



**TOWN OF LOS GATOS
FINANCE COMMISSION AGENDA
OCTOBER 12, 2026
110 EAST MAIN STREET
TOWN COUNCIL CHAMBERS
5:30 PM**

Ashby Monk, Chair
Adam Fischer, Vice Chair
Phil Koen, Commissioner
Jay McGowan, Commissioner
Joseph Rodgers, Commissioner
Maria Ristow, Vice Mayor
Matthew Hudes, Council Member

IMPORTANT NOTICE

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

To watch and participate via Zoom, please go to:

<https://losgatosca.gov.zoom.us/j/84834011781?pwd=rHVGVpBwjNaaM6U6ZB5AbaZUF1ToV9.1>

Enter passcode: 998589

CALL MEETING TO ORDER

ROLL CALL

CONSENT ITEMS *(Items appearing on the Consent are considered routine Town business and may be approved by one motion. Members of the public may provide input on any Consent Item(s) when the Chair asks for public comment on the Consent Items. Each speaker is limited to no more than three (3) minutes or such time as authorized by the Chair.)*

1. Approve the Minutes of the August 10, 2026, Finance Commission Regular Meeting
2. Approve the Minutes of the September 14, 2026, Finance Commission Regular Meeting
3. Approve the Minutes of the September 30, 2026, Finance Commission Special Meeting
4. Receive the Monthly Financial and Investment Report for August 2026
5. Receive and Forward to the Town Council the Monthly Expenditure and Revenue Reports for the Month of August 2026

VERBAL COMMUNICATIONS *(Members of the public are welcome to address the Commission on any matter that is not listed on the agenda and is within the subject matter jurisdiction of the Commission. During special meetings, members of the public are welcome to address the Commission only on items listed on the agenda. Town resources may not be used to facilitate audio or visual presentations. To ensure all agenda items are heard, this portion of the agenda is limited to 30 minutes. In the event additional speakers were not able to be heard during the initial Verbal Communications portion of the agenda, an additional Verbal Communications will*

be opened prior to adjournment. Each speaker is limited to no more than three (3) minutes or such time as authorized by the Chair.)

OTHER BUSINESS *(Each speaker is limited to no more than three (3) minutes or such time as authorized by the Chair.)*

6. Receive and Forward the Fiscal Condition Analysis Report, the Future Growth and Sustainability Study Fiscal Impact Analysis, and the Asset Liability Management Study to the Town Council; and Recommend an Additional Discretionary Payment to CalPERS

ADJOURNMENT

ADA NOTICE - In compliance with the Americans with Disabilities Act, if you require special assistance to participate in this meeting, please contact the Clerk's Office at (408) 354-6834. Please notify the Clerk's Office at least two (2) business days prior to the meeting so that reasonable arrangements can be made to ensure accessibility in compliance with 28 CFR §35.102-35.104 and related provisions.

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

HOW TO PARTICIPATE

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

Zoom Webinar (Online): Join from a PC, Mac, iPad, iPhone or Android device. Please click this URL to join: [https://losgatosca-](https://losgatosca.gov.zoom.us/j/84834011781?pwd=rHVGVpBwjiNaaM6U6ZB5AbaZUF1ToV9.1)

[gov.zoom.us/j/84834011781?pwd=rHVGVpBwjiNaaM6U6ZB5AbaZUF1ToV9.1](https://losgatosca.gov.zoom.us/j/84834011781?pwd=rHVGVpBwjiNaaM6U6ZB5AbaZUF1ToV9.1)

Passcode: **998589** You can also type in **848 3401 1781** in the "Join a Meeting" page on the Zoom website at zoom.com and use passcode **998589**.

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.

Telephone: Please dial 1 (855) 758-1310 for US Toll-free or 1 (408) 961-3927 for US Toll. (Meeting ID: 848 3401 1781)

If you are participating by calling in, press *9 on your telephone keypad to raise your hand.

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

NOTES: Comments will be limited to three (3) minutes or less at the Chair's discretion.

If you are unable to participate in real-time, you may email to Clerk@losgatosca.gov the subject line "Public Comment Item #__" (insert the item number relevant to your comment). All comments received will become part of the record.

Deadlines to submit written comments are:

-3:00 p.m. the business day before the Commission meeting for inclusion in an addendum.

-11:00 a.m. on the day of the Commission meeting for inclusion in a desk item.



**TOWN OF LOS GATOS
FINANCE COMMISSION
MINUTES**

MEETING DATE: 10/13/2026

Item 1.

ITEM NO: 1

**Draft Minutes of the Finance Commission Regular Meeting
August 10, 2026**

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

THE MEETING WAS CALLED TO ORDER AT 5:30 P.M.

ROLL CALL

Present: Chair Ashby Monk, Vice Chair Adam Fischer, Commissioner Phil Koen, Commissioner Joe Rodgers, Council Member Matthew Hudes, and Council Member Maria Ristow (Arrived at 5:33 P.M.)

Town Staff Present: Town Manager, Chris Constantin; Administrative Services Director, Kristina Alfaro; Library Director, Ryan Baker; Town Clerk, Wendy Wood; and Finance and Accounting Manager, Eric Lemon.

CONSENT ITEMS

1. Approve the Minutes of the June 8, 2026, Finance Commission Regular Meeting
2. Receive the Monthly Financial and Investment Reports for May and June 2026

There was no public comment.

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

VOTE: Motion passed unanimously.

VERBAL COMMUNICATIONS

The following individual spoke during verbal communications:

1. Member of the Public

OTHER BUSINESS

3. Discuss Upcoming Audit and Provide Input on June 30, 2026, Annual Comprehensive Report with the Town's Independent Auditor

Finance and Accounting Manager, Eric Lemon, provided a summary of the item and introduced the Town's Independent Auditor, Sheldon Chavan, to give a presentation.

SUBJECT: Draft Minutes of the Finance Commission Regular Meeting of August 10, 2026

The Commission discussed the item and asked questions.

Staff and the Independent Auditor addressed the Commissioner's questions.

The following individual spoke on this item:

1. Member of the public

No action was taken on this item.

4. Receive the Following Final Reports, Fiscal Condition Analysis, Future Growth and Sustainability Study Fiscal Analysis and Asset Liability Management Study and Forward to the Town Council for Review

The Chair opened the item and introduced the Town's Consultants at NHA Advisors, Mark Northcross, Principal, and Mike Meyer, Vice President, to present on the item.

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

Staff and the Consultants addressed the Commissioner's questions.

The following individuals spoke on this item:

1. Linda Swenberg
2. Lee Fagot
3. Member of the public

MOTION: Motion by **Commissioner Koen** to receive the Fiscal Condition Analysis, Future Growth and Sustainability Study Fiscal Analysis, and Asset Liability Management Study; and continue the item for future discussion pending another turn at this document, taking in the feedback given. **Seconded** by **Commissioner Rodgers**.

VOTE: Motion passed unanimously.

5. Discussion of the Community Grant Program and Potential Recommendation for Process Improvements

The Chair opened this item for discussion.

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

Staff addressed the Commissioner's questions.

The following individuals spoke on this item:

1. Linda Swenberg
2. Member of the Public

MOTION: **Motion by Commissioner Koen** that the Finance Commission adopt the Community Grant Program Review Scoping Memorandum as the Commission's work plan to guide it through the review of the Town's Community Grant Program, with the review to proceed in three phases, anticipated to take three sessions but continuing beyond that if the work requires it, and with the work plan subject to amendment by the Commission at any session. This work plan is adopted as an accommodation to Town staff, to assist them in planning and scheduling their support of the Commission's work, and in response to the Town Manager's request for a work plan. It is not an acknowledgment that a work plan is required by Measure A. Nothing in this work plan alters, abridges, or abrogates the duties assigned to the Finance Commission by Measure A, and nothing in it limits the Commission's authority to take up any matter within those duties, whether or not the matter appears in the plan. **Seconded by Chair Monk.**

VOTE: **Motion passed unanimously.**

ADJOURNMENT:

The meeting adjourned at approximately 7:47 p.m.

This is to certify that the foregoing is a true and correct copy of the minutes of the August 10, 2026, regular meeting as approved by the Finance Commission.

Eric Lemon, Finance & Accounting Manager



**TOWN OF LOS GATOS
FINANCE COMMISSION
MINUTES**

MEETING DATE: 10/12/2026

Item 2.

ITEM NO: 2

**Draft Minutes of the Finance Commission Regular Meeting
September 14, 2026**

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

THE MEETING WAS CALLED TO ORDER AT 5:32 P.M.

ROLL CALL

Present: Chair Ashby Monk, Commissioner Phil Koen, Commissioner Joe Rodgers, Commissioner John McGowen, Council Member Matthew Hudes, and Council Member Maria Ristow

Absent: Vice Chair Adam Fischer

Town Staff Present: Town Manager, Chris Constantin; Administrative Services Director, Kristina Alfaro; Police Chief, Jamie Field; Town Clerk, Wendy Wood; and Finance and Accounting Manager, Eric Lemon.

PRESENTATION

i. Los Gatos Monte Sereno Police Department Potential Service to Saratoga

Chief of Police, Jamie Field gave a presentation.

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

Staff addressed the Commissioner's questions.

The following individuals spoke on this item:

1. Member of the public
2. Rick Van Husen

CONSENT ITEMS

1. Receive the Monthly Financial and Investment Report for July 2026 and Corrected Investment Report for June 2026
2. Receive the California Employer's Pension Prefunding Trust (CEPPT) Strategy Market Value Summary Report for the Period Ending June 30, 2026, and Performance as of July 31, 2026

SUBJECT: Draft Minutes of the Finance Commission Regular Meeting of September 14, 2026

3. Receive the California Employer's Retiree Benefit Trust (CERBT) Strategy 1 Market Value Summary Report for the Period Ending June 30, 2026, and the Performance Report as of July 31, 2026

Chair Ashby pulled Item two from Consent.

The following individual spoke on the consent items:

1. Member of the Public (Item 2)

MOTION: Motion by Chair Ashby to approve consent items one and three. **Seconded by Commissioner Koen.**

VOTE: Motion passed 4-0-1. Vice Chair Fischer was absent.

2. Receive the California Employer's Pension Prefunding Trust (CEPPT) Strategy Market Value Summary Report for the Period Ending June 30, 2026, and Performance as of July 31, 2026

Commissioner Koen commented on the item.

There was no public comment.

MOTION: Motion by Chair Ashby to approve the item. **Seconded by Commissioner Koen.**

VOTE: Motion passed 4-0-1. Vice Chair Fischer absent.

VERBAL COMMUNICATIONS

There was no public comment.

OTHER BUSINESS

4. Review the Revised Finance Commission 2026 Workplan and Make a Recommendation to the Town Council for Approval

Administrative Services Director, Kristina Alfaro, and Town Manager, Chris Constantin, presented the item.

The Commission discussed the item and asked questions.

Staff addressed the Commissioner's questions.

SUBJECT: Draft Minutes of the Finance Commission Regular Meeting of September 14, 2026

The following individuals spoke on this item:

1. Rick Van Husen
2. Member of the Public
3. Alisa Toren
4. Linda Swenberg

MOTION: **Motion by Commissioner Koen** that the Finance Commission (1) decline to recommend the revised Finance Commission 2026 Workplan to the Town Council for approval. Measure A, the Town Finance Commission Initiative (Ordinance 2314; Town Code Chapter 2, Article V, Division 3, sections 2.50.200 through 2.50.230), does not require the Commission to adopt a work plan or to obtain Town Council approval of one; (2) receive the revised 2026 Workplan, as presented or as amended at this meeting, and transmit it to the Town Manager solely as a planning tool to help staff schedule workflow and plan support. This is consistent with the Town Manager's written confirmation of August 21, 2026 that the work plan is a planning and resource allocation tool; (3) declare that this action does not alter, abridge, abrogate, or diminish in any way the lawful scope, duties, or authority of the Finance Commission under Measure A, in particular: (a) the Commission may take up any matter within its duties under section 2.50.225 subparagraph a, whether or not the matter appears in the work plan; (b) the work plan does not limit the Chair's authority under section 2.50.215 to call meetings and set agendas, and its target dates do not bind any agenda; (c) administrative support under section 2.50.205 subparagraph e, is not conditioned on any work plan or on Council approval of one; (d) transmitting the work plan is not a concession that a work plan or Council approval is required, and it waives no position under section 2.50.225 subparagraph b; (e) the Commission may revise the work plan at any time; and (4) request that the Chair, under section 2.50.215, call a special meeting of the Commission no later than September 30, 2026, where the purpose is to resume and complete the Community Grant Program review continued from August 10, 2026, so the Commission can inform the Town Council before the Council acts on the FY 2026-27 community grants. **Seconded by Commissioner Rodgers.**

VOTE: **Motion passed 3-0-1-1. Commissioner McGowen abstained and Vice Chair Fischer was absent.**

5. Review the Agreement with Badawi & Associates to Provide Auditing Services for the Town of Los Gatos and Provide Comments or Recommendations for the Town Council's Consideration

Finance and Accounting Manager, Eric Lemon, introduced the item and Audit Partner from Badawi & Associates, Ahmed Badawi.

The Commission discussed the item, and asked questions.

Staff addressed the Commissioner's questions.

The following individuals spoke on this item:

1. Member of the public

MOTION: Motion by **Chair Ashby** for the Finance Commission to recommend that the Town Council approve the Agreement with Badawi & Associates for Auditing Services for the Fiscal Years ending 2027-2029 with two optional one-year extensions.
Seconded by Commissioner Koen.

VOTE: Motion passed 4-0-1. Vice Chair Fischer was absent.

6. Review Financial Reporting Suite Proposal and forward to Town Council for Approval

Administrative Services Director, Kristina Alfaro gave a presentation on the item.

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

Staff addressed the Commissioner's questions.

The following individuals spoke on this item:

1. Member of the public

MOTION: Motion by **Commissioner Koen** [as stated by the Town Manager: to approve the budgeting module, which then locks in everything else, and when ready, we can execute an amendment to add items.] **Seconded by Commissioner Rodgers.**

VOTE: Motion passed 4-0-1. Vice Chair Fischer was absent.

7. Receive and Forward to the Town Council the Monthly Expenditure and Revenue Reports for the Month of July 2026 and Provide Direction on Financial Reporting Frequency and Format

Town Manager Chris Constantin provided information on the item.

The Commission discussed the item and asked questions.

Staff addressed the Commissioner's questions.

The following individual spoke on this item:

1. Member of the public

No action was taken on this item.

ADJOURNMENT:

The meeting adjourned at approximately 7:34 p.m.

This is to certify that the foregoing is a true
and correct copy of the minutes of the
September 14, 2026, regular meeting as approved by the
Finance Commission.

Wendy Wood, Town Clerk



**TOWN OF LOS GATOS
FINANCE COMMISSION
MINUTES**

MEETING DATE: 10/12/2026

Item 3.

ITEM NO: 3

**Draft Minutes of the Finance Commission Special Meeting
September 30, 2026**

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

THE MEETING WAS CALLED TO ORDER AT 6:01 P.M.

ROLL CALL

Present: Chair Ashby Monk, Commissioner Phil Koen, Commissioner Joe Rodgers, Commissioner Jay McGowan, and Council Member Hudes

Absent: Vice Chair Adam Fischer and Vice Mayor Ristow

Town Staff Present: Town Manager, Chris Constantin; Administrative Services Director, Kristina Alfaro; Town Attorney, Gabrielle Whelan; and Finance and Accounting Manager, Eric Lemon.

OTHER BUSINESS

1. Review the Community Grants Program

Town Manager Chris Constantin introduced the item.

The following individuals spoke on this item:

1. Glen Stansbury

Commissioner Koen gave a presentation on the item.

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

Staff and Commissioner Koen addressed the Commissioner's questions

MOTION: Motion by Commissioner Koen to approve the proposed motion in the agenda packet [(page 33) that the Finance Commission recommends that the Town Council: [(1) Adopt a policy – Adopt a Community Grant Policy by Council action, amending or replacing Resolution 1993-173, and review it every two years; (2) Know the grantee – Require a staff-verified eligibility screen before any application is read: legal standing, filings, board independence, a conflict-of-interest policy, disclosure of Town relationships, prior grants and location, with a five-day document cure. Refer requests made to Council members to staff; Council and

commissioner recusal will follow from the Policy 2-04 review; (3) Tie grants to priorities - Require every grant to fit a focus area from a Council-adopted list, including youth, with a measurable outcome reported at closeout; (4) Score in public - Score applications at a noticed public meeting of the reviewing committee, where applicants present their case and every score is recorded and published. Use anchored, calibrated criteria and a written rule for setting amounts, including partial awards. This is where the real work is done; (5) Approve in public - Approve every grant (recipient, amount and purpose) by resolution at a noticed Council meeting, acting on the recommendation of staff or the reviewing committee. This closes the process: no applicant presentations, only the public comment the law requires. Begin with the paused 2026-27 awards; (6) Contract for core services - Convert sustaining grants into service contracts in the operating budget, with firm written criteria for which services qualify, defined outputs and three-year terms reopened to competition. First examine their growth from four lines and \$57,000 in 2021-22 to nine lines and \$110,500 in 2026-27; (7) Control the money - Pay in advance; prove spending at closeout with reconciled receipts certified by two people; recover unsupported funds; keep a five-year audit right; bar new awards while a prior grant is unresolved; report to the Council annually].

VOTE: **Motion passed 4-0-1. Vice Chair Fischer was absent.**

MOTION: **Motion by Commissioner Koen** to recommend the curing motion on page 13 of the addendum [The Finance Commission recommends that the Town Council require Form A-1 of all FY 2026-27 applicants, seat a new rating panel that includes two Finance Commission members chosen by the Commission, and direct that panel to score every sustaining and competitive applicant at a noticed public meeting before any award.], and recommend the Town Council receive the recommendations [page 13 of the addendum - (1) Hold all agreements. None is signed on the July scoring; (2) All applicants, sustaining and competitive, complete proposes A-1 before scoring; (3) Council seats a new rating panel of members who did not score in July, to avoid any appearance of bias; (4) The Finance Commission picks two of its members for the panel at a noticed meeting; (5) The panel scores every applicant, sustaining and competitive, at a noticed public meeting; (6) Eligible applicants present and answer questions; the public may comment; (7) Raters disclose any relationship with an applicant and recuse on the record; all scores are published; and (8) Council approves all awards by resolution with public purpose findings. No grant goes unscored] with exception of (3) to provide flexibility whether they handle a new panel or stay with the existing. **Seconded by Chair Monk.**

VOTE: **Motion passed 4-0-1. Vice Chair Fischer was absent.**

ADJOURNMENT:

The meeting adjourned at approximately 8:06 p.m.

This is to certify that the foregoing is a true
and correct copy of the minutes of the
September 30, 2026, special meeting as approved by the
Finance Commission.

Wendy Wood, Town Clerk



TOWN OF LOS GATOS
FINANCE COMMISSION REPORT

MEETING DATE: 10/12/2026

ITEM NO: 4

Item 4.

DATE: October 12, 2026
TO: Finance Commission
FROM: Kristina Alfaro, Administrative Services Director
SUBJECT: Receive the Monthly Financial and Investment Report for August 2026

RECOMMENDATION: Receive the Monthly Financial and Investment Report for August 2026.

BACKGROUND:

California Government Code Section 41004 requires that the Town Treasurer submit to the Town Clerk and the legislative body a written report and accounting of all receipts, disbursements, and fund balances. The Administrative Services Director assumes the Town Treasurer role. Attachment 1 contains the August 2026 monthly Financial and Investment Report, which fulfills this requirement.

The August 2026 Monthly Financial and Investment Report will be presented to the Town Council at its October 20, 2026, regular meeting.

DISCUSSION:

The August 2026 Monthly Financial and Investment Report includes a Fund Balance Schedule, representing estimated funding available for all funds at the beginning of the fiscal year and at the end of the respective month.

As operations fluctuate month to month, there are differences between balances in one month and balances in another. Such differences may be significant due to the type of activity in those months and the timing of any estimates used in the presentation, based on the information available. This is demonstrated by the attached August 31, 2026, fund balance report. In the

PREPARED BY: Eric Lemon
Finance and Accounting Manager

Reviewed by: Town Manager and Administrative Services Director

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SUBJECT: Monthly Financial and Investment Report for August 2026

DATE: October 12, 2026

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

The difference between the August 31 and July 31 estimated fund balance is due to normal day-to-day fluctuations in revenues and expenditures.

The difference between the beginning fund balance in the August investment report and the ending fund balance in the June Investment report was an approximately \$4.87 million dollar increase in total fund balance. The majority of the variance was caused by the accrual entry of the 2026 Q2 sales taxes of approximately \$1.52 million, mark-to-market adjustment of approximately \$0.56 million, June permit revenue reclassifications of approximately \$0.53 million, and year-end reclassifications in the RDA Successor Agency fund of approximately \$1.70 million. The remainder of the \$0.56 million difference is a result of several small year-end entries.

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

As illustrated in the summary below, Ending Fund Balance = Cash + Assets – Liabilities. The resulting amount represents estimated accounting fund balance across Town funds and includes amounts that may be nonspendable, restricted, committed, or assigned.

Reconciling Cash to Fund Balance - August 31, 2026		
Total Cash	\$	80,075,730
Plus: Assets	\$	17,465,123
Less: Liabilities	\$	(23,401,910)
Estimated Fund Balance	\$	74,138,943

As of August 31, 2026, the Town's financial position (Cash Plus Other Assets \$97.54M, Liabilities \$23.40M, and Fund Equity \$74.14M) remains strong, and the Town has sufficient funds to meet the cash demands for the next six months.

As of August 31, 2026, the Town's weighted average yield to maturity for investments under management was 4.20%, which was 34 basis points above the Local Agency Investment Fund (LAIF) yield of 3.86% for the same reporting period. Currently, the LAIF portfolio's weighted average maturity (WAM) is 272 days versus the Town's longer WAM of 574 days. The Town's assets under management reflect the Town's selection of the 1-3 year benchmark investment strategy through the Town's investment advisor to lock in higher yields at the top of the interest rate cycle. The longer maturities are balanced with shorter-term yields available on investments held with the State's LAIF. The Town's weighted average yield to maturity on

PAGE 3 OF 3

SUBJECT: Monthly Financial and Investment Report for August 2026

DATE: October 12, 2026

investments under management of 4.20% at the close of August was consistent with the July 31, 2026 report.

Since August 2025, LAIF yields decreased from 425 basis points (4.25%) to 386 basis points (3.86%) through the end of August 2026. The State LAIF pool typically lags the market when current market yields are either increasing or decreasing.

The Federal Open Market Committee held steady rates for most of calendar year 2026. At its September meeting, the committee voted to raise rates 25 basis points to the range of 3.75%-4.00%. This adjustment aligns with the FOMC's objective to promote maximum employment and achieve an inflation target of 2% over the long run.

Nonfarm payrolls declined by 23,000 in July, following an increase of 57,000 in June. The unemployment rate fell from 4.2% to 4.1%, but this improvement was mainly due to a reduction in the labor market participation rate. Job losses were concentrated in local government, education, and retail trade, partly offset by continued hiring in healthcare. Weekly jobless claims remained relatively subdued and stable during the month.

The Town's investments are in compliance with the Town's Investment Policy dated March 18, 2025, and as amended August 4, 2026, and are also in compliance with the requirements of Section 53600 et seq. of the California Government Code. Based on the information available, the Town has sufficient funds to meet the cash demands for the next six months.

Attachments:

1. Financial and Investment Report (August 2026)

Town of Los Gatos
Summary Investment Information
August 31, 2026

Weighted Average YTM Portfolio Yield on Investments under Management

4.20%

Weighted Average Maturity (days)

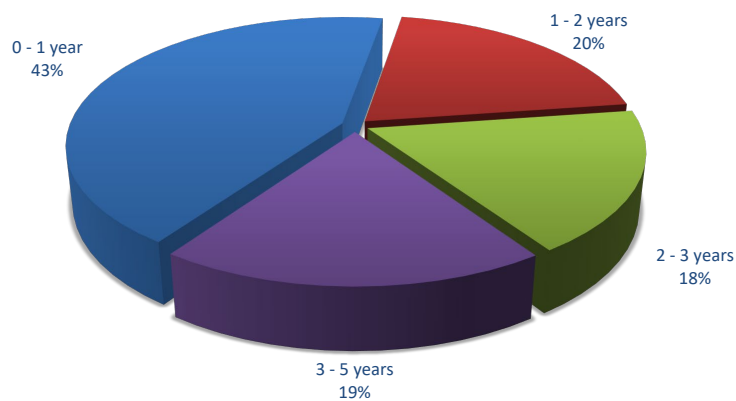
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	This Month	Last Month	One year ago
Portfolio Allocation & Treasurer's Cash Balances	\$80,075,730	\$78,318,427	\$69,644,461
Managed Investments	\$54,408,770		
Local Agency Investment Fund	\$15,910,115		
Reconciled Demand Deposit Balances	\$9,756,845		
Portfolio Allocation & Treasurer's Cash Balances	<u>\$80,075,730</u>		

Benchmarks/ References:

Town's Average Yield	4.20%	4.20%	4.34%
LAIF Yield for month	3.86%	3.84%	4.25%
3 mo. Treasury	3.83%	3.75%	4.14%
6 mo. Treasury	3.99%	3.94%	3.96%
2 yr. Treasury	4.34%	4.29%	3.62%
5 yr. Treasury	4.50%	4.45%	3.70%
10 Yr. Treasury	4.75%	4.73%	4.23%

Portfolio Maturity Profile



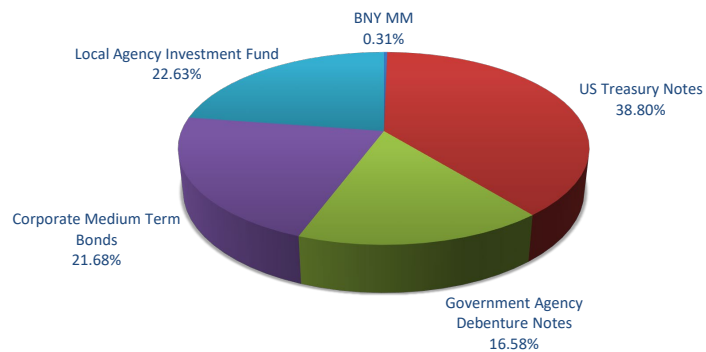
Compliance: The Town's investments are in compliance with the Town's investment policy dated March 18, 2025, and as amended August 4, 2026, and also in compliance with the requirements of Section 53600 et seq. of the California Government Code. Based on the information available, the Town has sufficient funds to meet the cash demands for the next six months.

Town of Los Gatos
Portfolio Allocation & Treasurer's Cash Balances
August 31, 2026

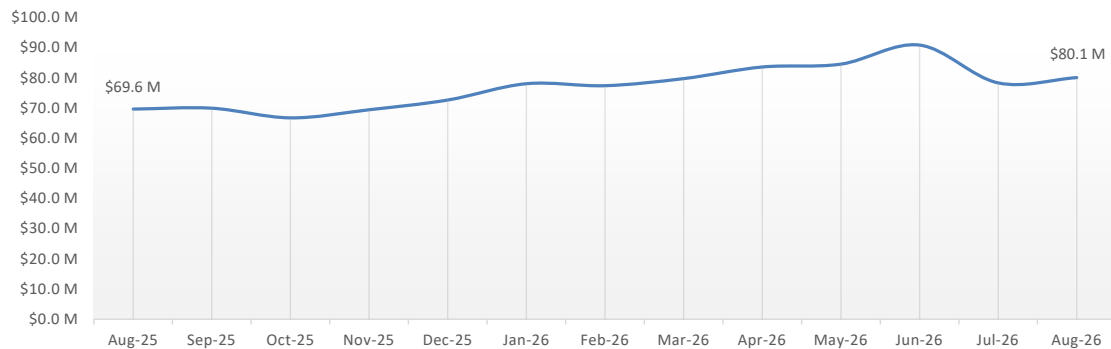
	Month	YTD
Cash & Investment Balances - Beginning of Month/Period	\$ 78,318,427.29	\$ 90,859,940.45
Receipts	7,785,506.90	17,541,871.02
Disbursements	(6,028,203.95)	(28,326,081.23)
Cash & Investment Balances - End of Month/Period	<u>\$80,075,730.24</u>	<u>\$80,075,730.24</u>

Portfolio Allocation	Amount	% of Portfolio	Max. % or \$ Allowed per State Law or Policy
BNY MM	\$219,116.16	0.31%	20% of Town Portfolio
US Treasury Notes	\$27,284,031.05	38.80%	No Max. on US Treasuries
Government Agency Debenture Notes	\$11,660,791.81	16.58%	No Max. on Non-Mortgage Backed
Corporate Medium Term Bonds	\$15,244,830.80	21.68%	30% of Town Portfolio
Local Agency Investment Fund	\$15,910,114.99	22.63%	\$75 M per State Law
Subtotal - Investments	70,318,884.81	100.00%	
Reconciled Demand Deposit Balances	<u>9,756,845.43</u>		
Total Portfolio Allocation & Treasurer's Cash Balances	<u>\$80,075,730.24</u>		

Portfolio Investment Allocation



Treasurer's Fund Balances



Town of Los Gatos
Non-Treasury Restricted Fund Balances
August 31, 2026

	Beginning Balance	August 2026 Deposits Realized Gain/Adj.	August 2026 Interest/ Unrealized Gains (Losses)/ Gains (Losses)	August 2026 Withdrawals / Fees	Ending Balance	
Non-Treasury Funds:						
Cert. of Participation 2002 Ser A Reserve Fund	\$ 697,257.96	\$ 16,254.21	\$ 1,873.36	\$ (29,134.53)	\$ 686,251.00	Note 1
Cert. of Participation 2010 Ser Lease Payment Fund	1,187,462.76		579.95	(1,187,462.50)	580.21	Note 2
Cert. of Participation 2002 Ser A Lease Payment Fund	580,495.79	45,388.74	272.21	(613,004.21)	13,152.53	Note 1
Cert. of Participation 2010 Ser Reserve Fund	1,330,534.40	-	3,999.17	-	1,334,533.57	Note 2
Total Restricted Funds:	<u>\$ 3,795,750.91</u>	<u>\$ 61,642.95</u>	<u>\$ 6,724.69</u>	<u>\$ (1,829,601.24)</u>	<u>\$ 2,034,517.31</u>	
CEPPT IRS Section 115 Trust	4,027,534.21	-	22,482.44	(792.81)	\$ 4,049,223.84	Note 3
Grand Total COPs and CEPPT Trust	<u>\$ 7,823,285.12</u>	<u>\$ 61,642.95</u>	<u>\$ 29,207.13</u>	<u>\$ (1,830,394.05)</u>	<u>\$ 6,083,741.15</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 Certificates of Participation (COP) 2002 Series A bond accounts include a reserve fund which will guarantee the lease payments, and a lease payment account for the disbursement to bond holders.

Note 2: The 2010 COP accounts include a reserve fund which guarantees lease payments, and a lease payment fund for the for the disbursement to bond holders.

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

Town of Los Gatos
Statement of Interest Earned
August 31, 2026

July 2026	\$	247,458.13
August 2026	\$	248,870.16
September 2026	\$	-
October 2026	\$	-
November 2026	\$	-
December 2026	\$	-
January 2027	\$	-
February 2027	\$	-
March 2027	\$	-
April 2027	\$	-
May 2027	\$	-
June 2027	\$	-
	\$	<u>496,328.29</u>

**Town of Los Gatos
Investment Schedule
August 31, 2026**

Institution	CUSIP #	Security	Coupon	Deposit Date	Par Value	Original Cost	Original Issue (Discount) Premium	Market Value	Market Value Above (Under) Cost	Purchased Interest	Maturity Date or Call Date	Yield to Maturity or Call	Interest Received to Date	Interest Earned Prior Yrs.	Interest Earned Current FY	Days to Maturity or Call
Apple	037833DB3	Corporate Bond	2.90%	12/20/2022	1,300,000.00	1,228,591.00	(71,409.00)	1,281,501.00	52,910.00		6/12/2027	4.19%	\$ 121,687.22	\$ 189,288.22	\$ 9,111.70	285
FCFB	3133ENSV8	Gov. Agency Debenture	4.13%	1/17/2023	236,000.00	239,174.20	3,174.20	236,151.04	(3,023.16)		1/11/2027	3.76%	\$ 39,910.25	\$ 30,856.96	\$ 1,518.36	133
HLBL	3130AQF65	Gov. Agency Debenture	1.25%	11/30/2022	1,300,000.00	1,260,559.40	(139,440.60)	1,289,171.00	128,611.60		12/21/2026	4.15%	\$ 57,822.92	\$ 181,301.91	\$ 8,593.82	112
HLBL	3130APJH9	Gov. Agency Debenture	1.00%	1/17/2023	1,000,000.00	907,010.00	(92,990.00)	997,780.00	90,770.00		10/28/2026	4.17%	\$ 33,354.17	\$ 119,424.46	\$ 5,876.44	58
FCFB	3133ENS6	Gov. Agency Debenture	4.00%	2/8/2023	1,700,000.00	1,706,732.00	6,732.00	1,693,744.00	(12,988.00)		1/6/2028	3.91%	\$ 231,955.56	\$ 225,992.90	\$ 11,317.90	493
American Honda	02665WE9D	Corporate Bond	4.70%	5/11/2023	600,000.00	608,656.00	8,856.00	600,582.00	(8,274.00)		1/12/2028	4.34%	\$ 89,378.33	\$ 82,594.77	\$ 4,468.48	499
US Treasury	91282CFE4	US Treasury Note	2.50%	6/9/2023	1,500,000.00	1,416,626.12	(83,373.88)	1,486,935.00	70,308.88		3/31/2027	4.09%	\$ 105,327.87	\$ 181,711.12	\$ 10,086.02	212
Colgate-Palmolive	194162AR4	Corporate Bond	4.60%	7/14/2023	500,000.00	504,655.00	4,655.00	501,845.00	(2,810.00)		2/1/2028	4.37%	\$ 60,502.79	\$ 65,152.13	\$ 3,733.30	519
FCFB	3133EPBM6	Gov. Agency Debenture	4.13%	7/14/2023	600,000.00	596,220.00	(3,780.00)	599,460.00	3,240.00		8/23/2027	4.29%	\$ 76,931.25	\$ 76,093.32	\$ 4,360.25	357
PNC Bank	69353RFJ2	Corporate Bond	3.25%	7/25/2023	1,000,000.00	921,490.00	(78,510.00)	982,970.00	61,480.00		12/23/2027	5.23%	\$ 97,229.17	\$ 147,524.43	\$ 8,540.16	479
US Treasury	91282CFO1	US Treasury Note	4.13%	7/31/2023	1,300,000.00	1,290,660.60	(9,339.40)	1,297,816.00	7,155.40		10/31/2027	4.61%	\$ 147,468.75	\$ 162,872.14	\$ 9,481.76	426
Toyota Motor Credit	89236TKL8	Corporate Bond	5.45%	8/25/2023	1,600,000.00	1,617,168.00	17,168.00	1,618,432.00	1,264.00		11/10/2027	5.16%	\$ 236,166.67	\$ 236,851.22	\$ 14,119.98	436
US Treasury	912810FE5	US Treasury Note	5.50%	10/3/2023	1,200,000.00	1,235,207.14	38,207.14	1,225,776.00	(12,431.14)		8/15/2028	4.76%	\$ 189,211.96	\$ 159,492.42	\$ 9,878.65	715
FCFB	3133EPUN3	Gov. Agency Debenture	4.75%	10/13/2023	1,000,000.00	994,338.00	(5,662.00)	1,000,000.00	5,662.00		9/1/2026	4.96%	\$ 113,208.33	\$ 134,289.32	\$ 8,401.55	9
US Treasury	91282CEW7	US Treasury Note	3.25%	10/16/2023	1,000,000.00	959,039.00	(49,960.94)	992,470.00	42,430.94		6/30/2027	4.73%	\$ 87,961.96	\$ 124,455.54	\$ 7,809.96	303
US Treasury	91282CCH7	US Treasury Note	2.75%	10/31/2023	1,300,000.00	1,214,336.39	(85,663.61)	1,288,586.00	74,249.61		4/30/2027	4.82%	\$ 89,375.00	\$ 160,571.39	\$ 10,231.68	242
US Treasury	91282CCN2	US Treasury Note	1.25%	12/21/2023	900,000.00	798,647.55	(101,352.45)	851,454.00	52,806.45		6/30/2028	3.99%	\$ 28,430.71	\$ 84,949.54	\$ 5,712.44	669
FNMA	3135G0Q22	Gov. Agency Debenture	1.88%	12/21/2023	900,000.00	845,676.00	(54,324.00)	898,785.00	53,109.00		9/24/2026	4.22%	\$ 38,109.38	\$ 92,315.93	\$ 6,207.80	34
US Treasury	91282CFB2	US Treasury Note	2.75%	1/2/2024	1,000,000.00	960,354.91	(39,645.09)	986,820.00	26,465.09		7/31/2027	3.95%	\$ 70,917.12	\$ 96,185.71	\$ 6,553.31	224
US Treasury	91282CIE4	US Treasury Note	3.63%	1/17/2024	1,800,000.00	1,775,185.72	(24,814.28)	1,778,346.00	3,160.28		5/31/2028	3.97%	\$ 154,567.63	\$ 173,911.85	\$ 12,047.52	639
JP Morgan Chase	46447PDG8	Corporate Bond	4.55%	2/1/2024	1,400,000.00	1,390,528.00	(3,472.00)	1,403,094.00	6,566.00		7/25/2027	4.93%	\$ 168,653.10	\$ 166,143.66	\$ 11,705.58	328
US Bancorp	91159JH78	Corporate Bond	4.85%	2/5/2024	1,000,000.00	1,000,000.00	(10,800.00)	999,330.00	(10,130.00)		7/22/2027	4.89%	\$ 112,057.67	\$ 116,642.74	\$ 8,255.54	325
FCFB	3133EP5U5	Gov. Agency Debenture	4.13%	3/28/2024	1,700,000.00	1,687,981.00	(12,019.00)	1,687,964.00	(17.00)		3/20/2029	4.28%	\$ 138,691.67	\$ 163,751.42	\$ 12,321.53	932
US Treasury	91282RSN8	US Treasury Note	3.13%	4/30/2024	1,200,000.00	1,123,832.14	(76,167.86)	1,168,692.00	44,859.86		11/15/2028	4.69%	\$ 75,545.34	\$ 117,561.57	\$ 9,214.69	807
Cisco Systems	17275RBR2	Corporate Bond	4.85%	5/15/2024	1,000,000.00	999,130.00	(870.00)	1,005,180.00	6,050.00		1/26/2029	4.87%	\$ 110,606.94	\$ 103,505.53	\$ 8,269.77	879
Home Depot	437076CW0	Corporate Bond	4.90%	5/17/2024	1,000,000.00	1,001,790.00	1,790.00	1,006,520.00	4,730.00		3/15/2029	4.86%	\$ 93,644.44	\$ 103,121.00	\$ 8,260.34	927
Treasury	91282CJR3	US Treasury Note	3.75%	5/31/2024	1,200,000.00	1,154,629.02	(45,370.98)	1,183,308.00	28,678.98		12/31/2028	4.68%	\$ 93,708.79	\$ 114,284.87	\$ 9,323.24	853
Citibank	17325FBK3	Corporate Bond	4.84%	8/15/2024	1,250,000.00	1,252,062.50	13,062.50	1,254,287.50	(775.00)		7/6/2029	4.60%	\$ 119,438.12	\$ 108,325.83	\$ 9,819.01	1040
FNMA	3135G05Y5	Gov. Agency Debenture	0.75%	9/10/2024	1,100,000.00	1,010,724.00	(89,276.00)	1,058,629.00	47,905.00		10/8/2027	3.56%	\$ 13,016.67	\$ 67,182.14	\$ 6,330.23	403
US Treasury	91282CFY0	US Treasury Note	3.88%	12/3/2024	1,100,000.00	1,088,144.31	(11,855.69)	1,082,730.00	(5,414.31)		9/30/2029	4.12%	\$ 56,442.99	\$ 70,894.37	\$ 7,657.58	1126
HLBL	3130AUT2	Gov. Agency Debenture	4.50%	2/12/2025	505,000.00	508,253.21	3,253.21	505,505.00	(2,748.21)		12/14/2029	4.35%	\$ 30,426.25	\$ 30,390.32	\$ 3,745.92	1201
FCFB	3133ER5X5	Gov. Agency Debenture	3.88%	3/12/2025	1,000,000.00	992,940.00	(1,520.00)	992,940.00	(5,540.00)		3/7/2028	3.93%	\$ 38,211.81	\$ 51,089.86	\$ 6,668.57	554
Treasury	91282CJF9	US Treasury Note	4.88%	3/31/2025	1,100,000.00	1,103,167.75	30,167.75	1,111,253.00	(18,914.75)		10/31/2028	4.04%	\$ 58,069.06	\$ 56,493.38	\$ 7,681.12	792
Freddie Mac	3134HAW33	Gov. Agency Debenture	4.75%	4/30/2025	1,000,000.00	1,005,644.00	5,644.00	998,730.00	(6,914.00)		12/18/2029	4.23%	\$ 54,493.07	\$ 54,018.19	\$ 7,861.80	1205
US Treasury	91282CNG2	US Treasury Note	4.00%	6/30/2025	660,000.00	665,184.24	5,184.24	649,532.40	(15,651.84)		5/31/2030	3.82%	\$ 24,236.08	\$ 25,346.41	\$ 4,305.42	1369
US Treasury	91282CMG3	US Treasury Note	4.25%	8/4/2025	825,000.00	842,308.43	17,308.43	819,777.75	(22,530.68)		1/31/2030	3.74%	\$ 34,681.39	\$ 28,219.67	\$ 5,301.88	1249
US Treasury	91282CMA6	US Treasury Note	4.13%	8/25/2025	1,200,000.00	1,218,847.77	18,847.77	1,188,708.00	(30,139.77)		11/30/2029	3.72%	\$ 37,868.86	\$ 38,167.38	\$ 7,658.18	1187
US Treasury	91282CHN5	US Treasury Note	4.00%	9/13/2025	950,000.00	967,036.38	17,036.38	934,002.00	(33,034.38)		7/31/2030	3.59%	\$ 32,423.92	\$ 26,458.71	\$ 5,858.71	1430
US Treasury	91282CG08	US Treasury Note	4.00%	10/3/2025	1,000,000.00	1,013,362.72	13,362.72	985,660.00	(27,702.72)		2/28/2030	3.67%	\$ 36,353.59	\$ 27,346.70	\$ 6,279.61	1277
State Street Corp	857477DB6	Corporate Bond	4.83%	11/10/2025	580,000.00	596,535.80	16,535.80	580,678.60	(15,857.20)		3/21/2030	4.13%	\$ 12,772.51	\$ 15,415.70	\$ 4,119.71	1301
US Treasury	91282CKA8	US Treasury Note	4.13%	12/17/2025	1,150,000.00	1,157,775.34	7,775.34	1,150,701.50	(7,073.84)		2/15/2027	3.52%	\$ 31,453.12	\$ 21,775.81	\$ 6,923.59	168
US Treasury	91282CHW4	US Treasury Note	4.63%	12/17/2025	1,150,000.00	1,135,268.54	20,308.54	1,135,268.54	(30,040.04)		8/31/2030	3.71%	\$ 33,284.88	\$ 23,038.22	\$ 7,324.97	1461
US Treasury	91282CHZ7	US Treasury Note	4.63%	1/13/2026	1,050,000.00	1,089,087.89	39,087.89	1,055,701.50	(33,386.39)		9/30/2030	3.75%	\$ 10,272.84	\$ 18,536.39	\$ 6,840.81	1491
Morgan Stanley Pvt Bank	61776NU43	Corporate Bond	4.21%	2/26/2026	1,250,000.00	1,224,137.50	4,137.50	1,228,437.50	(25,700.00)		2/8/2029	4.09%	\$ 22,820.42	\$ 17,414.89	\$ 8,707.45	892
John Deere Capital Corp	24422EXN4	Corporate Bond	4.90%	3/7/2026	1,000,000.00	1,024,660.00	24,660.00	998,920.00	(25,740.00)	1,361.11	3/7/2031	4.34%	\$ (1,361.11)	\$ 12,670.06	\$ 7,481.37	1649
US Treasury	91282CLC3	US Treasury Note	4.00%	4/6/2026	1,050,000.00	1,033,691.41	3,691.41	1,038,103.50	(15,587.91)		7/31/2029	3.88%	\$ 13,458.56	\$ 9,521.94	\$ 6,945.41	1065
US Treasury	91282CMB4	US Treasury Note	4.00%	4/6/2026	1,050,000.00	1,052,378.91	2,378.91	1,046,188.50	(6,190.41)		12/15/2027	3.86%	\$ 8,076.92	\$ 9,453.63	\$ 6,895.59	976
Bank of America	06051GMY2	Corporate Bond	4.48%	6/1/2026	1,250,000.00	1,244,325.00	(5,675.00)	1,235,075.00	(9,250.00)	5,907.15	4/23/2029	4.65%	\$ (5,907.15)	\$ 4,602.04	\$ 9,838.83	461
US Treasury	91282CKG0	US Treasury Note	4.63%	6/15/2026	650,000.00	662,037.33	12,037.33	653,276.00	(8,761.33)	3,757.81	4/30/2031	4.20%	\$ (3,757.81)	\$ 1,134.01	\$ 4,687.23	1703
US Treasury	91282CJ77	US Treasury Note	4.88%	6/15/2026	650,000.00	667,801.01	17,801.01	659,600.50	(8,200.51)	3,960.94	10/31/2030	4.18%	\$ (3,960.94)	\$ 1,135.24	\$ 4,692.31	1522
US Treasury	91282CMW8	US Treasury Note	3.75%	6/15/2026	600,000.00	596,580.14	(3,419.86)	594,540.00	(2,040.14)	3,750.00	4/15/2028	4.07%	\$ (3,750.00)	\$ 1,001.22	\$ 4,138.38	973
American Express Co	025816ET2	Corporate Bond	4.44%	7/17/2026	600,000.00	594,702.00	(5,298.00)	593,250.00	(1,452.00)	5,406.87	5/3/2029	4.78%	\$ (5,406.87)	-	\$ 3,520.85	596
US Treasury	91282CJX0	US Treasury Note	4.00%	8/5/2026	1,000,000.00	986,800.23	(13,199.77)	980,230.00	(6,570.23)	543.48	1/31/2031	4.33%	\$ (543.48)	-	\$ 3,058.58	1614
Subtotal					\$ 54,956,000.00	\$ 54,189,653.66	\$ (766,346.34)	\$ 54,594,437.79	\$ 404,784.13	\$ 24,687.36			\$ 3,500,538.69	\$ 4,330,483.88	\$ 389,744.90	
BNY MM		Money Market				219,116.16		219,116.16	0.00			0.00%				1
LAIF		State Investment Pool				15,892,114.99		15,892,174.46	(17,940.53)			3.86%			102,434.62	1
						70,318,884.81		70,705,728.41	386,843.60	24,687.36			\$ 3,500,538.69	\$ 4,330,483.88	\$ 492,179.52	
Matured Assets																
FFCB	3133EPOC2	Gov. Agency Debenture	4.63%	7/17/2023	500,000.00	501,957.50	1,957.50				7/17/2026	4.48%	\$ 69,375.00	\$ 66,434.16	\$ 1,046.69	
State Street Corp	857477CD3	Corporate Bond	5.27%	4/30/2025	800,000.00	811,184.00	11,184.00				8/3/2026	4.04%	\$ 53,071			

Town of Los Gatos
Investment Transaction Detail
August 31, 2026

Date	Cusip/Id	Description	Transaction Type	Trade Date	Settlement Date	Par	Coupon	Maturity Date	Price	Principal	Interest	Transaction Total
8/3/2026	857477CD3	STATE STREET CORP 5.272% 03AUG2026 CALLABLE	BOND INTEREST	8/3/2026	8/3/2026	800,000.00	0.000%	8/3/2026	-	-	21,088.00	21,088.00
8/3/2026	857477CD3	STATE STREET CORP 5.272% 03AUG2026 CALLABLE	REDEMPTION	8/3/2026	8/3/2026	800,000.00	0.000%	8/3/2026	100.00	800,000.00	-	800,000.00
8/5/2026	91282CJX0	USA TREASURY 4% 31JAN2031	PURCHASE	8/4/2026	8/5/2026	1,000,000.00	4.000%	1/31/2031	98.68	986,800.23	543.48	987,343.71
8/4/2026	Cash-USD	Cash-USD	SHORT TERM INVESTMENT FUND INCOME	8/4/2026	8/4/2026	296.19	0.000%		100.00	-	-	296.19
8/6/2026	17325FBK3	CITIBANK NA 4.838% 06AUG2029 (CALLABLE 06JUL29)	BOND INTEREST	8/6/2026	8/6/2026	1,250,000.00	4.838%	8/6/2029	-	-	30,237.50	30,237.50
8/10/2026	61776NU43	MORGAN STANLEY PVT BANK 4.213% 08FEB2030 (CALLABLE 08FEB29)	BOND INTEREST	8/8/2026	8/8/2026	1,250,000.00	4.213%	2/8/2030	-	-	27,208.96	27,208.96
8/17/2026	912810FE3	USA TREASURY 5.5% 15AUG2028	BOND INTEREST	8/15/2026	8/15/2026	1,200,000.00	5.500%	8/15/2028	-	-	33,000.00	33,000.00
8/17/2026	91282CKA8	USA TREASURY 4.125% 15FEB2027	BOND INTEREST	8/15/2026	8/15/2026	1,150,000.00	4.125%	2/15/2027	-	-	23,718.75	23,718.75
8/24/2026	3133EPBM6	FEDERAL FARM CREDIT BANK 4.125% 23AUG2027	BOND INTEREST	8/23/2026	8/23/2026	600,000.00	4.125%	8/23/2027	-	-	12,375.00	12,375.00
8/26/2026	17275RBR2	CISCO SYSTEMS INC 4.85% 26FEB2029 (CALLABLE 26JAN29)	BOND INTEREST	8/26/2026	8/26/2026	1,000,000.00	4.850%	2/26/2029	-	-	24,250.00	24,250.00
8/31/2026	91282CHW4	USA TREASURY 4.125% 31AUG2030	BOND INTEREST	8/31/2026	8/31/2026	1,150,000.00	4.125%	8/31/2030	-	-	23,718.75	23,718.75
8/31/2026	91282CGQ8	USA TREASURY 4% 28FEB2030	BOND INTEREST	8/31/2026	8/31/2026	1,000,000.00	4.000%	2/28/2030	-	-	20,000.00	20,000.00

TOWN OF LOS GATOS, CA

Insight ESG ratings as of August 31, 2026

CUSIP	Security description	Maturity date	Par/Shares	Total market value (\$)	S&P rating	Moody's rating	Insight ESG rating	Environment	Social	Governance
025816ET2	AMERICAN EXPRESS CO 4.444% 03MAY2030 (CALLABLE 03MAY29)	5/3/2030	600,000	601,961	A-	A2	3	1	3	4
02665WED9	AMERICAN HONDA FINANCE 4.7% 12JAN2028	1/12/2028	600,000	604,495	BBB+	A3	3	2	3	3
037833DB3	APPLE INC 2.9% 12SEP2027 (CALLABLE 12JUN27)	9/12/2027	1,300,000	1,299,438	AA+	Aaa	5	3	5	4
06051GMY2	BANK OF AMERICA CORP 4.477% 23APR2030 (CALLABLE 23APR29)	4/23/2030	1,250,000	1,255,237	A-	A1	3	1	3	4
17275RBR2	CISCO SYSTEMS INC 4.85% 26FEB2029 (CALLABLE 26JAN29)	2/26/2029	1,000,000	1,006,042	AA-	A1	3	1	3	3
17325FBK3	CITIBANK NA 4.838% 06AUG2029 (CALLABLE 06JUL29)	8/6/2029	1,250,000	1,258,754	A+	Aa3	3	1	2	5
194162AR4	COLGATE-PALMOLIVE CO 4.6% 01MAR2028 (CALLABLE 01FEB28)	3/1/2028	500,000	513,374	A+	Aa3	3	3	3	3
24422EXN4	JOHN DEERE CAPITAL CORP 4.9% 07MAR2031	3/7/2031	1,000,000	1,022,651	A	A1	2	1	2	4
437076CW0	HOME DEPOT INC 4.9% 15APR2029 (CALLABLE 15MAR29)	4/15/2029	1,000,000	1,025,287	A	A2	2	2	3	3
46647PDG8	JPMORGAN CHASE & CO 4.851% 25JUL2028 (CALLABLE 25JUL27)	7/25/2028	1,400,000	1,410,088	A	A1	3	2	3	4
61776NU43	MORGAN STANLEY PVT BANK 4.213% 08FEB2030 (CALLABLE 08FEB29)	2/8/2030	1,250,000	1,232,032	A+	Aa3	3	1	3	5
69353RFJ2	PNC BANK NA 3.25% 22JAN2028 (CALLABLE 23DEC27)	1/22/2028	1,000,000	986,594	A	A2	3	3	3	3
857477DB6	STATE STREET CORP 4.834% 24APR2030 (CALLABLE 24MAR30)	4/24/2030	580,000	590,672	A	Aa3	1	1	2	2
89236TKL8	TOYOTA MOTOR CREDIT CORP 5.45% 10NOV2027	11/10/2027	1,600,000	1,645,350	A+	A1	1	1	2	4
91159HJF8	US BANCORP 4.548% 22JUL2028 (CALLABLE 22JUL27)	7/22/2028	1,000,000	1,004,257	A	A3	3	2	3	4
Total Corporate / weighted average			15,330,000	15,456,232			3	2	3	4

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

Fund Schedule

Item 4.

Fund Number	Fund Description	Prior Year Carryforward 7/1/2026*	Increase/ (Decrease) July	August 2026				Estimated Fund Balance 8/31/2026*
				Current Revenue	Current Expenditure	Transfer In	Transfer Out	
111	GENERAL FUND							
	Non-Spendable:							
	Loans Receivable	159,000	-	-	-	-	-	159,000
	Restricted Fund Balances:							
	Pension	3,090,731	-	-	-	-	-	3,090,731
	Land Held for Resale	-	-	-	-	-	-	-
	Committed Fund Balances:							
	Budget Stabilization	7,870,639	-	-	-	-	-	7,870,639
	Catastrophic	7,870,639	-	-	-	-	-	7,870,639
	Pension/OPEB	1,300,000	-	-	-	-	-	1,300,000
	Measure G District Sales Tax	-	-	-	-	-	-	-
	Assigned Fund Balances:							
	Open Space	410,000	-	-	-	-	-	410,000
	Sustainability	140,553	-	-	-	-	-	140,553
	Capital/Special Projects	1,983,271	-	-	-	-	-	1,983,271
	Carryover Encumbrances	6,367	-	-	-	-	-	6,367
	Compensated Absences	1,519,243	-	-	-	-	-	1,519,243
	ERAF Risk Reserve	-	-	-	-	-	-	-
	Market Fluctuations	1,201,824	-	-	-	-	-	1,201,824
	Council Priorities - Economic Recovery	-	-	-	-	-	-	-
	Unassigned Fund Balances:							
	Other Unassigned Fund Balance Reserve (Pre YE distribution)	18,480,465	(4,448,527)	7,156,843	(4,234,900)	-	-	16,953,881
	General Fund Total	44,032,732	(4,448,527)	7,156,843	(4,234,900)	-	-	42,506,148

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

Fund Schedule

Item 4.

Fund Number	Fund Description	Prior Year Carryforward 7/1/2026*	Increase/ (Decrease) July	August 2026				Estimated Fund Balance 8/31/2026*
				Current Revenue	Current Expenditure	Transfer In	Transfer Out	
	SPECIAL REVENUE							
211/212	CDBG	166,653	-	-	-	-	-	166,653
222	Urban Runoff (NPDES)	665,021	(20,890)	26,256	(14,111)	-	-	656,276
231-236	Landscape & Lighting Districts	196,158	-	-	(2,080)	-	-	194,078
251	Los Gatos Theatre	568,006	14,948	30,082	(7,838)	-	-	605,198
261-264,269	Library Trusts	559,549	(3,471)	75,000	(2,240)	-	-	628,838
	Special Revenue Total	2,155,387	(9,413)	131,338	(26,269)	-	-	2,251,043
	CAPITAL PROJECTS							
411	GFAR - General Fund Appropriated Reserve	16,084,985	(81,752)	10,440	(919,635)	-	-	15,094,038
412	Community Center Development	819,604	-	-	-	-	-	819,604
421	Grant Funded Projects	286,052	12,619	-	(162,248)	-	-	136,423
461-463	Storm Basin Projects	2,985,906	-	14,370	(89,979)	-	-	2,910,297
471	Traffic Mitigation Projects	666,482	-	-	-	-	-	666,482
472	Utility Undergrounding Projects	3,794,440	-	-	-	-	-	3,794,440
481	Gas Tax Projects	2,857,185	(207)	173,118	(1,527,356)	-	-	1,502,740
	Capital Projects Total	27,494,654	(69,340)	197,928	(2,699,218)	-	-	24,924,024
	INTERNAL SERVICE FUNDS							
611	Town General Liability	131,050	(1,257,869)	-	(3,627)	-	-	(1,130,446)
612	Workers Compensation	2,026,390	(575,658)	94,489	(35,953)	-	-	1,509,268
621	Information Technology	2,157,187	(542,136)	10,785	(60,650)	-	-	1,565,186
631	Vehicle & Equipment Replacement	4,895,601	(488)	-	-	-	-	4,895,113
633	Facility Maintenance	813,454	(32,602)	2,083	(91,235)	-	-	691,700
	Internal Service Funds Total	10,023,682	(2,408,753)	107,357	(191,465)	-	-	7,530,821
	Trust/Agency							
942	RDA Successor Agency	(1,285,100)	(1,773,206)	-	(14,787)	-	-	(3,073,093)
	Trust/Agency Fund Total	(1,285,100)	(1,773,206)	-	(14,787)	-	-	(3,073,093)
	Total Town	82,421,355	(8,709,239)	7,593,466	(7,166,639)	-	-	74,138,943

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

Deposit Accounts of Interest:

111-23541 General Plan Update deposit account balance \$703,276.12
 111-23521 BMP Housing deposit account balance \$3,541,413.46



TOWN OF LOS GATOS
FINANCE COMMISSION REPORT

MEETING DATE: 10/12/2026

ITEM NO: 5

Item 5.

DATE: October 12, 2026
TO: Finance Commission
FROM: Kristina Alfaro, Administrative Services Director
SUBJECT: Receive and Forward to the Town Council the Monthly Expenditure and Revenue Reports for the Month of August 2026

RECOMMENDATION:

Receive and Forward to the Town Council the Monthly Expenditure and Revenue Reports for the Month of August 2026.

BACKGROUND:

As part of the Town's new ongoing monthly financial reporting process, staff are providing standardized expenditure and revenue reports that present financial activity with multiple levels of detail. These monthly reports are intended to enhance transparency, support monitoring of departmental spending, and ensure timely administrative oversight. Financial reporting is completed two months in arrears to allow for the closing of each accounting period, verification of transactions, and reconciliation of revenue postings. As a result, August 2026 expenditure and revenue reports are being presented in October 2026.

DISCUSSION:

The August 2026 monthly financial reports provide expenditure and revenue information with the following breakdowns:

1. By Fund

Shows total expenditures and revenues for each Town fund, allowing for high-level review of fiscal performance across all funding sources.

2. By Fund and Category

Provides expenditures and revenues within each fund divided into major categories such as personnel, operating, capital, charges for services, taxes, and other revenue types.

PREPARED BY: Kristina Alfaro
Administrative Services Director

Reviewed by: Town Manager

PAGE 2 OF 3

SUBJECT: Receive and forward to the Town Council the monthly expenditure and revenue reports for the month of August 2026

DATE: October 12, 2026

3. By Fund and Department

Displays departmental expenditures by the specific fund supporting each program or operational area.

4. By Fund, Department and Expense/Revenue Category

Offers a detailed breakdown that ties each department's budget activity to the relevant fund and categorizes expenditures and revenues for more granular analysis.

Analysis Overview

These reports support ongoing monitoring of budget-to-actual performance, highlight variances that may require adjustment, and help ensure compliance with adopted financial policies. Staff approached the analysis in two ways. First, under a straight-line analysis each month represents approximately 8.3% of the annual budget. Through August, two months of the fiscal year have elapsed, representing approximately 16.7%. Straight line analysis was shown as part of trend analysis tables; however, staff only show this for illustrative purposes. As you will see, the trend analysis provides far more meaningful analysis, and we would expect this trend to continue throughout the fiscal year.

In trend analysis, staff have reviewed the August reports for revenue/expenditures of three prior fiscal years (FY) 2023-24 to 2025-26 against actual revenues/expenditures and collections in FY 2026-27 to determine if we are on trend with prior years.

The analysis is done by fund first, followed by in depth analysis for the General Fund only that includes a by category analysis. Staff focused on irregular patterns and on items trending above or below prior year trends for both revenues and expenditures for all analysis completed in this report.

Staff completed a vacancy savings analysis across all funds to determine how the budget is tracking against projected salary savings. This is done across all funds because salary and benefits are charged across multiple funds, with the largest majority being in the General Fund.

When looking at the Percentage Collected and Percentage Expended columns across various reports, the following formulas are used. For revenues, the formula is YTD Actuals/Revised Budget. For expenditures, the formula is (YTD Actuals+Encumbrances)/Revised Budget.

The YTD refers to Year to Date, MTD refers to Month to Date (MTD), and encumbrances represent money that has been set aside for an agreement to purchase goods or services. As actual expenditures are charged against the encumbrance, it should decrease and actual expenditures should increase. For this reason, staff will note areas where Percentage Expended is trending greatly above the trend or straight line, but this is not a cause for concern. We expect both analyses to normalize as the year progresses. However, should a budget be over

PAGE 3 OF 3

SUBJECT: Receive and forward to the Town Council the monthly expenditure and revenue reports for the month of August 2026

DATE: October 12, 2026

100% expended, staff will note the reason, as this may indicate an issue that may require an adjustment.

The Town operates on a modified accrual basis. Under this basis, revenues and expenditures are generally recognized when measurable and incurred, with year-end accruals used to assign transactions to the appropriate fiscal year.

CONCLUSION:

The August 2026 reports show total revenues at 7.4% of the revised budget and total expenditures and encumbrances at 21.1%. General Fund revenues are at 8.8%, and General Fund expenditures and encumbrances are at 14.7%. Staff recommends that the Finance Commission receive the reports and forward them to the Town Council.

FISCAL IMPACT:

There is no direct fiscal impact associated with receiving and filing these monthly reports.

ENVIRONMENTAL ASSESSMENT:

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

Attachments:

1. Expenditure Report by Fund for August 2026
2. Expenditure Report by Fund and Expense Category for August 2026
3. Expenditure Report by Fund and Department for August 2026
4. Expenditure Report by Fund, Department and Expenditure Category for August 2026
5. Revenue Report by Fund for August 2026
6. Revenue Report by Fund and Revenue Category for August 2026
7. Revenue Report by Fund and Department for August 2026
8. Revenue Report by Fund, Department and Revenue Category for August 2026
9. August 2026 Monthly Financial Report
10. Historical August Reports

**YEAR-TO-DATE BUDGET REPORT EXPENDITURES
BY FUND**

FOR 2027 02

	ORIGINAL APPROP	REVISED BUDGET	YTD EXPENDED	MTD EXPENDED	ENCUMBRANCES	AVAILABLE BUDGET	PCT USED
111 GENERAL FUND	66,201,027	67,139,833	7,215,063.59	4,082,592.34	2,840,418.14	57,084,351.47	15.0%
121 MEASURE G FUND	1,267,556	1,267,556	.00	11,650.00	.00	1,267,556.00	.0%
222 URBAN RUNOFF FUND	272,433	272,433	35,001.37	14,110.88	.00	237,431.68	12.8%
231 BLACKWELL DISTRICT	3,544	3,544	93.00	93.00	1,023.00	2,428.00	31.5%
232 KENNEDY MEADOWS DISTRICT	12,695	12,695	609.00	609.00	6,699.00	5,387.00	57.6%
233 GEMINI COURT DISTRICT	1,628	1,628	46.00	46.00	506.00	1,076.00	33.9%
234 SANTA ROSA HEIGHTS DISTRICT	8,087	8,087	559.00	559.00	6,149.00	1,379.00	82.9%
235 VASONA HEIGHTS DISTRICT	8,957	8,957	633.42	633.42	4,125.00	4,198.20	53.1%
236 HILLBROOK DISTRICT	5,578	5,578	140.00	140.00	1,540.00	3,897.52	30.1%
251 LOS GATOS THEATRE	82,919	82,919	8,057.85	7,838.11	9,350.00	65,510.99	21.0%
261 LIBRARY TRUST DONATIONS	72,000	72,000	5,711.10	2,240.06	.00	66,288.90	7.9%
263 MCCLENDON TRUST	1,700	1,700	.00	.00	.00	1,700.00	.0%
264 BARBARA J CASSIN TRUST	6,000	6,000	.00	.00	.00	6,000.00	.0%
411 CAPITAL PROJECTS FUND	4,254,364	4,254,364	1,010,003.00	919,634.84	-808,404.69	4,052,765.56	4.7%
412 COMMUNITY CENTER DEVELOPMENT	0	0	.00	.00	228,390.00	-228,390.00	100.0%
421 GRANT FUNDED PROJECTS	36,750	36,750	162,248.38	162,248.38	-162,248.38	36,750.00	.0%
461 STORM BASIN 1	0	0	12,698.75	12,698.75	-12,698.75	.00	.0%
462 STORM BASIN 2	130,000	130,000	77,279.80	77,279.80	150,538.20	-97,818.00	175.2%
471 TRAFFIC MITIGATION FUND	10,000	10,000	.00	.00	.00	10,000.00	.0%
481 GAS TAX FUND	2,023,807	2,023,807	1,527,563.94	1,527,356.45	666,665.76	-170,422.70	108.4%
611 GENERAL LIABILITY FUND	1,416,500	1,416,500	1,261,496.00	3,627.00	.00	155,004.00	89.1%
612 WORKERS COMPENSATION FUND	1,762,379	1,762,379	621,631.68	35,953.31	48,267.33	1,092,479.99	38.0%
621 INFORMATION TECHNOLOGY	1,313,722	1,313,722	611,520.42	60,649.55	229,608.24	472,592.94	64.0%
631 EQUIPMENT REPLACEMENT FUND	338,843	354,292	15,448.20	.00	-15,448.20	354,291.97	.0%
633 FACILITIES MAINTENANCE FUND	1,776,027	1,776,027	173,842.66	91,234.70	439,604.74	1,162,579.33	34.5%
942 SA TRUST FUND	3,938,045	3,938,045	1,787,992.60	14,786.85	.00	2,150,052.33	45.4%
GRAND TOTAL	84,944,559	85,898,814	14,527,639.76	7,025,981.44	3,634,084.39	67,737,090.18	21.1%

** END OF REPORT - Generated by Kristina Alfaro **

ATTACHMENT 1

YEAR-TO-DATE BUDGET REPORT EXPENDITURES
BY FUND AND CATEGORY

FOR 2027 02

	ORIGINAL APPROP	REVISED BUDGET	YTD EXPENDED	MTD EXPENDED	ENCUMBRANCES	AVAILABLE BUDGET	PCT USED
111 GENERAL FUND							
5A SALARIES	24,176,333	24,176,333	3,017,927.27	1,847,358.13	.00	21,158,405.89	12.5%
5B OVERTIME	1,457,000	1,457,000	184,715.81	118,888.34	.00	1,272,284.19	12.7%
5C PERS	10,800,788	10,800,788	1,440,347.05	760,226.49	.00	9,360,441.44	13.3%
5D MEDICAL BENEFITS	3,371,803	3,371,803	491,180.98	248,208.29	.00	2,880,622.26	14.6%
5E OTHER BENEFITS	2,922,678	2,922,678	381,177.97	198,353.94	.00	2,541,499.89	13.0%
5F RETIREE MEDICAL	2,193,606	2,193,606	361,710.44	175,953.62	10,582.00	1,821,313.56	17.0%
5G MATERIALS & SUPPLIES	1,162,435	1,162,435	94,596.87	49,451.16	272,686.91	795,151.42	31.6%
5H CONTRACTS	6,418,548	7,357,354	730,541.18	396,002.16	2,262,567.01	4,364,246.05	40.7%
5I UTILITIES	1,001,460	1,001,460	166,960.38	87,406.79	155,347.20	679,152.64	32.2%
5J GRANTS AND AWARDS	283,950	283,950	.00	.00	15,000.00	268,950.00	5.3%
5K PASS THRU	1,462,593	1,462,593	60,535.23	50,865.32	124,235.02	1,277,822.75	12.6%
5L MISCELLANEOUS	0	0	.00	.00	.00	.00	.0%
5M INT SERVICE CHARGES	5,065,614	5,065,614	272,367.61	136,875.30	.00	4,793,246.18	5.4%
5N DEBT SERVICE	2,057,884	2,057,884	13,002.80	13,002.80	.00	2,044,881.20	.6%
5O CAPITAL PROJECTS	15,000	15,000	.00	.00	.00	15,000.00	.0%
5P TRANSFERS OUT	3,811,334	3,811,334	.00	.00	.00	3,811,334.00	.0%
TOTAL GENERAL FUND	66,201,027	67,139,833	7,215,063.59	4,082,592.34	2,840,418.14	57,084,351.47	15.0%
121 MEASURE G FUND							
5H CONTRACTS	50,520	50,520	.00	11,650.00	.00	50,520.00	.0%
5K PASS THRU	1,217,036	1,217,036	.00	.00	.00	1,217,036.00	.0%
TOTAL MEASURE G FUND	1,267,556	1,267,556	.00	11,650.00	.00	1,267,556.00	.0%
222 URBAN RUNOFF FUND							
5A SALARIES	128,934	128,934	14,267.54	8,552.69	.00	114,666.27	11.1%
5C PERS	40,378	40,378	5,587.67	2,897.32	.00	34,790.11	13.8%
5D MEDICAL BENEFITS	14,209	14,209	1,665.51	821.52	.00	12,543.81	11.7%
5E OTHER BENEFITS	9,020	9,020	1,214.05	665.27	.00	7,806.25	13.5%
5G MATERIALS & SUPPLIES	3,717	3,717	.00	.00	.00	3,717.00	.0%
5H CONTRACTS	55,406	55,406	11,241.02	.00	.00	44,164.98	20.3%
5I UTILITIES	14,265	14,265	244.27	767.16	.00	14,020.73	1.7%
5M INT SERVICE CHARGES	6,504	6,504	781.31	406.92	.00	5,722.53	12.0%

ATTACHMENT 2

YEAR-TO-DATE BUDGET REPORT EXPENDITURES
BY FUND AND CATEGORY

FOR 2027 02

	ORIGINAL APPROP	REVISED BUDGET	YTD EXPENDED	MTD EXPENDED	ENCUMBRANCES	AVAILABLE BUDGET	PCT USED
TOTAL URBAN RUNOFF FUND	272,433	272,433	35,001.37	14,110.88	.00	237,431.68	12.8%
231 BLACKWELL DISTRICT							
5H CONTRACTS	1,484	1,484	93.00	93.00	1,023.00	368.00	75.2%
5I UTILITIES	1,600	1,600	.00	.00	.00	1,600.00	.0%
5P TRANSFERS OUT	460	460	.00	.00	.00	460.00	.0%
TOTAL BLACKWELL DISTRICT	3,544	3,544	93.00	93.00	1,023.00	2,428.00	31.5%
232 KENNEDY MEADOWS DISTRICT							
5H CONTRACTS	8,385	8,385	609.00	609.00	6,699.00	1,077.00	87.2%
5I UTILITIES	2,800	2,800	.00	.00	.00	2,800.00	.0%
5P TRANSFERS OUT	1,510	1,510	.00	.00	.00	1,510.00	.0%
TOTAL KENNEDY MEADOWS DISTRICT	12,695	12,695	609.00	609.00	6,699.00	5,387.00	57.6%
233 GEMINI COURT DISTRICT							
5H CONTRACTS	1,018	1,018	46.00	46.00	506.00	466.00	54.2%
5P TRANSFERS OUT	610	610	.00	.00	.00	610.00	.0%
TOTAL GEMINI COURT DISTRICT	1,628	1,628	46.00	46.00	506.00	1,076.00	33.9%
234 SANTA ROSA HEIGHTS DISTRICT							
5H CONTRACTS	7,427	7,427	559.00	559.00	6,149.00	719.00	90.3%
5P TRANSFERS OUT	660	660	.00	.00	.00	660.00	.0%
TOTAL SANTA ROSA HEIGHTS DISTRICT	8,087	8,087	559.00	559.00	6,149.00	1,379.00	82.9%
235 VASONA HEIGHTS DISTRICT							

YEAR-TO-DATE BUDGET REPORT EXPENDITURES
BY FUND AND CATEGORY

FOR 2027 02

235 VASONA HEIGHTS DISTRICT	ORIGINAL APPROP	REVISED BUDGET	YTD EXPENDED	MTD EXPENDED	ENCUMBRANCES	AVAILABLE BUDGET	PCT USED
5H CONTRACTS	5,138	5,138	375.00	375.00	4,125.00	638.05	87.6%
5I UTILITIES	2,389	2,389	258.42	258.42	.00	2,130.15	10.8%
5P TRANSFERS OUT	1,430	1,430	.00	.00	.00	1,430.00	.0%
TOTAL VASONA HEIGHTS DISTRICT	8,957	8,957	633.42	633.42	4,125.00	4,198.20	53.1%
236 HILLBROOK DISTRICT							
5H CONTRACTS	2,055	2,055	140.00	140.00	1,540.00	375.40	81.7%
5I UTILITIES	3,272	3,272	.00	.00	.00	3,272.12	.0%
5P TRANSFERS OUT	250	250	.00	.00	.00	250.00	.0%
TOTAL HILLBROOK DISTRICT	5,578	5,578	140.00	140.00	1,540.00	3,897.52	30.1%
251 LOS GATOS THEATRE							
5H CONTRACTS	15,696	15,696	650.00	650.00	9,350.00	5,696.00	63.7%
5I UTILITIES	67,223	67,223	7,407.85	7,188.11	.00	59,814.99	11.0%
TOTAL LOS GATOS THEATRE	82,919	82,919	8,057.85	7,838.11	9,350.00	65,510.99	21.0%
261 LIBRARY TRUST DONATIONS							
5H CONTRACTS	37,000	37,000	5,711.10	2,240.06	.00	31,288.90	15.4%
5L MISCELLANEOUS	35,000	35,000	.00	.00	.00	35,000.00	.0%
TOTAL LIBRARY TRUST DONATIONS	72,000	72,000	5,711.10	2,240.06	.00	66,288.90	7.9%
263 MCCLENDON TRUST							
5G MATERIALS & SUPPLIES	1,700	1,700	.00	.00	.00	1,700.00	.0%
TOTAL MCCLENDON TRUST	1,700	1,700	.00	.00	.00	1,700.00	.0%
264 BARBARA J CASSIN TRUST							

YEAR-TO-DATE BUDGET REPORT EXPENDITURES
 BY FUND AND CATEGORY

FOR 2027 02

264	BARBARA J CASSIN TRUST	ORIGINAL APPROP	REVISED BUDGET	YTD EXPENDED	MTD EXPENDED	ENCUMBRANCES	AVAILABLE BUDGET	PCT USED
5G	MATERIALS & SUPPLIES	6,000	6,000	.00	.00	.00	6,000.00	.0%
	TOTAL BARBARA J CASSIN TRUST	6,000	6,000	.00	.00	.00	6,000.00	.0%
411 CAPITAL PROJECTS FUND								
50	CAPITAL PROJECTS	3,812,873	3,812,873	1,010,003.00	919,634.84	-808,404.69	3,611,274.56	5.3%
5P	TRANSFERS OUT	441,491	441,491	.00	.00	.00	441,491.00	.0%
	TOTAL CAPITAL PROJECTS FUND	4,254,364	4,254,364	1,010,003.00	919,634.84	-808,404.69	4,052,765.56	4.7%
412 COMMUNITY CENTER DEVELOPMENT								
50	CAPITAL PROJECTS	0	0	.00	.00	228,390.00	-228,390.00	100.0%
	TOTAL COMMUNITY CENTER DEVELOPMEN	0	0	.00	.00	228,390.00	-228,390.00	100.0%
421 GRANT FUNDED PROJECTS								
50	CAPITAL PROJECTS	36,750	36,750	162,248.38	162,248.38	-162,248.38	36,750.00	.0%
	TOTAL GRANT FUNDED PROJECTS	36,750	36,750	162,248.38	162,248.38	-162,248.38	36,750.00	.0%
461 STORM BASIN 1								
50	CAPITAL PROJECTS	0	0	12,698.75	12,698.75	-12,698.75	.00	.0%
	TOTAL STORM BASIN 1	0	0	12,698.75	12,698.75	-12,698.75	.00	.0%
462 STORM BASIN 2								
50	CAPITAL PROJECTS	130,000	130,000	77,279.80	77,279.80	150,538.20	-97,818.00	175.2%
	TOTAL STORM BASIN 2	130,000	130,000	77,279.80	77,279.80	150,538.20	-97,818.00	175.2%
471 TRAFFIC MITIGATION FUND								

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471	TRAFFIC MITIGATION FUND	ORIGINAL APPROP	REVISED BUDGET	YTD EXPENDED	MTD EXPENDED	ENCUMBRANCES	AVAILABLE BUDGET	PCT USED
	5P TRANSFERS OUT	10,000	10,000	.00	.00	.00	10,000.00	.0%
	TOTAL TRAFFIC MITIGATION FUND	10,000	10,000	.00	.00	.00	10,000.00	.0%
481 GAS TAX FUND								
	50 CAPITAL PROJECTS	1,917,807	1,917,807	1,527,563.94	1,527,356.45	666,665.76	-276,422.70	114.4%
	5P TRANSFERS OUT	106,000	106,000	.00	.00	.00	106,000.00	.0%
	TOTAL GAS TAX FUND	2,023,807	2,023,807	1,527,563.94	1,527,356.45	666,665.76	-170,422.70	108.4%
611 GENERAL LIABILITY FUND								
	5H CONTRACTS	1,416,500	1,416,500	1,261,496.00	3,627.00	.00	155,004.00	89.1%
	TOTAL GENERAL LIABILITY FUND	1,416,500	1,416,500	1,261,496.00	3,627.00	.00	155,004.00	89.1%
612 WORKERS COMPENSATION FUND								
	5H CONTRACTS	1,762,379	1,762,379	621,631.68	35,953.31	48,267.33	1,092,479.99	38.0%
	TOTAL WORKERS COMPENSATION FUND	1,762,379	1,762,379	621,631.68	35,953.31	48,267.33	1,092,479.99	38.0%
621 INFORMATION TECHNOLOGY								
	5G MATERIALS & SUPPLIES	336,520	336,520	28,424.32	28,207.04	61,697.28	246,398.40	26.8%
	5H CONTRACTS	956,742	956,742	579,018.37	30,612.49	167,910.96	209,812.27	78.1%
	5I UTILITIES	20,460	20,460	4,077.73	1,830.02	.00	16,382.27	19.9%
	TOTAL INFORMATION TECHNOLOGY	1,313,722	1,313,722	611,520.42	60,649.55	229,608.24	472,592.94	64.0%
631 EQUIPMENT REPLACEMENT FUND								

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631	EQUIPMENT REPLACEMENT FUND	ORIGINAL APPROP	REVISED BUDGET	YTD EXPENDED	MTD EXPENDED	ENCUMBRANCES	AVAILABLE BUDGET	PCT USED
50	CAPITAL PROJECTS	338,843	354,292	15,448.20	.00	-15,448.20	354,291.97	.0%
	TOTAL EQUIPMENT REPLACEMENT FUND	338,843	354,292	15,448.20	.00	-15,448.20	354,291.97	.0%
633 FACILITIES MAINTENANCE FUND								
5G	MATERIALS & SUPPLIES	78,794	78,794	5,627.50	2,709.65	6,800.16	66,366.64	15.8%
5H	CONTRACTS	628,835	628,835	59,791.93	26,904.04	432,804.58	136,238.92	78.3%
5I	UTILITIES	733,314	733,314	108,423.23	61,621.01	.00	624,890.77	14.8%
5L	MISCELLANEOUS	335,083	335,083	.00	.00	.00	335,083.00	.0%
	TOTAL FACILITIES MAINTENANCE FUND	1,776,027	1,776,027	173,842.66	91,234.70	439,604.74	1,162,579.33	34.5%
942 SA TRUST FUND								
5A	SALARIES	1,247	1,247	167.46	102.05	.00	1,079.56	13.4%
5B	OVERTIME	0	0	7.56	4.23	.00	-7.56	100.0%
5C	PERS	395	395	58.08	31.02	.00	337.37	14.7%
5E	OTHER BENEFITS	120	120	17.27	9.65	.00	102.48	14.4%
5H	CONTRACTS	5,395	5,395	3,520.00	1,760.00	.00	1,875.00	65.2%
5L	MISCELLANEOUS	120,823	120,823	.00	.00	.00	120,823.01	.0%
5M	INT SERVICE CHARGES	64	64	9.73	4.90	.00	53.97	15.3%
5N	DEBT SERVICE	3,810,001	3,810,001	1,784,212.50	12,875.00	.00	2,025,788.50	46.8%
	TOTAL SA TRUST FUND	3,938,045	3,938,045	1,787,992.60	14,786.85	.00	2,150,052.33	45.4%
GRAND TOTAL		84,944,559	85,898,814	14,527,639.76	7,025,981.44	3,634,084.39	67,737,090.18	21.1%
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	ORIGINAL APPROP	REVISED BUDGET	YTD EXPENDED	MTD EXPENDED	ENCUMBRANCES	AVAILABLE BUDGET	PCT USED
111 GENERAL FUND							
11 TOWN COUNCIL	204,135	204,135	26,392.88	15,129.88	.00	177,742.05	12.9%
12 TOWNWIDE	9,973,699	9,978,699	655,134.55	357,981.99	463,498.07	8,860,066.38	11.2%
13 TOWN ATTORNEY	1,219,001	1,219,001	135,147.64	94,325.68	355,223.48	728,629.88	40.2%
20 ADMINISTRATIVE SERVICES	7,407,705	8,313,328	931,482.74	512,952.97	64,904.29	7,316,941.35	12.0%
30 COMMUNITY DEVELOPMENT	5,978,879	5,978,879	727,655.22	430,152.04	190,383.77	5,060,839.75	15.4%
40 POLICE	24,902,698	24,925,621	2,837,269.21	1,595,488.63	61,980.49	22,026,370.84	11.6%
50 PARKS AND PUBLIC WORKS	12,266,419	12,271,679	1,466,920.94	829,779.15	1,536,994.92	9,267,763.01	24.5%
70 LIBRARY	4,248,492	4,248,492	435,060.41	246,782.00	167,433.12	3,645,998.21	14.2%
TOTAL GENERAL FUND	66,201,027	67,139,833	7,215,063.59	4,082,592.34	2,840,418.14	57,084,351.47	15.0%
121 MEASURE G FUND							
12 TOWNWIDE	1,267,556	1,267,556	.00	11,650.00	.00	1,267,556.00	.0%
TOTAL MEASURE G FUND	1,267,556	1,267,556	.00	11,650.00	.00	1,267,556.00	.0%
222 URBAN RUNOFF FUND							
50 PARKS AND PUBLIC WORKS	272,433	272,433	35,001.37	14,110.88	.00	237,431.68	12.8%
TOTAL URBAN RUNOFF FUND	272,433	272,433	35,001.37	14,110.88	.00	237,431.68	12.8%
231 BLACKWELL DISTRICT							
50 PARKS AND PUBLIC WORKS	3,544	3,544	93.00	93.00	1,023.00	2,428.00	31.5%
TOTAL BLACKWELL DISTRICT	3,544	3,544	93.00	93.00	1,023.00	2,428.00	31.5%
232 KENNEDY MEADOWS DISTRICT							
50 PARKS AND PUBLIC WORKS	12,695	12,695	609.00	609.00	6,699.00	5,387.00	57.6%

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232	KENNEDY MEADOWS DISTRICT	ORIGINAL APPROP	REVISED BUDGET	YTD EXPENDED	MTD EXPENDED	ENCUMBRANCES	AVAILABLE BUDGET	PCT USED
	TOTAL KENNEDY MEADOWS DISTRICT	12,695	12,695	609.00	609.00	6,699.00	5,387.00	57.6%
233 GEMINI COURT DISTRICT								
50	PARKS AND PUBLIC WORKS	1,628	1,628	46.00	46.00	506.00	1,076.00	33.9%
	TOTAL GEMINI COURT DISTRICT	1,628	1,628	46.00	46.00	506.00	1,076.00	33.9%
234 SANTA ROSA HEIGHTS DISTRICT								
50	PARKS AND PUBLIC WORKS	8,087	8,087	559.00	559.00	6,149.00	1,379.00	82.9%
	TOTAL SANTA ROSA HEIGHTS DISTRICT	8,087	8,087	559.00	559.00	6,149.00	1,379.00	82.9%
235 VASONA HEIGHTS DISTRICT								
50	PARKS AND PUBLIC WORKS	8,957	8,957	633.42	633.42	4,125.00	4,198.20	53.1%
	TOTAL VASONA HEIGHTS DISTRICT	8,957	8,957	633.42	633.42	4,125.00	4,198.20	53.1%
236 HILLBROOK DISTRICT								
50	PARKS AND PUBLIC WORKS	5,578	5,578	140.00	140.00	1,540.00	3,897.52	30.1%
	TOTAL HILLBROOK DISTRICT	5,578	5,578	140.00	140.00	1,540.00	3,897.52	30.1%
251 LOS GATOS THEATRE								
50	PARKS AND PUBLIC WORKS	82,919	82,919	8,057.85	7,838.11	9,350.00	65,510.99	21.0%
	TOTAL LOS GATOS THEATRE	82,919	82,919	8,057.85	7,838.11	9,350.00	65,510.99	21.0%
261 LIBRARY TRUST DONATIONS								

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261	LIBRARY TRUST DONATIONS	ORIGINAL APPROP	REVISED BUDGET	YTD EXPENDED	MTD EXPENDED	ENCUMBRANCES	AVAILABLE BUDGET	PCT USED
70	LIBRARY	72,000	72,000	5,711.10	2,240.06	.00	66,288.90	7.9%
	TOTAL LIBRARY TRUST DONATIONS	72,000	72,000	5,711.10	2,240.06	.00	66,288.90	7.9%
263 MCCLENDON TRUST								
70	LIBRARY	1,700	1,700	.00	.00	.00	1,700.00	.0%
	TOTAL MCCLENDON TRUST	1,700	1,700	.00	.00	.00	1,700.00	.0%
264 BARBARA J CASSIN TRUST								
70	LIBRARY	6,000	6,000	.00	.00	.00	6,000.00	.0%
	TOTAL BARBARA J CASSIN TRUST	6,000	6,000	.00	.00	.00	6,000.00	.0%
411 CAPITAL PROJECTS FUND								
80	CAPITAL PROGRAMS	4,254,364	4,254,364	1,010,003.00	919,634.84	-808,404.69	4,052,765.56	4.7%
	TOTAL CAPITAL PROJECTS FUND	4,254,364	4,254,364	1,010,003.00	919,634.84	-808,404.69	4,052,765.56	4.7%
412 COMMUNITY CENTER DEVELOPMENT								
80	CAPITAL PROGRAMS	0	0	.00	.00	228,390.00	-228,390.00	100.0%
	TOTAL COMMUNITY CENTER DEVELOPMEN	0	0	.00	.00	228,390.00	-228,390.00	100.0%
421 GRANT FUNDED PROJECTS								
80	CAPITAL PROGRAMS	36,750	36,750	162,248.38	162,248.38	-162,248.38	36,750.00	.0%
	TOTAL GRANT FUNDED PROJECTS	36,750	36,750	162,248.38	162,248.38	-162,248.38	36,750.00	.0%
461 STORM BASIN 1								

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	ORIGINAL APPROP	REVISED BUDGET	YTD EXPENDED	MTD EXPENDED	ENCUMBRANCES	AVAILABLE BUDGET	PCT USED
461 STORM BASIN 1							
80 CAPITAL PROGRAMS	0	0	12,698.75	12,698.75	-12,698.75	.00	.0%
TOTAL STORM BASIN 1	0	0	12,698.75	12,698.75	-12,698.75	.00	.0%
462 STORM BASIN 2							
80 CAPITAL PROGRAMS	130,000	130,000	77,279.80	77,279.80	150,538.20	-97,818.00	175.2%
TOTAL STORM BASIN 2	130,000	130,000	77,279.80	77,279.80	150,538.20	-97,818.00	175.2%
471 TRAFFIC MITIGATION FUND							
80 CAPITAL PROGRAMS	10,000	10,000	.00	.00	.00	10,000.00	.0%
TOTAL TRAFFIC MITIGATION FUND	10,000	10,000	.00	.00	.00	10,000.00	.0%
481 GAS TAX FUND							
80 CAPITAL PROGRAMS	2,023,807	2,023,807	1,527,563.94	1,527,356.45	666,665.76	-170,422.70	108.4%
TOTAL GAS TAX FUND	2,023,807	2,023,807	1,527,563.94	1,527,356.45	666,665.76	-170,422.70	108.4%
611 GENERAL LIABILITY FUND							
13 TOWN ATTORNEY	1,416,500	1,416,500	1,261,496.00	3,627.00	.00	155,004.00	89.1%
TOTAL GENERAL LIABILITY FUND	1,416,500	1,416,500	1,261,496.00	3,627.00	.00	155,004.00	89.1%
612 WORKERS COMPENSATION FUND							
20 ADMINISTRATIVE SERVICES	1,762,379	1,762,379	621,631.68	35,953.31	48,267.33	1,092,479.99	38.0%
TOTAL WORKERS COMPENSATION FUND	1,762,379	1,762,379	621,631.68	35,953.31	48,267.33	1,092,479.99	38.0%
621 INFORMATION TECHNOLOGY							

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621	INFORMATION TECHNOLOGY	ORIGINAL APPROP	REVISED BUDGET	YTD EXPENDED	MTD EXPENDED	ENCUMBRANCES	AVAILABLE BUDGET	PCT USED
20	ADMINISTRATIVE SERVICES	1,313,722	1,313,722	611,520.42	60,649.55	229,608.24	472,592.94	64.0%
	TOTAL INFORMATION TECHNOLOGY	1,313,722	1,313,722	611,520.42	60,649.55	229,608.24	472,592.94	64.0%
631 EQUIPMENT REPLACEMENT FUND								
50	PARKS AND PUBLIC WORKS	338,843	354,292	15,448.20	.00	-15,448.20	354,291.97	.0%
	TOTAL EQUIPMENT REPLACEMENT FUND	338,843	354,292	15,448.20	.00	-15,448.20	354,291.97	.0%
633 FACILITIES MAINTENANCE FUND								
50	PARKS AND PUBLIC WORKS	1,776,027	1,776,027	173,842.66	91,234.70	439,604.74	1,162,579.33	34.5%
	TOTAL FACILITIES MAINTENANCE FUND	1,776,027	1,776,027	173,842.66	91,234.70	439,604.74	1,162,579.33	34.5%
942 SA TRUST FUND								
00	NO DEPARTMENT	3,938,045	3,938,045	1,787,992.60	14,786.85	.00	2,150,052.33	45.4%
	TOTAL SA TRUST FUND	3,938,045	3,938,045	1,787,992.60	14,786.85	.00	2,150,052.33	45.4%
GRAND TOTAL		84,944,559	85,898,814	14,527,639.76	7,025,981.44	3,634,084.39	67,737,090.18	21.1%
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	ORIGINAL APPROP	REVISED BUDGET	YTD EXPENDED	MTD EXPENDED	ENCUMBRANCES	AVAILABLE BUDGET	PCT USED
111 GENERAL FUND							
11 TOWN COUNCIL							
5A SALARIES	81,814	81,814	10,287.94	6,944.96	.00	71,526.46	12.6%
5B OVERTIME	1,282	1,282	.00	.00	.00	1,282.16	.0%
5C PERS	20,924	20,924	2,485.69	1,333.28	.00	18,438.17	11.9%
5D MEDICAL BENEFITS	70,750	70,750	11,454.84	5,727.42	.00	59,294.92	16.2%
5E OTHER BENEFITS	10,208	10,208	1,465.88	792.21	.00	8,742.32	14.4%
5G MATERIALS & SUPPLIES	1,675	1,675	181.22	.00	.00	1,493.78	10.8%
5H CONTRACTS	13,125	13,125	.00	.00	.00	13,125.00	.0%
5M INT SERVICE CHARGES	4,357	4,357	517.31	332.01	.00	3,839.24	11.9%
TOTAL TOWN COUNCIL	204,135	204,135	26,392.88	15,129.88	.00	177,742.05	12.9%
12 TOWNWIDE							
5C PERS	390,000	390,000	.00	.00	.00	390,000.00	.0%
5F RETIREE MEDICAL	2,193,606	2,193,606	361,710.44	175,953.62	10,582.00	1,821,313.56	17.0%
5G MATERIALS & SUPPLIES	11,309	11,309	773.46	773.46	.00	10,535.54	6.8%
5H CONTRACTS	1,471,882	1,476,882	279,747.62	168,384.29	437,916.07	759,218.31	48.6%
5J GRANTS AND AWARDS	15,000	15,000	.00	.00	15,000.00	.00	100.0%
5K PASS THRU	0	0	-99.77	-132.18	.00	99.77	100.0%
5M INT SERVICE CHARGES	22,684	22,684	.00	.00	.00	22,684.00	.0%
5N DEBT SERVICE	2,057,884	2,057,884	13,002.80	13,002.80	.00	2,044,881.20	.6%
5P TRANSFERS OUT	3,811,334	3,811,334	.00	.00	.00	3,811,334.00	.0%
TOTAL TOWNWIDE	9,973,699	9,978,699	655,134.55	357,981.99	463,498.07	8,860,066.38	11.2%
13 TOWN ATTORNEY							
5A SALARIES	506,326	506,326	54,216.82	32,811.89	.00	452,109.50	10.7%
5B OVERTIME	204	204	59.59	59.59	.00	144.39	29.2%
5C PERS	161,452	161,452	22,067.69	11,491.98	.00	139,384.76	13.7%
5D MEDICAL BENEFITS	66,696	66,696	7,361.43	3,683.64	.00	59,334.47	11.0%
5E OTHER BENEFITS	30,594	30,594	3,675.83	1,952.76	.00	26,918.08	12.0%
5G MATERIALS & SUPPLIES	3,841	3,841	12.90	12.90	.00	3,828.10	.3%

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	ORIGINAL APPROP	REVISED BUDGET	YTD EXPENDED	MTD EXPENDED	ENCUMBRANCES	AVAILABLE BUDGET	PCT USED
5H CONTRACTS	406,955	406,955	44,658.76	42,798.76	355,223.48	7,072.76	98.3%
5I UTILITIES	470	470	.00	.00	.00	470.00	.0%
5M INT SERVICE CHARGES	42,462	42,462	3,094.62	1,514.16	.00	39,367.82	7.3%
TOTAL TOWN ATTORNEY	1,219,001	1,219,001	135,147.64	94,325.68	355,223.48	728,629.88	40.2%

20 ADMINISTRATIVE SERVICES

5A SALARIES	4,086,114	4,086,114	517,871.19	315,989.12	.00	3,568,242.67	12.7%
5B OVERTIME	13,332	13,332	2,689.55	2,033.02	.00	10,642.00	20.2%
5C PERS	1,226,559	1,226,559	177,427.94	94,394.77	.00	1,049,131.18	14.5%
5D MEDICAL BENEFITS	440,494	440,494	68,728.55	34,454.86	.00	371,765.87	15.6%
5E OTHER BENEFITS	280,932	280,932	39,166.73	20,693.30	.00	241,765.67	13.9%
5G MATERIALS & SUPPLIES	22,444	22,444	798.47	749.91	.00	21,645.53	3.6%
5H CONTRACTS	950,289	1,855,913	95,426.72	29,849.35	64,904.29	1,695,581.67	8.6%
5M INT SERVICE CHARGES	372,540	372,540	29,373.59	14,788.64	.00	343,166.76	7.9%
5O CAPITAL PROJECTS	15,000	15,000	.00	.00	.00	15,000.00	.0%
TOTAL ADMINISTRATIVE SERVICES	7,407,705	8,313,328	931,482.74	512,952.97	64,904.29	7,316,941.35	12.0%

30 COMMUNITY DEVELOPMENT

5A SALARIES	2,927,833	2,927,833	377,182.71	230,853.05	.00	2,550,650.18	12.9%
5B OVERTIME	1,195	1,195	.00	.00	.00	1,194.74	.0%
5C PERS	913,143	913,143	132,948.81	70,903.34	.00	780,194.33	14.6%
5D MEDICAL BENEFITS	364,687	364,687	56,105.44	28,052.72	.00	308,582.00	15.4%
5E OTHER BENEFITS	203,703	203,703	28,421.12	15,237.42	.00	175,281.83	14.0%
5G MATERIALS & SUPPLIES	29,899	29,899	328.43	328.43	.00	29,570.57	1.1%
5H CONTRACTS	405,459	405,459	48,948.57	21,393.47	133,148.75	223,361.68	44.9%
5I UTILITIES	1,880	1,880	1,345.50	1,345.50	.00	534.50	71.6%
5K PASS THRU	718,708	718,708	60,635.00	50,997.50	57,235.02	600,837.98	16.4%
5L MISCELLANEOUS	27,006	27,006	.00	.00	.00	27,005.79	.0%
5M INT SERVICE CHARGES	385,366	385,366	21,739.64	11,040.61	.00	363,626.15	5.6%
TOTAL COMMUNITY DEVELOPMENT	5,978,879	5,978,879	727,655.22	430,152.04	190,383.77	5,060,839.75	15.4%

40 POLICE

YEAR-TO-DATE BUDGET REPORT EXPENDITURES
 BY FUND, DEPARTMENT, AND CATEGORY

FOR 2027 02

	ORIGINAL APPROP	REVISED BUDGET	YTD EXPENDED	MTD EXPENDED	ENCUMBRANCES	AVAILABLE BUDGET	PCT USED
5A SALARIES	9,838,555	9,838,555	1,199,404.81	719,527.91	.00	8,639,149.93	12.2%
5B OVERTIME	1,372,086	1,372,086	171,533.21	109,434.77	.00	1,200,552.83	12.5%
5C PERS	6,099,317	6,099,317	820,899.95	430,608.89	.00	5,278,416.91	13.5%
5D MEDICAL BENEFITS	1,473,897	1,473,897	207,230.79	104,608.93	.00	1,266,665.85	14.1%
5E OTHER BENEFITS	1,761,902	1,761,902	223,456.24	114,660.51	.00	1,538,445.69	12.7%
5G MATERIALS & SUPPLIES	350,474	350,474	16,369.33	10,410.53	34,704.89	299,399.78	14.6%
5H CONTRACTS	1,072,655	1,095,578	46,353.27	30,242.88	27,275.60	1,021,948.67	6.7%
5I UTILITIES	84,155	84,155	2,826.23	1,241.18	.00	81,328.77	3.4%
5J GRANTS AND AWARDS	63,950	63,950	.00	.00	.00	63,950.00	.0%
5K PASS THRU	125,150	125,150	.00	.00	.00	125,150.00	.0%
5L MISCELLANEOUS	229,549	229,549	.00	.00	.00	229,549.21	.0%
5M INT SERVICE CHARGES	2,431,009	2,431,009	149,195.38	74,753.03	.00	2,281,813.20	6.1%
TOTAL POLICE	24,902,698	24,925,621	2,837,269.21	1,595,488.63	61,980.49	22,026,370.84	11.6%
50 PARKS AND PUBLIC WORKS							
5A SALARIES	4,901,909	4,901,909	640,225.65	407,196.33	.00	4,261,683.63	13.1%
5B OVERTIME	65,332	65,332	10,433.46	7,360.96	.00	54,898.42	16.0%
5C PERS	1,420,275	1,420,275	203,891.44	108,696.32	.00	1,216,383.22	14.4%
5D MEDICAL BENEFITS	680,153	680,153	98,290.97	50,676.24	.00	581,862.43	14.5%
5E OTHER BENEFITS	509,404	509,404	67,347.13	35,557.80	.00	442,057.03	13.2%
5G MATERIALS & SUPPLIES	470,290	470,290	55,120.65	25,621.84	70,548.90	344,620.65	26.7%
5H CONTRACTS	1,962,970	1,968,230	173,062.81	81,819.20	1,244,098.82	551,068.39	72.0%
5I UTILITIES	914,955	914,955	162,788.65	84,820.11	155,347.20	596,819.37	34.8%
5K PASS THRU	618,735	618,735	.00	.00	67,000.00	551,735.00	10.8%
5L MISCELLANEOUS	-256,555	-256,555	.00	.00	.00	-256,555.00	.0%
5M INT SERVICE CHARGES	978,950	978,950	55,760.18	28,030.35	.00	923,189.87	5.7%
TOTAL PARKS AND PUBLIC WORKS	12,266,419	12,271,679	1,466,920.94	829,779.15	1,536,994.92	9,267,763.01	24.5%
70 LIBRARY							
5A SALARIES	1,833,782	1,833,782	218,738.15	134,034.87	.00	1,615,043.52	11.9%
5B OVERTIME	3,570	3,570	.00	.00	.00	3,569.65	.0%
5C PERS	569,118	569,118	80,625.53	42,797.91	.00	488,492.87	14.2%
5D MEDICAL BENEFITS	275,126	275,126	42,008.96	21,004.48	.00	233,116.72	15.3%
5E OTHER BENEFITS	125,934	125,934	17,645.04	9,459.94	.00	108,289.27	14.0%
5G MATERIALS & SUPPLIES	272,503	272,503	21,012.41	11,554.09	167,433.12	84,057.47	69.2%
5H CONTRACTS	135,213	135,213	42,343.43	21,514.21	.00	92,869.57	31.3%

YEAR-TO-DATE BUDGET REPORT EXPENDITURES
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FOR 2027 02

	ORIGINAL APPROP	REVISED BUDGET	YTD EXPENDED	MTD EXPENDED	ENCUMBRANCES	AVAILABLE BUDGET	PCT USED
5J GRANTS AND AWARDS	205,000	205,000	.00	.00	.00	205,000.00	.0%
5M INT SERVICE CHARGES	828,246	828,246	12,686.89	6,416.50	.00	815,559.14	1.5%
TOTAL LIBRARY	4,248,492	4,248,492	435,060.41	246,782.00	167,433.12	3,645,998.21	14.2%
TOTAL GENERAL FUND	66,201,027	67,139,833	7,215,063.59	4,082,592.34	2,840,418.14	57,084,351.47	15.0%

121 MEASURE G FUND

12 TOWNWIDE

5H CONTRACTS	50,520	50,520	.00	11,650.00	.00	50,520.00	.0%
5K PASS THRU	1,217,036	1,217,036	.00	.00	.00	1,217,036.00	.0%
TOTAL TOWNWIDE	1,267,556	1,267,556	.00	11,650.00	.00	1,267,556.00	.0%
TOTAL MEASURE G FUND	1,267,556	1,267,556	.00	11,650.00	.00	1,267,556.00	.0%

222 URBAN RUNOFF FUND

50 PARKS AND PUBLIC WORKS

5A SALARIES	128,934	128,934	14,267.54	8,552.69	.00	114,666.27	11.1%
5C PERS	40,378	40,378	5,587.67	2,897.32	.00	34,790.11	13.8%
5D MEDICAL BENEFITS	14,209	14,209	1,665.51	821.52	.00	12,543.81	11.7%
5E OTHER BENEFITS	9,020	9,020	1,214.05	665.27	.00	7,806.25	13.5%
5G MATERIALS & SUPPLIES	3,717	3,717	.00	.00	.00	3,717.00	.0%
5H CONTRACTS	55,406	55,406	11,241.02	.00	.00	44,164.98	20.3%
5I UTILITIES	14,265	14,265	244.27	767.16	.00	14,020.73	1.7%
5M INT SERVICE CHARGES	6,504	6,504	781.31	406.92	.00	5,722.53	12.0%
TOTAL PARKS AND PUBLIC WORKS	272,433	272,433	35,001.37	14,110.88	.00	237,431.68	12.8%
TOTAL URBAN RUNOFF FUND	272,433	272,433	35,001.37	14,110.88	.00	237,431.68	12.8%

231 BLACKWELL DISTRICT

50 PARKS AND PUBLIC WORKS

YEAR-TO-DATE BUDGET REPORT EXPENDITURES
BY FUND, DEPARTMENT, AND CATEGORY

FOR 2027 02

231	BLACKWELL DISTRICT	ORIGINAL APPROP	REVISED BUDGET	YTD EXPENDED	MTD EXPENDED	ENCUMBRANCES	AVAILABLE BUDGET	PCT USED
5H	CONTRACTS	1,484	1,484	93.00	93.00	1,023.00	368.00	75.2%
5I	UTILITIES	1,600	1,600	.00	.00	.00	1,600.00	.0%
5P	TRANSFERS OUT	460	460	.00	.00	.00	460.00	.0%
	TOTAL PARKS AND PUBLIC WORKS	3,544	3,544	93.00	93.00	1,023.00	2,428.00	31.5%
	TOTAL BLACKWELL DISTRICT	3,544	3,544	93.00	93.00	1,023.00	2,428.00	31.5%

232 KENNEDY MEADOWS DISTRICT

50 PARKS AND PUBLIC WORKS

5H	CONTRACTS	8,385	8,385	609.00	609.00	6,699.00	1,077.00	87.2%
5I	UTILITIES	2,800	2,800	.00	.00	.00	2,800.00	.0%
5P	TRANSFERS OUT	1,510	1,510	.00	.00	.00	1,510.00	.0%
	TOTAL PARKS AND PUBLIC WORKS	12,695	12,695	609.00	609.00	6,699.00	5,387.00	57.6%
	TOTAL KENNEDY MEADOWS DISTRICT	12,695	12,695	609.00	609.00	6,699.00	5,387.00	57.6%

233 GEMINI COURT DISTRICT

50 PARKS AND PUBLIC WORKS

5H	CONTRACTS	1,018	1,018	46.00	46.00	506.00	466.00	54.2%
5P	TRANSFERS OUT	610	610	.00	.00	.00	610.00	.0%
	TOTAL PARKS AND PUBLIC WORKS	1,628	1,628	46.00	46.00	506.00	1,076.00	33.9%
	TOTAL GEMINI COURT DISTRICT	1,628	1,628	46.00	46.00	506.00	1,076.00	33.9%

234 SANTA ROSA HEIGHTS DISTRICT

50 PARKS AND PUBLIC WORKS

YEAR-TO-DATE BUDGET REPORT EXPENDITURES
BY FUND, DEPARTMENT, AND CATEGORY

FOR 2027 02

234	SANTA ROSA HEIGHTS DISTRICT	ORIGINAL APPROP	REVISED BUDGET	YTD EXPENDED	MTD EXPENDED	ENCUMBRANCES	AVAILABLE BUDGET	PCT USED
5H	CONTRACTS	7,427	7,427	559.00	559.00	6,149.00	719.00	90.3%
5P	TRANSFERS OUT	660	660	.00	.00	.00	660.00	.0%
	TOTAL PARKS AND PUBLIC WORKS	8,087	8,087	559.00	559.00	6,149.00	1,379.00	82.9%
	TOTAL SANTA ROSA HEIGHTS DISTRICT	8,087	8,087	559.00	559.00	6,149.00	1,379.00	82.9%

235 VASONA HEIGHTS DISTRICT

50 PARKS AND PUBLIC WORKS

5H	CONTRACTS	5,138	5,138	375.00	375.00	4,125.00	638.05	87.6%
5I	UTILITIES	2,389	2,389	258.42	258.42	.00	2,130.15	10.8%
5P	TRANSFERS OUT	1,430	1,430	.00	.00	.00	1,430.00	.0%
	TOTAL PARKS AND PUBLIC WORKS	8,957	8,957	633.42	633.42	4,125.00	4,198.20	53.1%
	TOTAL VASONA HEIGHTS DISTRICT	8,957	8,957	633.42	633.42	4,125.00	4,198.20	53.1%

236 HILLBROOK DISTRICT

50 PARKS AND PUBLIC WORKS

5H	CONTRACTS	2,055	2,055	140.00	140.00	1,540.00	375.40	81.7%
5I	UTILITIES	3,272	3,272	.00	.00	.00	3,272.12	.0%
5P	TRANSFERS OUT	250	250	.00	.00	.00	250.00	.0%
	TOTAL PARKS AND PUBLIC WORKS	5,578	5,578	140.00	140.00	1,540.00	3,897.52	30.1%
	TOTAL HILLBROOK DISTRICT	5,578	5,578	140.00	140.00	1,540.00	3,897.52	30.1%

251 LOS GATOS THEATRE

50 PARKS AND PUBLIC WORKS

YEAR-TO-DATE BUDGET REPORT EXPENDITURES
BY FUND, DEPARTMENT, AND CATEGORY

FOR 2027 02

251	LOS GATOS THEATRE	ORIGINAL APPROP	REVISED BUDGET	YTD EXPENDED	MTD EXPENDED	ENCUMBRANCES	AVAILABLE BUDGET	PCT USED
5H	CONTRACTS	15,696	15,696	650.00	650.00	9,350.00	5,696.00	63.7%
5I	UTILITIES	67,223	67,223	7,407.85	7,188.11	.00	59,814.99	11.0%
	TOTAL PARKS AND PUBLIC WORKS	82,919	82,919	8,057.85	7,838.11	9,350.00	65,510.99	21.0%
	TOTAL LOS GATOS THEATRE	82,919	82,919	8,057.85	7,838.11	9,350.00	65,510.99	21.0%
261 LIBRARY TRUST DONATIONS								
70 LIBRARY								
5H	CONTRACTS	37,000	37,000	5,711.10	2,240.06	.00	31,288.90	15.4%
5L	MISCELLANEOUS	35,000	35,000	.00	.00	.00	35,000.00	.0%
	TOTAL LIBRARY	72,000	72,000	5,711.10	2,240.06	.00	66,288.90	7.9%
	TOTAL LIBRARY TRUST DONATIONS	72,000	72,000	5,711.10	2,240.06	.00	66,288.90	7.9%
263 MCCLENDON TRUST								
70 LIBRARY								
5G	MATERIALS & SUPPLIES	1,700	1,700	.00	.00	.00	1,700.00	.0%
	TOTAL LIBRARY	1,700	1,700	.00	.00	.00	1,700.00	.0%
	TOTAL MCCLENDON TRUST	1,700	1,700	.00	.00	.00	1,700.00	.0%
264 BARBARA J CASSIN TRUST								
70 LIBRARY								
5G	MATERIALS & SUPPLIES	6,000	6,000	.00	.00	.00	6,000.00	.0%
	TOTAL LIBRARY	6,000	6,000	.00	.00	.00	6,000.00	.0%

YEAR-TO-DATE BUDGET REPORT EXPENDITURES
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FOR 2027 02

264	BARBARA J CASSIN TRUST	ORIGINAL APPROP	REVISED BUDGET	YTD EXPENDED	MTD EXPENDED	ENCUMBRANCES	AVAILABLE BUDGET	PCT USED
	TOTAL BARBARA J CASSIN TRUST	6,000	6,000	.00	.00	.00	6,000.00	.0%

411 CAPITAL PROJECTS FUND**80 CAPITAL PROGRAMS**

50 CAPITAL PROJECTS	3,812,873	3,812,873	1,010,003.00	919,634.84	-808,404.69	3,611,274.56	5.3%
5P TRANSFERS OUT	441,491	441,491	.00	.00	.00	441,491.00	.0%
TOTAL CAPITAL PROGRAMS	4,254,364	4,254,364	1,010,003.00	919,634.84	-808,404.69	4,052,765.56	4.7%
TOTAL CAPITAL PROJECTS FUND	4,254,364	4,254,364	1,010,003.00	919,634.84	-808,404.69	4,052,765.56	4.7%

412 COMMUNITY CENTER DEVELOPMENT**80 CAPITAL PROGRAMS**

50 CAPITAL PROJECTS	0	0	.00	.00	228,390.00	-228,390.00	100.0%
TOTAL CAPITAL PROGRAMS	0	0	.00	.00	228,390.00	-228,390.00	100.0%
TOTAL COMMUNITY CENTER DEVELOPMEN	0	0	.00	.00	228,390.00	-228,390.00	100.0%

421 GRANT FUNDED PROJECTS**80 CAPITAL PROGRAMS**

50 CAPITAL PROJECTS	36,750	36,750	162,248.38	162,248.38	-162,248.38	36,750.00	.0%
TOTAL CAPITAL PROGRAMS	36,750	36,750	162,248.38	162,248.38	-162,248.38	36,750.00	.0%
TOTAL GRANT FUNDED PROJECTS	36,750	36,750	162,248.38	162,248.38	-162,248.38	36,750.00	.0%

461 STORM BASIN 1**80 CAPITAL PROGRAMS**

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BY FUND, DEPARTMENT, AND CATEGORY

FOR 2027 02

461	STORM BASIN 1	ORIGINAL APPROP	REVISED BUDGET	YTD EXPENDED	MTD EXPENDED	ENCUMBRANCES	AVAILABLE BUDGET	PCT USED
50	CAPITAL PROJECTS	0	0	12,698.75	12,698.75	-12,698.75	.00	.0%
	TOTAL CAPITAL PROGRAMS	0	0	12,698.75	12,698.75	-12,698.75	.00	.0%
	TOTAL STORM BASIN 1	0	0	12,698.75	12,698.75	-12,698.75	.00	.0%
462 STORM BASIN 2								
80 CAPITAL PROGRAMS								
50	CAPITAL PROJECTS	130,000	130,000	77,279.80	77,279.80	150,538.20	-97,818.00	175.2%
	TOTAL CAPITAL PROGRAMS	130,000	130,000	77,279.80	77,279.80	150,538.20	-97,818.00	175.2%
	TOTAL STORM BASIN 2	130,000	130,000	77,279.80	77,279.80	150,538.20	-97,818.00	175.2%
471 TRAFFIC MITIGATION FUND								
80 CAPITAL PROGRAMS								
5P	TRANSFERS OUT	10,000	10,000	.00	.00	.00	10,000.00	.0%
	TOTAL CAPITAL PROGRAMS	10,000	10,000	.00	.00	.00	10,000.00	.0%
	TOTAL TRAFFIC MITIGATION FUND	10,000	10,000	.00	.00	.00	10,000.00	.0%
481 GAS TAX FUND								
80 CAPITAL PROGRAMS								
50	CAPITAL PROJECTS	1,917,807	1,917,807	1,527,563.94	1,527,356.45	666,665.76	-276,422.70	114.4%
5P	TRANSFERS OUT	106,000	106,000	.00	.00	.00	106,000.00	.0%
	TOTAL CAPITAL PROGRAMS	2,023,807	2,023,807	1,527,563.94	1,527,356.45	666,665.76	-170,422.70	108.4%

YEAR-TO-DATE BUDGET REPORT EXPENDITURES
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481	GAS TAX FUND	ORIGINAL APPROP	REVISED BUDGET	YTD EXPENDED	MTD EXPENDED	ENCUMBRANCES	AVAILABLE BUDGET	PCT USED
	TOTAL GAS TAX FUND	2,023,807	2,023,807	1,527,563.94	1,527,356.45	666,665.76	-170,422.70	108.4%
611 GENERAL LIABILITY FUND								
13 TOWN ATTORNEY								
5H	CONTRACTS	1,416,500	1,416,500	1,261,496.00	3,627.00	.00	155,004.00	89.1%
	TOTAL TOWN ATTORNEY	1,416,500	1,416,500	1,261,496.00	3,627.00	.00	155,004.00	89.1%
	TOTAL GENERAL LIABILITY FUND	1,416,500	1,416,500	1,261,496.00	3,627.00	.00	155,004.00	89.1%
612 WORKERS COMPENSATION FUND								
20 ADMINISTRATIVE SERVICES								
5H	CONTRACTS	1,762,379	1,762,379	621,631.68	35,953.31	48,267.33	1,092,479.99	38.0%
	TOTAL ADMINISTRATIVE SERVICES	1,762,379	1,762,379	621,631.68	35,953.31	48,267.33	1,092,479.99	38.0%
	TOTAL WORKERS COMPENSATION FUND	1,762,379	1,762,379	621,631.68	35,953.31	48,267.33	1,092,479.99	38.0%
621 INFORMATION TECHNOLOGY								
20 ADMINISTRATIVE SERVICES								
5G	MATERIALS & SUPPLIES	336,520	336,520	28,424.32	28,207.04	61,697.28	246,398.40	26.8%
5H	CONTRACTS	956,742	956,742	579,018.37	30,612.49	167,910.96	209,812.27	78.1%
5I	UTILITIES	20,460	20,460	4,077.73	1,830.02	.00	16,382.27	19.9%
	TOTAL ADMINISTRATIVE SERVICES	1,313,722	1,313,722	611,520.42	60,649.55	229,608.24	472,592.94	64.0%
	TOTAL INFORMATION TECHNOLOGY	1,313,722	1,313,722	611,520.42	60,649.55	229,608.24	472,592.94	64.0%
631 EQUIPMENT REPLACEMENT FUND								
50 PARKS AND PUBLIC WORKS								

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BY FUND, DEPARTMENT, AND CATEGORY

FOR 2027 02

631	EQUIPMENT REPLACEMENT FUND	ORIGINAL APPROP	REVISED BUDGET	YTD EXPENDED	MTD EXPENDED	ENCUMBRANCES	AVAILABLE BUDGET	PCT USED
50	CAPITAL PROJECTS	338,843	354,292	15,448.20	.00	-15,448.20	354,291.97	.0%
	TOTAL PARKS AND PUBLIC WORKS	338,843	354,292	15,448.20	.00	-15,448.20	354,291.97	.0%
	TOTAL EQUIPMENT REPLACEMENT FUND	338,843	354,292	15,448.20	.00	-15,448.20	354,291.97	.0%
633 FACILITIES MAINTENANCE FUND								
50 PARKS AND PUBLIC WORKS								
5G	MATERIALS & SUPPLIES	78,794	78,794	5,627.50	2,709.65	6,800.16	66,366.64	15.8%
5H	CONTRACTS	628,835	628,835	59,791.93	26,904.04	432,804.58	136,238.92	78.3%
5I	UTILITIES	733,314	733,314	108,423.23	61,621.01	.00	624,890.77	14.8%
5L	MISCELLANEOUS	335,083	335,083	.00	.00	.00	335,083.00	.0%
	TOTAL PARKS AND PUBLIC WORKS	1,776,027	1,776,027	173,842.66	91,234.70	439,604.74	1,162,579.33	34.5%
	TOTAL FACILITIES MAINTENANCE FUND	1,776,027	1,776,027	173,842.66	91,234.70	439,604.74	1,162,579.33	34.5%
942 SA TRUST FUND								
00 NO DEPARTMENT								
5A	SALARIES	1,247	1,247	167.46	102.05	.00	1,079.56	13.4%
5B	OVERTIME	0	0	7.56	4.23	.00	-7.56	100.0%
5C	PERS	395	395	58.08	31.02	.00	337.37	14.7%
5E	OTHER BENEFITS	120	120	17.27	9.65	.00	102.48	14.4%
5H	CONTRACTS	5,395	5,395	3,520.00	1,760.00	.00	1,875.00	65.2%
5L	MISCELLANEOUS	120,823	120,823	.00	.00	.00	120,823.01	.0%
5M	INT SERVICE CHARGES	64	64	9.73	4.90	.00	53.97	15.3%
5N	DEBT SERVICE	3,810,001	3,810,001	1,784,212.50	12,875.00	.00	2,025,788.50	46.8%
	TOTAL NO DEPARTMENT	3,938,045	3,938,045	1,787,992.60	14,786.85	.00	2,150,052.33	45.4%
	TOTAL SA TRUST FUND	3,938,045	3,938,045	1,787,992.60	14,786.85	.00	2,150,052.33	45.4%
GRAND TOTAL		84,944,559	85,898,814	14,527,639.76	7,025,981.44	3,634,084.39	67,737,090.18	21.1%

** END OF REPORT - Generated by Kristina Alfaro **

YEAR-TO-DATE BUDGET REPORT REVENUE
BY FUND AND CATEGORY

FOR 2027 02

	ORIGINAL ESTIM REV	REVISED EST REV	ACTUAL YTD REVENUE	ACTUAL MTD REVENUE	REMAINING REVENUE	PCT COLL
111 GENERAL FUND	63,067,086	63,067,086	5,688,479.90	6,885,831.77	57,378,606.10	9.0%
121 MEASURE G FUND	1,358,000	1,358,000	.00	130,353.79	1,358,000.00	.0%
222 URBAN RUNOFF FUND	315,072	315,072	26,255.91	26,255.91	288,816.09	8.3%
231 BLACKWELL DISTRICT	3,210	3,210	.00	.00	3,210.00	.0%
232 KENNEDY MEADOWS DISTRICT	10,605	10,605	.00	.00	10,605.00	.0%
233 GEMINI COURT DISTRICT	4,750	4,750	.00	.00	4,750.00	.0%
234 SANTA ROSA HEIGHTS DISTRICT	4,550	4,550	.00	.00	4,550.00	.0%
235 VASONA HEIGHTS DISTRICT	10,075	10,075	.00	.00	10,075.00	.0%
236 HILLBROOK DISTRICT	6,040	6,040	.00	.00	6,040.00	.0%
251 LOS GATOS THEATRE	121,100	121,100	45,249.72	30,081.72	75,850.28	37.4%
261 LIBRARY TRUST DONATIONS	71,000	71,000	75,000.00	75,000.00	-4,000.00	105.6%
262 NESS TRUST	400	400	.00	.00	400.00	.0%
263 MCCLENDON TRUST	2,000	2,000	.00	.00	2,000.00	.0%
264 BARBARA J CASSIN TRUST	6,000	6,000	.00	.00	6,000.00	.0%
411 CAPITAL PROJECTS FUND	1,263,873	1,263,873	19,056.00	10,440.00	1,244,816.87	1.5%
413 LONG-TERM COMMUNITY BENEFIT	3,000,000	3,000,000	.00	.00	3,000,000.00	.0%
421 GRANT FUNDED PROJECTS	36,750	36,750	12,619.19	.00	24,130.81	34.3%
461 STORM BASIN 1	70,337	70,337	14,370.00	14,370.00	55,966.92	20.4%
462 STORM BASIN 2	117,302	117,302	.00	.00	117,302.18	.0%
463 STORM BASIN 3	-3,446	-3,446	.00	.00	-3,445.78	.0%
471 TRAFFIC MITIGATION FUND	10,000	10,000	.00	.00	10,000.00	.0%
472 UTILITY UNDERGROUND TAX FUND	46,346	46,346	.00	.00	46,346.10	.0%
481 GAS TAX FUND	1,919,278	1,919,278	173,118.24	173,118.24	1,746,159.86	9.0%
611 GENERAL LIABILITY FUND	1,984,001	1,984,001	.00	.00	1,984,000.73	.0%
612 WORKERS COMPENSATION FUND	1,997,508	1,997,508	104,508.61	94,488.59	1,892,999.79	5.2%
621 INFORMATION TECHNOLOGY	1,313,722	1,313,722	19,519.80	10,785.26	1,294,201.80	1.5%
631 EQUIPMENT REPLACEMENT FUND	679,960	679,960	14,960.41	.00	664,999.59	2.2%
633 FACILITIES MAINTENANCE FUND	2,286,974	2,286,974	52,089.02	2,083.33	2,234,884.58	2.3%
732 PERS CEPPT PENSION TRUST	390,000	390,000	.00	.00	390,000.00	.0%
942 SA TRUST FUND	3,923,926	3,923,926	.00	.00	3,923,926.00	.0%
GRAND TOTAL	84,016,419	84,016,419	6,245,226.80	7,452,808.61	77,771,191.92	7.4%

** END OF REPORT - Generated by Kristina Alfaro **

ATTACHMENT 5

YEAR-TO-DATE BUDGET REPORT REVENUE
BY FUND AND CATEGORY

FOR 2027 02

	ORIGINAL ESTIM REV	REVISED EST REV	ACTUAL YTD REVENUE	ACTUAL MTD REVENUE	REMAINING REVENUE	PCT COLL
111 GENERAL FUND						
4A PROPERTY TAX	28,224,841	28,224,841	79,737.79	79,737.79	28,145,103.21	.3%
4B SALES & USE TAX	8,380,517	8,380,517	.00	1,422,455.17	8,380,517.00	.0%
4D TRANSIENT OCCUPANCY	2,278,360	2,278,360	-272,264.36	150,971.98	2,550,624.36	-12.0%
4E BUSINESS LIC & OTHER	2,686,760	2,686,760	35,931.78	35,931.78	2,650,828.22	1.3%
4F FRANCHISE FEES	1,089,210	1,089,210	.00	100,337.85	1,089,210.00	.0%
4G FINES & FORFEITURES	315,200	315,200	60,532.71	54,444.42	254,667.29	19.2%
4H LICENSES & PERMITS	7,802,811	7,802,811	952,074.98	678,148.95	6,850,736.02	12.2%
4I TOWN SERVICES	3,906,037	3,906,037	319,190.56	162,057.97	3,586,846.44	8.2%
4J OTHER SOURCES	2,630,318	2,630,318	3,829,333.33	4,034,860.63	-1,199,015.33	145.6%
4K INTERGOVERNMENTAL	741,477	741,477	533,324.11	147,212.23	208,152.89	71.9%
4L PASS THRU	2,534,469	2,534,469	150,619.00	19,673.00	2,383,850.00	5.9%
4M TRANSFERS IN	562,411	562,411	.00	.00	562,411.00	.0%
4N DEBT SERVICE REMIB	1,914,675	1,914,675	.00	.00	1,914,675.00	.0%
TOTAL GENERAL FUND	63,067,086	63,067,086	5,688,479.90	6,885,831.77	57,378,606.10	9.0%
121 MEASURE G FUND						
4C MEASURE G	1,358,000	1,358,000	.00	130,353.79	1,358,000.00	.0%
TOTAL MEASURE G FUND	1,358,000	1,358,000	.00	130,353.79	1,358,000.00	.0%
222 URBAN RUNOFF FUND						
4H LICENSES & PERMITS	315,072	315,072	26,255.91	26,255.91	288,816.09	8.3%
TOTAL URBAN RUNOFF FUND	315,072	315,072	26,255.91	26,255.91	288,816.09	8.3%
231 BLACKWELL DISTRICT						
4A PROPERTY TAX	3,160	3,160	.00	.00	3,160.00	.0%
4J OTHER SOURCES	50	50	.00	.00	50.00	.0%
TOTAL BLACKWELL DISTRICT	3,210	3,210	.00	.00	3,210.00	.0%
232 KENNEDY MEADOWS DISTRICT						

ATTACHMENT 6

YEAR-TO-DATE BUDGET REPORT REVENUE
BY FUND AND CATEGORY

FOR 2027 02

	ORIGINAL ESTIM REV	REVISED EST REV	ACTUAL YTD REVENUE	ACTUAL MTD REVENUE	REMAINING REVENUE	PCT COLL
4A PROPERTY TAX	10,275	10,275	.00	.00	10,275.00	.0%
4J OTHER SOURCES	330	330	.00	.00	330.00	.0%
TOTAL KENNEDY MEADOWS DISTRICT	10,605	10,605	.00	.00	10,605.00	.0%
233 GEMINI COURT DISTRICT						
4A PROPERTY TAX	4,600	4,600	.00	.00	4,600.00	.0%
4J OTHER SOURCES	150	150	.00	.00	150.00	.0%
TOTAL GEMINI COURT DISTRICT	4,750	4,750	.00	.00	4,750.00	.0%
234 SANTA ROSA HEIGHTS DISTRICT						
4A PROPERTY TAX	4,500	4,500	.00	.00	4,500.00	.0%
4J OTHER SOURCES	50	50	.00	.00	50.00	.0%
TOTAL SANTA ROSA HEIGHTS DISTRICT	4,550	4,550	.00	.00	4,550.00	.0%
235 VASONA HEIGHTS DISTRICT						
4A PROPERTY TAX	9,735	9,735	.00	.00	9,735.00	.0%
4J OTHER SOURCES	340	340	.00	.00	340.00	.0%
TOTAL VASONA HEIGHTS DISTRICT	10,075	10,075	.00	.00	10,075.00	.0%
236 HILLBROOK DISTRICT						
4A PROPERTY TAX	5,950	5,950	.00	.00	5,950.00	.0%
4J OTHER SOURCES	90	90	.00	.00	90.00	.0%
TOTAL HILLBROOK DISTRICT	6,040	6,040	.00	.00	6,040.00	.0%
251 LOS GATOS THEATRE						

YEAR-TO-DATE BUDGET REPORT REVENUE
BY FUND AND CATEGORY

FOR 2027 02

	ORIGINAL ESTIM REV	REVISED EST REV	ACTUAL YTD REVENUE	ACTUAL MTD REVENUE	REMAINING REVENUE	PCT COLL
4J OTHER SOURCES	121,100	121,100	45,249.72	30,081.72	75,850.28	37.4%
TOTAL LOS GATOS THEATRE	121,100	121,100	45,249.72	30,081.72	75,850.28	37.4%
261 LIBRARY TRUST DONATIONS						
4J OTHER SOURCES	71,000	71,000	75,000.00	75,000.00	-4,000.00	105.6%
TOTAL LIBRARY TRUST DONATIONS	71,000	71,000	75,000.00	75,000.00	-4,000.00	105.6%
262 NESS TRUST						
4J OTHER SOURCES	400	400	.00	.00	400.00	.0%
TOTAL NESS TRUST	400	400	.00	.00	400.00	.0%
263 MCCLENDON TRUST						
4J OTHER SOURCES	2,000	2,000	.00	.00	2,000.00	.0%
TOTAL MCCLENDON TRUST	2,000	2,000	.00	.00	2,000.00	.0%
264 BARBARA J CASSIN TRUST						
4J OTHER SOURCES	6,000	6,000	.00	.00	6,000.00	.0%
TOTAL BARBARA J CASSIN TRUST	6,000	6,000	.00	.00	6,000.00	.0%
411 CAPITAL PROJECTS FUND						
4H LICENSES & PERMITS	120,000	120,000	.00	.00	120,000.00	.0%
4J OTHER SOURCES	106,000	106,000	19,056.00	10,440.00	86,944.00	18.0%
4K INTERGOVERNMENTAL	1,037,873	1,037,873	.00	.00	1,037,872.87	.0%
TOTAL CAPITAL PROJECTS FUND	1,263,873	1,263,873	19,056.00	10,440.00	1,244,816.87	1.5%

YEAR-TO-DATE BUDGET REPORT REVENUE
BY FUND AND CATEGORY

FOR 2027 02

	ORIGINAL ESTIM REV	REVISED EST REV	ACTUAL YTD REVENUE	ACTUAL MTD REVENUE	REMAINING REVENUE	PCT COLL
413 LONG-TERM COMMUNITY BENEFIT						
4M TRANSFERS IN	3,000,000	3,000,000	.00	.00	3,000,000.00	.0%
TOTAL LONG-TERM COMMUNITY BENEFIT	3,000,000	3,000,000	.00	.00	3,000,000.00	.0%
421 GRANT FUNDED PROJECTS						
4K INTERGOVERNMENTAL	36,750	36,750	12,619.19	.00	24,130.81	34.3%
TOTAL GRANT FUNDED PROJECTS	36,750	36,750	12,619.19	.00	24,130.81	34.3%
461 STORM BASIN 1						
4H LICENSES & PERMITS	48,695	48,695	14,370.00	14,370.00	34,325.31	29.5%
4J OTHER SOURCES	21,642	21,642	.00	.00	21,641.61	.0%
TOTAL STORM BASIN 1	70,337	70,337	14,370.00	14,370.00	55,966.92	20.4%
462 STORM BASIN 2						
4H LICENSES & PERMITS	48,695	48,695	.00	.00	48,695.31	.0%
4J OTHER SOURCES	68,607	68,607	.00	.00	68,606.87	.0%
TOTAL STORM BASIN 2	117,302	117,302	.00	.00	117,302.18	.0%
463 STORM BASIN 3						
4H LICENSES & PERMITS	2,627	2,627	.00	.00	2,626.50	.0%
4J OTHER SOURCES	-6,072	-6,072	.00	.00	-6,072.28	.0%
TOTAL STORM BASIN 3	-3,446	-3,446	.00	.00	-3,445.78	.0%
471 TRAFFIC MITIGATION FUND						

YEAR-TO-DATE BUDGET REPORT REVENUE
BY FUND AND CATEGORY

FOR 2027 02

	ORIGINAL ESTIM REV	REVISED EST REV	ACTUAL YTD REVENUE	ACTUAL MTD REVENUE	REMAINING REVENUE	PCT COLL
4J OTHER SOURCES	10,000	10,000	.00	.00	10,000.00	.0%
TOTAL TRAFFIC MITIGATION FUND	10,000	10,000	.00	.00	10,000.00	.0%
472 UTILITY UNDERGROUND TAX FUND						
4E BUSINESS LIC & OTHER	30,000	30,000	.00	.00	30,000.00	.0%
4J OTHER SOURCES	16,346	16,346	.00	.00	16,346.10	.0%
TOTAL UTILITY UNDERGROUND TAX FUN	46,346	46,346	.00	.00	46,346.10	.0%
481 GAS TAX FUND						
4J OTHER SOURCES	1,471	1,471	.00	.00	1,471.10	.0%
4K INTERGOVERNMENTAL	1,917,807	1,917,807	173,118.24	173,118.24	1,744,688.76	9.0%
TOTAL GAS TAX FUND	1,919,278	1,919,278	173,118.24	173,118.24	1,746,159.86	9.0%
611 GENERAL LIABILITY FUND						
4I TOWN SERVICES	1,984,001	1,984,001	.00	.00	1,984,000.73	.0%
TOTAL GENERAL LIABILITY FUND	1,984,001	1,984,001	.00	.00	1,984,000.73	.0%
612 WORKERS COMPENSATION FUND						
4I TOWN SERVICES	1,997,508	1,997,508	.00	.00	1,997,508.40	.0%
4J OTHER SOURCES	0	0	104,508.61	94,488.59	-104,508.61	100.0%
TOTAL WORKERS COMPENSATION FUND	1,997,508	1,997,508	104,508.61	94,488.59	1,892,999.79	5.2%
621 INFORMATION TECHNOLOGY						
4I TOWN SERVICES	1,313,722	1,313,722	19,519.80	10,785.26	1,294,201.80	1.5%

YEAR-TO-DATE BUDGET REPORT REVENUE
BY FUND AND CATEGORY

FOR 2027 02

	ORIGINAL ESTIM REV	REVISED EST REV	ACTUAL YTD REVENUE	ACTUAL MTD REVENUE	REMAINING REVENUE	PCT COLL
TOTAL INFORMATION TECHNOLOGY	1,313,722	1,313,722	19,519.80	10,785.26	1,294,201.80	1.5%
631 EQUIPMENT REPLACEMENT FUND						
4I TOWN SERVICES	659,960	659,960	.00	.00	659,960.00	.0%
4J OTHER SOURCES	20,000	20,000	14,960.41	.00	5,039.59	74.8%
TOTAL EQUIPMENT REPLACEMENT FUND	679,960	679,960	14,960.41	.00	664,999.59	2.2%
633 FACILITIES MAINTENANCE FUND						
4E BUSINESS LIC & OTHER	25,000	25,000	.00	.00	25,000.00	.0%
4I TOWN SERVICES	1,234,499	1,234,499	.00	.00	1,234,499.00	.0%
4J OTHER SOURCES	216,141	216,141	52,089.02	2,083.33	164,051.58	24.1%
4M TRANSFERS IN	811,334	811,334	.00	.00	811,334.00	.0%
TOTAL FACILITIES MAINTENANCE FUND	2,286,974	2,286,974	52,089.02	2,083.33	2,234,884.58	2.3%
732 PERS CEPPT PENSION TRUST						
4J OTHER SOURCES	390,000	390,000	.00	.00	390,000.00	.0%
TOTAL PERS CEPPT PENSION TRUST	390,000	390,000	.00	.00	390,000.00	.0%
942 SA TRUST FUND						
4J OTHER SOURCES	61,664	61,664	.00	.00	61,664.00	.0%
4N DEBT SERVICE REMIB	3,862,262	3,862,262	.00	.00	3,862,262.00	.0%
TOTAL SA TRUST FUND	3,923,926	3,923,926	.00	.00	3,923,926.00	.0%
GRAND TOTAL	84,016,419	84,016,419	6,245,226.80	7,452,808.61	77,771,191.92	7.4%

** END OF REPORT - Generated by Kristina Alfaro **

YEAR-TO-DATE BUDGET REPORT REVENUE
BY FUND AND DEPARTMENT

FOR 2027 02

	ORIGINAL ESTIM REV	REVISED EST REV	ACTUAL YTD REVENUE	ACTUAL MTD REVENUE	REMAINING REVENUE	PCT COLL
111 GENERAL FUND						
12 TOWNWIDE	45,782,113	45,782,113	3,969,576.21	5,899,558.13	41,812,536.79	8.7%
13 TOWN ATTORNEY	0	0	51.00	51.00	-51.00	100.0%
20 ADMINISTRATIVE SERVICES	4,745,627	4,745,627	-117,147.57	245,015.29	4,862,774.57	-2.5%
30 COMMUNITY DEVELOPMENT	4,647,024	4,647,024	381,248.74	253,524.29	4,265,775.26	8.2%
40 POLICE	4,121,766	4,121,766	721,682.97	135,551.14	3,400,083.03	17.5%
50 PARKS AND PUBLIC WORKS	3,729,556	3,729,556	721,057.19	351,124.43	3,008,498.81	19.3%
70 LIBRARY	41,000	41,000	12,011.36	1,007.49	28,988.64	29.3%
TOTAL GENERAL FUND	63,067,086	63,067,086	5,688,479.90	6,885,831.77	57,378,606.10	9.0%
121 MEASURE G FUND						
12 TOWNWIDE	1,358,000	1,358,000	.00	130,353.79	1,358,000.00	.0%
TOTAL MEASURE G FUND	1,358,000	1,358,000	.00	130,353.79	1,358,000.00	.0%
222 URBAN RUNOFF FUND						
50 PARKS AND PUBLIC WORKS	315,072	315,072	26,255.91	26,255.91	288,816.09	8.3%
TOTAL URBAN RUNOFF FUND	315,072	315,072	26,255.91	26,255.91	288,816.09	8.3%
231 BLACKWELL DISTRICT						
50 PARKS AND PUBLIC WORKS	3,210	3,210	.00	.00	3,210.00	.0%
TOTAL BLACKWELL DISTRICT	3,210	3,210	.00	.00	3,210.00	.0%
232 KENNEDY MEADOWS DISTRICT						
50 PARKS AND PUBLIC WORKS	10,605	10,605	.00	.00	10,605.00	.0%
TOTAL KENNEDY MEADOWS DISTRICT	10,605	10,605	.00	.00	10,605.00	.0%

YEAR-TO-DATE BUDGET REPORT REVENUE
BY FUND AND DEPARTMENT

FOR 2027 02

	ORIGINAL ESTIM REV	REVISED EST REV	ACTUAL YTD REVENUE	ACTUAL MTD REVENUE	REMAINING REVENUE	PCT COLL
233 GEMINI COURT DISTRICT						
50 PARKS AND PUBLIC WORKS	4,750	4,750	.00	.00	4,750.00	.0%
TOTAL GEMINI COURT DISTRICT	4,750	4,750	.00	.00	4,750.00	.0%
234 SANTA ROSA HEIGHTS DISTRICT						
50 PARKS AND PUBLIC WORKS	4,550	4,550	.00	.00	4,550.00	.0%
TOTAL SANTA ROSA HEIGHTS DISTRICT	4,550	4,550	.00	.00	4,550.00	.0%
235 VASONA HEIGHTS DISTRICT						
50 PARKS AND PUBLIC WORKS	10,075	10,075	.00	.00	10,075.00	.0%
TOTAL VASONA HEIGHTS DISTRICT	10,075	10,075	.00	.00	10,075.00	.0%
236 HILLBROOK DISTRICT						
50 PARKS AND PUBLIC WORKS	6,040	6,040	.00	.00	6,040.00	.0%
TOTAL HILLBROOK DISTRICT	6,040	6,040	.00	.00	6,040.00	.0%
251 LOS GATOS THEATRE						
50 PARKS AND PUBLIC WORKS	121,100	121,100	45,249.72	30,081.72	75,850.28	37.4%
TOTAL LOS GATOS THEATRE	121,100	121,100	45,249.72	30,081.72	75,850.28	37.4%
261 LIBRARY TRUST DONATIONS						

YEAR-TO-DATE BUDGET REPORT REVENUE
BY FUND AND DEPARTMENT

FOR 2027 02

	ORIGINAL ESTIM REV	REVISED EST REV	ACTUAL YTD REVENUE	ACTUAL MTD REVENUE	REMAINING REVENUE	PCT COLL
70 LIBRARY	71,000	71,000	75,000.00	75,000.00	-4,000.00	105.6%
TOTAL LIBRARY TRUST DONATIONS	71,000	71,000	75,000.00	75,000.00	-4,000.00	105.6%
262 NESS TRUST						
70 LIBRARY	400	400	.00	.00	400.00	.0%
TOTAL NESS TRUST	400	400	.00	.00	400.00	.0%
263 MCCLENDON TRUST						
70 LIBRARY	2,000	2,000	.00	.00	2,000.00	.0%
TOTAL MCCLENDON TRUST	2,000	2,000	.00	.00	2,000.00	.0%
264 BARBARA J CASSIN TRUST						
70 LIBRARY	6,000	6,000	.00	.00	6,000.00	.0%
TOTAL BARBARA J CASSIN TRUST	6,000	6,000	.00	.00	6,000.00	.0%
411 CAPITAL PROJECTS FUND						
80 CAPITAL PROGRAMS	1,263,873	1,263,873	19,056.00	10,440.00	1,244,816.87	1.5%
TOTAL CAPITAL PROJECTS FUND	1,263,873	1,263,873	19,056.00	10,440.00	1,244,816.87	1.5%
413 LONG-TERM COMMUNITY BENEFIT						
80 CAPITAL PROGRAMS	3,000,000	3,000,000	.00	.00	3,000,000.00	.0%
TOTAL LONG-TERM COMMUNITY BENEFIT	3,000,000	3,000,000	.00	.00	3,000,000.00	.0%
421 GRANT FUNDED PROJECTS						

YEAR-TO-DATE BUDGET REPORT REVENUE
BY FUND AND DEPARTMENT

FOR 2027 02

	ORIGINAL ESTIM REV	REVISED EST REV	ACTUAL YTD REVENUE	ACTUAL MTD REVENUE	REMAINING REVENUE	PCT COLL
80 CAPITAL PROGRAMS	36,750	36,750	12,619.19	.00	24,130.81	34.3%
TOTAL GRANT FUNDED PROJECTS	36,750	36,750	12,619.19	.00	24,130.81	34.3%
461 STORM BASIN 1						
80 CAPITAL PROGRAMS	70,337	70,337	14,370.00	14,370.00	55,966.92	20.4%
TOTAL STORM BASIN 1	70,337	70,337	14,370.00	14,370.00	55,966.92	20.4%
462 STORM BASIN 2						
80 CAPITAL PROGRAMS	117,302	117,302	.00	.00	117,302.18	.0%
TOTAL STORM BASIN 2	117,302	117,302	.00	.00	117,302.18	.0%
463 STORM BASIN 3						
80 CAPITAL PROGRAMS	-3,446	-3,446	.00	.00	-3,445.78	.0%
TOTAL STORM BASIN 3	-3,446	-3,446	.00	.00	-3,445.78	.0%
471 TRAFFIC MITIGATION FUND						
80 CAPITAL PROGRAMS	10,000	10,000	.00	.00	10,000.00	.0%
TOTAL TRAFFIC MITIGATION FUND	10,000	10,000	.00	.00	10,000.00	.0%
472 UTILITY UNDERGROUND TAX FUND						
80 CAPITAL PROGRAMS	46,346	46,346	.00	.00	46,346.10	.0%
TOTAL UTILITY UNDERGROUND TAX FUN	46,346	46,346	.00	.00	46,346.10	.0%
481 GAS TAX FUND						

YEAR-TO-DATE BUDGET REPORT REVENUE
BY FUND AND DEPARTMENT

FOR 2027 02

	ORIGINAL ESTIM REV	REVISED EST REV	ACTUAL YTD REVENUE	ACTUAL MTD REVENUE	REMAINING REVENUE	PCT COLL
80 CAPITAL PROGRAMS	1,919,278	1,919,278	173,118.24	173,118.24	1,746,159.86	9.0%
TOTAL GAS TAX FUND	1,919,278	1,919,278	173,118.24	173,118.24	1,746,159.86	9.0%
611 GENERAL LIABILITY FUND						
13 TOWN ATTORNEY	1,984,001	1,984,001	.00	.00	1,984,000.73	.0%
TOTAL GENERAL LIABILITY FUND	1,984,001	1,984,001	.00	.00	1,984,000.73	.0%
612 WORKERS COMPENSATION FUND						
20 ADMINISTRATIVE SERVICES	1,997,508	1,997,508	104,508.61	94,488.59	1,892,999.79	5.2%
TOTAL WORKERS COMPENSATION FUND	1,997,508	1,997,508	104,508.61	94,488.59	1,892,999.79	5.2%
621 INFORMATION TECHNOLOGY						
20 ADMINISTRATIVE SERVICES	1,313,722	1,313,722	19,519.80	10,785.26	1,294,201.80	1.5%
TOTAL INFORMATION TECHNOLOGY	1,313,722	1,313,722	19,519.80	10,785.26	1,294,201.80	1.5%
631 EQUIPMENT REPLACEMENT FUND						
50 PARKS AND PUBLIC WORKS	679,960	679,960	14,960.41	.00	664,999.59	2.2%
TOTAL EQUIPMENT REPLACEMENT FUND	679,960	679,960	14,960.41	.00	664,999.59	2.2%
633 FACILITIES MAINTENANCE FUND						
50 PARKS AND PUBLIC WORKS	2,286,974	2,286,974	52,089.02	2,083.33	2,234,884.58	2.3%
TOTAL FACILITIES MAINTENANCE FUND	2,286,974	2,286,974	52,089.02	2,083.33	2,234,884.58	2.3%
732 PERS CEPPT PENSION TRUST						

YEAR-TO-DATE BUDGET REPORT REVENUE
BY FUND AND DEPARTMENT

FOR 2027 02

	ORIGINAL ESTIM REV	REVISED EST REV	ACTUAL YTD REVENUE	ACTUAL MTD REVENUE	REMAINING REVENUE	PCT COLL
12 TOWNWIDE	390,000	390,000	.00	.00	390,000.00	.0%
TOTAL PERS CEPPT PENSION TRUST	390,000	390,000	.00	.00	390,000.00	.0%
942 SA TRUST FUND						
00 NO DEPARTMENT	3,923,926	3,923,926	.00	.00	3,923,926.00	.0%
TOTAL SA TRUST FUND	3,923,926	3,923,926	.00	.00	3,923,926.00	.0%
GRAND TOTAL	84,016,419	84,016,419	6,245,226.80	7,452,808.61	77,771,191.92	7.4%
** END OF REPORT - Generated by Kristina Alfaro **						

YEAR-TO-DATE BUDGET REPORT REVENUE
BY FUND, DEPARTMENT, AND CATEGORY

FOR 2027 02

	ORIGINAL ESTIM REV	REVISED EST REV	ACTUAL YTD REVENUE	ACTUAL MTD REVENUE	REMAINING REVENUE	PCT COLL
111 GENERAL FUND						
12 TOWNWIDE						
4A PROPERTY TAX	28,224,841	28,224,841	79,737.79	79,737.79	28,145,103.21	.3%
4B SALES & USE TAX	8,380,517	8,380,517	.00	1,422,455.17	8,380,517.00	.0%
4D TRANSIENT OCCUPANCY	2,278,360	2,278,360	-272,264.36	150,971.98	2,550,624.36	-12.0%
4F FRANCHISE FEES	1,089,210	1,089,210	.00	100,337.85	1,089,210.00	.0%
4H LICENSES & PERMITS	3,107,316	3,107,316	275,750.78	271,177.34	2,831,565.22	8.9%
4I TOWN SERVICES	88,500	88,500	7,591.00	-21.00	80,909.00	8.6%
4J OTHER SOURCES	467,224	467,224	3,807,723.00	3,803,861.00	-3,340,499.00	815.0%
4K INTERGOVERNMENTAL	8,550	8,550	71,038.00	71,038.00	-62,488.00	830.9%
4M TRANSFERS IN	222,920	222,920	.00	.00	222,920.00	.0%
4N DEBT SERVICE REMIB	1,914,675	1,914,675	.00	.00	1,914,675.00	.0%
TOTAL TOWNWIDE	45,782,113	45,782,113	3,969,576.21	5,899,558.13	41,812,536.79	8.7%
13 TOWN ATTORNEY						
4I TOWN SERVICES	0	0	51.00	51.00	-51.00	100.0%
TOTAL TOWN ATTORNEY	0	0	51.00	51.00	-51.00	100.0%
20 ADMINISTRATIVE SERVICES						
4E BUSINESS LIC & OTHER	2,679,550	2,679,550	35,931.78	35,931.78	2,643,618.22	1.3%
4H LICENSES & PERMITS	128,200	128,200	4,277.00	3,870.00	123,923.00	3.3%
4I TOWN SERVICES	11,000	11,000	.00	.00	11,000.00	.0%
4J OTHER SOURCES	1,926,877	1,926,877	-157,356.35	205,213.51	2,084,233.35	-8.2%
TOTAL ADMINISTRATIVE SERVICES	4,745,627	4,745,627	-117,147.57	245,015.29	4,862,774.57	-2.5%
30 COMMUNITY DEVELOPMENT						
4G FINES & FORFEITURES	10,000	10,000	1,650.00	500.00	8,350.00	16.5%

ATTACHMENT 8

YEAR-TO-DATE BUDGET REPORT REVENUE
BY FUND, DEPARTMENT, AND CATEGORY

FOR 2027 02

	ORIGINAL ESTIM REV	REVISED EST REV	ACTUAL YTD REVENUE	ACTUAL MTD REVENUE	REMAINING REVENUE	PCT COLL
4H LICENSES & PERMITS	2,872,575	2,872,575	275,620.04	223,732.54	2,596,954.96	9.6%
4I TOWN SERVICES	1,034,241	1,034,241	35,978.70	22,791.75	998,262.30	3.5%
4J OTHER SOURCES	10,000	10,000	.00	.00	10,000.00	.0%
4L PASS THRU	720,208	720,208	68,000.00	6,500.00	652,208.00	9.4%
TOTAL COMMUNITY DEVELOPMENT	4,647,024	4,647,024	381,248.74	253,524.29	4,265,775.26	8.2%
40 POLICE						
4G FINES & FORFEITURES	305,200	305,200	58,882.71	53,944.42	246,317.29	19.3%
4H LICENSES & PERMITS	34,850	34,850	7,871.00	7,011.00	26,979.00	22.6%
4I TOWN SERVICES	1,788,691	1,788,691	52,691.26	27,058.13	1,735,999.74	2.9%
4J OTHER SOURCES	68,322	68,322	151,963.25	.00	-83,641.25	222.4%
4K INTERGOVERNMENTAL	707,667	707,667	450,274.75	47,537.59	257,392.25	63.6%
4L PASS THRU	1,217,036	1,217,036	.00	.00	1,217,036.00	.0%
TOTAL POLICE	4,121,766	4,121,766	721,682.97	135,551.14	3,400,083.03	17.5%
50 PARKS AND PUBLIC WORKS						
4E BUSINESS LIC & OTHER	7,210	7,210	.00	.00	7,210.00	.0%
4H LICENSES & PERMITS	1,659,870	1,659,870	388,556.16	172,358.07	1,271,313.84	23.4%
4I TOWN SERVICES	982,605	982,605	222,878.60	111,170.60	759,726.40	22.7%
4J OTHER SOURCES	117,895	117,895	27,003.43	25,786.12	90,891.57	22.9%
4K INTERGOVERNMENTAL	25,260	25,260	.00	28,636.64	25,260.00	.0%
4L PASS THRU	597,225	597,225	82,619.00	13,173.00	514,606.00	13.8%
4M TRANSFERS IN	339,491	339,491	.00	.00	339,491.00	.0%
TOTAL PARKS AND PUBLIC WORKS	3,729,556	3,729,556	721,057.19	351,124.43	3,008,498.81	19.3%
70 LIBRARY						
4I TOWN SERVICES	1,000	1,000	.00	1,007.49	1,000.00	.0%
4J OTHER SOURCES	40,000	40,000	.00	.00	40,000.00	.0%
4K INTERGOVERNMENTAL	0	0	12,011.36	.00	-12,011.36	100.0%
TOTAL LIBRARY	41,000	41,000	12,011.36	1,007.49	28,988.64	29.3%
TOTAL GENERAL FUND	63,067,086	63,067,086	5,688,479.90	6,885,831.77	57,378,606.10	9.0%

YEAR-TO-DATE BUDGET REPORT REVENUE
BY FUND, DEPARTMENT, AND CATEGORY

FOR 2027 02

	ORIGINAL ESTIM REV	REVISED EST REV	ACTUAL YTD REVENUE	ACTUAL MTD REVENUE	REMAINING REVENUE	PCT COLL
121 MEASURE G FUND						
12 TOWNWIDE						
4C MEASURE G	1,358,000	1,358,000	.00	130,353.79	1,358,000.00	.0%
TOTAL TOWNWIDE	1,358,000	1,358,000	.00	130,353.79	1,358,000.00	.0%
TOTAL MEASURE G FUND	1,358,000	1,358,000	.00	130,353.79	1,358,000.00	.0%
222 URBAN RUNOFF FUND						
50 PARKS AND PUBLIC WORKS						
4H LICENSES & PERMITS	315,072	315,072	26,255.91	26,255.91	288,816.09	8.3%
TOTAL PARKS AND PUBLIC WORKS	315,072	315,072	26,255.91	26,255.91	288,816.09	8.3%
TOTAL URBAN RUNOFF FUND	315,072	315,072	26,255.91	26,255.91	288,816.09	8.3%
231 BLACKWELL DISTRICT						
50 PARKS AND PUBLIC WORKS						
4A PROPERTY TAX	3,160	3,160	.00	.00	3,160.00	.0%
4J OTHER SOURCES	50	50	.00	.00	50.00	.0%
TOTAL PARKS AND PUBLIC WORKS	3,210	3,210	.00	.00	3,210.00	.0%
TOTAL BLACKWELL DISTRICT	3,210	3,210	.00	.00	3,210.00	.0%
232 KENNEDY MEADOWS DISTRICT						
50 PARKS AND PUBLIC WORKS						

YEAR-TO-DATE BUDGET REPORT REVENUE
BY FUND, DEPARTMENT, AND CATEGORY

FOR 2027 02

	ORIGINAL ESTIM REV	REVISED EST REV	ACTUAL YTD REVENUE	ACTUAL MTD REVENUE	REMAINING REVENUE	PCT COLL
4A PROPERTY TAX	10,275	10,275	.00	.00	10,275.00	.0%
4J OTHER SOURCES	330	330	.00	.00	330.00	.0%
TOTAL PARKS AND PUBLIC WORKS	10,605	10,605	.00	.00	10,605.00	.0%
TOTAL KENNEDY MEADOWS DISTRICT	10,605	10,605	.00	.00	10,605.00	.0%
233 GEMINI COURT DISTRICT						
50 PARKS AND PUBLIC WORKS						
4A PROPERTY TAX	4,600	4,600	.00	.00	4,600.00	.0%
4J OTHER SOURCES	150	150	.00	.00	150.00	.0%
TOTAL PARKS AND PUBLIC WORKS	4,750	4,750	.00	.00	4,750.00	.0%
TOTAL GEMINI COURT DISTRICT	4,750	4,750	.00	.00	4,750.00	.0%
234 SANTA ROSA HEIGHTS DISTRICT						
50 PARKS AND PUBLIC WORKS						
4A PROPERTY TAX	4,500	4,500	.00	.00	4,500.00	.0%
4J OTHER SOURCES	50	50	.00	.00	50.00	.0%
TOTAL PARKS AND PUBLIC WORKS	4,550	4,550	.00	.00	4,550.00	.0%
TOTAL SANTA ROSA HEIGHTS DISTRICT	4,550	4,550	.00	.00	4,550.00	.0%
235 VASONA HEIGHTS DISTRICT						
50 PARKS AND PUBLIC WORKS						
4A PROPERTY TAX	9,735	9,735	.00	.00	9,735.00	.0%
4J OTHER SOURCES	340	340	.00	.00	340.00	.0%
TOTAL PARKS AND PUBLIC WORKS	10,075	10,075	.00	.00	10,075.00	.0%

YEAR-TO-DATE BUDGET REPORT REVENUE
BY FUND, DEPARTMENT, AND CATEGORY

FOR 2027 02

	ORIGINAL ESTIM REV	REVISED EST REV	ACTUAL YTD REVENUE	ACTUAL MTD REVENUE	REMAINING REVENUE	PCT COLL
TOTAL VASONA HEIGHTS DISTRICT	10,075	10,075	.00	.00	10,075.00	.0%
236 HILLBROOK DISTRICT						
50 PARKS AND PUBLIC WORKS						
4A PROPERTY TAX	5,950	5,950	.00	.00	5,950.00	.0%
4J OTHER SOURCES	90	90	.00	.00	90.00	.0%
TOTAL PARKS AND PUBLIC WORKS	6,040	6,040	.00	.00	6,040.00	.0%
TOTAL HILLBROOK DISTRICT	6,040	6,040	.00	.00	6,040.00	.0%
251 LOS GATOS THEATRE						
50 PARKS AND PUBLIC WORKS						
4J OTHER SOURCES	121,100	121,100	45,249.72	30,081.72	75,850.28	37.4%
TOTAL PARKS AND PUBLIC WORKS	121,100	121,100	45,249.72	30,081.72	75,850.28	37.4%
TOTAL LOS GATOS THEATRE	121,100	121,100	45,249.72	30,081.72	75,850.28	37.4%
261 LIBRARY TRUST DONATIONS						
70 LIBRARY						
4J OTHER SOURCES	71,000	71,000	75,000.00	75,000.00	-4,000.00	105.6%
TOTAL LIBRARY	71,000	71,000	75,000.00	75,000.00	-4,000.00	105.6%
TOTAL LIBRARY TRUST DONATIONS	71,000	71,000	75,000.00	75,000.00	-4,000.00	105.6%
262 NESS TRUST						
70 LIBRARY						

YEAR-TO-DATE BUDGET REPORT REVENUE
BY FUND, DEPARTMENT, AND CATEGORY

FOR 2027 02

	ORIGINAL ESTIM REV	REVISED EST REV	ACTUAL YTD REVENUE	ACTUAL MTD REVENUE	REMAINING REVENUE	PCT COLL
4J OTHER SOURCES	400	400	.00	.00	400.00	.0%
TOTAL LIBRARY	400	400	.00	.00	400.00	.0%
TOTAL NESS TRUST	400	400	.00	.00	400.00	.0%
263 MCCLENDON TRUST						
70 LIBRARY						
4J OTHER SOURCES	2,000	2,000	.00	.00	2,000.00	.0%
TOTAL LIBRARY	2,000	2,000	.00	.00	2,000.00	.0%
TOTAL MCCLENDON TRUST	2,000	2,000	.00	.00	2,000.00	.0%
264 BARBARA J CASSIN TRUST						
70 LIBRARY						
4J OTHER SOURCES	6,000	6,000	.00	.00	6,000.00	.0%
TOTAL LIBRARY	6,000	6,000	.00	.00	6,000.00	.0%
TOTAL BARBARA J CASSIN TRUST	6,000	6,000	.00	.00	6,000.00	.0%
411 CAPITAL PROJECTS FUND						
80 CAPITAL PROGRAMS						
4H LICENSES & PERMITS	120,000	120,000	.00	.00	120,000.00	.0%
4J OTHER SOURCES	106,000	106,000	19,056.00	10,440.00	86,944.00	18.0%
4K INTERGOVERNMENTAL	1,037,873	1,037,873	.00	.00	1,037,872.87	.0%
TOTAL CAPITAL PROGRAMS	1,263,873	1,263,873	19,056.00	10,440.00	1,244,816.87	1.5%

YEAR-TO-DATE BUDGET REPORT REVENUE
BY FUND, DEPARTMENT, AND CATEGORY

FOR 2027 02

	ORIGINAL ESTIM REV	REVISED EST REV	ACTUAL YTD REVENUE	ACTUAL MTD REVENUE	REMAINING REVENUE	PCT COLL
TOTAL CAPITAL PROJECTS FUND	1,263,873	1,263,873	19,056.00	10,440.00	1,244,816.87	1.5%
413 LONG-TERM COMMUNITY BENEFIT						
80 CAPITAL PROGRAMS						
4M TRANSFERS IN	3,000,000	3,000,000	.00	.00	3,000,000.00	.0%
TOTAL CAPITAL PROGRAMS	3,000,000	3,000,000	.00	.00	3,000,000.00	.0%
TOTAL LONG-TERM COMMUNITY BENEFIT	3,000,000	3,000,000	.00	.00	3,000,000.00	.0%
421 GRANT FUNDED PROJECTS						
80 CAPITAL PROGRAMS						
4K INTERGOVERNMENTAL	36,750	36,750	12,619.19	.00	24,130.81	34.3%
TOTAL CAPITAL PROGRAMS	36,750	36,750	12,619.19	.00	24,130.81	34.3%
TOTAL GRANT FUNDED PROJECTS	36,750	36,750	12,619.19	.00	24,130.81	34.3%
461 STORM BASIN 1						
80 CAPITAL PROGRAMS						
4H LICENSES & PERMITS	48,695	48,695	14,370.00	14,370.00	34,325.31	29.5%
4J OTHER SOURCES	21,642	21,642	.00	.00	21,641.61	.0%
TOTAL CAPITAL PROGRAMS	70,337	70,337	14,370.00	14,370.00	55,966.92	20.4%
TOTAL STORM BASIN 1	70,337	70,337	14,370.00	14,370.00	55,966.92	20.4%
462 STORM BASIN 2						
80 CAPITAL PROGRAMS						

YEAR-TO-DATE BUDGET REPORT REVENUE
BY FUND, DEPARTMENT, AND CATEGORY

FOR 2027 02

	ORIGINAL ESTIM REV	REVISED EST REV	ACTUAL YTD REVENUE	ACTUAL MTD REVENUE	REMAINING REVENUE	PCT COLL
4H LICENSES & PERMITS	48,695	48,695	.00	.00	48,695.31	.0%
4J OTHER SOURCES	68,607	68,607	.00	.00	68,606.87	.0%
TOTAL CAPITAL PROGRAMS	117,302	117,302	.00	.00	117,302.18	.0%
TOTAL STORM BASIN 2	117,302	117,302	.00	.00	117,302.18	.0%
463 STORM BASIN 3						
80 CAPITAL PROGRAMS						
4H LICENSES & PERMITS	2,627	2,627	.00	.00	2,626.50	.0%
4J OTHER SOURCES	-6,072	-6,072	.00	.00	-6,072.28	.0%
TOTAL CAPITAL PROGRAMS	-3,446	-3,446	.00	.00	-3,445.78	.0%
TOTAL STORM BASIN 3	-3,446	-3,446	.00	.00	-3,445.78	.0%
471 TRAFFIC MITIGATION FUND						
80 CAPITAL PROGRAMS						
4J OTHER SOURCES	10,000	10,000	.00	.00	10,000.00	.0%
TOTAL CAPITAL PROGRAMS	10,000	10,000	.00	.00	10,000.00	.0%
TOTAL TRAFFIC MITIGATION FUND	10,000	10,000	.00	.00	10,000.00	.0%
472 UTILITY UNDERGROUND TAX FUND						
80 CAPITAL PROGRAMS						
4E BUSINESS LIC & OTHER	30,000	30,000	.00	.00	30,000.00	.0%
4J OTHER SOURCES	16,346	16,346	.00	.00	16,346.10	.0%
TOTAL CAPITAL PROGRAMS	46,346	46,346	.00	.00	46,346.10	.0%

YEAR-TO-DATE BUDGET REPORT REVENUE
BY FUND, DEPARTMENT, AND CATEGORY

FOR 2027 02

	ORIGINAL ESTIM REV	REVISED EST REV	ACTUAL YTD REVENUE	ACTUAL MTD REVENUE	REMAINING REVENUE	PCT COLL
TOTAL UTILITY UNDERGROUND TAX FUN	46,346	46,346	.00	.00	46,346.10	.0%
481 GAS TAX FUND						
80 CAPITAL PROGRAMS						
4J OTHER SOURCES	1,471	1,471	.00	.00	1,471.10	.0%
4K INTERGOVERNMENTAL	1,917,807	1,917,807	173,118.24	173,118.24	1,744,688.76	9.0%
TOTAL CAPITAL PROGRAMS	1,919,278	1,919,278	173,118.24	173,118.24	1,746,159.86	9.0%
TOTAL GAS TAX FUND	1,919,278	1,919,278	173,118.24	173,118.24	1,746,159.86	9.0%
611 GENERAL LIABILITY FUND						
13 TOWN ATTORNEY						
4I TOWN SERVICES	1,984,001	1,984,001	.00	.00	1,984,000.73	.0%
TOTAL TOWN ATTORNEY	1,984,001	1,984,001	.00	.00	1,984,000.73	.0%
TOTAL GENERAL LIABILITY FUND	1,984,001	1,984,001	.00	.00	1,984,000.73	.0%
612 WORKERS COMPENSATION FUND						
20 ADMINISTRATIVE SERVICES						
4I TOWN SERVICES	1,997,508	1,997,508	.00	.00	1,997,508.40	.0%
4J OTHER SOURCES	0	0	104,508.61	94,488.59	-104,508.61	100.0%
TOTAL ADMINISTRATIVE SERVICES	1,997,508	1,997,508	104,508.61	94,488.59	1,892,999.79	5.2%
TOTAL WORKERS COMPENSATION FUND	1,997,508	1,997,508	104,508.61	94,488.59	1,892,999.79	5.2%
621 INFORMATION TECHNOLOGY						
20 ADMINISTRATIVE SERVICES						

YEAR-TO-DATE BUDGET REPORT REVENUE
BY FUND, DEPARTMENT, AND CATEGORY

FOR 2027 02

	ORIGINAL ESTIM REV	REVISED EST REV	ACTUAL YTD REVENUE	ACTUAL MTD REVENUE	REMAINING REVENUE	PCT COLL
4I TOWN SERVICES	1,313,722	1,313,722	19,519.80	10,785.26	1,294,201.80	1.5%
TOTAL ADMINISTRATIVE SERVICES	1,313,722	1,313,722	19,519.80	10,785.26	1,294,201.80	1.5%
TOTAL INFORMATION TECHNOLOGY	1,313,722	1,313,722	19,519.80	10,785.26	1,294,201.80	1.5%
631 EQUIPMENT REPLACEMENT FUND						
50 PARKS AND PUBLIC WORKS						
4I TOWN SERVICES	659,960	659,960	.00	.00	659,960.00	.0%
4J OTHER SOURCES	20,000	20,000	14,960.41	.00	5,039.59	74.8%
TOTAL PARKS AND PUBLIC WORKS	679,960	679,960	14,960.41	.00	664,999.59	2.2%
TOTAL EQUIPMENT REPLACEMENT FUND	679,960	679,960	14,960.41	.00	664,999.59	2.2%
633 FACILITIES MAINTENANCE FUND						
50 PARKS AND PUBLIC WORKS						
4E BUSINESS LIC & OTHER	25,000	25,000	.00	.00	25,000.00	.0%
4I TOWN SERVICES	1,234,499	1,234,499	.00	.00	1,234,499.00	.0%
4J OTHER SOURCES	216,141	216,141	52,089.02	2,083.33	164,051.58	24.1%
4M TRANSFERS IN	811,334	811,334	.00	.00	811,334.00	.0%
TOTAL PARKS AND PUBLIC WORKS	2,286,974	2,286,974	52,089.02	2,083.33	2,234,884.58	2.3%
TOTAL FACILITIES MAINTENANCE FUND	2,286,974	2,286,974	52,089.02	2,083.33	2,234,884.58	2.3%
732 PERS CEPPT PENSION TRUST						
12 TOWNWIDE						

YEAR-TO-DATE BUDGET REPORT REVENUE
 BY FUND, DEPARTMENT, AND CATEGORY

FOR 2027 02

	ORIGINAL ESTIM REV	REVISED EST REV	ACTUAL YTD REVENUE	ACTUAL MTD REVENUE	REMAINING REVENUE	PCT COLL
4J OTHER SOURCES	390,000	390,000	.00	.00	390,000.00	.0%
TOTAL TOWNWIDE	390,000	390,000	.00	.00	390,000.00	.0%
TOTAL PERS CEPPT PENSION TRUST	390,000	390,000	.00	.00	390,000.00	.0%
942 SA TRUST FUND						
00 NO DEPARTMENT						
4J OTHER SOURCES	61,664	61,664	.00	.00	61,664.00	.0%
4N DEBT SERVICE REMIB	3,862,262	3,862,262	.00	.00	3,862,262.00	.0%
TOTAL NO DEPARTMENT	3,923,926	3,923,926	.00	.00	3,923,926.00	.0%
TOTAL SA TRUST FUND	3,923,926	3,923,926	.00	.00	3,923,926.00	.0%
GRAND TOTAL	84,016,419	84,016,419	6,245,226.80	7,452,808.61	77,771,191.92	7.4%
** END OF REPORT - Generated by Kristina Alfaro **						



TOWN OF LOS GATOS

MONTHLY FINANCIAL REPORT – AUGUST 2026

The following is the August 2026 Monthly Financial Report. It has been prepared to inform the Town Council, Town Leadership, and the public of the Town's fiscal status. This report provides companion analysis to monthly revenue and expenditure reports.

Background

On June 2, 2026, the Town Council adopted the Fiscal Year (FY) 2026-27 Adopted Budget, an \$84,944,559 spending plan funded by \$84,016,419, resulting in the use of fund balance of \$928,140. The General Fund expenditure appropriation was adopted at \$67,468,582 with estimated revenues of \$64,815,087, resulting in an estimated use of unassigned fund balance \$2,653,495. This is due primarily to the transfer out of \$3.0 million of unassigned fund balance to a new Capital Fund for Future Community Use.

As of August 2026, \$954,255 in budget revisions/transfer have occurred. All increases are the result of the year-end carryover process. The General Fund has the largest portion of the carryovers with \$938,807 and \$15,449 in the Equipment Replacement Fund. More detail is provided in the table below.

BUDGET TRANSFERS AND ADJUSTMENT TO DATE

Fund	Department	Category	Amount ¹	Description
General	Townwide	Contracts	\$5,000	Prior year encumbered funds for ongoing services
	Emergency Preparedness	Contracts	\$905,624	Dedicated allocation for emergency preparedness and response. Carryovers each year until fully spent
	Police Administration	Contracts	\$22,923	Prior year encumbered funds for ongoing services
	Town Engineering	Contract	5,260	Prior year encumbered funds for ongoing services
TOTAL GENERAL FUND ADJ AND TRANSFERS			\$938,807	
Internal Service Funds	Parks and Public Works	Capital Projects	\$15,449	Prior year encumbered funds for a speed trailer purchase
TOTAL BUDGET TRANSFERS AND ADJUSTMENTS ALL FUNDS			\$954,255	

¹ Totals may vary due to rounding.

To date the only remaining carryovers are for capital projects and those should be completed with the September 2026 or first quarter reporting. This is resulting in over budget percentages in the following Capital Funds, 462 and 481, this over budget should normalize once the remaining carryovers are completed.

In this report the General Fund is shown as a combination of three funds 111, 121 and 731. Attached system reports show these funds separately.

Revenue by Fund Type Trend Analysis

Overall revenues across all funds as of August are 7.4% collected and trending within the same period in prior years. Prior years ranged from 5.2% to 9.4% collected as a percent of the revised budget for August.

FUND	FUND TYPE	FY 2023-24 % COLL	FY 2024-25 % COLL	FY 2025-26 % COLL	STRAIGHT LINE	FY 2026- 27 % COLL	TREND
111/ 121/ 732	GENERAL FUND	9.9%	7.6%	7.0%	16.7%	8.8%	✓
2*	SPECIAL REVENUE FUNDS	7.7%	38.5%	28.3%	16.7%	26.4%	✓
4*	CAPITAL FUNDS	10.4%	1.0%	2.0%	16.7%	3.4%	✓
6*	INTERNAL SERVICE FUNDS	7.0%	1.5%	1.9%	16.7%	2.3%	✓
9*	TRUST FUND	0.0%	0.0%	0.0%	16.7%	0.0%	✓
TOTAL REVENUE BY FUND		9.4%	5.2%	5.4%	16.7%	7.4%	✓

Expenditures by Fund Type Trend Analysis

Expenditures and encumbrances are 21.2% as of August and trending below the same period in the prior three years, which have ranged from 21.6% to 26.7% expended as a percent of the revised budget for August.

FUND	FUND TYPE	FY2023-24 % EXP	FY2024-25 % EXP	FY2025-26 % EXP	STRAIGHT LINE	FY2026-27 % EXP	ON TREND
111/ 121/732	GENERAL FUND	19.1%	16.9%	17.6%	16.7%	14.7%	↓
2*	SPECIAL REVENUE FUNDS	19.0%	11.4%	14.2%	16.7%	16.9%	✓
4*	CAPITAL FUNDS	19.8%	34.4%	29.4%	16.7%	44.2%	↑
6*	INTERNAL SERVICE FUNDS	44.3%	48.2%	39.7%	16.7%	51.1%	↑
9*	TRUST FUND	44.0%	44.9%	45.7%	16.7%	45.4%	✓
TOTAL EXPENDITURE BY FUND TYPE		21.6%	26.7%	23.8%	16.7%	21.1%	✓

General Fund actual expenditures and encumbrances are 14.7% and trending below the prior years, which have ranged from 16.9% to 19.1% expended as a percent of the revised budget for August. This is due to a variety of variances across multiple expense categories. See the General Fund by category for details.

Capital Funds actual expenditures and encumbrances are 44.2% and trending above the prior years, which have ranged from 19.8% to 34.4% expended as a percent of the revised budget for August. This is due to the year-end carryover budget process for capital funds not being completed. Once the carryover budget is brought into the current year this fund category should stabilize.

Internal Service Funds actual expenditures and encumbered funds are 51.1% and trending above the same point in the prior three years. Prior years ranged from 39.7% to 48.2% expended as a percent of the revised budget for August. Expenditures are trending above the three-year August average, primarily due to changes in insurance costs, expenditure timing, encumbrances, and fluctuations in budgeted expenditures.

General Fund Revenue by Category Trend Analysis

Overall General Fund revenues across all categories as of August are 8.8% collected and are within the same period in prior years. Prior years ranged from 7.0% to 9.9% collected as a percent of the revised budget for August.

CATEGORY	FY 2023-24 % COLL	FY 2024-25 % COLL	FY 2025-26 % COLL	STRAIGHT LINE	FY 2026-27 % COLL	TREND
PROPERTY TAX	0.3%	0.1%	0.1%	16.7%	0.3%	✓
SALES & USE TAX	0.0%	0.0%	0.0%	16.7%	0.0%	✓
MEASURE G	0.0%	0.0%	0.0%	16.7%	0.0%	✓
TRANSIENT OCCUPANCY	4.6%	7.5%	3.5%	16.7%	-12.0%	↓
BUSINESS LIC & OTHER	0.9%	1.1%	1.6%	16.7%	1.3%	✓
FRANCHISE FEES	4.7%	0.0%	0.0%	16.7%	0.0%	✓
FINES & FORFEITURES	25.4%	10.1%	19.2%	16.7%	19.2%	✓
LICENSES & PERMITS	23.9%	18.5%	19.6%	16.7%	12.2%	↓
TOWN SERVICES	16.5%	17.7%	23.5%	16.7%	8.2%	↓
OTHER SOURCES	85.9%	-8.0%	-54.2%	16.7%	126.8%	↑
INTERGOVERNMENTAL	-15.7%	33.7%	29.6%	16.7%	71.9%	↑
PASS THRU	96.7%	116.4%	97.8%	16.7%	5.9%	↓
TRANSFERS IN	21.3%	0.0%	0.0%	16.7%	0.0%	✓
DEBT SERVICE REMIB	0.0%	0.0%	0.0%	16.7%	0.0%	✓
GENERAL FUND % COLLECTED BY CATEGORY	9.9%	7.6%	7.0%	16.7%	8.8%	✓

Transient Occupancy Tax actual revenues collected are -12.00% and are trending below the same point in the prior years. Prior years ranged from 3.5% to 7.5% collected as a percent of the revised budget for August. This is primarily due to the year-end accrual process, and we expect revenues to normalize as part the September reporting period.

Licenses and Permits actual revenues collected are 12.2% and trending below the same point in the prior three years. Prior years ranged from 18.5% to 24% collected as a percent of the revised budget for August. This is primarily due to delays in carrying over prior year revenue into this category and a delay in accounting for revenues received in the Town's planning software to the ERP. These are expected to resolve with September reporting.

Town Services actual revenues collected are 8.2% and trending below the same point in the prior three years. Prior years ranged from 16.5% to 23.5% collected as a percent of the revised budget for August. This is due to a delay in accounting for revenues received in the Town's planning software to the ERP and a payment timing issue with the Monte Sereno police services payment, these payments normally post in the month they are received but a quarterly versus monthly payment was received this year. The system delay is expected to improve with September reporting.

Other Sources actual revenues collected are 126.8% and trending above the same point in the prior three years. Prior years ranged from -54.2% to 85.9% collected as a percent of the revised budget for August. This is due to the sale of the 4 Tait Property that was budgeted in the prior fiscal year.

Intergovernmental actual revenues collected are 71.9% and trending above the same point in the prior years. Prior years ranged from -15.7% to 33.7%, collected as a percent of the revised budget for August. This is due to a subsequent accrual reversal that is not reflected in the attached August report and is expected to reduce the reported percentage in the September reporting cycle3.

Pass-Thru actual revenues collected are 5.9% and trending below the same point in the prior years. Prior years ranged from 96.7% to 116.4%, collected as a percent of the revised budget for August. This is due to a delay in accounting for revenues received in the Town's planning software to the ERP. This trend is expected to improve with September reporting.

General Fund by Expense Category Analysis

Actual expenditures and encumbered funds are 14.7% and trending below for the same point in the prior years. Prior years ranged from 16.7 to 19.1% expended as a percent of the revised budget for August.

CATEGORY	FY2023-24 % Exp	FY2024-25 % EXP	FY2025-26 % EXP	STRAIGHT LINE	FY2026-27 % EXP	ON TREND
SALARIES	13.4%	12.9%	13.1%	16.7%	12.5%	↓
OVERTIME	25.4%	24.8%	20.4%	16.7%	12.7%	↓

CATEGORY	FY2023-24 % Exp	FY2024-25 % EXP	FY2025-26 % EXP	STRAIGHT LINE	FY2026-27 % EXP	ON TREND
PERS	13.3%	13.9%	13.2%	16.7%	13.3%	↓
MEDICAL BENEFITS	14.0%	13.8%	13.6%	16.7%	14.6%	↑
OTHER BENEFITS	13.3%	13.8%	12.5%	16.7%	13.0%	↓
TOTAL SALARY AND BENEFITS	13.7%	13.5%	13.2%	16.7%	12.9%	↓
RETIREE MEDICAL	23.0%	25.3%	22.4%	16.7%	17.0%	↓
MATERIALS & SUPPLIES	20.6%	19.2%	26.9%	16.7%	31.6%	↑
CONTRACTS	42.4%	38.9%	32.3%	16.7%	40.4%	✓
UTILITIES	29.1%	25.6%	30.6%	16.7%	32.2%	✓
GRANTS AND AWARDS	33.1%	0.1%	9.9%	16.7%	5.3%	✓
PASS THRU	61.6%	57.0%	69.8%	16.7%	6.9%	↓
MISCELLANEOUS	-3.6%	0.0%	0.0%	16.7%	0.0%	✓
INT SERVICE CHARGES	2.0%	4.8%	5.4%	16.7%	5.4%	✓
DEBT SERVICE	0.0%	0.6%	0.6%	16.7%	0.6%	✓
CAPITAL PROJECTS	0.0%	0.0%	0.0%	16.7%	0.0%	✓
TRANSFERS OUT	0.0%	0.0%	0.0%	16.7%	0.0%	✓
GENERAL FUND TOTALS BY CATEGORY	19.1%	17.0%	17.6%	16.7%	14.7%	↓

Salaries and benefit actual expenditures and encumbered funds are 12.9% and trending below the same point in the prior three years. Prior years ranged from 13.2% to 13.7% expended as a percent of the revised budget for August. See the “All Fund Vacancy Savings by Pay Period Analysis” section of the report for more details.

Retiree Medical actual expenditures and encumbered funds are 17.0% and trending below the same point in the prior three years. Prior years ranged from 22.4% to 25.3% expended as a percent of the revised budget for August. Payment made to date are tracking lower than in prior years. Staff will continue to monitor this category to see if the lower trend will normalize or continue and need to be adjusted.

Materials and Supplies actual expenditures and encumbered funds are 31.6% and trending above the same point in the prior three years. Prior years ranged from 19.2% to 26.9% expended as a percent of the revised budget for August. This is primarily due to the timing of purchases for Library Collections, that had been purchased earlier in the prior fiscal years.

Pass-thru actual expenditures and encumbered funds are 6.9% and trending below the same point in the prior three years. Prior years ranged from 57.0% to 69.8% expended as a percent of the revised budget for August. This is primarily due to prior years having significantly larger encumbrances in Parks and Public Works for Traffic Studies, GeoTech Review and Map Plan Check.

All Fund Vacancy Savings by Pay Period Analysis

The adopted budget includes a 4.6% vacancy-savings assumption totaling \$2.0 million that is included in the salaries category only. This amount was calculated by applying 4.6% to the pre-vacancy salary-and-benefit base of \$44,545,652. The revised salary-and-benefit budget shown below reflects the resulting vacancy-savings reduction

The payroll percentage column is derived by taking the total pay periods that have been paid in in the first two months of the fiscal year or 3.29 and dividing it by the total pay periods in a year or 26 to arrive at 12.7%. Based on the table below, which includes the 4.6% vacancy savings factor and the percent of payroll percentage column. The pay-period analysis is appropriate for salaries and overtime categories. The remaining benefit categories are processed monthly, or 2/12, resulting in a 16.7% and are a more accurate benchmark percentage for analysis of these categories.

CATEGORY	REVISED BUDGET	YTD EXPENDITURES	AVAILABLE BUDGET	PCT USED	% of Pay Periods/ Straight-line
5A SALARIES	\$24,176,333	\$3,017,927	\$21,158,406	12.5%	12.7%
5B OVERTIME	\$1,457,000	\$184,716	\$1,272,284	12.7%	12.7%
5C PERS	\$10,800,788	\$1,440,347	\$9,360,441	13.3%	16.7%
5D MEDICAL BENEFITS	\$3,371,803	\$491,181	\$2,880,622	14.6%	16.7%
5E OTHER BENEFITS	\$2,922,678	\$381,178	\$2,541,500	13.0%	16.7%
Total Salary and Benefits	\$42,728,602	\$5,515,349	\$37,213,253	12.9%	12.70%

Salary and benefit expenditures are 12.9% of the revised budget as of August. Salaries and overtime are slightly below the 12.7% payroll-period benchmark, while PERS, Medical Benefits, and Other Benefits are below the 16.7% monthly straight-line benchmark. A dedicated vacancy report is not yet available from the ERP; once operational, staff will use that report to provide a more direct analysis of vacancy savings.

Summary

Monthly reports as of August 2026 show that overall revenues are tracking within the range of prior years' August results, while total expenditures and encumbrances are below the level observed at the same point in each of the prior fiscal years. General Fund expenditures are at 14.7% of the revised budget, including encumbrances, compared with the 16.7% straight-line benchmark. Salary and overtime expenditures are slightly below the payroll-period benchmark, while benefit categories remain below the 16.7% monthly benchmark.

GENERAL FUND HISTORICAL YTD AUGUST ACTUALS VS. REVISED BUDGET BY REVENUE CATEGORY
(in millions)

CATEGORY	FY 2023-24			FY 2024-25			FY 2025-26			FY 2026-27		
	REVISED BUDGET	YTD ACTUALS	PCT COLL	REVISED BUDGET	YTD ACTUALS	PCT COLL	REVISED BUDGET	YTD ACTUALS	PCT COLL	REVISED BUDGET	YTD ACTUALS	PCT COLL
PROPERTY TAX	\$23.25	\$0.07	0.3%	\$25.20	\$0.02	0.1%	\$26.83	\$0.02	0.1%	\$28.22	\$0.08	0.3%
SALES & USE TAX	\$7.88	\$0.00	0.0%	\$6.60	\$0.00	0.0%	\$6.64	\$0.00	0.0%	\$8.38	\$0.00	0.0%
MEASURE G	\$1.28	\$0.00	0.0%	\$1.29	\$0.00	0.0%	\$1.30	\$0.00	0.0%	\$1.36	\$0.00	0.0%
TRANSIENT OCCUPANCY	\$2.42	\$0.11	4.6%	\$2.33	\$0.18	7.5%	\$2.42	\$0.09	3.5%	\$2.28	-\$0.27	-12.0%
BUSINESS LIC & OTHER	\$2.45	\$0.02	0.9%	\$2.43	\$0.03	1.1%	\$2.50	\$0.04	1.6%	\$2.69	\$0.04	1.3%
FRANCHISE FEES	\$2.12	\$0.10	4.7%	\$1.04	\$0.00	0.0%	\$1.04	\$0.00	0.0%	\$1.09	\$0.00	0.0%
FINES & FORFEITURES	\$0.20	\$0.05	25.4%	\$0.32	\$0.03	10.1%	\$0.32	\$0.06	19.2%	\$0.32	\$0.06	19.2%
LICENSES & PERMITS	\$3.12	\$0.75	23.9%	\$6.02	\$1.11	18.5%	\$6.57	\$1.29	19.6%	\$7.80	\$0.95	12.2%
TOWN SERVICES	\$3.34	\$0.55	16.5%	\$3.39	\$0.60	17.7%	\$4.11	\$0.97	23.5%	\$3.91	\$0.32	8.2%
OTHER SOURCES	\$1.79	\$1.53	85.9%	\$2.70	-\$0.22	-8.0%	\$2.17	-\$1.18	-54.2%	\$3.02	\$3.83	126.8%
INTERGOVERNMENTAL	\$0.89	-\$0.14	-15.7%	\$1.01	\$0.34	33.7%	\$1.08	\$0.32	29.6%	\$0.74	\$0.53	71.9%
PASS THRU	\$2.18	\$2.11	96.7%	\$1.88	\$2.19	116.4%	\$2.65	\$2.59	97.8%	\$2.53	\$0.15	5.9%
TRANSFERS IN	\$0.54	\$0.11	21.3%	\$0.56	\$0.00	0.0%	\$0.58	\$0.00	0.0%	\$0.56	\$0.00	0.0%
DEBT SERVICE REMIB	\$1.90	\$0.00	0.0%	\$1.91	\$0.00	0.0%	\$1.91	\$0.00	0.0%	\$1.91	\$0.00	0.0%
TOTAL	\$53.34	\$5.27	9.9%	\$56.68	\$4.28	7.6%	\$60.13	\$4.19	7.0%	\$64.82	\$5.69	8.8%

GENERAL FUND HISTORICAL YTD AUGUST ACTUALS VS. REVISED BUDGET BY EXPENDITURE CATEGORY
(in millions)

CHARACTER NAME	FY 2023-24				FY 2024-25				FY 2025-26				FY 2026-27			
	REVISED BUDGET	ACTUALS	ENC	PCT COLL	REVISED BUDGET	ACTUALS	ENC	PCT COLL	REVISED BUDGET	ACTUALS	ENC	PCT COLL	REVISED BUDGET	ACTUALS	ENC	PCT COLL
SALARIES	\$21.17	\$2.85	\$0.00	13.4%	\$23.28	\$3.01	\$0.00	12.9%	\$23.18	\$3.03	\$0.00	13.1%	\$24.18	\$3.02	\$0.00	12.5%
OVERTIME	\$0.58	\$0.15	\$0.00	25.4%	\$0.60	\$0.15	\$0.00	24.8%	\$0.70	\$0.14	\$0.00	20.4%	\$1.46	\$0.18	\$0.00	12.7%
PERS	\$8.63	\$1.15	\$0.00	13.3%	\$9.18	\$1.27	\$0.00	13.9%	\$10.30	\$1.36	\$0.00	13.2%	\$10.80	\$1.44	\$0.00	13.3%
MEDICAL BENEFITS	\$2.72	\$0.38	\$0.00	14.0%	\$3.11	\$0.43	\$0.00	13.8%	\$3.38	\$0.46	\$0.00	13.6%	\$3.37	\$0.49	\$0.00	14.6%
OTHER BENEFITS	\$1.99	\$0.27	\$0.00	13.3%	\$2.54	\$0.35	\$0.00	13.8%	\$2.88	\$0.36	\$0.00	12.5%	\$2.92	\$0.38	\$0.00	13.0%
RETIREE MEDICAL	\$1.61	\$0.37	\$0.00	23.0%	\$1.70	\$0.42	\$0.01	25.3%	\$2.13	\$0.47	\$0.01	22.4%	\$2.19	\$0.36	\$0.01	17.0%
MATERIALS & SUPPLIES	\$1.21	\$0.10	\$0.15	20.6%	\$1.24	\$0.06	\$0.17	19.2%	\$1.09	\$0.08	\$0.22	26.9%	\$1.16	\$0.09	\$0.27	31.6%
CONTRACTS	\$5.44	\$0.40	\$1.90	42.4%	\$5.72	\$0.38	\$1.85	38.9%	\$6.90	\$0.64	\$1.59	32.3%	\$7.41	\$0.73	\$2.26	40.4%
UTILITIES	\$0.81	\$0.05	\$0.18	29.1%	\$0.90	\$0.07	\$0.16	25.6%	\$0.91	\$0.11	\$0.16	30.5%	\$1.00	\$0.17	\$0.16	32.2%
GRANTS AND AWARDS	\$0.69	\$0.23	\$0.00	33.1%	\$0.47	\$0.00	\$0.00	0.1%	\$0.28	\$0.01	\$0.02	9.9%	\$0.28	\$0.00	\$0.02	5.3%
PASS THRU	\$3.88	\$1.59	\$0.80	61.6%	\$2.47	\$0.04	\$1.36	57.0%	\$2.77	\$0.18	\$1.75	69.8%	\$2.68	\$0.06	\$0.12	6.9%
MISCELLANEOUS	-\$0.14	\$0.01	\$0.00	-3.6%	-\$0.04	\$0.00	\$0.00	0.0%	-\$0.04	\$0.00	\$0.00	0.0%	\$0.00	\$0.00	\$0.00	0.0%
INT SERVICE CHARGES	\$3.36	\$0.07	\$0.00	2.0%	\$4.37	\$0.21	\$0.00	4.7%	\$4.89	\$0.26	\$0.00	5.4%	\$5.07	\$0.27	\$0.00	5.4%
DEBT SERVICE	\$2.05	\$0.00	\$0.00	0.0%	\$2.06	\$0.01	\$0.00	0.6%	\$2.06	\$0.01	\$0.00	0.6%	\$2.06	\$0.01	\$0.00	0.6%
CAPITAL PROJECTS	\$0.12	\$0.00	\$0.00	0.0%	\$0.07	\$0.00	\$0.00	0.0%	\$0.19	\$0.00	\$0.00	0.0%	\$0.02	\$0.00	\$0.00	0.0%
TRANSFERS OUT	\$1.62	\$0.00	\$0.00	0.0%	\$1.11	\$0.00	\$0.00	0.0%	\$0.00	\$0.00	\$0.00	0.0%	\$3.81	\$0.00	\$0.00	0.0%
TOTAL	\$55.74	\$7.60	\$3.03	19.1%	\$58.76	\$6.40	\$3.55	16.9%	\$61.62	\$7.12	\$3.74	17.6%	\$68.41	\$7.22	\$2.84	14.7%

ALL FUNDS HISTORICAL YTD AUGUST ACTUALS VS. REVISED BUDGET BY REVENUE CATEGORY
(in millions)

FUND TYPE	REVISED BUDGET	YTD ACTUALS	PCT COLL	REVISED BUDGET	YTD ACTUALS	PCT COLL	REVISED BUDGET	YTD ACTUALS	PCT COLL	REVISED BUDGET	YTD ACTUALS	PCT COLL
1 - General	\$53.34	\$5.27	9.9%	\$56.68	\$4.28	7.6%	\$60.13	\$4.19	7.0%	\$64.82	\$5.69	8.8%
2 - Special Revenue	\$0.54	\$0.04	7.7%	\$0.34	\$0.13	38.5%	\$0.40	\$0.11	28.3%	\$0.55	\$0.15	26.4%
3 - Capital Project	\$23.92	\$2.49	10.4%	\$23.47	\$0.23	1.0%	\$16.44	\$0.32	2.0%	\$6.46	\$0.22	3.4%
4 -Internal Service	\$4.95	\$0.35	7.0%	\$6.85	\$0.10	1.5%	\$7.39	\$0.14	1.9%	\$8.26	\$0.19	2.3%
5 - Trust	\$3.81	\$0.00	0.0%	\$3.83	\$0.00	0.0%	\$3.92	\$0.00	0.0%	\$3.92	\$0.00	0.0%
TOTAL	\$86.56	\$8.14	9.4%	\$91.17	\$4.74	5.2%	\$88.29	\$4.77	5.4%	\$84.02	\$6.25	7.4%

ALL FUNDS HISTORICAL YTD AUGUST ACTUALS VS. REVISED BUDGET BY EXPENDITURE CATEGORY

Fund Type	REVISED BUDGET	ACTUALS	ENC	PCT COLL	REVISED BUDGET	ACTUALS	ENC	PCT COLL	REVISED BUDGET	ACTUALS	ENC	PCT COLL	REVISED BUDGET	ACTUALS	ENC	PCT COLL
1 - General	\$55.74	\$7.60	\$3.03	19.1%	\$58.76	\$6.40	\$3.55	16.9%	\$61.62	\$7.12	\$3.74	17.6%	\$68.41	\$7.22	\$2.84	14.7%
2 - Special Revenue	\$0.46	\$0.05	\$0.04	19.0%	\$0.55	\$0.04	\$0.02	11.4%	\$0.47	\$0.04	\$0.02	14.2%	\$0.48	\$0.05	\$0.03	16.9%
3 - Capital Project	\$45.07	\$1.32	\$7.59	19.8%	\$44.18	\$0.01	\$15.17	34.4%	\$28.40	\$0.58	\$7.77	29.4%	\$6.45	\$2.79	\$0.06	44.2%
4 -Internal Service	\$6.26	\$2.00	\$0.78	44.3%	\$8.04	\$2.82	\$1.05	48.2%	\$8.90	\$2.58	\$0.95	39.7%	\$6.62	\$2.68	\$0.70	51.1%
5 - Trust	\$3.80	\$1.67	\$0.00	44.0%	\$3.82	\$1.71	\$0.00	44.9%	\$3.82	\$1.74	\$0.00	45.7%	\$3.94	\$1.79	\$0.00	45.4%
TOTAL	\$111.33	\$12.64	\$11.44	21.6%	\$115.34	\$10.98	\$19.80	26.7%	\$103.20	\$12.07	\$12.48	23.8%	\$85.90	\$14.53	\$3.63	21.1%



TOWN OF LOS GATOS
FINANCE COMMISSION REPORT

MEETING DATE: 10/12/2026

ITEM NO: 6

Item 6.

DATE: October 9, 2026
TO: Finance Commission
FROM: Kristina Alfaro, Administrative Services Director
SUBJECT: Receive and Forward the Fiscal Condition Analysis Report, the Future Growth and Sustainability Study Fiscal Impact Analysis, and the Asset Liability Management Study to the Town Council; and Recommend an Additional Discretionary Payment to CalPERS

RECOMMENDATION:

1. Receive the Fiscal Condition Analysis Report, Future Growth and Sustainability Study Fiscal Impact Analysis, and Asset Liability Management Study, and forward the reports to the Town Council.
2. Recommend that the Town Council authorize a one-time Additional Discretionary Payment (ADP) to CalPERS of \$5.5 million, funded with approximately \$4.2 million from the Section 115 Pension Trust and \$1.3 million from the Pension/OPEB Committed Reserve, subject to confirmation of available balances, appropriate Council authorization, and final identification of the CalPERS amortization bases to be paid down.
3. Recommend that the Town Council redirect the existing \$390,000 annual Pension Trust contribution to an annual direct ADP to CalPERS, subject to applicable budget appropriations and adopted Town financial policies.

BACKGROUND:

In December 2025, the Town began work with NHA Advisors with sub-contract support from Raftelis Financial Consultants and Willdan. Raftelis is leading the first study with the development of a baseline long-term financial model. Willdan is supporting the second study, focusing on fiscal impact analysis that incorporates proposed and planned growth based on the Housing Element Plan and General Plan, with sensitivity analysis regarding the percentage of

PREPARED BY: Kristina Alfaro
Administrative Services Director

Reviewed by: Town Manager and Town Attorney

PAGE 2 OF 3

SUBJECT: Receive and Forward the Fiscal Condition Analysis Report, the Future Growth and Sustainability Study Fiscal Impact Analysis, and the Asset Liability Management Study to the Town Council; and Recommend an Additional Discretionary Payment to CalPERS

DATE: October 12, 2026

new units designated as affordable. Both studies will support the future Asset, Liability Management (ALM) study.

A preliminary Fiscal Condition Assessment with Five-Year and Long-Term Financial Projections and Fiscal Impact Analysis for Proposed and Planned Growth was presented to the Finance Commission at their February 2, 2026, meeting. The Commission requested an assumptions memo for the five-year and long-term forecast and changes to methodology for the study focused on the fiscal impact of proposed and planned growth based on the Housing Element. Memos were posted to the Town's Finance website on March 18, 2026, and were brought to the Finance Commission on April 13, 2026.

On April 21, 2026, the memos were reviewed by the Town Council, and recommendations were provided on scenarios to inform the Asset Liability Management Study.

DISCUSSION:

On August 10, 2026, the final reports for the three studies were presented and the Finance Commission requested the following updates to the ALM study. The Asset Liability Management Study incorporates information from both the Fiscal Condition Analysis, Future Growth and Sustainability Study Fiscal Impact Analysis and Council recommendations and was submitted to the Finance Commission for review. The Commission received the three fiscal studies but requested additional time to review.

The Commission identified key issues needing clarification that the updated ALM report addresses.

Should the Finance Commission request additional analysis, the agreement with NHA staff will need to be amended and increased. The reports included in this Finance Commission meeting, and one additional Council meeting, are the last remaining contract items.

Staff is moving forward a long-standing recommendation for the Commission for an ADP to CalPERS. The amount being recommended is \$5.5 million and is a combination of \$4.2 million estimated balance in the 115 Pension Trust and an additional \$1.3 million from the Pension/OPEB Committed Reserve. Lastly, staff is also asking the Commission to consider a recommendation to convert the annual \$390,000 Pension Trust payment to an annual ADP to CalPERS.

PAGE 3 OF 3

SUBJECT: Receive and Forward the Fiscal Condition Analysis Report, the Future Growth and Sustainability Study Fiscal Impact Analysis, and the Asset Liability Management Study to the Town Council; and Recommend an Additional Discretionary Payment to CalPERS

DATE: October 12, 2026

CONCLUSION:

The Final ALM Study, Scenario 2 with all transfers to Capital projects removed and only development impact fee revenues shown, illustrates that the Town's operating budget is fiscally sound and balanced in all 10 years of the forecast. After adjustment to the original Raftelis base by staff for the use of OPEB funding and COLA reductions. This analysis does not consider the planned use of reserves in FY 26/27 as a structural deficit.

	FISCAL YEAR										
	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33	33/34	34/35	35/36
Baseline Structural deficit projected by Raftelis with both OPEB and COLA Reduction Savings Estimated by Town Staff	\$0.1	\$-	\$(0.9)	\$(1.8)	\$(1.2)	\$(1.7)	\$(2.1)	\$(2.0)	\$(2.4)	\$(2.8)	\$(3.0)
PENSION											
Projected June 30, 2025 UAL adjustment	\$-	\$-	\$(0.2)	\$0.1	\$0.3	\$0.6	\$0.8	\$0.8	\$0.8	\$0.8	\$0.8
\$5.5M ADP Payment Reduction	\$-	\$-	\$1.3	\$1.0	\$1.1	\$1.1	\$0.8	\$0.7	\$0.4	\$0.2	\$0.1
Cash draw for ADP	\$-	\$(5.5)	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-
CAPITAL PROGRAM											
Remove \$1M CIP Funding is Baseline	\$-	\$1.0	\$1.0	\$1.0	\$1.0	\$1.0	\$1.0	\$1.0	\$1.0	\$1.0	\$1.0
NEW REVENUE											
Impact-fee revenue	\$-	\$1.5	\$1.5	\$1.6	\$1.7	\$1.8	\$1.9	\$2.0	\$2.0	\$2.2	\$2.3
Net deficit including new revenue	\$0.1	\$(3.0)	\$2.7	\$1.9	\$2.9	\$2.7	\$2.4	\$2.5	\$1.8	\$1.4	\$1.2

The introduction of capital funding at any level results in modeled deficits even with additional impact fee revenues.

Attachments:

1. Fiscal Condition Analysis Report
2. Future Growth And Sustainability Study Fiscal Impact Analysis
3. Asset and Liability Management Study

TOWN OF LOS GATOS

Fiscal Condition Analysis

Draft Report / July 2026

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July 7, 2026

Kristina Alfaro
Administrative Services Director
Town of Los Gatos
110 E. Main St.
Los Gatos, CA 95030

Subject: Fiscal Condition Analysis

Dear Kristina Alfaro:

Raftelis is pleased to provide this Fiscal Condition Analysis for the Town of Los Gatos (Town) to help the Town forecast future financial conditions and assess the impact of potential policy decisions or other changes to the Town's financial condition.

The report summarizes the Town's current financial condition and projected condition over a 10-year period. It also details the assumptions made to develop that projection and assesses how projections alter when key variables are changed. This report accompanies a separate financial forecasting model provided to the Town for use as an ongoing projection tool.

It has been a pleasure working with you, and we thank you and the Town staff for the support provided during the course of this project.

Sincerely,



Jonathan Ingram
Vice President - Organizational Assessment

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Executive Summary

One feature that defines high-functioning organizations is their ability to proactively identify and plan for future opportunities and risks. Financial projections are a valuable tool in future planning, as they allow organizations to better understand potential future trends and supports them in developing a financial structure that mitigates potential risks and helps the organization achieve its strategic goals.

In 2025, the Town of Los Gatos, California engaged NHA Advisors, along with subcontracted firms Raftelis Financial Consultants (Raftelis) and Willdan, to develop a long-term Fiscal Condition Assessment, Fiscal Condition Analysis, and Asset Liability Management (ALM) Study. Raftelis developed the Financial Condition Assessment, as detailed in this report, defining assumptions to project revenues and expenditures for the Town's General Fund and capital funds over a ten-year period.

Raftelis worked closely with Town staff and leadership to develop a robust forecast for future revenues and expenditures. It is important to note that the projections in the baseline model developed by Raftelis are intended to reflect the current status quo, without any significant policy changes or shifts in demographic or economic trends. The model assumes that Town staffing will remain flat over the projection period and that there will not be any significant new program areas, revenue sources, or changes to Town service levels.

The projections in this baseline model do not represent actual revenues and expenditures; the Town will certainly make policy changes over the next 10 years that impact its financial condition. Instead, the purpose of the baseline forecast is to illustrate the potential impact of revenue and expenditure trends, as well as to serve as a planning tool for the Town's leadership to frame high-level policy and investment considerations. Prospective policy changes can be forecast in the model and then compared to this baseline projection to better understand the potential impact.

Model forecasts were developed by category using the best-available data to project future trends. Data sources and assumptions for each category are discussed in detail further in this report. Key information used to develop the forecasts include trends in actual revenue and expenditures, assessed valuation, population, and cost of living.

The forecast model projects that revenue in the baseline scenario will grow by an average of 3.6% per year, while expenditures will grow by an average of 4.4% per year. The following tables summarize projected General Fund revenues and expenditures by category for the base year, Fiscal Year (FY) 2026, as well as the 10-year projection period.

Table 1: Projected Baseline General Fund Revenues, FY2026-FY2036 (\$M)

Category	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Property Tax and VLF Backfill	\$27.1	\$29.0	\$30.6	\$32.2	\$34.1	\$35.9	\$38.0	\$40.1	\$42.4	\$44.7	\$47.2
Sales and Use Tax	\$9.1	\$9.3	\$9.5	\$9.7	\$9.8	\$10.1	\$10.3	\$10.5	\$10.7	\$10.9	\$11.1
Other Taxes ¹	\$5.9	\$6.1	\$6.2	\$6.3	\$6.4	\$6.6	\$6.8	\$6.9	\$7.1	\$7.2	\$7.4
Licenses & Permits	\$6.3	\$6.3	\$6.4	\$6.4	\$6.4	\$6.5	\$6.5	\$6.5	\$6.5	\$6.6	\$6.6
Town Services	\$5.7	\$5.9	\$6.1	\$6.3	\$6.5	\$6.7	\$6.9	\$7.1	\$7.3	\$7.5	\$7.7
Other Revenue	\$6.4	\$6.4	\$6.0	\$6.1	\$6.0	\$5.8	\$5.6	\$5.7	\$5.5	\$5.6	\$5.7
Total	\$60.5	\$63.0	\$64.8	\$67.0	\$69.2	\$71.6	\$74.1	\$76.8	\$79.5	\$82.5	\$85.7
Percent Change	N/A	4.0%	2.9%	3.5%	3.2%	3.6%	3.4%	3.7%	3.6%	3.8%	3.8%

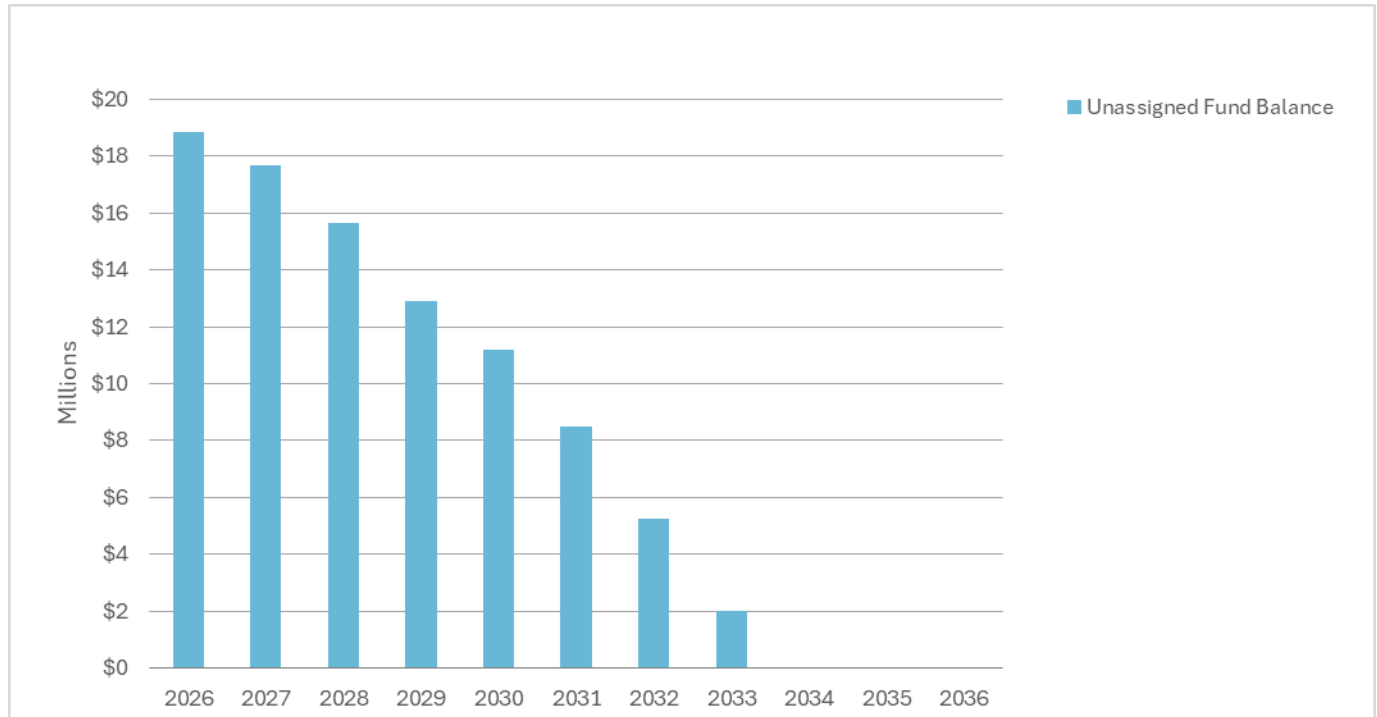
Table 2: Projected Baseline General Fund Expenditures, FY2026-FY2036 (\$M)

Category	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Personnel Costs	\$40.9	\$42.9	\$44.8	\$47.4	\$49.7	\$52.0	\$54.3	\$57.1	\$59.5	\$62.3	\$64.7
Internal Service Charges	\$6.5	\$7.0	\$7.2	\$7.5	\$7.7	\$7.9	\$8.2	\$8.4	\$8.7	\$8.9	\$9.2
Debt Service ²	\$2.1	\$2.1	\$2.1	\$2.1	\$0.8	\$0.8	\$0.7	\$0.0	\$0.0	\$0.0	\$0.0
Capital Transfers	\$1.0	\$1.0	\$1.0	\$1.0	\$1.0	\$1.0	\$1.0	\$1.0	\$1.0	\$1.0	\$1.0
Other Expenditures	\$10.0	\$10.4	\$11.2	\$11.8	\$12.5	\$13.5	\$14.3	\$15.2	\$16.1	\$17.1	\$18.2
Total	\$60.5	\$63.4	\$66.3	\$69.8	\$71.7	\$75.2	\$78.5	\$81.7	\$85.3	\$89.3	\$93.1
Percent Change	N/A	4.9%	4.5%	5.3%	2.7%	4.8%	4.4%	4.0%	4.4%	4.7%	4.3%

¹ Includes Business License Tax, Transient Occupancy Tax, and Franchise Fees² Reflects existing debt service schedules; no new debt is assumed in the baseline model

Expenditures are expected to outpace revenues, leading to a projected operating deficit starting in FY2027. Under these forecast assumptions the Town would deplete its unassigned³ General Fund balance by approximately 2034, as illustrated in the following figure.

Figure 1: Los Gatos Base Scenario General Fund Unassigned Fund Balance Projections

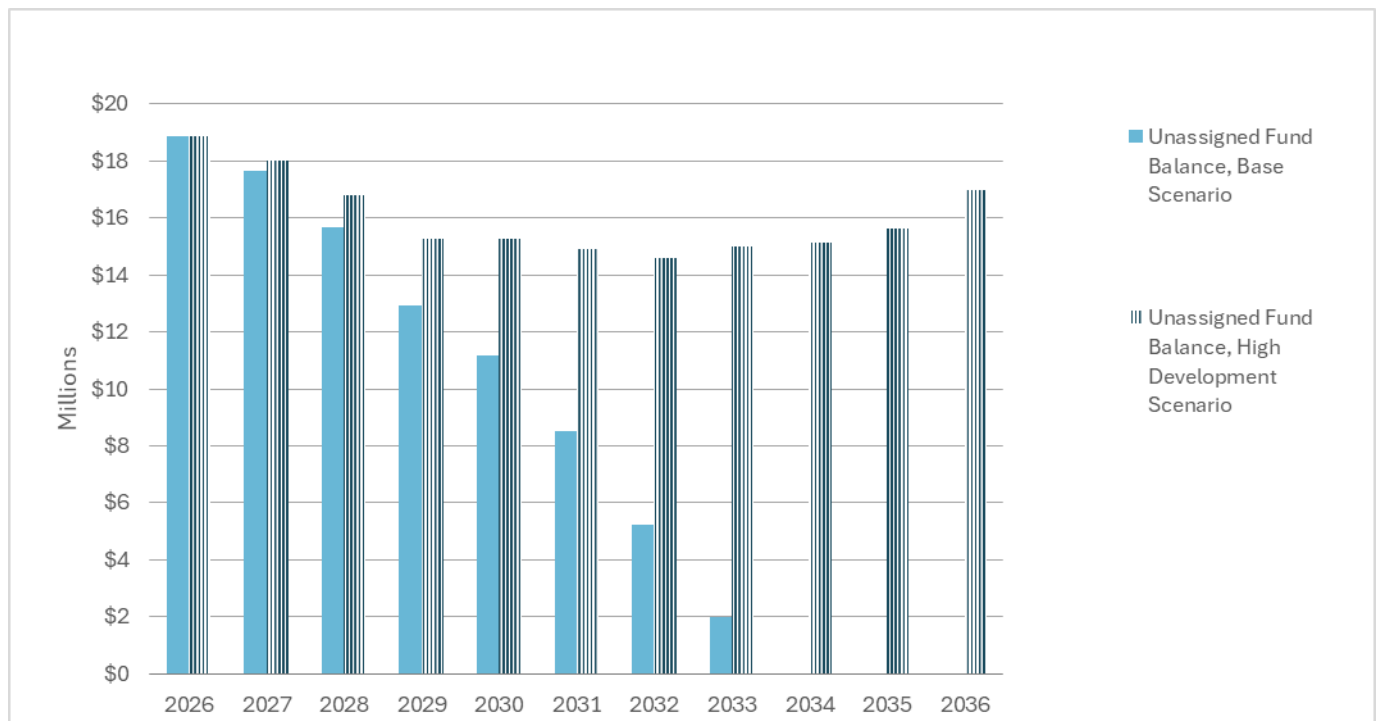


These projections illustrate the potential risks of the Town's current financial condition. However, it is important to reiterate that this scenario assumes no policy intervention by Town leadership. It is a baseline scenario intended to help identify future risks and to serve as a point of comparison to other potential scenarios.

The forecast is also intentionally conservative about the Town's population and development trends to reflect the possibility of an economic downturn and/or slower development during the projection period. If the economy and growth are more robust than assumed in the baseline model, the Town's financial position could look quite different. For example, the figure below compares projected unassigned fund balance in the baseline scenario to a scenario with more development and faster growth in property valuation.⁴

³ The portion of General Fund balance above the minimum. Minimum General Fund balance is defined by Town policy to be 25% of expenditures in a given year.

⁴ The Scenarios and Sensitivity Analysis section of this report provides more detail on the assumptions used to develop this scenario

Figure 2: Los Gatos Base Scenario General Fund High Development Sensitivity Analysis

As the figure illustrates, the Town's actual economic conditions in the coming years could look significantly different based on external factors as well as internal policy decisions. However, it remains important for the Town to take note of the trends identified in the baseline scenario: the Town is currently at risk of a growing General Fund deficit in the coming years. However, the Town's foresight in commissioning this study has created an opportunity to proactively address these emerging risks and better position the organization to meet future conditions.

The following sections provide more detailed analysis of the Town's financial condition and the assumptions used to project future expenditures and revenues.

Introduction

Background

In 2025, the Town of Los Gatos issued a request for proposals to conduct three studies:

1. Fiscal Condition Assessment with Five-Year and Long-Term Financial Projections
2. Fiscal Impact Analysis for proposed and planned growth
3. An ALM Study

The contract was awarded to NHA Advisors with sub-contract support from Raftelis and Willdan. Raftelis is leading the first study with the development of a baseline long-term financial model, which is the focus of this report. Willdan is supporting the second study, focusing on fiscal impact analysis that incorporates proposed and planned growth based on the Housing Element Plan and General Plan, with sensitivity analysis regarding the percentage of new units designated as affordable. Both of these studies will support the future ALM study. Work began in December 2025, with ongoing coordination from each consulting firm.

Development of a long-term financial model began with a detailed review of the Town's financial data, policies, and economic factors influencing the fiscal outlook. This included working closely with Town Finance staff to understand their budgeting and forecasting methodology. The team then used this data and feedback to develop reasonable, defensible financial projections by category for revenues and expenditures in the Town's General Fund and capital funds. The forecasts show trends over a 10-year period, with FY2026 as the base year and FY2027-2036 as the projection years.

As part of this project, Raftelis also provided the financial model used to the Town, so that Town staff can use it for future projections. The model allows users to compare the baseline scenario against other potential scenarios to illustrate those scenarios' potential impact. The model can also be updated with new data so that it can be used in future years.

Town Financial and Staffing Overview

General Fund Revenue and Expenditure Trends

The following tables illustrate historical General Fund revenues and expenditures by category for FY2019 through FY2025.

Table 3: Historical General Fund Revenues, FY2019-FY2025 (\$M)

Category	2019	2020	2021	2022	2023	2024	2025	Average Change
Property Tax	\$13.6	\$14.5	\$15.8	\$16.9	\$18.2	\$19.3	\$20.2	6.7%
Sales and Use Tax (non-Measure G) ⁵	\$7.9	\$6.5	\$6.8	\$7.2	\$7.5	\$6.8	\$7.0	-1.7%
Sales and Use Tax (Measure G) ⁶	\$0.2	\$1.0	\$0.5	\$0.6	\$0.6	\$0.6	\$0.7	51.7%
Licenses & Permits	\$3.0	\$2.7	\$3.0	\$4.8	\$3.3	\$4.0	\$6.7	19.6%
Town Services	\$4.4	\$4.4	\$4.8	\$5.3	\$4.6	\$5.9	\$5.4	4.2%
Vehicle and License Fee Backfill Property Tax	\$3.7	\$3.9	\$4.1	\$4.2	\$4.6	\$4.9	\$5.1	5.6%
Business License Tax	\$1.5	\$1.4	\$1.4	\$1.5	\$2.4	\$1.5	\$3.0	19.6%
Other Sources	\$6.6	\$2.7	\$3.6	\$6.4	\$6.9	\$3.6	\$2.5	-3.3%
Transient Occupancy Tax	\$2.7	\$1.9	\$1.0	\$1.9	\$2.2	\$2.4	\$2.4	5.4%
Interest	\$0.8	\$1.1	\$0.8	\$0.6	\$0.6	\$0.9	\$1.7	22.0%
Intergovernmental	\$0.9	\$1.1	\$1.6	\$1.3	\$1.6	\$1.2	\$1.4	9.1%
Mark to Market ⁷	\$0.6	\$1.1	-\$0.8	-\$2.0	\$0.0	\$1.7	\$1.2	8898.6%
Franchise Fees	\$2.5	\$2.5	\$2.5	\$2.8	\$3.1	\$2.5	\$1.1	-8.8%
Transfers In	\$1.6	\$0.6	\$0.7	\$0.6	\$0.5	\$0.6	\$0.8	-3.7%
Fines & Forfeitures	\$0.5	\$0.3	\$0.1	\$0.3	\$0.4	\$0.5	\$0.4	22.2%
Total	\$50.7	\$45.6	\$46.0	\$52.5	\$56.4	\$56.4	\$59.5	3.0%

⁵ Revenue received by the Town equivalent to 1% of the State's base sales tax rate (7.25%)

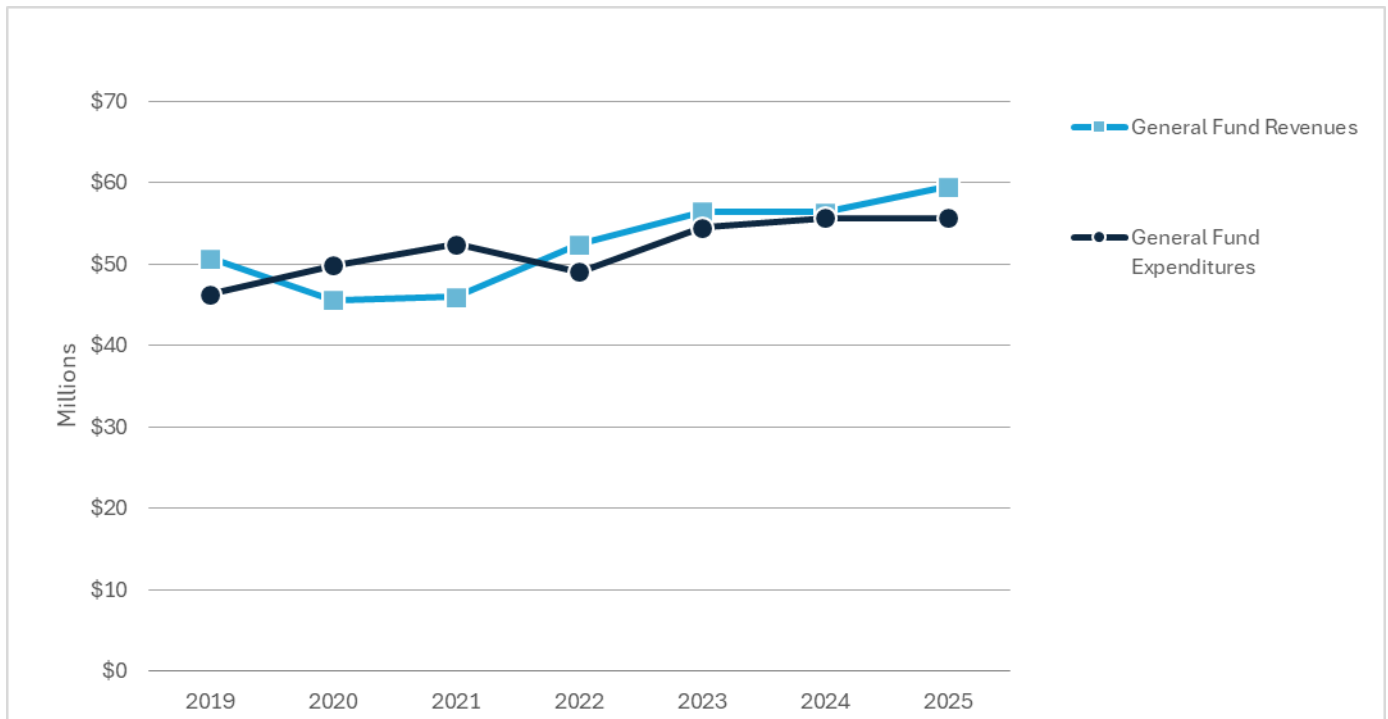
⁶ Revenue from additional 1/8 cent general sales tax approved by Town voters in 2018

⁷ These are accounting gains and are not considered in the financial projections

Table 4: Historical General Fund Expenditures, FY2019-FY2025 (\$M)

Category	2019	2020	2021	2022	2023	2024	2025	Average Change
Personnel- Salary	\$17.2	\$18.2	\$19.0	\$18.3	\$20.0	\$21.2	\$21.8	4.1%
Personnel- Overtime	\$0.7	\$0.7	\$0.9	\$1.1	\$1.4	\$1.3	\$1.3	11.9%
Personnel- California Public Employees' Retirement System (CalPERS)	\$5.3	\$6.1	\$6.4	\$6.5	\$7.1	\$7.4	\$8.2	7.7%
Personnel- Healthcare	\$1.9	\$1.9	\$2.0	\$2.0	\$2.1	\$2.5	\$2.6	5.4%
Personnel- Other Post-Employment Benefits (OPEB) Pay as You Go	\$1.2	\$1.2	\$1.3	\$1.4	\$1.5	\$1.6	\$1.9	8.2%
Personnel- Other Benefits	\$1.6	\$1.7	\$1.7	\$1.7	\$1.7	\$1.8	\$2.3	6.3%
Internal Service Charges	\$2.5	\$2.2	\$2.3	\$2.6	\$2.6	\$3.2	\$4.2	9.6%
Other Operating Expenditures	\$2.7	\$2.4	\$2.7	\$4.2	\$7.0	\$4.7	\$3.9	12.3%
Purchased Services	\$3.5	\$3.4	\$2.9	\$3.3	\$2.8	\$4.2	\$3.1	0.5%
Debt Service	\$1.9	\$1.9	\$2.0	\$2.1	\$2.0	\$2.1	\$2.1	1.7%
Transfers Out	\$6.4	\$8.4	\$9.5	\$2.4	\$3.7	\$2.7	\$1.9	-5.9%
Materials and Supplies	\$0.5	\$1.0	\$1.0	\$1.0	\$1.3	\$1.3	\$0.9	15.8%
Utilities	\$0.5	\$0.5	\$0.6	\$0.6	\$0.6	\$0.7	\$0.8	10.9%
Grants and Awards	\$0.3	\$0.3	\$0.3	\$1.8	\$0.6	\$0.7	\$0.6	75.6%
Total	\$46.3	\$49.9	\$52.4	\$49.0	\$54.5	\$55.7	\$55.7	3.3%

The Town's General Fund revenues decreased and expenditures increased during the Covid-19 pandemic years, but revenues have exceeded expenditures since 2022, as illustrated in the following figure.

Figure 3: General Fund Revenues and Expenditures, FY2019-FY2025

This revenue has helped the Town build up its General Fund balance in recent years, as shown below.

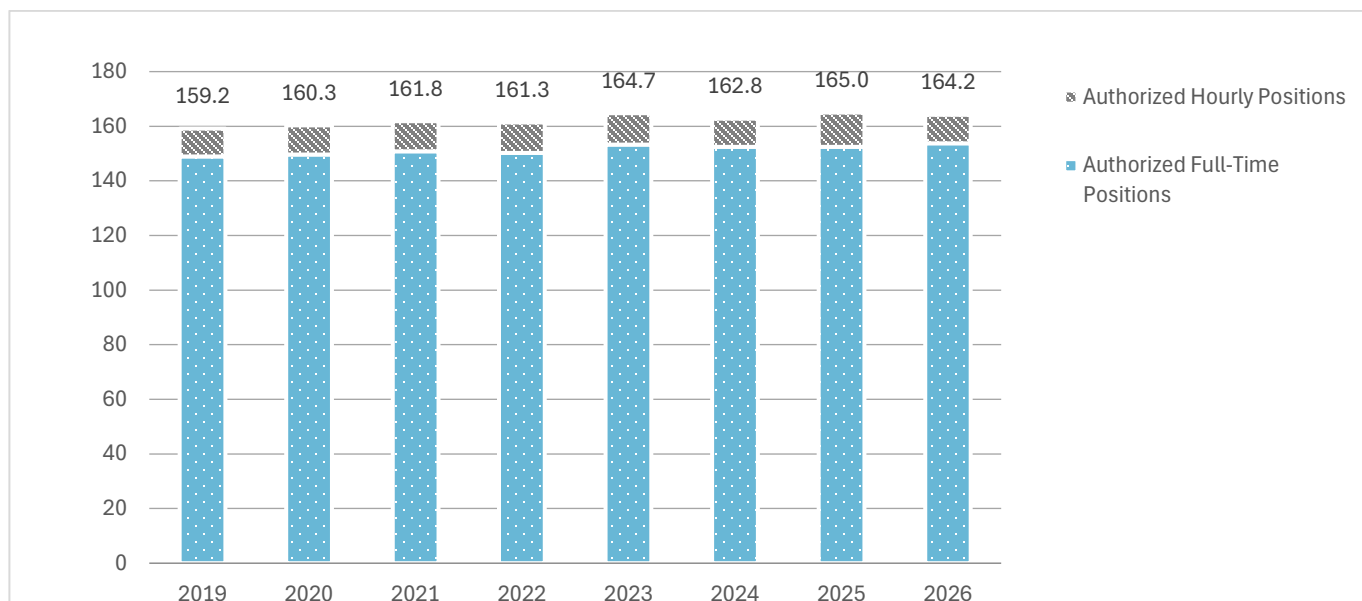
Figure 4: General Fund Ending Fund Balance, FY2019-FY2025

The Town has benefited from strong revenue in recent years, as well as policies to limit expenditure growth. However, it is important to note that these historical trends reflect a period of high growth. The economy has been strong in recent years, and an economic downturn would have a significant impact on revenue received.

Town Staffing Trends

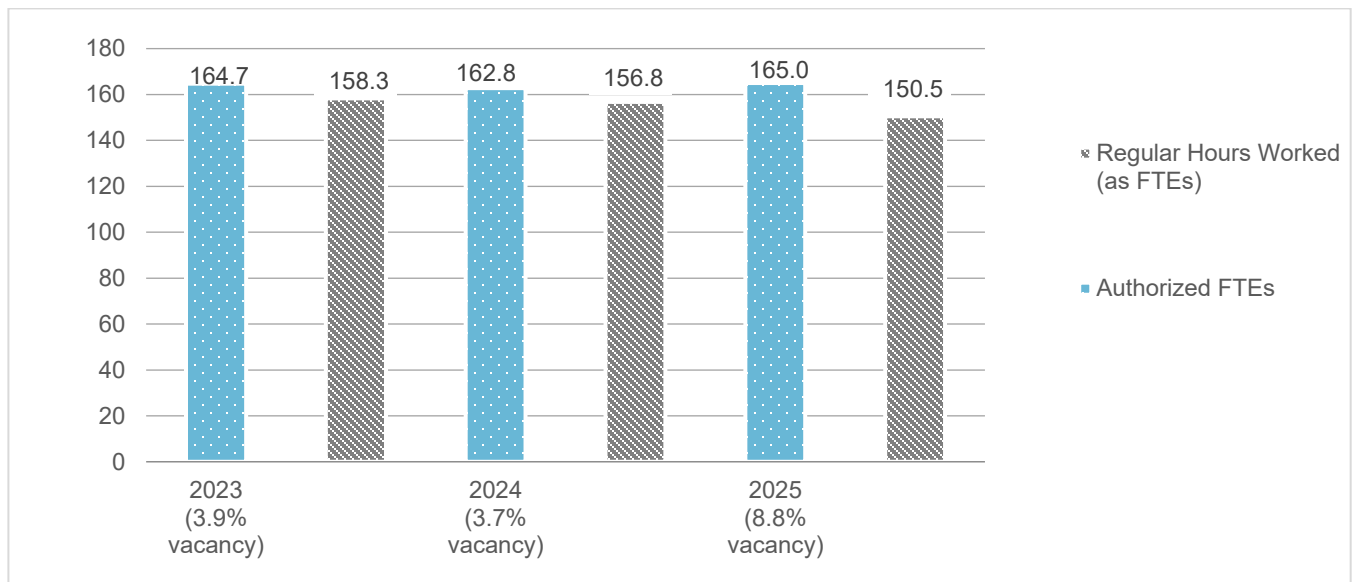
Town staffing levels have remained relatively consistent in recent years, as illustrated in the figure below. The total number of Full-Time Equivalent positions (FTEs) increased by only 3% between 2019 and 2026.

Figure 5: Authorized Full-Time Equivalent Staffing, FY2019-FY2025

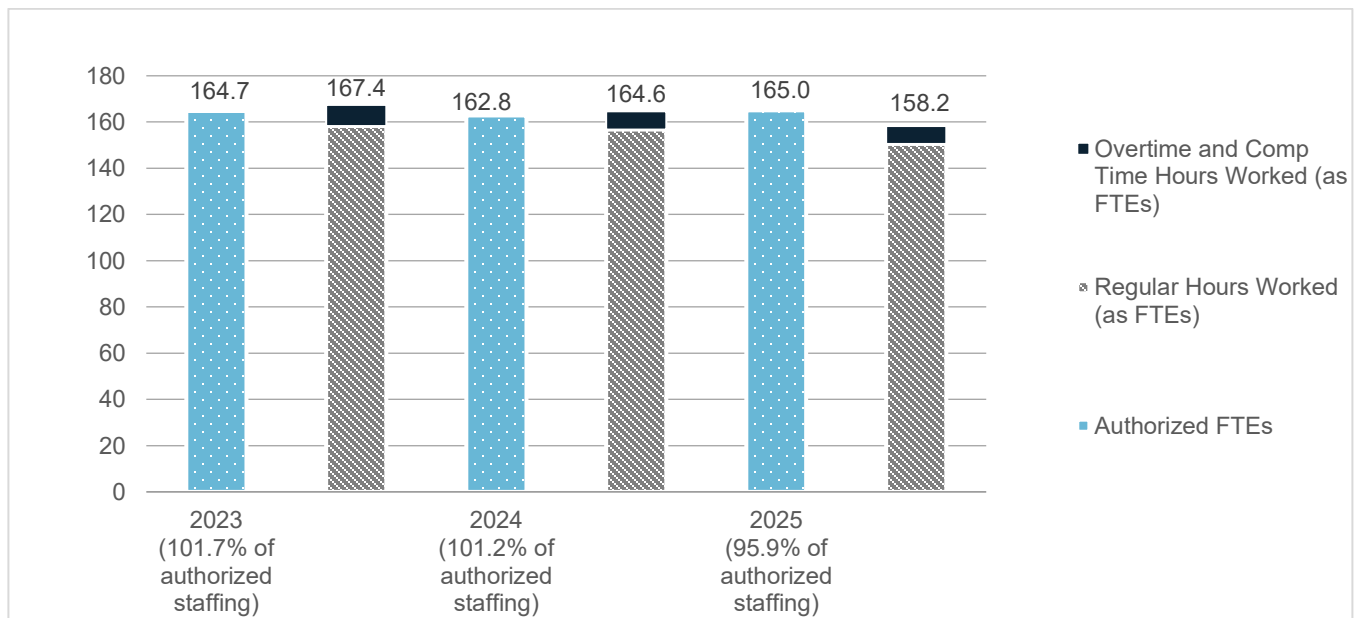


The project team also reviewed actual staff hours to understand how they compare to authorized staffing levels. In 2025, Los Gatos staff (both benefitted full-time and hourly) worked a total of 313,083 regular hours⁸, the equivalent of approximately 150.5 FTEs. In comparison, the Town had 165.0 authorized FTEs in 2025, which means the Town's vacancy rate in 2026 was approximately 14.5 FTEs or 8.8% of authorized positions. The following figure compares authorized positions for 2023 through 2025.

⁸ Includes hours worked and leave, except for overtime hours and compensatory time earned.

Figure 6: Authorized Full-Time Equivalent Staffing versus Regular Hours Worked (All Staff)

The Town averaged 9.0 vacant FTEs per year between 2023 and 2025. However, much of that staffing gap was mitigated through staff working overtime or earning compensatory (comp) time. In 2025, staff worked a total of 14,082 hours of additional time above the standard 2,080 hours, the equivalent of approximately 7.7 FTEs. This means that the effective vacancy rate, when additional work hours are included, was 4.1%. In both 2024 and 2025 staff worked more hours than were authorized, as illustrated in the figure below.

Figure 7: Authorized Full-Time Equivalent Staffing versus Total Hours Worked (All Staff)

Appendix A of this report includes additional staffing analysis, including hours worked for full-time employees only and hours worked by department.

Financial Projection Methodology and Assumptions

The financial projections prepared for the Town of Los Gatos were made using a Microsoft Excel™-based financial model that projects General Fund revenues and expenditures, as well as capital expenditures, over a ten-year period. This section of the report provides an overview of the general methodology used for the projections and the model's structure. It also details the model's assumptions for each category of revenues and expenditures, including the data used as a basis for those assumptions.

Methodology for Developing Projections

The baseline forecast assumes normalized historical patterns will continue without major policy intervention. Normalized historical patterns leverage actual revenue and expenditure trends, after adjusting for one-time events or anomalies that may skew expected future results. Budget-to-actual results remain a relevant metric to understand how the Town has historically estimated major revenue and expenditure categories, including recent adjustments to the base budget that may be more in-line with actual performance.

The primary data source used to build the model is a line-item record of budgeted and actual revenues and expenditures by fund from FY2019 through FY2026, provided by Town Finance staff. Other information was also used to develop the model, including personnel history, collective bargaining agreements, economic and population data, and permit data. Further sections of this memo provide more detail on the specific information used to inform each assumption.

The baseline model was also built to balance accuracy with usability. It is meant to be a tool used by staff for years to come, and the more complex the model the more difficult it is to use and the more prone it is to errors. This is the reason why the project team, for example, looks at aggregate data on assessed value and new construction to estimate property taxes, rather than more specific data by census tract, because collecting and maintaining that data would be a significant burden on Town staff. Aggregate data also allows for better identification of trends that may not be apparent at a more granular level. Where appropriate, granular level data such as new housing units for a potential new development can be used in scenario analysis to understand the underlying adjustment or change in assumption required to compare with the baseline forecast.

Financial Model Structure

The model focuses on forecasting General Fund and capital expenditures and revenues over a 10-year period, from FY2027 through FY2036. The FY2026 budget is the initial base year for the model, although in some cases base year assumptions differ from budget, as discussed further in this report. For the purposes of this model, all Measure G Sales Tax revenue is considered part of the General Fund.

Revenue and Operating Expenditure Categories

The model forecasts operating expenditures and revenues by category. Revenue categories largely align with categories used in the Town's audited Annual Comprehensive Financial Report (ACFR), Budget Document, and State Controller's Office required Town Financial Transactions Report. In some cases, more granular categories were developed in consultation with Town staff. Categories were selected with the intention of balancing accuracy with the model's ease of use.

Categories of revenue and operating expenditures used in the model are listed below.

Table 5: Revenue and Operating Expenditure Categories in Model

Revenues	Operating Expenditures
- Property Tax - Vehicle and License Fee (VLF) Backfill - Property Tax - Sales and Use Tax (Non-Measure G) - Sales and Use Tax (Measure G) - Licenses & Permits - Franchise Fees - Town Services - Business License Tax - Transient Occupancy Tax - Intergovernmental - Fines & Forfeitures - Investment Income - Other Revenue - Transfers In	- Personnel- Salary - Personnel- Overtime - Personnel- CalPERS - Personnel- OPEB Pay As You Go - Personnel- Other Benefits - Personnel- Vacancy Savings - Grants and Awards - Materials and Supplies - Utilities - Purchased Services - Other Operating Expenditures - Internal Service Charges - Debt Service - Transfers Out- New Capital - Transfers Out- Other (including Pension Trust)

Excluded Revenues and Expenditures

The model uses actual and budgeted revenue and expenditure data as provided by Town staff. This line-item data was mapped to the higher level categories outlined in this memo. Raftelis continues to work with the Town to reconcile actual expenditures provided in the line-item financial system detail with audited financial statements and budget documents. The ACFR reports by function (department), therefore, a direct reconciliation by expenditure classification as structured for the forecast model is not possible. This includes identifying accounts and/or one-time amounts to exclude for normalizing trends. Specific accounts and one-time amounts are identified below; however, this list may continue to change as we refine our understanding of the underlying data and chart of account/fund structure with Town staff.

Excluded accounts typically relate to non-cash or Generally Accepted Accounting Principles (GAAP) adjustments such as depreciation and mark-to-market adjustments. This allows for a forecast that reflects actual funds available for the Town's use.

Table 6: “Non-Cash” Revenue and Expenditure Accounts Excluded from Model

Account Description	Actual Amount
Revenue 45218 - GASB31 to Market	
2019	\$643,911
2020	\$1,092,564
2021	(\$780,399)
2022	(\$2,015,501)
2023	\$3,197
2024	\$1,712,246
2025	\$1,201,824
Expenditures 62142 - Depreciation Expense⁹	
2019	\$102,250
2020	\$101,693
2021	\$101,693
2022	\$101,693
2023	\$101,693
2024	\$77,081,050 ¹⁰
2025	\$5,914,417

Additionally, one-time revenues and operating expenditures are not considered in the model, because it is not assumed that they would carry forward into future years. This includes American Rescue Plan Act funds that the Town received from 2021 – 2025. The remaining one-time revenues and expenditures excluded from the model are listed in the table below.

⁹ Depreciation expense is not recorded to the General Fund. Amounts represent total for all Town funds, including Internal Service Funds and Development Agency Fund.

¹⁰ Fiscal Year 2024 includes a one-time, non-recurring depreciation adjustment related to the implementation of the Town's new financial system. Prior to this only Redevelopment Agency depreciation expenses were shown. This accounting entry established beginning balances for accumulated depreciation and is not comparable to prior years. Values going forward are larger due to the inclusion of all depreciation, not just RDA.

Table 7: One-Time Revenues and Expenditures Excluded from Model

Model Category	Account Number	Fiscal Year(s)	Amount	Town Chart of Accounts Description
Revenues				
Licenses and Permits	42416	2022 Actuals	\$1,200,000	Contra revenue for bmp
Intergovernmental	43210	2021 Actuals	\$388,181	CARES Act Coronavirus Relief
Intergovernmental	43211	No actual funds logged	\$0	American Rescue Plan Act 2021
N/A – Capital Fund	45946	2023 Actuals	\$1,565,000	Insurance Settlement
Other Sources	45949	2023-2025 Actuals	\$45,323	Misc. Non-Operating Revenues
Town Services	45961	2025 Actuals	(\$344,388)	Contra revenue for bmp
Transfers In	49411	2025 Actuals	\$250,000	Community Grants
Expenditures				
N/A	67109	No actual funds logged	\$0	ARPA- American Rescue Plan Act
Grants and Awards	67506	2022 Actuals	\$1,200,000	20 dittos In BMR housing loan
Materials and Supplies	82202	2023, 2025 Actuals	\$0	Land Acquisition
Purchased Services	81505	2024 Actuals	\$706,713	Subscriptions - GASB 96

Capital

The model also estimates future capital costs for capital projects, vehicles and equipment, and technology. Costs are estimated based on the Town's adopted Capital Improvement Program (CIP), as well as equipment and technology replacement schedules provided by Town staff. The model projects the amount of money transferred from the General Fund to finance these investments, based on past history and Town direction. It assumes no new debt to support capital maintenance needs, although the model allows users to project the potential impact of new debt.

It is important to distinguish capital needs assumed in the baseline model from potential scenarios. For the baseline forecast, ongoing maintenance and replacement needs for existing assets are factored in. If the Town's historical funding for maintenance and replacement have not kept pace with actual need then there is inherent deferred maintenance. A catch-up or higher level of investment to address any deferred maintenance would be a potential scenario. A large-scale capital investment required to support anticipated development would also be considered a scenario.

Financial Forecast Assumptions by Category

The following sections detail assumptions used to project a 10-year General Fund baseline forecast, including projected revenues, operating expenditures, and transfers to other funds.

Revenues

The following sections detail the model's revenue assumptions by category. The sections discuss the model's assumptions for revenues in the base year of the model, FY2026, as well as assumptions for how that amount is projected to change over time during the model period.

The following table compares the categories used in the model to the categories reported in the Town's ACFR and provides context for any variation.

Table 8: Model vs. ACFR Revenue Categories

ACFR Category	Model Category	Comments
Property Taxes	Property Tax VLF Backfill	VLF Backfill is separated because it is revenue from the State, and so forecasts may vary
Sales Taxes	Sales and Use Tax (Non-Measure G) Sales and Use Tax (Measure G)	Separated due to potential differences in forecasts
Transient Occupancy Taxes	Transient Occupancy Tax	
Licenses & Permits	Licenses & Permits Town Services	Separated based on the Town's internal categories and to allow for more specific forecasts
Intergovernmental	Intergovernmental	
Fines and Forfeitures	Fines & Forfeitures	
Franchise Fees	Franchise Fees	
Interest	Interest	
Other Taxes Use of Property Other	Business License Tax Other Sources	Business Licenses Tax separated to allow for forecasting based on economic conditions. Other categories are combined for model usability.
Transfers In	Transfers In	

Property Tax

The following table illustrates the Town's historical trend for actual property tax revenue collected, as well as the average annual change.

Table 9: Property Tax Revenue History

Year	Actual Revenue	Annual Percent Change
2019	\$13,636,099	N/A
2020	\$14,454,513	6.0%
2021	\$15,826,162	9.5%
2022	\$16,899,618	6.8%
2023	\$18,187,388	7.6%
2024	\$19,321,147	6.2%
2025	\$20,157,765	4.3%
Average		6.7%

2026 Budget: \$21,450,971

Base Year Estimate: \$21,450,971

Historically, General Fund revenue has been 5.6% higher than budget, but in the most recent year actual revenues were close to budget. The model maintains the 2026 budget as the base for forecasting property tax growth over the next ten years.

Potential Revenue Risks and Restrictions

California law restricts the amount of funds that local governments can collect through property tax, primarily through two mechanisms summarized below:

- Proposition 13 was adopted in 1978. It limits property tax assessed value increases at 2% per year and limits property tax revenue to 1% of assessed value (unless a higher rate is approved by voters). Properties can only be assessed at market value for new construction or when a property changes ownership.
- Proposition 4, commonly known as the Gann Limit, was adopted in 1978 and caps local revenue at 1979 expenditure levels, adjusted annually based on population and income.
- Proposition 98, adopted in 1992, requires each local government to set aside a portion of its tax revenues for the Educational Revenue Augmentation Fund (ERAF) to ensure that school districts meet minimum funding levels.¹¹ Between FY2019 and FY2025, an average of 11.9% of Town property tax revenue was designated for ERAF. However, it is important to note that currently any ERAF funding not needed to meet school funding minimums has been returned to the Town. If the State changes this policy it would reduce total property tax funding available to the Town.

¹¹ The State is responsible for ensuring that schools receive at least minimum funding. The ERAF allocation reduces the State's funding obligation.

Annual Change Assumption: 5.2%, on average

Estimates of future property tax revenue were based on several factors, selected to account for State revenue restrictions and available information.

The primary information source used to estimate future property tax revenue was data from Santa Clara County on historical valuation trends. As stated above, Proposition 13 restricts changes in valuation except in cases of new construction or when property is bought and sold, so the team evaluated trends separately for new construction, changes in ownership, and other properties.

The team used trends for each of these categories, as well as reported FY2026 valuations and data prepared by a separate company, HdL Companies (HdL), on historical trends in the median value of new construction and the median sales price of homes, to estimate total valuation per year over the course of the model period. The model also assumes that 15% of property tax funds in the base year will be allocated to ERAF, based on Santa Clara County FY2026 budget allocations¹².

Finally, the model calculates the estimated Gann appropriation limit each year, based on a State law limiting property tax revenue that can be collected based on changes in population and income. The team estimated the Gann limit for each model year based on historical population and income trends reported by the United States Census Bureau and verified that the projected revenue did not hit that limit.

The annual change in projected revenue based on these assumptions varies from year to year based on the estimate for each valuation component: new construction, home sales, ERAF, and base valuation. On average, it increases approximately 5.2% per year between FY2027 and FY2036. The assumed growth for new construction considered the Town's Housing Element Plan and anticipated new housing units outlined in that plan. After further discussion with staff and Finance Commission members, there is uncertainty in how those units may be realized over time and whether they will meet state required affordability metrics. As such, the baseline model maintains a steady growth assumption for new residential development but relies on historical trend with a more moderate long-term outlook than the post-pandemic era given recent softness in real estate market activity.

The following table summarizes model assumptions.

¹² The County estimates a \$3.2 million allocation to ERAF in 2026.

Table 10: Property Tax Performance History and Assumptions by Component

Property Tax Component	Five Year Average Annual Change ¹³	Assumed Portion of Revenue	Assumed Annual Change	Comments
New Construction	12.5%	0.3%	0.0%	Assumed flat to be conservative due to variations in the change of value from year to year
Changes in Ownership	17.1%	2.8%	4.0%	Reduced to be conservative due to variations in the change of value from year to year
ERAF	19.1%	14.9%	6.9% ¹⁴	Based on the average of the past two years to normalize post-pandemic volatility
Base Valuation	6.2%	81.9%	5.6%	Based on the average of the past two years to normalize post-pandemic volatility

Vehicle and License Fee (VLF) Backfill Property Tax

The VLF backfill is a payment from the State of California intended to reimburse local governments for losses due to a State VLF reduction. The annual amount allocated is based on the Town's assessed property valuation. The following table illustrates the category's historical trend for actual revenue collected, as well as the average annual change.

Table 11: VLF Backfill Property Tax Revenue History

Year	Actual Revenue	Annual Percent Change
2019	\$3,685,247	N/A
2020	\$3,875,914	5.2%
2021	\$4,052,672	4.6%
2022	\$4,229,462	4.4%
2023	\$4,555,700	7.7% ¹⁵
2024	\$4,906,019	7.7%
2025	\$5,109,100	4.1%
Average		5.6%

¹³ Based on Santa Clara County valuation reports

¹⁴ Based on the average of the past two years to normalize post-pandemic volatility

¹⁵ Higher increases in FY2023 and 2024 are aligned with higher increases in the Town's property valuation in those years.

2026 Budget: \$5,377,328**Base Year Estimate: \$5,557,685**

Historically, since FY2019, General Fund revenue has consistently outperformed budget by approximately 3.4%. The model assumes the FY2026 base amount will be higher than the current budgeted amount by this average variance.

Potential Revenue Risks and Restrictions

VLF revenue is allocated from the State and is therefore subject to changes in State law. A future legislature could opt to reduce or eliminate this revenue source.

Annual Change Assumptions: 5.4%

VLF revenue is allocated based on property value. The project team used the property value assumptions discussed in the Property Tax section above to project VLF revenue. The model assumes a 5.4% average annual property value increase over the next 10 years.

Sales and Use Tax

The Town has two sources of sales tax revenue:

- The Town, like all California municipalities, receives 1% of the State's base sales tax rate (7.25%)
- The Town has adopted an additional 1/8 cent general sales tax (Measure G)

The following tables illustrate the category's historical sales tax revenue trends.

Table 12: Sales and Use Tax (non-Measure G) Revenue History

Year	Actual Revenue	Annual Percent Change
2019	\$7,930,021	N/A
2020	\$6,535,034	-17.6%
2021	\$6,794,218	4.0%
2022	\$7,177,597	5.6%
2023	\$7,507,068	4.6%
2024	\$6,795,037	-9.5%
2025	\$6,992,336	2.9%
Average		-1.7%

Table 13: Sales and Use Tax (Measure G) Revenue History¹⁶

Year	Actual Revenue	Annual Percent Change
2019	\$0	N/A
2020	\$0	N/A
2021	\$1,139,386	N/A
2022	\$1,306,076	14.6%
2023	\$1,299,409	-0.5%
2024	\$1,276,698	-1.7%
2025	\$1,338,642	4.9%
Average		4.3%

2026 Budget: **Non-Measure G:** **\$6,639,081**
 Measure G: **\$1,298,825**

Base Year Estimate: **Non-Measure G:** **\$7,780,826**
 Measure G: **\$1,329,000**

The Town engaged a separate firm, HdL, to forecast sales tax in FY2026. HdL's forecasts were used to inform the base estimate for 2026 as well as future growth detailed below. There is a significant increase in the non-Measure G base estimate for 2026. This is driven by the most recent projections from HdL, which include proprietary, confidential local economic data to inform estimates. This information was not known at the time of budget adoption.

Potential Revenue Risks and Restrictions

Sales tax revenue is closely tied to economic conditions. An economic downturn would have a significant impact on revenue in this category. Additionally, the 1% of the State's sales tax revenue is defined by State legislation and is subject to change by the Legislature.

Annual Change Assumptions: 2.0% (weighted average)

Projections of sales tax revenue are based on industry data as well as trend projections prepared by the Town's economic advisor. The model projects revenue by industry to allow each industry's revenue trends to be separately modeled.

¹⁶ This includes all Measure G revenue, not just the revenue allocated to the General Fund.

Previously, an Economic Review prepared for the Town by an outside firm, MuniServices, provided information on the Town's historical sales tax revenue trends by industry along with estimates for future sales tax collection. As the Town transitions to a new economic advisor (HdL), Raftelis relied on both historical MuniServices reports as well as the first, and most recent, HdL report to establish a framework for detailing the various components that comprise overall sales tax revenue collection.

The industry components of sales tax revenue are detailed in the table below. Historically, the largest generators of sales tax revenue have been the Food and General Retail industries, and they are assumed to remain the largest generators moving forward.

Table 14: Sales Tax Revenue Historical Performance and Assumptions by Industry, as Reported by MuniServices

Industry	Five Year Average Annual Change	Assumed Portion of Revenue ¹⁷	Assumed Annual Change	Comments
Food Products	5.4%	28.7%	2.0%	Based on HdL projection
General Retail	-1.6%	21.1%	2.0%	Based on HdL projection
Transportation	-8.9%	19.6%	2.5%	Based on HdL projection, reduced slightly based on past history (HdL generally projects 3.0-3.5% per year)
County Pool	-4.7%	19.2%	2.0%	Based on HdL projection, reduced slightly based on past history (HdL generally projects 3.0% per year)
Business to Business	0.3%	4.8%	1.0%	Based on HdL projection, reduced slightly based on past history (HdL generally projects 2.2-2.8% per year)
Misc.	-33.0%	3.9%	0.0%	Kept flat due to past volatility
Construction	7.5%	2.6%	2.5%	Based on HdL projection

The historic volatility of sales tax collections and dynamic local economic conditions led the project team to take a conservative approach to forecasting the Town's second-largest revenue source. The baseline model incorporates the significant increase to 2026 base estimates and then uses a lower annual growth rate assumption compared to HdL. The first report from HdL suggests higher growth across each of the industries noted in the table above during 2026-2027 and then settles to a blended average that is slightly below 3%. Some industries like transportation, which have experienced decline in past years due to higher use of electric vehicles, and construction, assume a higher rate of growth (2.5%) because of known development activity expected to have a positive influence on collections. Other sources like general retail and food products rely more on regional inflation trends for cost of goods and no significant variation or increase to the volume of goods purchased from historical experience.

¹⁷ Based on five-year historical average for that industry's representative share of overall sales tax revenue to the Town.

Licenses & Permits

The following table illustrates the Town's historical Licenses & Permits revenue, as well as the average annual change. The significant revenue increase in FY2025 is due to a change in how the Town accounts for Solid Waste revenue; before FY2025, the Town classified it as a Franchise Fee. The revenue collected by the Town from the Solid Waste Joint Powers Agreement (JPA) also increased from prior years as a result of a recently updated valuation report used to determine payment amount.

Table 15: Licenses & Permits Actual Revenue History

Year	Actual Revenue	Annual Percent Change
2019	\$3,044,490	N/A
2020	\$2,673,706	-12.2%
2021	\$3,003,475	12.3%
2022	\$3,614,650	20.3%
2023	\$3,283,848	-9.2%
2024	\$3,993,247	21.6%
2025	\$6,681,657	67.3%
Average		16.7%

2026 Budget: \$6,322,712

Base Year Estimate: \$6,322,712

Historically, actual General Fund revenue has been 12.1% higher than budget, on average, but there has been significant volatility after the pandemic. This is coupled with the Solid Waste revenue transfer, updated valuation, and in the 2026 budget changes to permit fees that also increased overall revenue collected in this category. The 2026 budget is in line with most recent 2025 actuals and is used as the base estimate in the forecast model.

Potential Revenue Risks and Restrictions

The amount of License & Permit revenue received by the Town can vary based on external factors, such as the amount of development occurring in the community, but the Town also has the ability to revise fees as needed to cover costs. Additionally, less revenue also means a lower cost to process license and permit applications.

Annual Change Assumptions: 0.4%

The types of licenses and permits issued vary from department to department, so the project team used revenue history by department to estimate future trends. For the Community Development Department, historical permit trends were also used to inform the projection. Other departments' revenue is projected based on past history, due to lack of additional available data.

Although Community Development Department Licenses & Permit revenue has generally been increasing in recent years, with an average increase of 19.4% between FY2019 and FY2025, the number and value of permits has been decreasing, as illustrated in the table below. Because of this decline, it is assumed that Community Development Licenses & Permit revenue will have minimal growth over the next ten years.

Table 16: Building Permit History¹⁸

Year	Number of Permits	Annual Percent Change	Permit Value	Annual Percent Change
2021	1,196	N/A	\$148,527,983	N/A
2022	1,261	5.4%	\$156,227,403	5.2%
2023	1,202	-4.7%	\$92,855,563	-40.6%
2024	1,019	-15.2%	\$94,598,614	1.9%
2025	980	-3.8%	\$103,021,665	8.9%
Average		-4.6%		-6.1%

The following table illustrates assumed annual Licenses & Permits revenue change by department. Police and Solid Waste (non-departmental) revenue are assumed to be flat with the most recent solid waste valuation adjustment reflected in the 2026 base.

Table 17: Licenses & Permits Revenue Assumptions by Department

Department	Five Year Average Change	Average Portion of Revenue	Assumed Annual Change	Comments
Administrative Services	91.7%	0.1%	2.0%	Assumed lower due to volatility
Community Development	19.4%	59.0%	0.5%	Assumed lower due to permit trends
Police	-6.9%	1.8%	0.0%	Assumed flat due to volatility
Parks and Public Works	10.0%	24.8%	0.5%	Assumed lower due to volatility
Non-Departmental	1663.2%	14.2%	0.0%	Significant increase reflects Solid Waste revenue- assumed flat due to volatility

Franchise Fees

The following table illustrates the Town's historical Franchise Fee revenue, as well as the average annual change. The significant revenue decrease in FY2025 is due to a change in how the Town accounts for Solid Waste revenue; before FY2025, the Town considered it a Franchise Fee but is now categorized under Licenses & Permits.

¹⁸ Provided by Town staff

Table 18: Franchise Fees Revenue History

Year	Actual Revenue	Annual Percent Change
2019	\$2,475,916	N/A
2020	\$2,495,792	0.8%
2021	\$2,499,463	0.1%
2022	\$2,822,515 ¹⁹	12.9%
2023	\$3,074,624	8.9%
2024	\$2,547,012	-17.2%
2025	\$1,057,484	-58.5%
Average		-8.8%

2026 Budget: \$1,043,730

Base Year Estimate: \$1,043,730

Historically, General Fund revenue has been 8.3% higher than budget; however, the recent base adjustment to remove solid waste JPA revenue impacts the future growth assumptions. For the baseline model, the 2026 budget is used as the initial base year estimate since it is in line with actual revenue collected in 2025 after the solid waste revenue transition.

Potential Revenue Risks and Restrictions

Franchise fee revenue depends on private companies' use of public infrastructure and can vary depending on the companies' needs and economic conditions.

Annual Change Assumptions: 1.7%

When Solid Waste revenue is not considered, annual increases in past years have ranged from 0.3% to 8.7%, as illustrated below. The project team believes that past history is the best available indicator to predict future revenue. Annual increases are assumed at 1.7%, which is the average over the past seven years when the outlier year, 2023, is removed.²⁰

¹⁹ Increased revenues in FY2022 and 2023 were largely due to increases in Solid Waste revenue, which went from \$1.6 million in FY2021 to \$1.9 in FY2022, then to \$2.1 million in FY2023, only to reduce to \$1.5 million in 2024.

²⁰ The increase is largely driven by a 23% increase in PG&E Franchise Fee revenues for that year.

Table 19: Franchise Fees Actual Revenue History (No Solid Waste Revenue)

Year	Actual Revenue	Annual Percent Change
2019	\$892,980	N/A
2020	\$898,636	0.6%
2021	\$925,621	3.0%
2022	\$941,647	1.7%
2023	\$1,023,289	8.7%
2024	\$1,053,827	3.0%
2025	\$1,057,484	0.3%
Average		2.9%

Town Services

This revenue category essentially reflects charges for services where the Town has some cost recovery component. The two highest-revenue categories of Town services, accounting for more than \$1 million in revenue each in 2025, were policing services for Monte Sereno and building plan reviews.

The following table illustrates the category's historical revenue, as well as the average annual change.

Table 20: Town Services Revenue History

Year	Actual Revenue	Annual Percent Change
2019	\$4,440,606	N/A
2020	\$4,373,603	-1.5%
2021	\$4,778,695	9.3%
2022	\$5,310,271	11.1%
2023	\$4,631,325	-12.8%
2024	\$5,913,520	27.7%
2025	\$5,749,895	-2.8%
2026	N/A	N/A
Average		5.2%

2026 Budget: \$5,736,735

Base Year Estimate: \$5,736,735

Actual revenue has averaged about \$5 million annually, outperforming budget by approximately 12.1% on average. In 2026 the Town made a significant adjustment to the base budget that is reflective of actual collections the past two years. This is the base estimate used in the forecast.

Potential Revenue Risks and Restrictions

Like sales tax, this is a customer-driven revenue source that has experienced greater volatility over the past seven years. The Town has maintained a conservative budget approach for this revenue source given the difficulty predicting the volume of customer activity from year to year.

Annual Change Assumptions: 3.0%

The types of services offered vary from department to department, so the project team used revenue history by department to estimate future trends. In many departments revenue has varied significantly from year to year. The projections in the model are intended to smooth out this growth from year to year, while also generally assuming a conservative projection to avoid over-estimating revenue with future economic uncertainty.

The following table illustrates assumed annual revenue change by department.

Table 21: Town Services Revenue Historical Performance and Assumptions by Department

Department	Five Year Average Change	Average Portion of Revenue	Assumed Annual Change	Comments
Administrative Services	8.9%	2.2%	5.0%	Assumed lower than average due to past variance
Community Development	1.7%	40.1%	2.0%	Assumed in line with past average
Police	7.4%	24.2%	5.0%	Assumed lower than average due to past variance
Parks and Public Works	9.2%	30.9%	3.0%	Assumed lower than average due to past variance
Non-Departmental	-11.3%	2.6%	0.0%	Assumed flat due to past variance

The following table compares the highest revenue line items that are categorized as Town Services versus those categorized as License & Permits.

Table 22: Town Services and Licenses & Permits Top Revenue Source, FY2025

Town Services	Licenses and Permits
PD Services for Monte Sereno- \$1,135,514	Wasteholder Encroachment Fee (Solid Waste)- \$2,297,703
Plan Check- \$1,043,926	Building Permit Fees- \$2,205,805
Plan Check Building- \$529,251	Planning Permits- \$902,524
Engineering Review Surcharge- \$323,972	Encroachment Permits- \$459,831
Environmental Impact- \$277,397	Tree Removal Permits- \$155,535

Business License Tax

The following table illustrates the Town's historical Business License Tax revenue, as well as the average annual change. The revenue has significant year-to-year variation due to economic factors as well as delays in revenue collection. Revenue from one of the largest businesses in the Town was delayed due to an appeal of the tax rate, for example, which is one of the reasons for the significant variation in recent years.

Table 23: Business License Actual Revenue History

Year	Actual Revenue	Annual Percent Change
2019	\$1,526,894	N/A
2020	\$1,357,080	-11.1%
2021	\$1,386,943	2.2%
2022	\$1,481,667	6.8%
2023	\$2,361,862	59.4%
2024	\$1,519,960	-35.6%
2025	\$2,975,721	95.8%
Average		19.6%

2026 Budget: \$2,493,992

Base Year Estimate: \$2,470,000

The Town commissioned HdL to project future Business License Tax revenue. The firm created aggressive, conservative, and moderate projection scenarios. Under the moderate scenario, a total of \$2.47 million in revenue is estimated for FY2026. HdL bases this forecast on actual payments received in the beginning of the fiscal year as well as projected trends for the remaining months. The forecast leverages this estimate as the 2026 base.

Potential Revenue Risks and Restrictions

The variation from year to year illustrated in the table above illustrates the volatility of this revenue source. It is influenced by economic trends as well as Town tax policy, potential court challenges, and other external factors.

Annual Change Assumptions: 1.5%

Business License Tax revenue has increased significantly in the past years, but there has also been a great deal of variation from year to year. HdL acknowledges this volatility in its projections and forecasts three scenarios: an aggressive estimate, a moderate estimate, and a conservative estimate. HdL's assumption for a moderate Business License Tax growth rate is 1.5% per year, and this assumption is used for the model.

This estimate may be somewhat conservative when compared against past trends in the Consumer Price Index (CPI) for the San Francisco region. The CPI can be considered an indicator of long-term growth, and the past five years of CPI growth have averaged 3.8% per year, as illustrated below. However, we believe that HdL's estimate is appropriate given future economic uncertainty.

Table 24: San Francisco Region CPI History

Year	Annual CPI: All Costs	Percent Change
2020	300.084	1.7%
2021	309.721	3.2%
2022	327.06	5.6%
2023	339.05	3.7%
2024	348.417	2.8%
Average		3.8%

Transient Occupancy Tax

The Town charges a Transient Occupancy Tax on hotels and other short-term lodging. Revenue is based on the nightly room rate and number of days at each establishment. The following table illustrates the category's historical revenue, as well as the average annual change.

Table 25: Transient Occupancy Tax Revenue History

Year	Actual Revenue	Annual Percent Change
2019	\$2,692,043	N/A
2020	\$1,869,685	-30.5%
2021	\$1,044,820	-44.1%
2022	\$1,895,064	81.4%
2023	\$2,228,190	17.6%
2024	\$2,367,653	6.3%
2025	\$2,417,630	2.1%
Average		5.4%

2026 Budget: \$2,422,390

Base Year Estimate: \$2,412,087

Actual Transient Occupancy Tax revenues have been an average of 10.4% higher than budgeted over the last seven years. However, one of the hotels in the community closed in 2026, and this change will likely reduce the amount of revenue collected from the Transient Occupancy Tax. The Town provided us with the revenue history per establishment and based on this we calculated that the closure will mean a reduction of approximately \$260,000 in FY2026. Based on these assumptions, we estimate a base year revenue of approximately \$2.4 million.

Potential Revenue Risks and Restrictions

Transient Occupancy Tax revenue varies significantly from year to year, as illustrated above. It is tied to the level of tourism and business travel in the community, which is heavily influenced by economic trends. Additionally, the number of hospitality establishments in the Town also influence the amount of revenue generated.

Annual Change Assumptions: 3.0%

Transient Occupancy Tax revenue is projected forward based on the most recent two years of available historical data on revenue by establishment. Older data is not used due to the impact of the pandemic on hotel occupancy. Data for the establishment that closed was not considered when projecting future trends.

Intergovernmental Revenue

The Town receives some intergovernmental revenue, such as state and federal grants. The following table illustrates the category's historical revenue, as well as the average annual change.

Table 26: Intergovernmental Revenue History

Year	Actual Revenue	Annual Percent Change
2019	\$945,191	N/A
2020	\$1,094,075	15.8%
2021	\$1,185,516	8.4%
2022	\$1,263,352	6.6%
2023	\$1,553,397	23.0%
2024	\$1,157,225	-25.5%
2025	\$1,357,593	17.3%
Average		7.6%

2026 Budget: \$838,936**Base Year Estimate: \$1,300,000**

Actual intergovernmental revenue has been an average of 29.6% higher than budgeted revenue over the past seven years. The budget in FY2026 is somewhat lower than the past, at \$838,936 compared to more than \$950,000 in previous years. Political and economic uncertainty justifies a lower budget estimate, but the model seeks to normalize revenues over the 10-year projection period. For this reason, we are assuming a base year revenue of \$1.3 million to align with previous years' actual revenue.

Potential Revenue Risks and Restrictions

Intergovernmental revenue is dependent on the state of the economy, as well as the philosophies and priorities of the governments in power. These external factors are difficult to predict, which is one reason why revenues are assumed to be flat for this category as discussed below.

Annual Change Assumptions: 0.0%

Intergovernmental revenue is assumed to be flat due to past volatility and to political uncertainty on the state and federal levels.

Fines & Forfeitures

The Town receives revenue from fines levied for infractions, as well as asset forfeitures. The following table illustrates the category's historical revenue, as well as the average annual change.

Table 27: Fines & Forfeitures Revenue History

Year	Actual Revenue	Annual Percent Change
2019	\$510,266	N/A
2020	\$271,117	-46.9%
2021	\$103,467	-61.8%
2022	\$319,170	208.5%
2023	\$416,951	30.6%
2024	\$480,634	15.3%
2025	\$420,127	-12.6%
Average		22.2%

2026 Budget: \$315,200

Base Year Estimate: \$440,000

Actual revenue has consistently been higher than budgeted in recent years, with an average variance of 27.7%. To estimate a reasonable base year revenue, the team averaged the actual fine & forfeiture revenue for the past three years, which translates to approximately \$440,000. This is somewhat higher than the budgeted figure for FY2026 but was chosen to establish a reasonable basis for future projections, beyond year-over-year volatility.

Potential Revenue Risks and Restrictions

Fines and forfeiture revenue can vary significantly, as illustrated above, because it depends on the frequency with which individuals incur fines and other penalties. The Town does have some ability to influence revenue by adjusting the amount of the fines and by determining the level of enforcement.

Annual Change Assumptions: 0.8%

Revenue in this category is largely influenced by the frequency of fines incurred, which can vary significantly from year to year. It is reasonable, however, to assume that fines incurred will increase over time somewhat proportionally to population. The average population growth over the past two years of available United States Census data (2023 and 2024) was 0.8%, so it is assumed that fine & forfeiture revenue will increase by 0.8% per year.

It is important to reiterate that revenue in this category could be influenced by policy and practice changes, such as new or increased fines or increased enforcement. The model assumes no changes in fines or enforcement levels in the base scenario, but users can project the impact of potential changes moving forward.

Investment Income

The Town also receives income from funds it has invested. Investment income for the General Fund model excludes earnings from the pension trust designated to support the Town's long-term pension liability. Earnings are generated from operating cash accounts as well as pooled cash funds invested in the state Local Agency Investment Fund (LAIF). The interest rate environment has gone through a period of significant change over the past several years, emerging from near 0% rates for cash-related investments to spikes in interest rates to help curb inflation after the pandemic, and most recently steady reductions from the Federal Reserve. The following table illustrates the category's historical revenue, including GAAP-based revenue that includes required mark-to-market non-cash accounting adjustments and interest income without this adjustment as a proxy for cash-based collections.

Table 28: Investment Income Revenue History

Year	Actual Revenue	Annual Percent Change	Actual Revenue (No Mark-to-Market Adjustment)	Annual Percent Change
2019	\$1,445,640	N/A	\$801,728	N/A
2020	\$2,238,102	54.8%	\$1,145,537	42.9%
2021	\$58,250	-97.4%	\$838,649	-26.8%
2022	(\$1,404,526)	-2511.2%	\$610,975	-27.1%
2023	\$584,171	-141.6%	\$580,975	-4.9%
2024	\$2,597,723	344.7%	\$885,477	52.4%
2025	\$2,935,466	13.0%	\$1,733,643	95.8%
2026	N/A	N/A	N/A	N/A
Average		-389.6%		22.0%

2026 Budget: \$1,567,774

Base Year Estimate: \$1,567,774

The model maintains a base estimate equal to the 2026 budget. This estimate is consistent with 2025 earnings.

Potential Revenue Risks and Restrictions

The amount of income generated by the Town's investments is dependent on market changes. It can be volatile from year to year, as illustrated above, and in an economic downturn the Town risks a significant reduction in revenue.

Annual Change Assumptions: 2.0% for LAIF and 2.8% remaining cash investments

There are two offsetting factors influencing the projected interest earnings over the next ten years. First, the assumption for interest earned on investment balance is split between a steady LAIF balance of \$15m returning 2.0% on average over the forecast period and approximately \$45m of investment account balance that is expected to decline over the forecast period as the projected structural deficit will reduce fund balance and cash on hand for the Town. This declining balance, however, is expected to return interest earnings of approximately 2.8% annually. The interest rate assumptions are lower than the most recent rate of return the Town has experienced of 3.4%. This is influenced by recent Federal Reserve actions to reduce rates.

Actual interest earnings collected by the Town declines over the ten-year period from an estimated \$1.5m in 2027 to \$700,000 in 2036. This is driven by a lower investment balance of \$65 million today to approximately \$30 million in 2036. This decline assumes the Town will rely more on fund balance to meet balanced budget requirements, decreasing the amount of cash available to invest.

Other Revenue

The final external revenue category in the model encompasses all revenue not falling into another category, such as donations or property sales. The following table illustrates the category's historical revenue, as well as the average annual change.

Table 29: Other Revenue History

Year	Actual Revenue	Annual Percent Change
2019	\$6,575,936	N/A
2020	\$2,731,171	-58.5%
2021	\$3,550,564	30.0%
2022	\$2,410,531	-32.1%
2023	\$2,755,697	14.3%
2024	\$3,156,921	14.6%
2025	\$2,517,861	-20.2%
Average		-8.7%

2026 Budget: \$2,188,465

Base Year Estimate: \$2,800,000

The Town's budgeted revenues in this category for FY2026 are lower than FY2025, reflecting the decrease that took place between FY2024 and FY2025. This is appropriate for the FY2026 budget but may be artificially low if used as the basis for future projections. Instead, the project team used the average revenue for the past three years, approximately \$2.8 million, as a basis for future projections.

Potential Revenue Risks and Restrictions

There are a variety of revenue sources in this category, many of which vary significantly from year to year. This impacts the Town's ability to reliably predict future revenues.

Annual Change Assumptions: 0.0%

The base year assumption is intended to normalize revenue projections in this category based on past years' average, but volatility in annual revenue makes it difficult to predict future revenues. For the purposes of the model, revenue is assumed to be flat in the base scenario.

Transfers In

Some General Fund revenue is transfers from other Town funds. The following table illustrates the category's historical revenue, as well as the average annual change.

Table 30: Transfers In Revenue History

Year	Actual Revenue	Annual Percent Change
2019	\$1,578,911	N/A
2020	\$599,669	-62.0%
2021	\$652,056	8.7%
2022	\$633,352	-2.9%
2023	\$538,536	-15.0%
2024	\$564,910	4.9%
2025	\$812,411	43.8%
Average		-3.7%

The two largest sources of transfers are the General Fund Appropriation Reserve (GFAR) Fund 411 and the Gas Tax Fund; all other transfer amounts have historically been \$10,000 or less. The GFAR Fund is used to finance capital projects, and the transfers into the General Fund are intended to represent excess unspent funds in a given year. The Gas Tax Fund transfers go towards operating costs that can legally be paid out of Gas Tax revenue, such as the cost of mowing lawns and trimming trees in Town Right-Of-Way. Historically, the Town has transferred a standard amount year for this purpose.

2026 Budget: \$562,411

Base Year Estimate: \$321,280

The Town has historically transferred a set amount from most funds each year, as shown in the table below, and these amounts are also assumed in the base budget. The exception is the GFAR Fund 411, where amounts have varied. The GFAR Fund is used to finance capital projects, and over the past seven years GFAR transfers into the General Fund have averaged 6.9% of expenditures. We applied this 6.9% to the average annual assumed GFAR capital expenditures over the model period and based on these assumptions an average of approximately \$321,280 is expected to be transferred into the General Fund. This is assumed as the base revenue for FY2026.

Table 31: Assumed Transfers In by Fund, FY2026

Fund	FY2026 Transfers In
General Fund Appropriated Reserve Fund 411	\$200,970
Gas Tax Fund	\$106,000
Traffic Mitigation Fund	\$10,000
Kennedy Assessment District Fund	\$1,510
Vasona Assessment District Fund	\$1,430
Santa Rosa Assessment District Fund	\$660
Blackwell Assessment District Fund	\$460
Hillbrook Assessment District Fund	\$250
Total	\$321,280

Annual Change Assumptions: 0.0%

The Town has had a historical practice of transferring in set amounts from various other funds, as discussed above, with the transfers generally remaining flat from year to year. The exception is GFAR transfers, but the base year assumption is the normalized annual projected transfer for the entire model period. For this reason, all transfers are assumed to remain flat.

Personnel Expenditures

The following sections detail personnel-related expenditures including salaries and overtime (e.g., wages) and benefits, including healthcare and retirement.

Personnel Costs- Salary

Personnel-related costs are the single largest driver of operating expenses for the Town. Wages, including salaries and overtime account for nearly 40% of total budgeted expenditures in 2026. Wages and benefit costs are nearly 70% of total cost. To determine the underlying assumption for personnel – salaries cost, the project team reviewed actual expenditure history since 2019 alongside the change in authorized staffing levels over that same period. The following table illustrates these trends.

Table 32: Personnel - Salary Actual Expenditure History

Year	Actual Expenditures	Annual Percent Change	Authorized Staffing	Annual Percent Change	Cost per FTE	Annual Percent Change
2019	\$17,223,545	N/A	148.99	N/A	\$115,602	N/A
2020	\$18,175,614	5.5%	149.63	0.4%	\$121,470	5.1%
2021	\$18,987,346	4.5%	150.00	0.2%	\$126,582	4.2%
2022	\$18,306,124	-3.6%	150.24	0.2%	\$121,846	-3.7%
2023	\$20,011,354	9.3%	153.26	2.0%	\$130,571	7.2%
2024	\$21,186,554	5.9%	152.51	-0.5%	\$138,919	6.4%
2025	\$21,813,266	3.0%	152.50	0.0%	\$143,038	3.0%
Average		4.1%		0.4%		3.7%

Personnel Costs- Vacancy Savings

Budgeting for vacancy savings is a tool to improve realistic forecasting, especially in an environment of financial constraint. The underlying assumption should be rooted in actual experience for the Town and consider, where appropriate, department specific turnover rates that may have an outsized impact on overall savings, such as Police. The challenge is determining a vacancy factor that does not prevent hiring or influence policy/service level decisions. In other words, vacancy savings occur naturally each year based on normal staffing churn (e.g., time to hire, retirements, voluntary resignations etc.). Where the savings are generated can vary from year to year. Therefore, the estimate should rely on Town-wide experience without impacting individual department hiring practices to meet service level expectations.

Raftelis reviewed the recent budget-to-actual variance for personnel cost (excluding OPEB) to get a sense of annual vacancy savings generated compared to the Town's current vacancy savings estimate of \$2.2 million, or 4.6%. The following table compares budgeted personnel costs (not including budgeted vacancy savings) to actual costs in order to understand the variance from year to year.

Table 33: Budgeted vs. Actual Personnel Costs, FY2019-2025²¹

Year	Budgeted Personnel Costs ²²	Actual Personnel Costs	Variance (\$)	Variance (%)
2019	\$27,182,218	\$26,791,635	\$390,583	1.4%
2020	\$30,910,360	\$28,563,165	\$2,347,195	7.6%
2021	\$31,578,999	\$29,954,224	\$1,624,775	5.1%
2022	\$32,269,661	\$29,651,637	\$2,618,024	8.1%
2023	\$35,472,824	\$32,306,067	\$3,166,757	8.9%
2024	\$36,166,293	\$34,234,940	\$1,931,353	5.3%
2025	\$38,518,446	\$36,315,240	\$2,203,206	5.7%
Average			\$2,040,270	6.0%

The vacancy savings percentage estimate falls below historical experience; however, the amount is close to the historical average. The Town should exercise caution with this budgetary estimate going forward. Attrition data needs to be evaluated annually to see if staffing trends have changed and if so, adjust this estimate to remain conservative instead of in-line with actual experience. Reductions to the vacancy savings will *increase* the annual budget gap. In addition, part of the historical experience considers overtime and pension costs. While these costs are certainly related to personnel, they are not always linear in terms of impact. Overtime may spike due to service response needs and pension cost also factors in amortization of long-term liability based on market performance in addition to covered payroll.

Bargaining Units

Town staff fall within five different labor groups, with three groups governed by collective bargaining agreements or memorandums of understanding (MOUs). The MOUs indicate contractual salary increases over a set period of time. For purposes of the baseline forecast, Raftelis considered each of these labor groups individually and the associated historical trend for personnel costs. The current MOUs expire at the end of FY 2027. Details regarding salary assumptions for each of these labor groups are provided below.

2026 Personnel – Salary Budget without Vacancy Savings: \$25,381,471

2026 Personnel – Salary Budget with Vacancy Savings: \$23,182,932

Base Year Estimate: \$22,794,863

For the long-term forecast, Raftelis chose to rely on historical trend and not include a vacancy savings factor. The base estimate for 2026 considers the most recent actual personnel cost of \$21.8 million and assumed base increase of 4.5%.

²¹ Includes salary, overtime, other benefits, and CalPERS pension.

²² Does not include budgeted vacancy savings

Annual Change Assumptions: 3.9%, weighted average

The model assumes that the number of positions remains unchanged over the course of the model period.²³ Costs are projected forward based on the average annual salary increase by bargaining unit²⁴, the total number of positions per bargaining unit, and the average annual salary per position. All data was provided by Town staff. Based on these assumptions, salary costs are assumed to increase by an average of 3.9% per year.

The following table summarizes data used to create these assumptions.

Table 34: Salary Assumptions by Bargaining Group

Group	Average Salary Range Increase, Most Recent Three Years of Data	Total Authorized Positions, FY2026	Average Hourly Salary, FY2026
American Federation of State, County and Municipal Employees (AFSCME)	4.0%	14	\$47.93
Los Gatos Police Officers' Association	5.2%	39	\$81.72
Los Gatos Town Employees' Association	3.0%	56	\$58.40
Confidential	3.7%	13	\$57.25
Management	3.7%	32	\$96.56

Personnel Costs- Overtime

As mentioned previously, overtime costs can vary and are typically tied to overall trends in staffing. Often, overtime costs run higher when staffing levels are lower (higher vacancy rates). The Town's budget for overtime has consistently lagged actual expenditures as illustrated in the following table.

Table 35: Overtime Budgeted and Actual Expenditure History

Year	Actual Expenditures	Annual Percent Change	Adopted Budget
2019	\$707,046	N/A	\$387,204
2020	\$708,955	0.3%	\$477,890
2021	\$882,421	24.5%	\$424,560
2022	\$1,134,177	28.5%	\$472,270
2023	\$1,373,672	21.1%	\$604,678
2024	\$1,342,518	-2.3%	\$578,856
2025	\$1,333,709	-0.7%	\$599,171
Average		11.9%	

²³ The Excel model does include mechanisms to allow the user to project the cost of additional positions.

²⁴ Actual increases are used where negotiated agreements are available.

2026 Budget: \$657,310**Base Year Estimate: \$1,371,566**

Overtime costs grew significantly between 2021 and 2023. This is likely correlated with lower staffing levels after the pandemic. As staffing levels have stabilized, overtime costs have also remained more consistent at approximately \$1.3 million annually. Maintaining a historical trend-based methodology, the 2026 estimate for the General Fund forecast assumes an amount in line with recent experience.

Annual Change Assumptions: 1.0%

The project team analyzed trends in average overtime per authorized position in recent years to project future costs. Overtime per position has varied significantly over time, as illustrated below, but has decreased in recent years. The baseline model assumes no new positions are added; therefore, future overtime costs will be a factor of vacancy rates, changes in service level expectations (without corresponding funding), and the underlying base wage for overtime eligible positions. Because overall salary growth is projected to increase, a corresponding increase is expected for overtime. The projected growth is smaller than anticipated salary growth, assuming staffing levels remain consistent with recent experience and the actual amount of overtime hours incurred (overtime per person) continues to decline slightly.

Table 36: Historical Overtime Costs by Authorized Position

Year	Total Positions	Overtime Per Position	Annual Change
2019	148.99	\$4,746	N/A
2020	149.64	\$4,738	0%
2021	150.81	\$5,851	24%
2022	150.24	\$7,549	29%
2023	153.25	\$8,964	19%
2024	152.50	\$8,803	-2%
2025	152.50	\$8,746	-1%
Average			11.4%

Personnel Costs- CalPERS

Current and former Town employees participate in the state's public pension fund – CalPERS Plan participation varies depending on when employees entered the system and the nature of their employment (general or public safety). The Town relies on actuarial consultants to provide estimates for annual contributions. These estimates include multiple factors such as current Town payroll for covered employees (those eligible to participate), accrued pension liability resulting from pension assets underperforming relative to plan assumptions, and the expected benefit payment for each vested employee based on demographics and plan features.

Similar to other personnel cost drivers, the project team first assessed actual pension cost paid annually to understand underlying growth trends. This data along with actuarial estimates provided by Foster and Foster® informed assumptions for expected future pension costs. The following table illustrates actual CalPERS costs, as well as the average annual change.

Table 37: CalPERS Actual Expenditure History

Year	Actual Expenditures	Annual Percent Change
2019	\$5,282,681	N/A
2020	\$6,059,646	14.7%
2021	\$6,374,119	5.2%
2022	\$6,531,958	2.5%
2023	\$7,091,215	8.6%
2024	\$7,431,198	4.8%
2025	\$8,220,124	10.6%
Average		7.7%

2026 Budget: \$9,907,119

Base Year Estimate: \$9,114,430

The table below details how the 2026 base amount was determined relying on the actuarial estimates from the March 2025 Foster and Foster Report. Included in that report were estimates for covered payroll that support the model's 2026 base estimate for contributions.

Table 38: CalPERS Covered Payroll and Contribution by Group

Employee Group ²⁵	Employee Count	2025/26 Payroll	2025/26 Contribution ²⁶	FY2026 Base Estimate
Miscellaneous	114	\$15,215,000	30.0%	\$4,564,500
Safety	36	\$6,842,000	66.5%	\$4,549,930
Total	150	\$22,057,000	N/A	\$9,114,430

Annual Change Assumptions: 4.9% on average (varies by year)

The model projects annual covered payroll for Safety and miscellaneous employees based on the assumptions detailed in the salary section above. The Foster and Foster report projects the percentage of payroll contributions needed for both safety and miscellaneous employees over the next 10 years to cover normal cost and the unfunded accrued liability (UAL) payment. This percentage (50th percentile) is used to determine pension cost for the Town over the next ten years.

²⁵ Includes proportionate share of classic members utilizing final average contribution (FAC) of one year or three years as well as members who joined after the 2013 Public Employees' Retirement Reform Act (PEPRA).

²⁶ Includes normal cost and unfunded accrued liability (UAL) payment

It is important to note the baseline model does not consider changes to underlying pension assumptions, such as the discount rate used for market rate of return on assets. This type of change would be modeled as a scenario and may have a significant impact on the required contribution from the Town each year. To hedge against growing unfunded liability the Town has also established a pension trust, for which annual contributions are factored into the baseline model projection for the General Fund. Additional details can be found in that expenditure category section.

Figure 8: Foster and Foster Miscellaneous Employer Pension Contributions FY2026-2036

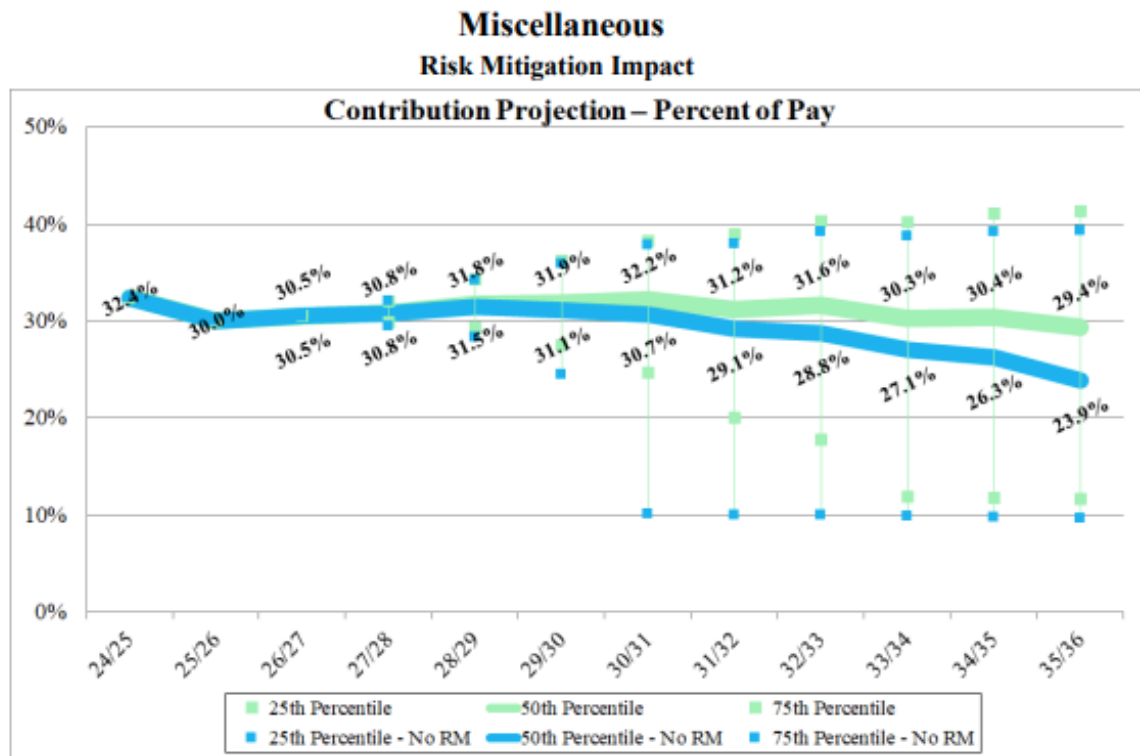
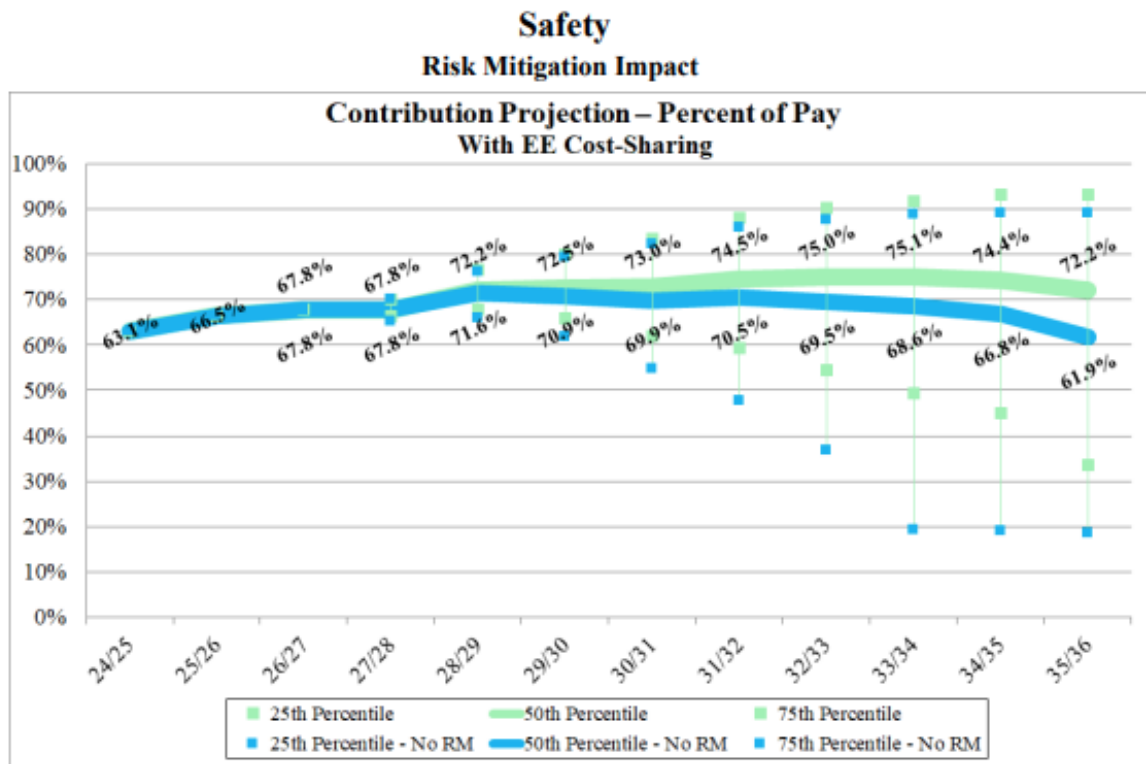


Figure 9: Foster and Foster Safety Employer Pension Contributions FY2026-2036

Personnel Costs- Other Benefits

The other benefits category encompasses costs primarily related to health insurance (including dental and vision) as well as other benefits such as disability and group life insurance. The Town is fully insured, paying a fixed premium to an insurance carrier to provide medical coverage for employees. The following table illustrates the category's historical actual costs, as well as the average annual change.

Table 39: Other Benefits Budgeted and Actual Expenditure History

Year	Actual Expenditures	Annual Percent Change
2019	\$3,578,363	N/A
2020	\$3,618,950	1.1%
2021	\$3,710,338	2.5%
2022	\$3,679,378	-0.8%
2023	\$3,829,826	4.1%
2024	\$4,274,670	11.6%
2025	\$4,948,141	15.8%
Average		5.7%

2026 Budget: \$6,265,770**Base Year Estimate: \$5,548,868**

Benefit costs were dormant through the pandemic years and then rebounded to above average increases, particularly within the past two years. The lower actual costs experienced in 2020 – 2022 are not anticipated in future years. Rather, it is expected that healthcare costs will settle into historic growth patterns of 6-8% employer cost increases annually. For this reason, the 2026 base estimate in the forecast is \$5.5 million, reflecting approximately a 12% increase from the 2025. This is base assumes a “catch up” from the deflated costs experienced previously and is below the Town’s 2026 budget. The growth in costs from this base estimate are not expected to increase as much as explained below.

Annual Change Assumptions: 6.6%

The project team looked at trends in healthcare costs from two industry experts, PricewaterhouseCoopers (PwC) and the National Association of Insurance Commissioners (NAIC), as well as the Town’s own experience with costs the past several years to develop the annual benefit cost projection of a 6.6% annual increase.

Table 40: Industry Healthcare Cost Trends

Year	PwC Annual Change in Group Plan Healthcare Costs	NAIC Annual Change in Insurance Premiums
2021	7.0%	Not available
2022	5.5%	5.5%
2023	8.0%	5.2%
2024	8.5%	4.9%
2025	8.5%	7.1%
Average	7.5%	5.7%

Personnel Costs- Other Post-Employment Benefits (OPEB)

The Town’s share of retiree medical expenses is categorized as OPEB. The Town is required to provide medical insurance for retirees who are not yet Medicare eligible. The underlying cost for this benefit is related to assumptions for healthcare cost increases (e.g., Other Benefits); however, the demographic composition is a higher age group that typically utilize medical benefits at a higher rate than the overall employee population. The historical trend data supports this, with Town-wide benefit costs growing at 5.7% on average the past seven years, while retiree’s share of healthcare costs grew at 8.2%. The following table illustrates the category’s historical actual costs, as well as the average annual change.

Table 41: OPEB Actual Expenditure History

Year	Actual Expenditures	Annual Percent Change
2019	\$1,181,579	N/A
2020	\$1,203,101	1.8%
2021	\$1,286,285	6.9%
2022	\$1,391,296	8.2%
2023	\$1,527,074	9.8%
2024	\$1,631,602	6.8%
2025	\$1,883,528	15.4%
Average		8.2%

2026 Budget: \$2,125,000

Base Year Estimate: \$2,125,000

The Town's 2026 budget aligns with growth in actual costs of approximately 8% from the most recent fiscal year.

Annual Change Assumptions: 7.7%

Similar to the underlying industry data support total benefit costs for the Town, the anticipated growth for this expenditure category uses a higher overall percentage to mirror the differences in demographics and the higher end of anticipated national healthcare cost increases anticipated by industry experts.

Non-Personnel Expenditures

The Town has multiple ongoing operating expenditures required to support service delivery that do not involve personnel. Actual expenditure trend history and underlying cost assumptions for the General Fund baseline model are detailed by category below. Unless otherwise noted, historical averages shown by department or a more granular expense type reflect the seven-year average consistent with the historical trend data provided.

Grants and Awards

The Town has historically set aside funds for grant and awards programs in the community. The amount has varied depending on the Town's financial position and community/economic factors. For example, grants increased significantly after pandemic, likely related to one-time funding from state and federal sources to support various community programs. The amount of grants awarded is an annual discretionary policy decision. As such, for the baseline forecast model, we relied on Town staff guidance of \$155,000 as the ongoing base amount of grants awarded annually with no anticipated increases over the ten year period.

Materials and Supplies

Police, Parks and Public Works, and Library comprise 88% of total materials and supplies expenditures for the Town. The following table illustrates the category's historical cost, as well as the average annual change. Amount have been adjusted to remove one-time anomalies.

Table 42: Materials and Supplies Actual Expenditure History

Year	Actual Expenditures	Annual Percent Change
2019	\$506,425	N/A
2020	\$954,191	88.4%
2021	\$986,060	3.3%
2022	\$976,524	-1.0%
2023	\$1,004,047	2.8%
2024	\$1,336,078	33.1%
2025	\$1,205,674	-9.8%
Average		19.5%

2026 Budget: \$1,341,030

Base Year Estimate: \$1,101,676

In FY2024 the Town increased the base budget to \$1.3 million, which is slightly higher than recent trends for the past three years. The model assumes an initial base estimate of \$1.1 million, which is the five-year historical expenditure average since 2021.

Annual Change Assumptions: 7.4% (weighted average)

The types of materials and supplies purchased vary from department to department, so the project team used expenditure history by department to estimate future trends. As stated previously, three departments drive the majority of underlying cost for this category. The remaining departments make up a smaller share of costs with actual expenses varying from year to year. For those departments, expenditures are assumed to remain flat throughout the model period (e.g., existing allocation of base budget is sufficient to cover these departments collectively).

The following table illustrates historical and assumed annual expenditure change by department. A three-year (post pandemic) average growth rate was used to inform the future costs.

Table 43: Materials and Supplies Expenditure Assumptions by Department

Department	Average Portion of Expenditures	Three Year Average Annual Change	Assumed Annual Change
Police	41.9%	12.8%	10.0%
Parks and Public Works	29.2%	10.1%	7.0%
Library	16.9%	3.0%	2.0%
All Other	12.0%	-15.4%	0.0%

Utilities

The Town pays a variety of utilities including water, electricity, and telecommunications. The following table illustrates actual utilities costs, as well as the average annual change.

Table 44: Utilities Actual Expenditure History

Year	Actual Expenditures	Annual Percent Change
2019	\$451,146	N/A
2020	\$540,966	19.9%
2021	\$572,195	5.8%
2022	\$560,096	-2.1%
2023	\$636,764	13.7%
2024	\$723,753	13.7%
2025	\$829,296	14.6%
Average		10.9%

2026 Budget: \$721,546

Base Year Estimate: \$900,000

Actual utilities costs since the pandemic have increased by 14%, exceeding budget estimates in FY2023-25. For the model, an initial 2026 base estimate of \$900,000 is used. This is based on the recent three year growth trajectory.

Annual Change Assumptions: 10.6% (weighted average)

Costs were estimated by utility type, based on past history. Utilities with a minimal impact on overall cost and volatile changes year-over-year are assumed to be flat. The following table illustrates assumed annual expenditure change by utility.

Table 45: Utility Expenditure Assumptions by Type

Utility	Average Portion of Expenditures	Average Annual Change	Assumed Percent of Cost ²⁷	Assumed Annual Change
Electric	6.4%	11.4%	7.0%	12.0%
Water	50.6%	11.9%	51.6%	12.0%
St Lite / Signals Energy	31.1%	9.4%	30.9%	9.0%
911 Communications Line	5.2%	14.8%	5.3%	10.0%
Telephone	3.3%	11.7%	3.3%	8.0%
Mobile/Cell Phones	2.2%	3.2%	1.0%	1.0%
Communications Data Lines	0.3%	-39.2%	0.2%	0.0%
Cable	0.8%	2.9%	0.7%	0.0%

Purchased Services

Purchased services include contracts and third-party technical/advisory support services for the Town. Amounts can vary significantly by department, however, Police, Parks and Public Works, and Community Development account for almost two-thirds of costs, with the remaining share coming from administrative functions (including non-departmental). The table below provides historical expenditure trends.

Table 46: Purchased Services Actual Expenditure History

Year	Actual Expenditures	Annual Percent Change
2019	\$3,518,231	N/A
2020	\$3,408,461	-3.1%
2021	\$2,899,476	-14.9%
2022	\$3,308,630	14.1%
2023	\$2,795,440	-15.5%
2024	\$3,453,697	23.5%
2025	\$3,063,557	-11.3%
Average		-1.2%

2026 Budget: \$3,752,045

Base Year Estimate: \$3,206,785

Actual purchased services costs have generally come in lower than budget. The model assumes a 2026 base estimate of \$3.2 million, which is consistent with the historical average for expenditures over the past seven years.

²⁷ Based on most recent 2025 portion of actual cost.

Annual Change Assumptions: 4.6% (weighted average)

Costs were estimated by department, based on past history. Departments with volatile past change that are relatively small relative to total cost incurred are assumed to be flat. The following table illustrates assumed annual expenditure change by Department.

Table 47: Purchased Services Expenditure Assumptions by Department

Department	Average Portion of Expenditures	Average Annual Change	Assumed Percent of Cost ²⁸	Assumed Annual Change
Council	0.1%	55.1%	0.2%	0.0%
Attorney	5.1%	152.5%	16.2%	10.0%
Administrative Services	8.0%	14.8%	8.1%	5.0%
Community Development	17.1%	1.6%	17.0%	2.0%
Police	20.5%	18.8%	17.5%	10.0%
Parks and Public Works	19.7%	3.3%	19.4%	2.0%
Library	2.9%	7.8%	4.2%	2.0%
Non-Departmental	26.7%	-12.5%	17.5%	0.0%

Other Operating Expenditures

The final non-personnel operating expenditure category includes all operating expenditures that do not fall into another category. Examples include plan check fees, traffic signalization costs, and tax administration fees. The following table illustrates actual costs, as well as the average annual change.

Table 48: Other Operating Costs Budgeted and Actual Expenditure History

Year	Actual Expenditures	Annual Percent Change
2019	\$2,732,835	N/A
2020	\$2,363,715	-13.5%
2021	\$2,656,065	12.4%
2022	\$2,826,600	6.4%
2023	\$2,898,164	2.5%
2024	\$3,177,868	9.7%
2025	\$3,907,189	23.0%
Average		6.7%

²⁸ Based on most recent 2025 portion of actual cost.

2026 Budget: \$3,367,687

Base Year Estimate: \$4,170,370

Actual expenditures increased significantly in 2024 and 2025. The base year estimate assumes this pattern continues with a 6.7% increase from 2025 actual.

Annual Change Assumptions: 6.7%

Based on the average annual change.

Internal Services Charges

The Town relies on internal service funds (ISF) for Town-wide insurance including general liability and workers compensation, as well as facility, Fleet/equipment replacement, and IT services. Each of these funds incur operating costs, including ongoing maintenance, repair, and small capital asset replacement. In some cases, they may also receive external revenue sources that support operating costs. The baseline model first calculates estimated operating costs including ongoing maintenance, repair, and replacement for each ISF, then applies any outside revenue sources, before determining the net “charge” required to be allocated to departments to fully recover operational cost. As a result, the General Fund model internal service charge category reflects this aggregate net “charge” to all General Fund departments. The following sections detail assumptions for each internal service fund.

Liability Self-Insurance Fund

The underlying cost of this fund reflects general liability insurance premiums, which are influenced by the Town’s claims experience and insurance industry cost trends. The following table illustrates historical operating expenditures for the fund, as well as the average annual change. The fund does not consistently receive external revenue to support operating costs.

Table 49: Liability Self-Insurance Fund Actual Expenditure History

Year	Actual Expenditures	Annual Percent Change
2019	\$338,617	N/A
2020	\$400,823	18.4%
2021	\$646,495	61.3%
2022	\$583,924	-9.7%
2023	\$988,486	69.3%
2024	\$1,131,184	14.4%
2025	\$1,320,458	16.7%
Average		28.4%

2026 Charges for Service Budget: \$1,825,348**Base Year Estimate: \$1,622,241**

Actual costs spiked beginning in 2023 through 2025. The Town recently moved to a new JPA that is expected to yield some cost savings in future years. The 2026 base estimate reflects historical cost with anticipated growth of 22% from 2025 actual.

Annual Change Assumptions: 7.0%, on average

With the recent shift to a new JPA, the annual growth in insurance costs are expected to slow from recent historical averages. Costs are still projected to increase each year at a rate greater than inflation given insurance industry trends. This assumption will need to be closely monitored as the Town receives future premium and claims data under the new JPA.

Workers' Compensation Self-Insurance Fund

The underlying cost of this fund reflects workers compensation claims activity. The following table illustrates historical operating expenditures for the fund, as well as the average annual change.

Table 50: Workers' Compensation Self-Insurance Fund Actual Revenue and Expenditure History

Year	Actual Operating Expenditures	Annual Percent Change	Actual External Revenues	Annual Percent Change
2019	\$1,270,628	N/A	412,720	N/A
2020	\$1,525,589	20.1%	526,552	27.6%
2021	\$1,381,049	-9.5%	327,768	-37.8%
2022	\$1,533,045	11.0%	258,474	-21.1%
2023	\$1,913,144	24.8%	163,755	-36.6%
2024	\$1,332,697	-30.3%	392,310	139.6%
2025	\$1,131,566	-15.1%	330,788	-15.7%
Average		0.2%		9.3%

2026 Charges for Service Budget: \$1,901,696**Base Year Estimate: \$1,650,000**

Recently, workers compensation costs have declined from the 2023 peak of \$1.9 million. With the difficulty predicting claims activity, some contingency or fund balance within the ISF is desired as a way to smooth incremental cost increases over time. The 2026 base estimate includes the historical average cost of \$1.4 million with a \$250,000 contingency.

Annual Change Assumptions: 2.3%, on average

The model projects Workers' Compensation Self-Insurance Fund costs using a general inflationary factor of 2%. Year-to-year costs have varied significantly. With some contingency built into the base estimate, ongoing growth assumptions are smoothed to consider inflation given the average historical experience has been relatively flat.

Facilities Maintenance Internal Service Fund

The facilities maintenance funds provides funding for the upkeep and maintenance of Town facilities. The following table illustrates actual operating expenditures, as well as the average annual change and external revenue sources (outside of charges to General Fund departments) that support facilities maintenance operating needs.

Table 51: Facilities Maintenance Fund Budgeted and Actual Contribution History

Year	Actual Operating Expenditures	Annual Percent Change	Actual External Revenues	Annual Percent Change
2019	\$968,550	N/A	\$904,548	N/A
2020	\$1,002,775	3.5%	\$233,302	-74.2%
2021	\$1,063,763	6.1%	\$333,649	43.0%
2022	\$1,217,971	14.5%	\$1,115,005	234.2%
2023	\$1,298,219	6.6%	\$394,952	-64.6%
2024	\$1,330,691	2.5%	\$490,512	24.2%
2025	\$1,418,481	6.6%	\$245,818	-49.9%
Average		6.6%		18.8%

2026 Charges for Service Budget: \$1,175,983 (net of external revenue)

Base Year Estimate: \$1,175,983

The Town has consistently charged the General Fund departments 100% of underlying operating expenditures. The 2026 base maintains the original adopted budget of \$1.2 million, which is reflective of actual operating expenditures less external revenue sources.

Annual Change Assumptions: 7.2%, on average

The model projects Facilities Maintenance Fund costs by category, based on past history and consistent with underlying assumptions for General Fund costs for the same non-personnel expenditure categories. The expected charge is offset by approximately \$340,000 in revenue, which does not include a growth factor over the ten years. The following table summarizes expenditure assumptions by category.

Table 52: Facilities Maintenance Fund Model Assumptions

Expenditure Category	FY2025 Actual Expenditures	Annual Change Assumed for Model
Materials and Supplies	\$404,096	3.5%
Utilities	\$817,793	8.0%
Purchased Services	\$158,481	2.0%
Other Operating Expenditures	\$58,836	6.1%

Information Technology (IT) Internal Service Fund

The IT ISF supports Town-wide application support and maintenance contracts, along with equipment (hardware) replacement cycles. The following table illustrates actual operating expenditures, as well as the average annual change.

Table 53: IT Internal Service Fund Actual Expenditure History

Year	Actual Expenditures	Annual Percent Change
2019	\$566,952	N/A
2020	\$796,071	40.4%
2021	\$668,473	-16.0%
2022	\$877,789	31.3%
2023	\$538,282	-38.7%
2024	\$731,789	35.9%
2025	\$887,063	21.2%
Average		12.4%

2026 Charges for Service Budget: \$954,554

Base Year Estimate: \$1,067,101

Base year estimates for the IT ISF charges for services do not include any assumption for external revenue sources. In addition, the 2026 base estimate is reflective of the anticipated maintenance and replacement schedule provided by Town staff, not historical spending. This schedule reflects the true cost to maintain the IT infrastructure the Town has in place to support current service levels.

Annual Change Assumptions: 3.0%, on average

The Town provided an inventory of existing technology assets and planned replacement schedules, and the project team used this data to project annual technology replacement needs over the 10-year model period. The model projects that actual technology costs will be between approximately \$1.1 and \$1.5 million per year over the next 10 years. These figures are smoothed out over the model period to allow for a more predictable annual contribution. Contribution amounts are assumed to increase by 3% each year based on inflation and higher replacement costs over time.

The following table illustrates estimated actual technology needs by year. It is based on existing technology and does not assume any expansion of technology use.

Table 54: Estimated Technology Replacement Needs per Year, FY2026-2036

Year	Town Estimate of Maintenance and Replacement Needs	Smoothed Estimate for Forecast ²⁹
2026	\$1,251,845	\$1,042,067
2027	\$1,420,894	\$1,101,297
2028	\$1,105,082	\$1,134,336
2029	\$1,157,701	\$1,168,366
2030	\$1,206,837	\$1,203,417
2031	\$1,138,311	\$1,239,520
2032	\$1,508,759	\$1,276,705
2033	\$1,214,200	\$1,315,007
2034	\$1,190,731	\$1,354,457
2035	\$1,196,769	\$1,395,091
2036	\$1,276,077	\$1,436,943
Average	\$1,242,473	N/A

Equipment Replacement Internal Service Fund

The Equipment Replacement ISF supports maintenance and replacement of vehicles and other large equipment used by various Town departments. The following table illustrates historical operating expenditures, as well as the average annual change. Since the fund supports vehicle and equipment replacement (capital costs), there is greater variation in funds expended annually. This may be due to market conditions delaying the purchasing and receipt of new vehicles, which was common immediately after the pandemic. The fund also relies more heavily on fund balance to support catch-up or timing of replacement.

²⁹ Includes 3% annual inflationary increase

Table 55: Equipment Replacement Fund Actual Expenditure History

Year	Actual Expenditures	Annual Percent Change	Actual Revenues	Annual Percent Change
2019	\$601,961	N/A	\$22,492	N/A
2020	\$540,036	-10.3%	\$36,987	64.4%
2021	\$248,302	-54.0%	\$59,852	61.8%
2022	\$157,761	-36.5%	\$48,484	-19.0%
2023	\$526,960	234.0%	\$78,916	62.8%
2024	\$187,323	-64.5%	\$33,418	-57.7%
2025	\$563,192	200.7%	\$43,409	29.9%
Average		44.9%		23.7%

2026 Charges for Service Budget: \$1,167,544**Base Year Estimate: \$1,026,554**

Base year estimates for the Equipment Replacement ISF charges for services includes a small assumption of \$40,000 in external revenue to offset General Fund charges for services. This external revenue is typically generated by sale proceeds from auction on obsolete vehicles that have exceeded their useful life. In addition, the 2026 base estimate is reflective of the anticipated maintenance and replacement schedule provided by Town staff, not historical spending. This schedule reflects the ongoing cost required to replace the Town's current vehicle and equipment asset inventory.

Annual Change Assumptions: 3.0%, on average

The Town provided an inventory of equipment and planned replacement schedules, and the project team used this to project annual vehicle and equipment replacement needs over the 10-year model period. The Town replacement schedule projects that actual equipment costs will be between approximately \$215,000 and \$2.4 million per year over the next 10 years. These figures are smoothed out over the model period to allow for a more predictable annual contribution. Contribution amounts are assumed to increase by 3% each year.

The following table illustrates estimated actual equipment needs by year. It is based on existing equipment and does not assume any expansion for increased service levels.

Table 56: Estimated Equipment Replacement Needs per Year, FY2026-2036

Year	Town Estimate of Maintenance and Replacement Needs	Smoothed Estimate for Forecast ³⁰
2026	\$584,890	\$1,000,000
2027	\$2,387,730	\$1,089,741
2028	\$2,014,115	\$1,122,433
2029	\$214,275	\$1,156,106
2030	\$1,029,654	\$1,190,789
2031	\$837,932	\$1,226,513
2032	\$532,015	\$1,263,308
2033	\$1,079,139	\$1,301,207
2034	\$1,414,414	\$1,340,244
2035	\$2,162,045	\$1,380,451
2036	\$1,403,991	\$1,421,864
Average	\$1,241,836	N/A

Debt Service

The following table illustrates historical debt service, as well as the average annual change and the average annual variance between budgeted and actual.

Table 57: Debt Service Budgeted and Actual Expenditure History

Year	Actual Expenditures	Annual Percent Change
2019	\$1,909,073	N/A
2020	\$1,905,024	-0.2%
2021	\$1,960,505	2.9%
2022	\$2,055,884	4.9%
2023	\$2,049,747	-0.3%
2024	\$2,119,919	3.4%
2025	\$2,108,681	-0.5%
Average		1.7%

³⁰ Includes 3% annual inflationary increase

2026 Budget: \$2,057,884**Base Year Estimate: \$2,057,884**

It is assumed that actual debt service expenditures will match the Town's adopted debt service schedule, as provided by Town staff.

Annual Change Assumptions: Varies

Debt service payments are based on debt service schedules provided by the Town. No additional debt is assumed during the model period.

Transfers Out**Pension Trust Transfers**

The Town transfers General Fund balance to a pension trust each year as a policy directive to accumulate reserves and investment earnings that can be used to offset the anticipated growth in unfunded pension liability over time. Similar to Town grants, the amount funded to the Pension Trust is an annual discretionary policy decision. For the baseline forecast, the model assumes \$390,000 is transferred annually from the General Fund.

Capital Transfers Out

For purposes of a baseline model forecast, transfers from the General Fund to support capital investment should only consider tier one funding, which is the required maintenance, repair, and replacement cost for existing assets used to provide services. If the Town has historically underfunded asset maintenance needs, this would not be reflected in the underlying baseline assumption. Rather, a scenario-based analysis could be used that incorporates higher funding levels to address deferred maintenance needs in a way that positions the Town to achieve desired replacement cycles for future years. The same scenario-based assumption is true for new capital projects tied to potential development or projects desired by Town Council.

The table below shows the history of capital expenditure, non-transfer revenue, and General Fund revenue (transfers in).

Table 58: Capital Improvement Projects Sources and Uses History

Year	Actual Capital Expenditures	Non-Transfer Revenue Sources	General Fund Transfer
2019	\$9,521,126	\$6,162,615	\$2,335,220
2020	\$8,477,293	\$13,382,084	\$6,982,591
2021	\$6,398,953	\$5,622,634	\$3,401,479
2022	\$18,257,900	\$18,196,039	\$1,750,001
2023	\$10,617,693	\$18,098,143	\$3,006,978
2024	\$13,375,941	\$11,406,579	\$1,615,000
2025	\$16,525,663	\$14,029,724	\$1,110,000
Average	\$11,882,081	\$12,413,974	\$2,885,896

The General Fund baseline model only considers pay-go cash sourced from the General Fund operating budget needed to support tier one capital needs after considering any external sources of designated revenue used for capital purposes. The model does not assume any new debt is issued to support ongoing tier one capital needs.

Base Year Estimate: \$1,000,000

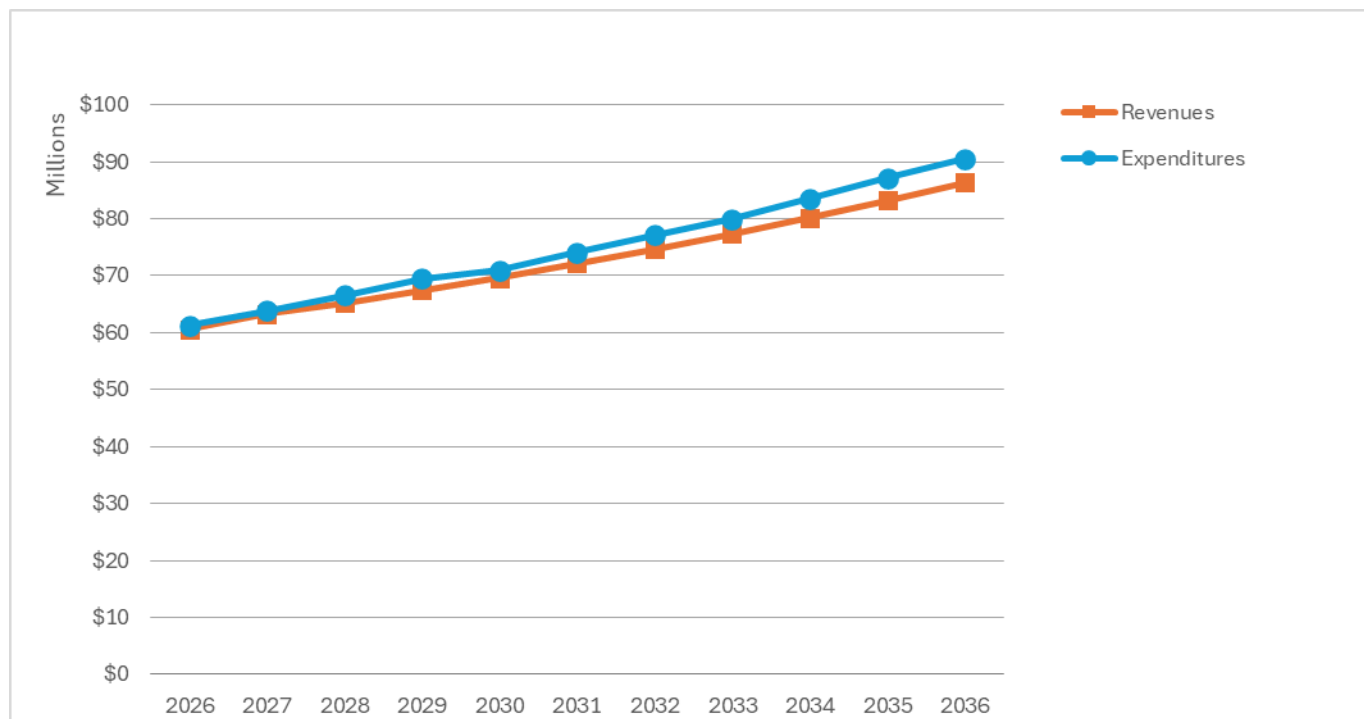
Ultimately, General Fund cash to support capital investment is a policy decision. Given the history of total capital expenditures and other capital revenue sources, the model assumes a conservative \$1 million is transferred annually only to support tier one project needs. Additional capital investment is required but will be modeled as scenarios within the ALM study components of the project.

There are potential options to mitigate the impact of these capital needs on the General Fund. The Town's capital funds have an estimated FY2026 beginning fund balance of \$17.3 million, per the Town's FY2026 budget book, and the strategic use of fund balance could minimize the need for General Fund transfers. The Town also has the option of incurring additional debt to finance capital project. No new debt is assumed in projections, but the Excel model allows users to project the impact of additional bond financing.

Financial Outlook

The following figure summarizes the projected revenues and expenditures under the baseline scenario.³¹

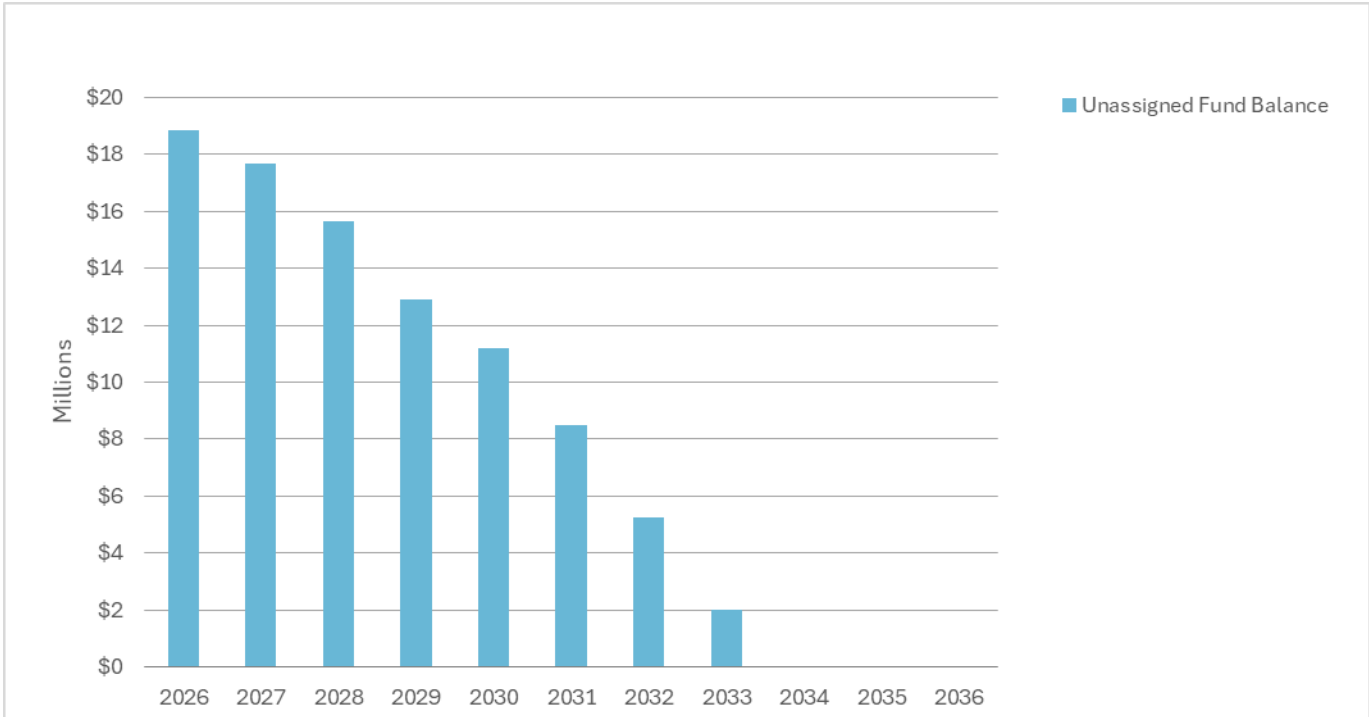
Figure 10: Los Gatos Base Scenario General Fund Revenue and Expenditure Projections



The model shows a gap between estimated revenues and expenditures that is projected to increase over time based on underlying assumptions for each of the model forecast categories detailed in this memo. Under these forecast assumptions the Town would deplete its unassigned General Fund balance by approximately 2034, as illustrated in the following figure.

³¹ Any fund balance remaining beyond the minimum fund balance established by Town policy- the policy requires a minimum General Fund balance of 25% of annual expenditures

Figure 11: Los Gatos Base Scenario General Fund Unassigned Fund Balance Projections



It is again important to reiterate that these projections are based on a number of assumptions, and actual costs will vary significantly based on policy and operational decisions as well as external factors like the economy. The Excel model provided to staff as part of this project allows users to evaluate the potential impact of different scenarios.

The tables below show the estimated revenues, expenditures, and impact on fund balance in greater detail.

Table 59: Detailed General Fund Revenue Projections, FY2026-2036, in Millions

Category	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Property Tax	\$21.5	\$23.1	\$24.4	\$25.7	\$27.2	\$28.7	\$30.4	\$32.1	\$33.9	\$35.8	\$37.8
VLF Backfill	\$5.6	\$5.9	\$6.2	\$6.5	\$6.9	\$7.2	\$7.6	\$8.0	\$8.5	\$8.9	\$9.4
Sales and Use Tax (non-Measure G)	\$7.8	\$7.9	\$8.1	\$8.3	\$8.4	\$8.6	\$8.8	\$9.0	\$9.1	\$9.3	\$9.5
Sales and Use Tax (Measure G)	\$1.3	\$1.4	\$1.4	\$1.4	\$1.4	\$1.5	\$1.5	\$1.5	\$1.6	\$1.6	\$1.6
Licenses & Permits	\$6.3	\$6.3	\$6.4	\$6.4	\$6.4	\$6.5	\$6.5	\$6.5	\$6.5	\$6.6	\$6.6
Town Services	\$5.7	\$5.9	\$6.1	\$6.3	\$6.5	\$6.7	\$6.9	\$7.1	\$7.3	\$7.5	\$7.7
Business License Tax	\$2.5	\$2.5	\$2.5	\$2.6	\$2.6	\$2.7	\$2.7	\$2.7	\$2.8	\$2.8	\$2.9
Transient Occupancy Tax	\$2.4	\$2.5	\$2.6	\$2.6	\$2.7	\$2.8	\$2.9	\$3.0	\$3.1	\$3.2	\$3.3
Intergovernmental	\$1.3	\$1.3	\$1.3	\$1.3	\$1.3	\$1.3	\$1.3	\$1.3	\$1.3	\$1.3	\$1.3
Franchise Fees	\$1.0	\$1.1	\$1.1	\$1.1	\$1.1	\$1.1	\$1.2	\$1.2	\$1.2	\$1.2	\$1.2
Fines & Forfeitures	\$0.4	\$0.4	\$0.4	\$0.5	\$0.5	\$0.5	\$0.5	\$0.5	\$0.5	\$0.5	\$0.5
Transfers In	\$0.3	\$0.3	\$0.3	\$0.3	\$0.3	\$0.3	\$0.3	\$0.3	\$0.3	\$0.3	\$0.3
Interest	\$1.6	\$1.6	\$1.2	\$1.2	\$1.0	\$1.0	\$0.8	\$0.8	\$0.7	\$0.7	\$0.7
Other Sources	\$2.8	\$2.8	\$2.8	\$2.8	\$2.8	\$2.8	\$2.8	\$2.8	\$2.8	\$2.8	\$2.8
Total Revenues	\$60.5	\$63.0	\$64.8	\$67.0	\$69.2	\$71.6	\$74.1	\$76.8	\$79.5	\$82.5	\$85.7
Percent Change	N/A	4.0%	2.9%	3.5%	3.2%	3.6%	3.4%	3.7%	3.6%	3.8%	3.8%

Table 60: Detailed General Fund Expenditure Projections, FY2026-2036, in Millions

Category	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Operating Expenditures											
Salary	\$22.8	\$23.6	\$24.5	\$25.5	\$26.5	\$27.6	\$28.6	\$29.8	\$31.0	\$32.2	\$33.5
Overtime	\$1.4	\$1.4	\$1.4	\$1.4	\$1.4	\$1.4	\$1.5	\$1.5	\$1.5	\$1.5	\$1.5
CalPERS	\$9.1	\$9.7	\$10.1	\$11.1	\$11.7	\$12.3	\$12.8	\$13.5	\$13.9	\$14.5	\$14.7
OPEB	\$2.1	\$2.3	\$2.5	\$2.7	\$2.9	\$3.1	\$3.3	\$3.6	\$3.9	\$4.2	\$4.5
Other Benefits	\$5.5	\$5.9	\$6.3	\$6.7	\$7.2	\$7.6	\$8.1	\$8.7	\$9.2	\$9.9	\$10.5
Materials and Supplies	\$1.1	\$1.2	\$1.3	\$1.4	\$1.5	\$1.6	\$1.7	\$1.8	\$1.9	\$2.1	\$2.2
Internal Service Charges	\$6.5	\$7.0	\$7.2	\$7.5	\$7.7	\$7.9	\$8.2	\$8.4	\$8.7	\$8.9	\$9.2
Grants and Awards	\$0.2	\$0.2	\$0.2	\$0.2	\$0.2	\$0.2	\$0.2	\$0.2	\$0.2	\$0.2	\$0.2
Utilities	\$0.9	\$1.0	\$1.1	\$1.2	\$1.3	\$1.5	\$1.6	\$1.8	\$2.0	\$2.2	\$2.5
Debt Service	\$2.1	\$2.1	\$2.1	\$2.1	\$0.8	\$0.8	\$0.7	\$0.0	\$0.0	\$0.0	\$0.0
Purchased Services	\$3.2	\$3.4	\$3.5	\$3.7	\$3.8	\$4.0	\$4.2	\$4.4	\$4.6	\$4.8	\$5.0
Other Operating Expenditures	\$4.2	\$4.5	\$4.8	\$5.1	\$5.4	\$5.8	\$6.2	\$6.6	\$7.0	\$7.5	\$8.0
Total Operating Expenditures	\$59.1	\$62.0	\$64.9	\$68.4	\$70.3	\$73.8	\$77.1	\$80.3	\$83.9	\$87.9	\$91.8
Transfers Out											
New Capital	\$1.0	\$1.0	\$1.0	\$1.0	\$1.0	\$1.0	\$1.0	\$1.0	\$1.0	\$1.0	\$1.0
Other	\$0.4	\$0.4	\$0.4	\$0.4	\$0.4	\$0.4	\$0.4	\$0.4	\$0.4	\$0.4	\$0.4
Total Transfers Out	\$1.4	\$1.4	\$1.4	\$1.4	\$1.4	\$1.4	\$1.4	\$1.4	\$1.4	\$1.4	\$1.4
Total Expenditures	\$60.5	\$63.4	\$66.3	\$69.8	\$71.7	\$75.2	\$78.5	\$81.7	\$85.3	\$89.3	\$93.1
Percent Change	N/A	4.9%	4.5%	5.3%	2.7%	4.8%	4.4%	4.0%	4.4%	4.7%	4.3%

Table 61: Total General Fund Balance Projections, FY2026-2036, in Millions

Category	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Total Revenues	\$60.5	\$63.0	\$64.8	\$67.0	\$69.2	\$71.6	\$74.1	\$76.8	\$79.5	\$82.5	\$85.7
Total Expenditures	\$60.5	\$63.4	\$66.3	\$69.8	\$71.7	\$75.2	\$78.5	\$81.7	\$85.3	\$89.3	\$93.1
Net Fund Balance Change	\$0.1	(\$0.5)	(\$1.5)	(\$2.8)	(\$2.6)	(\$3.5)	(\$4.4)	(\$4.9)	(\$5.8)	(\$6.8)	(\$7.5)
Total Fund Balance	\$34.9	\$34.4	\$32.9	\$30.1	\$27.6	\$24.0	\$19.6	\$14.8	\$9.0	\$2.2	(\$5.2)
Total Unassigned Fund Balance	\$18.9	\$17.7	\$15.7	\$12.9	\$11.2	\$8.5	\$5.2	\$2.0	\$0.0	\$0.0	\$0.0

Sensitivity Analysis

The baseline financial forecast relies on a number of assumptions, as detailed in the previous sections. Actual revenues and expenditures in future years will vary based on policy decisions made by the Town Council and external trends like the strength of the economy and the pace of growth and development,

The model provided to the Town allows users to project the impact of potential internal and external changes on the Town's estimated fund balance. These projections can be compared against the base scenario to understand the possible impact of these changes. The Town can use these comparisons to evaluate the potential impact of policy decisions as well as to better understand the potential risks and opportunities created by changing population levels and economic conditions.

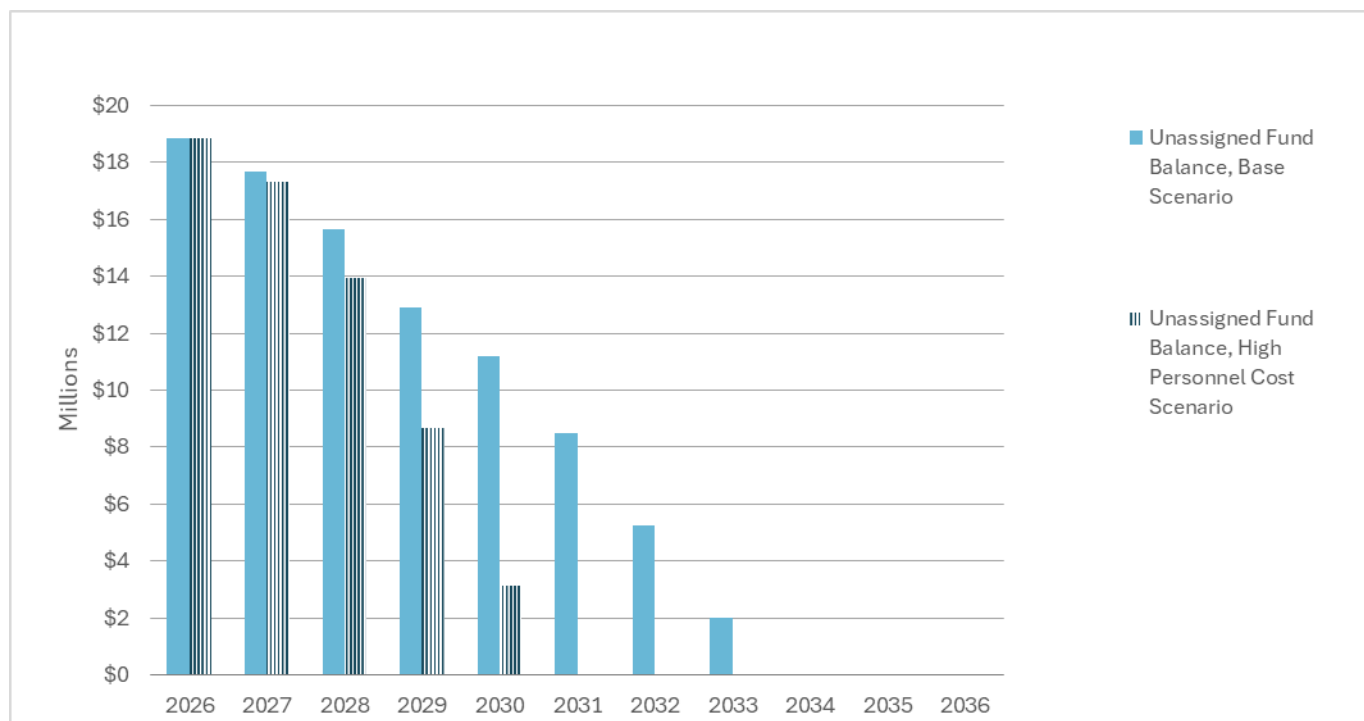
The following sections briefly compare the base scenario to potential alternative scenarios to illustrate how different assumptions can impact model forecasts.

Potential Scenario: Staffing Costs Increase More Rapidly

Staffing costs accounted for approximately 63% of General Fund operating costs between FY2019 and FY2025. Personnel are the largest operating cost driver, so salary and benefits trends will have a significant impact on the Town's future financial condition. To understand the potential risk created by higher staffing costs, the team projected a high staffing cost scenario with the following assumptions:

- A 6% annual increase in salary costs, compared to approximately 4% in the base scenario
- A 5% annual increase in overtime costs, compared to approximately 1% in the base scenario
- An 8% annual increase in OPEB costs, compared to approximately 5% in the base scenario
- A 10% increase in healthcare costs, compared to approximately 7% in the base scenario

Based on these assumptions, with higher staffing costs the Town would deplete its unassigned General Fund balance by 2031, three years earlier than the base scenario. The forecasted impact of these higher costs is illustrated in the figure below.

Figure 12: Los Gatos Base Scenario General Fund Higher Salary Cost Sensitivity Analysis

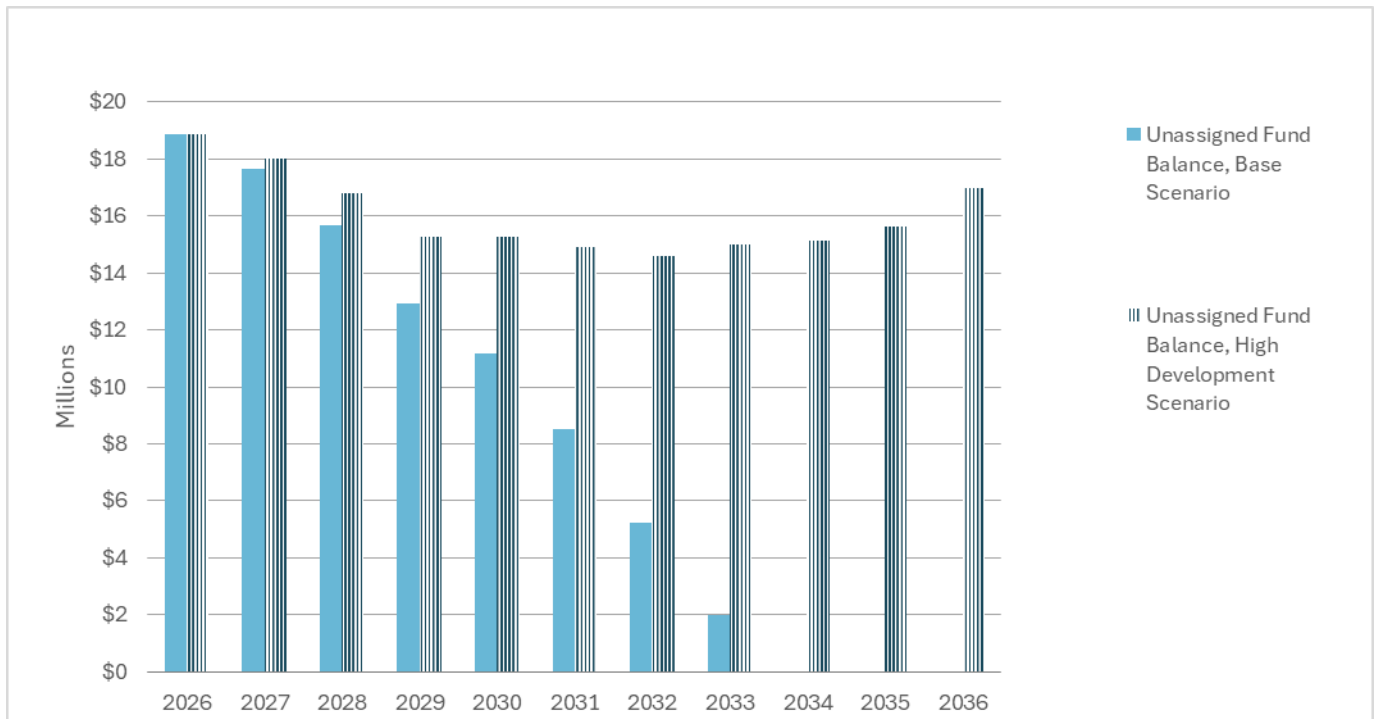
Potential Scenario: The Town Develops More Rapidly

The base scenario is relatively conservative in its projections of the Town's future development, as discussed in previous sections. However, the Town could develop more rapidly than the baseline model projects, which would have a significant impact on the Town's revenue.

To understand the potential for increased revenue generation with more development, the team projected a scenario with the following assumptions:

- A 10% annual increase in new construction valuation, compared to keeping growth flat in the base scenario
- A 15% annual increase in change of ownership valuation, compared to approximately 4% in the base scenario
- A 6% annual increase in other valuation, compared to approximately 5% in the base scenario
- A 5% increase in Town development fee revenue, compared to approximately 2% in the base scenario
- A proportionate increase in annual VLF revenue

Based on these assumptions, with more property tax and VLF revenue the Town would be able to maintain a significant unassigned fund balance over the course of the model period. The forecasted impact of this increased revenue is illustrated in the figure below.

Figure 13: Los Gatos Base Scenario General Fund High Development Sensitivity Analysis

These variations illustrate the impact of both external trends and internal decision making on the Town's financial outlook. Although favorable economic trends have the potential to significantly improve the Town's outlook, it is still important for the Town to proactively prepare for the risk of financial downturn and of increased operating costs.

Conclusion

The Town of Los Gatos is to be commended for its commitment to long-term thinking and proactive planning for its financial future. The forecasts detailed in this report are the result of extensive analysis using the best available data in order to develop the most reasonable and defensible projections for the Town's financial forecast under current conditions. However, as the Sensitivity Analysis section of this report illustrates, the Town's policy decisions and external trends can have a significant impact on the Town's financial future.

The model provided to the Town as part of this project is a tool that allows users to project the Town's finances under a variety of circumstances. The next step for the Town should be to continue to compare the base scenario projection to various additional scenarios to gain more insight into risk areas as well as opportunities to increase revenue or operate more efficiently. The model is also designed to be updated annually as new financial information becomes available, allowing it to be used in future years.



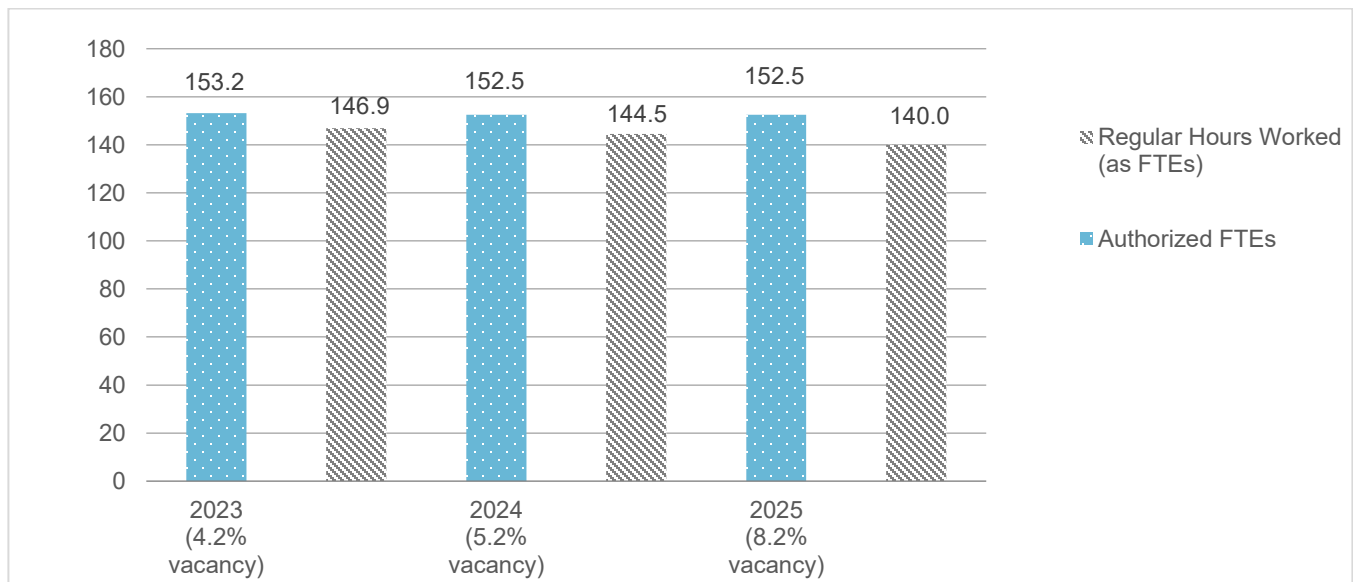
APPENDIX A: Staff Hours Analysis

Staff Hours Analysis by Employee Type and Department

Full-Time Benefitted Employees

In 2025, Los Gatos full-time benefitted staff³² worked a total of 291,178 regular hours³³, the equivalent of approximately 140.0 FTEs. In comparison, the Town had 152.5 full-time benefitted authorized FTEs in 2025, which means the Town's full-time benefitted vacancy rate in 2026 was approximately 12.5 FTEs, or 8.2% of authorized positions. The following figure compares authorized full-time benefitted positions for 2023 through 2025.

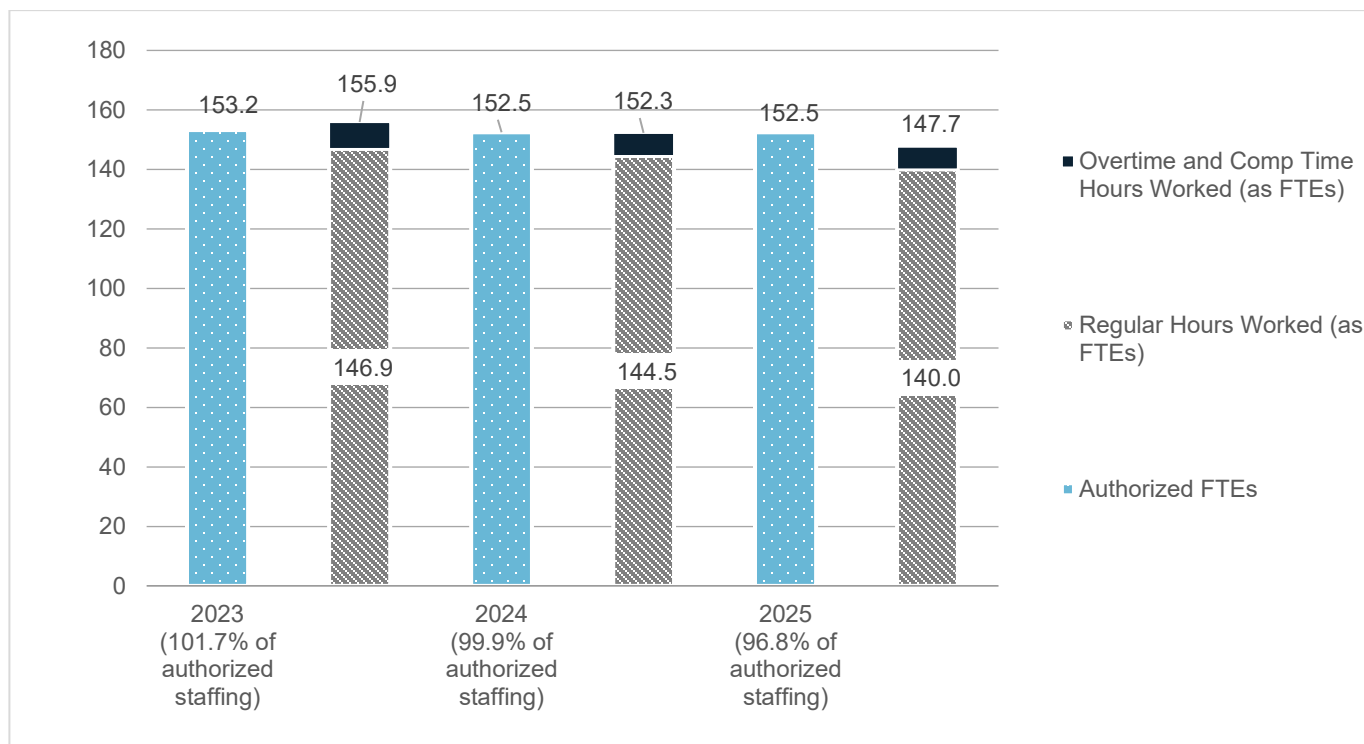
Figure 14: Authorized Full-Time Equivalent Staffing versus Regular Hours Worked (Full-Time Benefitted Staff)



The Town averaged 9.0 vacant full-time benefitted FTEs per year between 2023 and 2025. However, much of that staff capacity gap was mitigated by staff working overtime or earning comp time. In 2025, full-time benefitted staff worked a total of 14,008 hours of additional time above the standard 2,080 hours, the equivalent of approximately 7.7 FTEs. This means that the effective vacancy rate, when additional work hours are included, was 3.2%. The figure below compares authorized full-time benefitted staffing to total hours worked (expressed as FTEs).

³² Employees who are eligible for Town benefits.

³³ Includes hours worked and leave, except for overtime and compensatory time earned.

Figure 15: Authorized Full-Time Equivalent Staffing versus Total Hours Worked (Full-Time Benefitted Staff)

Staffing Levels by Department

The following table compares the average authorized and actual staffing levels by department for 2023 through 2025. It includes both full-time benefitted and hourly staff. The departments with the highest vacancy rates are Town Offices, which have an average vacancy rate of 21.5%, and Community Development, which has an average vacancy rate of 9.4%. The only department with staffing hours above authorized staffing was Police, as they rely heavily on overtime and comp time hours.

Table 62: Average Authorized and Actual Staffing by Department, 2023-2025

Department	Authorized Staffing	Total Regular Hours Worked (as FTEs)	Total OT and Comp Hours Worked (as FTEs)	Total Hours Worked (as FTEs)	Vacancy Rate (Regular Hours)	Vacancy Rate (When OT and Comp Hours Considered)
Administrative Services	21.8	21.3	0.2	21.5	2.6%	1.5%
Community Development	21.1	19.0	0.1	19.1	9.7%	9.4%
Library	16.0	15.2	0.2	15.3	5.4%	4.4%
Parks and Public Works	39.7	35.7	0.7	36.4	10.0%	8.2%
Police	63.2	62.1	7.0	69.1	1.6%	-9.5%
Town Offices	2.5	1.9	0.0	1.9	21.5%	21.5%

Town of Los Gatos
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EXHIBIT A – Fiscal Impact Model

Executive Summary

The Town of Los Gatos (the “Town”) is undertaking an integrated fiscal sustainability and growth impact analysis to evaluate the Town’s outlook for fiscal sustainability. Included in that effort is a fiscal impact study to evaluate the fiscal implications of planned and potential development through 2040 on the Town’s General Fund.

The development scenario analyzed in this report is projected to have a positive recurring impact on the Town’s General Fund. At buildout, the model estimates that new residential development would generate approximately \$10.8 million in annual General Fund revenues and approximately \$9.0 million in annual General Fund expenditures, resulting in a positive annual net fiscal impact of approximately \$1.8 million in 2026 dollars.

While this finding is important for long-term fiscal sustainability, the Town’s need to increase its infrastructure investments in the short term, and that new infrastructure will bring additional operations, maintenance and servicing costs that have not been evaluated as part of this engagement. Major capital facilities, stormwater improvements, roadway capacity projects, or regional transportation improvements are not yet fully funded.

When reviewing these results, the Town should consider the annual expenditures calculated in this report to be an underestimate. In preparation for the few thousand units that may be constructed through 2040, the Town should consider implementing the following programs:

- A development impact fee program to ensure that new development is paying for its fair share allocation of new infrastructure.
- An annual transfer of new general tax revenues from new development should be set aside to help the Town build major capital facilities, public safety facilities, stormwater improvements, roadway capacity projects, and/or regional transportation improvements.
- A Community Facilities District special tax for services to ensure that new residential development is contributing to the service burden it creates on the Town’s General Fund after accounting for the Town’s general revenue needs.

The practical conclusion is that new development is not projected to create an annual operating deficit for the Town. However, the Town should still ensure that growth pays its fair share of the infrastructure, facilities, maintenance, and service obligations it creates. All available new development funding tools should be evaluated before unrestricted General Fund revenues are committed to growth-related service costs.

The unrestricted revenues generated by new development should be a part of the Town’s broader fiscal strategy. They may be needed to support existing infrastructure, deferred capital needs, reserves, pension and OPEB obligations, and other Townwide priorities.

I. Introduction

The Town of Los Gatos (the “Town”) is undertaking an integrated fiscal sustainability and growth impact analysis to evaluate the Town’s outlook for fiscal sustainability. Included in that effort is a fiscal impact study to evaluate the fiscal implications of planned and potential development through 2040 on the Town’s General Fund. The analysis began with the Town’s General Fund forecast and the growth assumptions in the General Plan and Housing Element. It was then refined with input from the Finance Department, Community Development Department, Finance Commission, and Town Council to reflect the development scenario the Town believes is most useful for long-term fiscal planning.

The scenario analyzed in this report assumes 3,263 new housing units by 2040, including 400 ADUs, with development occurring evenly over the forecast period. It also assumes that 15 percent of new units will be affordable and that the remaining units will be market rate. The model estimates the new revenues, service costs, and net fiscal impact that this growth would have on the General Fund.

This study should be evaluated alongside the Fiscal Condition Analysis/Five-Year Forecast and the Asset Liability Management Study. Taken together, the three studies give the Town a fuller picture of its operating outlook, growth impacts, infrastructure needs, reserves, and long-term liabilities. That broader view is necessary for developing a fiscal strategy that is realistic, defensible, and actionable.

Key Findings

The 2040 development scenario is projected to generate more recurring General Fund revenues than recurring General Fund expenditures. On an annual operating basis, the assumed growth is fiscally positive.

However, that positive operating result does not resolve the Town’s capital and infrastructure questions. An infrastructure deficit affects new residents as well as existing residents. Qualitatively, it can be assumed that the actual expenditure needs of new development are greater than the per-capita assumption presented in this analysis. A storm drain failure, roadway chokepoint, interchange project, or major facility deficiency cannot be estimated reliably by applying a simple per-capita multiplier.

Third, the Town should treat infrastructure funding as a separate but related policy question. New development should pay the portion of infrastructure and service costs that it requires to achieve a full level of service. Existing development should pay for existing deficiencies and Townwide improvements that are not attributable to new growth. Regional facilities should be funded with regional, state, federal, and grant sources wherever possible. However, it is likely that the Town will be required to contribute to those larger-scale infrastructure projects with unrestricted general revenues.

II. Development Assumptions

Number and Type of Residential Units

The scenario evaluated in this fiscal impact analysis assumes 3,263 new housing units by 2040. This number was selected as a median case, since it splits the difference between the 2,787 projected in the Housing Element and SB 330 project sites and the 3,738 projected in the Town's General Plan. This approach gives the Town a conservative but supportable 2040 planning scenario.

Of the 3,263 units, 2,863 are assumed to be planned residential units and 400 are assumed to be Accessory Dwelling Units (ADUs). Furthermore, fifteen percent (15%) of the planned residential units are assumed to be affordable. In determining the income levels of each affordable unit, the ratios in the Town's Housing Element were preserved.

A summary of the projected residential development by unit type is shown in Table 1 below.

Table 1
Residential Development Scenario by Unit Type

Category	No. Units	Share of Planned Residential Units
Very Low Income Planned Units	193	6.7%
Low Income Planned Units	112	3.9%
Moderate Income Planned Units	115	4.0%
<u>Market-Rate Planned Units</u>	<u>2,443</u>	<u>85.3%</u>
Subtotal: Planned Residential Units	2,863	100.0%
 <u>ADUs</u>	 <u>400</u>	 <u>NA</u>
Total New Housing Units	3,263	NA

The model separates planned residential units from ADUs because they do not have the same fiscal profile. Planned residential units are modeled as multifamily units and carry the primary assessed value, population, and service-cost impacts. ADUs are modeled separately because they are expected to have lower assessed values and slightly lower household sizes.

For valuation purposes, the model assumes that roughly 15 percent of planned residential units will be affordable. To arrive at the specific affordable classifications, the allocations in the Housing Element were reduced by 75%, which places the percentage of affordable units at approximately 15% rather than 60%, preserving the relative proportions among very low-, low-, and moderate-income units. The remaining planned units are treated as above-moderate or market-rate units.

Construction and Absorption Assumptions

The model uses straight-line absorption to account for the fact that many of the planned units are already in the development pipeline, and demand for housing in Los Gatos is relatively high. Units will be added to the housing stock evenly over the forecast period rather than front-loaded in the early years. Please note that this is a modeling assumption rather than a forecast. Furthermore, due to the nature of this fiscal impact analysis, which assumes that revenues and expenditures accrue with new residential construction, the net fiscal impact per unit should remain relatively constant, regardless of when the residential units are constructed.

Planned residential units are phased in over 15 years, beginning in Fiscal Year 2026-27. ADUs are added at 25 per year, reaching 400 units by the end of the forecast period. Under this approach, the model reaches the full buildout of 3,263 units by Fiscal Year 2040-41.

Table 2
Construction and Absorption Assumptions

Development Component	Total Units	First Fiscal Year	Buildout Year
Planned Residential Units	2,863	2026-27	2040-41
<u>ADUs</u>	<u>400</u>	2025-26	2040-41
Total	3,263		

Value and Demographic Assumptions

Valuation is central to the fiscal impact analysis, because several revenue components accrue to the residential development based on market value and assessed value:

- Property taxes are based on assessed value, as determined by the County Assessor, in compliance with Proposition 13.
- Property tax in-lieu of vehicle license fees was created through a swap between the State and California cities, resulting in an ongoing general fund contribution that grows at the same rate as property taxes.
- Sales tax estimates are based on the estimated household income of the families that purchase the homes, which in turn is based on the estimated sales price value.

The model starts with the estimated Los Gatos single-family home value of approximately \$2.45 million. It then applies a typical multi-family adjustment factor for multi-family homes at the moderate income level and uses income category adjustments for the affordable units to estimate the value of all planned residential units. ADUs are assigned a separate value of \$350,000, based on the California ADU Handbook, which estimates the typical construction cost of ADUs in the Bay Area.

The resulting weighted average home value is approximately \$2.33 million per planned residential unit and \$350,000 per ADU.

Likewise, demographics are a core component of the analysis. Many expenditures and revenues accrue to each unit based on the number of people living in the household, such as license and permit revenues, police expenditures, parks and public works expenditures, and community development expenditures. Los Gatos averages 2.4 persons per household, and industry best practices generally assume that multi-family units have 90% as many people living in them as single family units. Accessory dwelling units are assumed to have 2.0 persons per household, in accordance with industry standards.

Assumptions regarding residential values and demographics are shown in Table 3 below.

Table 3
Value and Demographic Assumptions

Category	Total Units	Value per Unit	Persons per Household
Very Low Income Residential Units	193	\$427,984	2.16
Low Income Residential Units	112	\$1,112,758	2.16
Moderate Income Residential Units	115	\$1,711,935	2.16
Market Rate Residential Units	2,443	\$2,567,903	2.16
<u>ADUs</u>	<u>400</u>	<u>\$350,000</u>	<u>2.00</u>
Total / Weighted Average	3,263	\$2,089,332	2.14

III. Methodology

The Fiscal Year 2025-26 Proposed General Fund budget for the Town was reviewed to determine which revenues and expenditures would reasonably be affected by new residential development. The aim of this study is meant to complement the results of the Fiscal Conditions Analysis/Five-Year Forecast and Asset Liability Management Study. It answers a relatively narrow question: if the projected residential development occurs as planned, then what will the positive and negative impacts be to the Town's General Fund?

The analysis is presented in constant 2026 dollars. The purpose of this choice is threefold:

- The cumulative, annual and per-unit results are easy to understand in the context of current fiscal conditions.
- Revenues and expenditures tend to grow at similar rates.
- Adjusting different inflation factors (sometimes called "inflation hacking") to artificially inflate or deflate the results is not a possibility.

The revenues and expenditures reviewed in the model were classified as excluded, overhead, case study, or multiplier items. A summary of the methodology is outlined below:

- Excluded items are revenues or expenditures that do not have a clear relationship to new residential growth, are one-time in nature, are restricted for a specific purpose, or are principally borne by another agency or fund. These items are not used to estimate the recurring fiscal impacts from new development.
- Overhead items were identified separately from direct costs. The model calculates the relationship between overhead and eligible direct General Fund expenditures and calculate an overhead factor. That factor is then applied to the direct impacts to incorporate the administrative burden into the full cost estimate.
- Case study items were modeled individually in situations where an alternative methodology would produce a stronger model than the simpler multiplier approach. For this study, these items include property tax, property tax in-lieu of vehicle license fees, and sales and use tax. These revenues accrue to other measurable bases rather than to the number of people and/or employees being added to the service population.
- Multiplier-based items associated with the three population bases were summed up and divided by the Town's population basis to generate an appropriate multiplier. Then each multiplier was applied to the estimated future growth of that population base to estimate future impacts associated with those items, using the appropriate basis.

Property Tax Revenues

Property tax revenues from new development were estimated using a case study methodology. The model assigns assessed value to the planned residential units and ADUs included in the 2040 development scenario. Planned residential units are valued using a weighted average assessed value that reflects the assumed affordable and market-rate mix. ADUs are valued separately because they have a different fiscal profile.

At buildout, the model estimates approximately \$6.819 billion in new secured residential assessed value from the development scenario. The model also includes unsecured assessed value equal to one percent of secured assessed value, or approximately \$68.2 million. Total taxable assessed value used for the property tax calculation is therefore approximately \$6.887 billion in FY 2025-26 dollars.

The Town's property tax revenue is calculated by applying the Town's estimated using the Town's Fiscal Year 2025-26 Adopted Budget to estimate the two principal revenue components associated with new property values.

The first is the general secured property tax revenues that are based on the Town's AB 8 apportionment factor multiplied by the general one percent (1%) property tax revenues collected by the County. Using the Fiscal Year 2025-26 secured property tax revenues of \$18,615,157 and the FY 2025-26 local secured assessed value of \$19,584,340,863, we determined that the Town receives approximately 9.51% of the 1% general property tax revenues.

The second component is Vehicle License Fee (VLF) backfill. This revenue source resulted from the State of California's 2004 VLF-property tax swap, under which cities and counties began receiving additional property tax revenue in lieu of the portion of VLF revenues that they previously received. Since the VLF backfill allocation changes in proportion with the growth or decline in local assessed valuation, it can be modeled in the same way general property tax revenues are. Dividing the Town's Fiscal Year 2025-26 VLF backfill revenue of \$5,377,328 by the local secured assessed value results in an equivalent factor of 2.75% of the 1% general property tax revenue that can be added to the secured property tax allocation.

Where new residential development occurs on sites with existing commercial uses, the model accounts for the existing commercial base before estimating the net effect of redevelopment. That treatment is important. The fiscal impact should measure the change created by new growth, not simply the gross value of new housing.

Sales and Use Tax Revenues

Because the development scenario is primarily residential and does not assume a new retail center or defined new taxable commercial project, sales and use tax revenues were estimated indirectly. The model does not assume that all household spending by new residents will occur in Los Gatos. It estimates the portion of taxable sales likely to be captured by the Town.

The model evaluates taxable sales using resident spending patterns and local taxable sales relationships. The final model applies an estimated taxable sales factor of approximately \$14,475 per new resident. The Town's local sales tax share is then applied to the estimated taxable sales generated by the new resident population.

This approach is more appropriate for Los Gatos than assigning sales tax on a per-household basis alone. Los Gatos has a substantial existing retail and restaurant base, but it also sits within a larger regional economy. New residents will spend some taxable dollars in Town and some elsewhere. The model therefore estimates local capture rather than total household spending.

Multiplier Revenues

The remaining eligible General Fund revenues were analyzed using a multiplier method. For each revenue source, the budgeted amount was divided by the appropriate demand basis: residents, employees, or persons served. The resulting multiplier was then applied to the increase in that same demand basis generated by the 2040 development scenario.

This method is used only for revenues that reasonably scale with growth. Revenues that are one-time, restricted, unrelated to population or service demand, or already captured through a case study method were excluded from the multiplier calculation.

The revenue methodology classifications and multipliers are presented in Table 4 below.

Table 4 – Town General Fund Revenues

Town of Los Gatos General Fund Revenues
Fiscal Year 2025-26 Proposed Budget

Revenue Category	Budgeted Amount	Analysis Classification	Qualified Revenues	Multiplier
Property Tax	\$21,450,971	Case Study	\$0	
VLF Backfill Property Tax	\$5,337,328	Case Study	\$0	
Sales & Use Tax	\$6,639,081	Case Study	\$0	
Measure G - Direct Sales Tax	\$1,298,825	Case Study	\$0	
Franchise Fees	\$1,043,730	Per Person Served	\$1,043,730	\$23.77
Transient Occupancy Tax	\$2,422,390	Case Study	\$0	
Other Taxes (Bus. License Tax)	\$2,493,992	Case Study	\$0	
Licenses & Permits	\$6,322,712	Per Person Served	\$6,322,712	\$144.00
Intergovernmental	\$838,936	Excluded	\$0	
Town Services ¹	\$5,736,735	Excluded	\$0	
Fines & Forfeitures	\$315,200	Per Person Served	\$315,200	\$7.18
Interest	\$1,567,774	Excluded	\$0	
<u>Other Sources</u>	<u>\$3,795,502</u>	Excluded	<u>\$0</u>	
Total	\$59,263,176		\$7,681,642	

Multiplier Basis	Qty.
Number of Residents	33,355
Number of Employees	21,105
Number of Persons Served	43,908

1: User fees excluded from revenues and used as adjustments to expenditures.

Multiplier Expenditures

All Town Expenditures were analyzed using a multiplier method. The multiplier method takes the budgeted amount for a specific expenditure item and divides it by the appropriate basis for the expenditure, which is number of residents, number of employees, or persons served (which is represented by residents plus 0.5 times employees).

For Expenditures, we also classify some as Overhead Expenditures. The Overhead Expenditures are compared with the overall operating budget to determine an overhead rate. That rate is then applied to the Expenditure multiplier to get a fully-burdened rate.

The expenditure methodology classifications and multipliers are shown in Table 5 below.

Table 5 – Town General Fund Expenditures

**Town of Los Gatos General Fund Expenditures
Fiscal Year 2025-26 Proposed Budget**

Department	Budgeted Amount	Analysis Classification	Qualified Expenditures	Overhead	Adjustment ¹	Net Expenditures	Multiplier (No Overhead)	Multiplier (With Overhead)
Police Department	\$23,504,430	Per Person Served	\$23,504,430	\$0	\$0	\$23,504,430	\$535.32	\$690.26
Parks & Public Works	\$11,404,963	Per Person Served	\$11,404,963	\$0	(\$92,605)	\$11,312,358	\$257.64	\$332.21
Non-Departmental	\$5,345,295	Overhead	\$0	\$5,345,295	(\$95,950)	\$5,249,345		
Community Development	\$6,021,135	Per Person Served	\$6,021,135	\$0	(\$1,876,491)	\$4,144,644	\$94.39	\$121.72
Administrative Services	\$7,338,116	Overhead	\$0	\$7,338,116	\$0	\$7,338,116		
Library Services	\$3,655,823	Per Resident	\$3,655,823	\$0	\$0	\$3,655,823	\$109.60	\$141.33
Town Council	\$222,115	Overhead	\$0	\$222,115	\$0	\$222,115		
<u>Town Attorney</u>	<u>\$3,795,502</u>	Excluded	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>		
Total	\$61,287,379		\$44,586,351	\$12,905,526	(\$2,065,046)	\$55,426,831		

Multiplier Basis	Qty.
Number of Residents	33,355
Number of Employees	21,105
Number of Persons Served	43,908

Overhead Percentage:
28.9%

1: Adjustments represent the user fee revenues collected for each department. Source: Account-level adopted FY 2025-26 Budget

Operating and Capital Impacts

The fiscal impact model measures recurring General Fund revenues and recurring General Fund expenditures, estimating whether new development, once built and occupied, is likely to generate enough annual General Fund revenue to support the municipal services it requires.

Capital costs are fundamentally different from operating costs. Some capital costs are project-specific and can be addressed through conditions of approval, frontage improvements, dedications, impact fees, or other development requirements. Other capital costs are systemwide. These include facilities or infrastructure that serve both new and existing development, such as stormwater systems, arterial roadway improvements, public facilities, parks, and regional transportation projects.

System-wide capital costs should not be buried inside a per-capita operating model. Doing so would create a false level of precision. The cost of a major stormwater improvement, roadway expansion or interchange project depends on engineering scope, location, design standards, available grant funding, regional cost sharing, and timing. Those costs should be evaluated through the Town's capital planning process, engineering studies and/or a development impact fee nexus study.

For that reason, the net fiscal impact shown in this report should be understood as an operating result. It can be used to qualitatively inform the policy decision of requiring exactions from new development in the form of impact fees, special taxes and other mechanisms without providing a specific amount.

IV. Fiscal Impact Analysis Conclusions

Net Fiscal Impact from New Residential Development

The 2040 development scenario is projected to generate a positive recurring impact on the Town's General Fund. At buildout, the model estimates approximately \$10.8 million in annual General Fund revenues and approximately \$9.0 million in annual General Fund expenditures, resulting in a positive annual net fiscal impact of approximately \$1.8 million in 2026 dollars.

The revenue estimate is driven primarily by property tax, property tax in-lieu of vehicle license fees, sales and use tax, and other General Fund revenues that increase with population or service demand. The expenditure estimate reflects the cost of providing municipal services to the new residents and service population generated by the development scenario.

Under the assumptions used in this analysis, the residential development scenario improves the Town's recurring General Fund operating position.

Table 6 – Net Fiscal Impact Summary

Budget Line Item	Buildout Impact
Revenues	
Sales and Use Tax	\$1,137,282
Property Tax (incl. VLF Backfill)	\$8,437,120
Franchise Fees	\$166,019
Licenses & Permits	\$1,005,713
Fines & Forfeitures	<u>\$50,137</u>
Total	\$10,796,271
Expenditures	
Police Department	\$4,820,863
Parks & Public Works	\$2,320,215
Community Development	\$850,085
Library Services	<u>\$987,047</u>
Total	\$8,978,210
Net Fiscal Impact	\$1,818,061
Net Fiscal Impact per Unit	\$557.17

Capital and Infrastructure Funding Framework

Capital improvements identified through the Town's planning, engineering, and budgeting processes should be evaluated for funding based on the following principles:

- The capital improvements that satisfy the highest level of need should be prioritized.
- Funding sources that are funded or subsidized by the state or the federal government should be prioritized.
- Funding sources that do not require a two-thirds majority of registered voters in the Town should be prioritized.
- The responsibility for funding infrastructure improvements should generally be borne by the people and/or properties benefiting from the improvements and/or creating the need for the improvements.

Table 7 below outlines a general funding strategy for capital improvements.

Table 7 – Capital Improvement Funding Strategy

Category	Recommended Funding Strategy
Repair and replacement of infrastructure and public facilities that serve existing development only	Surplus general fund revenues, supplemental tax measures.
Construction of new infrastructure and public facilities needed to serve new and existing development	Development impact fees, development conditions and/or CFDs for new development's share, other funding sources needed for existing development's share.
Infrastructure needs created by new development with no perceivable nexus to existing development	Development conditions and/or CFDs.
Regional infrastructure projects	Prioritize state and federal grants and loans. Fund remainder with combination of sources discussed above to the extent possible.

Impact Fees, Conditions of Development and Other Exactions

Development impact fees and conditions of approval are the Town's primary tools for assigning development-related capital costs to new development. Impact fees are generally used for systemwide facilities or capacity improvements, while conditions of approval are generally used for project-specific improvements, dedications, or obligations tied to the impacts of a particular development application.

Where a cost is attributable to new development, the Town may evaluate development impact fees, conditions of approval, or other development exactions before relying on the General Fund. The legal requirement to establish an impact fee or condition a new development project to build a needed improvement is two-fold: (i) there must be a nexus or reasonable connection between

the project and the improvement, and (ii) the exaction imposed on the project must be roughly proportional to the benefit the project receives from the improvement.

Community Facilities Districts (CFDs)

CFDs are a flexible funding mechanism that is principally implemented in connection with new development projects.

The most common use is when a development project requests the ability to use a CFD to finance infrastructure and/or public facilities required for the development of the project. CFD bonds are issued which are secured by the underlying land rather than by a general or limited obligation of a public agency. These types of CFDs are often essential to ensure the financial viability of a development project. However, they have historically been criticized for shifting the burden for project financing from the developer to the future homeowners.

Over the past decade or so, CFDs have been increasingly used to fund public services rather than project-related infrastructure. As the services burden on local agencies outpaces growth in general revenues, cities, counties, towns and special districts increasingly implement CFDs to improve the fiscal balance of new development projects. These services CFDs generally have much lower special tax rates than facilities CFDs. Also, the property paying the CFD special tax receives a direct benefit from the services on an annual basis. As a result, services CFDs are generally perceived as fair and necessary, given the limited revenue generation from residential development.

A services special tax can be established in an amount up to and including the cost per unit to provide necessary services. The general revenues that residential units generate may be considered, but it is not necessary. In situations where those general revenues are needed for other uses, a new development project can be required to cover a greater portion of those services with a special tax.

Generally, CFDs for services are established by a “first-in-line” project. Subsequently, future projects are conditioned to annex to the CFD to help pay for public services, with each residential unit paying substantially the same amount.

Policy Conclusions

The central conclusion of this report is that the development scenario analyzed in this report is projected to improve the Town’s long-term fiscal condition. However, the Town’s infrastructure and service funding needs in the near-term may require the use of funding measures related to new development, as described in this report.

The implementation of project-related funding mechanisms fits within the California public finance paradigm, which places the responsibility of offsetting the impacts of new development on the property to be constructed, whereas repairs, improvements and enhancements to existing infrastructure and services must be approved by voters. In resolving the near-term fiscal challenges, the Town should use all tools at its disposal. Doing so would preserve and perhaps enhance the level of service, ensuring that Los Gatos maintains its desirability and status for for all residents and visitors alike.

EXHIBIT A

Town of Los Gatos Fiscal Impact Analysis

Fiscal Year			2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	2030-2031
Description	Source	One-Time Amount	Annual Amounts →					
Housing Construction								
General plan estimated units								
Accessory dwelling units	3/5 Teleconference	400						
Planned residential units	3/5 Teleconference	2,863						
Planned residential units	Sourced from above	2,863						
Construction start	Estimate	2026						
Buildout period	Estimate	15						
Annual new multi-family residential units			0.00	190.87	190.87	190.87	190.87	190.87
Accessory dwelling units	Sourced from above							
Construction start	Estimate	2026						
Buildout period	Estimate	15						
Annual new accessory dwelling units			25.00	25.00	25.00	25.00	25.00	25.00
Cumulative New Housing Units by Category								
Cumulative multi-family residential units			0	190	381	572	763	954
Cumulative accessory dwelling units			25	50	75	100	125	150
Assessed Value								
Estimated Assessed Values								
Single family residential unit	Zillow Los Gatos median value estimate	\$2,445,622						
MF as percentage of SF	Industry best practice	70%						
Multi-family residential unit (Moderate Income)	Calculated	\$1,711,935						
Multi-family residential unit (Above Moderate Income)	150% of Moderate	\$2,567,903						
Multi-family residential unit (Low Income)	65% of Moderate	\$1,112,758						
Multi-family residential unit (Very Low Income)	25% of Moderate	\$427,984						
Percentage allocation by income level								
Very low income	Housing Element Update, May 2024, Table D-1 (reduced by 75%)	6.7%						
Low income	Housing Element Update, May 2024, Table D-1 (reduced by 75%)	3.9%						
moderate income	Housing Element Update, May 2024, Table D-1 (reduced by 75%)	4.0%						
above moderate income	Housing Element Update, May 2024, Table D-1 (reduced by 75%)	85.4%						
Weighted average multi-family unit		\$2,332,790						
Accessory dwelling unit	California ADU Handbook	\$350,000						
Cumulative New Assessed Value from Residential Construction								
Multi-family residential units			\$0	\$443,230,133	\$888,793,056	\$1,334,355,978	\$1,779,918,901	\$2,225,481,824
Accessory dwelling units			\$8,750,000	\$17,500,000	\$26,250,000	\$35,000,000	\$43,750,000	\$52,500,000
Total cumulative new secured assessed value			\$8,750,000	\$460,730,133	\$915,043,056	\$1,369,355,978	\$1,823,668,901	\$2,277,981,824
Estimated Persons per Household								
Los Gatos average PPH	Los Gatos General Plan	2.40						
MF as percentage of SF	Industry best practice	90%						
Multi-family residential unit		2.16						
Accessory dwelling unit	Industry best practice	2.00						

Fiscal Year		2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	2030-2031	
Description	Source	One-Time Amount	Annual Amounts →					
Population Increase								
Cumulative New Population from Residential Construction								
Multi-family residential units			0	410	823	1,236	1,648	2,061
Accessory dwelling units			50	100	150	200	250	300
Total cumulative new residents			50	510	973	1,436	1,898	2,361
Property Taxes								
FY 2025-26 Local Secured Assessed Value		\$19,584,340,863						
FY 2025-26 Secured Property Tax Revenues	Adopted Budget	\$18,615,157						
FY 2025-26 Property Tax In-Lieu of VLF Revenues	Adopted Budget	\$5,377,328						
Est. AB 8 Apportionment Factor x 1%		0.0951%						
Est. PTILVLF Apportionment Factor x 1%		0.0275%						
Unsecured AV as percentage of secured (res. only)	Industry best practice	1%						
Cumulative new secured AV		\$8,750,000	\$460,730,133	\$915,043,056	\$1,369,355,978	\$1,823,668,901	\$2,277,981,824	
Cumulative new unsecured AV		\$87,500	\$4,607,301	\$9,150,431	\$13,693,560	\$18,236,689	\$22,779,818	
Total new secured AV		\$8,837,500	\$465,337,434	\$924,193,486	\$1,383,049,538	\$1,841,905,590	\$2,300,761,642	
Cumulative new property taxes		\$8,400	\$442,309	\$878,457	\$1,314,606	\$1,750,754	\$2,186,902	
Cumulative new PTILVLE		\$2,427	\$127,769	\$253,758	\$379,748	\$505,737	\$631,727	
Cumulative new property taxes and in-lieu payments		\$10,827	\$570,078	\$1,132,216	\$1,694,353	\$2,256,491	\$2,818,629	
Sales and Use Taxes								
General sales and use tax rate	California Sales Tax Policy	1.000%						
Measure G 1/8% sales tax	Adopted Budget	0.125%						
Total sales tax rate		1.125%						
Sales and use tax revenues FY 2025-26	Adopted Budget	\$6,639,081						
Area Median Income (AMI)	Housing Element Update, May 2024, 10.1.1	\$168,500						
Very low income estimated percentage of AMI	Housing Element Update, May 2024, 10.1.1	25%						
Very low income estimated median income		\$42,125						
Estimated taxable sales as percentage of income		24.4%						
Estimated taxable sales per household		\$10,278						
Low income estimated percentage of AMI	Housing Element Update, May 2024, 10.1.1	65%						
Low income estimated median income		\$109,525						
Estimated taxable sales as percentage of income		16.3%						
Estimated taxable sales per household		\$17,798						
Moderate income estimated percentage of AMI	Housing Element Update, May 2024, 10.1.1	100%						
Moderate income estimated median income		\$168,500						
Estimated taxable sales as percentage of income		12.6%						
Estimated taxable sales per household		\$21,313						
Above moderate income estimated percentage of AMI	Housing Element Update, May 2024, 10.1.1	150%						
Above moderate income estimated median income		\$252,750						
Estimated taxable sales as percentage of income		12.6%						
Estimated taxable sales per household		\$31,970						

Fiscal Year		2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	2030-2031
Description	Source	One-Time Amount	Annual Amounts →				
<u>Percentage allocation by income level</u>							
Very low income	<i>Housing Element Update, May 2024, Table D-1</i>	7%					
Low income	<i>Housing Element Update, May 2024, Table D-1</i>	4%					
moderate income	<i>Housing Element Update, May 2024, Table D-1</i>	4%					
above moderate income	<i>Housing Element Update, May 2024, Table D-1</i>	85%					
Weighted average taxable sales per household		\$29,529					
Estimated leakage rate	<i>Industry best practice</i>	40%					
Sales tax revenues per household		\$199					
Cumulative new households estimate			25	240	456	672	888
New sales and use tax			\$4,983	\$47,837	\$90,891	\$133,944	\$176,998
							1104
							\$220,051
Alternative Sales Tax Methodology							
New taxable sales per resident		\$14,475					
Cumulative new residents			50	510	973	1,436	1,898
New taxable sales			\$723,730	\$7,387,835	\$14,083,205	\$20,778,575	\$27,473,945
New sales and use tax			\$8,142	\$83,113	\$158,436	\$233,759	\$309,082
							\$384,405
Cumulative Net New Revenues							
		<u>Multiplier</u>					
Sales and Use Tax		Case Study	\$8,142	\$83,113	\$158,436	\$233,759	\$309,082
Property Tax (incl. VLF Backfill)		Case Study	\$10,827	\$570,078	\$1,132,216	\$1,694,353	\$2,256,491
Franchise Fees	<i>Genera Fund Revenues Tab</i>	\$23.77	\$1,189	\$12,133	\$23,128	\$34,124	\$45,119
Licenses & Permits	<i>Genera Fund Revenues Tab</i>	\$144.00	\$7,200	\$73,498	\$140,107	\$206,716	\$273,325
Fines & Forfeitures	<i>Genera Fund Revenues Tab</i>	\$7.18	\$359	\$3,664	\$6,985	\$10,305	\$13,626
							\$16,946
Total Net New Revenues			\$27,716	\$742,486	\$1,460,872	\$2,179,257	\$2,897,643
							\$3,616,029
Cumulative Net New Expenditures							
		<u>Multiplier</u>					
Police Department	<i>General Fund Expenditures Tab</i>	\$690.26	\$34,513	\$352,311	\$671,600	\$990,889	\$1,310,177
Parks & Public Works	<i>General Fund Expenditures Tab</i>	\$332.21	\$16,611	\$169,562	\$323,232	\$476,901	\$630,570
Community Development	<i>General Fund Expenditures Tab</i>	\$121.72	\$6,086	\$62,125	\$118,426	\$174,728	\$231,030
Library Services	<i>General Fund Expenditures Tab</i>	\$141.33	\$7,066	\$72,134	\$137,507	\$202,879	\$268,252
							\$333,625
Total Net New Expenditures			\$64,276	\$656,132	\$1,250,764	\$1,845,397	\$2,440,029
							\$3,034,662
Net Fiscal Impacts			NA	\$86,354	\$210,107	\$333,861	\$457,614
							\$581,367
Net Fiscal Impact per Unit			NA	\$359.81	\$460.76	\$496.82	\$515.33
							\$526.60
Average annual fiscal impact (2026\$)		\$952,179.40					
Average annual fiscal impact per unit (2026\$)		\$523.04					

Note: If no source is provided, then the quantity is either calculated or sourced from elsewhere in the cash flow model.

Fiscal Year			2031-2032	2032-2033	2033-2034	2034-2035	2035-2036	2036-2037
Description	Source	One-Time Amount						
Housing Construction								
General plan estimated units								
Accessory dwelling units	3/5 Teleconference	400						
Planned residential units	3/5 Teleconference	2,863						
Planned residential units	Sourced from above	2,863						
Construction start	Estimate	2026						
Buildout period	Estimate	15						
Annual new multi-family residential units			190.87	190.87	190.87	190.87	190.87	190.87
Accessory dwelling units	Sourced from above							
Construction start	Estimate	2026						
Buildout period	Estimate	15						
Annual new accessory dwelling units			25.00	25.00	25.00	25.00	25.00	25.00
Cumulative New Housing Units by Category								
Cumulative multi-family residential units			1145	1336	1526	1717	1908	2099
Cumulative accessory dwelling units			175	200	225	250	275	300
Assessed Value								
Estimated Assessed Values								
Single family residential unit	Zillow Los Gatos median value estimate	\$2,445,622						
MF as percentage of SF	Industry best practice	70%						
Multi-family residential unit (Moderate Income)	Calculated	\$1,711,935						
Multi-family residential unit (Above Moderate Income)	150% of Moderate	\$2,567,903						
Multi-family residential unit (Low Income)	65% of Moderate	\$1,112,758						
Multi-family residential unit (Very Low Income)	25% of Moderate	\$427,984						
Percentage allocation by income level								
Very low income	Housing Element Update, May 2024, Table D-1 (reduced by 75%)	6.7%						
Low income	Housing Element Update, May 2024, Table D-1 (reduced by 75%)	3.9%						
moderate income	Housing Element Update, May 2024, Table D-1 (reduced by 75%)	4.0%						
above moderate income	Housing Element Update, May 2024, Table D-1 (reduced by 75%)	85.4%						
Weighted average multi-family unit		\$2,332,790						
Accessory dwelling unit	California ADU Handbook	\$350,000						
Cumulative New Assessed Value from Residential Construction								
Multi-family residential units			\$2,671,044,747	\$3,116,607,670	\$3,559,837,802	\$4,005,400,725	\$4,450,963,648	\$4,896,526,571
Accessory dwelling units			\$61,250,000	\$70,000,000	\$78,750,000	\$87,500,000	\$96,250,000	\$105,000,000
Total cumulative new secured assessed value			\$2,732,294,747	\$3,186,607,670	\$3,638,587,802	\$4,092,900,725	\$4,547,213,648	\$5,001,526,571
Estimated Persons per Household								
Los Gatos average PPH	Los Gatos General Plan	2.40						
MF as percentage of SF	Industry best practice	90%						
Multi-family residential unit		2.16						
Accessory dwelling unit	Industry best practice	2.00						

Fiscal Year		2031-2032	2032-2033	2033-2034	2034-2035	2035-2036	2036-2037
Description	Source	One-Time Amount					
Population Increase							
Cumulative New Population from Residential Construction							
Multi-family residential units		2,473	2,886	3,296	3,709	4,121	4,534
Accessory dwelling units		350	400	450	500	550	600
Total cumulative new residents		2,823	3,286	3,746	4,209	4,671	5,134
Property Taxes							
FY 2025-26 Local Secured Assessed Value		\$19,584,340,863					
FY 2025-26 Secured Property Tax Revenues	Adopted Budget	\$18,615,157					
FY 2025-26 Property Tax In-Lieu of VLF Revenues	Adopted Budget	\$5,377,328					
Est. AB 8 Apportionment Factor x 1%		0.0951%					
Est. PTILVLF Apportionment Factor x 1%		0.0275%					
Unsecured AV as percentage of secured (res. only)	Industry best practice	1%					
Cumulative new secured AV		\$2,732,294,747	\$3,186,607,670	\$3,638,587,802	\$4,092,900,725	\$4,547,213,648	\$5,001,526,571
Cumulative new unsecured AV		\$27,322,947	\$31,866,077	\$36,385,878	\$40,929,007	\$45,472,136	\$50,015,266
Total new secured AV		\$2,759,617,694	\$3,218,473,746	\$3,674,973,681	\$4,133,829,733	\$4,592,685,785	\$5,051,541,837
Cumulative new property taxes		\$2,623,051	\$3,059,199	\$3,493,108	\$3,929,256	\$4,365,404	\$4,801,553
Cumulative new PTILVLF		\$757,716	\$883,705	\$1,009,048	\$1,135,037	\$1,261,027	\$1,387,016
Cumulative new property taxes and in-lieu payments		\$3,380,767	\$3,942,904	\$4,502,156	\$5,064,293	\$5,626,431	\$6,188,569
Sales and Use Taxes							
General sales and use tax rate	California Sales Tax Policy	1.000%					
Measure G 1/8% sales tax	Adopted Budget	0.125%					
Total sales tax rate		1.125%					
Sales and use tax revenues FY 2025-26	Adopted Budget	\$6,639,081					
Area Median Income (AMI)	Housing Element Update, May 2024, 10.1.1	\$168,500					
Very low income estimated percentage of AMI	Housing Element Update, May 2024, 10.1.1	25%					
Very low income estimated median income		\$42,125					
Estimated taxable sales as percentage of income		24.4%					
Estimated taxable sales per household		\$10,278					
Low income estimated percentage of AMI	Housing Element Update, May 2024, 10.1.1	65%					
Low income estimated median income		\$109,525					
Estimated taxable sales as percentage of income		16.3%					
Estimated taxable sales per household		\$17,798					
Moderate income estimated percentage of AMI	Housing Element Update, May 2024, 10.1.1	100%					
Moderate income estimated median income		\$168,500					
Estimated taxable sales as percentage of income		12.6%					
Estimated taxable sales per household		\$21,313					
Above moderate income estimated percentage of AMI	Housing Element Update, May 2024, 10.1.1	150%					
Above moderate income estimated median income		\$252,750					
Estimated taxable sales as percentage of income		12.6%					
Estimated taxable sales per household		\$31,970					

Fiscal Year			2031-2032	2032-2033	2033-2034	2034-2035	2035-2036	2036-2037
Description	Source	One-Time Amount						
<u>Percentage allocation by income level</u>								
Very low income	Housing Element Update, May 2024, Table D-1	7%						
Low income	Housing Element Update, May 2024, Table D-1	4%						
moderate income	Housing Element Update, May 2024, Table D-1	4%						
above moderate income	Housing Element Update, May 2024, Table D-1	85%						
Weighted average taxable sales per household		\$29,529						
Estimated leakage rate	Industry best practice	40%						
Sales tax revenues per household		\$199						
Cumulative new households estimate			1320	1536	1751	1967	2183	2399
New sales and use tax			\$263,105	\$306,158	\$349,012	\$392,066	\$435,119	\$478,173
Alternative Sales Tax Methodology								
New taxable sales per resident		\$14,475						
Cumulative new residents			2,823	3,286	3,746	4,209	4,671	5,134
New taxable sales			\$40,864,685	\$47,560,055	\$54,224,160	\$60,919,530	\$67,614,900	\$74,310,270
New sales and use tax			\$459,728	\$535,051	\$610,022	\$685,345	\$760,668	\$835,991
Cumulative Net New Revenues								
		<u>Multiplier</u>						
Sales and Use Tax	Case Study		\$459,728	\$535,051	\$610,022	\$685,345	\$760,668	\$835,991
Property Tax (incl. VLF Backfill)	Case Study		\$3,380,767	\$3,942,904	\$4,502,156	\$5,064,293	\$5,626,431	\$6,188,569
Franchise Fees	Genera Fund Revenues Tab	\$23.77	\$67,111	\$78,106	\$89,050	\$100,046	\$111,042	\$122,037
Licenses & Permits	Genera Fund Revenues Tab	\$144.00	\$406,543	\$473,152	\$539,450	\$606,059	\$672,668	\$739,277
Fines & Forfeitures	Genera Fund Revenues Tab	\$7.18	\$20,267	\$23,588	\$26,893	\$30,213	\$33,534	\$36,854
Total Net New Revenues			\$4,334,415	\$5,052,801	\$5,767,570	\$6,485,956	\$7,204,342	\$7,922,728
Cumulative Net New Expenditures								
		<u>Multiplier</u>						
Police Department	General Fund Expenditures Tab	\$690.26	\$1,948,755	\$2,268,044	\$2,585,841	\$2,905,130	\$3,224,419	\$3,543,708
Parks & Public Works	General Fund Expenditures Tab	\$332.21	\$937,909	\$1,091,578	\$1,244,530	\$1,398,199	\$1,551,868	\$1,705,538
Community Development	General Fund Expenditures Tab	\$121.72	\$343,633	\$399,935	\$455,973	\$512,275	\$568,577	\$624,878
Library Services	General Fund Expenditures Tab	\$141.33	\$398,998	\$464,370	\$529,438	\$594,811	\$660,184	\$725,556
Total Net New Expenditures			\$3,629,294	\$4,223,927	\$4,815,783	\$5,410,415	\$6,005,047	\$6,599,680
Net Fiscal Impacts			\$705,120	\$828,874	\$951,788	\$1,075,541	\$1,199,294	\$1,323,048
Net Fiscal Impact per Unit			\$534.18	\$539.63	\$543.57	\$546.79	\$549.38	\$551.50
Average annual fiscal impact (2026\$)		\$952,179.40						
Average annual fiscal impact per unit (2026\$)		\$523.04						

Note: If no source is provided, then the quantity is either calculated or sourced from elsewhere in the cash flow model.

Fiscal Year		2037-2038	2038-2039	2039-2040	2040-2041
Description	Source	One-Time Amount			
Housing Construction					
General plan estimated units					
Accessory dwelling units	3/5 Teleconference	400			
Planned residential units	3/5 Teleconference	2,863			
Planned residential units	Sourced from above	2,863			
Construction start	Estimate	2026			
Buildout period	Estimate	15			
Annual new multi-family residential units		190.87	190.87	190.87	190.87
Accessory dwelling units	Sourced from above				
Construction start	Estimate	2026			
Buildout period	Estimate	15			
Annual new accessory dwelling units		25.00	25.00	25.00	25.00
Cumulative New Housing Units by Category					
Cumulative multi-family residential units		2290	2481	2672	2863
Cumulative accessory dwelling units		325	350	375	400
Assessed Value					
Estimated Assessed Values					
Single family residential unit	Zillow Los Gatos median value estimate	\$2,445,622			
MF as percentage of SF	Industry best practice	70%			
Multi-family residential unit (Moderate Income)	Calculated	\$1,711,935			
Multi-family residential unit (Above Moderate Income)	150% of Moderate	\$2,567,903			
Multi-family residential unit (Low Income)	65% of Moderate	\$1,112,758			
Multi-family residential unit (Very Low Income)	25% of Moderate	\$427,984			
Percentage allocation by income level					
Very low income	Housing Element Update, May 2024, Table D-1 (reduced by 75%)	6.7%			
Low income	Housing Element Update, May 2024, Table D-1 (reduced by 75%)	3.9%			
moderate income	Housing Element Update, May 2024, Table D-1 (reduced by 75%)	4.0%			
above moderate income	Housing Element Update, May 2024, Table D-1 (reduced by 75%)	85.4%			
Weighted average multi-family unit		\$2,332,790			
Accessory dwelling unit	California ADU Handbook	\$350,000			
Cumulative New Assessed Value from Residential Construction					
Multi-family residential units		\$5,342,089,494	\$5,787,652,417	\$6,233,215,340	\$6,678,778,262
Accessory dwelling units		\$113,750,000	\$122,500,000	\$131,250,000	\$140,000,000
Total cumulative new secured assessed value		\$5,455,839,494	\$5,910,152,417	\$6,364,465,340	\$6,818,778,262
Estimated Persons per Household					
Los Gatos average PPH	Los Gatos General Plan	2.40			
MF as percentage of SF	Industry best practice	90%			
Multi-family residential unit		2.16			
Accessory dwelling unit	Industry best practice	2.00			

Fiscal Year		2037-2038	2038-2039	2039-2040	2040-2041
Description	Source	One-Time Amount			
Population Increase					
Cumulative New Population from Residential Construction					
Multi-family residential units		4,946	5,359	5,772	6,184
Accessory dwelling units		650	700	750	800
Total cumulative new residents		5,596	6,059	6,522	6,984
Property Taxes					
FY 2025-26 Local Secured Assessed Value		\$19,584,340,863			
FY 2025-26 Secured Property Tax Revenues	Adopted Budget	\$18,615,157			
FY 2025-26 Property Tax In-Lieu of VLF Revenues	Adopted Budget	\$5,377,328			
Est. AB 8 Apportionment Factor x 1%		0.0951%			
Est. PTILVLF Apportionment Factor x 1%		0.0275%			
Unsecured AV as percentage of secured (res. only)	Industry best practice	1%			
Cumulative new secured AV		\$5,455,839,494	\$5,910,152,417	\$6,364,465,340	\$6,818,778,262
Cumulative new unsecured AV		\$54,558,395	\$59,101,524	\$63,644,653	\$68,187,783
Total new secured AV		\$5,510,397,889	\$5,969,253,941	\$6,428,109,993	\$6,886,966,045
Cumulative new property taxes		\$5,237,701	\$5,673,849	\$6,109,998	\$6,546,146
Cumulative new PTILVLF		\$1,513,006	\$1,638,995	\$1,764,984	\$1,890,974
Cumulative new property taxes and in-lieu payments		\$6,750,707	\$7,312,844	\$7,874,982	\$8,437,120
Sales and Use Taxes					
General sales and use tax rate	California Sales Tax Policy	1.000%			
Measure G 1/8% sales tax	Adopted Budget	0.125%			
Total sales tax rate		1.125%			
Sales and use tax revenues FY 2025-26	Adopted Budget	\$6,639,081			
Area Median Income (AMI)	Housing Element Update, May 2024, 10.1.1	\$168,500			
Very low income estimated percentage of AMI	Housing Element Update, May 2024, 10.1.1	25%			
Very low income estimated median income		\$42,125			
Estimated taxable sales as percentage of income		24.4%			
Estimated taxable sales per household		\$10,278			
Low income estimated percentage of AMI	Housing Element Update, May 2024, 10.1.1	65%			
Low income estimated median income		\$109,525			
Estimated taxable sales as percentage of income		16.3%			
Estimated taxable sales per household		\$17,798			
Moderate income estimated percentage of AMI	Housing Element Update, May 2024, 10.1.1	100%			
Moderate income estimated median income		\$168,500			
Estimated taxable sales as percentage of income		12.6%			
Estimated taxable sales per household		\$21,313			
Above moderate income estimated percentage of AMI	Housing Element Update, May 2024, 10.1.1	150%			
Above moderate income estimated median income		\$252,750			
Estimated taxable sales as percentage of income		12.6%			
Estimated taxable sales per household		\$31,970			

Fiscal Year		2037-2038	2038-2039	2039-2040	2040-2041
Description	Source	One-Time Amount			
<u>Percentage allocation by income level</u>					
Very low income	Housing Element Update, May 2024, Table D-1	7%			
Low income	Housing Element Update, May 2024, Table D-1	4%			
moderate income	Housing Element Update, May 2024, Table D-1	4%			
above moderate income	Housing Element Update, May 2024, Table D-1	85%			
Weighted average taxable sales per household		\$29,529			
Estimated leakage rate	Industry best practice	40%			
Sales tax revenues per household		\$199			
Cumulative new households estimate		2615	2831	3047	3263
New sales and use tax		\$521,226	\$564,280	\$607,333	\$650,387
Alternative Sales Tax Methodology					
New taxable sales per resident		\$14,475			
Cumulative new residents		5,596	6,059	6,522	6,984
New taxable sales		\$81,005,640	\$87,701,010	\$94,396,380	\$101,091,750
New sales and use tax		\$911,313	\$986,636	\$1,061,959	\$1,137,282
Cumulative Net New Revenues					
	<u>Multiplier</u>				
Sales and Use Tax	Case Study	\$911,313	\$986,636	\$1,061,959	\$1,137,282
Property Tax (incl. VLF Backfill)	Case Study	\$6,750,707	\$7,312,844	\$7,874,982	\$8,437,120
Franchise Fees	Genera Fund Revenues Tab	\$23.77	\$133,033	\$144,028	\$166,019
Licenses & Permits	Genera Fund Revenues Tab	\$144.00	\$805,886	\$872,495	\$939,104
Fines & Forfeitures	Genera Fund Revenues Tab	\$7.18	\$40,175	\$43,496	\$46,816
Total Net New Revenues		\$8,641,113	\$9,359,499	\$10,077,885	\$10,796,271
Cumulative Net New Expenditures					
	<u>Multiplier</u>				
Police Department	General Fund Expenditures Tab	\$690.26	\$3,862,997	\$4,182,285	\$4,501,574
Parks & Public Works	General Fund Expenditures Tab	\$332.21	\$1,859,207	\$2,012,876	\$2,320,215
Community Developmment	General Fund Expenditures Tab	\$121.72	\$681,180	\$737,482	\$793,783
Library Services	General Fund Expenditures Tab	\$141.33	\$790,929	\$856,302	\$921,675
Total Net New Expenditures		\$7,194,312	\$7,788,945	\$8,383,577	\$8,978,210
Net Fiscal Impacts		\$1,446,801	\$1,570,554	\$1,694,308	\$1,818,061
Net Fiscal Impact per Unit		\$553.27	\$554.77	\$556.06	\$557.17
Average annual fiscal impact (2026\$)		\$952,179.40			
Average annual fiscal impact per unit (2026\$)		\$523.04			

Note: If no source is provided, then the quantity is either calculated or sourced from elsewhere in the cash flow model.

TOWN OF LOS GATOS

ASSET LIABILITY MANAGEMENT REPORT

Analysis of Capital Funding, Long-Term Liabilities, Reserves, and Revenue Requirements



October 2026





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Executive Summary

The asset liability management analysis evaluates the Town of Los Gatos' capital requirements, long-term pension and retiree health liabilities, cash reserves, prospective borrowing, development-related revenues, and structural deficit as components of one integrated long-range financial framework. This analysis is for the period from FY 2026-2027 through FY 2035-2036, a ten-year period. This is consistent with the Raftelis report. The principal conclusion is that the size and timing of the capital improvement program (CIP), together with the availability of recurring revenue, are the dominant determinants of fiscal sustainability. Pension cost management can improve the timing and amount of required payments, but it does not replace a capital affordability decision or a recurring revenue strategy.

This report uses the long term structural deficit projected in the Raftelis report as a baseline for all cash flow analysis. The Town does have a long term structural deficit. This report covers a number of options that Town has for eliminating or reducing that deficit. One change is made to the annual deficits projected in the Raftelis report – the use of existing OPEB reserves to fund annual OPEB payments. This is explained in more detail elsewhere in this report.

The historic CIP approximated \$4 million or more annually and was concentrated on roadway repairs and improvements. Its principal recurring sources include gas tax revenues, pass-through receipts from the Santa Clara Valley Transportation Authority's 2010 and 2016 tax measures, and traffic and storm-drain impact fees. Prior-year capital fund balances also support the program. The General Fund annual contribution was eliminated for FY 2025-2026 because of the structural deficit, demonstrating that even the existing program competed for General Fund capacity.

The potential capital program considered by this analysis is substantially larger. It includes approximately \$20 million of Tier 2 projects, a Highway 17/Highway 9 interchange with an estimated total cost of at least \$180 million, a proposed police building estimated at \$70 million, and a Town Hall renovation described as a rough low-side estimate of \$25 million or more. Tier 3 projects are excluded. Under the modeled assumptions, Tier 2 is funded on a pay-as-you-go basis over ten years with 5 percent annual cost inflation, while the major facilities and the local share of the interchange contribution are debt financed. The annualized cost of this expanded program, rather than pension intervention, is the primary driver of the long-term structural deficit. In addition, this report includes estimates of the Town's Unprogrammed CIP. These projects are implied by funding for studies and design in current Town CIP documents, but for which actual project costs are not shown. The interchange analysis contains an unresolved local-share assumption. A 20 percent local share is described as potentially necessary for the project to gain traction, which would equal approximately \$36 million on a \$180 million project. The modeled financing instead assumes a Town contribution of \$18 million, consisting of \$5.4 million of cash for biddable plans and full permitting and \$12.6 million financed through lease revenue bonds. The \$18 million modeled contribution is retained, but the difference between the practical funding threshold and the modeled share must be resolved before the forecast is used as an implementation plan.

The potential debt program assumes lease revenue bond financing for the police building, the \$12.6 million net interchange contribution, and the \$25 million Town Hall renovation. Project costs total \$107.6 million. After a 1 percent issuance-expense assumption, the modeled financing amount is \$108.676 million. At a 5 percent interest rate over 30 years, estimated annual debt service is approximately \$7.070 million. Borrowing reduces the immediate construction-period draw on reserves, but the resulting fixed annual obligation materially increases the structural deficit.

The analysis identifies \$34.413 million of cash balances across restricted, non-spendable, committed, assigned, and unassigned categories that are legally available in one form or another to support the General Fund. This includes a \$4.171 million pension-related restricted balance (Section 115 Trust), \$159,000 of non-spendable resources, \$16.377 million of committed balances, \$5.261 million of assigned balances, and \$8.445 million of unassigned fund balance. For high-level modeling, nonrestricted resources and certain committed amounts are aggregated to show the overall liquidity capacity. Actual use remains subject to legal restrictions, adopted policies, intended purposes, and minimum operating-liquidity requirements.

The other post-employment benefits (OPEB) position is comparatively well funded. More than \$30 million of invested assets support an actuarial liability exceeding \$38 million, producing a funded ratio above 75 percent. The June 30, 2025 actuarial valuation shows a FY 2026-27 actuarially determined contribution of approximately \$1.732 million and a recommended net trust reimbursement of approximately \$705,000. The policy issue is whether continued funding of the OPEB unfunded liability provides greater long-term value than preserving liquidity or funding capital and pension priorities.

The CalPERS pension analysis uses the June 30, 2024 valuation as the formal baseline and incorporates expected June 30, 2025 results for scenario development. The unfunded accrued liability (UAL) is approximately \$67.2 million at June 30, 2024 and is



expected to decline to approximately \$60.1 million at June 30, 2025, primarily because of 12.1 percent investment returns. Historical results indicate that CalPERS investment performance can change the Town's UAL and payment schedule by amounts larger than the modeled benefit of an Additional Discretionary Deposit (ADP). That factor is potentially more consequential than the ADP decision, but it is also outside the Town's control and highly uncertain.

The pension scenario analysis compares a \$4.2 million ADP applied to long or short bases, Section 115 trust payment smoothing, and an approximately \$8.2 million ADP directed to bases with ten years or less remaining. The larger ADP produces approximately \$10.7 million of gross payment relief through fiscal year 2036 and approximately \$2.5 million of modeled net reduction after the initial use of funds. The analysis indicates that a targeted ADP can make financial sense, especially when relief is concentrated during the payment peak, but it is not a gamechanger for the long-term structural deficit because its annual benefit is small relative to the cost of the expanded CIP and associated debt service.

Development is modeled as a potential source of both one-time capital revenue and recurring service revenue. The analysis assumes 3,263 residential units through 2040, including 400 accessory dwelling units, or approximately 230 units annually. A simplified impact-fee allocation and a \$750 annual Mello-Roos services and facilities tax on each new unit generate combined modeled receipts rising from approximately \$1.63 million in FY 2026-2027 to \$4.32 million in FY 2036. Taxing new development has a significant positive impact on long term General Fund cash flows because the revenue grows over time and can materially offset the deficit. However, the timing and amount of new revenues are highly uncertain because development activity is volatile and the fee and tax structures are not yet implemented.

The analysis evaluates two scenarios. Scenario 1 is a master cash flow through FY 2035-2036 for the General Fund reflecting all major assumptions, including potential new revenue sources and a CalPERS intervention described in this report. Scenario 1 also includes a reduction in the original structural deficit estimated by Raftelis done by Town staff to reflect changes in how OPEB is managed. Scenario 2 is the same as Scenario 1 with the exception that additional reductions to the structural deficit projected by Raftelis from COLA reductions is also shown. The fundamental metric used in this analysis is the percent of the annual debt service for a lease revenue bond to fund the full CIP for the Town that can actually be supported without draining down cash balances below their starting level after the CalPERS intervention. Scenario 1, the baseline shows that the Town can afford about 8% of the \$118.5 million CIP shown in this report. Scenario 2 shows that it can afford about 30% of that CIP.

The results establish a consistent hierarchy of fiscal drivers for the Town's General Fund. The scale of the CIP, both cash funded and debt funded, is the principal controllable driver of the long-term deficit. New taxes are necessary in every modeled scenario, although the required tax base and amount differ materially. Development-related taxation can substantially improve the outlook but remains exposed to the building cycle. A targeted ADP can reduce pension costs and improve near-term capacity, but it does not solve the structural deficit problem. Future CalPERS performance may have a larger effect than an ADP, but it is similarly uncertain and should not be treated as a dependable funding source.

Principal Objective Takeaways

1. The size and timing of the expanded CIP are the principal controllable drivers of the Town's long-term structural deficit. The Town cannot afford 100% of the identified CIP (including the Unprogrammed CIP) without either new revenues or cost savings not shown in this report.
2. A targeted ADP can make financial sense and provide useful near-term relief, but its benefit is not large enough to offset the annualized cost of the full capital program.
3. Future CalPERS investment performance may have a larger fiscal effect than the modeled ADP, but it is volatile, outside the Town's control, and unsuitable as a dependable budget solution.
4. Every modeled scenario depends on a new tax or exaction; no scenario resolves the structural imbalance using existing revenues alone.
5. Impact fees and a new-development Mello-Roos tax can materially improve the forecast and may be a gamechanger if development occurs as assumed.
6. Development-related revenue remains highly uncertain because construction timing, unit mix, affordability, absorption, and legal implementation can differ from the model.
7. Project prioritization, minimum reserve targets, the structure of new revenue, and the timing of pension and OPEB actions are the principal policy decisions requiring Town direction.



1. Introduction and Scope

Asset liability management (ALM) is used in this report as an integrated planning framework rather than as a narrow investment-management exercise. The Town's assets include cash reserves, pension and OPEB trust balances, capital assets that may support lease financing, and prospective development and tax revenues. Its liabilities and claims on future resources include the structural General Fund deficit, current and expanded capital requirements, debt service, pension payments, OPEB costs, and the need to maintain operating and emergency liquidity. The analytical objective is to evaluate these elements together so that an action that improves one part of the financial position is not considered without its effect on other funding needs and overall cash position.

The analysis evaluates six interrelated questions: (1) whether and how to add Tier 2 projects; (2) how to address the Highway 17/Highway 9 interchange, police building, and Town Hall; (3) whether debt can preserve liquidity without creating unaffordable fixed costs; (4) whether pension and OPEB resources should be used to reduce or smooth payments; (5) whether new development can fund a meaningful share of capital and service costs; and (6) what recurring new tax revenue would be required under each capital scenario.

The report is intended for policy-level review. It describes modeled relationships and tradeoffs but does not determine project necessity, establish legal authority, select a financing structure, or recommend a final ballot measure. Those decisions require updated technical, legal, financial, and community analyses.

2. Analytical Framework and Limitations

The analysis is high level and relies on assumptions that vary in precision. Some values are documented account balances or actuarial results; others are preliminary project estimates, simplified development assumptions, or illustrative financing and tax structures. The results should be interpreted as sensitivity tests rather than forecasts or guarantees. The principal controllable variable is the size and timing of the CIP. The principal external variables are CalPERS' performance and the pace of new development. Both external variables can materially change the result, but neither should be relied upon as a certain source of fiscal improvement.

Fund-balance classifications have different legal and policy implications. Restricted balances are constrained by external requirements. Non-spendable balances are not available in spendable form. Committed and assigned balances reflect formal or intended uses that may require governmental action to change. Unassigned balance is the residual category, but it remains necessary for working capital, emergencies, and volatility. The cash-flow model generally aggregates nonrestricted balances, including some amounts committed for pension and OPEB purposes, to measure broad liquidity. That treatment is analytically useful but does not establish that all balances are available for any purpose.

Table 1. Key Modeling Assumptions

Assumption Area	Modeled Assumption	Status / Limitation
Forecast period	Generally FY 2025-2026 through 2035-2036	High-level cash-flow horizon; selected pension schedules extend beyond FY 2035-2036.
Existing CIP	Approximately \$4+ million annually through FY 2029-2030	Primarily roadway work; funding sources and carryover balances may vary.
Tier 2	Base estimate of \$20 million; \$2 million in first year, inflated 5% annually for 10 years	Pay-as-you-go; no Tier 3 funding.
CIP grants	\$500,000 annually for tier 2	Assumed, not identified by award.
Interchange	\$180+ million total; modeled Town share of \$18 million (10% local share)	Conflicts with statement that 20% local share may be minimum; \$5.4 million cash and \$12.6 million debt are modeled.
Police building	\$70 million	Town estimate; modeled as fully debt financed.
Town Hall renovation	\$25 million	Rough low-side estimate; modeled as debt financed.
Lease revenue bonds	30 years; 5.0% interest; 1.0% issuance expense	Produces approximately \$7.07 million annual debt service; asset and affordability analysis required.



Assumption Area	Modeled Assumption	Status / Limitation
Cash earnings in integrated forecast	No separate investment-earnings line in the revised schedule	The reproduced forecast does not add cash investment earnings; actual results may differ.
Pension scenarios	\$4.2 million existing Section 115 resources; approximately \$8.2 million for larger ADP; all ADP scenarios assume interest savings of 6.8%	ADP savings are smaller than the annualized full-CIP cost; future CalPERS performance may have a larger but uncertain effect. ADP 6.8% interest is also not guaranteed and is based on future CalPERS investment performance
Section 115 Trust earnings	4.9% conservative and 7.0% moderate/aggressive	Modeling assumptions, not guaranteed returns.
Development	3,263 units through 2040, including 400 ADUs; 230 units annually in projection	Potentially material fiscal benefit, but pace, mix, absorption, and timing are volatile.
Impact fee	\$6,329 illustrative per-unit allocation, inflated 5% annually	Simplified allocation; an AB 1600 study is required.
New-development special tax	\$750 per new unit, inflating 2% annually	Illustrative Mello-Roos assumption; implementation and legal review required.
Town-wide parcel tax	\$200 per parcel on approximately 11,400 parcels; 2% inflator; collection beginning FY 2028-2029	Illustrative structure and timing; Tier 2 remains positive only through FY 2033- 2034 under the revised sensitivity.
Town staff estimated structural deficit reductions from salary cost of living adjustments (COLA) and the utilization of the OPEB/Retiree Medical Trust	Assumes annual cola aligned with historical trends vs the most recent negotiated adjustments. Using the most recent actuarial valuation as of June 30, 2025, staff included increased revenue from the drawdown of the OPEB Trust Fund. Use of these funds would still result in a 99.5% funded status at the end of the 10-year forecast period.	COLA Adjustments decreased forecasted expenditures between \$0.3M to \$2.8M. Use of OPEB Trust increases annual revenues from \$0.1M to \$1.6M.

Source: NHA Advisors asset liability management analysis using stated assumptions.

3. Existing Capital Improvement Program

The historic CIP was approximately \$4 million or more per year through FY 2029-2030. Gas tax receipts and pass-through revenues from VTA's 2010 and 2016 tax measures are identified as principal sources, together with traffic and storm-drain impact fees and prior-year capital balances. The General Fund annual contribution was eliminated for FY 2025- 2026 because of the structural deficit. This existing constraint is important because the potential expanded CIP is substantially larger than the current program.

The existing program was primarily directed to road repairs and improvements. For analytical purposes, all remaining Tier 1 projects are considered fully funded. Tier 2 consists of approximately \$20 million of additional projects that are not currently funded at the same level. Tier 3 is a further set of potential projects that is excluded entirely from the modeled cash flows. The tier structure is therefore a prioritization device: Tier 2 is an expansion tested in the model, and Tier 3 remains outside the available financial capacity evaluated.

The Tier 2 model begins with a \$2 million annual allocation and applies 5 percent annual inflation over ten years. The revised integrated schedule includes a net \$1 million Tier 2 amount in FY 2026-2027 and annual outlays increasing to approximately \$3.1 million by FY 2035-2036. Since the Raftelis report assumed a \$1 million/year Tier 2 CIP in this baseline structure deficit projections, and since this report uses the Raftelis structural deficit projection as a baseline (as revised by Town staff), the analysis assumes only a \$1 million/year increase in CIP to fully fund CIP. This escalating pay-as-you-go requirement is a larger and more persistent driver of the structural deficit than the annual payment relief produced by the ADP.

4. Potential Capital Projects Beyond the Existing CIP

The analysis identifies four major categories outside the existing program: Tier 2, the Highway 17/Highway 9 interchange, a new police building, and Town Hall renovation. These projects differ in regional significance, readiness, cost certainty, and potential funding source, but together they define the central affordability question. Even with Tier 3 excluded, the expanded program requires a combination of reserves, debt, grants, development exactions, and Town-wide tax revenue.

**Table 2. Potential Capital Projects and Modeled Funding**

Project / Program	Estimated Cost	Modeled Town Funding	Proposed Source	Principal Qualification
Tier 2 CIP	\$20 million base estimate	\$2 million in first year, inflated 5% annually over 10 years. \$1 million per year already funded in baseline structural deficit projection	Pay-as-you-go; portion of \$500,000 annual combined grants	Scope and schedule require refinement; Tier 3 excluded.
Highway 17/Highway 9 interchange	\$180+ million	\$18 million modeled, including \$5.4 million predevelopment	Cash for plans/permitting; \$12.6 million lease revenue bonds; outside construction funding	The analysis also states that a 20% local share may be required, implying a higher Town contribution.
New police building	\$70 million	\$70 million, lease revenue bond	Lease revenue bonds	Town estimate; construction timing and affordability require analysis.
Town Hall renovation	\$25+ million	\$25 million modeled	Lease revenue bonds	Described as a rough low-side estimate.
On-going Unprogrammed CIP	\$3 to \$4 million per year	100% funded	Pay-as-yo- go	Rough estimate at this time
Onetime Unprogrammed CIP	\$10.9 million	100% funded	Lease revenue bonds	Rough estimate at this time
Tier 3	Not specified	None	Not funded	Excluded from all modeled results.

Source: NHA Advisors capital funding analysis using Town-provided project estimates.

5. Highway 17/Highway 9 Interchange

The interchange is the largest individual project and is treated as a pivotal funding question because of its regional function, limited outside-funding capacity, and anticipated 2029 construction start. The analysis estimates the total cost at more than \$180 million, with construction from 2029 through 2031. VTA reports that federal, State, and VTA sources are overcommitted and that traffic-related improvements have received lower priority from VTA, while noting that federal priorities may differ.

VTA's current CIP shows a 10 percent local share but characterizes that amount as unrealistically low, stating that 20 percent is the minimum local contribution likely to give the project traction. On a \$180 million cost, 20 percent would be approximately \$36 million. The subsequent strategy and cash-flow model nevertheless use an \$18 million Town contribution. Because the local-share assumption affects debt service, reserve use, and the amount of outside funding required, it is one of the most consequential unresolved model inputs.

The suggested strategy begins with \$5.4 million of Town cash to complete biddable specifications and obtain full permitting. This expenditure is intended to advance project readiness while Town officials and stakeholders seek greater VTA sales-tax, Caltrans, and federal participation. For purposes of this report, we assume that this \$5.4 million cash contribution does not count towards the \$18 million 10% local share threshold. We also assume that the \$18 million contribution would be financed through lease revenue bonds. The Town should consider documenting the long-term regional cost of inaction to support external funding advocacy with VTA, and potentially MTC. These items are proposed analytical and advocacy steps, not a formally adopted funding plan.

The principal tradeoff is timing. Cash-funded predevelopment may improve readiness and competitiveness for external funding, but it reduces liquidity before construction funding is secured. However, cash-funded predevelopment keeps the interchange project grant eligible for the time being. Debt financing limits the near-term reserve draw but creates a long-term General Fund obligation. A revised model should show at least the 10 percent and 20 percent local-share cases, as well as the effect of delayed construction and lower outside funding.

It is important to note that VTA's minimum 10% local share requirement is broadly defined – the 10% can come from other sources, such as State or Federal funds. The Town could consider making a major effort to secured CalTrans or Federal funding for this interchange to augment the VTA funds.



6. The Town's Unprogrammed CIP

There are several capital projects that are implied by studies and design work identified in the Town's various CIP documents, but for which construction costs are not shown. Table 3 below shows the ongoing annual Unprogrammed CIP. Table 3 shows one-time Unprogrammed CIP projects. Table 3 ongoing annual Unprogrammed CIP costs are incorporated into both Scenario 1 and Scenario 2 cash flows as pay-go annual expenses. The Table 4 one-time Unprogrammed CIP is incorporated into the potential sizing for the lease revenue bond discussed in Section 7 "Potential Debt Financing Program".

Table 3. Ongoing Unprogrammed CIP Summary

Project	Fiscal Year									
	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36
Annual Street Repair and Resurfacing	2,000,000	2,100,000	2,205,000	2,315,250	2,431,013	2,552,563	2,680,191	2,814,201	2,954,911	3,102,656
Annual restriping	75,000	78,750	75,001	78,751	75,002	78,752	75,003	78,753	75,004	78,754
Roadside fire fuel reduction				150,000	157,500	165,375	173,644	182,326	191,442	201,014
Vegetation Management Townwide	150,000	157,500	165,375	173,644	182,326	191,442	201,014	211,065	221,618	232,699
ADA Compliance Work	500,000	525,000	551,250	578,813	607,753	638,141	670,048	703,550	738,728	775,664
Total	2,725,000	2,861,250	2,996,626	3,296,457	3,453,594	3,626,273	3,799,900	3,989,895	4,181,703	4,390,788

Questions/Assumptions

- Annual street repair and resurfacing costs inflated at 5% per year.
- Annual restriping and roadside fuel reduction inflated at 5% per year
- Roadside fire fuel reduction work begins in FY 2030, after grants has been depleted
- Annual vegetation management and ADA compliance inflated at 5% per year

Table 4. One Time Unprogrammed CIP Summary

East Main Street Crosswalks	150,000
Blossom Hill Road Union to Camden	2,000,000
Curb Gutter Sidewalk	1,000,000
Santa Cruz Avenue Reconstruction	2,000,000
Loma Drainage	2,000,000
Green Stormwater Infrastructure	500,000
Timber Bridge	1,000,000
Sport Court Resurfacing	750,000
Fleet Outdoor Service Area	500,000
Downtown Restroom	1,000,000
Total	10,900,000

7. Potential Debt Financing Program

The model uses a single lease revenue bond program for the proposed police building, the net interchange contribution after cash-funded predevelopment, and Town Hall renovation. Lease revenue bonds generally rely on a lease of eligible public assets and annual appropriations rather than a voter-approved property-tax levy. The Town would need to encumber lien-free assets, and the preliminary analysis indicates that sufficient assets may be available, subject to careful legal, asset, and affordability review.

Table 5. Modeled Lease Revenue Bond Financing

Financed Component	Project Cost	Qualification
Police building	\$70,000,000	Town estimate; fully financed in model.
Interchange local share, net of predevelopment	\$12,600,000	\$18 million modeled local share less \$5.4 million cash for plans and permitting.
Town Hall renovation	\$25,000,000	Very rough low-side estimate.
Tier 2 / Tier 3/ Ongoing Unprogrammed CIP	\$0	Tier 2 and ongoing Unprogrammed CIP are pay-as-you-go; Tier 3 is excluded.
One-time Unprogrammed CIP	\$10,900,000	From Table 4 above
Total project cost financed	\$118,500,000	Before issuance expenses.



Financed Component	Project Cost	Qualification
Issuance expenses	\$1,118,500	Assumed at 1 percent of project costs.
Total financing amount	\$119,685,000	Modeled par / financing amount.
Annual debt service	\$7,785,681	30-year level-payment estimate at 5.0 percent.

Source: NHA Advisors financing analysis using stated project and debt assumptions.

Debt financing would align repayment more closely with the useful lives of long-lived facilities and reduce the construction-period draw on reserves. It would also create a fixed annual claim of approximately \$7.07 million for 30 years. This amount is substantially larger than the annual cash-flow benefit of the modeled ADP. Debt therefore addresses timing rather than affordability and requires a recurring revenue source commensurate with the resulting obligation.

8. Town Reserves and Liquidity

The reserve summary reports total balances of approximately \$34.413 million. These balances are not homogeneous. The Section 115 pension amount is restricted; the rehabilitation loan reserve is non-spendable; stabilization, catastrophic, and pension/OPEB amounts are committed; several balances are assigned to specified purposes; and the unassigned balance is approximately \$8.445 million.

Table 6. Summary of Town Cash Reserves by Classification

Classification / Purpose	Balance
Restricted — Pension Section 115 trust	\$4,170,731
Nonspendable — Rehabilitation loan reserve	\$159,000
Committed — Budget stabilization	\$7,538,452
Committed — Catastrophic	\$7,538,452
Committed — Pension/OPEB	\$1,300,000
Assigned — Capital/special projects	\$1,983,271
Assigned — Compensated absences	\$1,519,243
Assigned — Open space	\$410,000
Assigned — Sustainability	\$140,553
Assigned — Market fluctuations	\$1,201,824
Assigned — Carryover encumbrances	\$6,367
Unassigned fund balance	\$8,444,847
Total	\$34,412,740

Source: Town cash-balance classifications incorporated into the asset liability management analysis.

For the integrated cash-flow analysis, most nonrestricted cash, including amounts committed for pension and OPEB purposes, is treated as an aggregate starting balance. This approach shows the overall trajectory of liquid resources if the Town funds operating deficits, pension interventions, pay-as-you-go capital, and debt service from the same broad pool. It does not imply that all listed amounts can or should be repurposed.

The reserve decision is therefore a portfolio-allocation problem. Cash can fund capital directly and avoid borrowing; it can be contributed to CalPERS or a trust to reduce or smooth pension costs; it can support OPEB; it can absorb the structural deficit; or it can remain available for stabilization and emergencies. Each use has an opportunity cost. A minimum-reserve framework is necessary before the model is used to authorize projects or liability contributions. The Town has a reserve policy. We believe that the cash balances projected in the cash flows in this report are broadly in conformance with the policy.



9. OPEB Liability and Funding Policy

The Town's OPEB plan is reported as more than 75 percent funded, with over \$30 million of invested cash reserves against an actuarial liability exceeding \$38 million. The analysis states that the Town significantly curtailed future employee OPEB liabilities in 2018. It also distinguishes OPEB from CalPERS by stating that the Town is not subject to an equivalent legal requirement to fully amortize the unfunded OPEB liability. This legal characterization should be confirmed as part of any policy change

Table 7. Selected OPEB Valuation and Contribution Information

Item	FY 2026-27	FY 2027-28
Valuation date	June 30, 2025	June 30, 2025
Discount rate	6.25%	6.25%
Normal cost	\$786,226	\$761,791
Administrative expenses	\$22,750	\$24,154
UAAL amortization payment	\$923,393	\$948,787
Total actuarially determined contribution	\$1,732,369	\$1,734,732
Estimated explicit benefit payments	(\$2,146,584)	(\$2,241,845)
Estimated implicit benefit payments	(\$290,946)	(\$310,647)
Recommended net trust contribution / (reimbursement)	(\$705,161)	(\$817,760)

Source: Town of Los Gatos Retiree Healthcare Plan, June 30, 2025 actuarial valuation.

The actuarial consultant's recommended negative net trust contribution is effectively a reimbursement or withdrawal because estimated benefit payments exceed the actuarially determined contribution. The analysis uses this result to raise a broader policy issue: whether continued contributions toward the OPEB unfunded liability provide sufficient long-term value when compared with preserving liquidity, funding capital, or addressing pension costs. A final decision would require an updated funding policy, projected benefit cash flows, trust-return assumptions, tax and accounting review, and an assessment of intergenerational equity.

BENEFIT PAYMENT AND PRE-FUNDING PROJECTION – TRUST DISBURSEMENTS

Fiscal Year	Explicit Subsidy Benefit Pmts	Implicit Subsidy Benefit Pmts	Trust Pmt (Reimb.)	ADC	Proj. Payroll (in millions)	ADC % of Pay	Funded % BOY
2026/27	\$2,146,584	\$290,946	(705,161)	\$1,732,369	\$21.1	8.2%	77.6%
2027/28	2,241,845	310,647	(817,760)	1,734,732	21.7	8.0%	80.7%
2028/29	2,359,145	371,306	(987,828)	1,742,623	22.3	7.8%	83.8%
2029/30	2,438,680	403,164	(1,094,116)	1,747,728	22.9	7.6%	86.3%
2030/31	2,466,868	376,711	(1,096,536)	1,747,043	23.5	7.4%	88.1%
2031/32	2,596,937	467,863	(1,307,442)	1,757,358	24.2	7.3%	90.1%
2032/33	2,670,452	522,349	(1,418,069)	1,774,732	24.9	7.1%	92.1%
2033/34	2,728,092	563,724	(1,500,313)	1,791,503	25.5	7.0%	94.4%
2034/35	2,801,657	640,255	(1,628,876)	1,813,036	26.2	6.9%	96.8%
2035/36	2,810,881	625,847	(1,601,174)	1,835,554	27.0	6.8%	99.5%

Figure 1. OPEB Actuarially Determined Subsidy Benefit and Reimbursement Payments

The source table shows the composition of the actuarially determined contribution and the projected net trust reimbursement and projected funded ratio.

Source: Town of Los Gatos Retiree Healthcare Plan, June 30, 2025 actuarial valuation.



10. CalPERS Pension Position

The formal pension baseline is the June 30, 2024 actuarial valuation, which reports a UAL of approximately \$67.2 million. June 30, 2025 valuation results (released after the Raftelis study was finalized) reduce the UAL to approximately \$60.1 million. The change reflects an estimated \$11.5 million reduction from 12.1 percent investment returns, partly offset by approximately \$700,000 of assumption changes and \$3.8 million of non-investment losses. The magnitude of the investment-related change is greater than the modeled net benefit of the ADP and illustrates why future CalPERS performance is a major, but uncertain, driver of the Town's outlook.

Table 8. Selected CalPERS Position and Payment Measures

Measure	June 30, 2024	June 30, 2025	Change / Observation
Unfunded accrued liability	\$67.233 million	\$60.134 million	Reduction of approximately \$7.1 million.
Funded ratio, excluding Section 115 trust	74.0%	77.2%	Improves by approximately 3.2 percentage points.
Effective Funded ratio, including Section 115 trust	74.8%	78.4%	Trust increases funded ratio by about 1.2 percentage points in FY 2024-25.
Modeled cumulative UAL payments	\$100.457 million	\$87.100 million	Expected 2025 schedule is approximately \$13.357 million lower.
Near-term UAL payment peak	Approximately \$7.5 million in FY 2030-31 under 2024 schedule	Approximately \$7.35 million in FY 2028-29 under expected 2025 schedule	Expected results accelerate decline of the payment peak.

Source: CalPERS actuarial valuation reports and the CalPERS Pension Outlook Tool.

Historical results demonstrate the sensitivity of the UAL to investment performance. The UAL declined from approximately \$61.9 million in 2020 to \$36.7 million in 2021 after a 22.4 percent return, then increased to approximately \$64.9 million in 2022 after a negative 7.5 percent return. A preliminary FY 2025-2026 return of 14.8 percent is not translated into a UAL reduction in the model because the effect was not sufficiently known. Conservative planning should therefore separate known actuarial savings from potential future market performance.

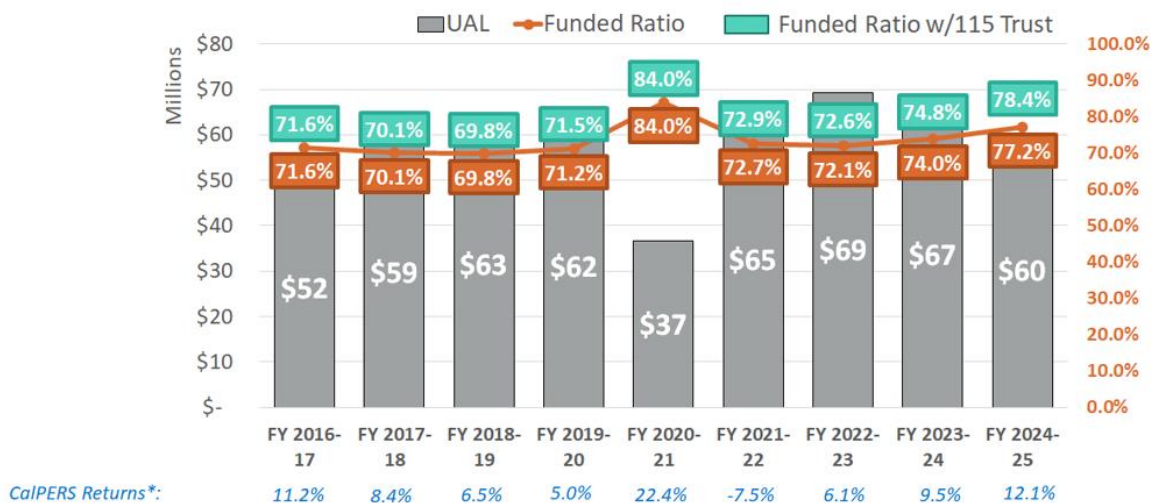


Figure 2. Historical UAL Balance and Funded Ratio

The figure illustrates the relationship between investment returns, the UAL, and the funded ratio from 2017 through expected 2025 results.

Source: CalPERS actuarial valuation reports and the CalPERS Pension Outlook Tool.

Under the expected June 30, 2025 actuarial valuation schedule, annual UAL payments are approximately \$6.69 million in FY 2026-27, rise to approximately \$7.35 million in FY 2028-29, and decline to approximately \$5.54 million by FY 2035-36. Normal cost is projected separately and rises over time. The combination of normal cost and UAL payments therefore remains a material General Fund commitment even as the UAL payment component declines. The reduction in projected UAL payments between the June 30, 2024 actuarial valuation and June 30, 2025 valuation can be seen in Figure 3 below.



Four principal headwinds support conservative planning: future market downturns or return volatility; changes in actuarial assumptions such as the discount rate or inflation; Town salary increases and cost-of-living adjustments above CalPERS assumptions; and potential legislative changes. It should be noted that the benefits of the 12.1% returns from FY 2024-25 were offset by nearly 1/3 (33%) due to “non-investment losses,” likely generated by the Town’s recent practice of providing larger salary increases/COLAs than those assumed by CalPERS and/or having an increased number of early retirements. Without these non-investment losses, the reduction in UAL would have been \$3.8 million more. These risks reinforce the conclusion that favorable CalPERS performance, although potentially more consequential than an ADP, cannot be treated as a reliable solution to the structural deficit.

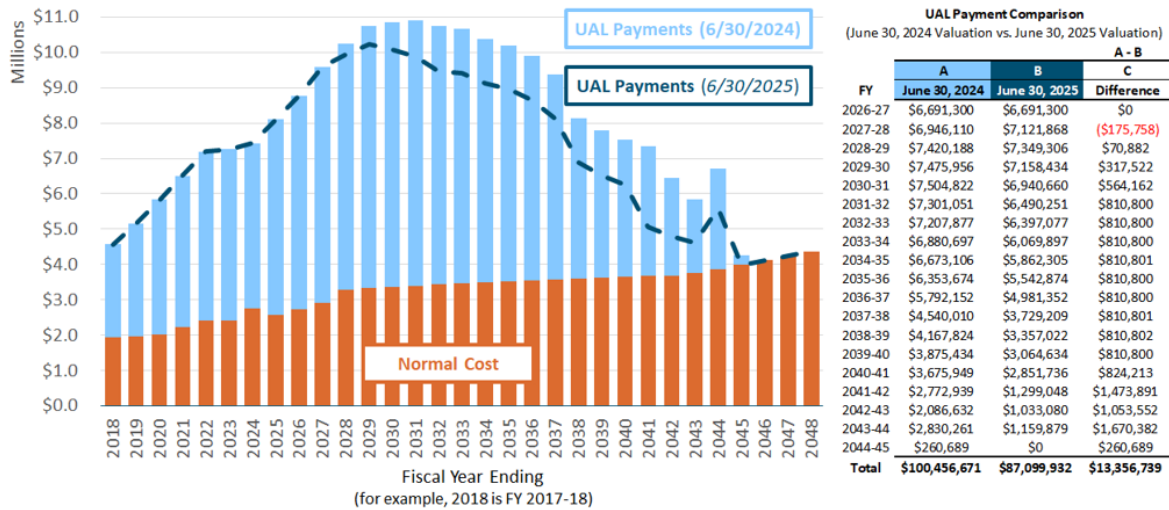


Figure 3. Historical and Projected CalPERS Payments

The new June 30, 2025 UAL schedule reduces cumulative payments and accelerates the decline from the payment peak relative to the June 30, 2024 schedule.
Source: CalPERS actuarial valuation reports and the CalPERS Pension Outlook Tool.

11. Pension Cost-Management Alternatives

The pension strategies are not mutually exclusive. They vary in whether they directly reduce the UAL, preserve control and liquidity, change the amortization schedule, or transfer investment risk. The alternatives include strategies currently used by the Town, strategies suitable for further consideration, and strategies that are not advisable under the modeled near-term deficits and current market conditions.

Table 9. Pension Cost-Management Alternatives

Alternative	Basic Mechanism	Potential Advantages	Principal Disadvantages / Risk	Source Treatment
Annual CalPERS prepayment	Pay annual UAL amount early in the fiscal year.	Approximately 3.3% prepayment discount; administratively simple.	Uses cash earlier; limited structural effect beyond discount.	Currently used.
Fresh Start	Replace existing bases with a shorter / level amortization schedule.	Less interest over full period; simplified payment pattern.	Higher near-term payments; no flexibility to return to prior schedule.	Not recommended given near-term deficits.
Pension obligation bonds	Borrow to pay off the UAL at an assumed lower borrowing rate.	Potential payment leveling and interest-rate differential.	Investment/reinvestment risk; fixed debt; savings not guaranteed as they are based on future CalPERS investment performance	Not recommended under current market/rate and risk conditions.
Additional discretionary payment	Pay selected amortization bases directly to CalPERS.	Immediate UAL reduction; future payment reduction; implicit 6.8% discount-rate benefit if assumptions are realized.	Irreversible; reduces liquidity and investment control; market timing and reinvestment risk.	Recommended for targeted consideration; financially useful but not sufficient to resolve the structural deficit.



Alternative	Basic Mechanism	Potential Advantages	Principal Disadvantages / Risk	Source Treatment
Section 115 trust	Maintain restricted pension/OPEB assets outside the pension system until withdrawn or transferred.	Budget flexibility, liquidity within restricted purpose, investment options, and payment smoothing.	Does not reduce UAL until transferred; investment risk; requires contributions.	Recommended for smoothing and investment control and budget flexibility.

Source: NHA Advisors analysis of pension cost-management alternatives.

The Town has a history of proactive pension cost management, including consistent early UAL prepayment, a June 2014 payoff of the \$4.5 million Safety Plan side fund UAL, set-asides for ADPs totaling \$12.7 million, and establishment of a CalPERS Section 115 trust with a current balance of approximately \$4.17 million. Existing policy sets aside \$390,000 annually and permits up to \$690,000 when the Town ends the fiscal year in a positive position.

Selection of ADP bases is central to the timing of benefits. Long bases maximize gross long-term reduction but spread annual relief over a longer period. Short bases produce less total reduction but concentrate relief during the UAL payment peak. A tailored selection can target the desired annual cash-flow profile. In the Town's current circumstances, the relevant question is not whether an ADP can produce savings, but whether the timing of those savings justifies the immediate reduction in liquidity and meaningfully supports the capital and operating forecast.

12. Pension Scenario Analysis

All pension scenarios assume use of the approximately \$4.2 million Section 115 trust balance. Scenario 3 requires an additional amount of approximately \$4 million from unassigned reserves, resulting in an initial intervention of approximately \$8.2 million. Scenario 1A applies the \$4.2 million as an ADP to long bases; Scenario 1B uses short bases; Scenarios 2A and 2B use trust withdrawals to smooth payments under 4.9 percent and 7.0 percent earnings assumptions; and Scenario 3 applies the larger ADP to all bases with ten years or less remaining.

Table 10. Comparative Pension Scenario Results

Scenario	Initial Resource Use	Gross Reduction Through FY 2032-33	Gross Reduction Through FY 2035-36	Total Gross Reduction	Net Reduction Through FY 2035-36	Primary Timing / Liquidity Effect
1A — Long-base ADP	\$4.2M ADP	\$2.363M	\$3.545M	\$7.556M	(\$0.625M)	Largest long-term gross reduction among \$4.2M alternatives; least near-term relief; irreversible.
1B — Short/tailored ADP	\$4.2M ADP	\$4.827M	\$5.301M	\$5.301M	\$1.100M	Relief concentrated in payment-peak years; less total gross reduction than long bases.
2A — Trust smoothing, 4.9%	\$4.2M trust withdrawals	\$4.706M	\$4.706M	\$4.706M	\$0.536M	Levels UAL payments near \$6.13M from FY 2027-28 to FY 2032-33; preserves decision flexibility until withdrawals.
2B — Trust smoothing, 7.0%	\$4.2M trust withdrawals	\$4.952M	\$4.952M	\$4.952M	\$0.782M	Levels UAL payments near \$6.08M from FY 2027-28 to FY 2032-33; result depends on higher earnings.
3 — ADP on bases ≤10 years	Approximately \$8.2M ADP	\$9.167M	\$10.651M	\$10.651M	\$2.465M	Largest near-term relief and reserve draw; irreversible and highest market-timing exposure.

Source: NHA Advisors pension scenario analysis. Net reduction equals modeled gross payment reduction through fiscal year 2036 less the initial resource use. Amounts are rounded.

Scenario 1A reduces annual payments by approximately \$393,879 for most of the modeled period, but negative remaining payments would require a roll-up adjustment in FY 2040-41 through FY 2043-44. Its principal limitation is timing: the Town would use \$4.2 million immediately but recover only approximately \$3.5 million in gross payment reductions through FY 2035-36. The alternative may reduce long-term pension cost, but it provides relatively little support during the period of greatest capital pressure.



Scenario 1B and the two trust-smoothing alternatives concentrate more benefit in the next seven to ten years, when UAL payments are highest. Scenario 3 provides the greatest near-term payment reduction but uses approximately \$8.2 million of pension trust and unassigned resources. The larger ADP can make economic sense under the stated assumptions, but the revised integrated forecast demonstrates that the resulting payment relief is not sufficient to offset Tier 2 escalation and the annual debt service associated with the full CIP.

The scenario comparisons do not constitute investment guarantees. An ADP effectively assumes that the benefit of reducing a liability discounted at 6.8 percent will be realized through future CalPERS experience. Trust smoothing depends on trust returns and withdrawal timing. Both approaches reduce cash available for capital, operating stabilization, or unforeseen needs. Future CalPERS' performance may ultimately affect pension costs more than the ADP itself, but that performance is uncertain and should not be embedded as a balancing assumption.

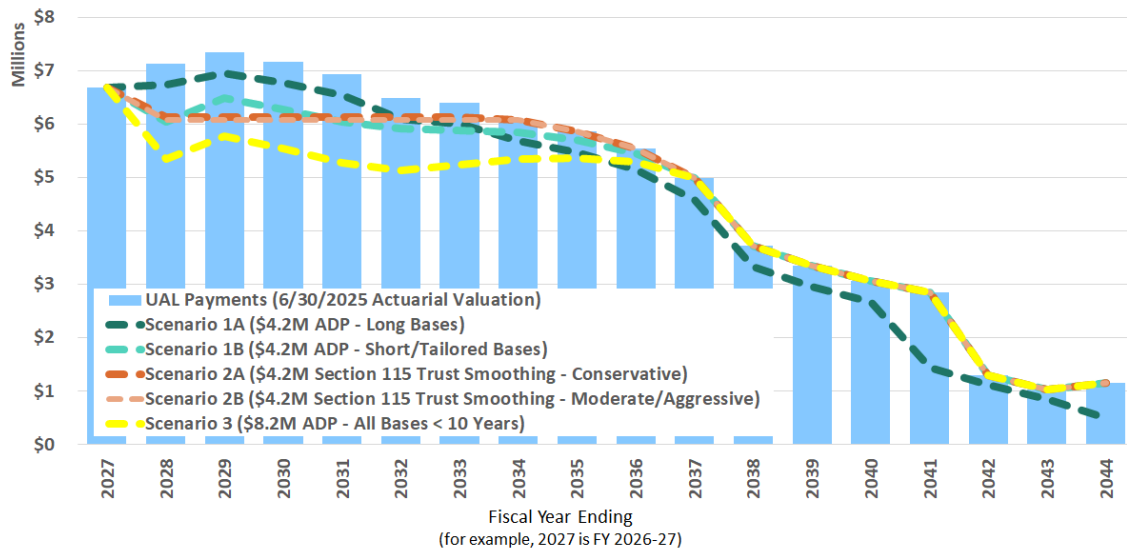
Scenario Modeling - Annual Cost Reductions					
Fiscal Year	Scenario 1A (\$4.2M ADP - Long Bases)	Scenario 1B (\$4.2M ADP - Short Bases)	Scenario 2A (\$4.2M Section 115 Trust Smoothing - Conservative)	Scenario 2B (\$4.2M Section 115 Trust Smoothing - Moderate/Aggressive)	Scenario 3 (\$8.2M ADP - All Bases < 10 Years)
2026 - 2027	\$0	\$0	\$0	\$0	\$0
2027 - 2028	\$393,878	\$1,079,065	\$996,658	\$1,037,682	\$1,778,487
2028 - 2029	\$393,879	\$858,103	\$1,224,096	\$1,265,120	\$1,577,109
2029 - 2030	\$393,879	\$882,130	\$1,033,224	\$1,074,248	\$1,621,268
2030 - 2031	\$393,879	\$906,830	\$815,450	\$856,474	\$1,666,663
2031 - 2032	\$393,879	\$579,836	\$365,041	\$406,065	\$1,360,944
2032 - 2033	\$393,879	\$520,590	\$271,867	\$312,891	\$1,162,973
2033 - 2034	\$393,879	\$232,784	\$0	\$0	\$728,062
2034 - 2035	\$393,879	\$159,535	\$0	\$0	\$498,965
2035 - 2036	\$393,879	\$82,001	\$0	\$0	\$256,468
2036 - 2037	\$393,879	\$0	\$0	\$0	\$0
2037 - 2038	\$393,879	\$0	\$0	\$0	\$0
2038 - 2039	\$393,879	\$0	\$0	\$0	\$0
2039 - 2040	\$393,879	\$0	\$0	\$0	\$0
2040 - 2041	\$1,411,009	\$0	\$0	\$0	\$0
2041 - 2042	\$181,803	\$0	\$0	\$0	\$0
2042 - 2043	\$181,802	\$0	\$0	\$0	\$0
2043 - 2044	\$660,658	\$0	\$0	\$0	\$0
Total Cost Reduction	\$7,555,696	\$5,300,874	\$4,706,335	\$4,952,478	\$10,650,938
Cost Reduction Through FY 2032-33	\$2,363,272	\$4,826,555	\$4,706,335	\$4,952,478	\$9,167,444
Cost Reduction Through FY 2035-36	\$3,544,908	\$5,300,874	\$4,706,335	\$4,952,478	\$10,650,938
Net Cost Reduction Through FY 2035-36	(625,823)	1,130,143	535,604	781,747	2,464,767

Note: Scenario 1A creates annual cost reduction of \$393,879 for 20 years. However, given negative UAL remaining payments after ADP from FY 2043-44 to FY 2046-47, a "roll-up" would occur and modify remaining UAL payments from FY 2040-41 to FY 2043-44. Cost reduction estimates above are compared to this "rolled-up" remaining UAL.

Figure 4. Pension Scenario Annual Cost Reductions and Summary Results

The figure summarizes annual gross reductions and modeled net reductions after the initial use of pension resources.

Source: NHA Advisors pension scenario analysis.





13. Preliminary Pension and OPEB Findings

The preliminary pension findings support reconsideration, rather than automatic continuation, of the annual \$390,000 Section 115 contribution. A targeted ADP or trust-smoothing strategy can improve budget predictability and provide financial value, particularly if relief is concentrated during the next five to ten years. The analysis does not support treating pension intervention as a solution to the structural deficit: the modeled savings are materially smaller than the annualized cost of the expanded CIP, and the immediate use of reserves reduces flexibility.

If reserves are used for pension management, the modeled results favor concentrating relief in the next five to ten years rather than maximizing gross savings over a longer period. That period corresponds to the projected UAL payment peak and the possible commencement of major capital debt service. It is worth noting that the projected payment peak period will likely be more concentrated in the early years once the FY 2025-26 investment returns of 14.8% work their way into the valuation reports next year. Short-base ADPs and Section 115 smoothing preserve more near-term budgetary capacity than a long-base ADP, although trust smoothing retains greater reversibility until funds are withdrawn.

The analysis also raises whether the current CalPERS Section 115 provider offers sufficient investment flexibility. CalPERS provides two trust options, with expected returns between 4.9% and 5.4%. There are several other providers that provide more investment options, the ability to tailor portfolios, and have demonstrated better historical returns than CalPERS. Any provider review should consider governance, fees, custody, investment policy, risk, liquidity, and transition requirements rather than return alone.

The OPEB position supports a parallel review. A well-funded trust and the actuarial recommendation for reimbursement may allow the Town to reduce or suspend contributions toward the OPEB unfunded liability, but the effect on long-term funding, benefit security, and future contribution volatility should be evaluated. The pension and OPEB decisions should be coordinated because both compete for the same reserves and annual General Fund capacity.

The analysis identifies a possible economic relationship between investing pension-related cash at expected rates above 5 percent and issuing tax-exempt capital debt at rates below 5 percent. This comparison is not risk-free: pension or trust returns and future CalPERS performance are uncertain, while bond debt service is fixed. It is therefore a risk-adjusted allocation question rather than a simple interest-rate arbitrage.

14. New Development and Fiscal Effects

The development model assumes 3,263 residential units through 2040, including 400 accessory dwelling units, or approximately 230 new units annually. Affordable units are assumed to represent approximately 15 percent of non-ADU units. Prior fiscal-impact work indicates that housing growth may have a positive operating effect before incremental capital costs, but infrastructure and service costs may be significant. The analysis therefore tests impact fees and a special tax as methods of converting growth into net fiscal capacity.

The impact-fee estimate is intentionally simplified. It assumes that all units pay the same fee, including rental, ownership, ADU, and deed-restricted affordable units, although actual implementation would differ. The model allocates \$108 million of Tier 2, police-building, and interchange local-share costs across 17,063 existing and projected housing units, producing an illustrative \$6,329 per unit. An AB 1600 study would be required to establish nexus, proportionality, eligible costs, and the actual fee structure. However, the Town should seek legal advice on how to best manage impact fees on new infill development.

Table 11. Development Assumptions and Fiscal Effects

Development / Revenue Item	Modeled Assumption	Fiscal Character	Key Limitation
Residential growth	3,263 units through 2040, including 400 ADUs; approximately 230 units annually	Driver of recurring and one-time revenues and service costs	Timing, tenure, affordability mix, and absorption are uncertain.
Illustrative impact fee	\$6,329 per unit, based on \$108M allocated across 17,063 units; 5% annual inflator in revenue model	One-time capital revenue	Not an adopted fee; actual fee requires AB 1600 study and differentiated treatment.



Development / Revenue Item	Modeled Assumption	Fiscal Character	Key Limitation
New-development Mello-Roos tax	\$750 per unit annually; 2% inflator	Recurring services and facilities revenue	Requires district and entitlement implementation; dependent on development pace.
Combined new-development revenue	\$1.628M in FY 2026-27 rising to \$4.320M in FY 2035-36	Combination of one-time and recurring revenue	Potentially large enough to change the forecast, but timing is highly dependent on the building cycle.

Source: NHA Advisors development and revenue analysis using stated growth assumptions.

Table 12. Selected Modeled Annual New-Development Revenues

Fiscal Year	Illustrative Impact Fees	New-Development Special Tax	Combined Revenue
2026-2027	\$1.456M	\$0.173M	\$1.628M
2027-2028	\$1.529M	\$0.352M	\$1.880M
2029-2030	\$1.685M	\$0.732M	\$2.417M
2031-2032	\$1.858M	\$1.143M	\$3.001M
2033-2034	\$2.048M	\$1.585M	\$3.634M
2035-2036	\$2.258M	\$2.062M	\$4.320M

Source: NHA Advisors development revenue model. Amounts are rounded.

The fiscal contribution of development should be evaluated on a net and timing-specific basis. Impact fees may fund eligible capital costs but do not ordinarily support General Fund operating expenses. The new-development annual special tax may support services and facilities, but the tax base builds gradually and depends on construction activity. Under the modeled pace, these revenues are large enough to change the fiscal result and may be a gamechanger. Their volatility, implementation requirements, and exposure to the building cycle make them materially less certain than a broad existing tax base.

15. Potential Voter-Approved Revenue

A parcel tax or local sales-tax override is identified as the most practical Town-wide revenue structure for addressing the structural deficit. The revised scenarios also rely on a new-development Mello-Roos tax and impact fees. As a result, the policy question is not whether new taxes are required, but which tax bases, rates, and implementation schedules provide sufficient and reasonably stable revenue for the selected capital program. Voting thresholds and initiative requirements are legal matters requiring current legal analysis.

Table 13. Illustrative Town-Wide Parcel-Tax Revenue

Average Annual Tax per Parcel	Approximate Taxable Parcels	Estimated Annual Revenue
\$100	11,400	\$1,140,000
\$200	11,400	\$2,280,000
\$300	11,400	\$3,420,000
\$400	11,400	\$4,560,000

Source: NHA Advisors parcel-tax sensitivity analysis.

The cash-flow model assumes a flat \$200 annual tax on approximately 11,400 parcels, approved no later than November 2028, with full collection beginning in FY 2028-29 and a 2 percent annual inflator. Proceeds are assumed to be available for broadly defined capital purposes. The flat structure is used for modeling simplicity; a more nuanced Mello-Roos structure based on land use may improve equity or feasibility.

The sales-tax sensitivity uses 2025 taxable sales of approximately \$138.95 million and a current 9.25 percent combined rate. Under the simplified calculation, generating \$1 million annually would require an additional rate of approximately 0.72 percent, while generating \$2 million would require approximately 1.44 percent. The 0.72 percent sales tax increase would take the Town to the 10% combined sales tax limit in the State statutes. The 1.44 percent sales tax increase would require special



State legislation. Limited statutory capacity, sales leakage, and potential competitive effects are reasons the model does not rely on sales tax. Updated legal, economic, and retail analysis would be required before selecting a measure.

The modeled \$200 parcel tax generates approximately \$2.28 million initially. Combined with development exactions, it supports Tier 2 through FY 2033-34 but does not prevent deficits from returning in FY 2034-35 and FY 2035-36. It is also substantially below the approximately \$7.07 million annual debt service of the full lease revenue bond program. The full program therefore requires a materially larger or broader tax package, project reductions or phasing, additional outside funding, or a combination of these actions.

16. Structural Deficit and Long-Term Cash Flow

The integrated model begins with the structural deficit projected by Raftelis as modified by Town staff, adds the effects of expected June 30, 2025 CalPERS results, elimination of the annual \$390,000 Section 115 transfer, Tier 2 spending, interchange predevelopment, lease revenue bond debt service, development revenue, a Town-wide parcel tax, and assumed grants. It also includes a \$5.5 million ADP to CalPERS, which has been recommended by staff after reviewing the preliminary options and assessing current pension reserve levels. The revised schedule does not include a separate investment-earnings line for cash balances since the baseline Raftelis structural deficit projection (as revised by staff) already includes investment earnings.

Table 14. Scenario 1 – Base Case Combined Cash Flows and Estimates of Cash Reserves Through FY 2035-2036

	Fiscal Year										
Deficit Estimates	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	2030-2031	2031-2032	2032-2033	2033-2034	2034-2035	2035-2036
Structural deficit projected by Raftelis, amended with OPEB savings estimated by Town staff	100,000	(300,000)	(1,200,000)	(2,300,000)	(2,000,000)	(2,800,000)	(3,500,000)	(3,800,000)	(4,500,000)	(5,300,000)	(5,800,000)
PENSION											
Projected June 30, 2025 UAL adjustment		-	(175,758)	70,882	317,522	564,162	810,800	810,800	810,800	810,800	810,800
Eliminate \$390K annual Section 115 transfer		390,000	390,000	390,000	390,000	390,000	390,000	390,000	390,000	390,000	390,000
\$5.5M ADP Payment Reduction			1,264,799	1,049,037	1,078,410	1,108,605	787,260	691,176	364,306	249,671	128,331
Cash draw for ADP		(5,500,000)									
CAPITAL PROGRAM											
Tier 2 CIP (5% inflation)		(1,000,000)	(1,050,000)	(1,102,500)	(1,157,625)	(1,215,506)	(1,276,282)	(1,340,096)	(1,407,100)	(1,477,455)	(1,551,328)
Unprogrammed CIP Ongoing Work		(681,250)	(715,313)	(749,157)	(824,114)	(863,398)	(906,568)	(949,975)	(997,474)	(1,045,426)	(1,097,697)
Hwy 17/Hwy 9 Interchange pre-development		(2,700,000)	(2,700,000)								
21% of \$118.5 million combined CIP Lease Revenue Bond				(1,634,993)	(1,634,993)	(1,634,993)	(1,634,993)	(1,634,993)	(1,634,993)	(1,634,993)	(1,634,993)
Total cash flow deficit	100,000	(9,791,250)	(4,186,272)	(4,276,731)	(3,830,800)	(4,451,131)	(5,329,783)	(5,833,088)	(6,974,461)	(8,007,403)	(8,754,887)
NEW REVENUE											
Impact-fee revenue		1,455,782	1,528,571	1,604,999	1,685,249	1,769,512	1,857,987	1,950,886	2,048,431	2,150,852	2,258,395
Town-wide parcel-tax revenue				2,280,000	2,325,600	2,372,112	2,419,554	2,467,945	2,517,304	2,567,650	2,619,003
New development Mello-Roos tax		172,500	351,900	538,407	732,234	933,598	1,142,724	1,359,841	1,585,186	1,819,001	2,061,535
Grant Funding for CIP		500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
Total new revenue		2,128,282	2,380,471	4,923,406	5,243,083	5,575,221	5,920,265	6,278,673	6,650,921	7,037,504	7,438,933
Net deficit including new revenue	100,000	(7,662,968)	(1,805,801)	646,676	1,412,282	1,124,091	590,482	445,585	(323,540)	(969,899)	(1,315,954)
Beginning Committed, Assigned and Unassigned cash	34,412,740	34,512,740	26,849,772	25,043,971	25,690,646	27,102,928	28,227,019	28,817,501	29,263,086	28,939,546	27,969,647
Ending Committed, Assigned and Unassigned cash	34,512,740	26,849,772	25,043,971	25,690,646	27,102,928	28,227,019	28,817,501	29,263,086	28,939,546	27,969,647	26,653,693

Source: NHA Advisors integrated cash-flow model. Parentheses indicate cash outflows or negative balances; amounts are rounded to the nearest dollar. The revised schedule does not include a separate investment-earnings line.

Table 14 shows that in order to keep the Town's cash balance approximately equal to its level after the ADP CalPERS intervention show in FY 2026-2027, the Town would need to restrict the proposed lease revenue bond to about 21% of the total CIP amount shown in Table 5.

Below is Table 15, showing the effect of COLA reductions by the Town. The percentage of the Table 5 potential CIP that could be funded by a lease revenue bond increases to 48%.



Table 15. Scenario 2 – Base Case Combined Cash Flows and Estimates of Cash Reserves Through FY 2035-2036 (w/ISF Savings)

	Fiscal Year										
Deficit Estimates	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	2030-2031	2031-2032	2032-2033	2033-2034	2034-2035	2035-2036
Baseline Structural deficit projected by Raftelis with both OPEB and COLA Reduction Savings Estimated by Town Staff	100,000	-	(900,000)	(1,800,000)	(1,200,000)	(1,700,000)	(2,100,000)	(2,000,000)	(2,400,000)	(2,800,000)	(3,000,000)
PENSION											
Projected June 30, 2025 UAL adjustment		-	(175,758)	70,882	317,522	564,162	810,800	810,800	810,800	810,800	810,800
Eliminate \$390K annual Section 115 transfer		390,000	390,000	390,000	390,000	390,000	390,000	390,000	390,000	390,000	390,000
\$5.5M ADP Payment Reduction		-	1,264,799	1,049,037	1,078,410	1,108,605	787,260	691,176	364,306	249,671	128,331
Cash draw for ADP		(5,500,000)	-	-	-	-	-	-	-	-	-
CAPITAL PROGRAM											
Tier 2 CIP (5% inflation)		(1,000,000)	(1,050,000)	(1,102,500)	(1,157,625)	(1,215,506)	(1,276,282)	(1,340,096)	(1,407,100)	(1,477,455)	(1,551,328)
Unprogrammed CIP Ongoing Work		(681,250)	(715,313)	(749,157)	(824,114)	(863,398)	(906,568)	(949,975)	(997,474)	(1,045,426)	(1,097,697)
Hwy 17/Hwy 9 Interchange pre-development		(2,700,000)	(2,700,000)								
48% of \$118.5 million combined CIP Lease Revenue Bond				(3,737,127)	(3,737,127)	(3,737,127)	(3,737,127)	(3,737,127)	(3,737,127)	(3,737,127)	(3,737,127)
Total cash flow deficit	100,000	(9,491,250)	(3,886,272)	(5,878,864)	(5,132,934)	(5,453,265)	(6,031,917)	(6,135,222)	(6,976,595)	(7,609,537)	(8,057,021)
NEW REVENUE											
Impact-fee revenue		1,455,782	1,528,571	1,604,999	1,685,249	1,769,512	1,857,987	1,950,886	2,048,431	2,150,852	2,258,395
Town-wide parcel-tax revenue				2,280,000	2,325,600	2,372,112	2,419,554	2,467,945	2,517,304	2,567,650	2,619,003
New development Mello-Roos tax		172,500	351,900	538,407	732,234	933,598	1,142,724	1,359,841	1,585,186	1,819,001	2,061,535
Grant Funding for CIP		500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
Total new revenue		2,128,282	2,380,471	4,923,406	5,243,083	5,575,221	5,920,265	6,278,673	6,650,921	7,037,504	7,438,939
Net deficit including new revenue	100,000	(7,362,968)	(1,505,801)	(955,458)	110,148	121,957	(111,652)	143,451	(325,674)	(572,033)	(618,088)
Beginning Committed, Assigned and Unassigned cash	34,412,740	34,512,740	27,149,772	25,643,971	24,688,512	24,798,661	24,920,617	24,808,966	24,952,417	24,626,743	24,054,710
Ending Committed, Assigned and Unassigned cash	34,512,740	27,149,772	25,643,971	24,688,512	24,798,661	24,920,617	24,808,966	24,952,417	24,626,743	24,054,710	23,436,622

Table 16 below shows a simple comparison of Scenarios 1 and 2. Under Scenario 1 only 21% of the Table 5 CIP could be funded under a lease revenue bond. Under Scenario 2, with additional reductions to the structural deficit from better internal service fund management, 48% of the CIP could be funded under a lease revenue bond. Both scenarios, as noted before, include all potential new revenue sources shown in this report.

Table 16. Selected Cash-Flow Sensitivity Results

Scenario	Short Description	Lease Revenue Bond Capacity Percentage
1	Base case, with additional OPEB savings and other adjustments made to baseline model by Town staff	21%
2	Same as Scenario 1, but with additional savings from better management of Internal Service Funds	48%

17. Economic Downturn Sensitivity

For purposes of this report, we have modeled a hypothetical economic downturn. We assumed that the economic downturn increased the baseline structural deficit by \$3 million per year for fiscal years 2027-28, 2028-29 and 2029-30. This amounts to an approximate 5% annual reduction in annual General Fund revenues. The net effect of this hypothetical economic downturn is to reduce lease revenue bond funding percentage metric from the 48% shown in Scenario 2 to 34% with the economic downturn assumptions shown above.

18. Integrated Findings and Policy Tradeoffs

The analysis does not identify a single action that resolves all competing objectives. The principal controllable variable is project scope and timing. Pension management, reserve use, debt financing, development exactions, and Town-wide taxes alter the timing and distribution of costs, but none eliminates the need to align the CIP with recurring revenue and minimum liquidity.

Table 17. Principal Policy Decisions and Tradeoffs

Category	Policy Decision	Potential Benefit	Principal Cost / Risk	Key Dependency
CIP	Add Tier 2 and ongoing Unprogrammed CIP on pay-as-you-go basis	Advances additional projects without long-term debt.	Annual costs rise with 5% inflation and reduce operating flexibility.	Parcel-tax and development-revenue performance.
	Advance all major projects with lease revenue bonds	Matches cost with useful life and protects construction-period cash.	Approximately \$7.85M annual fixed debt service for 30 years.	Affordability, lien-free assets, rates, project costs, and revenue.
	Use cash for interchange plans and permitting	Improves project readiness and supports outside-funding advocacy.	Immediate \$5.4M liquidity reduction before construction funding is secured.	Confirmation of regional funding and local-share requirement.



Category	Policy Decision	Potential Benefit	Principal Cost / Risk	Key Dependency
CalPERS	Make targeted pension ADP	Directly reduces UAL and near-term payments.	Uses money for CIP and CalPERS reinvestment risk.	Selected bases, reserve floor, and CalPERS performance.
	Use Section 115 trust for smoothing	Maintains greater control and targets peak-year relief.	Does not reduce UAL until transferred; investment risk.	Investment policy, provider, return, and withdrawal plan.
	Reduce or pause OPEB UAL funding	Preserves annual cash and may follow actuarial reimbursement recommendation.	Potentially increases future volatility or reduces funded status.	Updated actuarial projections and funding policy.
	Change OPEB and COLA practices	Reduces expenses, creates capacity for major CIP projects	Changes in personnel policy	Staff and elected willingness to make changes
New Revenue	Seek Town-wide recurring revenue	Provides broader capacity for Tier 2 and structural balance.	Voter burden, legal process, political feasibility, and implementation lag.	Measure design, public process, and community support.
	Rely on development exactions	Links growth to capital and service costs.	Revenue timing is volatile and may affect development feasibility.	AB 1600 study, district design, entitlements, and development pace.

Source: Synthesis of the financial analysis and modeled results.

Project prioritization has the greatest leverage. The pension scenarios produce gross reductions ranging from approximately \$4.7 million to \$10.7 million over multiple years, while the full bond program requires approximately \$7.85 million every year. A targeted ADP can make financial sense and can improve near-term capacity, but it is not a gamechanger relative to the size of the CIP. Again, based on our analysis, the Town cannot afford the full CIP lease revenue bond debt service of \$7.85 million per year without cost reductions or new revenue sources not reflected in this report.

Liquidity is the second controlling consideration. Scenarios 1 and 2 both show ending cash balances approximately equal to the Town's cash balance after doing the \$8+ million ADP CalPERS intervention. If the Town elected to draw down cash reserves in the future, more of the CIP could be funded.

Revenue design is the third controlling consideration. New-development taxes and impact fees are potentially large enough to change the result, but they accumulate over time and are sensitive to the building cycle. Even with a \$200/year Town-wide parcel tax the Town cannot fully fund the Table 5 CIP through a lease revenue bond. The remaining choices are to increase or broaden recurring taxes, secure materially more external funding, reduce or phase projects, or accept a greater reserve draw and lower financial flexibility.

19. Preliminary Conclusions

Under the assumptions evaluated, existing revenues and reserves are not sufficient to fund the full expanded capital program, eliminate the structural deficit, and maintain positive aggregate cash through FY 2035-36. Both scenarios rely on new taxes or exactions.

Borrowing reduces the immediate reserve use associated with the police building, Town Hall, and part of the interchange contribution, but it creates an estimated \$7.85 million of annual debt service (for full CIP funding) for 30 years. Debt therefore addresses timing rather than affordability. The capacity to issue bonds depends on recurring tax revenue, project scope, reserve policy, and the Town's tolerance for long-term General Fund commitments.

Pension cost management can improve the financial position, particularly when savings are concentrated during the next five to ten years. A targeted ADP can make financial sense, but its benefit is smaller than the annual cost of the expanded CIP and must be weighed against the immediate loss of liquidity. Future CalPERS performance may have a larger fiscal effect than the ADP, but its volatility requires conservative planning. OPEB funding may provide additional near-term flexibility because of the plan's funded status and recommended trust reimbursement. The \$5.5 million ADP shown in the cash flows results in significant operating costs reductions through 2036.

New development is expected to contribute positive revenue under the modeled assumptions. Impact fees and a new-development special tax could materially align growth with infrastructure and municipal-service requirements and may be a gamechanger in the long run for providing additional funding capacity for the Town's potential CIP.



The analysis indicates a fundamental need for the Town to prioritize or phase projects and to establish a recurring tax strategy. The estimated new revenue sources more than solve for the projected structural deficit. However, at best only about 30% of the potential CIP can be funded, in addition to the pay go Tier 2 CIP and the ongoing Unprogrammed CIP.

20. Recommended Next Steps

The following work is required before final implementation decisions. The priorities are to refine the capital program, establish a minimum reserve framework, test the stability and legal feasibility of new taxes, and update the uncertain external assumptions that could materially change the result.

1. Update the scope, cost, escalation, and schedule for Tier 2, the police building, and Town Hall, and identify the projects that can be phased or deferred.
2. Resolve the Highway 17/Highway 9 interchange local-share assumption by modeling at least 10 percent and 20 percent Town contributions and confirming the status of VTA, State, and federal funding.
3. Confirm the \$5.4 million predevelopment scope, schedule, and decision points before committing cash.
4. Complete an asset analysis for lease revenue bond security and prepare a debt-capacity and affordability framework that includes reserve requirements and overlapping obligations.
5. Update the long-range General Fund forecast and reconcile the structural-deficit baseline with the new June 30, 2025 CalPERS schedule. Consider also doing this for the expected June 30, 2026 CalPERS schedule.
6. Perform sensitivity analysis for construction inflation, financing rates, development pace, grant shortfalls, delayed ballot implementation, and lower investment earnings.
7. Establish minimum operating, stabilization, and emergency reserve targets and identify which committed or assigned balances could be reallocated under applicable law and policy.
8. Obtain updated CalPERS and OPEB actuarial information and compare targeted ADPs, trust smoothing, and OPEB contribution changes within the reserve framework.
9. Review the Section 115 trust investment structure, provider alternatives, fees, governance, and risk-adjusted return objectives.
10. Conduct an AB 1600 impact-fee study and separately quantify incremental capital and operating costs attributable to development.
11. Evaluate the legal and financial structure of a new-development Mello-Roos services and facilities tax.
12. Evaluate Town-wide parcel-tax, Mello-Roos, sales-tax, and other recurring-revenue alternatives, including legal thresholds, distributional effects, revenue stability, public process, and community support.
13. Prepare staged implementation schedules showing the financial effect of advancing, deferring, or reducing each major project.
14. Develop an integrated policy decision calendar that aligns project approvals, pension and OPEB actions, financing preparation, outside-funding applications, and any ballot process.

The next phase should include an AB 1600 impact-fee study, analysis of a special Mello-Roos tax on new development, evaluation of Town-wide tax structures, project prioritization, a targeted CalPERS intervention, and cash funding for interchange design and permitting accompanied by expanded regional and federal funding advocacy. These actions remain subjects for further analysis and policy direction rather than final recommendations.

Appendix A. Major Assumptions and Qualifications

The following schedule summarizes the major assumptions and qualifications used in the report. It is intended to distinguish documented balances and actuarial results from preliminary estimates, policy assumptions, and sensitivity variables.

Table A-1. Major Assumptions and Qualifications

Topic	Major Assumption / Qualification
ALM scope	CIP, projects outside the CIP, CalPERS and OPEB, reserves, debt, development, taxes, and the structural deficit are evaluated as one financial system.
Existing CIP	Approximately \$4+ million annually through FY 2029-30; road-focused; General Fund contribution eliminated for FY 2025-26.
Potential projects	Tier 2 \$20 million; interchange \$180+ million; police building \$70 million; Town Hall \$25+ million; Tier 3 excluded.
Tier 2 cash flow	\$2 million initial annual funding concept with 5% inflation over ten years; revised integrated schedule includes a net \$1 million amount in FY 2026-27 and rising costs thereafter.
Interchange local funding	A 20% share is described as a possible practical minimum, while the model uses \$18 million or 10% plus a \$5.4 million cash contribution for design.



Topic	Major Assumption / Qualification
Ongoing Unprogrammed CIP	Ranges from \$2.7 million to \$4.4 million per year. Funded on a pay-go basis
One time Unprogrammed CIP	\$10.9 million. Potentially funded through lease revenue bond
Debt assumptions	\$118.5 million project costs; 1% issuance expense; \$119,7 million financed; 5%; 30 years; approximately \$7.785million annual debt service.
Reserves	\$34.413 million aggregate starting cash across restricted, nonspendable, committed, assigned, and unassigned categories; legal and policy availability differs.
OPEB	More than 75% funded; \$30 million+ assets; \$38 million+ liability; FY 2026-27 ADC approximately \$1.732 million; recommended reimbursement approximately \$705,000.
CalPERS baseline	\$67.2 million UAL at June 30, 2024; expected \$60.1 million at June 30, 2025.
CalPERS performance	Investment returns can affect the UAL by more than the modeled ADP benefit; future performance is volatile and not treated as a dependable balancing source.
Pension interventions	\$4.2 million ADP or trust alternatives and an approximately \$8.2 million larger ADP; results depend on selected bases, returns, and timing.
ADP conclusion	A targeted ADP can make financial sense and improve near-term cash flow, but it is not a gamechanger relative to the annualized cost of the expanded CIP. \$5.5 million ADP is assumed.
Development	3,263 units through 2040 including 400 ADUs; approximately 230 units annually; development pace and mix are uncertain.
Impact fee	\$6,329 illustrative per-unit allocation with 5% inflation; an AB 1600 study and actual nexus analysis are required.
New-development special tax	\$750 per unit with a 2% inflator; potentially material but dependent on development timing and implementation.
Town-wide parcel tax	\$200 per parcel on approximately 11,400 parcels with 2% inflator beginning fiscal year 2028-29; illustrative and not adopted.
Tax requirement	Every modeled scenario relies on a new tax or exaction; existing revenues alone do not eliminate the structural deficit.
Scenario 1	Base case with all new revenue sources – shows a capacity to fund 8% of the lease revenue bond
Scenario 2	Includes additional revenue from better management of internal service funds – shows capacity to fund 30% of lease revenue bond
Integrated cash balance	Ending cash is approximately \$26 million in FY 2035-36 for Scenario 1. This cash balance target is a constraint in the modeling such that the % of CIP funded through a lease revenue bond is the key variable
Primary controllable driver	The size and timing of the CIP have greater leverage than pension intervention.
Primary uncertain drivers	Future CalPERS performance and new development activity can materially change the result but are highly uncertain.
Next analytical steps	Refine projects, outside funding, reserve targets, CalPERS/OPEB information, development exactions, tax structures, and staged implementation schedules.

Source: NHA Advisors asset liability management analysis using Town-provided financial, capital, actuarial, and development information.

Appendix B. Defined Terms

ADP: Additional discretionary payment made directly to CalPERS to reduce selected amortization bases and future required payments.

ALM: Asset liability management; the integrated evaluation of financial assets, reserves, liabilities, capital commitments, debt, and revenues.

CIP: Capital Improvement Program; the Town's planned capital projects and funding schedule.

Lease revenue bonds: Obligations commonly supported by lease payments on public assets and annual appropriations, subject to final legal and financing structure.

OPEB: Other postemployment benefits, principally retiree healthcare benefits in this analysis.

Unprogrammed CIP: CIP implied by studies or engineering work in CIP documents, but for which cost estimates are not actually shown.

Section 115 trust: A tax-exempt trust restricted to eligible pension and/or OPEB purposes that can hold and invest assets outside the pension system until used.

UAL / UAAL: Unfunded accrued actuarial liability; the portion of actuarial liabilities not supported by actuarial assets. The OPEB table uses UAAL, while the pension analysis uses UAL.

VTa: Santa Clara Valley Transportation Authority.