TOWN OF LOS GATOS
FINANCE COMMISSION AGENDA
AUGUST 10, 2026
110 EAST MAIN STREET
TOWN COUNCIL CHAMBERS
5:30 PM

Ashby Monk, Chair
Adam Fischer, Vice Chair
Phil Koen, Commissioner
Vacant, 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 June 8, 2026, Finance Commission Regular Meeting
2. Receive the Monthly Financial and Investment Reports for May and June 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.)*

3. Discuss Upcoming Audit and Provide Input on June 30, 2026, Annual Comprehensive Financial Report with the Town's Independent Auditor
4. Receive the Following Final Reports, Fiscal Condition Analysis, Future Growth and Sustainability Study Fiscal Impact Analysis and Asset Liability Management Study and Forward to the Town Council for Review
5. Discussion of Community Grant Program and Potential Recommendation for Process Improvements

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-gov.zoom.us/j/84834011781?pwd=rHVGvPbwjNaaM6U6ZB5AbaZUF1ToV9.1
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: 8/10/2026

ITEM NO: 1

Draft Minutes of the Finance Commission Regular Meeting
June 8, 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 5:31 P.M.

ROLL CALL

Present: Vice Chair Adam Fischer, Commissioner Phil Koen, Commissioner Linda Reiners, Commissioner Joe Rodgers, and Council Member Matthew Hudes

Absent: Chair Ashby Monk, and Council Member Maria Ristow

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

CONSENT ITEMS

1. Approve the Minutes of the May 11, 2026, Finance Commission Regular Meeting
2. Receive the Monthly Financial and Investment Report for April 2026
3. Receive the California Employer's Retiree Benefit Trust (CERBT) Strategy 1 Market Value Summary Report for the Period Ending March 31, 2026, and the Performance Report as of March 31, 2026
4. Receive the California Employer's Pension Prefunding Trust (CEPPT) Strategy Market Value Summary Report for the Period Ending March 31, 2026, and Performance as of March 31, 2026

The following individuals spoke on the consent items:

1. Member of the Public (Item 1)

MOTION: **Motion** by **Commissioner Reiners** 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

5. Review the Proposed Changes to the Town's Investment Policy and Make a Recommendation to the Town Council

Finance and Accounting Manager, Eric Lemon, presented the item and introduced the Investment Advisor, Mary Donovan, Senior Portfolio Manager at Insight Investments, to assist with questions.

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

The Investment Advisor and staff addressed the Commissioner's questions.

The following individual spoke on this item:

1. Member of the public

MOTION: **Motion** by **Commissioner Koen** to approve the [Investment] Policy as written, except for reverting back to the original language with regard to the competitive transaction [section]. **Seconded** by **Commissioner Reiners.**

VOTE: **Motion passed unanimously.**

6. Review Proposed Changes to the Town's General Fund Reserve Policy and Make a Recommendation to the Town Council

Finance and Accounting Manager, Eric Lemon, presented the item.

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

Staff addressed the Commissioner's questions.

The following individual spoke on this item:

1. Member of the public

No action was taken.

ADJOURNMENT:

The meeting adjourned at approximately 6:21 p.m.

This is to certify that the foregoing is a true and correct copy of the minutes of the June 8, 2026, regular meeting as approved by the Finance Commission.

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Eric Lemon, Finance & Accounting Manager

TOWN OF LOS GATOS
FINANCE COMMISSION REPORT

MEETING DATE: 8/10/2026
ITEM NO: 2

DATE: August 10, 2026

TO: Finance Commission

FROM: Chris Constantin, Town Manager

SUBJECT: Receive the Monthly Financial and Investment Reports for May and June 2026

RECOMMENDATION: Receive the Monthly Financial and Investment Reports for May and June 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. The monthly Financial and Investment Reports fulfill this requirement.

The May 2026 Monthly Financial and Investment Report (Attachment 1) was presented to the Town Council at its August 4, 2026, regular meeting. The June 2026 Monthly Financial and Investment Report (Attachment 2) will be presented to the Town Council at its August 18, 2026, regular meeting.

DISCUSSION:

The June 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 June 30, 2026, fund balance report. In the case

PREPARED BY: Eric Lemon
Finance and Accounting Manager

Reviewed by: Town Manager

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

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

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

As illustrated in the summary below, Ending Fund Balance = Cash + Assets – Liabilities. 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 - May 31, 2026		
Total Cash	$	84,537,776
Plus: Assets	$	12,099,358
Less: Liabilities	$	(23,216,801)
Estimated Fund Balance	**$**	**73,420,333**

Reconciling Cash to Fund Balance - June 30, 2026		
Total Cash	$	90,859,940
Plus: Assets	$	13,371,698
Less: Liabilities	$	(26,676,100)
Estimated Fund Balance	**$**	**77,555,538**

As of June 30, 2026, the Town's financial position (Cash Plus Other Assets $104.24M, Liabilities $26.68M, and Fund Equity $77.56M) remains strong, and the Town has sufficient funds to meet the cash demands for the next six months.

As of June 30, 2026, the Town's weighted average yield to maturity for investments under management was 4.20%, which was 38 basis points above the Local Agency Investment Fund (LAIF) yield of 3.82% for the same reporting period. Currently, the LAIF portfolio's weighted average maturity (WAM) is 269 days versus the Town's longer WAM of 592 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 investments under management of 4.20% at the close of June was 2 basis points higher when compared to the prior month's return of 4.18% reported as of May 31, 2026.

Since June 2025, LAIF yields decreased from 427 basis points (4.27%) to 382 basis points (3.82%) through the end of June 2026. The State LAIF pool typically lags the market when current market yields are either increasing or decreasing.

The Federal Open Market Committee implemented three rate cuts in 2025. The first, on September 17, reduced the federal funds target range by 25 basis points to 4.00%–4.25% amid slower economic growth in the first half of the year and emerging signs of labor-market softening. A second 25-basis-point cut on October 29 brought the range down to 3.75%–4.00% as labor-market weakness and broader economic uncertainty persisted. At its December 10 meeting, the Committee approved a final 25-basis-point reduction to 3.50%–3.75%, reflecting ongoing concerns about the economic outlook. These adjustments align with the FOMC's objective to promote maximum employment and achieve an inflation target of 2% over the long run.

Nonfarm payrolls increased by 172,000 in May, above expectations and with upward revisions to the prior two months. The unemployment rate held steady at 4.3%. Weekly initial jobless claims remained contained in June. Continuing claims rose modestly from 1.786 million to 1.821 million.

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

<u>Attachments</u>:

1. Financial and Investment Report (May 2026)
2. Financial and Investment Report (June 2026)

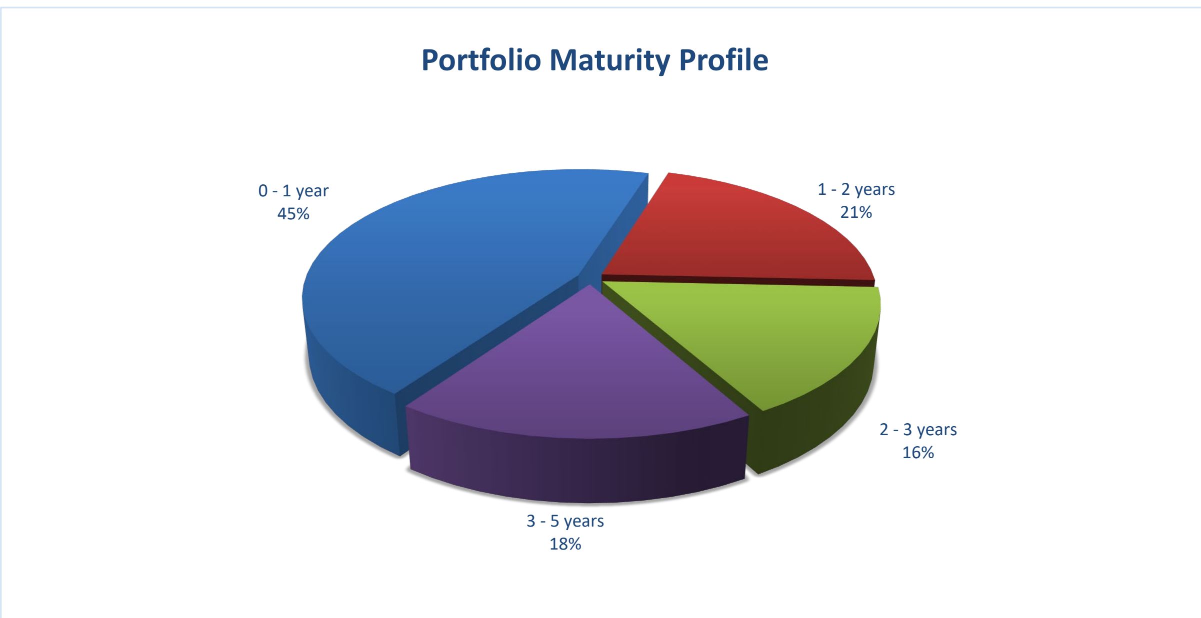
Item 2.

Town of Los Gatos
Summary Investment Information
May 31, 2026

Weighted Average YTM Portfolio Yield on Investments under Management **4.18%**

Weighted Average Maturity (days) **529**

	This Month	Last Month	One year ago
Portfolio Allocation & Treasurer's Cash Balances	$84,537,776	$83,594,887	$75,593,586
Managed Investments	$53,777,827		
Local Agency Investment Fund	$21,712,191		
Reconciled Demand Deposit Balances	$9,047,758		
Portfolio Allocation & Treasurer's Cash Balances	$84,537,776		
Benchmarks/ References:			
Town's Average Yield	4.18%	4.19%	4.41%
LAIF Yield for month	3.81%	3.81%	4.27%
3 mo. Treasury	3.67%	3.66%	4.33%
6 mo. Treasury	3.74%	3.69%	4.31%
2 yr. Treasury	4.00%	3.87%	3.90%
5 yr. Treasury	4.14%	4.01%	3.96%
10 Yr. Treasury	4.44%	4.37%	4.40%



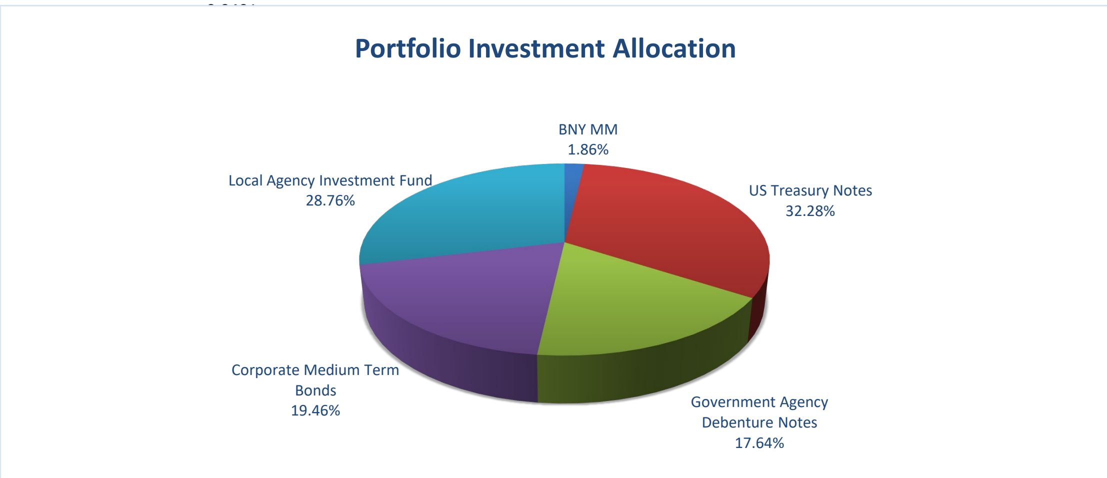
Compliance: The Town's investments are in compliance with the Town's investment policy dated March 18, 2025, and also in compliance with the requirements of Section 53600 et seq. of the California State Code. Based on the information available, the Town has sufficient funds to meet the cash demands for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

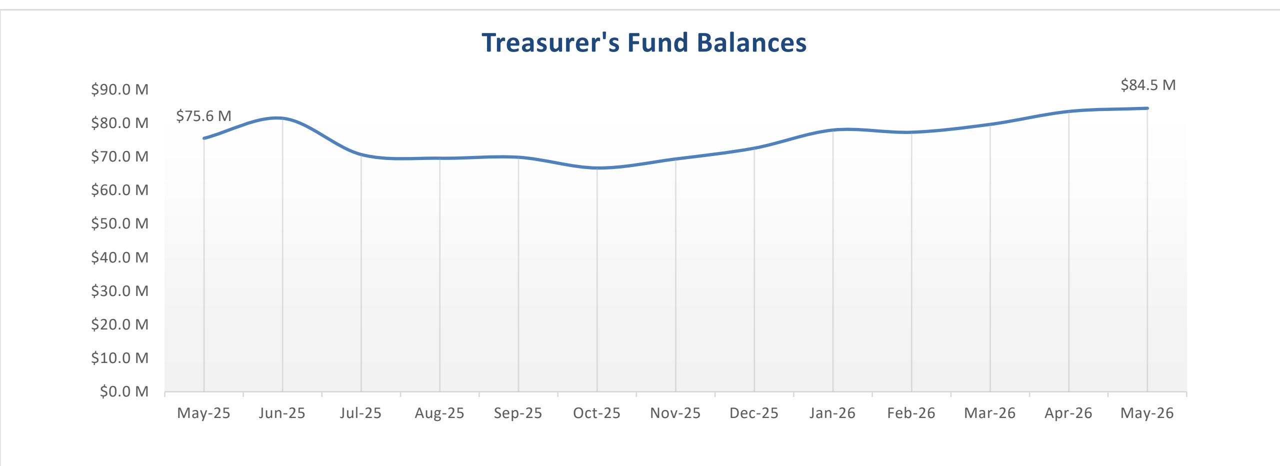
ATTACHMENT 1

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

	Month	YTD
Cash & Investment Balances - Beginning of Month/Period	$ 83,594,887.01	$ 81,558,113.19
Receipts	9,428,000.30	85,701,171.41
Disbursements	(8,485,111.42)	(82,721,508.71)
Cash & Investment Balances - End of Month/Period	$84,537,775.89	$84,537,775.89

Portfolio Allocation	Amount	% of Portfolio	Max. % or $ Allowed per State Law or Policy
BNY MM	$1,401,651.69	1.86%	20% of Town Portfolio
US Treasury Notes	$24,370,812.34	32.28%	No Max. on US Treasuries
Government Agency Debenture Notes	$13,313,715.31	17.64%	No Max. on Non-Mortgage Backed
Corporate Medium Term Bonds	$14,691,647.80	19.46%	30% of Town Portfolio
Local Agency Investment Fund	$21,712,191.07	28.76%	$75 M per State Law
Subtotal - Investments	75,490,018.21	100.00%	
Reconciled Demand Deposit Balances	9,047,757.68		
Total Portfolio Allocation & Treasurer's Cash Balances	$84,537,775.89		





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

	Beginning Balance	May 2026 Deposits Realized Gain/Adj.	May 2026 Interest/ Unrealized Gains (Losses)/ Gains (Losses)	May 2026 Withdrawals / Fees	Ending Balance	
Non-Treasury Funds:						
Cert. of Participation 2002 Ser A Reserve Fund	$ 704,312.65	$ -	$ 1,822.62	$ -	$ 706,135.27	**Note 1**
Cert. of Participation 2010 Ser Lease Payment Fund	85.24	-	0.26	-	85.50	**Note 2**
Cert. of Participation 2002 Ser A Lease Payment Fund	145.12	-	0.30	-	145.42	**Note 1**
Cert. of Participation 2010 Ser Reserve Fund	1,318,941.58	-	3,821.46	-	1,322,763.04	**Note 2**
Total Restricted Funds:	$ 2,023,484.59	$ -	$ 5,644.64	$ -	$ 2,029,129.23	
CEPPT IRS Section 115 Trust	4,004,057.54	-	50,126.33	517.93	$ 4,053,665.94	**Note 3**
Grand Total COP's and CEPPT Trust	$ 6,027,542.13	$ -	$ 55,770.97	$ 517.93	$ 6,082,795.17	

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

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

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

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

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

July 2025	$	238,713.97
August 2025	$	238,367.28
September 2025	$	259,685.13
October 2025	$	228,769.00
November 2025	$	220,968.79
December 2025	$	234,197.60
January 2026	$	228,526.08
February 2026	$	205,910.96
March 2026	$	238,556.51
April 2026	$	244,476.90
May 2026	$	275,093.46
June 2026	$	-
	$	2,613,265.68

Item 2.

Town of Los Gatos
Investment Schedule
May 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
Apple	037833DB3	Corporate Bond	2.90%	12/20/2022	1,300,000.00	1,228,591.00	(71,409.00)	1,282,112.00	53,521.00		6/21/2027	4.19%	$ 121,687.22	$ 135,426.07	$ 49,152.47	386
FFCB	3133EN5V8	Gov. Agency Debenture	4.13%	1/17/2023	236,000.00	239,174.20	3,174.20	236,486.16	(2,688.04)		1/11/2027	3.76%	$ 29,042.75	$ 21,918.24	$ 8,204.03	225
JP Morgan Chase	46625HRS1	Corporate Bond	3.20%	9/23/2022	500,000.00	474,660.00	(25,340.00)	499,865.00	25,205.00		6/15/2026	4.70%	$ 51,644.44	$ 63,141.28	$ 20,922.18	15
FHLB	3130AQF65	Gov. Agency Debenture	1.25%	11/30/2022	1,300,000.00	1,160,559.40	(139,440.60)	1,281,865.00	121,305.60		12/21/2026	4.15%	$ 49,697.92	$ 130,709.25	$ 46,434.36	204
FHLB	3130APJH9	Gov. Agency Debenture	1.00%	1/17/2023	1,000,000.00	907,010.00	(92,990.00)	994,530.00	87,520.00		10/28/2026	4.17%	$ 33,354.17	$ 84,829.28	$ 31,751.74	150
FFCB	3133EN5N6	Gov. Agency Debenture	4.00%	2/8/2023	1,700,000.00	1,706,732.00	6,732.00	1,700,323.00	(6,409.00)		1/6/2028	3.91%	$ 197,955.56	$ 159,363.33	$ 61,153.17	585
American Honda	02665WED9	Corporate Bond	4.70%	5/11/2023	600,000.00	608,856.00	8,856.00	602,058.00	(6,798.00)		1/12/2028	4.34%	$ 75,278.33	$ 56,288.41	$ 24,144.20	591
US Treasury	91282CEF4	US Treasury Note	2.50%	6/9/2023	1,500,000.00	1,416,626.12	(83,373.88)	1,483,755.00	67,128.88		3/31/2027	4.09%	$ 105,327.87	$ 122,333.72	$ 54,497.07	304
Colgate-Palmolive	194162AR4	Corporate Bond	4.60%	7/14/2023	500,000.00	504,655.00	4,655.00	504,430.00	(225.00)		2/1/2028	4.37%	$ 60,502.79	$ 43,173.83	$ 20,171.87	611
FFCB	3133EPQC2	Gov. Agency Debenture	4.63%	7/17/2023	500,000.00	501,957.50	1,957.50	500,525.00	(1,432.50)		7/17/2026	4.48%	$ 57,812.50	$ 43,961.07	$ 20,625.99	47
FFCB	3133EPBM6	Gov. Agency Debenture	4.13%	7/14/2023	600,000.00	596,220.00	(3,780.00)	601,470.00	5,250.00		8/23/2027	4.29%	$ 64,556.25	$ 50,424.13	$ 23,559.39	449
PNC Bank	69353RFJ2	Corporate Bond	3.25%	7/25/2023	1,000,000.00	921,490.00	(78,510.00)	985,160.00	63,670.00		12/23/2027	5.23%	$ 80,979.17	$ 97,247.67	$ 46,144.43	571
US Treasury	91282CFU0	US Treasury Note	4.13%	7/31/2023	1,300,000.00	1,290,660.60	(9,339.40)	1,302,587.00	11,926.40		10/31/2027	4.31%	$ 147,468.75	$ 107,052.11	$ 51,232.08	518
Toyota Motor Credit	89236TKL8	Corporate Bond	5.45%	8/25/2023	1,600,000.00	1,617,168.00	17,168.00	1,629,296.00	12,128.00		11/10/2027	5.16%	$ 236,166.67	$ 153,725.55	$ 76,293.42	528
US Treasury	912810FE3	US Treasury Note	5.50%	10/3/2023	1,200,000.00	1,238,207.14	38,207.14	1,237,128.00	(1,079.14)		8/15/2028	4.76%	$ 156,211.96	$ 101,335.84	$ 53,376.58	807
FFCB	3133EPUW3	Gov. Agency Debenture	4.75%	10/13/2023	1,000,000.00	994,338.00	(5,662.00)	1,002,370.00	8,032.00		9/1/2026	4.96%	$ 113,208.33	$ 84,828.57	$ 45,395.48	93
US Treasury	91282CEW7	US Treasury Note	3.25%	10/16/2023	1,000,000.00	950,039.06	(49,960.94)	993,010.00	42,970.94		6/30/2027	4.73%	$ 71,711.96	$ 78,477.53	$ 42,198.99	395
US Treasury	91282CEN7	US Treasury Note	2.75%	10/31/2023	1,300,000.00	1,214,336.39	(85,663.61)	1,286,974.00	72,637.61		4/30/2027	4.82%	$ 89,375.00	$ 100,336.49	$ 55,284.09	334
US Treasury	91282CCH2	US Treasury Note	1.25%	12/21/2023	900,000.00	798,647.55	(101,352.45)	850,572.00	51,924.45		6/30/2028	3.99%	$ 22,805.71	$ 51,319.84	$ 30,865.62	761
FNMA	3135G0Q22	Gov. Agency Debenture	1.88%	12/21/2023	900,000.00	845,676.00	(54,324.00)	894,753.00	49,077.00		9/24/2026	4.22%	$ 38,109.38	$ 55,770.03	$ 33,542.12	116
US Treasury	91282CFB2	US Treasury Note	2.75%	1/2/2024	1,000,000.00	960,354.91	(39,645.09)	986,480.00	26,125.09		7/31/2027	3.95%	$ 57,167.12	$ 57,605.73	$ 35,409.03	426
US Treasury	91282CHE4	US Treasury Note	3.63%	1/17/2024	1,800,000.00	1,775,185.72	(24,814.28)	1,786,284.00	11,098.28		5/31/2028	3.97%	$ 154,567.63	$ 102,986.91	$ 65,095.50	731
JP Morgan Chase	46647PDG8	Corporate Bond	4.85%	2/1/2024	1,400,000.00	1,396,528.00	(3,472.00)	1,406,804.00	10,276.00		7/25/2027	4.93%	$ 134,696.10	$ 97,231.80	$ 63,247.87	420
US Bancorp	91159HJF8	Corporate Bond	4.55%	2/5/2024	1,000,000.00	989,200.00	(10,800.00)	1,001,500.00	12,300.00		7/22/2027	4.89%	$ 89,317.67	$ 68,041.60	$ 44,606.53	417
FFCB	3133EP5U5	Gov. Agency Debenture	4.13%	3/28/2024	1,700,000.00	1,687,981.00	(12,019.00)	1,700,442.00	12,461.00		3/20/2029	4.28%	$ 138,691.67	$ 91,219.09	$ 66,576.02	1024
US Treasury	9128285M8	US Treasury Note	3.13%	4/30/2024	1,200,000.00	1,123,832.14	(76,167.86)	1,174,224.00	50,391.86		11/15/2028	4.69%	$ 76,545.34	$ 63,313.82	$ 49,789.03	899
Cisco Systems	17275RBR2	Corporate Bond	4.85%	5/15/2024	1,000,000.00	999,130.00	(870.00)	1,014,850.00	15,720.00		1/26/2029	4.87%	$ 86,356.94	$ 54,820.58	$ 44,683.44	971
Home Depot	437076CW0	Corporate Bond	4.90%	5/17/2024	1,000,000.00	1,001,790.00	1,790.00	1,015,670.00	13,880.00		4/15/2029	4.86%	$ 93,644.44	$ 54,498.76	$ 44,638.35	1050
Treasury	91282CJR3	US Treasury Note	3.75%	5/31/2024	1,200,000.00	1,154,629.02	(45,370.98)	1,191,000.00	36,370.98		12/31/2028	4.68%	$ 71,208.79	$ 59,398.06	$ 50,375.57	945
FHLB	3130B1BT3	Gov. Agency Debenture	4.88%	7/2/2024	1,150,000.00	1,150,966.00	966.00	1,150,368.00	(598.00)		6/12/2026	4.82%	$ 75,372.92	$ 55,261.42	$ 50,998.83	12
Citibank	17325FBK3	Corporate Bond	4.84%	8/15/2024	1,250,000.00	1,263,062.50	13,062.50	1,265,150.00	2,087.50		7/6/2029	4.60%	$ 89,200.62	$ 50,520.38	$ 53,054.32	1132
FNMA	3135G05Y5	Gov. Agency Debenture	0.75%	9/10/2024	1,100,000.00	1,010,724.00	(89,276.00)	1,054,075.00	43,351.00		10/8/2027	3.56%	$ 13,016.67	$ 29,915.45	$ 34,203.67	495
US Treasury	91282CFL0	US Treasury Note	3.88%	12/3/2024	1,100,000.00	1,088,144.31	(11,855.69)	1,092,740.00	4,595.69		9/30/2029	4.12%	$ 56,442.99	$ 25,813.46	$ 41,375.64	1218
FHLB	3130ATUT2	Gov. Agency Debenture	4.50%	2/12/2025	505,000.00	508,253.21	3,253.21	511,499.35	3,246.14		12/14/2029	4.35%	$ 19,063.75	$ 8,337.70	$ 20,240.08	1293
FFCB	3133ER5X5	Gov. Agency Debenture	3.88%	3/12/2025	1,000,000.00	998,480.00	(1,520.00)	996,660.00	(1,820.00)		3/7/2028	3.93%	$ 38,211.81	$ 11,831.34	$ 36,031.80	646
Treasury	91282CJF9	US Treasury Note	4.88%	3/31/2025	1,100,000.00	1,130,167.75	30,167.75	1,120,537.00	(9,630.75)		10/31/2028	4.04%	$ 58,069.06	$ 11,273.90	$ 41,502.81	884
State Street Corp	857477CD3	Corporate Bond	5.27%	4/30/2025	800,000.00	811,184.00	11,184.00	800,976.00	(10,208.00)		8/3/2026	4.04%	$ 31,983.47	$ 5,565.50	$ 30,564.61	64
Freddie Mac	3134HAW33	Gov. Agency Debenture	4.75%	4/30/2025	1,000,000.00	1,005,644.00	5,644.00	999,010.00	(6,634.00)		12/18/2029	4.23%	$ 30,743.07	$ 7,735.00	$ 42,479.09	1297
US Treasury	91282CNG2	US Treasury Note	4.00%	6/30/2025	660,000.00	665,184.24	5,184.24	657,115.80	(8,068.44)		5/31/2030	3.82%	$ 24,236.08	$ -	$ 23,263.14	1461
US Treasury	91282CMG3	US Treasury Note	4.25%	8/4/2025	825,000.00	842,308.43	17,308.43	828,902.25	(13,406.18)		1/31/2030	3.74%	$ 17,150.14	$ -	$ 25,654.25	1341
US Treasury	91282CMA6	US Treasury Note	4.13%	8/25/2025	1,200,000.00	1,218,847.77	18,847.77	1,201,032.00	(17,815.77)		11/30/2029	3.72%	$ 37,868.86	$ -	$ 34,461.81	1279
US Treasury	91282CHR5	US Treasury Note	4.00%	9/23/2025	950,000.00	967,036.38	17,036.38	945,326.00	(21,710.38)		7/31/2030	3.59%	$ 13,423.92	$ -	$ 23,623.84	1522
US Treasury	91282CGQ8	US Treasury Note	4.00%	10/3/2025	1,000,000.00	1,013,362.72	13,362.72	996,250.00	(17,112.72)		2/28/2030	3.67%	$ 16,353.59	$ -	$ 24,308.17	1369
State Street Corp	857477DB6	Corporate Bond	4.83%	11/10/2025	580,000.00	596,535.80	16,535.80	587,574.80	(8,961.00)		4/24/2030	4.13%	$ 12,772.51	$ -	$ 13,462.21	1424
US Treasury	91282CKA8	US Treasury Note	4.13%	12/17/2025	1,150,000.00	1,157,775.34	7,775.34	1,152,277.00	(5,498.34)		2/15/2027	3.52%	$ 7,734.37	$ -	$ 18,425.69	260
US Treasury	91282CHW4	US Treasury Note	4.13%	12/17/2025	1,150,000.00	1,170,308.54	20,308.54	1,149,321.50	(20,987.04)		8/31/2030	3.71%	$ 9,566.13	$ -	$ 19,493.88	1553
US Treasury	91282CHZ7	US Treasury Note	4.63%	1/13/2026	1,050,000.00	1,089,087.89	39,087.89	1,070,055.00	(19,032.89)		9/30/2030	3.75%	$ 10,272.84	$ -	$ 15,226.32	1583
Morgan Stanley Pvt Bank	61776NU43	Corporate Bond	4.21%	2/26/2026	1,250,000.00	1,254,137.50	4,137.50	1,235,825.00	(18,312.50)	3,510.83	2/8/2029	4.09%	$ (3,510.83)	$ -	$ 13,201.61	984
John Deere Capital Corp	24422EXN4	Corporate Bond	4.90%	3/17/2026	1,000,000.00	1,024,660.00	24,660.00	1,015,090.00	(9,570.00)	1,361.11	3/7/2031	4.34%	$ (1,361.11)	$ -	$ 9,050.05	1741
US Treasury	91282CLC3	US Treasury Note	4.00%	4/6/2026	1,050,000.00	1,053,691.41	3,691.41	1,047,459.00	(6,232.41)	7,541.44	7/31/2029	3.88%	$ (7,541.44)	$ -	$ 6,161.25	1157
US Treasury	91282CMB4	US Treasury Note	4.00%	4/6/2026	1,050,000.00	1,052,378.91	2,378.91	1,050,126.00	(2,252.91)	12,923.08	12/15/2027	3.86%	$ (12,923.08)	$ -	$ 6,117.05	563
Subtotal					$ 53,156,000.00	$ 52,376,175.45	$ (779,824.55)	$ 53,073,892.86	$ 697,717.41	$ 25,336.46			$ 3,241,238.77	$ 2,597,032.72	$ 1,842,270.75	
BNY MM		Money Market				1,401,651.69		1,401,651.69	0.00			0.00%				1
LAIF		State Investment Pool				21,712,191.07		21,711,774.87	(416.20)			3.81%			510,317.45	1
						75,490,018.21		**$76,187,319.42**	**$697,301.21**	**$25,336.46**			$ 3,241,238.77	$ 2,597,032.72	$ 2,352,588.20	
Matured Assets																
US Treasury	91282CAB7	US Treasury Note	0.25%	11/15/2023	675,000.00	623,900.39	(51,099.61)				7/31/2025	4.92%	$ 2,884.34	$ 51,302.62	$ 2,681.92	
FHLB	3135G05X7	Gov. Agency Debenture	0.38%	6/10/2022	1,200,000.00	1,102,952.40	(97,047.60)				8/25/2025	3.04%	$ 14,437.50	$ 106,169.42	$ 5,327.50	
FFCB	3133ENP95	Gov. Agency Debenture	4.25%	9/30/2022	900,000.00	900,939.60	939.60				9/30/2025	4.14%	$ 114,750.00	$ 104,352.97	$ 9,562.22	
Freddie Mac	3137EAEX3	Gov. Agency Debenture	0.38%	5/1/2023	750,000.00	689,032.50	(60,967.50)				9/23/2025	3.97%	$ 6,734.37	$ 61,146.74	$ 6,570.76	
FannieMae	3135G06G3	Gov. Agency Debenture	0.50%	7/14/2023	500,000.00	455,157.00	(44,843.00)				11/7/2025	4.63%	$ 5,784.72	$ 42,871.33	$ 7,773.04	
US Treasury	91282CGA3	US Treasury Note	4.00%	6/20/2023	2,100,000.00	2,080,558.59	(19,441.41)				12/15/2025	4.40%	$ 208,852.46	$ 186,379.78	$ 42,256.15	
American Honda	02665WEY3	Corporate Bond	4.95%	6/27/2024	1,000,000.00	995,640.00	(4,360.00)				1/9/2026	5.25%	$ 51,287.50	$ 52,766.88	$ 26,383.44	
Pepsico Inc	713448DF2	Corporate Bond	2.85%	10/16/2023	1,000,000.00	947,570.00	(52,430.00)				2/24/2026	5.24%	$ 67,133.33	$ 86,538.35	$ 33,198.50	
FHLB	3130AXB31	Gov. Agency Debenture	4.88%	2/27/2024	1,000,000.00	1,003,060.00	3,060.00				3/13/2026	4.72%	$ 100,479.17	$ 63,303.13	$ 33,140.29	
US Treasury	91282CBT7	US Treasury Note	0.75%	9/30/2022	800,000.00	712,565.18	(87,434.82)				3/31/2026	4.14%	$ 21,000.00	$ 85,193.12	$ 23,249.92	
Home Depot	437076BM3	Corporate Bond	3.00%	8/4/2022	1,000,000.00	991,960.00	(8,040.00)				4/1/2026	3.04%	$ 94,750.00	$ 93,590.54	$ 24,257.68	
Treasury	91282CHB0	US Treasury Note	3.63%	2/23/2024	1,175,000.00	1,151,962.92	(23,037.08)				5/15/2026	4.56%	$ 94,782.80	$ 71,517.53	$ 46,276.05	
Total Interest from Matured Investments															$ 260,677.48	
Total Interest FY 2025-26, Matured and Current															$ 2,613,265.68	

Maturity Profile

	Amount	Percent
0-1 year	$ 33,988,105.71	45%
1-2 years	$15,832,077.48	21%
2-3 years	$12,163,707.82	16%
3-5 years	$ 13,506,127.20	18%
	$75,490,018.21	100%

Town of Los Gatos
Investment Transaction Detail
May 31, 2026

Date	Cusip/Id	Description	Transaction Type	Trade Date	Settlement Date	Par	Coupon	Maturity Date	Price	Principal	Interest	Transaction Total
5/4/2026	Cash-USD	Cash-USD	SHORT TERM INVESTMENT FUND INCOME	5/4/2026	5/4/2026	1,039.58	0.000%		100.00	-	-	1,039.58
5/11/2026	89236TKL8	TOYOTA MOTOR CREDIT CORP 5.45% 10NOV2027	BOND INTEREST	5/10/2026	5/11/2026	1,600,000.00	5.450%	11/10/2027	-	-	43,600.00	43,600.00
5/15/2026	9128285M8	USA TREASURY 3.125% 15NOV2028	BOND INTEREST	5/15/2026	5/15/2026	1,200,000.00	3.125%	11/15/2028	-	-	18,750.00	18,750.00
5/15/2026	91282CHB0	USA TREASURY 3.625% 15MAY2026	REDEMPTION	5/15/2026	5/15/2026	1,175,000.00	0.000%	5/15/2026	100.00	1,175,000.00	-	1,175,000.00
5/15/2026	91282CHB0	USA TREASURY 3.625% 15MAY2026	BOND INTEREST	5/15/2026	5/15/2026	1,175,000.00	0.000%	5/15/2026	-	-	21,296.88	21,296.88

TOWN OF LOS GATOS, CA

Insight ESG ratings as of May 31, 2026

CUSIP	Security description	Maturity date	Par/Shares	Total market value ($)	S&P rating	Moody's rating	Insight ESG rating	Environment	Social	Governance
02665WED9	AMERICAN HONDA FINANCE 4.7% 12JAN2028	1/12/2028	600,000	613,064	BBB+	A3	3	2	4	3
037833DB3	APPLE INC 2.9% 12SEP2027 (CALLABLE 12JUN27)	9/12/2027	1,300,000	1,290,662	AA+	Aaa	5	2	5	5
17275RBR2	CISCO SYSTEMS INC 4.85% 26FEB2029 (CALLABLE 26JAN29)	2/26/2029	1,000,000	1,028,032	AA-	A1	2	1	3	3
17325FBK3	CITIBANK NA 4.838% 06AUG2029 (CALLABLE 06JUL29)	8/6/2029	1,250,000	1,284,972	A+	Aa3	3	1	2	4
194162AR4	COLGATE-PALMOLIVE CO 4.6% 01MAR2028 (CALLABLE 01FEB28)	3/1/2028	500,000	510,296	A+	Aa3	3	3	3	2
24422EXN4	JOHN DEERE CAPITAL CORP 4.9% 07MAR2031	3/7/2031	1,000,000	1,027,032	A	A1	3	1	3	4
437076CW0	HOME DEPOT INC 4.9% 15APR2029 (CALLABLE 15MAR29)	4/15/2029	1,000,000	1,022,445	A	A2	3	3	3	3
46625HRS1	JPMORGAN CHASE & CO 3.2% 15JUN2026 CALLABLE	6/15/2026	500,000	507,244	A	A1	3	1	3	5
46647PDG8	JPMORGAN CHASE & CO 4.851% 25JUL2028 (CALLABLE 25JUL27)	7/25/2028	1,400,000	1,430,716	A	A1	3	1	3	5
61776NU43	MORGAN STANLEY PVT BANK 4.213% 08FEB2030 (CALLABLE 08FEB29)	2/8/2030	1,250,000	1,253,659	A+	Aa3	3	1	3	4
69353RFJ2	PNC BANK NA 3.25% 22JAN2028 (CALLABLE 23DEC27)	1/22/2028	1,000,000	997,000	A	A2	3	3	4	3
857477CD3	STATE STREET CORP 5.272% 03AUG2026 (CALLABLE 03JUL26)	8/3/2026	800,000	814,763	A	Aa3	1	1	2	2
857477DB6	STATE STREET CORP 4.834% 24APR2030 (CALLABLE 24MAR30)	4/24/2030	580,000	590,639	A	Aa3	1	1	2	2
89236TKL8	TOYOTA MOTOR CREDIT CORP 5.45% 10NOV2027	11/10/2027	1,600,000	1,634,667	A+	A1	3	1	3	4
91159HJF8	US BANCORP 4.548% 22JUL2028 (CALLABLE 22JUL27)	7/22/2028	1,000,000	1,017,941	A	A3	3	2	3	4
Total Corporate / weighted average			**14,780,000**	**15,023,132**			**3**	**2**	**3**	**4**

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

Fund Schedule

Item 2.

Fund Number	Fund Description	Prior Year Carryforward 7/1/2025*	Increase/ (Decrease) July-April	May 2026 Current Revenue	May 2026 Current Expenditure	May 2026 Transfer In	May 2026 Transfer Out	Estimated Fund Balance 5/31/2026*
	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:							
111	Other Unassigned Fund Balance Reserve (Pre YE distribution)	10,211,049	2,351,905	5,021,843	(4,982,436)	-	-	12,602,361
	General Fund Total	35,763,316	2,351,905	5,021,843	(4,982,436)	-	-	38,154,628

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

Fund Schedule

Item 2.

Fund Number	Fund Description	Prior Year Carryforward 7/1/2025*	Increase/ (Decrease) July-April	May 2026 Current Revenue	May 2026 Current Expenditure	May 2026 Transfer In	May 2026 Transfer Out	Estimated Fund Balance 5/31/2026*
	SPECIAL REVENUE							
211/212	CDBG	166,653	-	-	-	-	-	166,653
222	Urban Runoff (NPDES)	664,168	7,489	13,641	(34,835)	-	-	650,463
231-236	Landscape & Lighting Districts	193,606	(2,782)	-	(2,941)	-	-	187,883
251	Los Gatos Theatre	381,120	165,128	22,621	(4,538)	-	-	564,331
261-264,269	Library Trusts	559,745	40,868	-	(1,409)	-	-	599,204
	Special Revenue Total	1,965,292	210,703	36,262	(43,723)	-	-	2,168,534
	CAPITAL PROJECTS							
411	GFAR - General Fund Appropriated Reserve	16,974,946	1,040,275	88,601	(40,241)	-	-	18,063,581
412	Community Center Development	819,604	-	-	-	-	-	819,604
421	Grant Funded Projects	(1,577,430)	1,707,089	-	(13,706)	-	-	115,953
461-463	Storm Basin Projects	2,825,234	119,622	46,354	-	-	-	2,991,210
471	Traffic Mitigation Projects	676,482	-	-	-	-	-	676,482
472	Utility Undergrounding Projects	3,763,913	25,907	983	-	-	-	3,790,803
481	Gas Tax Projects	2,130,548	360,244	155,250	(3,761)	-	-	2,642,281
	Capital Projects Total	25,613,297	3,253,137	291,188	(57,708)	-	-	29,099,914
	INTERNAL SERVICE FUNDS							
611	Town General Liability	208,746	(397,241)	-	(4,969)	-	-	(193,464)
612	Workers Compensation	1,259,972	168,915	3,807	(89,812)	-	-	1,342,882
621	Information Technology	2,585,103	(258,914)	9,924	(24,346)	-	-	2,311,767
631	Vehicle & Equipment Replacement	3,890,428	720,334	2,183	(9,230)	-	-	4,603,715
633	Facility Maintenance	820,099	(26,924)	3,066	(90,097)	-	-	706,144
	Internal Service Funds Total	8,764,348	206,170	18,980	(218,454)	-	-	8,771,044
	Trust/Agency							
942	RDA Successor Agency	(3,037,146)	(1,736,436)	-	(205)	-	-	(4,773,787)
	Trust/Agency Fund Total	(3,037,146)	(1,736,436)	-	(205)	-	-	(4,773,787)
	Total Town	**69,069,107**	**4,285,479**	**5,368,273**	**(5,302,526)**	**-**	**-**	**73,420,333**

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

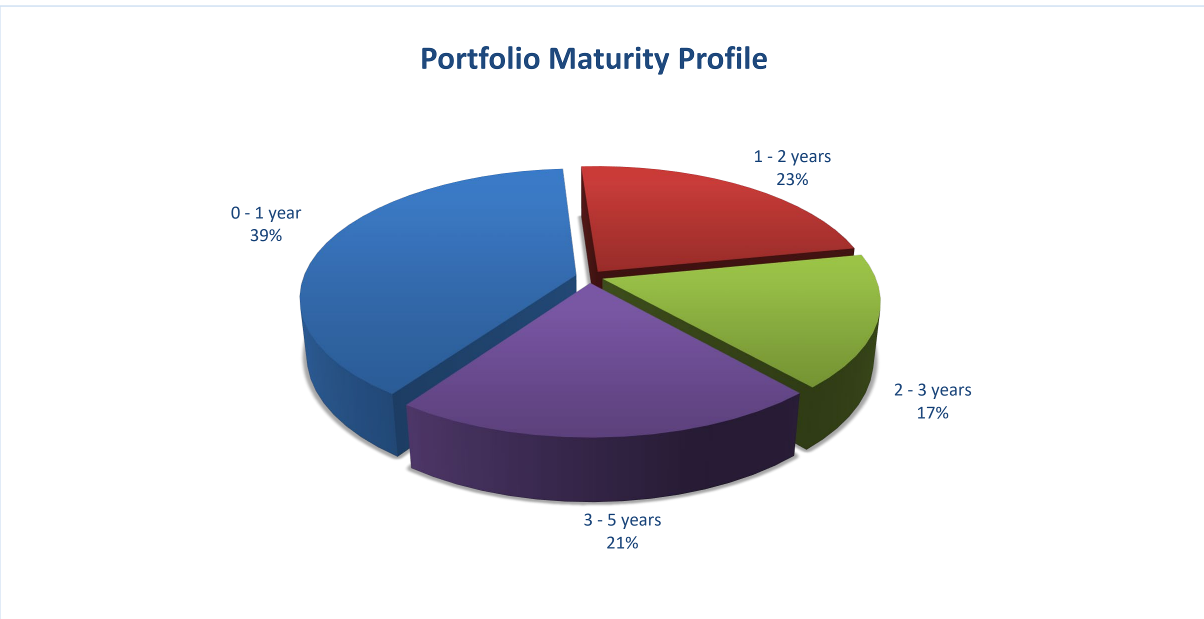
Deposit Accounts of Interest:

111-23541 General Plan Update deposit account balance $683,163.78

111-23521 BMP Housing deposit account balance $3,723,190.79

Town of Los Gatos
Summary Investment Information
June 30, 2026

Weighted Average YTM Portfolio Yield on Investments under Management	**4.20%**		
Weighted Average Maturity (days)	**592**		
	This Month	**Last Month**	**One year ago**
Portfolio Allocation & Treasurer's Cash Balances	$90,859,940	$84,537,776	$81,558,113
Managed Investments	$54,002,525		
Local Agency Investment Fund	$15,910,115		
Reconciled Demand Deposit Balances	$20,947,301		
Portfolio Allocation & Treasurer's Cash Balances	$90,859,940		
Benchmarks/ References:			
Town's Average Yield	4.20%	4.18%	4.39%
LAIF Yield for month	3.82%	3.81%	4.27%
3 mo. Treasury	3.81%	3.67%	4.29%
6 mo. Treasury	3.97%	3.74%	4.25%
2 yr. Treasury	4.17%	4.00%	3.72%
5 yr. Treasury	4.23%	4.14%	3.80%
10 Yr. Treasury	4.47%	4.44%	4.23%



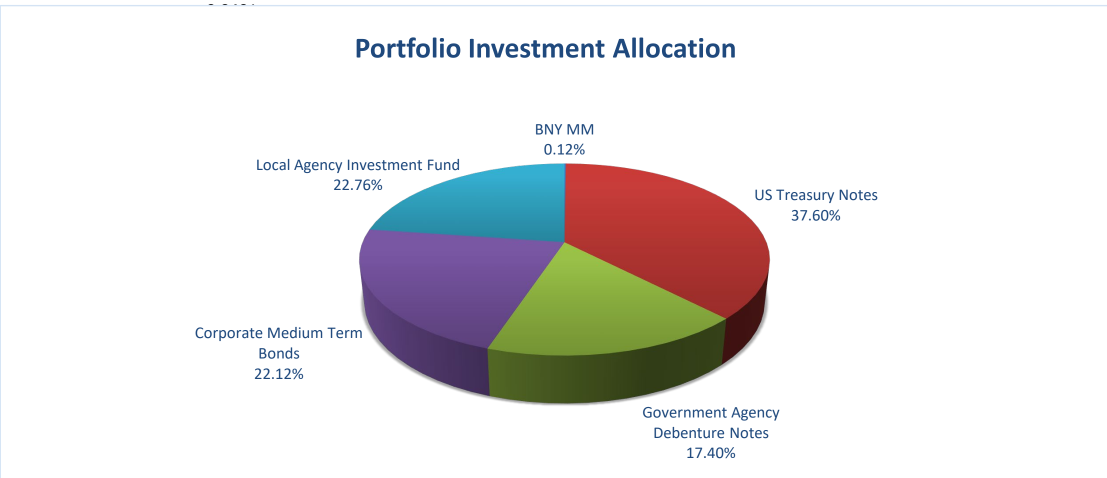
Compliance: The Town's investments are in compliance with the Town's investment policy dated March 18, 2025, and also in compliance with the requirements of Section 53600 et seq. of the California State Code. Based on the information available, the Town has sufficient funds to meet the cash demands for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

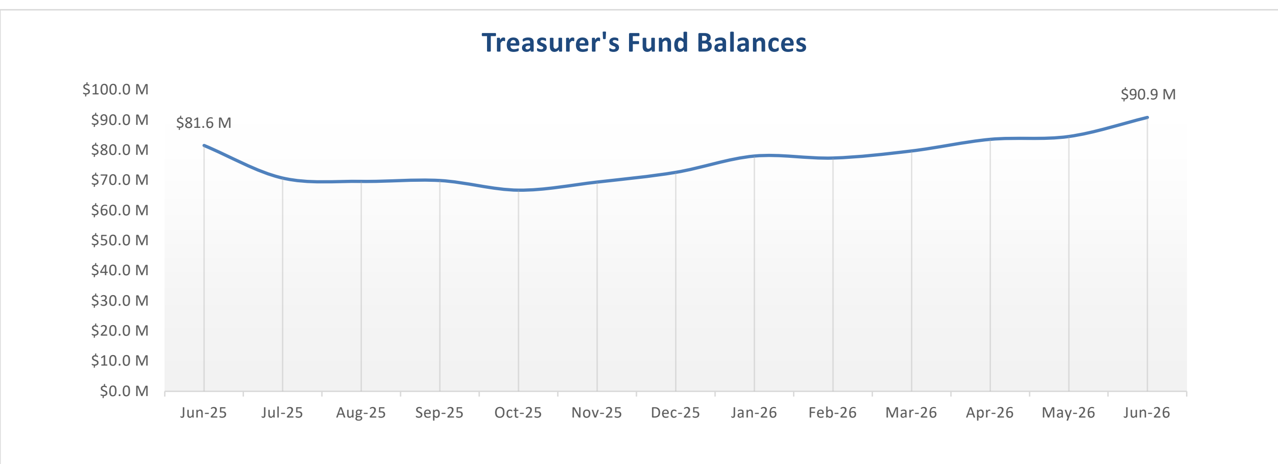
ATTACHMENT 2

Town of Los Gatos
Portfolio Allocation & Treasurer's Cash Balances
June 30, 2026

	Month	YTD
Cash & Investment Balances - Beginning of Month/Period	$ 84,537,775.89	$ 81,558,113.19
Receipts	10,160,855.17	95,862,026.58
Disbursements	(3,838,690.61)	(86,560,199.32)
Cash & Investment Balances - End of Month/Period	$90,859,940.45	$90,859,940.45

Portfolio Allocation	Amount	% of Portfolio	Max. % or $ Allowed per State Law or Policy
BNY MM	$81,231.65	0.12%	20% of Town Portfolio
US Treasury Notes	$26,297,230.82	37.60%	No Max. on US Treasuries
Government Agency Debenture Notes	$12,162,749.31	17.40%	No Max. on Non-Mortgage Backed
Corporate Medium Term Bonds	$15,461,312.80	22.12%	30% of Town Portfolio
Local Agency Investment Fund	$15,910,114.99	22.76%	$75 M per State Law
Subtotal - Investments	69,912,639.57	100.00%	
Reconciled Demand Deposit Balances	20,947,300.88		
Total Portfolio Allocation & Treasurer's Cash Balances	$90,859,940.45		





Town of Los Gatos
Non-Treasury Restricted Fund Balances
June 30, 2026

	Beginning Balance	June 2026 Deposits Realized Gain/Adj.	June 2026 Interest/ Unrealized Gains (Losses)/ Gains (Losses)	June 2026 Withdrawals / Fees	Ending Balance	
Non-Treasury Funds:						
Cert. of Participation 2002 Ser A Reserve Fund	$ 706,135.27	$ -	$ 1,866.51	$ -	$ 708,001.78	**Note 1**
Cert. of Participation 2010 Ser Lease Payment Fund	85.50	-	0.26	-	$ 85.76	**Note 2**
Cert. of Participation 2002 Ser A Lease Payment Fund	145.42	-	0.31	-	$ 145.73	**Note 1**
Cert. of Participation 2010 Ser Reserve Fund	1,322,763.04	-	3,939.21	-	$ 1,326,702.25	**Note 2**
Total Restricted Funds:	$ 2,029,129.23	$ -	$ 5,806.29	$ -	$ 2,034,935.52	
CEPPT IRS Section 115 Trust	4,053,665.94	-	2,700.30	(764.85)	$ 4,055,601.39	**Note 3**
Grand Total COP's and CEPPT Trust	$ 6,082,795.17	$ -	$ 8,506.59	$ (764.85)	$ 6,090,536.91	

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

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

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

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

Town of Los Gatos
Statement of Interest Earned
June 30, 2026

July 2025	$	238,713.97
August 2025	$	238,367.28
September 2025	$	259,685.13
October 2025	$	228,769.00
November 2025	$	220,968.79
December 2025	$	234,197.60
January 2026	$	228,526.08
February 2026	$	205,910.96
March 2026	$	238,556.51
April 2026	$	244,476.90
May 2026	$	275,093.46
June 2026	$	249,969.13
	$	2,863,234.81

Town of Los Gatos
Investment Schedule
June 30, 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
Apple	037833DB3	Corporate Bond	2.90%	12/20/2022	1,300,000.00	1,228,591.00	(71,409.00)	1,281,722.00	53,131.00		6/21/2027	4.19%	$ 121,687.22	$ 135,426.07	$ 53,554.19	356
FFCB	3133EN5V8	Gov. Agency Debenture	4.13%	1/17/2023	236,000.00	239,174.20	3,174.20	236,136.88	(3,037.32)		1/11/2027	3.76%	$ 29,042.75	$ 21,918.24	$ 8,938.72	195
FHLB	3130AQF65	Gov. Agency Debenture	1.25%	11/30/2022	1,300,000.00	1,160,559.40	(139,440.60)	1,283,282.00	122,722.60		12/21/2026	4.15%	$ 57,822.92	$ 130,709.25	$ 50,592.66	174
FHLB	3130APJH9	Gov. Agency Debenture	1.00%	1/17/2023	1,000,000.00	907,010.00	(92,990.00)	995,500.00	88,490.00		10/28/2026	4.17%	$ 33,354.17	$ 84,829.28	$ 34,595.18	120
FFCB	3133EN5N6	Gov. Agency Debenture	4.00%	2/8/2023	1,700,000.00	1,706,732.00	6,732.00	1,696,940.00	(9,792.00)		1/6/2028	3.91%	$ 197,955.56	$ 159,363.33	$ 66,629.57	555
American Honda	02665WED9	Corporate Bond	4.70%	5/11/2023	600,000.00	608,856.00	8,856.00	601,002.00	(7,854.00)		1/12/2028	4.34%	$ 75,278.33	$ 56,288.41	$ 26,306.36	561
US Treasury	91282CEF4	US Treasury Note	2.50%	6/9/2023	1,500,000.00	1,416,626.12	(83,373.88)	1,483,245.00	66,618.88		3/31/2027	4.09%	$ 105,327.87	$ 122,333.72	$ 59,377.40	274
Colgate-Palmolive	194162AR4	Corporate Bond	4.60%	7/14/2023	500,000.00	504,655.00	4,655.00	503,090.00	(1,565.00)		2/1/2028	4.37%	$ 60,502.79	$ 43,173.83	$ 21,978.31	581
FFCB	3133EPQC2	Gov. Agency Debenture	4.63%	7/17/2023	500,000.00	501,957.50	1,957.50	500,160.00	(1,797.50)		7/17/2026	4.48%	$ 57,812.50	$ 43,961.07	$ 22,473.10	17
FFCB	3133EPBM6	Gov. Agency Debenture	4.13%	7/14/2023	600,000.00	596,220.00	(3,780.00)	599,928.00	3,708.00		8/23/2027	4.29%	$ 64,556.25	$ 50,424.13	$ 25,669.19	419
PNC Bank	69353RFJ2	Corporate Bond	3.25%	7/25/2023	1,000,000.00	921,490.00	(78,510.00)	982,950.00	61,460.00		12/23/2027	5.23%	$ 80,979.17	$ 97,247.67	$ 50,276.77	541
US Treasury	91282CFU0	US Treasury Note	4.13%	7/31/2023	1,300,000.00	1,290,660.60	(9,339.40)	1,299,441.00	8,780.40		10/31/2027	4.31%	$ 147,468.75	$ 107,052.11	$ 55,820.03	488
Toyota Motor Credit	89236TKL8	Corporate Bond	5.45%	8/25/2023	1,600,000.00	1,617,168.00	17,168.00	1,624,112.00	6,944.00		11/10/2027	5.16%	$ 236,166.67	$ 153,725.55	$ 83,125.67	498
US Treasury	912810FE3	US Treasury Note	5.50%	10/3/2023	1,200,000.00	1,238,207.14	38,207.14	1,232,952.00	(5,255.14)		8/15/2028	4.76%	$ 156,211.96	$ 101,335.84	$ 58,156.58	777
FFCB	3133EPUW3	Gov. Agency Debenture	4.75%	10/13/2023	1,000,000.00	994,338.00	(5,662.00)	1,001,220.00	6,882.00		9/1/2026	4.96%	$ 113,208.33	$ 84,828.57	$ 49,460.75	63
US Treasury	91282CEW7	US Treasury Note	3.25%	10/16/2023	1,000,000.00	950,039.06	(49,960.94)	991,700.00	41,660.94		6/30/2027	4.73%	$ 87,961.96	$ 78,477.53	$ 45,978.01	365
US Treasury	91282CEN7	US Treasury Note	2.75%	10/31/2023	1,300,000.00	1,214,336.39	(85,663.61)	1,286,012.00	71,675.61		4/30/2027	4.82%	$ 89,375.00	$ 100,336.49	$ 60,234.90	304
US Treasury	91282CCH2	US Treasury Note	1.25%	12/21/2023	900,000.00	798,647.55	(101,352.45)	850,428.00	51,780.45		6/30/2028	3.99%	$ 28,430.71	$ 51,319.84	$ 33,629.70	731
FNMA	3135G0Q22	Gov. Agency Debenture	1.88%	12/21/2023	900,000.00	845,676.00	(54,324.00)	895,770.00	50,094.00		9/24/2026	4.22%	$ 38,109.38	$ 55,770.03	$ 36,545.89	86
US Treasury	91282CFB2	US Treasury Note	2.75%	1/2/2024	1,000,000.00	960,354.91	(39,645.09)	985,470.00	25,115.09		7/31/2027	3.95%	$ 57,167.12	$ 57,605.73	$ 38,579.98	396
US Treasury	91282CHE4	US Treasury Note	3.63%	1/17/2024	1,800,000.00	1,775,185.72	(24,814.28)	1,782,702.00	7,516.28		5/31/2028	3.97%	$ 154,567.63	$ 102,986.91	$ 70,924.94	701
JP Morgan Chase	46647PDG8	Corporate Bond	4.85%	2/1/2024	1,400,000.00	1,396,528.00	(3,472.00)	1,404,270.00	7,742.00		7/25/2027	4.93%	$ 134,696.10	$ 97,231.80	$ 68,911.86	390
US Bancorp	91159HJF8	Corporate Bond	4.55%	2/5/2024	1,000,000.00	989,200.00	(10,800.00)	1,000,280.00	11,080.00		7/22/2027	4.89%	$ 89,317.67	$ 68,041.60	$ 48,601.14	387
FFCB	3133EP5U5	Gov. Agency Debenture	4.13%	3/28/2024	1,700,000.00	1,687,981.00	(12,019.00)	1,697,365.00	9,384.00		3/20/2029	4.28%	$ 138,691.67	$ 91,219.09	$ 72,538.06	994
US Treasury	9128285M8	US Treasury Note	3.13%	4/30/2024	1,200,000.00	1,123,832.14	(76,167.86)	1,172,292.00	48,459.86		11/15/2028	4.69%	$ 76,545.34	$ 63,313.82	$ 54,247.75	869
Cisco Systems	17275RBR2	Corporate Bond	4.85%	5/15/2024	1,000,000.00	999,130.00	(870.00)	1,010,910.00	11,780.00		1/26/2029	4.87%	$ 86,356.94	$ 54,820.58	$ 48,684.94	941
Home Depot	437076CW0	Corporate Bond	4.90%	5/17/2024	1,000,000.00	1,001,790.00	1,790.00	1,013,540.00	11,750.00		3/15/2029	4.86%	$ 93,644.44	$ 54,491.59	$ 48,629.41	989
Treasury	91282CJR3	US Treasury Note	3.75%	5/31/2024	1,200,000.00	1,154,629.02	(45,370.98)	1,188,420.00	33,790.98		12/31/2028	4.68%	$ 93,708.79	$ 59,398.06	$ 54,886.81	915
Citibank	17325FBK3	Corporate Bond	4.84%	8/15/2024	1,250,000.00	1,263,062.50	13,062.50	1,260,387.50	(2,675.00)		7/6/2029	4.60%	$ 89,200.62	$ 50,520.38	$ 57,805.45	1102
FNMA	3135G05Y5	Gov. Agency Debenture	0.75%	9/10/2024	1,100,000.00	1,010,724.00	(89,276.00)	1,054,647.00	43,923.00		10/8/2027	3.56%	$ 13,016.67	$ 29,915.45	$ 37,266.69	465
US Treasury	91282CFL0	US Treasury Note	3.88%	12/3/2024	1,100,000.00	1,088,144.31	(11,855.69)	1,090,595.00	2,450.69		9/30/2029	4.12%	$ 56,442.99	$ 25,813.46	$ 45,080.92	1188
FHLB	3130ATUT2	Gov. Agency Debenture	4.50%	2/12/2025	505,000.00	508,253.21	3,253.21	510,231.80	1,978.59		12/14/2029	4.35%	$ 30,426.25	$ 8,337.70	$ 22,052.62	1263
FFCB	3133ER5X5	Gov. Agency Debenture	3.88%	3/12/2025	1,000,000.00	998,480.00	(1,520.00)	994,770.00	(3,710.00)		3/7/2028	3.93%	$ 38,211.81	$ 11,831.34	$ 39,258.52	616
Treasury	91282CJF9	US Treasury Note	4.88%	3/31/2025	1,100,000.00	1,130,167.75	30,167.75	1,117,270.00	(12,897.75)		10/31/2028	4.04%	$ 58,069.06	$ 11,273.90	$ 45,219.48	854
State Street Corp	857477CD3	Corporate Bond	5.27%	4/30/2025	800,000.00	811,184.00	11,184.00	800,080.00	(11,104.00)		7/3/2026	4.04%	$ 31,983.47	$ 5,458.33	$ 32,660.48	3
Freddie Mac	3134HAW33	Gov. Agency Debenture	4.75%	4/30/2025	1,000,000.00	1,005,644.00	5,644.00	998,300.00	(7,344.00)		12/18/2029	4.23%	$ 54,493.07	$ 7,735.00	$ 46,283.19	1267
US Treasury	91282CNG2	US Treasury Note	4.00%	6/30/2025	660,000.00	665,184.24	5,184.24	655,927.80	(9,256.44)		5/31/2030	3.82%	$ 24,236.08	$ -	$ 25,346.41	1431
US Treasury	91282CMG3	US Treasury Note	4.25%	8/4/2025	825,000.00	842,308.43	17,308.43	827,227.50	(15,080.93)		1/31/2030	3.74%	$ 17,150.14	$ -	$ 28,219.67	1311
US Treasury	91282CMA6	US Treasury Note	4.13%	8/25/2025	1,200,000.00	1,218,847.77	18,847.77	1,198,644.00	(20,203.77)		11/30/2029	3.72%	$ 37,868.86	$ -	$ 38,167.38	1249
US Treasury	91282CHR5	US Treasury Note	4.00%	9/23/2025	950,000.00	967,036.38	17,036.38	943,654.00	(23,382.38)		7/31/2030	3.59%	$ 13,423.92	$ -	$ 26,458.71	1492
US Treasury	91282CGQ8	US Treasury Note	4.00%	10/3/2025	1,000,000.00	1,013,362.72	13,362.72	994,490.00	(18,872.72)		2/28/2030	3.67%	$ 16,353.59	$ -	$ 27,346.70	1339
State Street Corp	857477DB6	Corporate Bond	4.83%	11/10/2025	580,000.00	596,535.80	16,535.80	586,188.60	(10,347.20)		3/24/2030	4.13%	$ 12,772.51	$ -	$ 15,415.70	1363
US Treasury	91282CKA8	US Treasury Note	4.13%	12/17/2025	1,150,000.00	1,157,775.34	7,775.34	1,150,667.00	(7,108.34)		2/15/2027	3.52%	$ 7,734.37	$ -	$ 21,775.81	230
US Treasury	91282CHW4	US Treasury Note	4.13%	12/17/2025	1,150,000.00	1,170,308.54	20,308.54	1,147,435.50	(22,873.04)		8/31/2030	3.71%	$ 9,566.13	$ -	$ 23,038.22	1523
US Treasury	91282CHZ7	US Treasury Note	4.63%	1/13/2026	1,050,000.00	1,089,087.89	39,087.89	1,067,881.50	(21,206.39)		9/30/2030	3.75%	$ 10,272.84	$ -	$ 18,536.39	1553
Morgan Stanley Pvt Bank	61776NU43	Corporate Bond	4.21%	2/26/2026	1,250,000.00	1,254,137.50	4,137.50	1,234,087.50	(20,050.00)	3,510.83	2/8/2029	4.09%	$ (3,510.83)	$ -	$ 17,414.89	954
John Deere Capital Corp	24422EXN4	Corporate Bond	4.90%	3/17/2026	1,000,000.00	1,024,660.00	24,660.00	1,013,820.00	(10,840.00)	1,361.11	3/7/2031	4.34%	$ (1,361.11)	$ -	$ 12,670.06	1711
US Treasury	91282CLC3	US Treasury Note	4.00%	4/6/2026	1,050,000.00	1,053,691.41	3,691.41	1,045,443.00	(8,248.41)	7,541.44	7/31/2029	3.88%	$ (7,541.44)	$ -	$ 9,521.94	1127
US Treasury	91282CMB4	US Treasury Note	4.00%	4/6/2026	1,050,000.00	1,052,378.91	2,378.91	1,047,784.50	(4,594.41)		12/15/2027	3.86%	$ 8,076.92	$ -	$ 9,453.63	533
Bank of America	06051GMY2	Corporate Bond	4.48%	6/1/2026	1,250,000.00	1,244,325.00	(5,675.00)	1,242,600.00	(1,725.00)	5,907.15	4/23/2029	4.65%	$ (5,907.15)	$ -	$ 4,602.04	1028
US Treasury	91282CKN0	US Treasury Note	4.63%	6/15/2026	650,000.00	662,037.33	12,037.33	662,135.50	98.17	3,757.81	4/30/2031	4.20%	$ (3,757.81)	$ -	$ 1,134.01	1765
US Treasury	91282CJG7	US Treasury Note	4.88%	6/15/2026	650,000.00	667,801.01	17,801.01	667,569.50	(231.51)	3,960.94	10/31/2030	4.18%	$ (3,960.94)	$ -	$ 1,135.24	1584
US Treasury	91282CMW8	US Treasury Note	3.75%	6/15/2026	600,000.00	596,580.14	(3,419.86)	595,854.00	(726.14)	3,750.00	4/15/2028	4.07%	$ (3,750.00)	$ -	$ 1,001.22	655
Subtotal					$ 54,656,000.00	$ 53,921,292.93	$ (734,707.07)	$ 54,508,531.08	$ 587,238.15	$ 29,789.28			$ 3,205,458.01	$ 2,478,515.67	$ 1,956,213.22	
BNY MM		Money Market				81,231.65		81,231.65	0.00			0.00%				1
LAIF		State Investment Pool				15,910,114.99		15,892,174.46	(17,940.53)			3.82%			570,368.96	1
						69,912,639.57		**$70,481,937.19**	**$569,297.62**	**$29,789.28**			$ 3,205,458.01	$ 2,478,515.67	$ 2,526,582.18	
Matured Assets																
US Treasury	91282CAB7	US Treasury Note	0.25%	11/15/2023	675,000.00	623,900.39	(51,099.61)				7/31/2025	4.92%	$ 2,884.34	$ 51,302.62	$ 2,681.92	
FHLB	3135G05X7	Gov. Agency Debenture	0.38%	6/10/2022	1,200,000.00	1,102,952.40	(97,047.60)				8/25/2025	3.04%	$ 14,437.50	$ 106,169.42	$ 5,327.50	
FFCB	3133ENP95	Gov. Agency Debenture	4.25%	9/30/2022	900,000.00	900,939.60	939.60				9/30/2025	4.14%	$ 114,750.00	$ 104,352.97	$ 9,562.22	
Freddie Mac	3137EAEX3	Gov. Agency Debenture	0.38%	5/1/2023	750,000.00	689,032.50	(60,967.50)				9/23/2025	3.97%	$ 6,734.37	$ 61,146.74	$ 6,570.76	
FannieMae	3135G06G3	Gov. Agency Debenture	0.50%	7/14/2023	500,000.00	455,157.00	(44,843.00)				11/7/2025	4.63%	$ 5,784.72	$ 42,871.33	$ 7,773.04	
US Treasury	91282CGA3	US Treasury Note	4.00%	6/20/2023	2,100,000.00	2,080,558.59	(19,441.41)				12/15/2025	4.40%	$ 208,852.46	$ 186,379.78	$ 42,256.15	
American Honda	02665WEY3	Corporate Bond	4.95%	6/27/2024	1,000,000.00	995,640.00	(4,360.00)				1/9/2026	5.25%	$ 76,037.50	$ 52,766.88	$ 27,673.94	
Pepsico Inc	713448DF2	Corporate Bond	2.85%	10/16/2023	1,000,000.00	947,570.00	(52,430.00)				2/24/2026	5.24%	$ 67,133.33	$ 86,538.35	$ 33,198.50	
FHLB	3130AXB31	Gov. Agency Debenture	4.88%	2/27/2024	1,000,000.00	1,003,060.00	3,060.00				3/13/2026	4.72%	$ 100,479.17	$ 63,303.13	$ 33,140.29	
US Treasury	91282CBT7	US Treasury Note	0.75%	9/30/2022	800,000.00	712,565.18	(87,434.82)				3/31/2026	4.14%	$ 21,000.00	$ 85,193.12	$ 23,249.92	
Home Depot	437076BM3	Corporate Bond	3.00%	8/4/2022	1,000,000.00	991,960.00	(8,040.00)				4/1/2026	3.04%	$ 94,750.00	$ 93,590.54	$ 24,257.68	
Treasury	91282CHB0	US Treasury Note	3.63%	2/23/2024	1,175,000.00	1,151,962.92	(23,037.08)				5/15/2026	4.56%	$ 94,782.80	$ 71,517.53	$ 46,276.05	
JP Morgan Chase	46625HRS1	Corporate Bond	3.20%	9/23/2022	500,000.00	474,660.00	(25,340.00)				6/15/2026	4.70%	$ 59,644.44	$ 63,141.28	$ 21,859.00	
FHLB	3130B1BT3	Gov. Agency Debenture	4.88%	7/2/2024	1,150,000.00	1,150,966.00	966.00				6/12/2026	4.82%	$ 103,404.17	$ 55,261.42	$ 52,825.66	
Total Interest from Matured Investments															$ 336,652.63	
Total Interest FY 2025-26, Matured and Current															$ 2,863,234.81	

Maturity Profile

	Amount	Percent
0-1 year	$ 27,418,613.65	39%
1-2 years	$16,025,213.28	23%
2-3 years	$11,632,847.10	17%
3-5 years	$ 14,835,965.54	21%
	$69,912,639.57	100%

Town of Los Gatos
Investment Transaction Detail
June 30, 2026

Date	Cusip/Id	Description	Transaction Type	Trade Date	Settlement Date	Par	Coupon	Maturity Date	Price	Principal	Interest	Transaction Total
6/1/2026	06051GMY2	BANK OF AMERICA CORP 4.477% 23APR2030 (CALLABLE 23APR29)	PURCHASE	5/29/2026	6/1/2026	1,250,000.00	4.477%	4/23/2030	99.55	1,244,325.00	5,907.15	1,250,232.15
6/1/2026	91282CMA6	USA TREASURY 4.125% 30NOV2029	BOND INTEREST	5/31/2026	6/1/2026	1,200,000.00	4.125%	11/30/2029	-	-	24,750.00	24,750.00
6/1/2026	91282CNG2	USA TREASURY 4% 31MAY2030	BOND INTEREST	5/31/2026	6/1/2026	660,000.00	4.000%	5/31/2030	-	-	13,200.00	13,200.00
6/1/2026	91282CHE4	USA TREASURY 3.625% 31MAY2028	BOND INTEREST	5/31/2026	6/1/2026	1,800,000.00	3.625%	5/31/2028	-	-	32,625.00	32,625.00
6/2/2026	Cash-USD	Cash-USD	SHORT TERM INVESTMENT FUND INCOME	6/2/2026	6/2/2026	2,480.59	0.000%		100.00	-	-	2,480.59
6/12/2026	3130B1BT3	FEDERAL HOME LOAN BANK 4.875% 12JUN2026	BOND INTEREST	6/12/2026	6/12/2026	1,150,000.00	0.000%	6/12/2026	-	-	28,031.25	28,031.25
6/15/2026	91282CJG7	USA TREASURY 4.875% 31OCT2030	PURCHASE	6/12/2026	6/15/2026	650,000.00	4.875%	10/31/2030	102.74	667,801.01	3,960.94	671,761.95
6/15/2026	91282CMW8	USA TREASURY 3.75% 15APR2028	PURCHASE	6/12/2026	6/15/2026	600,000.00	3.750%	4/15/2028	99.43	596,580.14	3,750.00	600,330.14
6/15/2026	91282CKN0	USA TREASURY 4.625% 30APR2031	PURCHASE	6/12/2026	6/15/2026	650,000.00	4.625%	4/30/2031	101.85	662,037.33	3,757.81	665,795.14
6/12/2026	3130B1BT3	FEDERAL HOME LOAN BANK 4.875% 12JUN2026	REDEMPTION	6/12/2026	6/12/2026	1,150,000.00	0.000%	6/12/2026	100.00	1,150,000.00	-	1,150,000.00
6/15/2026	3130ATUT2	FEDERAL HOME LOAN BANK 4.5% 14DEC2029	BOND INTEREST	6/14/2026	6/14/2026	505,000.00	4.500%	12/14/2029	-	-	11,362.50	11,362.50
6/15/2026	46625HRS1	JPMORGAN CHASE & CO 3.2% 15JUN2026 CALLABLE	BOND INTEREST	6/15/2026	6/15/2026	500,000.00	0.000%	6/15/2026	-	-	8,000.00	8,000.00
6/15/2026	91282CMB4	USA TREASURY 4% 15DEC2027	BOND INTEREST	6/15/2026	6/15/2026	1,050,000.00	4.000%	12/15/2027	-	-	21,000.00	21,000.00
6/15/2026	46625HRS1	JPMORGAN CHASE & CO 3.2% 15JUN2026 CALLABLE	REDEMPTION	6/15/2026	6/15/2026	500,000.00	0.000%	6/15/2026	100.00	500,000.00	-	500,000.00
6/18/2026	3134HAW33	FREDDIE MAC 4.75% 18DEC2029 (CALLABLE 18SEP26)	BOND INTEREST	6/18/2026	6/18/2026	1,000,000.00	4.750%	12/18/2029	-	-	23,750.00	23,750.00
6/22/2026	3130AQF65	FEDERAL HOME LOAN BANK 1.25% 21DEC2026	BOND INTEREST	6/21/2026	6/21/2026	1,300,000.00	1.250%	12/21/2026	-	-	8,125.00	8,125.00
6/30/2026	91282CJR3	USA TREASURY 3.75% 31DEC2028	BOND INTEREST	6/30/2026	6/30/2026	1,200,000.00	3.750%	12/31/2028	-	-	22,500.00	22,500.00
6/30/2026	91282CCH2	USA TREASURY 1.25% 30JUN2028	BOND INTEREST	6/30/2026	6/30/2026	900,000.00	1.250%	6/30/2028	-	-	5,625.00	5,625.00
6/30/2026	91282CEW7	USA TREASURY 3.25% 30JUN2027	BOND INTEREST	6/30/2026	6/30/2026	1,000,000.00	3.250%	6/30/2027	-	-	16,250.00	16,250.00

TOWN OF LOS GATOS, CA

Insight ESG ratings as of June 30, 2026

CUSIP	Security description	Maturity date	Par/Shares	Total market value ($)	S&P rating	Moody's rating	Insight ESG rating	Environment	Social	Governance
02665WED9	AMERICAN HONDA FINANCE 4.7% 12JAN2028	1/12/2028	600,000	614,006	BBB+	A3	3	2	4	3
037833DB3	APPLE INC 2.9% 12SEP2027 (CALLABLE 12JUN27)	9/12/2027	1,300,000	1,292,918	AA+	Aaa	5	2	5	5
06051GMY2	BANK OF AMERICA CORP 4.477% 23APR2030 (CALLABLE 23APR29)	4/23/2030	1,250,000	1,252,532	A-	A1	3	1	3	5
17275RBR2	CISCO SYSTEMS INC 4.85% 26FEB2029 (CALLABLE 26JAN29)	2/26/2029	1,000,000	1,027,324	AA-	A1	2	1	3	3
17325FBK3	CITIBANK NA 4.838% 06AUG2029 (CALLABLE 06JUL29)	8/6/2029	1,250,000	1,284,159	A+	Aa3	3	1	2	4
194162AR4	COLGATE-PALMOLIVE CO 4.6% 01MAR2028 (CALLABLE 01FEB28)	3/1/2028	500,000	510,635	A+	Aa3	3	3	3	2
24422EXN4	JOHN DEERE CAPITAL CORP 4.9% 07MAR2031	3/7/2031	1,000,000	1,028,377	A	A1	3	1	3	4
437076CW0	HOME DEPOT INC 4.9% 15APR2029 (CALLABLE 15MAR29)	4/15/2029	1,000,000	1,023,412	A	A2	3	3	3	3
46647PDG8	JPMORGAN CHASE & CO 4.851% 25JUL2028 (CALLABLE 25JUL27)	7/25/2028	1,400,000	1,433,307	A	A1	3	1	3	5
61776NU43	MORGAN STANLEY PVT BANK 4.213% 08FEB2030 (CALLABLE 08FEB29)	2/8/2030	1,250,000	1,255,322	A+	Aa3	3	1	3	4
69353RFJ2	PNC BANK NA 3.25% 22JAN2028 (CALLABLE 23DEC27)	1/22/2028	1,000,000	997,031	A	A2	3	3	4	3
857477CD3	STATE STREET CORP 5.272% 03AUG2026 (CALLABLE 05JUL26)	8/3/2026	800,000	817,305	A	Aa3	1	1	2	2
857477DB6	STATE STREET CORP 4.834% 24APR2030 (CALLABLE 24MAR30)	4/24/2030	580,000	590,944	A	Aa3	1	1	2	2
89236TKL8	TOYOTA MOTOR CREDIT CORP 5.45% 10NOV2027	11/10/2027	1,600,000	1,635,982	A+	A1	3	1	3	4
91159HJF8	US BANCORP 4.548% 22JUL2028 (CALLABLE 22JUL27)	7/22/2028	1,000,000	1,020,108	A	A3	3	2	3	4
Total Corporate / weighted average			**15,530,000**	**15,783,362**			**3**	**2**	**3**	**4**

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

Fund Schedule

Item 2.

Fund Number	Fund Description	Prior Year Carryforward 7/1/2025*	Increase/ (Decrease) July-May	June 2026 Current Revenue	Current Expenditure	Transfer In	Transfer Out	Estimated Fund Balance 6/30/2026*
	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:							
111	Other Unassigned Fund Balance Reserve (Pre YE distribution)	10,211,049	2,389,639	8,660,615	(5,557,067)	-	-	15,704,236
	General Fund Total	35,763,316	2,389,639	8,660,615	(5,557,067)	-	-	41,256,503

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

Fund Schedule

Item 2.

Fund Number	Fund Description	Prior Year Carryforward 7/1/2025*	Increase/ (Decrease) July-May	June 2026 Current Revenue	Current Expenditure	Transfer In	Transfer Out	Estimated Fund Balance 6/30/2026*
	SPECIAL REVENUE							
211/212	CDBG	166,653	-	-	-	-	-	166,653
222	Urban Runoff (NPDES)	664,168	(13,705)	27,282	(9,729)	-	-	668,016
231-236	Landscape & Lighting Districts	193,606	(5,723)	18,215	(5,020)	-	-	201,078
251	Los Gatos Theatre	381,120	183,211	15,125	(11,451)	-	-	568,005
261-264,269	Library Trusts	559,745	39,458	-	(4,266)	-	-	594,937
	Special Revenue Total	1,965,292	203,241	60,622	(30,466)	-	-	2,198,689
	CAPITAL PROJECTS							
411	GFAR - General Fund Appropriated Reserve	16,974,946	723,036	157,461	(1,350,268)	-	-	16,505,175
412	Community Center Development	819,604	-	-	-	-	-	819,604
421	Grant Funded Projects	(1,577,430)	1,693,383	-	(40,194)	-	-	75,759
461-463	Storm Basin Projects	2,825,234	165,976	27,732	(34,525)	-	-	2,984,417
471	Traffic Mitigation Projects	676,482	-	-	-	-	-	676,482
472	Utility Undergrounding Projects	3,763,913	26,890	-	-	-	-	3,790,803
481	Gas Tax Projects	2,130,548	511,733	320,904	-	-	-	2,963,185
	Capital Projects Total	25,613,297	3,121,018	506,097	(1,424,987)	-	-	27,815,425
	INTERNAL SERVICE FUNDS							
611	Town General Liability	208,746	(402,210)	-	(33,874)	-	-	(227,338)
612	Workers Compensation	1,259,972	82,910	69,053	(52,172)	-	-	1,359,763
621	Information Technology	2,585,103	(273,300)	172,297	(104,585)	-	-	2,379,515
631	Vehicle & Equipment Replacement	3,890,428	713,287	291,886	-	-	-	4,895,601
633	Facility Maintenance	820,099	(113,954)	300,292	(145,088)	-	-	861,349
	Internal Service Funds Total	8,764,348	6,733	833,528	(335,719)	-	-	9,268,890
	Trust/Agency							
942	RDA Successor Agency	(3,037,146)	(1,736,640)	1,793,487	(3,670)	-	-	(2,983,969)
	Trust/Agency Fund Total	(3,037,146)	(1,736,640)	1,793,487	(3,670)	-	-	(2,983,969)
	Total Town	**69,069,107**	**3,983,991**	**11,854,349**	**(7,351,909)**	**-**	**-**	**77,555,538**

* 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 $683,663.78

111-23521 BMP Housing deposit account balance $3,723,190.79

TOWN OF LOS GATOS
FINANCE COMMISSION REPORT

MEETING DATE: 08/10/2026
ITEM NO: 3

DATE: August 10, 2026

TO: Finance Commission

FROM: Chris Constantin, Town Manager

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

REMARKS:

Discuss the upcoming audit and provide input on the June 30, 2026, Annual Comprehensive Financial Report with the Town's independent auditor.

ATTACHMENT:
1. Presentation Chavan and Associates, llp

PREPARED BY: Eric Lemon
Finance and Accounting Manager

Reviewed by: Town Manager

110 E. Main Street Los Gatos, CA 95030 ● (408)354-6832
www.losgatosca.gov

AUDIT PLAN SUMMARY

Town of Los Gatos

Audit conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS)

FOR THE FISCAL YEAR ENDED

June 30, 2026

Chavan and Associates, llp
Certified Public Accountants

Attachment 1

OVERVIEW

What We'll Cover

01 **Auditing Standards & Framework**

The professional standards and principles that govern the engagement

02 **Our Audit Approach**

A risk-based methodology from planning through reporting

03 **Interim Testing Results**

Key findings from procedures performed to date

04 **Year-End Focus Areas**

Significant accounts and risk areas for remaining fieldwork

05 **Timeline & Deliverables**

Key dates from fieldwork through final reporting

PROFESSIONAL STANDARDS

Auditing Standards & Framework

AICPA Statements on Auditing Standards

Professional standards issued by the AICPA governing the conduct of the financial statement audit (SAS 134–142).

GAO / GAGAS (Yellow Book)

Generally Accepted Government Auditing Standards issued by the U.S. Government Accountability Office for engagements involving government funds.

Auditor's Objective

To obtain reasonable assurance that the financial statements are free of material misstatement, whether due to error or fraud.

Reasonable Assurance

A high, but not absolute, level of assurance — audits are designed to detect material, not all, misstatements.

Materiality

The threshold at which a misstatement, individually or in aggregate, could influence the decisions of financial statement users.

Independence

The auditor maintains independence in mind and appearance, consistent with GAGAS and AICPA independence requirements.

METHODOLOGY

Our Risk-Based Audit Approach

1

Planning

Understand the entity, its environment, and internal control

→

2

Risk Assessment

Identify significant accounts and risk areas requiring focused testing

→

3

Testing

Perform interim and year-end procedures, including controls and substantive testing

→

4

Reporting

Communicate results, adjustments, and recommendations to management and those charged with governance

Interim testing focuses on internal controls; year-end testing emphasizes account balances, disclosures, and compliance.

INTERIM FIELDWORK

Significant Areas & Risk Areas — Interim

Area	Result	Procedures Performed
Federal Compliance	N/A	Not applicable for the current period.
Cash Receipts	No Exceptions	5 sites and 26 transactions tested.
Payroll & Allocations	No Exceptions	5 employees over 4 pay periods recalculated; onboarding controls and position control tested; 13 key controls tested.
Disbursements & Purchases	Zero Deviations	36 transactions sampled; 13 key controls tested.
Credit Cards	Zero Deviations	5 employees and 15 transactions sampled; 7 key controls tested.
Bid Testing	No Exceptions	3 contracts / projects sampled.
Measure G	Pending	Testing to be completed at year-end.

REMAINING FIELDWORK

Significant Areas & Risk Areas — Year-End

1. Journal Entries
2. Cash and Investments
3. Accounts Receivable and Revenue
4. Capital Assets
5. Measure G
6. Fund Balance and Net Position
7. Interfund Transactions
8. Accounts Payable and Expenditures
9. Pensions and OPEB
10. Liabilities

KEY DATES

Audit Timeline

Complete
Interim testing done

9/28 – 10/2
Year-end testing

10/9
Year-end exit conference

10/16
List of recommendations

10/16
List of audit adjustments

10/23
Draft reports and letters

11/13
Final reports and letters

As needed
Report to commission and council

Milestone dates reflect the current audit plan and are subject to change based on fieldwork progress.

THANK YOU

Questions & Discussion

We welcome your questions on the audit plan, scope, or timeline for the fiscal year ended June 30, 2026.

Chavan and Associates, llp
Certified Public Accountants

TOWN OF LOS GATOS
FINANCE COMMISSION REPORT

MEETING DATE: 08/10/2026
ITEM NO: 4

DATE: August 10, 2026

TO: Finance Commission

FROM: Chris Contantin, Town Manager

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

RECOMMENDATION:

Receive the following final reports, Fiscal Condition Analysis, Future Growth and Sustainability Study, and Fiscal Impact Analysis and Asset Liability Management Study and forward to the Town Council.

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

DISCUSSION:

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.

PREPARED BY: Kristina Alfaro
Administrative Services Director

Reviewed by: Town Manager and Town Attorney

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.

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 is being submitted to the Finance Commission for review.

CONCLUSION:

Receive final reports and provide feedback for the Town Council.

FISCAL IMPACT:

There is no fiscal impact related to this report.

ENVIRONMENTAL ASSESSMENT:

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

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

RAFTELIS

TOWN OF LOS GATOS

Fiscal Condition Analysis

Draft Report / July 2026

ATTACHMENT 1

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RAFTELIS

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

. Trade Street, Suite 1400, Charlotte, NC 28202 / www.raftelis.com

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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)

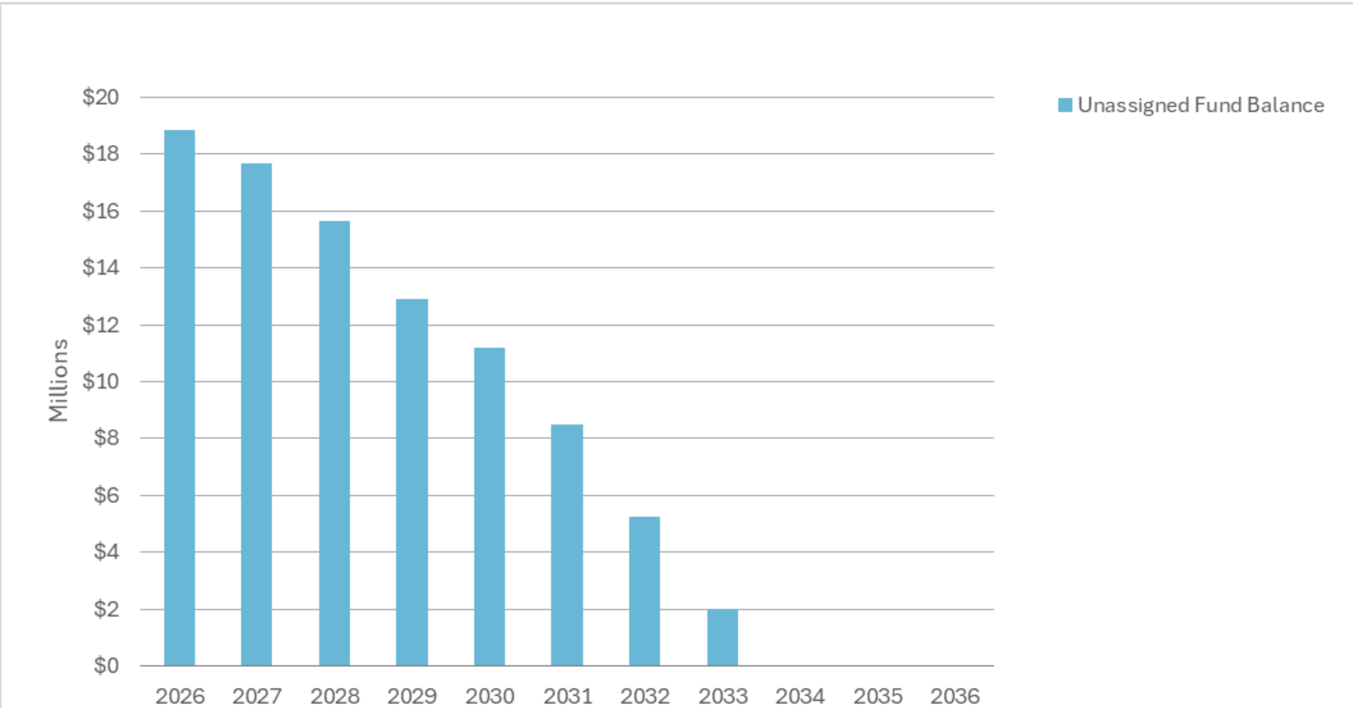
Category	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Personnel Costs	$40.9	$42.9	$44.8	$47.4	$49.7	$52.0	$54.3	$57.1	$59.5	$62.3	$64.7
Internal Service Charges	$6.5	$7.0	$7.2	$7.5	$7.7	$7.9	$8.2	$8.4	$8.7	$8.9	$9.2
Debt Service[2]	$2.1	$2.1	$2.1	$2.1	$0.8	$0.8	$0.7	$0.0	$0.0	$0.0	$0.0
Capital 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 Fees

[2] 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 unassigned[3] 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]

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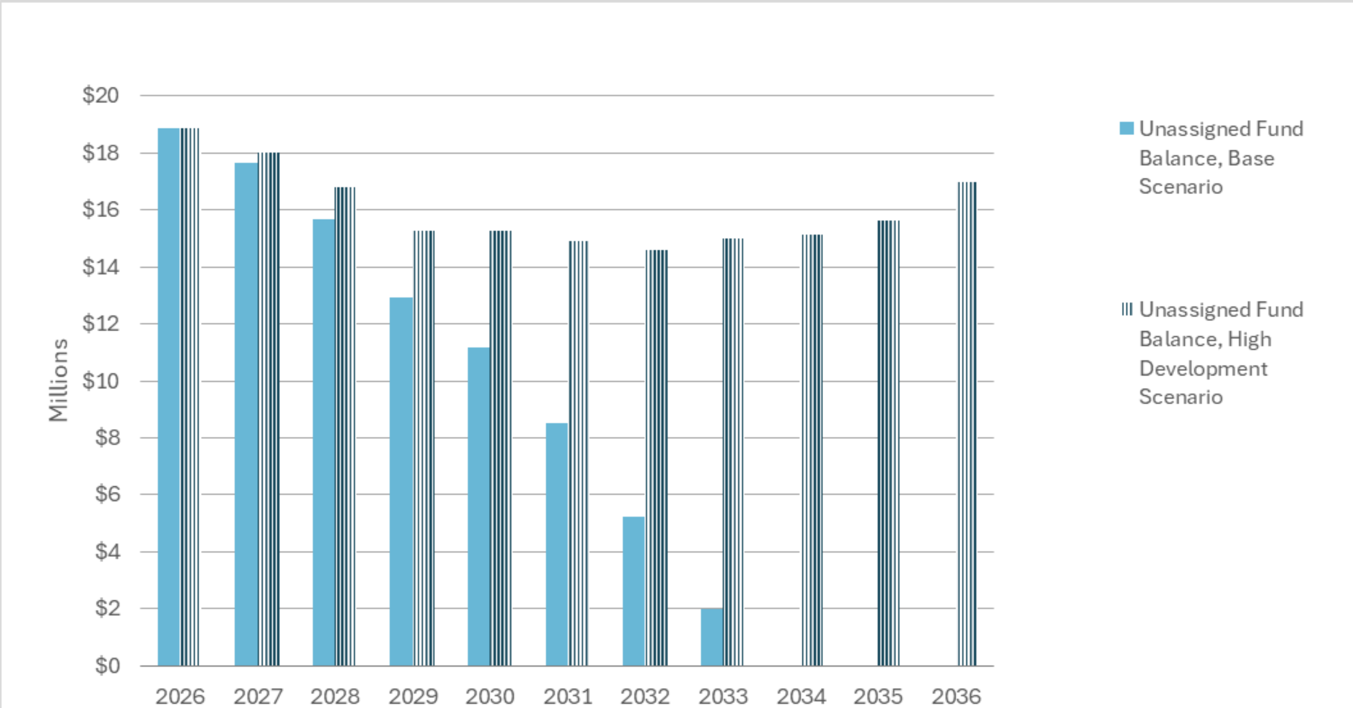
[3] The portion of General Fund balance above the minimum. Minimum General Fund balance is defined by Town policy to be 25% of expenditures in a given year.

[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

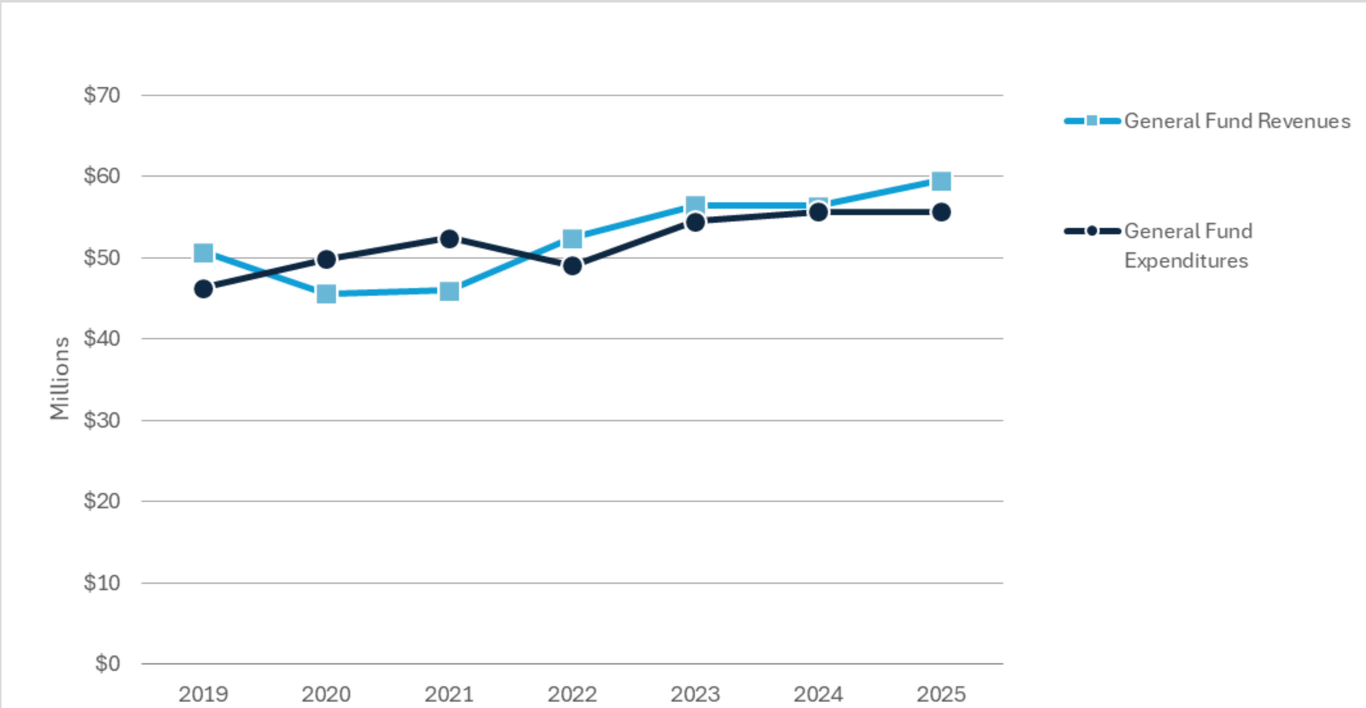
[7] These are accounting gains and are not considered in the financial projections

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%**

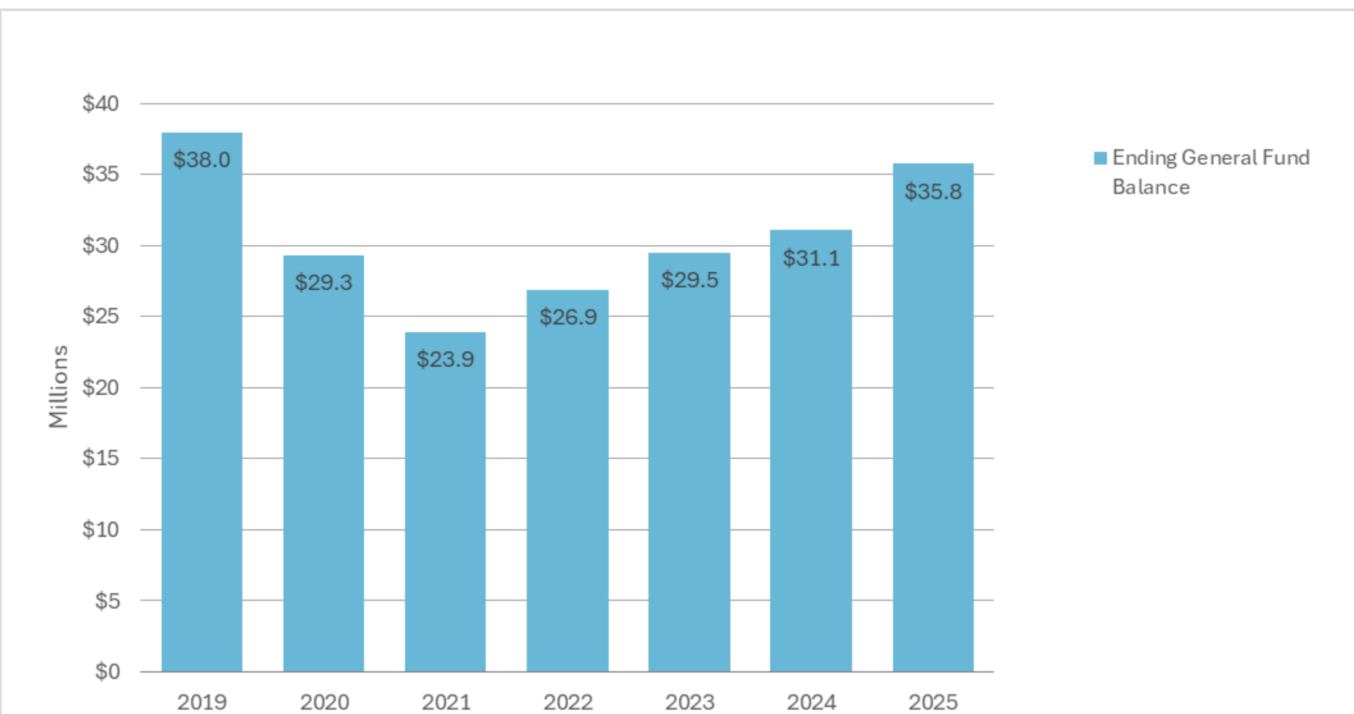
The Town's General Fund revenues decreased and expenditures increased during the Covid-19 pandemic years, but revenues have exceeded expenditures since 2022, as illustrated in the following figure.

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

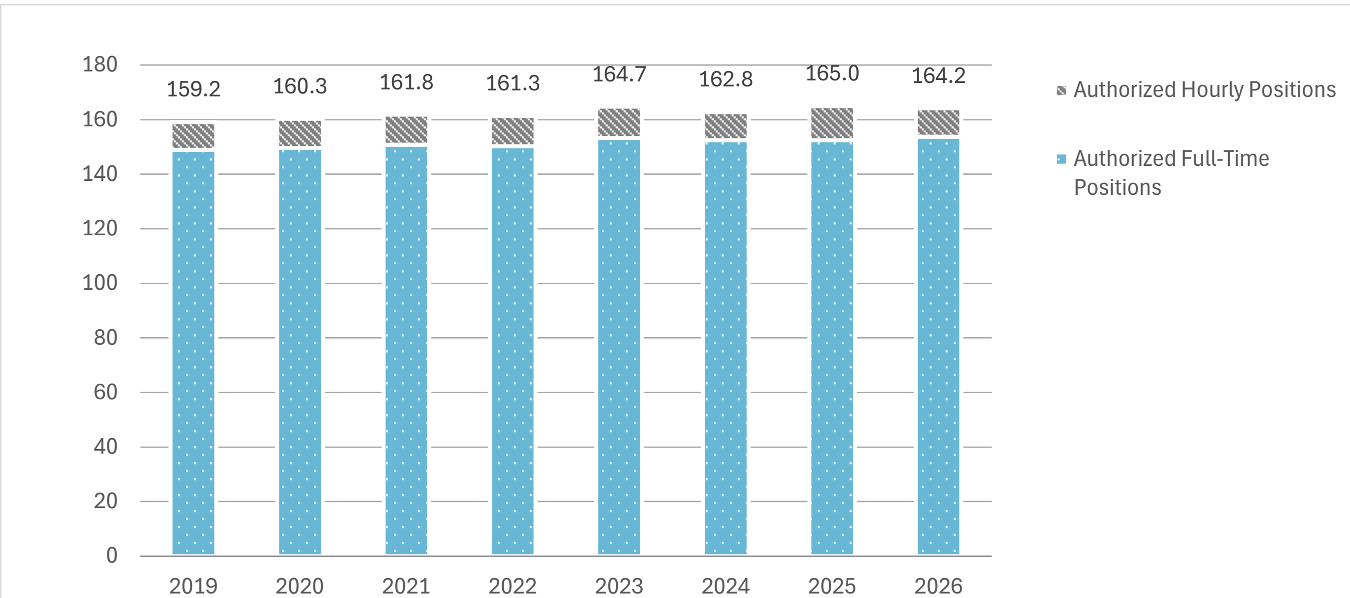


The Town has benefited from strong revenue in recent years, as well as policies to limit expenditure growth. However, it is important to note that these historical trends reflect a period of high growth. The economy has been strong in recent years, and an economic downturn would have a significant impact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

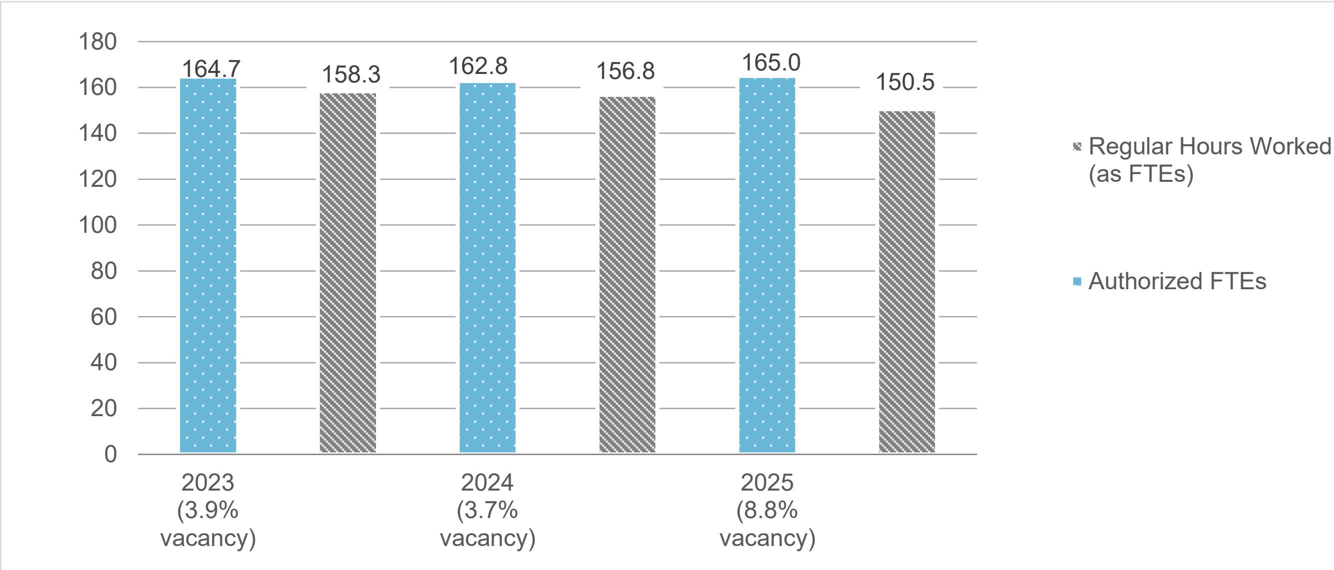
Figure 5: Authorized Full-Time Equivalent Staffing, FY2019-FY2025



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 hours[8], 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.

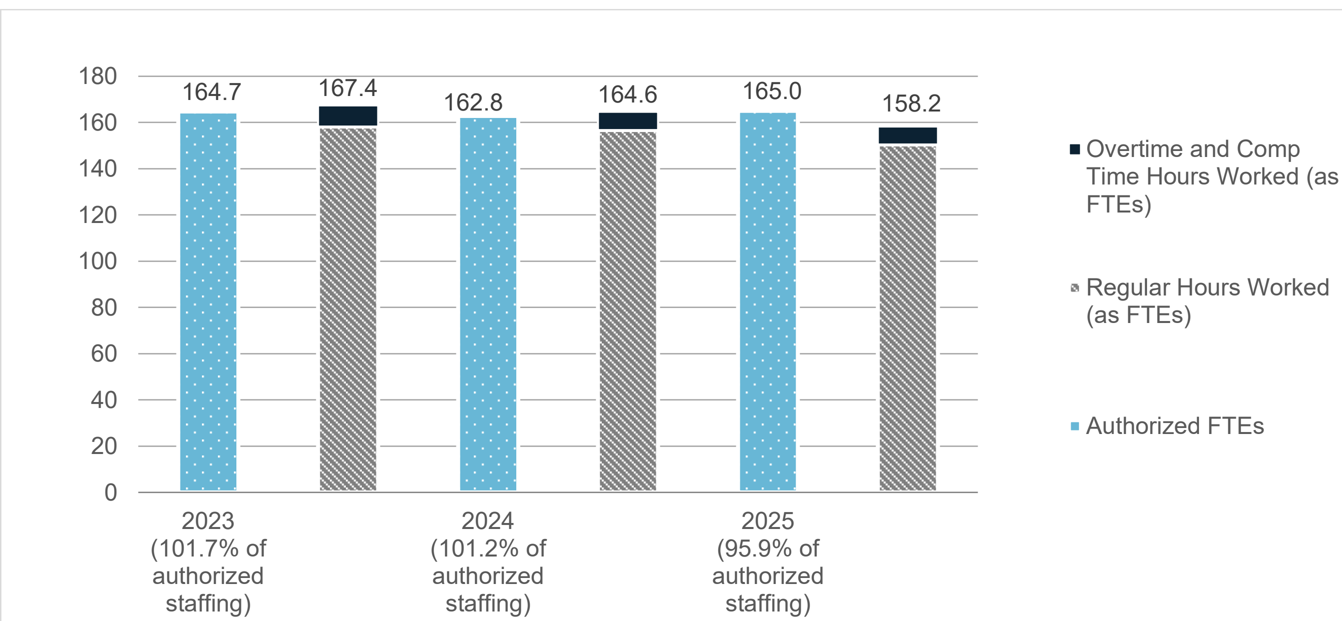
[8] Includes hours worked and leave, except for overtime hours and compensatory time earned.

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 Expense[9]	
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 ln 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	Francise 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.

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[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 allocations[12].

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' 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 History[16]

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 History[18]

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, FY2019-2025[21]

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%.

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[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 unit[24], 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

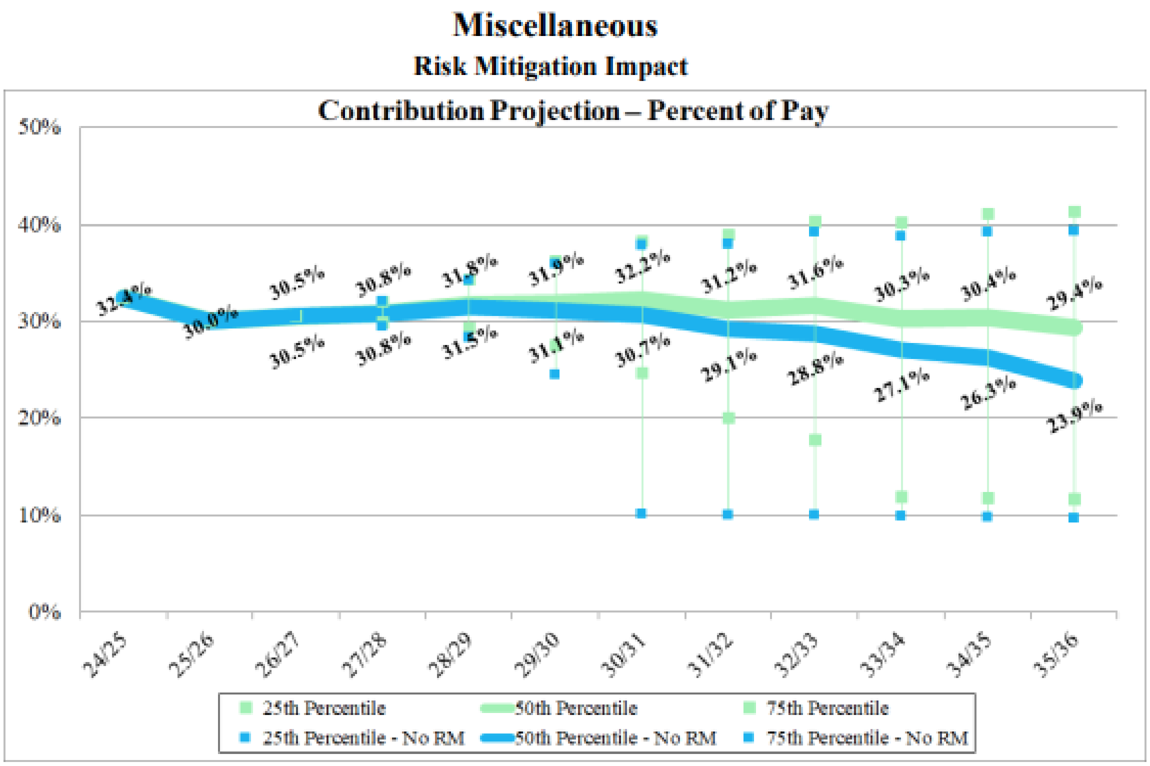
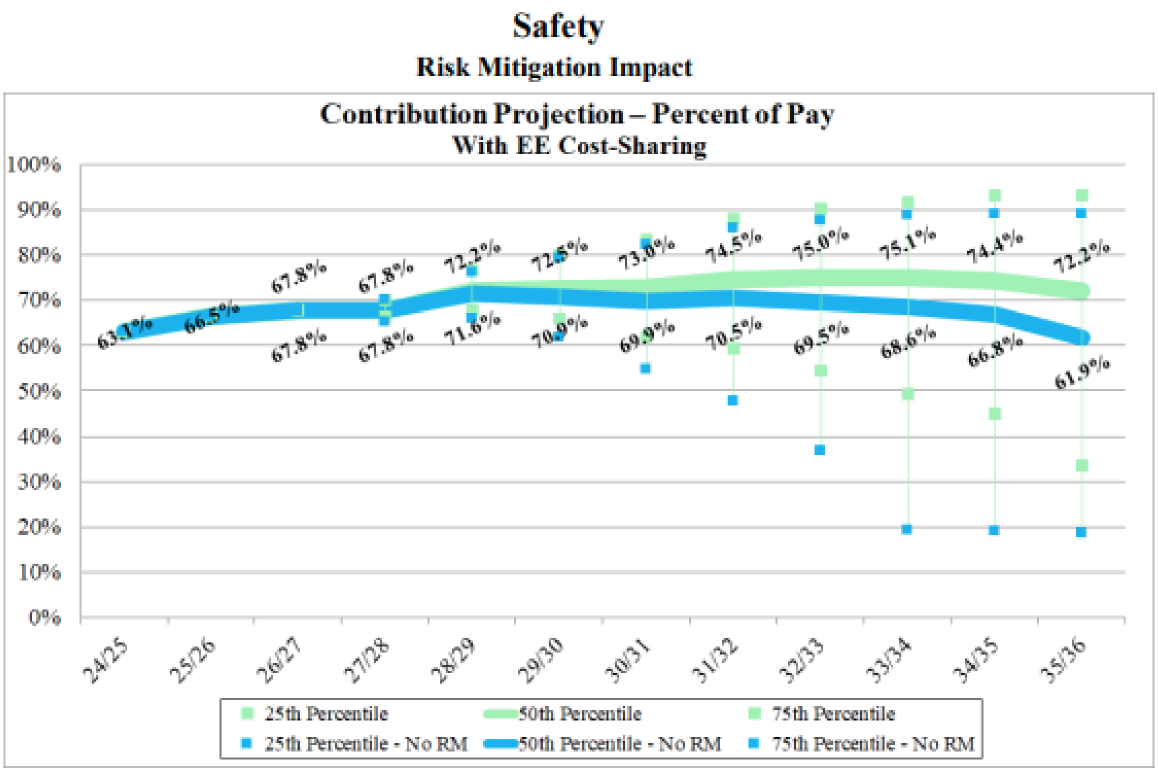


Figure 9: Foster and Foster Safety Employer Pension Contributions FY2026-2036



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

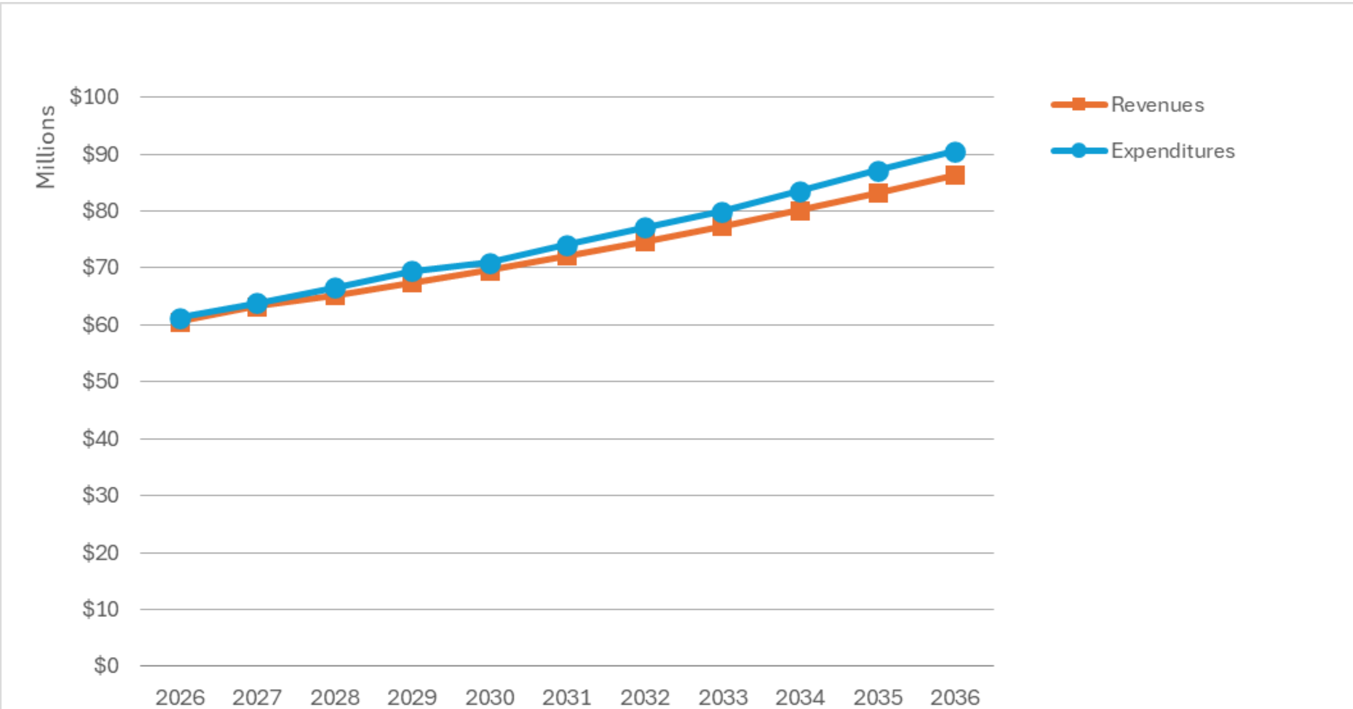
Ultimately, General Fund cash to support capital investment is a policy decision. Given the history of total capital expenditures and other capital revenue sources, the model assumes a conservative $1 million is transferred annually only to support tier one project needs. Additional capital investment 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]

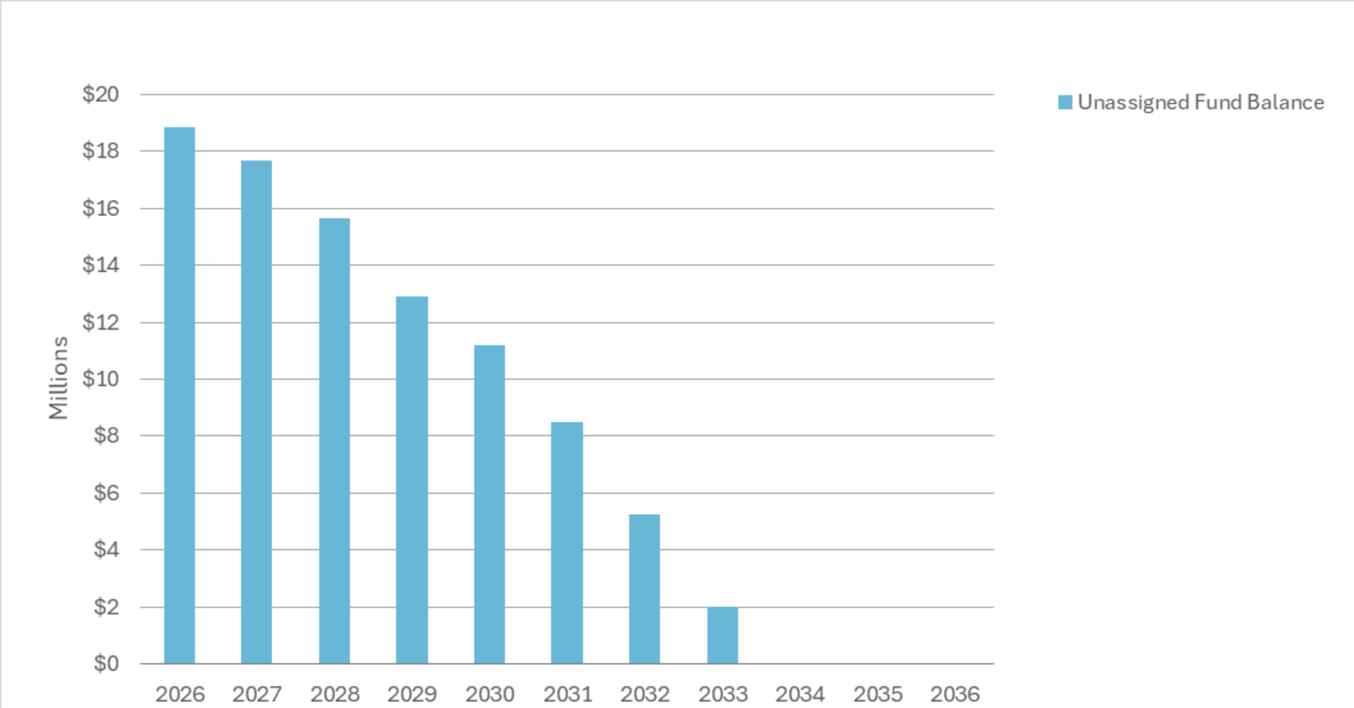
Figure 10: Los Gatos Base Scenario General Fund Revenue and Expenditure Projections



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.

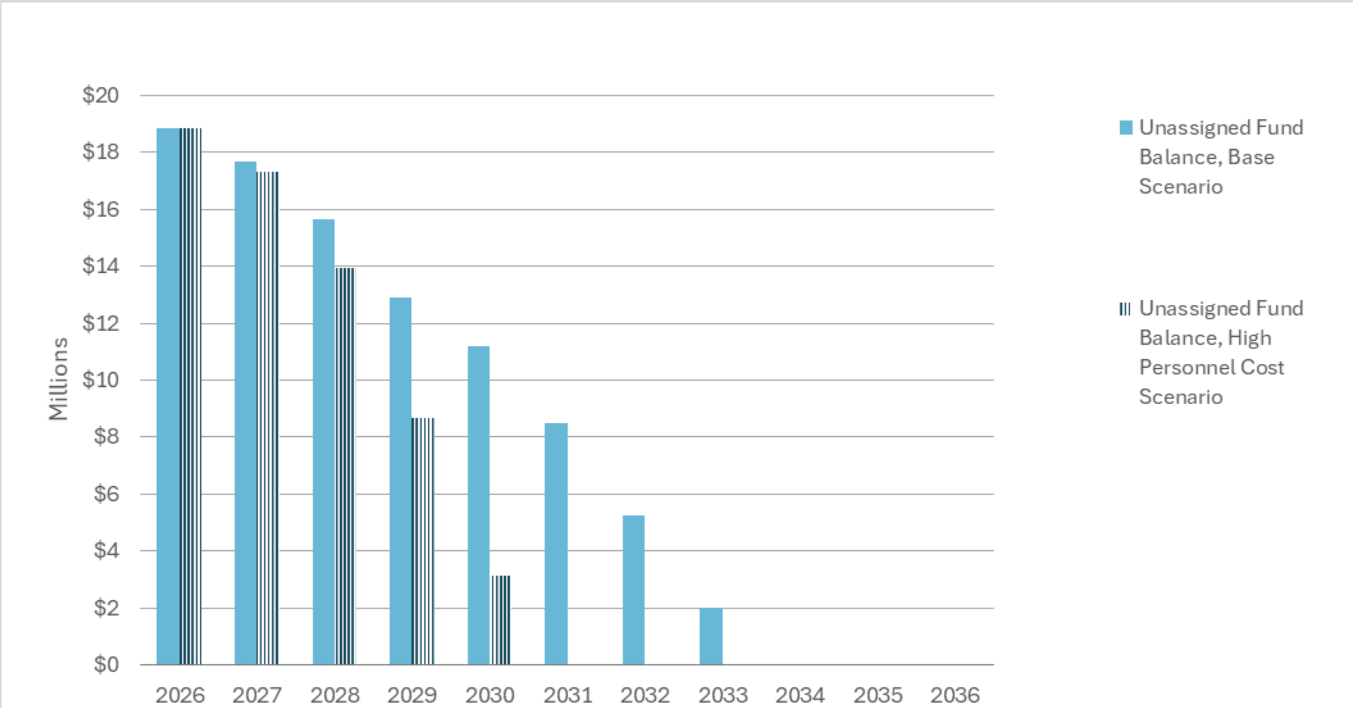
Potential Scenario: Staffing Costs Increase More Rapidly

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

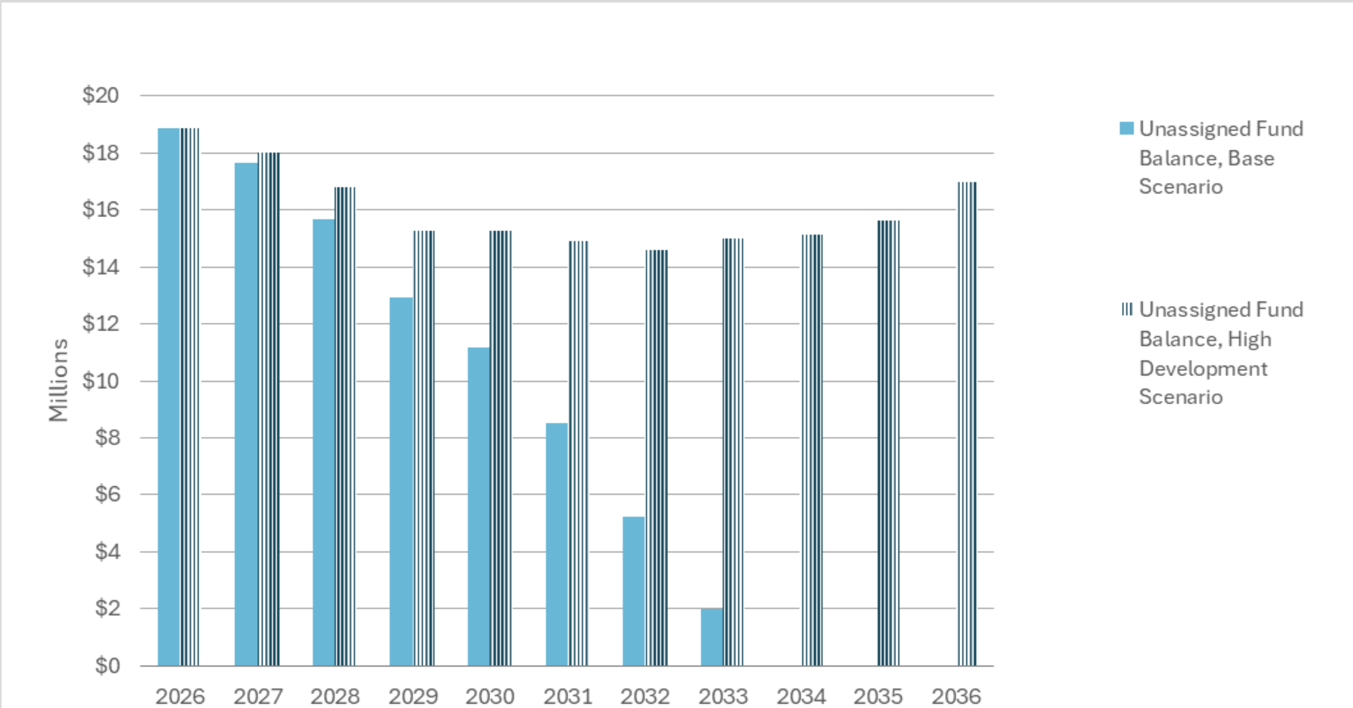
The base scenario is relatively conservative in its projections of the Town's future development, as discussed in previous sections. However, the Town could develop more rapidly than the baseline model projects, which would have a significant impact on the Town's revenue.

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 potentially 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.

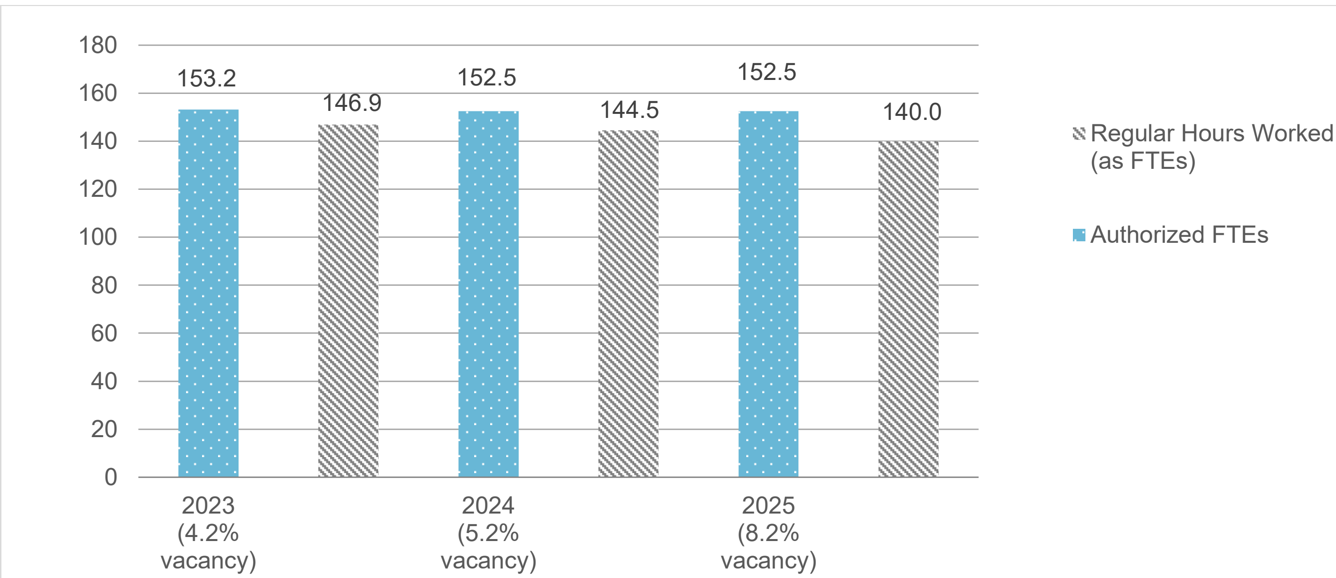
APPENDIX A: Staff Hours Analysis

Staff Hours Analysis by Employee Type and Department

Full-Time Benefitted Employees

In 2025, Los Gatos full-time benefitted staff[32] worked a total of 291,178 regular hours[33], 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)

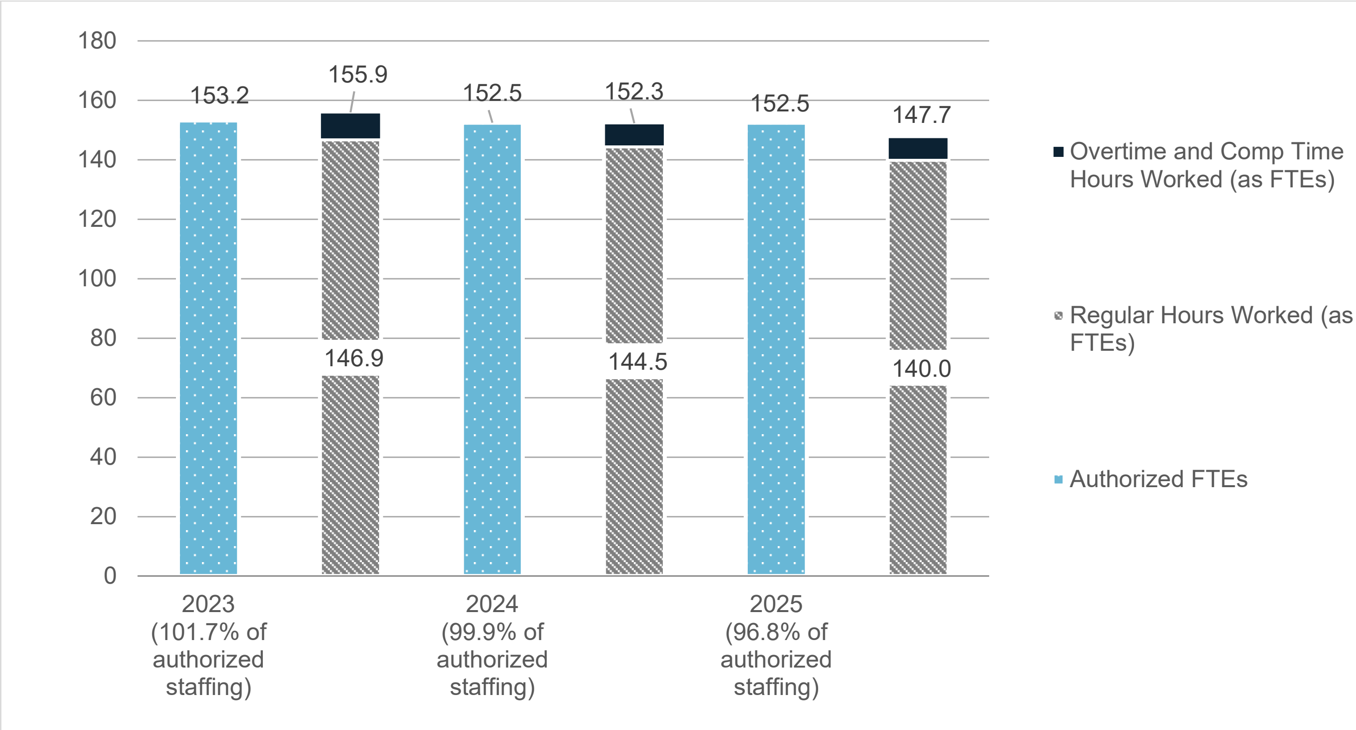


The Town averaged 9.0 vacant full-time benefitted FTEs per year between 2023 and 2025. However, much of that staff capacity gap was mitigated by staff working overtime or earning comp time. In 2025, full-time benefitted staff worked a total of 14,008 hours of additional time above the standard 2,080 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

Future Growth and Sustainability Study

Fiscal Impact Analysis

WILLDAN Financial Services

27368 Via Industria
Suite 200
Temecula, CA 92590
T 951.587.3500 | 800.755.6864
F 951.587.3510

www.willdan.com

ATTACHMENT 2

TABLE OF CONTENTS

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%
Market-Rate Planned Units	2,443	85.3%
Subtotal: Planned Residential Units	**2,863**	**100.0%**
ADUs	400	NA
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
ADUs	400	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
ADUs	400	$350,000	2.00
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	
Other Sources	$3,795,502	Excluded	$0	
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		
Town Attorney	$3,795,502	Excluded	$0	$0	$0	$0		
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	$50,137
Total	**$10,796,271**
Expenditures	
Police Department	$4,820,863
Parks & Public Works	$2,320,215
Community Development	$850,085
Library Services	$987,047
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 PTILVLF				$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 →**					
Percentage allocation by income level								
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 houshold		$29,529						
Estimated leakage rate	*Industry best practice*	40%						
Sales tax revenues per household		$199						
Cumulative new households estimate			25	240	456	672	888	1104
New sales and use tax			$4,983	$47,837	$90,891	$133,944	$176,998	$220,051
Alternative Sales Tax Methodology								
New taxable sales per resident		$14,475						
Cumulative new residents			50	510	973	1,436	1,898	2,361
New taxable sales			$723,730	$7,387,835	$14,083,205	$20,778,575	$27,473,945	$34,169,315
New sales and use tax			$8,142	$83,113	$158,436	$233,759	$309,082	$384,405
Cumulative Net New Revenues		Multiplier						
Sales and Use Tax		Case Study	$8,142	$83,113	$158,436	$233,759	$309,082	$384,405
Property Tax (incl. VLF Backfill)		Case Study	$10,827	$570,078	$1,132,216	$1,694,353	$2,256,491	$2,818,629
Franchise Fees	*Genera Fund Revenues Tab*	$23.77	$1,189	$12,133	$23,128	$34,124	$45,119	$56,115
Licenses & Permits	*Genera Fund Revenues Tab*	$144.00	$7,200	$73,498	$140,107	$206,716	$273,325	$339,934
Fines & Forfeitures	*Genera Fund Revenues Tab*	$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		Multiplier						
Police Department	*General Fund Expenditures Tab*	$690.26	$34,513	$352,311	$671,600	$990,889	$1,310,177	$1,629,466
Parks & Public Works	*General Fund Expenditures Tab*	$332.21	$16,611	$169,562	$323,232	$476,901	$630,570	$784,240
Community Development	*General Fund Expenditures Tab*	$121.72	$6,086	$62,125	$118,426	$174,728	$231,030	$287,331
Library Services	*General Fund Expenditures Tab*	$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**						
Percentage allocation by income level								
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 houshold		$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		Multiplier						
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		Multiplier						
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**				
Percentage allocation by income level						
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 houshold		$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		Multiplier				
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	$155,024	$166,019
Licenses & Permits	*Genera Fund Revenues Tab*	$144.00	$805,886	$872,495	$939,104	$1,005,713
Fines & Forfeitures	*Genera Fund Revenues Tab*	$7.18	$40,175	$43,496	$46,816	$50,137
Total Net New Revenues			$8,641,113	$9,359,499	$10,077,885	$10,796,271
Cumulative Net New Expenditures		Multiplier				
Police Department	*General Fund Expenditures Tab*	$690.26	$3,862,997	$4,182,285	$4,501,574	$4,820,863
Parks & Public Works	*General Fund Expenditures Tab*	$332.21	$1,859,207	$2,012,876	$2,166,546	$2,320,215
Community Development	*General Fund Expenditures Tab*	$121.72	$681,180	$737,482	$793,783	$850,085
Library Services	*General Fund Expenditures Tab*	$141.33	$790,929	$856,302	$921,675	$987,047
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

August 2026

NHA ADVISORS
Financial & Policy Strategies. Delivered.

ATTACHMENT 3

Table of Contents

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.

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.

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, nonspendable, 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 nonspendable 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 postemployment 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 fiscal year 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 Payment (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 2035-2036. 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 provides one master cash flow through FY 2035-2036 for the General Fund reflecting all major assumptions. The analysis also includes three sensitivity scenarios showing different combinations of CalPERS interventions, CIP funding and new taxes or exactions. Scenario 1 relies on impact fees and a Mello-Roos tax on new development and produces annual surpluses from fiscal years 2027-2028 through 2033-2034, but deficits occur in fiscal years 2034-2035 and 2035-2036. Scenario 2 adds Tier 2 and a modeled $200-per-parcel Town-wide tax; it also produces surpluses from fiscal years 2027-2028 through 2033-2034, followed by deficits in fiscal years 2034-2035 and 2035-2036. Scenario 3 adds approximately $7.07 million of annual debt service for the full modeled capital program and produces deficits in fiscal year 2026-2027 and every year from fiscal year 2028-2029 through 2035-2036. In the full integrated forecast, ending cash becomes negative in fiscal year 2033-2034 and declines to approximately negative $22.5 million by fiscal year 2035-2036.

The results establish a consistent hierarchy of fiscal drivers. The scale of the CIP 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.
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. The Tier 1 and Tier 2 scenarios remain positive only through fiscal year 2033-2034 under the revised sensitivity analysis; deficits return in fiscal years 2034-2035 and 2035-2036.
8. The full integrated capital program causes ending cash to become negative in fiscal year 2033-2034 and reach approximately negative $22.5 million by fiscal year 2035-2036.
9. Debt financing addresses the timing of capital outlays but not affordability; approximately $7.07 million of annual debt service would require materially greater recurring revenue or the Town to significantly reduce future CIP.
10. 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. Nonspendable 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 fiscal years 2025-2026 through 2035-2036	High-level cash flow horizon; selected pension schedules extend beyond fiscal year 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.

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 fiscal year 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 fiscal year 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 at road repairs and improvements. For analytical purposes, all remaining Tier 1 projects are considered fully funded. Tier 2 consists of approximately $20 million in 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 fiscal year 2026-2027 and annual outlays increasing to approximately $3.1 million by fiscal year 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, 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 Raftelis structural deficit projection	Pay-as-you-go; portion of $500,000 annual combined grants	Scope and schedule require refinement; Tier 3 excluded.

Project / Program	Estimated Cost	Modeled Town Funding	Proposed Source	Principal Qualification
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 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.
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. The remaining $12.6 million of the modeled $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.

6. 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 3. 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.

Financed Component	Project Cost	Qualification
Tier 2 / Tier 3	$0	Tier 2 is pay-as-you-go; Tier 3 is excluded.
Total project cost financed	$107,600,000	Before issuance expenses.
Issuance expenses	$1,076,000	Assumed at 1 percent of project costs.
Total financing amount	$108,676,000	Modeled par / financing amount.
Annual debt service	$7,069,530	30-year level-payment estimate at 5 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.

7. Town Reserves and Liquidity

The reserve summary reports total balances of approximately $34.41 million. These balances are not homogeneous. The Section 115 pension amount is restricted; the rehabilitation loan reserve is nonspendable; stabilization, catastrophic, and pension/OPEB amounts are committed; several balances are assigned to specified purposes; and the unassigned balance is approximately $8.44 million.

Table 4. 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, be contributed to CalPERS or a trust to reduce or smooth pension costs, support OPEB, absorb the structural deficit, or 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.

8. 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 5. 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.

Town of Los Gatos Retiree Healthcare Plan
June 30, 2025 Actuarial Valuation

ACTUARIALLY DETERMINED CONTRIBUTION

	Current Valuation	
Valuation Date	June 30, 2025	
Contribution Year	2026/2027	2027/2028
Discount Rate	6.25%	6.25%
Actuarially Determined Contribution (ADC)		
Normal Cost	$786,226	$761,791
Admin. Expenses	22,750	24,154
UAAL Amortization Pmt	923,393	948,787
Total ADC	1,732,369	1,734,732
Projected Payroll (in millions)	$21.1	$21.7
ADC (as a % of Projected Payroll)	8.2%	8.0%
Recommended Trust Contribution		
ADC	1,732,369	1,734,732
Est Explicit Benefit Pmts	(2,146,584)	(2,241,845)
Est Implicit Benefit Pmts	(290,946)	(310,647)
Recommended Net Trust Contrib/(Reimbursement)	(705,161)	(817,760)

Figure 1. OPEB Actuarially Determined Contribution and Recommended Trust Reimbursement

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

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

9. CalPERS Pension Position

The formal pension baseline is the June 30, 2024 actuarial valuation, which reports a UAL of approximately $67.2 million. Expected June 30, 2025 results 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 6. Selected CalPERS Position and Payment Measures

Measure	June 30, 2024	Expected 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 reported funding measures by about 1.2 percentage points in FY 2024-25.
Modeled cumulative UAL payments	$100.457 million	$87.100 million	Expected June 30, 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 fiscal year 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.

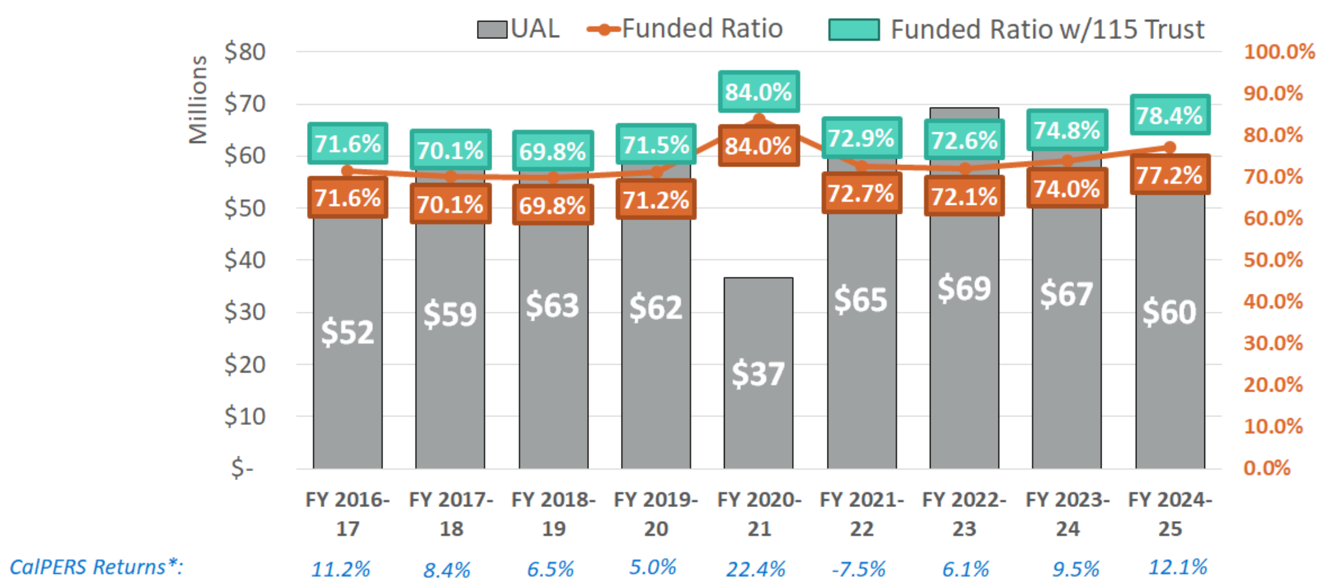
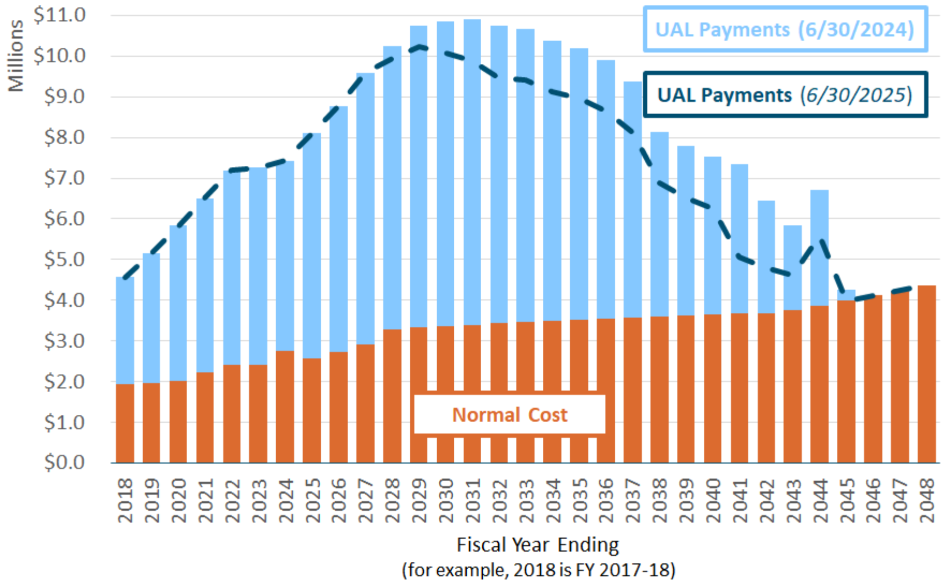


Figure 2. Historical UAL Balance and Funded Ratio

The figure illustrates the relationship between investment returns, the UAL, and the funded ratio from June 30, 2017 through June 30, 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 fiscal year 2026-27, rise to approximately $7.35 million in fiscal year 2028-29, and decline to approximately $5.54 million by fiscal year 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.



UAL Payment Comparison
(June 30, 2024 Valuation vs. June 30, 2025 Valuation)

FY	A June 30, 2024	B June 30, 2025	A - B C Difference
2026-27	$6,691,300	$6,691,300	$0
2027-28	$6,946,110	$7,121,868	($175,758)
2028-29	$7,420,188	$7,349,306	$70,882
2029-30	$7,475,956	$7,158,434	$317,522
2030-31	$7,504,822	$6,940,660	$564,162
2031-32	$7,301,051	$6,490,251	$810,800
2032-33	$7,207,877	$6,397,077	$810,800
2033-34	$6,880,697	$6,069,897	$810,800
2034-35	$6,673,106	$5,862,305	$810,801
2035-36	$6,353,674	$5,542,874	$810,800
2036-37	$5,792,152	$4,981,352	$810,800
2037-38	$4,540,010	$3,729,209	$810,801
2038-39	$4,167,824	$3,357,022	$810,802
2039-40	$3,875,434	$3,064,634	$810,800
2040-41	$3,675,949	$2,851,736	$824,213
2041-42	$2,772,939	$1,299,048	$1,473,891
2042-43	$2,086,632	$1,033,080	$1,053,552
2043-44	$2,830,261	$1,159,879	$1,670,382
2044-45	$260,689	$0	$260,689
Total	**$100,456,671**	**$87,099,932**	**$13,356,739**

Figure 3. Historical and Projected CalPERS Payments

The expected 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.

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 (for example, AB 1383). 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 than expected COLAs/raises. Without these non-investment losses, the reduction in UAL would have been $3.8M more.

10. 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 7. 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, Council payments or 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 for deposit into the Trust 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 a 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.

11. 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 8. Comparative Pension Scenario Results

Scenario	Initial Resource Use	Gross Reduction Through FY 2032-2033	Gross Reduction Through FY 2035-2036	Total Gross Reduction	Net Reduction Through FY 2035- 2036	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 fiscal years 2040-2041 through 2043-2044. 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 fiscal year 2035-2036. 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.

Scenario Modeling - Annual Cost Reductions

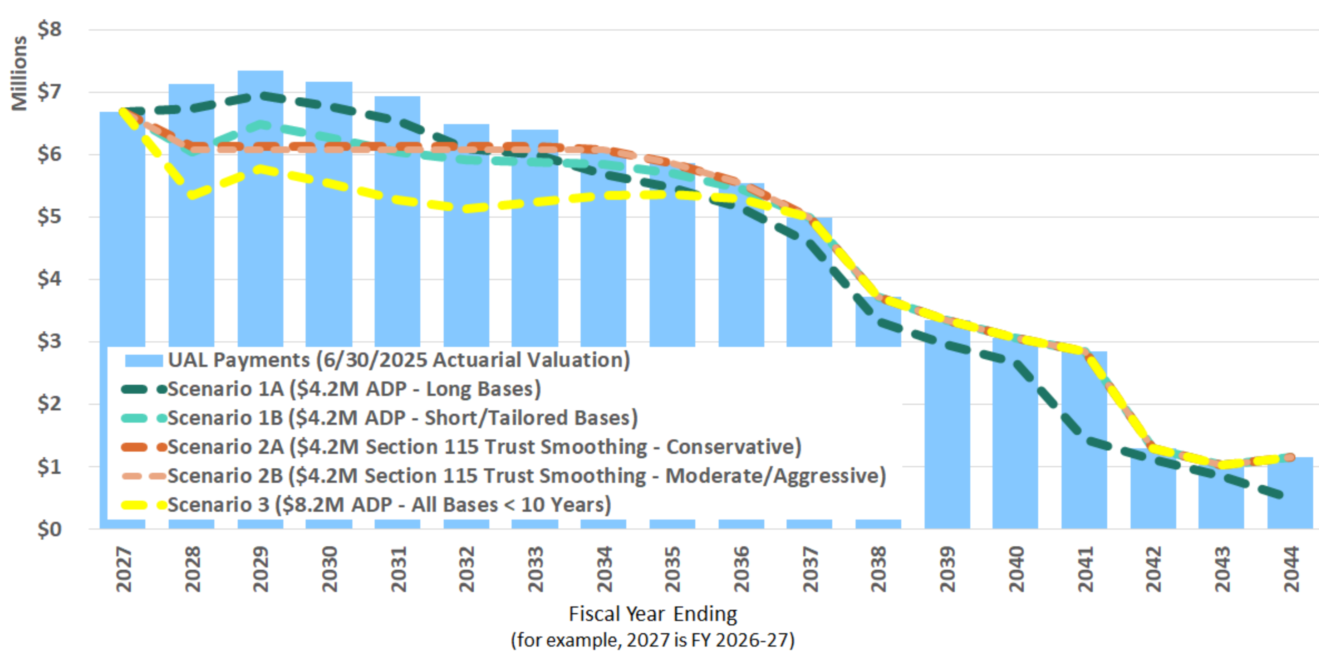
Fiscal Year	Scenario 1A ($4.2M ADP - Long Bases)	Scenario 1B ($4.2M ADP - Short Bases)	Scenario 2A ($4.2M Section 115 Trust Smoothing - Conservative)	Scenario 2B ($4.2M Section 115 Trust Smoothing - Moderate/Aggressive)	Scenario 3 ($8.2M ADP - All Bases < 10 Years)
2026 - 2027	$0	$0	$0	$0	$0
2027 - 2028	$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.



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.

12. 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 even be more concentrated in the early years once the FY 2025-2026 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.

13. 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, resulting in an illustrative cost of $6,329 per unit. An AB 1600 study would be required to establish nexus, proportionality, eligible costs, and the actual fee structure.

Table 9. 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.

Development / Revenue Item	Modeled Assumption	Fiscal Character	Key Limitation
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.
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 2026-2027 rising to $4.320M in FY 2035-2036	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 10. 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.

14. 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 11. 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 fiscal year 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 9.875 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 over the 10% combined sales tax limit in the State statutes to 10.6%. The 1.44 percent sales tax increase would would take the combined tax rate to 11.3%. Both increases 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 fiscal year 2033-2034 but does not prevent deficits from returning in fiscal years 2034-35 and 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.

15. Structural Deficit and Long-Term Cash Flow

The integrated model begins with the structural deficit projected by Raftelis and adds the effects of expected June 30, 2025 CalPERS results, elimination of the annual $390,000 Section 115 transfer, the approximately $8.2 million Scenario 3 ADP, Tier 2 spending, interchange predevelopment, lease revenue bond debt service, development revenue, a Town-wide parcel tax, and assumed grants. The revised schedule does not include a separate investment-earnings line for cash balances since the baseline Raftelis structural deficit projection already includes investment earnings.

Table 12. 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**
Baseline Structural deficit projected by Raftelis	**100,000**	**(500,000)**	**(1,500,000)**	**(2,800,000)**	**(2,600,000)**	**(3,500,000)**	**(4,400,000)**	**(4,900,000)**	**(5,800,000)**	**(6,800,000)**	**(7,500,000)**
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
$8.2M ADP Payment Reduction			1,778,487	1,577,109	1,621,268	1,666,663	1,360,944	1,162,973	728,062	498,965	256,468
Cash draw for ADP		(8,186,171)									
CAPITAL PROGRAM											
Tier 2 CIP (5% inflation)		1,000,000	(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)
Interchange pre-development		(2,700,000)	(2,700,000)								
Police bldg/Town Hall & interchange debt service				(7,069,530)	(7,069,530)	(7,069,530)	(7,069,530)	(7,069,530)	(7,069,530)	(7,069,530)	(7,069,530)
Total cash flow deficit	**100,000**	**(9,996,171)**	**(4,307,271)**	**(10,036,539)**	**(9,655,990)**	**(10,379,717)**	**(11,460,349)**	**(12,285,948)**	**(13,754,869)**	**(15,124,676)**	**(16,214,918)**
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**	**(7,867,890)**	**(1,926,800)**	**(5,113,133)**	**(4,412,907)**	**(4,804,496)**	**(5,540,084)**	**(6,007,275)**	**(7,103,947)**	**(8,087,172)**	**(8,775,985)**
Assigned and Unassigned cash	34,412,740	34,512,740	26,644,850	24,718,050	19,604,917	15,192,010	10,387,514	4,847,430	(1,159,845)	(8,263,792)	(16,350,964)
Assigned and Unassigned cash	**34,512,740**	**26,644,850**	**24,718,050**	**19,604,917**	**15,192,010**	**10,387,514**	**4,847,430**	**(1,159,845)**	**(8,263,792)**	**(16,350,964)**	**(25,126,949)**

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 13. Selected Cash Flow Sensitivity Results

	Fiscal Year									
Scenario / Net Annual Result	2026-2027	2027-2028	2028-2029	2029-2030	2030-2031	2031-2032	2032-2033	2033-2034	2034-2035	2035-2036
Scenario 1 - Tier I only, new development taxes and exactions	(8,867,890)	173,200	1,881,397	2,646,273	2,323,934	1,662,455	1,274,501	262,479	(630,381)	(1,222,802)
Scenario 2 - Tier 2; development exactions; Town-wide parcel tax	(7,867,890)	(1,926,800)	1,956,397	2,656,623	2,265,034	1,529,446	1,062,255	(34,418)	(1,017,642)	(1,706,455)
Scenario 3 - Scenario 2 plus full modeled bond program	(7,867,890)	(1,926,800)	(5,113,133)	(4,412,907)	(4,804,496)	(5,540,084)	(6,007,275)	(7,103,947)	(8,087,172)	(8,775,985)

Source: NHA Advisors long-range cash flow sensitivity model. Parentheses indicate a deficit. Fiscal year 2026-2027 includes the one-time pension ADP and applicable capital costs.

Scenario 1 limits new capital to Tier 1 but relies on impact fees and a Mello-Roos tax on new development. It produces surpluses from fiscal years 2027-2028 through 2033-2034, followed by deficits in fiscal years 2034-2035 and 2035-2036. Scenario 2 adds Tier 2 and a Town-wide parcel tax and follows the same broad pattern, with significant deficits returning after fiscal year 2033-2034. Scenario 3 adds the full modeled debt program resulting in recurring deficits every year through fiscal year 2035-2036. The comparison shows that new taxes are necessary in every scenario and that the size of the CIP determines the magnitude of the remaining gap.

The cash flow results are most sensitive to the scale and timing of the capital program, the interchange local share, the debt-service start date, the structural-deficit baseline, the pace of development, and future CalPERS performance. Development revenue and CalPERS performance can both materially improve the result, but both are uncertain. The forecast assumes timely implementation and collection of impact fees, the new development special tax, the Town-wide parcel tax, and annual grants. Delays or shortfalls would reduce cash earlier; project deferral, additional outside funding, or a larger recurring tax base would improve the result.

16. 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 14. Principal Policy Decisions and Tradeoffs

Policy Decision	Potential Benefit	Principal Cost / Risk	Key Dependency
Add Tier 2 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 $7.07M 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.
Make targeted pension ADP	Directly reduces UAL and near-term payments.	Reduces liquidity/budgetary flex, 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. Reduced funds for CIP.	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.
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.
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.

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 through fiscal year 2035-36, while the full bond program requires approximately $7.07 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 baseline structural deficit and size of the CIP.

Liquidity is the second controlling consideration. A larger ADP, interchange predevelopment, Tier 2 spending, and structural deficits all draw cash before or alongside the modeled debt-service obligation. Under the revised full-program forecast, ending cash falls from approximately $34.5 million in fiscal year 2025-2026 to negative $1.2 million in fiscal year 2032-2033, and grows to a negative $25 million in fiscal year 2035-2036. A minimum-reserve target and staged implementation schedule are prerequisites to major commitments.

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. A $200 Town-wide parcel tax supports Tier 2 only through fiscal year 2034 under the modeled assumptions and is inadequate for the full program. 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.

17. 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 fiscal year 2035-2036. Every scenario relies on a new tax or exaction. The full program with all CIP and new exactions has a structural; deficit for every year in the projection.

Borrowing reduces the immediate reserve use associated with the police building, Town Hall, and part of the interchange contribution, but it creates an estimated $7.07 million annual fixed obligation 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.

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 for eliminating the structural deficit without adding new CIP. Funding the Tier 2 CIP requires a town wide parcel tax at the minimum. The projections nevertheless show that the Scenario 2 combination of fully funded Tier 2 and a town wide parcel tax still result in a structural deficit recurring by FY 2034-2035. Adding in the full CIP through the $100+ million lease revenue bond results in a structural deficit every year and depletes the Town’s cash reserves.

The analysis indicates a fundamental need for the Town to prioritize or phase projects and to establish a recurring tax strategy. A Town-wide revenue source is required for Tier 2 under the modeled structure, while the full major-project program requires a substantially larger community contribution or material project reductions. The precise revenue requirement cannot be determined until project costs, outside funding, the interchange local share, debt structure, development assumptions, and minimum reserve targets are refined.

18. 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 expected June 30, 2025 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 fiscal year 2029-2030; road-focused; General Fund contribution eliminated for fiscal year 2025-2026.
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 fiscal year 2026-2027 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%; $5.4 million cash and $12.6 million debt.
Debt assumptions	$107.6 million project costs; 1% issuance expense; $108.676 million financed; 5%; 30 years; approximately $7.070 million annual debt service.
Reserves	$34.413 million aggregate starting cash across restricted, non-spendable, committed, assigned, and unassigned categories; legal and policy availability differs.
OPEB	More than 75% funded; $30 million+ assets; $38 million+ liability; fiscal year 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.
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.

Topic	Major Assumption / Qualification
Tax requirement	Every modeled scenario relies on a new tax or exaction; existing revenues alone do not eliminate the structural deficit.
Scenario 1	Tier 1 only plus new development exactions; positive annual results fiscal years 2027-2028- to 2033-2034, followed by deficits in fiscal years 2035-2036.
Scenario 2	Tier 2 plus development exactions and Town-wide parcel tax; positive annual results fiscal years 2027-2028 to 2033-2034, followed by deficits in fiscal years 2035-2036.
Scenario 3	Scenario 2 plus full debt-funded major projects; deficits in fiscal year 2026-2027 and fiscal years 2029-2036.
Integrated cash balance	Ending cash is approximately $1.4 million in fiscal year 2032-2033, becomes negative in fiscal year 2033-2034, and reaches approximately negative $22.5 million in fiscal year 2035-2036.
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.

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.

TOWN OF LOS GATOS
FINANCE COMMISSION REPORT

MEETING DATE: 08/10/2026

ITEM NO: 5

DATE: August 10, 2026

TO: Finance Commission

FROM: Chris Contantin, Town Manager

SUBJECT: Discussion of Community Grant Program and Potential Recommendation for Process Improvements

RECOMMENDATION:

Discuss the Town's Community Grant Program, consider potential process improvements, and provide direction regarding any future review or recommendations.

BACKGROUND:

The Town administers both Sustaining Grants and Competitive One-Time Grants as part of its Community Grant Program. These programs provide funding support for local nonprofit services and represent a recurring investment of public funds.

Per the authority of the Finance Commissionaire to set the agenda, the Chair has requested that the Commission discuss the Town's Community Grant Program. Additionally, a Commissioner submitted materials outlining potential areas of focus for the Commission's consideration. Those materials have been included in the agenda packet as reference material.

The purpose of this item is to provide the Finance Commission with an opportunity to consider the Community Grant Program, including potential areas for review and process improvements.

DISCUSSION:

The purpose of this agenda item is to provide the Finance Commission an opportunity to discuss the Community Grant Program, consider potential process improvements, and determine whether additional work or recommendations should be developed.

PREPARED BY: Kristina Alfaro
Administrative Services Director

Reviewed by: Town Manager, and Town Attorney

Current grant eligibility requirements and scoring matrices are included as Attachments 1 and 2. Materials submitted by the Commissioner are included as Attachment 3.

CONCLUSION:

The Finance Commission may consider potential process improvements to the Community Grant Program and determine whether it wishes to develop recommendations for consideration by the Town Council.

FISCAL IMPACT:

There is no fiscal impact related to this report.

ENVIRONMENTAL ASSESSMENT:

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

Attachments:
1. Rules and Eligibility Community Grants 2026-27
2. Rules and Eligibility Sustaining Community Grants 2026-27
3. Commissioner's Submitted Materials

2026-27 Town of Los Gatos Community Grant Rules for Non-profit Organizations

General Information

- Deadline for submission: Friday, July 10, 2026, at 11:59 p.m. Applications received after this date and time will not be considered.

- Community Grants are one-time grants for a project, program, service, or event. One-time Community Grants are highly competitive. The decisions of the grant readers are final. No organization is guaranteed funding. We recommend you review the scoring rubric found at the end of this document prior to beginning your application to assist you in crafting a strong application.

- You must complete your application in one sitting. There is no option to save an unfinished application to complete later. We recommend reviewing the list of questions at the end of this document, writing your responses beforehand, and copy/pasting into the application fields when you are ready to submit.

- The Community Grants funding pool is limited, and awards are made with the goal of maximizing overall community impact by supporting multiple applicants. Applicants may request up to $20,000; however, requests over $10,000 must score with competitively high rankings and may be awarded only partial funding depending on the number of qualified applications and the amount of funding remaining. Applicants are encouraged to request only the amount necessary to carry out their proposed project, event, or service. In recent years, most awarded grants ranged from $4,000 to $12,000.

Eligibility Requirements

- Organizations are not required to be headquartered or physically located in the Town of Los Gatos to be eligible for funding. However, all grant funds awarded through the Town of Los Gatos Community Grants program must be used exclusively to support events, projects, programs, initiatives, or services that take place within the incorporated boundaries of the Town of Los Gatos. Organizations operating regional services, programs, or initiatives must clearly demonstrate that Town of Los Gatos grant funds will be used exclusively for the Los Gatos portion of the work and not be used to supplement the cost of activities or services provided to areas outside the incorporated boundaries of the Town of Los Gatos.

- Organizations are only eligible to receive a Town of Los Gatos One-time Community Grant once every two years. Only organizations that did *not* receive a Town of Los Gatos Community Grant in last year's grant cycle are eligible to apply this year. If you received a Town of Los Gatos Community Grant in last year's grant cycle (Fiscal Year July 2025 through June 2026) you are NOT eligible to apply this year, however, you will be eligible to apply again in next year's grant cycle.

- Your organization must be a registered non-profit organization at the time of application to be eligible. Your organization must be current (or stated exempt) in its filings with the California Office of the Attorney General's Registry of Charitable Trusts.

General Rules

- If your organization is selected to receive a Community Grant, your organization will be required to obtain/renew a Town of Los Gatos Business License prior to distribution of grant funds.

- Grants cannot be used to fund scholarships for activities or institutions outside of the incorporated boundaries of Los Gatos.

- Record-keeping requirements of grant recipients include copies of all invoices, receipts, and expenditures of grant funds with supporting documentation showing that the expenditures were used directly for the grant project as proposed and conforming with all other rules of the grant.

- In the case of grant funds used for staff costs for the project, payroll records must be submitted showing the payment of funds to the assigned staff persons clearly coded with the time spent working on the grant project at an hourly rate not exceeding the staff person's regular hourly pay rate.

- Records of grant expenditure must be included with your organization's final report and additionally must be kept by your organization for five years if needed for further Town review or audit.

- Grant funds may not be used for indirect expenses incurred by your organization.

- Grant funds may not be used for general operational purposes of your organization.
- Grant funds may not be used for lobbying or for endorsing political candidates or parties.
- Grant funds may not be used for purchases of alcohol.
- Equipment and supplies purchased must be used for the project in the manner described in the grant application, with no cross-purpose for general operational use by your organization.
- Grant funds must be spent by June 30, 2027 regardless of the date of receipt of the grant funds. Grant funds awarded that remain unspent by June 30, 2027, must be returned to the Town. Grant funds may be used for reimbursing project expenditure prior to receipt of grant funds so long as the expenditure takes place after July 1, 2026 and the expenditure fits directly within your project as described in your application.
- Grant funds spent by the organization that are found to be either outside the scope of the proposal in the application or not in compliance with the rules stated here, must be returned to the Town.
- All applications are judged based on a standardized rubric, rated by a panel of selected Town Commissioners. The scoring produced and decisions for awards are final.
- Limit one application per organization.
- Grantees are required to submit a final report consisting of a narrative section, expenditure details, and a 90 second video presentation by July 31, 2027.

The following questions will be found in the application:

1. Do you acknowledge and affirm that, if awarded grant funding from the Town of Los Gatos, those grant funds will be used only to support the portion of your service, event, project, or program that takes place within the incorporated boundaries of the Town of Los Gatos?

2. Do you affirm that your organization did NOT receive a Town of Los Gatos Community Grant during last year's grant cycle (Fiscal Year July 2025 through June 2026)

3.Name of Organization

4.Address of Organization

5.Name of Coordinator for this Application/Project

6.Contact Phone Number for Project Coordinator

7.Contact Email for Project Coordinator

8.Name of Organization's Executive Director/President

9.Contact Email for Organization's Executive Director/President

10.Organization's EIN

11.Title of Project/Proposal

12.Amount of funding requested (refer to the rules listed above)

13.Provide a concise one sentence overview of your project/proposal (maximum 120 characters).

14. Briefly describe how this project fits within the goals and mission of your organization.

15.Fully describe your proposed project, what you intend to deliver, and how you plan to accomplish it.

16.Please describe how the program need was identified, the target audience, the number of people that will participate, and the direct benefit to the Los Gatos community.

17.Please describe your project timeline.

18.Please give a breakdown of your project budget. If additional funding is needed to cover the full cost of the project, please briefly identify what sources of funding will be covering those additional costs.

19.How will you evaluate the success of the project?

20. Please articulate how your proposal and/or the mission of your organization aligns with the Town of Los Gatos commitment to Equity, Diversity, and Inclusion.

21. Optional - Please select if one of the following Council Priorities is supported by this project:

- Emergency Preparedness
- Preserve charm and/or provide housing opportunities
- Transportation safety, including for bicyclists and pedestrians
- Conserve the natural environment
- Foster vitality of local businesses
- Enhance a welcoming, family-oriented, safe, and/or inclusive community
- Meet the needs of unhoused residents
- Meet the needs of older adults
- Other

COMMUNITY GRANT SCORING RUBRIC FY2026-2027

Applications are ranked on total points. A score of 0 points in any category is not disqualifying, *except* for the single category of “Direct Benefit to Los Gatos Community” in which a minimum category score of 3 points (averaged from all grant readers) is necessary to prevent disqualification of the application.

Criteria	**5 points** **Exemplary**	**3-4 points** **Good**	**1-2 points** **Passable**	**0 points** **Evidence not demonstrated**
Project overview	Proposal clearly explains the project and the scope, steps, methods and intended results with logical and systematic detail.	Proposal adequately explains the scope, steps, methods and intended results of the project in general terms.	Proposal explains the general scope and intended results but lacks detail of the project steps and methods.	Proposal lacks sufficient detail to convey the scope or intended results of the project.
Advancing new ideas or surmounting new challenges	The project clearly represents the implementation of a new insight or idea that has not been piloted previously, or surmounts a new challenge that has been identified in the community.	The project clearly represents the implementation of an emerging innovation or trend that has been piloted in other communities but will be new to the Los Gatos community.	The project clearly represents the adoption of a change, addition, or variation to an already established program for the Los Gatos community.	The project continues an already established program or service verbatim, or the proposal lacks information or evidence to suggest that it is a new project or service.
Community Impact	Target audience/population clearly and specifically defined. Strong presentation of the meaningful positive impact to the target audience/population provided with specific local evidence or data to support the need for the project.	Target audience/population reasonably well defined. Sufficient presentation of meaningful positive impact to the target audience/population provided with general evidence or data to support the need for the project.	Target audience/population very broadly defined. Presentation of positive impact based on realistic assumptions despite gaps in evidence.	Target audience/population not sufficiently defined or too broadly defined. Proposal lacks demonstration of meaningful impact to target audience/population.

Direct Benefit to Los Gatos **(Please see rules regarding proposal eligibility to avoid disqualification of application)**	Proposal is highly local within the incorporated Los Gatos Community (whether or not the organization is based in Los Gatos).	Project is regional but specifically is targeting expansion into the incorporated Los Gatos Community, shows direct benefit to the Los Gatos Community, and clearly demonstrates that grant funding will only support the portion of the project within incorporated Los Gatos.	Project is regional and gives evidence for how the incorporated Los Gatos Community will directly benefit but lacks clear demonstration of how grant funds will be used exclusively for the portion of the project within incorporated Los Gatos. **APPLICATION DISQUALIFIED**	Project is regional with a wider regional target audience indicating only an indirect benefit for the Los Gatos Community. **APPLICATION DISQUALIFIED**
Budget Analysis	Strongly detailed and realistic budget with sound use of funds. Any funding necessary above the limit of the grant is both accounted for and secured through commitments from other means.	Realistic budget with general detail to show responsible use of funds. Any funding necessary above the limit of the grant is accounted for with reasonable certainty or commitment.	Budget generally appears to support the project activities as described although there are gaps in detail. Applicant has realistic opportunity to secure necessary funding above the limit of the grant even if commitment from those sources is not certain.	Described proposal is not supported by the budget or no reliable source of funding is presented to provide any necessary funding beyond the limit of the grant.
Feasibility (continues next page)	Applicant demonstrates it has superior experience or knowledge in the field as it relates to completing the project. Project, personnel, available resources, and timeline are realistic and congruent with project descriptions and outcomes.	Applicant demonstrates it has adequate experience or knowledge in the field as it relates to completing the project or expertise in a related field that would transfer to the project. Deficiencies or overestimations may exist in project, personnel, available resources or timeline within	Applicant has gaps in experience or knowledge as it relates to the proposal but demonstrates that it can reasonably bridge gaps to successfully accomplish the project. Project, personnel, timeline or resources as described expose weaknesses in the proposal that will leave gaps.	Applicant does not demonstrate the experience or knowledge to complete the project. Insufficient information about personnel, resources, project or timeline to gauge feasibility.

	High likelihood of project being achievable based on information presented.	tolerable range. Outcome appears achievable despite some gaps or leaps.	Project outcome's ability to be achieved is questionable at the level proposed, but likely will be achievable at a smaller level.	
Assessment/Evaluation	Clear definition of success of program. Clear picture of how data will be collected to demonstrate degree to which outcomes are met.	Good understanding of anticipated specific results of success, but plan lacks details about data or methods.	Success difficult to ascertain, flawed by untestable outcomes, inappropriate methods, or lack of useful data collection.	Evaluation plans missing or unusable.
Commitment to Diversity, Equity, and Inclusion	Diversity, Equity, and Inclusion efforts are strongly demonstrated and articulated both at the organizational level and within the scope of the proposal.	Diversity, Equity, and Inclusion efforts are strongly demonstrated and articulated at an organizational level, although not necessarily within the scope of the proposed project.	Diversity, Equity, and Inclusion impacts or commitments are expressed in highly general terms.	The proposal does not address a commitment to Diversity, Equity, and Inclusion at either a project level or an organizational level.

Bonus points for alignment with Council priorities:

2 bonus points may be awarded for proposed projects that specifically meet one of the criteria listed as one of the Council Strategic Priorities 2025-27.

These include:

- Emergency Preparedness
- Preserve charm and/or provide housing opportunities
- Transportation safety, including for bicyclists and pedestrians
- Conserve the natural environment
- Foster vitality of local businesses
- Enhance a welcoming, family-oriented, safe, and/or inclusive community
- Meet the needs of unhoused residents
- Meet the needs of older adults
- Other (refer to https://www.losgatosca.gov/2851/Strategic-Priorities)

2026-27 Town of Los Gatos Sustaining Grant Rules for Non-profit Organizations

General Information

- Deadline for submission for first processing: Friday, July 10, 2026, at 11:59 p.m. Applications received after this time will still be awarded, but may have processing delays.

- You must complete your application in one sitting. There is no option to save an unfinished application to complete later. We recommend reviewing the list of questions at the end of this document, writing your responses beforehand, and copy/pasting into the application fields when you are ready to submit.

- Your organization must be a registered non-profit organization at the time of application to be eligible. Your organization must be current (or stated exempt) in its filings with the California Office of the Attorney General's Registry of Charitable Trusts.

General Rules

- If your organization is selected to receive a Community Grant, your organization will be required to obtain/renew a Town of Los Gatos Business License prior to distribution of grant funds.

- Record-keeping requirements of grant recipients include copies of all invoices, receipts, and expenditures of grant funds with supporting documentation showing that the expenditures were used directly for the grant project as proposed and conforming with all other rules of the grant.

- In the case of grant funds used for staff costs for the project, payroll records must be submitted showing the payment of funds to the assigned staff persons clearly coded with the time spent working on the grant project at an hourly rate not exceeding the staff person's regular hourly pay rate.

- Records of grant expenditure must be included with your organization's final report and additionally must be kept by your organization for five years if needed for further Town review or audit.

- Grant funds may not be used for lobbying or for endorsing political candidates or parties.

- Grant funds may not be used for purchases of alcohol.

- Grant funds must be spent by June 30, 2027 regardless of the date of receipt of the grant funds. Grant funds awarded that remain unspent by June 30, 2027, must be returned to the Town. Grant funds may be used for reimbursing project expenditure prior to receipt of grant funds so long as the expenditure takes place after July 1, 2026 and the expenditure fits directly within your project as described in your application.

- Grant funds spent by the organization that are found to be either outside the scope of the proposal in the application or not in compliance with the rules stated here, must be returned to the Town.

- Grantees are required to submit a final report consisting of a narrative section, expenditure details including expenditure documentation, and a 90 second video presentation by July 31, 2027.

The following questions will be found in the application:

1. Name of Organization

2. Address of Organization

3. Name of Coordinator for this Application/Project

4. Contact Phone Number for Project Coordinator

5. Contact Email for Project Coordinator

6. Name of Organization's Executive Director/President

7. Contact Email for Organization's Executive Director/President

8. Organization's EIN

9. Title of Project/Service

10. Funding Amount (please refer to your grant notification email for your allocated amount)

11. Provide a concise one sentence overview of your project/service (maximum 120 characters).

12. Briefly describe how this project/service fits within the goals and mission of your organization.

13. Fully describe your project/service, what you intend to deliver, and how you plan to accomplish it.

14. Please describe how the project/service need, the target audience, the approximate number of people that will participate, and the direct benefit to the Los Gatos community.

15. Please give a breakdown of how these grant funds will be spent to support your project/service.

16. Please articulate how your proposal and/or the mission of your organization aligns with the Town of Los Gatos commitment to Equity, Diversity, and Inclusion.

17. Optional - Please select if one of the following Council Priorities is supported with this project:

Emergency Preparedness

Preserve charm and/or provide housing opportunities

Transportation safety, including for bicyclists and pedestrians

Conserve the natural environment

Foster vitality of local businesses

Enhance a welcoming, family-oriented, safe, and/or inclusive community

Meet the needs of unhoused residents

Meet the needs of older adults

If you wish to apply for supplemental funding in addition to the amount already allocated to your organization, the supplemental funding application continues the following questions:

1. Name of Organization

2. Name of Coordinator for this Application

3. Contact Phone Number for this Application

4. Contact Email for this Application

5. If your organization had the ability to obtain additional one-time funds from the Town of Los Gatos for fiscal year 2026-27, what amount, out of a total pool of $20,000, would you request?

6. If your organization received those additional one-time funds, what additional project, service, or initiative could you accomplish for the benefit of the Los Gatos community?

7. Has your organization experienced new financial constraint or hardship in the last year that has impacted your ability to deliver services?

SCOPING MEMORANDUM

To: Los Gatos Finance Commission
From: Phil Koen, Member
Date: August 5, 2026
Subject: Community Grant Program Review — Three-Phase Structure

Purpose. This is a proposal for how the Community Grant Program should be reviewed. It is a starting point, not a finished plan. The Commission and staff should review it and make any changes that would improve the review process.

Work product. Each phase will produce a set of specific written recommendations for the Town's consideration — nothing more than that. The Commission is purely a recommending body. Every recommendation in this review goes to the Town Council, and the Council alone decides which to adopt, which to change, and which to set aside. The Council is accountable for those decisions.

Phase 1 — The duty to know your applicant

Focus. Identifying the organizations that meet the Town's standards, so that every organization the Town funds is known to be run well enough to be trusted with public money.

Phase 1 rests on a duty the Town owes the people whose money it is spending: know your applicant. Everything that comes after — scoring, ranking, awarding, contracting — assumes the Town already knows who it is dealing with. If that is not established first, the rest of the process is only a form of words. This is fundamental to the grant process, not an add-on to it. The object is to identify the organizations that meet the Town's standards and are ready to receive public money, so the Council can fund them with confidence.

Look at the scoring rubric the Town uses today and add criteria that establish four things: how open an organization is about itself, how it is governed, how it handles conflicts of interest, and whether its required federal and state filings are current and in good standing. Together these show whether an applicant meets the standards the Town expects of anyone it funds.

What the Town asks for should fit the size of the grant and the size of the organization. A small volunteer group asking for a one-time award should not have to produce what a larger organization on a recurring grant produces. A requirement that no small nonprofit can meet does not identify the organizations that meet the Town's standards — it excludes capable ones that do. But fitting the requirement to the applicant is not the same as waiving it. There is a floor that applies at any dollar amount. The Town should know who sits on the board, that the organization's filings are current and complete, and that the same person does not both approve a payment and write the check. Holding that floor is what looking after the public's money means.

The scoring has to apply to both kinds of applications — sustaining grants and competitive grants alike. Vetting the sustaining organizations carries a one-time cost, because most of what we ask for has to be gathered once and then only confirmed each year after that. It is worth paying. These organizations receive the largest and steadiest support the Town gives, and none has ever been confirmed against a standard of this kind. Exempting them would leave the biggest dollars unexamined.

Once the rubric is final, every organization staff recommends for a grant should be run through it before the FY 27 grants are finalized. A standard that is written but not applied to the cycle in front of us accomplishes nothing.

ATTACHMENT 3

The last thing for the Commission to settle in this phase is whether the final grant allocations ought to go back to the Town Council, so the Council can confirm that what staff produced matches the direction the Council gave. There is a reason to raise it. In the FY 26 cycle, the allocation of the rental assistance money and the contracts that carried it out were never brought back for review and approval, and it is fair to debate whether what staff did fully complied with the Council's funding resolution. Sending the final allocations back for confirmation is simply good process. It costs one agenda item and it settles, at the time, any later question about whether the money went where the Council said it should. This belongs in Phase 1 because it governs how the FY 27 cycle is closed out.

Phase 2 — The rental assistance program

Focus. Whether the rental assistance program is built to deliver the best result for the money, how much the Town should set aside for it each year, and whether a single provider would do the job better than three.

Review the rental assistance program from top to bottom and find where it can be improved — better results, lower cost, less waste. The question to answer is this: why should the Town not pick one organization to deliver rental assistance, the way it already does for the senior nutrition program? On June 18, 2024 the Council gave nutrition to a single provider and, in the same action, directed that rent relief be divided equally among as many as three organizations. Two programs, opposite designs, decided the same night. The Commission should find out which design works better.

Phase 2 should also end with a number — a recommendation on how much the Town sets aside for rental assistance each year. That number has to be built on top of what the Town already buys. In June 2025 the Town signed a five-year agreement with West Valley Community Services running from July 1, 2025 through June 30, 2030, paying up to $15,000 a year, $75,000 over the term, for emergency rental and utility assistance, with a committed output of twelve Los Gatos households a year. Two months later the Council created a separate $20,000 grant track for rental assistance, and West Valley also holds a $20,000 sustaining grant for human services support. The Commission should first establish how many households the Town is actually reaching across all of these and at what cost per household, then recommend a total annual figure and how it should be divided between contract and grant.

The review should also weigh the prime-and-subcontractor arrangement now in place, where one organization holds the grant and passes part of the money to a second organization to deliver. The case for it: a single point of contact for the Town, a local organization that can reach people who would not walk into a county agency, and less administrative work for staff. The case against it: the Town has no agreement with the organization actually spending part of the money, gets no reporting directly from it, and has no way to enforce terms against it; the grant agreement itself bars a grantee from delegating performance to anyone else without written Town consent; and running a small program through two sets of books makes cost per household almost impossible to compare. The Commission should decide whether to keep the structure, keep it only where the subcontract is documented and consented to in writing, or drop it.

None of this can be settled without the record. The Commission should review the annual reports the organizations filed for the FY 24, FY 25, and FY 26 cycles — households served, dollars actually disbursed, money left unspent or returned, and whether each report was filed on time and on the required form. Three years side by side will show whether the programs delivered what was promised, and whether the reports the Town receives are good enough to tell.

Phase 3 — The duty to recuse when conflicts arise: a deep review of Policy 2-04

Focus. Whether the Town tells Council members clearly enough when the duty to recuse applies, and whether the standard it holds them to is high enough.

Phase 1 rests on the duty to know your applicant. Phase 3 rests on the matching duty on the Town's side of the table: when a conflict arises, the member steps aside. That duty is worth as little as the guidance behind it, which is why this phase calls for a deep review of Policy 2-04 rather than a glance at it — what the policy says now, what it said before, what was taken out, and what other cities put in its place.

There are several reasons a Council member can be required to step aside. State law bars a public official from taking part in a contract in which the official has a financial interest — that is Government Code section 1090. A separate line of court decisions bars an official from deciding a matter where the official's impartiality is in real doubt. And there are ethical reasons that have nothing to do with either. Policy 2-04 used to carry guidance on this. It was taken out in the revision the Council adopted on August 19, 2025, and nothing was put in its place.

The law is only a floor. Statutes tell you where conduct becomes illegal. They do not tell you how the people who decide where public money goes ought to behave. Policy 2-04 says this itself: its opening paragraph states that the Council adopted rules holding Council members to standards above and beyond what the law requires. The provision that was deleted was one of those higher standards. The same revision also removed the sentence applying those expectations to the Town's boards, committees, and commissions — the bodies that score grant applications. So the Town did not lower its standard. It stopped having one.

The Commission should recommend a standard high enough that a resident reading the record could not find even a hint of impropriety in an award of public money. In practical terms:

- **Say it before the vote.** A member who has a connection to an applicant tells the Council what that connection is before the item is decided.
- **Include the family.** That covers what the member knows of a spouse's or child's connections, and any other relationship that gives the appearance of bias.
- **Write it down.** What was said goes into the Town's records — including for items on the consent calendar.
- **Say it out loud when stepping aside.** If the member sits an item out, that is stated at the meeting and recorded.
- **Stepping aside is always allowed.** A member may sit an item out to avoid the appearance of impropriety, even where the law would let him or her vote.

Palo Alto's council handbook requires all of these. Los Gatos requires none of them. Public confidence in the grant program does not rest on whether an award was legal. It rests on whether someone reading the file can see that the decision was made fairly.

Sequencing

This will probably take three meetings, one for each phase. Only the Phase 1 material is going out now. The Phase 2 and Phase 3 material will follow before those meetings.

COMMUNITY GRANT PROGRAM

Grantee Eligibility Standard (Proposed)

Town of Los Gatos

To be eligible for a Community Grant award, an applicant organization must satisfy each of the following criteria. The criteria are objective and compliance-based; they do not evaluate the merit of an organization's mission or viewpoint.

1. Legal existence and good standing. The applicant holds a current IRS determination letter under section 501(c)(3); its status with the California Secretary of State is active; and it is registered and current — not delinquent, suspended, or revoked — with the Attorney General's Registry of Charities and Fundraisers, including timely RRF-1 and CT-TR-1 (or Form 990-series) filings.

2. Filing consistency. The financial information in the application reconciles with the organization's own most recent sworn filings (IRS and Attorney General). The applicant shall submit its most recent Form 990-series return and CT-TR-1 or RRF-1 with the application. Material contradictions among the applicant's filings are disqualifying until resolved in writing.

3. Governance minimums. The applicant has an adopted written conflict-of-interest policy and a governing board of at least three voting directors, a majority of whom are independent. This requirement applies to every application filed on or after the effective date of this standard; there is no phase-in period and an applicant that does not meet it on the date its application is filed is not eligible.

A director is independent only if the director:

(a) is not an officer or employee of the applicant;

(b) receives no compensation from the applicant in any capacity, whether as an officer, employee, or independent contractor;

(c) is not a party to, and has no financial interest in, a material transaction with the applicant; and

(d) is not a member of the household of, and is not related by blood, marriage, or domestic partnership to, any officer or employee of the applicant.

A director who holds an officer title is never independent, whether or not the title is compensated.

The applicant further certifies that no single individual both prepares and certifies its grant reports and solely controls disbursement of grant funds, and that no expenditure of grant funds is approved and disbursed by the same individual. The applicant shall submit with its application a current roster of directors and officers that identifies each director claimed as independent.

4. Conflict-of-interest certification. The applicant certifies under penalty of perjury whether any of its officers, directors, employees, or agents — or any member of such a person's household — is a Town of Los Gatos official, officer, employee, or commissioner. An affirmative answer does not disqualify the applicant; it triggers the disclosure, recusal, and record-entry requirements of Government Code sections 1090 and 1091 before any Council action on the award.

5. Mission fit. The funded activity falls within the exempt purpose stated in the applicant's IRS application and organizing documents. Activities materially outside the stated purpose require an amended statement of purpose before award.

6. Prior grant compliance. If previously funded, the applicant filed all required reports on time, expended funds within the grant period and for the approved purpose, and returned any unspent funds. Unresolved defaults on prior Town grants are disqualifying.

7. Inspection and clawback consent. The applicant agrees in the grant agreement to the Town's right to inspect books and records related to the grant, and to repayment of funds spent outside the approved purpose or period.

Administration. Items 1, 2, 5, and 6 are verified by staff against public records. Items 3, 4, and 7 are certified by the applicant on a one-page form signed under penalty of perjury by two officers. The board roster required by item 3 is reconciled by staff against the applicant's most recent Statement of Information and Form 990-series return; a director listed as an officer in either filing is not counted as independent. Any certification later shown to be false is grounds for termination and repayment.

TOWN OF LOS GATOS — COMMUNITY GRANT PROGRAM
Application Eligibility and Scoring Card (Proposed)

Applies to all Community Grants — Sustaining and Competitive One-Time

Draft for Finance Commission consideration · August 2026

What these forms are for. Eligibility exists to identify organizations that are run well enough to be trusted with public money. It does not exist to screen out organizations that are small, informal, or imperfectly documented. A charity with no paid staff, no audit, and a plain set of board-approved internal financial statements can pass every item. An organization that cannot say who its directors are, has let its state registration lapse, lets one person both approve and pay its own bills, or never accounted for the Town's last grant, cannot. Where a deficiency is the absence of a document that exists, it is curable; where it reflects how the organization operates, it is not.

How they fit together. Form A-1 is completed by the applicant and returned with the application, signed by two officers under penalty of perjury. Form A-2 is completed by staff, once per applicant, before any application is released for scoring; an applicant that does not pass is not scored, and an item found not met after scoring begins withdraws the application from the cycle. These forms apply to every Community Grant applicant — sustaining and competitive one-time alike. A sustaining recipient completes Form A-1 and is determined on Form A-2 each cycle, and is scored on Form B, even though its award is not competed. Neither Form A-1 nor Form A-2 is distributed to scorers. A false certification disqualifies the application at any point in the cycle and is grounds for termination of any agreement and repayment. Form B is completed separately by each scorer for each eligible applicant and is the only instrument that evaluates merit. Inspection of records, repayment of misspent funds, and the bar on assignment without prior written Town consent are provisions of the grant agreement and are not certified here.

FORM A-1 — APPLICANT ELIGIBILITY CERTIFICATION

Completed by the applicant and returned with the application. Signed by two officers under penalty of perjury.

FY: ___________ Organization: ____________________________________ EIN: _____________ Amount: $___________ Grant type: Sustaining ☐ Competitive ☐

What you are certifying	Your entry
SECTION 1 — LEGALLY ABLE TO RECEIVE THE MONEY	
• **IRS.** Attach your current determination letter under section 501(c)(3), or state another exempt classification. • **Secretary of State.** Active status, with a current Statement of Information on file. Nonprofit corporations file Form SI-100 biennially. • **Registry of Charities and Fundraisers.** Registered, status Current — the only accepted status. Delinquent, suspended, revoked, and not appearing at all are each disqualifying. • **Annual filings.** Every charity files an RRF-1 each year. Attach it and the return for your size: under $50,000 — 990-N and CT-TR-1; $50,000 to under $200,000 — 990-EZ; $200,000 or more, or assets of $500,000 or more — 990; a private foundation — 990-PF. • **The 990-N postcard is not sufficient on its own.** It reports no revenue, expense, or asset figures, so the CT-TR-1 is the financial disclosure the Town relies on and must accompany it. Nor is 990-N the correct return at $50,000 or more in gross revenue — attach the 990-EZ or the 990. A 990-N filed alongside reported revenue of $50,000 or more is treated as a filing not made. • **CT-TR-1, where it applies.** Complete and signed — no line blank or zeroed without explanation, Part B schedules attached, signed under penalty of perjury by an officer — and shown on the Registry as Accepted. Filing is not enough: a Not Accepted status does not count as filed and is disqualifying until an amended form is accepted. • **Purpose.** The activity you are asking the Town to fund falls within the exempt purpose stated in your organizing documents.	Determination letter attached ☐ Classification: ___________ SOS entity no.: ___________ Statement of Information filed: _________ through: _________ Registry CT #: ___________ Status: ___________ Gross revenue, last FY: $_____________ Filing class: 990-N ☐ 990-EZ ☐ 990 ☐ 990-PF ☐ If 990-N: CT-TR-1 attached ☐ Revenue matches class ☐ RRF-1 for FY _________ attached ☐ Return attached ☐ Type: _________ FY: _________ CT-TR-1: N/A ☐ Complete and signed ☐ Accepted ☐ Funded activity is within our exempt purpose ☐
SECTION 2 — GOVERNED BY A REAL BOARD	
• **Roster.** Attach a roster of every voting director and officer — full name, office held if any,	Roster attached, independents marked ☐

What you are certifying	Your entry
date the current term began. Mark each independent director with an asterisk. • **Independence.** Independent means: (a) not an officer or employee; (b) no compensation in any capacity, including as a contractor; (c) no financial interest in a material transaction with the organization; (d) not a household member of, or related to, any officer or employee. An officer is never independent. • **Composition.** At least three voting directors, a majority of them independent. A director not marked with an asterisk is not counted. • **Conflict of interest.** Attach the adopted written policy itself; certifying that one exists is not enough. Each director makes an annual written disclosure under it. No policy, or a policy not submitted, is disqualifying.	Voting directors: ______ Officers: ______ Independent (marked): ______ Majority independent: Yes ☐ No ☐ Conflict-of-interest policy attached ☐ Date adopted: ____________ Most recent annual director disclosures: ____________
SECTION 3 — CAN HANDLE THE MONEY AND ACCOUNT FOR IT	
• **Separation of duties.** No expenditure is approved and disbursed by the same individual, and no one person both prepares and certifies your grant reports. • **Reconciliation.** Bank statements are reconciled, and the reconciliation is reviewed by someone who neither signs checks nor initiates transfers. • **Fiscal policies and tracking.** Written adopted fiscal policies, and Town funds tracked separately from other funds. • **Financial statements.** Attach your most recent statements and state the level. An audit is not required. • **Reporting.** Name the individual accountable for the final report and expenditure record. Receipts and invoices retained; five-year retention obligation met. • **Prior Town grants.** If previously funded: reports on time, funds spent within the period and for the approved purpose, unspent funds returned.	Approval and disbursement are separated ☐ Report preparation and certification are separated ☐ Reconciliation reviewed independently ☐ Written fiscal policies ☐ Town funds tracked separately ☐ Statements attached — level: Audit ☐ Review ☐ Compilation ☐ Board-approved internal ☐ None ☐ FY: ________ Responsible individual: ____________________ Title: ____________________ Receipts retained; five-year retention ☐ Prior Town grant: None ☐ FY ________ All prior obligations met ☐
SECTION 4 — DISCLOSURES	
• **Passthrough.** State whether any other entity will receive, hold, or disburse any portion of the funds, or exercise discretion over how it is distributed. If so, name it, give the amount and the basis, and have it complete Sections 1 and 2 for itself. • **Town relationships.** State whether any officer, director, employee, or agent — or a household member — is a Town official, officer, employee, or commissioner. An affirmative answer does not disqualify you and is not shown to scorers.	Passthrough: None ☐ Disclosed ☐ Entity: ____________________ Amount: $__________ Basis: ______________________________ Entity Sections 1 and 2 attached ☐ Town relationship: None ☐ Yes ☐ Person: ______________ Role with us: ____________ Town position: ____________________

WHAT WILL NOT DISQUALIFY YOU. *Recorded and disclosed to the Council with the recommendation. None is a bar.*

- **No audit, and no paid staff.** Board-approved internal financial statements satisfy Section 3, and an all-volunteer organization can pass every item.
- **A small budget, or a first-time applicant with no Town grant history.** (Section 3)
- **A Town relationship disclosed under Section 4.** This triggers disclosure and recusal on the Town's side; it is not a defect in the applicant.
- **A missing document produced within five business days of written notice.** The application is held, not withdrawn.
- **A disclosed passthrough.** Disclosure is required and is not itself adverse; the arrangement needs written Town consent before execution.

CERTIFICATION. We certify under penalty of perjury under California law that this form and its attachments are true, complete, and correct.

Officer 1 — name and signature: ________________________ Officer 2 — name and signature: ________________________ Date: __________

FORM A-2 — STAFF ELIGIBILITY DETERMINATION

One per applicant. Completed by staff before applications are released for scoring. Not distributed to scorers.

Applicant: ____ Grant type: Sustaining ◻ Competitive one-time ◻ Application number: __________ Date received: __________ Form A-1 received and complete: Yes ◻ No ◻

Amount requested: $____________ Program cap this cycle: $____________ A request exceeding the cap must be conformed in writing before scoring; an unconformed request is not released for scoring. Conformed ◻ N/A ◻

#	What staff verify — and what ends the application	Finding
1	**Legally able to receive the money.** Confirm the applicant appears on the Attorney General's Registry of Charities and Fundraisers and that its status is Current; check filing history there; entity status and the Statement of Information against the Secretary of State; that the RRF-1 and the return for the applicant's size are attached and current; that the figures in the application match the most recent filings; and that the funded activity is within the stated exempt purpose. A 990-N postcard is not sufficient documentation on its own: it carries no financial figures, and it is the correct return only below $50,000 in gross revenue. Where a CT-TR-1 applies, confirm the Registry shows it as Accepted. ***Disqualifying:*** *not appearing on the Registry of Charities and Fundraisers, or any Registry status other than Current — delinquent, suspended, and revoked are not accepted; a missing or delinquent filing; a 990-N submitted without a complete, signed CT-TR-1; a 990-N where reported gross revenue is $50,000 or more, which is a filing not made; a CT-TR-1 that is incomplete, unsigned, inconsistent with the application, or shown on the Registry as Not Accepted, until an amended form is accepted; a contradiction with a sworn filing that the applicant does not resolve in writing; a funded activity outside the stated exempt purpose, unless an amended statement of purpose is adopted before award.*	Met ◻ Not met ◻ Registry status: Current ◻ Other ◻ Not listed ◻ Status recorded: __________ Filings current ◻ Delinquent ◻ Return matches revenue reported ◻ If 990-N: CT-TR-1 attached ◻ CT-TR-1: Accepted ◻ Not Accepted ◻ N/A ◻ Reconciles ◻ Contradiction ◻ Date checked: __________
2	**Governed by a real board.** Reconcile the roster against the Statement of Information and the most recent Form 990-series return. Count only directors marked independent on the roster. Confirm the conflict-of-interest policy is attached and read it. ***Disqualifying:*** *fewer than three voting directors; no independent majority on the filing date; or no adopted written conflict-of-interest policy, or a policy the applicant does not submit with the application. None of these is curable within the cycle — not by explanation, by a resolution adopted after filing, or by a commitment to act before the agreement is executed.*	Met ◻ Not met ◻ Directors: ______ Independent: ______ Majority independent: Yes ◻ No ◻ COI policy attached ◻ Not attached ◻ Roster reconciles ◻ Discrepancy ◻
3	**Can handle the money and account for it.** Read the certification on its face, review the financial statements submitted, and check prior grant compliance against Town records. ***Disqualifying:*** *approval and disbursement of an expenditure by the same individual; one individual both preparing and certifying grant reports; or an unresolved default on a prior Town grant. The absence of an audit is not disqualifying.*	Met ◻ Not met ◻ Statements: Audit ◻ Review ◻ Compilation ◻ Internal ◻ None ◻ Prior compliance: Met ◻ Not met ◻ First-time applicant ◻
4	**Disclosures.** Verify any named passthrough entity against items 1 and 2 of this sheet. Refer an affirmative Town relationship to the Town Attorney before the recommendation goes to Council. ***Disqualifying:*** *a passthrough to an unnamed entity, or to one that cannot itself satisfy items 1 and 2.*	Met ◻ Not met ◻ Passthrough: None ◻ Disclosed ◻ Entity items 1 and 2 verified ◻ Town relationship: Negative ◻ Affirmative ◻ Referred to Town Attorney: ________

ELIGIBILITY DETERMINATION Eligible — release for scoring ◻ Eligible subject to written resolution of item(s) _____________ ◻ Not eligible — not scored ◻
Reason (required if other than "release for scoring"): ____
Determined by: ______________________ Title: _______________ Signature: ____________________________ Date: ___________ Second reviewer (required for any determination other than "release for scoring"): ______________________ Date: ___________

Reconsideration by the Town Manager may be sought in writing within five business days. Determinations are records of the award proceeding.

FORM B — SCORER'S CARD

One per scorer, per eligible applicant. Complete Part 1 before reading the application.

Applicant: ________________________________ Scorer: ________________________________ Fiscal year: _____________

PART 1 — SCORER'S DECLARATION (complete before scoring)

I have reviewed the applicant organizations in this cycle. Except as noted below, I have no relationship with this applicant — including service as an officer, director, employee, or agent of the applicant, or such a role held by a member of my household — that requires disclosure or recusal under Council Policy 2-04, Government Code sections 1090 and 1091, or the Political Reform Act. I have not conferred with any other scorer about the scores on this card.

Relationship declared (state the applicant and the relationship; attach a sheet if needed):

____

____

A declared relationship must be stated publicly and entered in the Town's official records before any action on the award. I abstain from scoring and from any vote on this applicant unless the Town Attorney advises otherwise.

None to declare ☐ Relationship declared above ☐ Signature: ________________________________ Date: _______________

PART 2 — MERIT SCORING

Award one whole number from 0 to 5 for each of the eight criteria. All eight are weighted equally. Where a band spans two points, the italic note states the condition for awarding the higher of the two. Score each criterion independently of the others and independently of the amount requested.

Criterion	5 — Exemplary	4–3 — Good	2–1 — Passable	0 — Not demonstrated or adverse	Score
1. Project overview	Proposal clearly explains the project and its scope, steps, methods, and intended results with logical and systematic detail.	Proposal adequately explains the scope, steps, methods, and intended results in general terms. *Award the higher point when all four elements are present and only the level of detail is general.*	Proposal explains the general scope and intended results but lacks detail of the project steps and methods. *Award the higher point when steps or methods are partially described rather than absent.*	Proposal lacks sufficient detail to convey the scope or intended results of the project.	____ / 5
2. Advancing new ideas or surmounting new (non-financial) challenges	The project clearly represents implementation of a new insight or idea that has not been piloted previously, or surmounts a new (non-financial) challenge facing the organization.	The project clearly represents implementation of an emerging innovation or trend that has been piloted in other communities but will be new to the Los Gatos community. *Award the higher point when the applicant identifies the source community and states what it will adapt.*	The project represents the adoption of a change, addition, or variation to an already established program for the Los Gatos community. *Award the higher point when the change is substantive and specifically described rather than incremental.*	The project continues an already established program or service verbatim, or the proposal lacks information or evidence to suggest that it is a new project or service.	____ / 5
3. Community impact	Target audience or population clearly and specifically defined. Strong presentation of meaningful positive impact, supported by specific local evidence or data establishing	Target audience or population reasonably well defined. Sufficient presentation of meaningful positive impact, supported by general evidence	Target audience or population very broadly defined. Presentation of positive impact rests on realistic assumptions despite gaps in evidence.	Target audience or population not sufficiently defined or too broadly defined. Proposal lacks demonstration of meaningful impact.	____ / 5

Criterion	5 — Exemplary	4–3 — Good	2–1 — Passable	0 — Not demonstrated or adverse	Score
	the need.	or data establishing the need. *Award the higher point when the evidence is the applicant's own service data rather than general or third-party sources.*	*Award the higher point when the assumptions are stated explicitly and are testable.*		
4. Direct benefit to Los Gatos	Project is highly local and specifically targets the incorporated Los Gatos community, whether or not the organization is based in Los Gatos.	Project is regional but specifically targets expansion into the incorporated Los Gatos community, or shows significant benefit to it. *Award the higher point when a Los Gatos service level, participant count, or comparable commitment is stated rather than intent alone.*	Project is regional. Evidence is offered for how the incorporated Los Gatos community will benefit, or the wide regional audience indicates only indirect benefit. *Award the higher point when the benefit to incorporated Los Gatos is direct and evidenced rather than indirect.*	No identifiable benefit to the incorporated Los Gatos community, or the proposal does not address Los Gatos benefit.	____ / 5
5. Budget analysis	Strongly detailed and realistic budget with sound use of funds. Any funding necessary above the limit of the grant is both accounted for and secured through commitments from other means.	Realistic budget with general detail showing responsible use of funds. Any funding necessary above the limit of the grant is accounted for with reasonable certainty or commitment. *Award the higher point when other funding sources are identified by name rather than by category.*	Budget generally appears to support the project activities as described, although there are gaps in detail. Applicant has a realistic opportunity to secure funding above the limit of the grant even if commitment is not certain. *Award the higher point when the gaps are in line-item detail rather than in the funding plan.*	The described proposal is not supported by the budget, or no reliable source of funding is presented for any necessary funding beyond the limit of the grant.	____ / 5
6. Feasibility and organizational capacity	Superior experience or knowledge in the field as it relates to completing the project. Project, personnel, resources, and timeline are realistic and congruent with the description and outcomes. Staff or volunteer capacity is sufficient for the scale proposed.	Adequate experience or knowledge in the field, or transferable expertise in a related field. Deficiencies or overestimations in project, personnel, resources, or timeline fall within a tolerable range. Outcome appears achievable despite some gaps. *Award the higher point when personnel are named and assigned rather than described by role alone.*	Gaps in experience or knowledge, but the applicant demonstrates it can reasonably bridge them. Project, personnel, timeline, or resources expose weaknesses that will leave gaps. Achievement is questionable at the level proposed but likely at a smaller level. *Award the higher point when the applicant itself identifies the reduced scope at which the project is achievable.*	Applicant does not demonstrate the experience or knowledge to complete the project, or there is insufficient information about personnel, resources, project, or timeline to gauge feasibility.	____ / 5
7. Assessment and evaluation	Clear definition of the success of the program. Clear picture of	Good understanding of the anticipated specific results of	Success is difficult to ascertain — flawed by untestable	Evaluation plan missing or	____ / 5

Criterion	5 — Exemplary	4–3 — Good	2–1 — Passable	0 — Not demonstrated or adverse	Score
	how data will be collected to demonstrate the degree to which outcomes are met.	success, but the plan lacks detail about data or methods. *Award the higher point when the anticipated results are stated in measurable terms.*	outcomes, inappropriate methods, or lack of useful data collection. *Award the higher point when at least one measurable outcome is identified.*	unusable.	
8. Commitment to diversity, equity, and inclusion	Efforts are specifically demonstrated and articulated both at the organizational level and within the scope of the proposal, with identified practices rather than statements of principle.	Efforts are specifically demonstrated and articulated at the organizational level, although not within the scope of the proposed project. *Award the higher point when organizational practice is documented — an adopted policy, board or staff composition, or an outreach record — rather than described narratively.*	Impacts or commitments are expressed in general terms at either level. *Award the higher point when the proposal identifies the populations intended to benefit.*	The proposal does not address a commitment to diversity, equity, and inclusion at either the project level or the organizational level.	____ / 5

PART 3 — BONUS: ALIGNMENT WITH COUNCIL STRATEGIC PRIORITIES

Two bonus points are awarded to a project that specifically meets one or more of the Council Strategic Priorities in effect for this grant cycle. A maximum of two poi be awarded regardless of how many priorities the project meets. Name the priority relied on in Part 4; a bonus awarded without a named priority is not counted.

Council Strategic Priorities in effect for this cycle [replace this list with the priorities adopted for the applicable cycle before the card is issued]:

Emergency Preparedness ☐ Fire Protection ☐ Community Where Older Adults Thrive ☐ Events or Town-Wide Efforts ☐ Community Engagement ☐ Environmental Sustainability ☐ Support the Needs of Unhoused Residents ☐

Note. Diversity, equity, and inclusion is scored as Criterion 8 and is not separately eligible for a bonus. Under the prior rubric the same subject could earn points twice on one dimension.

PART 4 — SCORE SUMMARY AND BASIS

Enter each score below and state the basis for any 5, any 0, and any bonus awarded. A required entry left blank returns the card to the scorer.

Criterion	Score	Basis for the score — required for any 5 or 0, and for any bonus awarded
1. Project overview		
2. Advancing new ideas		
3. Community impact		
4. Direct benefit to Los Gatos		
5. Budget analysis		
6. Feasibility and capacity		
7. Assessment and evaluation		
8. Diversity, equity, and inclusion		
Bonus — Council Strategic Priority		Priority relied on (name it; a bonus with no priority named is not counted): ________________________________

MERIT SUBTOTAL ______ / 40 **BONUS ______ / 2** **TOTAL ______ / 42** **Scorer signature: ______________________________** **Date: ______________**

PART 5 — RULES FOR USING THE SCORES

1. Each application is scored independently by each scorer. Scorers do not confer before submitting their cards.

2. The final score for an application is the mean of the submitted scorer totals, carried to one decimal place. Cards from a scorer who declared a disqualifying relationship are not included.

3. A score of 0 on a single criterion does not by itself disqualify an application. An application scoring 0 on Criterion 4 (Direct benefit to Los Gatos) is not recommended for funding.

4. Recommended funding threshold: ________ points out of 42. Applications below the threshold are not recommended. The threshold is set by the Council or the reviewing body before applications are scored, not after.

5. Ties are broken first by the mean score on Criterion 4 (Direct benefit to Los Gatos), then by the mean score on Criterion 3 (Community impact).

6. Use of the score. The ranked list produced by these cards is the basis for the funding recommendation forwarded to the Council. Where the Council has adopted an allocation structure that distributes funds by formula rather than by rank — for example, an equal division among a fixed number of providers — staff shall state that in the recommendation and identify which awards are set by formula and are therefore not determined by these scores.

7. Award amounts. A score does not by itself set an award amount. Where the recommendation is for less than the amount requested, staff shall state the basis for the reduction.

8. Records. Completed Form A determinations and Form B cards, including Part 1 declarations, are retained as records of the award proceeding and are subject to disclosure under the Public Records Act to the extent required by law.

TOWN OF LOS GATOS
GRANT AGREEMENT

Summary:

The Town of Los Gatos ("Town") has awarded a grant to **West Valley Community Services** ("Grantee") in the total amount not to exceed **$21,000.** for the period from **July 1, 2024** to **June 30, 2025.** This letter ("Agreement") sets forth the terms and conditions of the grant award.

Payment Terms and Use of Funds:

Grantee must accept the terms of this Agreement prior to disbursement of grant funds. Grant disbursement to the Grantee shall be made after receipt of the grant claim form and the countersigned original of this Agreement. Please submit award claim and signed copy of this agreement, either via Docusign, or by mail to: Town of Los Gatos, Town Manager's Office, Attention: Community Grants, 110 E. Main Street, Los Gatos, CA 95030.

Grant funds shall be used exclusively to support the project(s) as set forth in the Grantee's proposal, which is attached as Exhibit A and incorporated by reference, with the exception of funding for print or community outreach proposals. Any use of funds for a purpose other than that described in the Grantee's original proposal requires the Town's prior written consent.

Unused Funds:

At the conclusion of the grant period, Grantee agrees to return any unexpended or unaccounted for funds to the Town. Grantee agrees to return all disbursed funds if (1) grant funds have not been used for their intended purpose, or (2) have been used inconsistently with the terms of this Agreement, or (3) if the activities or outputs funded by the grant are materially incomplete by the end of the grant period, as determined by the Town in its sole discretion.

No Pledge:

This Agreement shall not be interpreted to create any pledge or any commitment by the Town to make any further grants or contributions to Grantee or any other person or entity for this or any other project.

Reporting and Records:

Grantee agrees to deliver to the office of the Town Clerk a final written report and video presentation in the form attached as Exhibit B to this Agreement by August 1, 2025 (one month after the date the agreement ends). The written report must include copies of completed contracts, paid invoices, timecards, payroll check register report, cash receipts, vouchers, cancelled checks, bank statements and/or other official documentation to show the Town how the grant funds were expended. This documentation shall explain how each expense is related to the approved purpose of the grant. The final written report is a publicly accessible document.

Original receipts and invoices must be maintained by Grantee for five years and shall be made available to the Town upon request. Grantee agrees to maintain adequate financial records consistent with generally accepted accounting practices, and to retain such records for at least five years after the conclusion of the grant period. The Town may monitor and conduct an evaluation of the Grantee's operation to ensure compliance with this Agreement.

Grantee will provide a minimum of one site visit or project observation at a mutually agreed upon time during the grant period to a Town staff representative. An interim check-in by phone, video meeting or email may also by requested at any time during the grant period by either the Town or the Grantee.

Publicity Acknowledgement:

Grantee will acknowledge the Town's support in any publications or materials related to the project, as follows: "Supported in part by a grant from the Town of Los Gatos". Grantee agrees that The Town may include information about the Grantee and its activities in its own reports and publications and may distribute such information to third parties.

No Agency:

Grantee is solely responsible for the results of its services, compliance with the terms of this Agreement, and for all activities supported by the grant. Nothing in this Agreement creates a partnership, agency, joint venture, employment, or any other type of relationship between the Grantee and the Town. The Grantee shall not represent itself as an agent of the Town for any purpose and has no authority to bind the Town in any manner whatsoever.

No Lobbying:

Grantee confirms that the grant funds will not be used for the purpose of lobbying, carrying on propaganda or otherwise attempting to influence legislation as defined by the United States Internal Revenue Code of 1986.

No Assignment:

Grantee may not assign this Agreement or delegate performance of the terms of this Agreement or of the project to any other person or entity without the prior written consent of the Town.

Indemnity:

Grantee agrees, to the fullest extent permitted by law, to indemnify and hold harmless the Town, its elected and appointed officials, employees, and agents, from any and all claims, injury, liabilities, losses and expenses (including attorney's fees) directly, indirectly wholly or partially arising from or in connection with any act or omission of Grantee, its employees or agents, in applying for or accepting the grant, in expending or applying grant funds, or in carrying out the project as set forth in the proposal. Grantee shall defend Town, its elected and appointed officials, employees, and agents, against any such claims.

Compliance with Law:

Grantee shall comply with and cause all its contractors and employees, if any, to comply with all applicable federal, state and local laws, ordinances, codes, regulations.

Contact and Notices:

All notices, reports, or other correspondences related to this Agreement shall be sent to the following Addresses:

TOWN	GRANTEE
Town of Los Gatos	West Valley Community Services
Town Manager's Office	10104 Vista Drive, Cupertino, CA 95014
Attn: Community Grants	
110 E. Main St	
Los Gatos, CA 95030	

Agreement and Authority:

Grantee acknowledges and agrees that this Agreement represents the entire agreement between the Grantee and the Town with respect to the subject matter addressed herein. The terms of this Agreement may be modified only by writing signed by duly authorized representatives of both parties. The person(s) signing this Agreement on behalf of the Grantee represents and warrants to the Town that they have the requisite legal authority and power to execute this Agreement, and to bind Grantee to the obligations contained herein.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first herein above set forth.

TOWN OF LOS GATOS

Signed by:
Katy Nomura
3BC2441CEBC343B...
Katy Nomura, Interim Town Manager

9/17/2024
Date

West Valley Community Services

DocuSigned by:
Sujatha Venkatraman
0737E7BC0ED04A3...
Signature of grant representative

9/11/2024
Date

Sujatha Venkatraman
Printed name of grant representative

Executive Director
Title of grant representative

APPROVED AS TO FORM:

Signed by:
Gabrielle Whelan
EFD6738A5534428...

9/17/2024

Gabrielle Whelan, Town Attorney

Date

Attest:

DocuSigned by:
Wendy Wood
BF6EBCBE2C214F8...

9/18/2024

Wendy Wood, Town Clerk

Date

Exhibits:
A. Grantee's original proposal
B. Final Grant Report Template

Los Gatos Grant Agreement. West Valley Community Services

TOWN OF Los GATOS CALIFORNIA

Community Grant Certification and Claim Form

Grant funds issued to:

Organization Name: West Valley Community Services

Mailing Address: 10104 Vista Drive, Cupertino, CA 95014

Grant Award Amount: $21,000

Title of Grant Project: SUSTAINING- CARE Grants

GRANT CERTIFICATION AND CLAIM:

I certify that I am a duly authorized representative of the applicant organization and that the funds will only be used for the project/service as described in our organization's original grant application. Any funds not expended by June 30, 2025 must be returned to the Town.

Any changes to the scope of the project must be communicated to and approved by the Town.

All advertising or marketing for the funded project/service must contain the byline "Supported in part by a grant from the Town of Los Gatos"

A final grant report, expenditure report, and video presentation must be submitted by July 31, 2025

DocuSigned by:

By: Sujatha Venkatraman
6737E7BC6ED04A3...
(Signature of authorized representative)

Printed Name: Sujatha Venkatraman

Title: Executive Director

Date: 9/11/2024

For office use only:

Payment amount: ___$21,000.___

Account Number: ___2102-67703__

Invoice # _____CG24-26_______

PO # ________________________________

#40

COMPLETE

Collector:	Web Link 1 (Web Link)
Started:	Wednesday, July 31, 2024 3:45:12 PM
Last Modified:	Wednesday, July 31, 2024 3:45:51 PM
Time Spent:	00:00:38
IP Address:	67.164.60.242

Page 1: Deadline for submission: Wednesday, July 31st at 5:00 p.m. Application guidelines and rules:

Q1

Please provide your contact information

Name of coordinator for this proposal	**Sujatha Venkatraman**
Name of organization	**West Valley Community Services**
Address	**10104 Vista Drive**
City/Town	**Cupertino**
State/Province	**CO**
ZIP/Postal Code	**95014**
Email Address	**sujathav@wvcommunityservices.org**
Phone Number	**408.255.8033**

Q2

Organization's EIN#

GC §7922.000

Q3

Title of your proposal

SUSTAINING- CARE Grants

Q4

Amount of grant funding requested (up to a maximum of $10,000)

21,000

Q5

Please provide a concise one sentence overview of your proposed program (i.e. what will you be spending the money on, for whom, and why?)

The funds will be used for critical family needs and financial assistance support part of the CARE program services.

Q6

Briefly describe how this project fits within the goals and mission of your organization.

West Valley Community Services (WVCS) is a nonprofit organization providing safety net services to low-income and homeless individuals and families in the West Valley region of Santa Clara County for more than 50 years. The mission of West Valley Community Services is to unite the community to fight hunger and homelessness. Our work is guided by the vision of a community where every person has food on their table and every person has a roof over their head.

West Valley Community Services programs have grown exponentially, complementing our food, case management, financial coaching, and emergency rental assistance services to include an outreach program with the Park-it Market, additional off-site affordable housing, a newly renovated walk-through Market for clients, and senior adult transportation service.

Many families and individuals living in the West Valley struggle to put food on the table and pay their rent in the wake of staggering increases in gas, food, and electricity, stagnant wages, high rents, and a tight affordable housing market. Poverty creates further barriers to accessing critical services, including health services, nutritious food, and other necessities, contributing to poor physical and mental health. Poverty also inhibits socialization and engagement with the community. For low-income families with limited English language skills, finding where or how to access services is much more of a challenge. In some cases, these families may not know where to go or may not have reliable transportation to get the help they need. This can result in significant delays in service delivery, leading them further into financial crises, unhealthy or risky living conditions, or circumstances that make them vulnerable to being taken advantage of.

West Valley Community Services is our community’s safety net. We ensure that low-income and homeless individuals and families receive the support and services they need to build the foundation for a brighter future. Last year, we provided:

- 953,452 meals to 1,943 individuals and families through weekly grocery distribution at our site in Cupertino
- 219,392 meals to 1,506 families across West San Jose, Saratoga, and Los Gatos through our Mobile Food Pantry
- Case management and referrals for 400 households.
- $1,498,142 in rental assistance for 384 households

Q7

Fully describe your proposed program, what you intend to deliver, and how you plan to accomplish it.(Make sure to also include how the need for the program was identified; the target audience and number of people that will participate; the direct benefit to the Los Gatos community)

West Valley Community Services' Community Access to Resources and Education (CARE) program serves low-income families and individuals living at or below the 250% federal poverty level in Cupertino, Saratoga, West San Jose, Los Gatos, Monte Sereno, and the unincorporated mountain regions. The program reaches individuals and families living on the brink of poverty who struggle to pay for household needs.

West Valley Community Services requests funding to support the Community Access to Resources and Education (CARE) program. This program helps low-income households move from poverty toward self-sufficiency and better health outcomes through case management, food assistance, and wrap-around services.

CARE services will include:

- Weekly access to groceries, which helps to provide healthy meals
- Emergency financial assistance to prevent evictions, utility shut-off, and move-in assistance.
- Monthly meeting with a case manager to help navigate social services and get help with financial assistance for rent and other critical family needs.
- Health screening and health fair onsite to help educate clients on chronic health conditions that impact low-income households
- Referral to public benefits, affordable child care, and other state programs
- Semiannual workshops and resource fairs to help bring resources close to where the clients live
- Referral to financial coaching and employment programs
- Onsite career fairs

Case management is at the heart of CARE, focusing on helping clients develop stability and self-sufficiency. CARE case managers use the self-sufficiency matrix assessment tool to measure a client's vulnerability. The tool uses a strength-based approach to help clients evaluate their financial, physical, and emotional health. It is the basis for creating a plan with goals to address critical family needs or vulnerability domains. Case managers provide individual consultation in person, online, and by telephone, offer referrals to other services, and function as advocates, helping clients navigate governmental assistance paperwork and information.

Q8

What is your project timeline?

July 1st 2024- June 30th 2024

Q9

Please give a breakdown of your program budget. If additional funding is needed to cover the full cost of the proposal, please identify what sources of funding will be covering those additional costs.

We will use the funds for direct assistance to help support any financial or critical family needs.

Q10

How will you evaluate the success of the program?

The CARE program's outcomes and objectives will be measured using the agency database, self-sufficiency matrix assessment, case management plan, and annual client survey.

Q11

Please articulate how your proposal and/or the mission of your organization aligns with the Town of Los Gatos commitment to Equity, Diversity, and Inclusion.

The CARE program helps build an inclusive community, prevent the displacement of low-income families, and support families facing homelessness.

Q12

Does your project align with one of the following 2023-2025 Council strategic priorities?

Support the Needs of Unhoused Residents

TOWN OF LOS GATOS
COMMUNITY GRANTS REPORT
FY2024-25

Instructions

1. This report must be submitted to the Town of Los Gatos by July 31, 2025.
2. Any unused grant funding must be returned to the Town of Los Gatos.
3. Final report will be submitted to Ryan Baker, Library Director, via a submission link. For questions, please email rbaker@losgatosca.gov

Grantee Information

Organization:	
Mailing Address:	
Program Coordinator:	
Contact Email:	
Contact Phone:	

Program Information

Program Title:	
Date/s of Program:	
Total Program Attendance:	
Number of Los Gatos Residents participating:	

Budget

Total Grant Funds Awarded:	
Total Grant Funds Spent:	

Itemize all grant fund expenditures (use additional pages as needed):	**Amount**
Total	

EXHIBIT B

Program Summary
Please provide an overview of the program as it was implemented during the grant period:

EXHIBIT B

Program Summary cont.

Please tell us about the population that this program served and any direct impacts that your organization observed as a result of the program:

Program Summary cont.

Program Summary cont.
Please provide any additional statistics that you feel would highlight your program:

Signatures		
I certify that the information provided in this report is true and correct to the best of my knowledge.		
Event Coordinator:		Date:
(Name Printed):		
Organization's Director:		Date:
(Name Printed):		

Redaction Log

Reason	Page (# of occurrences)	Description
GC §7922.000	**6** (1)	Government Code §7922.000 The agency shall justify withholding any record by demonstrating that the record in question is exempt under express provisions of this chapter or that on the facts of the particular case the public interest served by not disclosing the record clearly outweighs the public interest served by disclosure of the record. The email associated with the release of these documents will contain the reason(s) for redaction.

TOWN OF LOS GATOS
GRANT AGREEMENT

Summary:

The Town of Los Gatos ("Town") has awarded a grant to **St. Vincent de Paul Society** ("Grantee") in the total amount not to exceed **$12,500.** for the period from **July 1, 2024** to **June 30, 2025.** This letter ("Agreement") sets forth the terms and conditions of the grant award.

Payment Terms and Use of Funds:

Grantee must accept the terms of this Agreement prior to disbursement of grant funds. Grant disbursement to the Grantee shall be made after receipt of the grant claim form and the countersigned original of this Agreement. Please submit award claim and signed copy of this agreement, either via Docusign, or by mail to: Town of Los Gatos, Town Manager's Office, Attention: Community Grants, 110 E. Main Street, Los Gatos, CA 95030.

Grant funds shall be used exclusively to support the project(s) as set forth in the Grantee's proposal, which is attached as Exhibit A and incorporated by reference, with the exception of funding for print or community outreach proposals. Any use of funds for a purpose other than that described in the Grantee's original proposal requires the Town's prior written consent.

Unused Funds:

At the conclusion of the grant period, Grantee agrees to return any unexpended or unaccounted for funds to the Town. Grantee agrees to return all disbursed funds if (1) grant funds have not been used for their intended purpose, or (2) have been used inconsistently with the terms of this Agreement, or (3) if the activities or outputs funded by the grant are materially incomplete by the end of the grant period, as determined by the Town in its sole discretion.

No Pledge:

This Agreement shall not be interpreted to create any pledge or any commitment by the Town to make any further grants or contributions to Grantee or any other person or entity for this or any other project.

Reporting and Records:

Grantee agrees to deliver to the office of the Town Clerk a final written report and video presentation in the form attached as Exhibit B to this Agreement by August 1, 2025 (one month after the date the agreement ends). The written report must include copies of completed contracts, paid invoices, timecards, payroll check register report, cash receipts, vouchers, cancelled checks, bank statements and/or other official documentation to show the Town how the grant funds were expended. This documentation shall explain how each expense is related to the approved purpose of the grant. The final written report is a publicly accessible document.

Original receipts and invoices must be maintained by Grantee for five years and shall be made available to the Town upon request. Grantee agrees to maintain adequate financial records consistent with generally accepted accounting practices, and to retain such records for at least five years after the conclusion of the grant period. The Town may monitor and conduct an evaluation of the Grantee's operation to ensure compliance with this Agreement.

Grantee will provide a minimum of one site visit or project observation at a mutually agreed upon time during the grant period to a Town staff representative. An interim check-in by phone, video meeting or email may also by requested at any time during the grant period by either the Town or the Grantee.

Publicity Acknowledgement:

Grantee will acknowledge the Town's support in any publications or materials related to the project, as follows: "Supported in part by a grant from the Town of Los Gatos". Grantee agrees that The Town may include information about the Grantee and its activities in its own reports and publications and may distribute such information to third parties.

No Agency:

Grantee is solely responsible for the results of its services, compliance with the terms of this Agreement, and for all activities supported by the grant. Nothing in this Agreement creates a partnership, agency, joint venture, employment, or any other type of relationship between the Grantee and the Town. The Grantee shall not represent itself as an agent of the Town for any purpose and has no authority to bind the Town in any manner whatsoever.

No Lobbying:

Grantee confirms that the grant funds will not be used for the purpose of lobbying, carrying on propaganda or otherwise attempting to influence legislation as defined by the United States Internal Revenue Code of 1986.

No Assignment:

Grantee may not assign this Agreement or delegate performance of the terms of this Agreement or of the project to any other person or entity without the prior written consent of the Town.

Indemnity:

Grantee agrees, to the fullest extent permitted by law, to indemnify and hold harmless the Town, its elected and appointed officials, employees, and agents, from any and all claims, injury, liabilities, losses and expenses (including attorney's fees) directly, indirectly wholly or partially arising from or in connection with any act or omission of Grantee, its employees or agents, in applying for or accepting the grant, in expending or applying grant funds, or in carrying out the project as set forth in the proposal. Grantee shall defend Town, its elected and appointed officials, employees, and agents, against any such claims.

Compliance with Law:

Grantee shall comply with and cause all its contractors and employees, if any, to comply with all applicable federal, state and local laws, ordinances, codes, regulations.

Contact and Notices:

All notices, reports, or other correspondences related to this Agreement shall be sent to the following Addresses:

TOWN	GRANTEE
Town of Los Gatos Town Manager's Office Attn: Community Grants 110 E. Main St Los Gatos, CA 95030	St. Vincent de Paul Society 920 S. Winchester Blvd., Suite C, San Jose CA, 95128

Agreement and Authority:

Grantee acknowledges and agrees that this Agreement represents the entire agreement between the Grantee and the Town with respect to the subject matter addressed herein. The terms of this Agreement may be modified only by writing signed by duly authorized representatives of both parties. The person(s) signing this Agreement on behalf of the Grantee represents and warrants to the Town that they have the requisite legal authority and power to execute this Agreement, and to bind Grantee to the obligations contained herein.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first herein above set forth.

TOWN OF LOS GATOS

Signed by:
Katy Nomura
3BC2441CEBC343B...

Katy Nomura, Interim Town Manager

10/20/2024
Date

St. Vincent de Paul Society

Signed by:
Sue Ahmadian
5D30CC8DF109453...

Signature of grant representative

10/10/2024
Date

Sue Ahmadian
Printed name of grant representative

President
Title of grant representative

APPROVED AS TO FORM:

Signed by:
Gabrielle Whelan
EFD6738A5534428... 10/16/2024

Gabrielle Whelan, Town Attorney Date

Attest:

DocuSigned by:
Wendy Wood 10/21/2024
BF6EBCBE2C214F8...

Wendy Wood, Town Clerk

Exhibits:
A. Grantee's original proposal
B. Final Grant Report Template

Los Gatos Grant Agreement. St. Vincent de Paul Society

TOWN OF Los GATOS CALIFORNIA

Community Grant Certification and Claim Form

Grant funds issued to:

Organization Name: St. Vincent de Paul Society

Mailing Address: 920 S. Winchester Blvd., Suite C, San Jose CA, 95128

Grant Award Amount: $12,500

Title of Grant Project: Rental Assistance

GRANT CERTIFICATION AND CLAIM:

I certify that I am a duly authorized representative of the applicant organization and that the funds will only be used for the project/service as described in our organization's original grant application. Any funds not expended by June 30, 2025 must be returned to the Town.

Any changes to the scope of the project must be communicated to and approved by the Town.

All advertising or marketing for the funded project/service must contain the byline "Supported in part by a grant from the Town of Los Gatos"

A final grant report, expenditure report, and video presentation must be submitted by July 31, 2025

By: Signed by: Sue Ahmadian 5D30CC8DF109453... Printed Name: Sue Ahmadian
(Signature of authorized representative)

Title: President Date: 10/10/2024

For office use only:

Payment amount: __$12,500._____ Account Number: ____2102-67701_____

Invoice # _______CG24-22_______ PO # ________________________________

Item 5.

#18

COMPLETE

Collector:	Web Link 1 (Web Link)
Started:	Tuesday, July 23, 2024 4:00:39 PM
Last Modified:	Tuesday, July 23, 2024 4:33:48 PM
Time Spent:	00:33:08
IP Address:	172.56.42.180

Page 1: Deadline for submission: Wednesday, July 31st at 5:00 p.m. Application guidelines and rules:

Q1

Please provide your contact information

Name of coordinator for this proposal	**Sue Ahmadian, president SVdP LG**
Name of organization	**St Vincent de Paul (SVdP)**
Address	[redacted] GC §7922.000
City/Town	**Los Gatos**
State/Province	**CA**
ZIP/Postal Code	**95032**
Email Address	[redacted] GC §7922.000
Phone Number	

Q2

Organization's EIN#

Fed EIN: 94-1358301

Q3

Title of your proposal

Rental Assistance

Q4

Amount of grant funding requested (up to a maximum of $10,000)

$25,000

Q5

Please provide a concise one sentence overview of your proposed program (i.e. what will you be spending the money on, for whom, and why?)

Rental assistance will be provided to Los Gatos residents who can provide documentation/reasons why they do not have the funds to cover their rent and may become unhoused without assistance.

Q6

Briefly describe how this project fits within the goals and mission of your organization.

SVdP is a 501(c) non-profit organization of lay volunteers who provide essential services to the poor and needy of our community. Rental assistance is essential to those in our Community who would become unhoused without it. We believe that it is a human right that people should have a safe, secure space to live and sleep.

Q7

Fully describe your proposed program, what you intend to deliver, and how you plan to accomplish it.(Make sure to also include how the need for the program was identified; the target audience and number of people that will participate; the direct benefit to the Los Gatos community)

The SVdP Conference of Los Gatos has been serving Town residents since 1965. Calls come in through the SVdP assistance line for a variety of needs; rental assistance makes up approximately 40% of all calls. The people requesting rental assistance are typically seniors, and/or those experiencing a healthcare emergency, disabled or newly unemployed or underemployed. If SVdP determines that assistance would be the only means to keep a person/family housed, the caller must provide proof of need, verification of address, legal consent form (to speak with landlord), and bank & pay statements. If applicable, an SSI award letter is required if the award amount is not reflected in a bank statement. The SVdP Conference sends assistance checks directly to landlords. Typically a caller is provided rental assistance only once in a twelve month period. Since November 2023, SVdP's rental assistance enabled 7 Los Gatos households to avoid eviction and remain housed.

Q8

What is your project timeline?

SVdP will use the funds to provide rental assistance from the date the funds are received until June 30, 2025.

Q9

Please give a breakdown of your program budget. If additional funding is needed to cover the full cost of the proposal, please identify what sources of funding will be covering those additional costs.

In the previous fiscal year, SVdP of Los Gatos operated with a total income of $40K. Funds were primarily provided through donations from St Mary's parishioners of Los Gatos ($30,000 in the prior fiscal year). An additional $10,000 was donated directly by SVdP Conference Members. The SVdP Conference actively fundraises and solicits donations from St. Mary's parishioners through an Annual Appeal every November.

Rental assistance is the single largest expenditure for SVdP of Los Gatos. Thus far in the current fiscal year (October 2023 thru September, 2024), SVdP of Los Gatos provided approximately $13,000 in rental assistance to Los Gatos residents; this is projected to grow to approximately $18,000 by fiscal year end September 30, 2024.

Besides rental assistance, SVdP of Los Gatos assists the working poor with utility bills, DMV bills, car repairs, and other necessities for living and maintaining employment. SVdP has no paid staff, nor any rent or facility costs of their own.

A Los Gatos Township Rental Assistance Grant of $25,000 would be spent entirely and directly on rental assistance for Los Gatos residents who require assistance in order to remain housed.

Q10

How will you evaluate the success of the program?

The goal of providing SVdP rental assistance is to keep Los Gatos residents housed. Everyone we keep housed is a success and having Grant funds will maximize our ability to help more residents stay in their homes. We track every dollar of assistance that we provide and will be able to report how much rental assistance we provided to Town residents through the duration of the Grant dates.

Q11

Please articulate how your proposal and/or the mission of your organization aligns with the Town of Los Gatos commitment to Equity, Diversity, and Inclusion.

SVdP offers its service and support to anyone in need. It does not matter the person's race, ethnicity, gender identity, financial status, politics, religion or age.
SVdP provides much support to our local Unhoused (a Strategic Priority). Providing rental assistance mitigates the risk that many Los Gatos residents would become unhoused through eviction.

Q12

Does your project align with one of the following 2023-2025 Council strategic priorities?

Community Engagement

TOWN OF LOS GATOS
COMMUNITY GRANTS REPORT
FY2024-25

Instructions

1. This report must be submitted to the Town of Los Gatos by July 31, 2025.
2. Any unused grant funding must be returned to the Town of Los Gatos.
3. Final report will be submitted to Ryan Baker, Library Director, via a submission link. For questions, please email rbaker@losgatosca.gov

Grantee Information

Organization:	
Mailing Address:	
Program Coordinator:	
Contact Email:	
Contact Phone:	

Program Information

Program Title:	
Date/s of Program:	
Total Program Attendance:	
Number of Los Gatos Residents participating:	

Budget

Total Grant Funds Awarded:	
Total Grant Funds Spent:	

Itemize all grant fund expenditures (use additional pages as needed):	**Amount**
Total	

EXHIBIT B

Program Summary
Please provide an overview of the program as it was implemented during the grant period:

Program Summary cont.
Please tell us about the population that this program served and any direct impacts that your organization observed as a result of the program:

Program Summary cont.

Program Summary cont.
Please provide any additional statistics that you feel would highlight your program:

Signatures		
I certify that the information provided in this report is true and correct to the best of my knowledge.		
Event Coordinator:		Date:
(Name Printed):		
Organization's Director:		Date:
(Name Printed):		

Redaction Log

Reason	Page (# of occurrences)	Description
GC §7922.000	**6** (2)	Government Code §7922.000 The agency shall justify withholding any record by demonstrating that the record in question is exempt under express provisions of this chapter or that on the facts of the particular case the public interest served by not disclosing the record clearly outweighs the public interest served by disclosure of the record. The email associated with the release of these documents will contain the reason(s) for redaction.

COMMUNITY GRANT SCORING RUBRIC FY2024-2025

Criteria	**5 points** **Exemplary**	**3-4 points** **Good**	**1-2 points** **Passable**	**0 points** **Evidence not demonstrated**
Project overview	Proposal clearly explains the project and the scope, steps, methods and intended results with logical and systematic detail.	Proposal adequately explains the scope, steps, methods and intended results of the project in general terms.	Proposal explains the general scope and intended results but lacks detail of the project steps and methods.	Proposal lacks sufficient detail to convey the scope or intended results of the project.
Advancing new ideas or surmounting new (non-financial) challenges	The project clearly represents the implementation of a new insight or idea that has not been piloted previously, or surmounts a new (non-financial) challenge facing the organization.	The project clearly represents the implementation of an emerging innovation or trend that has been piloted in other communities but will be new to the Los Gatos community.	The project clearly represents the adoption of a change, addition, or variation to an already established program for the Los Gatos community.	The project continues an already established program or service verbatim, or the proposal lacks information or evidence to suggest that it is a new project or service.
Community Impact	Target audience/population clearly and specifically defined. Strong presentation of the meaningful positive impact to the target audience/population provided with specific local evidence or data to support the need for the project.	Target audience/population reasonably well defined. Sufficient presentation of meaningful positive impact to the target audience/population provided with general evidence or data to support the need for the project.	Target audience/population very broadly defined. Presentation of positive impact based on realistic assumptions despite gaps in evidence.	Target audience/population not sufficiently defined or too broadly defined. Proposal lacks demonstration of meaningful impact to target audience/population.

Direct Benefit to Los Gatos	Project is highly local and specifically targets the incorporated Los Gatos Community (whether or not the organization is based in Los Gatos).	Project is regional but specifically is targeting expansion into the incorporated Los Gatos Community or shows significant benefit to the Los Gatos Community.	Project is regional but gives strong evidence for how the incorporated Los Gatos Community will directly benefit.	Project is regional with a wide regional target audience indicating only an indirect benefit for the Los Gatos Community.
Budget Analysis	Strongly detailed and realistic budget with sound use of funds. Any funding necessary above the limit of the grant is both accounted for and secured through commitments from other means.	Realistic budget with general detail to show responsible use of funds. Any funding necessary above the limit of the grant is accounted for with reasonable certainty or commitment.	Budget generally appears to support the project activities as described although there are gaps in detail. Applicant has realistic opportunity to secure necessary funding above the limit of the grant even if commitment from those sources is not certain	Described proposal is not supported by the budget or no reliable source of funding is presented to provide any necessary funding beyond the limit of the grant.
Feasibility	Applicant demonstrates it has superior experience or knowledge in the field as it relates to completing the project. Project, personnel, available resources, and timeline are realistic and congruent with project descriptions and outcomes. High likelihood of project being achievable based on information presented.	Applicant demonstrates it has adequate experience or knowledge in the field as it relates to completing the project or expertise in a related field that would transfer to the project. Deficiencies or overestimations may exist in project, personnel, available resources or timeline within tolerable range. Outcome appears achievable despite some gaps or leaps.	Applicant has gaps in experience or knowledge as it relates to the proposal but demonstrates that it can reasonably bridge gaps to successfully accomplish the project. Project, personnel, timeline or resources as described expose weaknesses in the proposal that will leave gaps. Project outcome's ability to be achieved is questionable at the level proposed, but likely will be achievable at a smaller level.	Applicant does not demonstrate the experience or knowledge to complete the project. Insufficient information about personnel, resources, project or timeline to gauge feasibility.

Assessment/Evaluation	Clear definition of success of program. Clear picture of how data will be collected to demonstrate degree to which outcomes are met.	Good understanding of anticipated specific results of success, but plan lacks details about data or methods.	Success difficult to ascertain, flawed by untestable outcomes, inappropriate methods, or lack of useful data collection.	Evaluation plans missing or unusable.
Commitment to Diversity, Equity, and Inclusion	Diversity, Equity, and Inclusion efforts are strongly demonstrated and articulated both at the organizational level and within the scope of the proposal.	Diversity, Equity, and Inclusion efforts are strongly demonstrated and articulated at an organizational level, although not necessarily within the scope of the proposed project.	Diversity, Equity, and Inclusion impacts or commitments are expressed in highly general terms.	The proposal does not address a commitment to Diversity, Equity, and Inclusion at either a project level or an organizational level.

Bonus points for alignment with Council priorities:

2 bonus points should be awarded for proposed projects that specifically meet one of the criteria listed as one of the Council Strategic Priorities 2023-25 https://www.losgatosca.gov/2851/Strategic-Priorities .

These include:

Emergency Preparedness

Fire Protection

Diversity Equity and Inclusion Efforts

Community Where Older Adults Thrive

Events or Town-Wide Efforts

Community Engagement

Environmental Sustainability

Support the Needs of Unhoused Residents

FY2024-25 Community Grant Rater Instructions

Thank you for ranking this year's Community Grant applications!

Two members from the Community Health and Senior Services Commission, two members of the Arts and Culture Commission, and one member of the Diversity, Equity, and Inclusion Commission will rank all applications across all categories to find the best qualified proposals that reflect a broad range of projects and ideas to benefit the community of Los Gatos.

Commissioners ranking these applications *must think outside of the realm of their assigned Commission's goals and equally consider all proposals in all categories on equal footing*. You will be seeing proposals for arts, events, human services, education, community vitality, and more.

In the Google Drive folder titled "Community Grants FY2024-25" you will find:

- A folder labeled "Community Grants" that contains 32 applications received by the deadline
- A folder labeled "Rental Assistance Grants" that contains 2 applications received by the deadline
- A folder labeled "Sustaining Grants" that contains 4 applications received by the deadline
- A scoring rubric to use for judging applications
- A scoring sheet with your name on it

How to rank:

- You will be working independently. Please do not meet with or consult with other grant raters in the process.
- Type your scores directly into your scoring sheet. Award 0 to 5 points in each category based on the scoring rubric.
- To compare the applications as fairly as possible, please stick closely to the scoring rubric. Please refrain from judging the proposal based on your own opinions or feelings of what would or would not constitute a good program.
- For application question #12, If the applicant identified that their proposal addresses one of the Town Council's Priorities (listed at the bottom of the scoring rubric) award two bonus points. If the question is left blank, or you feel that the proposal does not actually fit the priority listed, do not give any bonus points. Please don't put a 1 in the field, it is either a 2 or a 0.
- Conflict of Interest – If you come across an application for an organization that you are involved in, either as an employee, board member, volunteer, or in other capacity, please do not rate that application. Leave that proposal blank on your scoring sheet with a note in the notes field stating "conflict of interest". Continue to rank other applications. An alternate grant reader will be assigned to review any applications you note as a conflict of interest for yourself.
- Please have your scores complete by **August 19th** and I will compile the averages from all grant readers. If you send me an email to confirm when you are finished, I would appreciate it. If you need additional time, just let me know.

Please feel free to reach out to me if you have any questions.

Thank you,

Ryan

Name	Title of Proposal	Khanal	konrad	jensen	javey	gordon	total
Art Docents of Los Gatos	Proposal to Recruit and Retain Art Docents	31	28	34	40	23	31.2
AWO	AFRICA AT YOUR FINGERTIPS	28	20	31	29	23	26.2
Billy Jones Wildcat Railroad	Billy Jones Wildcat Railroad Grant Application for New Rail	20	33	33	44	24	30.8
Boldly Me	Train Professionals to Elevate Mental Health Awareness & Provide Useful Tools	17	27	28	23	8	20.6
Catalyze SV (Social Good Fund is fiscal sponsor)	"It's Electric!" A Future of Electrified Transportation, Homes & Buildings	19	24	25	43	14	25
Chabad of S Jose	Smile on Seniors	21	22	37	29	17	25.2
Collaborating Agencies' Disaster Relief Effort (CADRE)	Enhancing Disaster Resilience through Community Support Networks in Los Gatos	19	30	30	47	10	27.2
Girls on the Run of Silicon Valley	Girls on the Run of Silicon Valley Community 5K 2025	32	21	35	44	30	32.4
Jewish Silicon Valley	Jewish Silicon Valley's FitFest	24	30	28	40	24	29.2
KPCR 92.9FM	Media Production Education for Youth and Adults	22	23	35	28	19	25.4
Kyle J. Taylor Foundation	Los Gatos Youth Heart Health	31	21	39	27	31	29.8
Los Gatos Community Concert Association	2024 - 2025 Los Gatos Community Concerts	26	30	30	31	21	27.6
Los Gatos Foundation for Older Adults to Thrive	Ride & Taste program for Seniors to Ride the Bus		26	29	47	23	31.25
Los Gatos Museum Association DBA New Museum Los	Exhibition and programs for Double Exposure: Photojournalist Ted Sahl and the LGBTQ+ History of the South Bay	28	30	34	42	34	33.6
Los Gatos Music and Arts	Summer Jazz Camp for 50 Youth	27	27	35	27	19	27
Los Gatos Public Media, Inc.	OktoberFest LG 2024 Platinum Sponsor	22	36	35	36	18	29.4
Los Gatos Union School District	The Nature of Environmental Sustainability	32	35	33	38	33	34.2
Los Gatos Youth Park	Repairs to Never Neverland building located at Los Gatos Youth Park	28	32	33	28	22	28.6
Louise Van Meter Home & School Club	Louise Van Meter School Garden Program & Living Classroom	22	25	35	30	23	27
Omniware Networks	public art contest of 'I love Los Gatos'	16	25	37	19	14	22.2
Parents Helping Parents Inc	Providing support to Los Gatos parents raising children with disabilities	29	30	38	29	20	29.2
Rebuilding Together Silicon Valley	Home Repairs and Accessibility Modifications for Two Low-Income Older Adult Homeowners in Los Gatos	27	26	38		21	28
SASCC	SafeRides Los Gatos Program	29	31	29		15	26
Screaming horse ranch and horse rescue	Horse barn and dog kennels	19	21	29	28	10	21.4
Silicon Valley Jewish Film Festival	Silicon Valley Jewish Film Festival	28	27	35	41	26	31.4
Special Olympics Northern California	2025 Bocce Bash	17	26	37	30	16	25.2
St. Vincent de Paul Society	Laundry Vouchers for the Unhoused	26	27	39	42	27	32.2
The Yay Foundation:	YAY Day	19	22	37	35	9	24.4
Tianmu Education Foundation	The Little Engine that Could - PGnE (Portable Generator in Emergency)	23	26	39	47	15	30
Veterans Memorial & Support Foundation	2024/25 Yellow Ribbon Programs	22	31	31		21	26.25
West Valley Muslim Association	Enhancing EcoSerenity & Sprouting Seeds of Peace: Proposal for West Valley Muslim Association Community Garden Project	21	26	32	29	13	24.2
West Valley Youth Theater	Creative and Technical Theater Expertise Development Program for Los Gatos High School Students	23	26	30	39	16	26.8
RENTAL ASSISTANCE GRANTS							
Los Gatos Anti-Racism Coalition	Rental Assistance	31	29	43	45	37	37
St Vincent de Paul (SVdP)	Rental Assistance	28	27	37	47	27	33.2
SUSTAINING GRANTS							
CASSY - Counseling and Support Services for Youth	SUSTAINING - School based mental health counseling for Los Gatos students	30	32	33	47	32	34.8
Live Oak Senior Nutrition	SUSTAINING - Food Assistance	31	34	32	30	27	30.8
Next Door Solutions to Domestic Violence	SUSTAINING - Support Services for Survivors of Domestic Violence	29	25	36	34	28	30.4
West Valley Community Services	SUSTAINING- CARE Grants	26	28	35	47	30	33.2

Score	Name	Title of Proposal	Request Amount
40.67	St Lukes Pantry Fund	Food Assistance/Security for Our Unhoused in Los Gatos	$ 6,000
39.67	LGS Recreation - 55 Plus	55 Plus Program – Adult Recreation Center Appliance Suite	$ 12,000
38.67	Live Oak Adult Day Services	Adult Day Program	$ 12,000
38.67	Rebuilding Together Silicon Valley	Home Repairs and Accessibility Modifications for Two Low-Income Older Adult Homeowners in Los Gatos	$ 7,500
37.00	Parents Helping Parents Inc	Family support services for families with children with disabilities	$ 12,000
36.67	The Rotary Club of Los Gatos	The Rotary Club of Los Gatos Great Race 2024	$ 7,500
36.00	The Los Gatos Anti-Racism Coalition	Rental Assistance for Low-Income Residents of Los Gatos	$ 12,000
36.00	Los Gatos Music and Arts	Los Gatos Spring Bluegrass Festival	$ 12,000
35.67	Louise Van Meter HSC/Project Cornerstone	Project Cornerstone/Digital Wellness and Citizenship Learning Events	$ 12,000
35.67	Veterans Memorial & Support Foundation	2023/24 Yellow Ribbon Programs	$ 12,000
35.33	New Museum Los Gatos	Celebrating Diversity: Building a Place Where Everybody Belongs	$ 12,000
34.67	Los Gatos Education Foundation	Family STEAM and Meet the Specialist Nights, Fisher Student Showcase	$ 12,000
34.33	Silicon Valley Jewish Film Festival	Silicon Valley Jewish Film Festival	$ 12,000
32.67	Art Docents of Los Gatos	Grant for New 5th Grade Mosaic Workshop	$ 1,300
31.33	Jewish Silicon Valley	Jewish Silicon Valley Community Challah Bake: Those Who Bake Together, Rise Together	$ 12,000
31.33	Omniware Networks	public art contest of 'Los Gatos, My Home'	$ 2,500
30.67	Los Gatos Chamber of Commerce	New Street Pole Banners	$ 12,000
30.33	Los Gatos Community Concert Association	2023 - 2024 Los Gatos Community Concerts	$ 6,000
29.67	Plant Based Advocates	Los Gatos Plant Based Education Program	$ 9,382
29.33	Girls on the Run of Silicon Valley	Girls on the Run of Silicon Valley Community 5K 2024	$ 12,000
29.00	Daves Avenue Elementary School	The Garden Classroom	$ 10,500
28.33	Chabad of S Jose	Senior Outreach	$ 12,000
28.33	Homenetmen Santa Clara Ani Chapter	Family Empowerment and Safety Training	$ 4,320
27.67	AWO	Africa At Your Fingertips	$ 12,000
26.33	American Cancer Society	Making Strides Against Breast Cancer Sponsorship	$ 10,000

TOWN OF LOS GATOS — FINANCE COMMISSION

Community Grant Program Review

Phase 1 — The duty to know your applicant

Discussion agenda · 90 minutes · Draft, August 2026

Purpose. To determine whether the Town collects enough information about a grant applicant to know that the organization is run to an acceptable standard, and to recommend a screen that establishes eligibility before any application is scored. The Commission is a recommending body; the Council decides.

Materials. Form A-1, Applicant Eligibility Certification (proposed). Form A-2, Staff Eligibility Determination (proposed). Form B, Scorer's Card, issued as it stands and not proposed for amendment.

#	Item	Time
1	**Scope and authority** Confirm what this review is and what it is not. – **Authority.** Town Code sections 2.50.200(a) and 2.50.225(a)(1); Measure A. – **Materiality.** $2,043,413 over five fiscal years, including $155,000 in FY2026-27. – **Boundary.** Phase 1 decides who may be considered. Phases 2 and 3 follow. No individual applicant is under review.	**5 min**
2	**The duty to know your applicant** The premise behind the forms, and the line they draw. – **Why eligibility precedes scoring.** Scoring is a merit judgment by volunteer readers. It cannot vet, and it was never built to. – **The line.** The screen identifies organizations run well enough to be trusted with public money. It is not a test of whether an organization is large, formal, or well documented. – **What is curable.** A missing document that exists is curable. A fact about how the organization operates is not.	**5 min**
3	**Form A-1 — the applicant's certification** Walk the four sections. For each, confirm what the applicant must attach and whether the requirement is proportionate. – **Section 1, legally able to receive the money.** IRS, Secretary of State, Registry status, annual filings by size, the CT-TR-1 rules, and consistency with the stated exempt purpose. – **Section 2, governed by a real board.** Roster with independent directors marked, three-director minimum with an independent majority, and the conflict-of-interest policy attached. – **Section 3, can handle the money and account for it.** Separation of duties, reconciliation, fiscal policies, financial statements at whatever level exists, reporting capacity, prior grant compliance. – **Section 4, disclosures.** Passthrough entities and Town relationships.	**20 min**
4	**Form A-2 — the staff determination** One page. Confirm the division of labor. – **Who checks what.** The applicant certifies and attaches; staff verify against the Registry, the Secretary of State, and Town records. – **Sequencing.** A-2 cannot be completed until A-1 is in. Determination happens before any application is released for scoring. – **The findings column.** Whether it captures what a reviewer needs to record and what a later reader needs to see.	**10 min**
5	**The disqualifying findings** The substantive discussion. Each item on Form A-1 ends with the findings that end an application.	**15 min**

#	Item	Time
	– **Confirm the bars.** Registry status other than Current, or absence from the Registry. A required filing not made. A defective or Not Accepted CT-TR-1. Fewer than three directors or no independent majority. No conflict-of-interest policy, or one not submitted. Approval and disbursement by the same person. An unresolved prior grant default. A passthrough to an unnamed entity. – **Confirm what is recorded but not a bar.** No audit. No paid staff. A small budget or a first-time applicant. A disclosed Town relationship. A disclosed passthrough. – **The cure period.** Five business days from written notice, matching the reconsideration window. Confirm or change.	
6	**Extending the screen to sustaining grants** The card is drafted to apply to all Community Grants, sustaining and competitive one-time alike. This is a change to how sustaining awards are made. – **The change.** Sustaining recipients do not complete an application today. Under this proposal each one completes Form A-1 and is determined on Form A-2 every cycle. – **Why it matters.** The FY2026-27 sustaining line is $99,300 across eight recipients, awarded without any eligibility determination on the record. – **One consequence to raise, not to decide here.** Form B, Criterion 2 awards zero points for continuing an established program without change. Applied to a steady service provider, that produces a low score for doing exactly what the Town funds it to do. Form B is not before the Commission for amendment; the point should be put to staff.	**15 min**
7	**What Phase 1 does not cover** Stated for the record so the scope of any recommendation is clear. – **Not the merit criteria.** Form B is issued as it stands and is not proposed for amendment in Phase 1. – **Not award sizing or program design.** Those belong to Phase 2, together with the rental assistance review. – **Not Policy 2-04.** That is Phase 3.	**5 min**
8	**Blanks and process decisions** Items that must be settled before the forms can be issued. – **To be filled.** Version and adoption line; program cap for the cycle; recommended funding threshold; the Council Strategic Priorities list in effect. – **Second reviewer.** Form A-2 requires one for any determination other than release for scoring. Decide whose signature. – **Distribution.** Whether Form A-1 goes out with the application packet or is requested after filing. – **Effect.** Acknowledge on the record that this will change who can apply, and decide how current grantees are told.	**10 min**
9	**Actions requested, and Phase 2 scope** – **Recommend.** Forward Forms A-1 and A-2 to the Council with a recommendation, or return them for one revision cycle. – **Direct.** Ask staff to confirm the screen can be run on all recommended organizations before FY2027 grants are finalized. – **Set.** Phase 2 scope and calendar.	**5 min**

Note on time. *Items 5 and 6 carry the decisions and will run long if allowed to. Items 3 and 4 are walkthroughs and can be compressed if the Commission has read the forms in advance.*

TOWN OF LOS GATOS
COUNCIL AGENDA REPORT

MEETING DATE: 08/04/2026
ITEM NO: 18
ADDENDUM

DATE: August 3, 2026

TO: Mayor and Town Council

FROM: Chris Constantin, Town Manager

SUBJECT: Allocation of $20,000 in Supplemental Sustaining Grant Funds and Consideration of Continued Funding Eligibility for Counseling and Support Services for Youth (CASSY)

Remarks:

Attachment two contains public comments received before 11:00 a.m. on Monday, August 3, 2026.

Attachments received with the staff report:
1. Proposals Received for Requesting Supplemental Sustaining Grant Funding

Attachments received with this addendum:
1. Public comments received before 11:00 a.m. on Monday, August 3, 2026.

MEMORANDUM

To: Rob Moore, Mayor
Ashby Monk, Chair, Finance Commission
Chris Constantin, Town Manager
Gabrielle Whelan, Town Attorney
Cc: Wendy Wood, Town Clerk
Kristina Alfaro, Director of Administrative Services
From: Phil Koen, Member, Finance Commission[1]
Date: August 2, 2026
Re: Request to Table Agenda Item 18 (August 4, 2026)

Item 18 should be tabled. Too many questions about the rental assistance program are unanswered, and they should be settled before the Town puts more money into it. The Finance Commission takes up the Community Grant Program, which includes rental assistance, at its August 10th meeting. The Town Manager can confirm this.

The Commission has clear authority to look at this. Town Code section 2.50.200(a) directs the Finance Commission to review Town finances and advise the Council on financial and budget matters. Section 2.50.225(a)(2) requires it to review the Town Manager's proposed budget. Community Grants are part of that budget. The Council itself directed on August 19, 2025 that Sustaining Grants be listed in the budget by recipient and amount. The Commission only recommends. The Council still decides.

Rental assistance is a worthy use of public funds. That is exactly why the Town should know the money is going to organizations under rules the Town can check. The Item 18 report does not show that. Three problems stand out.

First, the request does not match what the Council approved. On August 19, 2025, the Council set aside $20,000 for rental assistance and directed staff to work with St. Vincent de Paul and the Los Gatos Anti-Racism Coalition to divide it fairly.

That is not what happened. On October 10, 2025, the Town signed a single grant agreement awarding the full $20,000 to the Coalition. The Coalition's own proposal, attached to that agreement, states that it will pass $10,000 to St. Vincent de Paul and that St. Vincent de Paul will have full discretion over those funds. The split was made by the grantee, not by staff. The same agreement also bars the Coalition from delegating any part of the project to another organization without the Town's written consent.

The Item 18 report now calls the same money a grant to the Coalition as lead agency, and one current request again asks to pass part of an award to the other organization. I would ask the Town Attorney to confirm two things: that the signed FY 2025-26 grant agreement complies with what the Council approved on August 19, 2025, and that transferring grant funds to a second organization is consistent with the agreement's own terms.

Second, we cannot see how the money is spent. Sound rental assistance programs share a few basics: written rules on who qualifies, proof of need, separation of duties so that the person who reviews an application does not also approve it or release the money, payment sent straight to the landlord or utility, a limit per household, and a written record of every decision. The Town has not said which of these apply, whether every provider must follow the same processes, or who checks.

The current requests show the problem. The Coalition wants to spend its award on storage unit rent, security deposits, application fees, and hotel stays for people who have already lost their housing. Those may be worth doing, but they are not rental assistance. The Council has never discussed widening the program that far. A grantee should not be setting the scope of a Town program in a funding request.

ATTACHMENT 2

Third, the way the Town delivers this service does not add up. Three organizations now provide rental assistance under two very different arrangements.

West Valley Community Services works under a contract that runs from July 2025 through June 2030, at up to $15,000 a year and $75,000 in all. It provides its Comprehensive Emergency Assistance Program to low-income Los Gatos residents. The work includes rent help to prevent eviction, deposit help to house people who are unhoused, and utility help to prevent shut offs. Each client also receives three months of follow-up support and referrals to services such as job placement, financial counseling, and shelters. West Valley commits to twelve Los Gatos households a year, three each quarter, and bills monthly with an itemized invoice showing who did the work, at what rate, and on what date.

The other two organizations receive grants with none of that. No written scope, no number of households promised, no invoicing standard. Neither the Item 18 report nor the August 2025 motion mentions the WVCS contract at all. Note also that deposit help for people who are unhoused is already covered by the WVCS contract, and that is part of what the Coalition is now asking the Town to fund again.

These are two different approaches to the same problem. Under the contract a payment is one part of a case. The household is assessed, the payment is made, and the client then receives three months of crisis intervention with referrals to other help. The grants buy the payment alone. Nothing in them requires an assessment, a case plan, follow-up, or any record of whether the household was still housed six months later. The Town has never decided which approach it wants, or whether it means to pay for both.

The three-way split traces back to Item 21 on June 18, 2024. The motion first called for rent relief to be awarded competitively, capped at $10,000. It was then amended to drop the cap and simply split the money equally among up to three organizations. The same motion gave the nutrition grant to Live Oak Nutrition alone. One motion, two services, opposite approaches, and no reason recorded.

Senior nutrition still runs through one organization at $23,000 a year, with one organization to hold accountable. Splitting rent relief by arithmetic spreads the money thin and spreads accountability thinner. Dividing the work among three organizations does not by itself produce a higher quality program, and a higher quality program is what the Town should be aiming for.

These are questions about how the program is built and whether more money should go into it now. They belong with the Commission. I ask that the Commission be given the chance to recommend whether these funds should be awarded now, held, or returned to the General Fund, and on what terms.

Waiting costs little. The money is in the FY 2026-27 budget and does not expire until June 30, 2027, and no organization has a signed agreement counting on it. The CASSY question stands on its own and can go forward on August 4.

Respectfully,

Phil Koen
Member, Finance Commission
Town of Los Gatos

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[1] The Commission has not reviewed this memo. It was not told this item was coming to the Council. I learned of it over the weekend. This is my own work, submitted as a member of the Commission.