ 43.3</b>	<b>\$ 49.3</b>	<b>\$ 49.2</b>	<b>\$ 50.8</b>	<b>\$ 51.6</b>	<b>\$ 53.3</b>	<b>\$ 54.4</b>
	GASB 45 Retiree Medical Actuarial	0.1	0.1	-	-	-	-	-	-
	Additional Discretionary Payment - Pension	0.4	0.7	0.4	0.4	0.4	0.4	0.4	0.4
<b>TOTAL OPERATING &amp; DISCRETIONARY EXPENDITURES</b>		<b>\$ 47.1</b>	<b>\$ 44.1</b>	<b>\$ 49.7</b>	<b>\$ 49.6</b>	<b>\$ 51.2</b>	<b>\$ 52.0</b>	<b>\$ 53.7</b>	<b>\$ 54.8</b>
	Capital Transfers Out to GFAR	2.8	2.8	2.3	0.8	0.8	0.8	0.8	0.8
	Capital Transfer Out - 1/2 of Measure G Proceeds	0.6	0.6	0.7	0.7	0.7	0.7	0.8	0.8
<b>AMOUNTS AVAILABLE FOR RESERVE ALLOCATIONS</b>									
	Allocate to Budget Stabilization/Catastrophic	-	0.5	-	-	-	-	-	-
	Allocate to Compensated Absences	-	-	-	-	-	-	-	-
	Allocate to Market Fluctuation	-	-	-	-	-	-	-	-
	Allocate to CalPERS/Pension	-	0.3	-	-	-	-	-	-
<b>TOTAL EXPENDITURES &amp; RESERVE ALLOCATIONS</b>		<b>\$ 50.5</b>	<b>\$ 48.3</b>	<b>\$ 52.7</b>	<b>\$ 51.1</b>	<b>\$ 52.7</b>	<b>\$ 53.5</b>	<b>\$ 55.3</b>	<b>\$ 56.4</b>
<b>NET REVENUES RESERVE TRANSFERS LESS EXPENDITURES &amp; RESERVE ALLOCATIONS FOR FINAL ALLOCATION AFTER YEAR END CLOSE</b>		<b>\$ 0.5</b>	<b>\$ 0.6</b>	<b>\$ -</b>	<b>\$ (3.8)</b>	<b>\$ (4.3)</b>	<b>\$ (3.7)</b>	<b>\$ (4.0)</b>	<b>\$ (4.0)</b>
* Due to rounding of individual categories FY 2021/22 Total Expenditures and Reserve Allocations includes \$0.1 million. General Fund (111) Forecast does not include Pension Trusts activities.									

PAGE 4 OF 4

SUBJECT: Initiate Review of Town's Structural Deficit

DATE: August 2, 2022

Attachments:

1. Finance Commission April 26, 2021
2. Finance Commission May 3, 2021
3. Finance Commission May 3, 2021
4. Finance Commission 1% Scenarios
5. Finance Commission May 10, 2021
6. PD Expenditures
7. Town Bargaining Groups
8. North 40 Analysis
9. Labor Agreement Summary 2022
10. Vice Chair Communication

# Town of Los Gatos Finance Commission Questions



# SALARY COSTING

Wages/Benefits Categories	Cost Determination
Regular Salary/Hourly Rate	Based on Salary Schedules
<b>Based on Hourly Rate</b>	
Specialty Rates	2.5% to 17.5%
PERS Retirement	15.74% to 65.94%
Medicare	1.45%
Social Security (Temps)	6.2%
Holiday Pay (Safety Only)	4.0%
Internal Service Funds (Workers' Comp, ABAG, IT)	2.9% to 15.1%
<b>Annual Cost</b>	
Medical Benefit	\$4,932 to \$26,412
Life Insurance, STD, LTD	\$1,092
Cell Phone Allowance	\$1,440

## SAMPLE COSTING

Classification	Assistant Planner	
Range		
Step	5	
Bargaining Unit	Town Employee Assn (TEA)	
Rates Used		
Hourly Rate		\$47.14
Annual Salary	Adj Hrly Rate x 2080	\$98,051.20
PERS Retirement	33.540%	\$32,886.37
Medicare	1.45%	\$1,421.74
Cash in Lieu (\$400) (\$420 AFSCME)	\$0.00	\$0.00
Medical	\$2,065.00	\$24,780.00
Dental	\$125.00	\$1,500.00
Vision	\$11.00	\$132.00
Life Insurance	\$10.00	\$120.00
STD - monthly rate	\$49.00	\$588.00
LTD - monthly rate	\$32.00	\$384.00
Workers Comp	2.430%	\$2,382.64
ABAG	0.315%	\$308.86
IT Staff/Service	0.150%	\$147.08
Total	\$162,701.90	

## SAMPLE COSTING

Classification	Parks & Maintenance Worker	
Range		
Step	5	
Bargaining Unit	AFSCME	
Rates Used		
Hourly Rate		\$36.35
Annual Salary	Hrly Rate x 2080	\$75,608.00
Cell Phone Allowance	\$120	\$1,440.00
PERS Retirement	33.540%	\$25,358.92
Medicare	1.45%	\$20.88
Cash in Lieu (\$400) (\$420 AFSCM	\$0	\$0.00
Medical	\$2,065	\$24,780.00
Dental	\$125	\$1,500.00
Vision	\$11	\$132.00
Life Insurance	\$10	\$120.00
STD - monthly rate	\$49	\$588.00
LTD - monthly rate	\$32	\$384.00
Workers Comp	8.013%	\$0.96
ABAG	5.545%	\$0.67
IT Staff/Service	0.150%	\$0.02
Total	\$129,933.45	

## SAMPLE COSTING

Classification	Police Officer - Classic	
Range		
Step	Step 4	
Bargaining Unit	Police Officers' Association (POA)	
Rates Used		
Hourly Rate		\$59.59
Specialty Rates	Hrly Rate * 10%	\$5.96
Adjusted Hourly Rate	Hrly Rate + Specialty	\$65.55
Annual Salary	Adj Hrly Rate x 2080	\$136,341.92
Holiday Pay	4.00%	\$5,453.68
Uniform Allowance	\$57.50 *24	\$1,380.00
PERS Retirement	62.940%	\$85,813.60
Medicare	1.45%	\$1,976.96
Cash in Lieu (\$400) (\$420 AFSCME	\$0.00	\$0.00
Medical	\$2,065.00	\$24,780.00
Dental	\$125.00	\$1,500.00
Vision	\$11.00	\$132.00
Life Insurance	\$10.00	\$120.00
STD - monthly rate	\$49.00	\$588.00
LTD - monthly rate	\$32.00	\$384.00
Workers Comp	9.952%	\$13,568.75
ABAG	5.205%	\$7,096.60
IT Staff/Service	0.150%	\$204.51
Total	\$279,340.02	

## SAMPLE COSTING

Classification	Police Officer - PEPRA	
Range		
Step	Step 4	
Bargaining Unit	Police Officers' Association (POA)	
Rates Used		
Hourly Rate		\$59.59
Specialty Rates	Hrly Rate * 10%	\$5.96
Adjusted Hourly Rate	Hrly Rate + Specialty	\$65.55
Annual Salary	Adj Hrly Rate x 2080	\$136,341.92
Holiday Pay	4.00%	\$5,453.68
Uniform Allowance	\$57.50 *24	\$1,380.00
PERS Retirement	15.740%	\$21,460.22
Medicare	1.45%	\$1,976.96
Cash in Lieu (\$400) (\$420 AFSCME)	\$0.00	\$0.00
Medical	\$2,065.00	\$24,780.00
Dental	\$125.00	\$1,500.00
Vision	\$11.00	\$132.00
Life Insurance	\$10.00	\$120.00
STD - monthly rate	\$49.00	\$588.00
LTD - monthly rate	\$32.00	\$384.00
Workers Comp	9.952%	\$13,568.75
ABAG	5.205%	\$7,096.60
IT Staff/Service	0.150%	\$204.51
92	Total	\$214,986.63



<https://www.losgatosca.gov/418/Salaries>

## Salary Schedules

- [AFSCME Classifications](#)
- [Confidential Classifications](#)
- [Management Classifications](#)
- [POA Classifications](#)
- [TEA Classifications](#)
- [Hourly/Temporary Classifications](#)

<https://www.losgatosca.gov/1530/Health-Benefits>

## Health Benefits

### Benefit Summaries

[Benefits by Employee Group](#)

[2021 Employee Benefits Guide](#)



**TOWN OF LOS GATOS  
FINANCE COMMISSION REPORT**

MEETING DATE: 05/03/2021

Item 7.

ITEM NO: 3  
ADDENDUM

DATE: April 30, 2021  
TO: Finance Commission  
FROM: Laurel Prevetti, Town Manager  
SUBJECT: Answers to some of the Commissioner Questions and Comments Regarding the Proposed Operating and Capital Budgets

**REMARKS**

Provided below are some of the answers to the questions and comments from Commissioners regarding the Proposed Operating and Capital Budgets. Questions that are not addressed in this staff report will be discussed at the May 3, 2021 Finance Commission meeting.

**Capital Funding and Spending**

One of the strategic priorities is to sell or lease certain Town properties. What is being considered or could be considered?

*To date, the Town has pursued a property strategy which focuses on finding long-term solutions for the disposition of Town-owned properties either through pursuit of public purpose, monetization, or a hybrid of both. Following are dispositions approved by the Town Council to date:*

- *October 2018 entered into an Exclusive Negotiating Agreement with Sarah Chaffin for the siting and development of affordable (teacher) housing at 20 Dittos Lane – Public Purpose*
- *March 2019 entered into an Exclusive Negotiating Agreement with Imwalle Asset Management for 4 Tait Avenue and Forbes Mill - Monetization/Public Purpose*
- *May 2019 sale of 148000 Winchester Blvd to Santa Clara County Fire District ("County Fire") for \$1.9 million – Monetization/Public Purpose*
- *April 2020 sale of 14850 Winchester Blvd to Santa Clara County Fire District ("County Fire") for \$1.2 million – Monetization/Public Purpose*

*The remaining Town-owned properties that have not reached disposition status include:*

**PREPARED BY:** Arn Andrews  
Assistant Town manager

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

PAGE 2 OF 6

SUBJECT: Commissioner Questions and Comments

DATE: April 30, 2021

- *4 New York Avenue (Venue) - Council has directed staff to negotiate with the Los Gatos-Saratoga Union High School District (LGSUHS) for the acquisition of 4 New York Avenue.*
- *224 West Main - The asset was originally purchased in 2009 by the former Redevelopment Agency and was transferred to the Town at a valuation of \$1,489,778. The property is obligated to provide 6 Low and/or Moderate Income (low mod) housing units. The Town has a deadline to act this year to either develop an affordable housing plan for the property or pay the \$1,489,778 to the affordable housing fund to unencumber the property.*
- *Pine Avenue - The parcel was conveyed to the Town circa 1972 with the development of a subdivision. Staff is researching if the property is encumbered.*

The Town receives rent for Tait and Forbes Mill properties. How much is this rent? How much does the town receive on rent on other properties?

*Since the approval of the Lease Agreements by Council on August 4, 2020, Imwalle has been preparing the properties for showing to potential tenants. On March 16, 2021 Imwalle held the initial broker open house for both properties which was well attended. Per the Lease Agreement, the Town will receive 60% of the rents after reimbursement of tenant improvements from rent revenues.*

Staff to comment on public comment to include \$250,000 in road fuel reduction in the current year capital plan.

*Roadside Vegetation Management continues to be a high priority for the Town and is the highest priority project on the unfunded project list (see list below).*

Is there a prioritized list of unfunded projects for the 2022 budget in case more money is found for capital?

*The first five priority unfunded projects are listed below. In some cases, if full funding is not available for a particular project, staff might recommend bypassing that project and funding an alternative project.*

Vegetation Management - Roadside	Streets	\$ 500,000
Security Enhancements at Civic Center	Facilities	\$ 250,000
Shannon Road Repair	Streets	\$ 5,000,000
Blossom Hill Road Traffic Calming	Streets	\$ 950,000
Adult Rec Center – Replace Fan Coil Units	Facilities	\$ 100,000

SUBJECT: Commissioner Questions and Comments

DATE: April 30, 2021

The pilot school busing program was viewed as complete with the total cost of \$443,000. Was this all spent by the town, or were there fees received?

*The school bus program collected what, in the end, were minimal fees. Those fees offset the cost of delivering the project. This table provides a summary of revenue and expenditures.*

School Bus Pilot Project 411-812-0128	Actuals
<b>Funding Sources</b>	
Grant Fund (TFCA)	\$ 87,000
GFAR	\$ 290,140
Fare Revenue (GFAR)	\$ 64,916
<b>Total Project Budget</b>	<b>\$ 442,056</b>
<b>Expenditures</b>	
School Bus Consultant	\$ 41,588
STA Contract Payment: Jan. 2019 - Jun. 2019	\$ 104,801
STA Contract Payment: Aug. 2019- Jun. 2020	\$ 195,983
Misc. Expenditures (CC charges, software, printing)	\$ 2,568
Staff Costs	\$ 98,061
<b>Total Project Costs</b>	<b>\$ 443,002</b>

On page A7, in 2018/19, \$1.9 M was allocated to a Property Surplus Account. What is the current balance in this Account?

*The current estimated balance of the Property Surplus Reserve is \$1.2 million deriving from the most recent property sale to Santa Clara County Fire District (SCCFD). The aforementioned \$1.9 million proceeds from the initial property sale to SCCFD was reallocated to Pension/OPEB Reserve and was included in additional discretionary payment to CalPERS.*

#### ARPA

Staff comments on funding the \$50,000 destination marketing proposal by Chamber in order to help the hotels and retail in town.

Please refer to Agenda item on the following link :[5-4-2021 Agenda Item 14](#) .

#### Operating Budget

Charge for police to Monte Sereno on pages D129 and D150. The annual amount is less than \$1 M, which is about half of what would be received on a per capita basis and a policing budget of

PAGE 4 OF 6

SUBJECT: Commissioner Questions and Comments

DATE: April 30, 2021

approximately \$17 M. Note that the charge does not include any fee for historical capital or any allocation of general administrative expenses. Please discuss.

*Please find our contractual agreement with Monte Sereno for Police Services at the following link: [Monte Sereno Police Services Agreement](#). ( June 16, 2015 Council Meeting Item 12) The Annual Base Rate and fiscal information related to this agreement is located on pages 5-7.*

On page A21, what is the amount of the anticipated property tax revenue from phase 2 of the North 40 sales?

*Phase 1 of the North 40 sales estimated revenue is \$345,303 in FY 2021/22 and an additional \$345,303 in the following year totaling to \$690,606. The second phase of North 40 is not included in the forecast since no permits have been submitted by the developers at this time.*

On page A7, fines have gone down from \$900,000 in 2015/16 to \$300,000 in 2019/20. What was the policy change that led to this decline?

*Associated to the Library Department (from \$39,232 in FY 2015/16 to \$6,391 in FY 2019/20), the Council removed daily overdue fines from the Comprehensive Fine and Fee Schedule. Over the past several years, revenues from overdue fines have dropped considerably. This drop was the natural result of instituting customer-service practices related to more convenient renewing of materials, as well as not imposing fines as a penalty for seniors or children. The former was the implementation of automatic renewals that saved library patrons the need or hassle to call library staff, log into their account or make a trip to the library to renew items. The latter is the combination of established practices in the current fee schedule where seniors do not accrue overdue fines, and minors up to age 18 do not accrue overdue fines until the item is overdue by six weeks.*

*Associated to the Police Department (from \$809,014 in FY 2015/16 to \$253,076 in FY 2019/20), there were no policy changes in the fines which equated to this revenue decrease. The decrease in fines is a result of decreased parking citation revenue, due to a temporary reduction in parking enforcement staffing, availability of parking enforcement equipment, and the economic downturn associated with COVID-19.*

On Page A-23 CALPERS projects 7% growth in Med Benefit expense. How does this compare to past 5 years actual growth of med benefit expense?

*The information below is based on the Region 1 premium rates for all plans going back to 2016 to calculate 5 years of data. The most recent year is 7%.*

PAGE 5 OF 6

SUBJECT: Commissioner Questions and Comments

DATE: April 30, 2021

CalPERS Medical Plan Rate History											
	2016		2017		2018		2019		2020		2021
	Premium*	% Change	Premium	% Change	Premium	% Change	Premium	% Change	Premium	% Change	Premium
Kaiser	\$ 746.47	-2%	\$ 733.39	6%	\$ 779.86	-2%	\$ 768.25	0%	\$ 768.49	6%	\$ 813.64
Anthem HMO Select	\$ 721.79	8%	\$ 783.46	9%	\$ 856.41	-3%	\$ 831.44	4%	\$ 868.98	6%	\$ 925.60
Anthem HMO Traditional	\$ 855.42	14%	\$ 990.05	-7%	\$ 925.47	17%	\$ 1,111.13	6%	\$ 1,184.84	9%	\$ 1,307.86
Blue Shield	\$ 1,016.18	1%	\$ 1,024.85	-15%	\$ 889.02	8%	\$ 970.90	14%	\$ 1,127.77	4%	\$ 1,170.08
PersChoice	\$ 798.36	4%	\$ 830.30	-4%	\$ 800.27	8%	\$ 866.27	-1%	\$ 861.18	8%	\$ 935.84
PersSelect	\$ 730.07	1%	\$ 736.27	-3%	\$ 717.50	-32%	\$ 543.19	-4%	\$ 520.29	8%	\$ 566.67
PersCare	\$ 889.27	5%	\$ 932.39	-6%	\$ 882.45	22%	\$ 1,131.68	0%	\$ 1,133.14	12%	\$ 1,294.69
PORAC	\$ 699.00	0%	\$ 699.00	5%	\$ 734.00	4%	\$ 768.25	1%	\$ 774.00	3%	\$ 799.00
Average Percent Change		4%		-2%		3%		3%		7%	

On page A-28 Equipment replacement Fund - Are all expenditures from this ISF Capital Expenditures as described or are there also operating expenditures? Are we strict about limiting these funds to "non-recurring and capital projects" per the best practices listed on A-31?

*The Expenditure Replacement Fund only pays for capital equipment. There are transfers to General Fund, those transfers pay for equipment purchases paid from the General Fund program.*

On page C-8 What is the projected (or FYTD) unrealized investment loss (i.e. mark to market) for FY20/21? Shouldn't the "Market Fluctuation" reserve be decremented by the amount of this unrealized loss? It is projected as unchanged on A-14. I continue to have lots of questions about the exact operation of such a reserve. If there is no documented and objective policy for increasing and decreasing such a reserve based on unrealized losses and gains then is it not really a reserve, just a cookie jar. I didn't notice any description of this reserve in the binder - did I miss it?

*With an expected low interest rate environment anticipated through the end of the fiscal year, the Market Fluctuation Reserve will be updated at the close of the fiscal year and will be reflected in the June 30, 2021 CAFR. The calculation will be based on the June 30, 2021 portfolio data marking cost of investments versus market value as required by GASB 31 as compared to the gains recognized the prior fiscal year. Staff will add the description for the reserve in the final budget documents. Please refer to General Fund Reserve Policy (page A-39) that list the GASB 31 Adjustments as an example of an assigned reserve. This reserve example is referring to the Reserve Market Fluctuations. The designation of this reserve equals the portion of General fund balance representing interest revenue not anticipated to be received in the fiscal year unless the portfolio were to be sold at year-end and the sales proceeds were either re-invested or received in cash. It is the opposite of a "cookie jar". This entry sets aside the "phantom interest" that increases fund balance that is not available unless the portfolio were to be sold.*

On page C-10 Why do the Internal Service Funds not earn interest unlike all the others?

*The Town allocates interest to funds where interest allocation is legally required, an example being certain grant funds (VTA) or Gas Tax funds.*

SUBJECT: Commissioner Questions and Comments

DATE: April 30, 2021

**Balance Sheet Information**

I did not see historical cash, investments and pension liabilities in any tables. Could you provide these amounts for the past 5 years including forecast for June 2021? Would like staff comments on general trends of these items.

*Provided below is a table of Comprehensive Annual Financial Report (CAFR) actuals of cash and Investments and Net Pension Liabilities from FY 2014/15 through FY 2019/20.*

Category	2014_15	2015_16	2016_17	2017_18	2018_19	2019_20
Cash, Restricted Cash, & Investments	\$ 67,919,066	\$ 72,738,950	\$ 73,682,924	\$ 73,975,308	\$ 74,997,176	\$ 72,394,160
Net Pension Liability	\$ 39,199,892	\$ 33,382,870	\$ 47,271,733	\$ 53,204,508	\$ 53,627,829	\$ 57,230,935

*Staff expects to receive its next CalPERS actuarial valuation in August 2021 to be used in calculating the change in net pension liability that will be reported for FY ending June 30, 2021.*



**TOWN OF LOS GATOS  
FINANCE COMMISSION REPORT**

MEETING DATE: 05/03/2021

Item 7.

ITEM NO: 3

DESK ITEM

DATE: May 3, 2021  
TO: Finance Commission  
FROM: Laurel Prevetti, Town Manager  
SUBJECT: Answers to Some of the Commissioner Questions and Comments Regarding the Proposed Operating and Capital Budgets

**REMARKS**

Provided below are more answers to the questions and comments from Commissioners regarding the Proposed Operating and Capital Budgets. Questions that are not addressed in the previously published Addendum and this staff report will be discussed at the May 3, 2021 Finance Commission meeting.

**Capital Funding and Spending**

Is there a way to use more of our own staff time to do some of the work for the CIP projects (therefore getting them done using our annual staff budget vs the CIP)?

*Town staff are fully committed on other activities and at times defer work that they are unable to get to. Redeploying Town staff would leave gaps elsewhere that, in turn, would need to be contracted therefore not realizing savings. In reviewing options for contracted versus in house services, vegetation management is a good candidate for contracting.*

For critical and time sensitive items, such as dangerous buildup of vegetation in potentially hazardous fire zones that "staff/town" organize a volunteer brigade to help with the efforts? Has this ever been discussed?

*The Town does rely on volunteers where it makes sense. Volunteers are best for non-urgent work that can be scheduled well in advance and allows for flexibility for the amount of work completed due to fluctuations in attendance. The Town also utilizes services from the Sheriff's Office Alternate Work Program, which provides free unskilled labor. Because vegetation management is often on hillsides and involves tree removal, poison oak, etc., it is not the best*

**PREPARED BY:** Arn Andrews  
Assistant Town manager

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



*opportunity for volunteer work. However, some communities do have volunteer programs designed around defensible space chipping days.*

## Operating Budget

Based on recent historical salary increases, how much should salary increases be in 2022, and the five-year forecast?

Combined GF & ISF Fund Salaries							
	2014_15	2015_16	2016_17	2017_18	2018_19	2019_20	Grand Total
Salaries-Total	\$ 15,324,291	\$ 15,416,095	\$ 15,758,451	\$ 16,921,167	\$ 17,942,181	\$ 19,254,973	\$ 100,617,158
Salaries-Temp	\$ 867,364	\$ 869,152	\$ 913,362	\$ 811,194	\$ 648,097	\$ 881,908	\$ 4,991,077
Salaries-OT	\$ 436,917	\$ 415,372	\$ 545,427	\$ 583,001	\$ 707,046	\$ 708,955	\$ 3,396,718
Benefits-Total	\$ 6,526,096	\$ 7,224,479	\$ 9,470,413	\$ 8,238,405	\$ 8,861,044	\$ 8,861,044	\$ 49,181,481
Benefits-PERS	\$ 3,362,328	\$ 3,818,073	\$ 6,088,841	\$ 4,739,853	\$ 5,282,681	\$ 5,282,681	\$ 28,574,457
<b>Grand Total</b>	<b>\$26,516,996</b>	<b>\$27,743,171</b>	<b>\$32,776,494</b>	<b>\$31,293,620</b>	<b>\$ 33,441,049</b>	<b>\$34,989,561</b>	<b>\$ 186,760,891</b>
<b>Adjustments for Temporary &amp; OT Salaries</b>							
Salaries	\$ 15,324,291	\$ 15,416,095	\$ 15,758,451	\$ 16,921,167	\$ 17,942,181	\$ 19,254,973	
Less:Temp Salaries	(867,364)	(869,152)	(913,362)	(811,194)	(648,097)	(881,908)	
OT Salaries	(436,917)	(415,372)	(545,427)	(583,001)	(707,046)	(708,955)	
	\$ 14,020,010	\$ 14,131,571	\$ 14,299,662	\$ 15,526,972	\$ 16,587,038	\$ 17,664,110	
<b>Year Over Year % Change</b>							
<b>Based Upon Actuals</b>		0.80%	1.19%	8.58%	6.83%	6.49%	
			Total Change FY 14/15 to FY 19/20			\$ 3,644,100	
			Total % Change			25.99%	
			Annual Change Unadjusted			5.20%	
			Total Change FY 14/15 to FY 19/20			\$ 3,644,100	
			Less One-Time Equity Adjustments				
			FY 18/19 & 19/20			\$ (2,139,183)	
			Total Adjusted Change			\$ 1,504,917	
			Total Five Year % Change Adjusted			10.73%	
			Annual Change Adjusted For One-Time Equity			2.15%	

*Historical actual salary increase (excluding adjustments for total temporary salaries and total overtime for FY 2018/19 and FY 2019/20 equity adjustments) averaged 2.15% over a five-year period.*

What is the recent 5-year history for open salaried positions? Based on this, how much would future salary forecasts be reduced for 2022 and the 5-year forecast?

On page C-8 GF Salaries and Benefits have risen \$2.4M/year on average for the past 3 years but are only projected to increase by \$855K in FY21/22 or 2.8%. Is this a realistic estimate?

Total Budget Savings							
	2014_15	2015_16	2016_17	2017_18	2018_19	2019_20	Grand Total
Salaries-Total	\$ 794,650	\$ 1,203,373	\$ 893,916	\$ 890,245	\$ 1,306,280	\$ 773,910	\$ 5,862,374
Salaries-Temp	\$ (117,826)	\$ (33,748)	\$ (279,739)	\$ (105,754)	\$ (158,332)	\$ (324,902)	\$ (1,020,301)
Salaries-OT	\$ (54,433)	\$ (19,897)	\$ (164,120)	\$ (219,450)	\$ (319,842)	\$ (231,065)	\$ (1,008,807)
<b>Grand Total</b>	<b>\$ 622,391</b>	<b>\$ 1,149,728</b>	<b>\$ 450,057</b>	<b>\$ 565,041</b>	<b>\$ 828,106</b>	<b>\$ 217,943</b>	<b>\$ 3,833,266</b>
Average Six Year Budget Salary							
Savings*	\$ 638,878						
*Assumes regular salaries							
offset by Temp and OT							
salaries exceeding budget							

*Salary savings less annual temporary and OT salaries exceeding budget since FY 14/15 have totaled \$3,833,236 over a six-year period. The six-year average is \$638,873 per year over that period.*

I'd like to ask staff to bring to the commission some ideas where we could make some changes to what/how we are doing things today to save money, earn more money and/or even just do more with the same amount of money.

*While developing the current Budget, Departments were directed to identify expenditure reductions that would not degrade service levels and other expense containment strategies. To that end, all Departments programmed savings from traditional travel and training budgets, expecting that most professional development opportunities will continue to be offered remotely. Other examples include the use of one-time unbenefited part time employees where applicable, delayed purchase of additional recycling bins, and limited in-person Library programming to reflect the slow easing of the pandemic's effects.*

*Provided below are recent examples of staff led revenue efforts:*

*November 2016 Measure T increases the Transient Occupancy Tax (TOT) from 10 percent to 12 percent.*

- *2% increase raises approximately \$400,000 annually in additional revenue.*

*February 2018 staff presented sensitivity analysis of the Town's Budget projections entitled "Preparing For The Next Recession". The presentation was the basis for advocating an increase to sales tax.*

- *1/8 cent sales tax for 20 years approved by voters November 2018 providing approximately \$800,000 annually.*

PAGE 4 OF 6

SUBJECT: Commissioner Questions and Comments

DATE: May 3, 2021

*February 2019 Council approved an ordinance allowing regulated short-term rentals subject to TOT.*

- *Approximately \$100,000 in additional TOT collections annually.*

*In June 2019 Council voted to annex 24 unincorporated county pockets.*

- *Results in approximately \$1,000,000 in property taxes remaining in the Town instead of being diverted to the County.*

*The Town Attorney recently initiated a discussion about the potential permitting of commercial cannabis businesses within the Town of Los Gatos. Average Gross Receipts per Dispensary commonly range from \$4.5 million in smaller communities, and up to \$8.0 million in large, urban areas. Therefore, a local tax rate of between 4% and 6% would potentially generate between approximately \$800,000 to \$1.5 Million in revenue for the Town. In addition, the Town still has additional County Pockets which are under consideration for annexation.*

Have any reductions been discussed? Without reducing service or taking away from the Strategic Priorities of the Council, is there any “fat” that can be trimmed from the expense side of the ledger?

*Relative to the services the Town delivers, we already run pretty lean so no reductions in full-time employees is proposed in the budget. However, Departments were directed to identify expenditure reductions that would not degrade service levels and other expense containment strategies. To that end, all Departments programmed savings from traditional travel and training budgets, expecting that most professional development opportunities will continue to be offered remotely. Other examples include the use of one-time unbenefited part time employees where applicable, delayed purchase of additional recycling bins, and limited in-person Library programming to reflect the slow easing of the pandemic’s effects.*

“Cancellation of the annual OPEB actuarial contribution funding” as an option for additional funds, but I cannot find that amount in the budget. Has it been already been eliminated or is it included in the salaries line item?

*In the five-year forecast on page A-6 of the Operating Budget it is the line entitled “GASB 45 Retiree Medical Actuarial.”*

I see on Page C-34 that there is a line item for Pension and another for OPEB Reserve, both of which are zeros. Also, on C-36, the OPEB reserve goes to zero in 2021. Please advise where I can find that amount of that funding in the current budget.

*This reserve is for additional funds identified by current and prior Councils for additional discretionary payments (ADPs) directly to CalPERS. There are currently no additional funds reserved for ADPs.*

SUBJECT: Commissioner Questions and Comments

DATE: May 3, 2021

On schedule C-23 the FY 21 adjusted budget included \$1,262,158 as operating revenue with the explanation that this amount was “previously expensed transfers were returned to be included in the General Fund”. The estimate for FY 21 reflects no funds resulting in a corresponding revenue shortfall of \$1.2m. Why did this not occur and where did the \$1.2m go if it wasn’t returned to the General Fund? Please provide an explanation regarding the \$390,000 in pension trust revenue included in the FY 2022 budget. Why is this revenue?

*The FY 2021/22 Proposed budget page C-23 FY 2020/21 Adjusted and Estimated Budgets reflect the original 2020/21 adopted budget recognizing \$1,262,158 of the utilization of balances available in the General Fund Pension/OPEB reserve being transferred to the CEPPT trust during FY 2020/21. The Estimated column reflects that in July 2020 staff made an additional discretionary payment directly from the Town’s General Fund Non-Departmental program. With the direct payment to CalPERS, there was no \$1,262,158 transfer of reserve funds placed into the Town’s CEPPT Trust as the monies were paid directly to CalPERS by the Town instead of using the CEPPT as a temporary holding account and conduit. For CAFR purposes, the CEPPT Trust revenues and expenditures are merged (eliminated) into the Town’s General Fund for reporting purposes.*

*Regarding the \$390,000 of revenues presented in the FY 2021/22 Proposed Budget, this “revenue” amount represents the budgeted augmentation of funds into the Town’s CEPPT trust fund and a corresponding Non-Departmental “expenditure” budget amount of \$390,000 to record the transfer to the CEPPT. The CEPPT Trust Fund 731 is “rolled-up” into the Town’s General Fund and both the revenue and expenditure are eliminated for CAFR purposes as they do not represent actual revenues or expense. They are only recorded that way for budget tracking purposes and have zero effect on the financials. The \$390,000 is budgeted annually per the Town’s General Fund Reserve Policy to be used for eventual ADP’s reducing the Town’s amortization period from approximately 29 to 20 years.*

### **Balance Sheet Information**

On page C3, the total of all town funds shows a decline of 4.8% during the 2021 fiscal year. While the general fund is balanced with one time items, the other funds show significant decreases. On a big picture basis, this would show that the town spent down almost 5% during the year. This decline is consistent with prior years as shown on C37.

*General Fund balance changes reflect capital spending and the additional discretionary payments to CalPERS. Please see A-13. Other funds reflect capital spending.*

Please comment on the 36% decline in the liability internal service fund and the 73% decline in the workers compensation funds on page C3. Why are not these two funds included in the

SUBJECT: Commissioner Questions and Comments

DATE: May 3, 2021

General Fund for transparency purposes? Also, how are these items considered in the 2022 budget?

*The Town established Internal Service Funds to allocate costs for general liability and workers compensation costs to its primary customer, the Town's General Fund departments. Hence the cost of these services is borne by the risk activity associated with departmental activities. For instance, worker's compensation service charges applied to Police and Parks and Public Works are higher due to the nature of job classifications within these departments and resultant case load and severity of claims. Focusing on workers compensation and general liability services, costs for these services can substantially vary from year to year due to the nature of claims activity. In years of low claims, fund balances tend to rise. In years of adverse claims activity, the fund balances decrease. The goal of an Internal Service fund is to balance service charges made to the General Fund operating departments with the cost of providing these services. The intention is for these internal service funds to "break-even" over time per current accounting standards.*

*The Town is self-insured for workers' compensation claims and pays the actual claim cost up to the first \$250,000 instead of a flat monthly premium based on claims experience. This is a typical practice of government agencies. After \$250,000, the Town has excess insurance that pays the future and remaining claim costs. The premium cost of excess insurance is based on historical claims experience and this cost is continuing to rise. Claim costs include claims filed by current employees as well as on-going medical expenses for claims of employees that are no longer working for the Town. The Town is continuing to incur expenses for large claims that require extensive medical treatment for employees that are no longer working for the Town.*

# Town of Los Gatos Finance Commission FY 2021/22 Budget



# REVENUE FORECAST

## 1% ADDITIONAL / OPTIMISTIC

5 Year Forecast	2021/22 Forecast (\$M)	2022/23 Forecast (\$M)	2023/24 Forecast (\$M)	2024/25 Forecast (\$M)	2025/26 Forecast (\$M)	2026/27 Forecast (\$M)
Property Tax Additional 1% Growth (4% compare to 3%)	\$0.2	\$0.3	\$0.5	\$0.7	\$0.9	\$1.1

5 Year Forecast	2021/22 Forecast (\$M)	2022/23 Forecast (\$M)	2023/24 Forecast (\$M)	2024/25 Forecast (\$M)	2025/26 Forecast (\$M)	2026/27 Forecast (\$M)
VLF Additional 1% Growth (4% compare to 3%)	\$0.0	\$0.1	\$0.1	\$0.2	\$0.2	\$0.3

5 Year Forecast	2021/22 Forecast (\$M)	2022/23 Forecast (\$M)	2023/24 Forecast (\$M)	2024/25 Forecast (\$M)	2025/26 Forecast (\$M)	2026/27 Forecast (\$M)
Sales Tax Optimistic Scenario (Optimistic compare to Most Likely)	\$0.12	\$0.13	\$0.14	\$0.15	\$0.16	\$0.14

5 Year Forecast	2021/22 Forecast (\$M)	2022/23 Forecast (\$M)	2023/24 Forecast (\$M)	2024/25 Forecast (\$M)	2025/26 Forecast (\$M)	2026/27 Forecast (\$M)
Measure G Sales Tax Optimistic Scenario (Optimistic compare to Most Likely)	\$0.015	\$0.017	\$0.019	\$0.020	\$0.022	\$0.024

# FORECAST - 1% IMPACT

## 1% SALARY INCREASE

5 Year Forecast	2021/22 Forecast (\$M)	2022/23 Forecast (\$M)	2023/24 Forecast (\$M)	2024/25 Forecast (\$M)	2025/26 Forecast (\$M)	2026/27 Forecast (\$M)
Salaries 1% Increase Impact (1% compare to 0%)	\$0.16	\$0.31	\$0.46	\$0.61	\$0.77	\$0.92

5 Year Forecast	2021/22 Forecast (\$M)	2022/23 Forecast (\$M)	2023/24 Forecast (\$M)	2024/25 Forecast (\$M)	2025/26 Forecast (\$M)	2026/27 Forecast (\$M)
Pension Benefits 1% Increase Impact (1% compare to 0%)	\$0.06	\$0.12	\$0.18	\$0.25	\$0.31	\$0.38

5 Year Forecast	2021/22 Forecast (\$M)	2022/23 Forecast (\$M)	2023/24 Forecast (\$M)	2024/25 Forecast (\$M)	2025/26 Forecast (\$M)	2026/27 Forecast (\$M)
Other Benefits 1% Increase Impact (1% compare to 0%)	\$0.01	\$0.02	\$0.03	\$0.04	\$0.05	\$0.06

5 Year Forecast	2021/22 Forecast (\$M)	2022/23 Forecast (\$M)	2023/24 Forecast (\$M)	2024/25 Forecast (\$M)	2025/26 Forecast (\$M)	2026/27 Forecast (\$M)
Total Salaries & Benefits 1% Increase Impact (1% compare to 0%)	\$0.23	\$0.45	\$0.67	\$0.9	\$1.12	\$1.36



# PRIMARY REVENUE ASSUMPTIONS

## ORIGINAL

Type of Revenue	Base Line Estimate	FY 2021/22 Budget	FY 2022/23 Forecast	FY 2023/24 Forecast	FY 2024/25 Forecast	FY 2025/26 Forecast
<b>Property Tax/VLF Backfill</b>	Current baseline set by SCC Assessor Office January 2021 report.	3%	3%	3%	3%	3%
<b>North 40 Property Sales</b>	Starting in FY 2021/22	North 40 Phase 1 Sales	North 40 Phase 1 Sales	3%	3%	3%
<b>ERAF</b>	Current baseline set by SCC Assessor Office March 2021 report	SCCA recommend 100% of FY 2020/21 anticipated proceeds	\$400K	\$400K	\$400K	\$400K
<b>Sales Tax</b>	MuniServices 3/19/2021	MuniServices 3/19/2021 Optimistic Estimates	MuniServices 3/19/2021 Most Likely Estimates	MuniServices 3/19/2021 Most Likely Estimates	MuniServices 3/19/2021 Most Likely Estimates	MuniServices 3/19/2021 Most Likely Estimates
<b>Sales Tax - Measure G</b>	MuniServices 3/19/2021	MuniServices 3/19/2021 Most Likely Estimates	MuniServices 3/19/2021 Most Likely Estimates	MuniServices 3/19/2021 Most Likely Estimates	MuniServices 3/19/2021 Most Likely Estimates	MuniServices 3/19/2021 Most Likely Estimates

# PRIMARY REVENUE ASSUMPTIONS

## ADDITIONAL 1% / OPTIMISTIC

Type of Revenue	Base Line Estimate	FY 2021/22 Budget	FY 2022/23 Forecast	FY 2023/24 Forecast	FY 2024/25 Forecast	FY 2025/26 Forecast
<b>Property Tax/VLF Backfill</b>	Current baseline set by SCC Assessor Office January 2021 report.	4%	4%	4%	4%	4%
<b>North 40 Property Sales</b>	Starting in FY 2021/22	North 40 Phase 1 Sales	North 40 Phase 1 Sales	4%	4%	4%
<b>ERAF</b>	Current baseline set by SCC Assessor Office March 2021 report	SCCA recommend 100% of FY 2020/21 anticipated proceeds	\$400K	\$400K	\$400K	\$400K
<b>Sales Tax</b>	MuniServices 3/19/2021	MuniServices 3/19/2021 Optimistic Estimates	MuniServices 3/19/2021 Optimistic Estimates	MuniServices 3/19/2021 Optimistic Estimates	MuniServices 3/19/2021 Optimistic Estimates	MuniServices 3/19/2021 Optimistic Estimates
<b>Sales Tax - Measure G</b>	MuniServices 3/19/2021	MuniServices 3/19/2021 Most Likely Estimates	MuniServices 3/19/2021 Optimistic Estimates	MuniServices 3/19/2021 Optimistic Estimates	MuniServices 3/19/2021 Optimistic Estimates	MuniServices 3/19/2021 Optimistic Estimates



**TOWN OF LOS GATOS  
FINANCE COMMISSION REPORT**

MEETING DATE: 05/10/2021

Item 7.

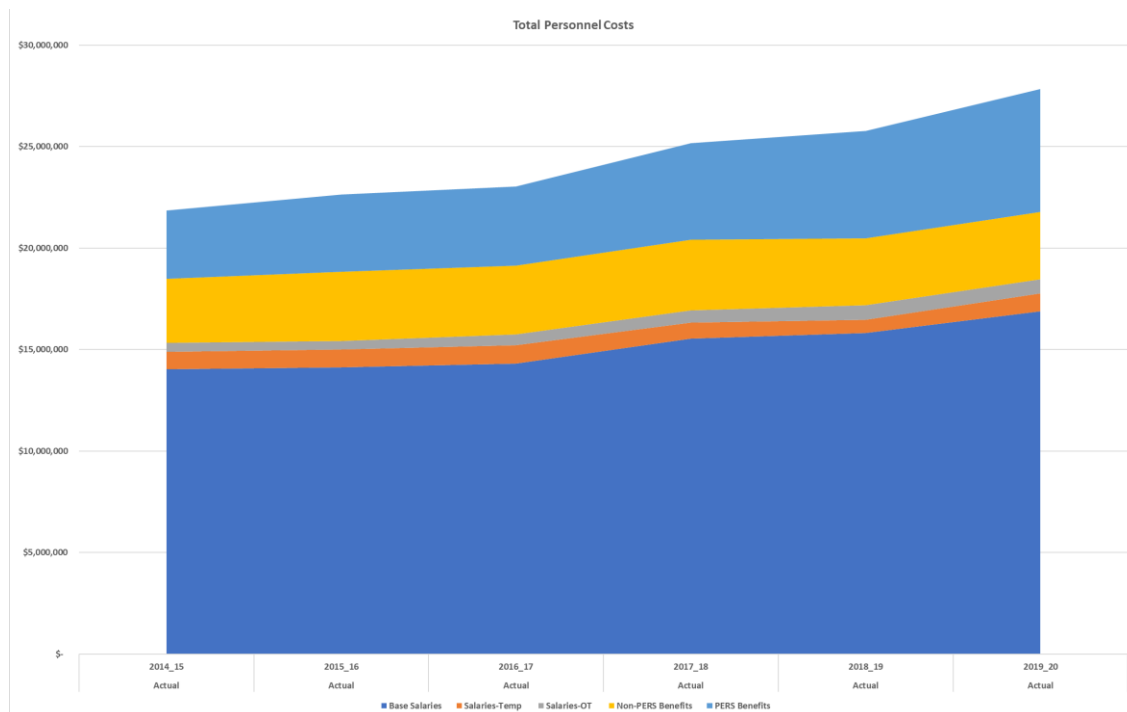
ITEM NO: 2

DESK ITEM

DATE: May 10, 2021  
TO: Finance Commission  
FROM: Laurel Prevetti, Town Manager  
SUBJECT: Answers to Some of the Commissioner Questions and Comments Regarding the Proposed Operating and Capital Budgets

**REMARKS**

The following exhibit was provided by Council Member Hudes. The exhibit is based on numbers previously presented by staff and illustrates the growth starting from FY 2014/15 of base salaries, temporary salaries, overtime salaries, non-PERS benefits, and PERS benefits. Based on the exhibit, base salaries increased 20.3% over the 5-year period or 4.06% per year and PERS benefits increased 80.2% over the same period or 16.04% per year.



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

PAGE 2 OF 2

SUBJECT: Commissioner Questions and Comments

DATE: May 10, 2021

Vice Mayor Rennie asked to review the current assumption for North 40 building permits issued versus staff assumptions for additional property tax. Following is the current assumption for FY 2021/22 and FY 2022/23 which utilized an assumption of 270 market rate units, equally distributed between the years, and assuming an average of a \$1.0 million per unit.

	<b>FY 2021/22</b>	<b>FY 2022/23</b>
Unit Sold	135	135
Unit Value	\$1,000,000	\$1,000,000
Total Estimated Assessed Value	\$135,000,000	\$135,000,000
Additional Property Tax	\$345,303	\$345,303
Total Additional Property Tax	\$345,303	\$690,606

Utilizing information from the developer's website, an alternative property tax assumption is presented below. This analysis assumes 253 units with a 106 market rate building permits pulled to date. In addition, the distribution of units is spread across three different housing types and uses an average square footage and price per square foot per housing type.

	<b>FY 2021/22</b>	<b>FY 2022/23</b>
253 Market Rate Units	106	147
80 Condominiums (32% @ \$800/sq ft))	\$41,289,600	\$58,806,400
97 Row Homes (38% @ \$900/sq ft))	\$64,242,900	\$87,746,400
76 Homes (30% @ \$1000/sq ft))	\$46,528,000	\$63,976,000
Total Estimated Assessed Value	\$152,060,500	\$210,528,800
Additional Property Tax	\$388,940	\$538,491
Total Additional Property Tax	\$388,940	\$927,431

Attachment (previously distributed with the Addendum):

1. Public Comments



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

MEETING DATE: 07/12/2021

ITEM NO: 8

Item 7.

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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

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

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# 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: 10/11/2021

ITEM NO: 5

Item 7.

DATE: October 4, 2021  
TO: Finance Commission  
FROM: Laurel Prevetti, Town Manager  
SUBJECT: Receive Information on the Town Bargaining Groups

**RECOMMENDATION:**

Receive information on the Town bargaining groups.

**DISCUSSION:**

Staff will provide an update on the Town bargaining groups provided in Attachment 1.

**Attachments:**

1. Town Bargaining Groups Presentation

**PREPARED BY:** Arn Andrews  
Assistant Town Manager

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

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# Town of Los Gatos Finance Commission Town Bargaining Groups



## TOWN BARGAINING UNITS

Bargaining Unit	Number of Current Members
Town Employees' Association (TEA)	54
American Federation of State, County and Municipal Employees (AFSCME)	14
Police Officers' Association (POA)	34
Totals	102
Management & Confidential (unrepresented)	42
Temporary (unrepresented)	47

# BARGAINING PROCESS

- Representatives from the Town and bargaining units (“bargaining teams”) meet to negotiate the terms of an agreement
- Both sides discuss contract-related issues and present proposals and counter proposals
- State law requires that both sides engage in good-faith negotiations

# BARGAINING PROCESS

- If the parties cannot reach agreement, state law provides the following to help resolve the impasse:
  - State-assisted mediation
  - If mediation fails, a “factfinding” process follows in which both parties present their positions
  - A factfinder will issue recommendations to attempt to resolve differences
  - If still no agreement is reached the recommendations are made public



# TOWN BARGAINING UNITS 2021 PROCESS

- **AFSCME and TEA MOUs expired on June 30, 2021**
- **POA MOU expired on September 30, 2021**
- **AFSCME contract extension approved on August 17, 2021**
  - **Contract extended through June 30, 2022**
  - **One-time eight (8) hour floating holiday**

# TOWN BARGAINING UNITS 2021 PROCESS

- **TEA and POA negotiations continue**
- **Town Council met in Closed Session on:**
  - **February 2, 2021**
  - **April 6, 2021**
  - **August 3, 2021**
  - **September 21, 2021**
  - **October 7, 2021**

Year	TEA	AFSCME	POA	Management & Confidential
2011			2.00%	
2012			2.00%	
2013	1.5% of annual salary bonus	1.5% of annual salary bonus		1.5% of annual salary bonus
2014	2.00%	2.00%	Bonus = to 2.00% base salary	2.00%
2015	2.00%	2.00%	PO's and Cpl's 2.0% Sgt's bonus + 2.00%	2.00%
2016	2.50%	2.50%	2.50%	2.50%
2017	2.50%	2.50%	2.50%	2.50%
2018	2.50% 1.5% non-persable Market adjustments	2.50% 1.5% non-persable Market adjustments	2.50% Market adjustments	2.50% 1.50% non-persable Market adjustments
2019	3.00%	3.00%	4.00%	3.00%
2020	1.00% 2.00% non-persable	1.00% 2.00% non-persable	1.00% 2.00% non-persable	1.00% 2.00% non-persable

Item 7.

# PRIOR SETTLEMENTS

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**TOWN OF LOS GATOS  
FINANCE COMMISSION REPORT**

MEETING DATE: 10/11/2021

ITEM NO: 6

Item 7.

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DATE: October 4, 2021  
TO: Finance Commission  
FROM: Laurel Prevetti, Town Manager  
SUBJECT: Receive Information on North 40 Property Tax Projections

**RECOMMENDATION:**

Receive information on North 40 property tax projections

**DISCUSSION:**

Staff will provide an update on the North 40 property tax projections provided in Attachment 1.

**Attachments:**

1. North 40 Property Tax Projections

**PREPARED BY:** Arn Andrews  
Assistant Town Manager

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

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# Town of Los Gatos Finance Commission NO 40 Property Tax Projections



# NO 40 PROPERTY TAX PROJECTIONS

Initial Projection	FY 2021/22	FY 2022/23
270 Market Rate Units	135	135
Unit Value	\$1,000,000	\$1,000,000
Total Estimated Assessed Value	\$135,000,000	\$135,000,000
Additional Property Tax	\$345,303	\$345,303
Additional Property Tax Cumulative	\$345,303	\$690,606



# NO 40 PROPERTY TAX PROJECTIONS

May 1, 2021	FY 2021/22	FY 2022/23
253 Market Rate Units	106 (42% of total)	147 (58% of total)
80 Condos (avg 1,564 sq ft @ \$800/sq ft)	\$42,540,800	\$57,555,200
97 Row Homes (avg 1,741 sq ft @ \$900/sq ft)	\$64,242,900	\$87,746,400
76 Homes (avg 1,454 sq ft @ \$1000/sq ft)	\$46,528,000	\$63,976,000
Total Estimated Assessed Value	\$153,311,700	\$209,277,600
Additional Property Tax	\$389,718	\$531,984
Additional Property Tax Cumulative	\$389,718	\$921,702

# NO 40 PROPERTY TAX PROJECTIONS

October 1, 2021	FY 2021/22	FY 2022/23
253 Market Rate Units	106 (42% of total)	147 (58% of total)
80 Condos (avg 1,564 sq ft @ \$1000/sq ft)	\$53,176,000	\$71,944,000
97 Row Homes (avg 1,741 sq ft @ \$1000/sq ft)	\$71,381,000	\$97,496,000
76 Homes (avg 1,454 sq ft @ \$1000/sq ft)	\$46,528,000	\$63,976,000
Total Estimated Assessed Value	\$171,085,000	\$233,416,000
Additional Property Tax	\$434,898	\$593,343
Additional Property Tax Cumulative	\$434,898	\$1,028,242



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

MEETING DATE: 06/13/2022

ITEM NO:

Item 7.

DATE: June 8, 2022  
TO: Finance Commission  
FROM: Laurel Prevetti, Town Manager  
SUBJECT: Receive Update on Negotiated Labor Agreements

**DISCUSSION:**

On June 7, 2022, the Town Council approved Labor Agreements between the Town of Los Gatos and the Police Officers Association (POA), Town Employees' Association (TEA), and the American Federation of State, County, and Municipal Employees (AFSCME). In addition, the Town Council approved economic parameters for the Town's unrepresented employees in Management, Confidential, and Temporary classifications.

The following tables summarize the agreed upon terms and cumulative costing associated with the agreements:

**Represented Groups**

Economics	AFSCME	TEA	POA
Term	2 Years	2 Years	3 Years
1 <sup>st</sup> Year	3.0% COLA & \$1,000	3% COLA	3% COLA
2 <sup>nd</sup> Year	3.0% COLA	3% COLA	3% COLA
Market Adjustments	4.5%	5.0%	3.15%
Pandemic Pay	\$2,500	\$2,500	\$2,500
Juneteenth	Yes	Yes: 0.35%	Yes; 0.4% & \$1,000
Education Reimbursement	Additional \$1,500	n/a	n/a

**PREPARED BY:** Arn Andrews  
Assistant Town Manager

Reviewed by: Town Manager and Finance Director

2021/22 Cleanup	n/a	n/a	1.1% and \$5,000
Contract Ratification	n/a	\$1,000	n/a

Unrepresented Groups

Economics	Confidential	Management	Temporary
1 <sup>st</sup> Year	3.0% COLA	3% COLA	3% COLA
2 <sup>nd</sup> Year	3.0% COLA	3% COLA	3% COLA
Market Adjustments	5.0%		5.0%
Pandemic Pay	\$2,500	\$2,500	
Juneteenth	Yes	Yes	Yes

Agreement Costing

Economics	COLA	Market Adjustments	One-time
POA	\$337,000	\$265,000	\$289,000
AFSCME	\$46,000	\$133,000	\$38,500
TEA	\$215,000	\$290,000	\$210,000
Confidential	\$65,000	\$108,840	\$38,500
Management	\$216,000		\$70,000
Temporary	\$22,000	\$37,000	
Totals	\$901,000	\$886,005	\$646,000



**TOWN OF LOS GATOS  
FINANCE COMMISSION REPORT**

MEETING DATE: 08/08/2022

ITEM NO:

Item 7.

DATE: August 2, 2022  
TO: Finance Commission  
FROM: Laurel Prevetti, Town Manager  
SUBJECT: Receive Communication from the Vice Chair

**RECOMMENDATION:**

Receive communication from the Vice Chair.

**DISCUSSION:**

As part of the structural deficit over the course of this year the Vice Chair asked that the following discussion topics be included:

1. Ensure that the Fiscal Year (FY) 2023/24 Budget Process includes the Finance Commission receiving any “material changes and reviews” prior to Council.
2. Suggest that the Finance Commission (or a subcommittee of it) be privy to any “material financial projects or negotiations going on within the town” (this would include litigation and salary/union negotiations).
3. Suggest that a member of the Finance Commission be part of the interview process (and on boarding too) of any new CBO/Finance Director.

Staff will be available to discuss the legal implications associated items 2 and 3.

**PREPARED BY:** Arn Andrews  
Assistant Town Manager

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



**TOWN OF LOS GATOS  
FINANCE COMMISSION REPORT**

MEETING DATE: 08/08/2022

Item 7.

ITEM NO: 7  
**ADDENDUM**

DATE: August 2, 2022  
TO: Finance Commission  
FROM: Laurel Prevetti, Town Manager  
SUBJECT: Receive Financial Information and Initiate Review of the Town's Structural Deficit per Town Council Directive.

**REMARKS:**

Attachment 11 contains public comments received between 11:00 a.m., Thursday, August 4, 2022, and 11:01 a.m., Friday, August 5, 2022.

**Previous Attachments:**

1. Finance Commission April 26, 2021
2. Finance Commission May 3, 2021
3. Finance Commission May 3, 2021
4. Finance Commission 1% Scenarios
5. Finance Commission May 10, 2021
6. PD Expenditures
7. Town Bargaining Groups
8. North 40 Analysis
9. Labor Agreement Summary 2022
10. Vice Chair Communication

**Attachments with this Addendum:**

11. Public comment received between 11:00 a.m., Thursday, August 4, 2022, and 11:01 a.m., Friday, August 5, 2022.

**PREPARED BY:** Arn Andrews  
Assistant Town Manager

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

Hello Ron and Kyle,

The updated 5 year forecast just released by Staff indicates that with no additional revenue or expense reductions, the GF balance at the end of FY 28 will be \$100k - down from a projected balance of \$19.9m (this excludes the \$1m restricted pension reserve) as of June 30, 2023. I have no idea why the Staff memo fails to make this point.

This means that both rainy day reserves (budget stabilization and catastrophic reserves) will be fully spent with no credible plan to replenish them. Additionally there will be no capital available in the GF to transfer to the GFAR to fund critical capital projects.

Based on this forecast, and I am assuming the Staff believes the forecast to be accurate, the time has come to declare a financial crisis. Obviously the Town can not simply let this come to pass.

What specific actions are the Staff proposing to stabilize this disastrous outlook? Is there any plan at all? What am I missing?

Thank you,

Phil Koen



**TOWN OF LOS GATOS  
FINANCE COMMISSION REPORT**

MEETING DATE: 08/08/2022

Item 7.

ITEM NO: 7

DESK ITEM

DATE: August 8, 2022  
TO: Finance Commission  
FROM: Laurel Prevetti, Town Manager  
SUBJECT: Receive Financial Information and Initiate Review of the Town's Structural Deficit per Town Council Directive.

**REMARKS:**

Several Commissioners have inquired about the anticipated process for the review of the projected structural deficit. Staff envisions this being an iterative process and regular agenda item over the course of the coming year. As Commissioners use the meetings to deliberate the actual extent of the projected deficits and potential solutions, staff will provide data and analysis for subsequent meetings.

Attachments 1 through 9 were intended to resurface previous data analysis compiled for the Commission as resources for the forthcoming discussions. As new financial information becomes available, staff will also provide those inputs for consideration. As an example, the Five-Year Forecast updated to reflect the adopted labor agreements was provided. In the coming months as actual and projected revenue data becomes available, those will be provided. In addition, Attachment 10 are areas of interest from the Vice Chair for Commission consideration. If other Commissioners develop areas of interest prior to the next scheduled meeting staff is happy to provide those as an attachment as well.

Additional public comments were received over the weekend and are contained in Attachment 12.

**Attachments Provided with the Staff Report:**

1. Finance Commission April 26, 2021
2. Finance Commission May 3, 2021
3. Finance Commission May 3, 2021
4. Finance Commission 1% Scenarios
5. Finance Commission May 10, 2021

**PREPARED BY:** Arn Andrews  
Assistant Town Manager

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



PAGE 2 OF 2

SUBJECT: Initiate Review of Town's Structural Deficit

DATE: August 2, 2022

6. PD Expenditures
7. Town Bargaining Groups
8. North 40 Analysis
9. Labor Agreement Summary 2022
10. Vice Chair Communication

Attachment Provided with Addendum:

11. Public comment received between 11:01 a.m., Thursday, August 4, 2022, and 11:00 a.m., Friday, August 5, 2022.

Attachment Provided with this Desk Item:

12. Public comment received between 11:01 a.m., Friday, August 5, 2022, and 11:00 a.m., Monday, August 8, 2022

Ron and Kyle,

As you consider the forecasted \$20m in cumulative operating deficits, the Finance Commission needs to be aware of potential programs being presented in the draft Housing Element that may have an additional financial impact.

I have attached one such program, rehabilitation loans, that is currently under consideration in the draft Housing Element. Before the Housing Element is finalized, someone needs to review this proposal as well as others that are in the draft HE to determine financial feasibility. If the Town has no ability to execute such a program, why have it in the Housing Element where it will be tracked by the State?

Perhaps I am missing something, but for a Town that is projecting approximately a \$20m cumulative operating deficit over the next 5 years with no plan to turn this around, it is not apparent how the Town can under write a rehabilitation loan program. I am concerned that the HEAB may not fully appreciate the Town's projected financial condition and there is a disconnect here.

Thank you.

Phil Koen

## Initial Draft 2023-2031 Housing Element

Programs	Implements Which Policy(ies)	Responsible Supporting Department(s)	Time Frame	Funding Source
<p>Affordability covenants are essentially deed restrictions on the property that retain the affordable housing price of the unit for a certain period of time. The covenants must be in place for at least 55 years for rental properties when using BMP funds. In existing and new rental developments, the Town could provide a rehabilitation loan or another form of subsidy to a rental property owner in exchange for securing affordability covenants on a percentage of units and the owner's agreement to restrict rents on these units to levels that would be affordable to very low- and low-income households. Each affordability covenant acquisition opportunity is unique because the owner may negotiate for a varying proportion of units to be restricted as well as the level of affordability. The Town will work to secure units for very low- and low-income households through this program. In order to have a successful policy or program for purchasing affordability covenants, the Town must have a legal counsel that is familiar with structuring effective agreements, as well as dedicated resources for periodic monitoring to ensure that the agreements are met. The Town investigate the potential of purchasing and buying-down affordability covenants for new rental developments coming on-line and existing apartments. The program shall identify a preliminary list of sites for acquiring covenants. In order to target existing apartments, the condition of the property and the background of the property owner should be assessed. The Town may then issue a Notice of</p>				