



**TOWN OF LOS GATOS
FINANCE COMMISSION AGENDA
JUNE 08, 2026
110 EAST MAIN STREET
TOWN COUNCIL CHAMBERS
5:30 PM**

Ashby Monk, Chair
Adam Fischer, Vice Chair
Phil Koen, Commissioner
Linda Reiners, 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=rHVGVpPbwjNaaM6U6ZB5AbaZUF1ToV9.1>

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 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

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.)*

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

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: 6/8/2026

Item 1.

ITEM NO: 1

**Draft Minutes of the Finance Commission Regular Meeting
May 11, 2026**

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

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

ROLL CALL

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

Absent: Commissioner Rodgers

Town Staff Present: Town Manager, Chris Constantin; Administrative Services Director, Kristina Alfaro; Parks and Public Works Director, Nicolle Burnham; Community Development Director, Joel Paulson; Town Engineer, Gary Heap; Town Clerk, Wendy Wood, and Finance and Accounting Manager, Eric Lemon.

CONSENT ITEMS

1. Approve the Minutes of the April 13, 2026, Finance Commission Regular Meeting
2. Approve the Minutes of the April 27, 2026, Finance Commission Special Meeting
3. Approve the Minutes of the May 4, 2026, Finance Commission Special Meeting
4. Receive the Monthly Financial and Investment Report for March 2026

The following individuals spoke on the consent items:

1. Member of the Public (Item 2)

MOTION: Motion by Commissioner Koen to approve the consent items. **Seconded** by Commissioner Reiners.

VOTE: Motion passed unanimously.

VERBAL COMMUNICATIONS

The following individual spoke during verbal communications:

1. Member of the public

OTHER BUSINESS

- 5. Receive the Foster and Foster Independent Actuarial Reports as of June 30, 2024

Administrative Services Director, Kristina Alfaro, opened the item and introduced our consultant, Drew Ballard at Foster and Foster, to give a presentation on the item.

The Commission discussed the item and asked questions.

Staff and the consultant addressed the Commissioner's questions.

There was no public comment.

There was no action taken on this item.

- 6. Continue to Review, Discuss, and Make Recommendations of the Preliminary Proposed FY 2026-27 Operating and Capital Budget

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

The Commission discussed the item and asked questions.

Staff addressed the Commissioner's questions.

The following individual spoke on this item:

- 1. Jak Van Nada
- 2. Member of the public

MOTION: Motion by Chair Monk to receive the information in motions one through four provided in Attachment 2 (of the staff report) and integrate it into the planning and share what is necessary with council with the inclusion of a new motion 5 which is to establish annual cash flow estimates for all capital projects equal to or greater than a million dollars to enable annual tracking,) identify either a PCI target specifically, or a spending capacity limit to spend on road resurfacing and repair, and identify a better location for the \$6.5 million carry forward from the road resurfacing and repair account for future projects like the highway 17 expansion.
Seconded by Commissioner Reiners.

VOTE: Motion passed unanimously.

ADJOURNMENT:

The meeting adjourned at approximately 7:45 p.m.

This is to certify that the foregoing is a true and correct copy of the minutes of the May 11, 2026, regular meeting as approved by the Finance Commission.

Eric Lemon, Finance & Accounting Manager



TOWN OF LOS GATOS
FINANCE COMMISSION REPORT

MEETING DATE: 6/8/2026

ITEM NO: 2

Item 2.

DATE: June 8, 2026
TO: Finance Commission
FROM: Chris Constantin, Town Manager
SUBJECT: Receive the Monthly Financial and Investment Report for April 2026

RECOMMENDATION: Receive the Monthly Financial and Investment Reports for April 2026.

BACKGROUND:

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

The April 2026 Monthly Financial and Investment Report will be presented to the Town Council at its June 16, 2026, regular meeting.

DISCUSSION:

The April 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 April 30, 2026, fund balance report. In the case that the differences are extraordinary and unanticipated, we will ensure we present more information to explain the differences.

PREPARED BY: Eric Lemon
Finance and Accounting Manager

Reviewed by: Town Manager, Town Attorney, and Administrative Services Director

The difference between the April 30 and March 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, which represents the actual amount of funds available.

Reconciling Cash to Fund Balance - April 30, 2026		
Total Cash	\$	83,594,887
Plus: Assets	\$	12,638,963
Less: Liabilities	\$	(24,184,893)
Estimated Fund Balance	\$	72,048,957

As of April 30, 2026, the Town’s financial position (Cash Plus Other Assets \$96.23M, Liabilities \$24.18M, and Fund Equity \$72.05M) remains strong, and the Town has sufficient funds to meet the cash demands for the next six months.

As of April 30, 2026, the Town’s weighted portfolio yield for investments under management was 4.19%, which was 38 basis points above the Local Agency Investment Fund (LAIF) yield of 3.81% for the same reporting period. Currently, the LAIF portfolio’s weighted average maturity (WAM) is 265 days versus the Town’s longer WAM of 573 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 rate of return on investments under management of 4.19% at the close of April was 2 basis points lower when compared to the prior month’s return of 4.21% reported as of March 31, 2026.

Since April 2025, LAIF yields decreased from 428 basis points (4.28%) to 381 basis points (3.81%) through the end of April 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

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SUBJECT: Monthly Financial and Investment Report for April 2026

DATE: June 8, 2026

ongoing concerns about the economic outlook. These adjustments align with the FOMC's objective to promote maximum employment and achieve a year-over-year inflation target of 2%.

Labor market conditions showed some signs of stabilization. Nonfarm payrolls increased by 178,000 in March, a reversal from February's decrease of 92,000. Weekly initial jobless claims reached 189,000 at the end of April, the lowest since 1969. Continuing claims reached 1.785m, the lowest since April 2024.

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.

Attachments:

1. Financial and Investment Report (April 2026)

**Town of Los Gatos
Summary Investment Information
April 30, 2026**

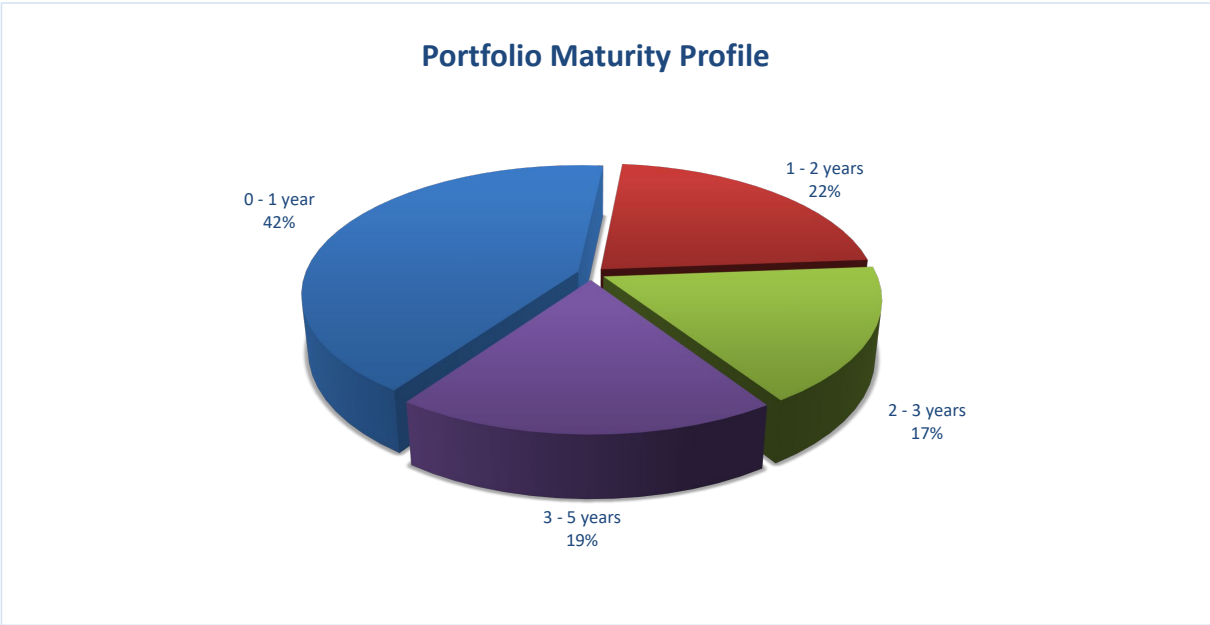
Weighted Average YTM Portfolio Yield on Investments under Management **4.19%**

Weighted Average Maturity (days) **573**

	This Month	Last Month	One year ago
Portfolio Allocation & Treasurer's Cash Balances	\$83,594,887	\$79,742,122	\$75,736,441
Managed Investments	\$53,670,104		
Local Agency Investment Fund	\$17,712,191		
Reconciled Demand Deposit Balances	\$12,212,592		
Portfolio Allocation & Treasurer's Cash Balances	\$83,594,887		

Benchmarks/ References:

Town's Average Yield	4.19%	4.21%	4.41%
LAIF Yield for month	3.81%	3.83%	4.28%
3 mo. Treasury	3.66%	3.67%	4.29%
6 mo. Treasury	3.69%	3.69%	4.17%
2 yr. Treasury	3.87%	3.79%	3.60%
5 yr. Treasury	4.01%	3.94%	3.73%
10 Yr. Treasury	4.37%	4.32%	4.16%

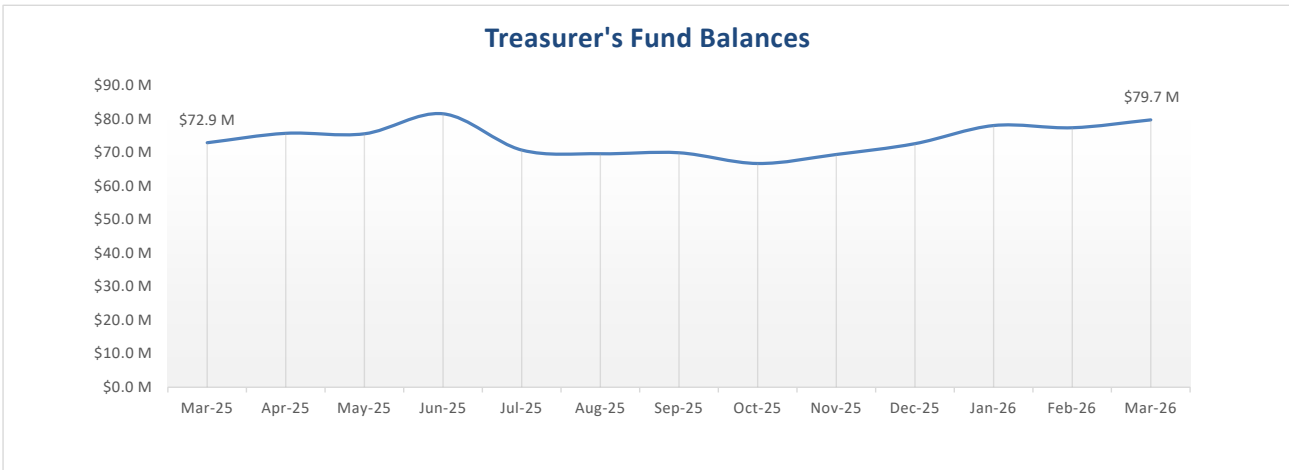
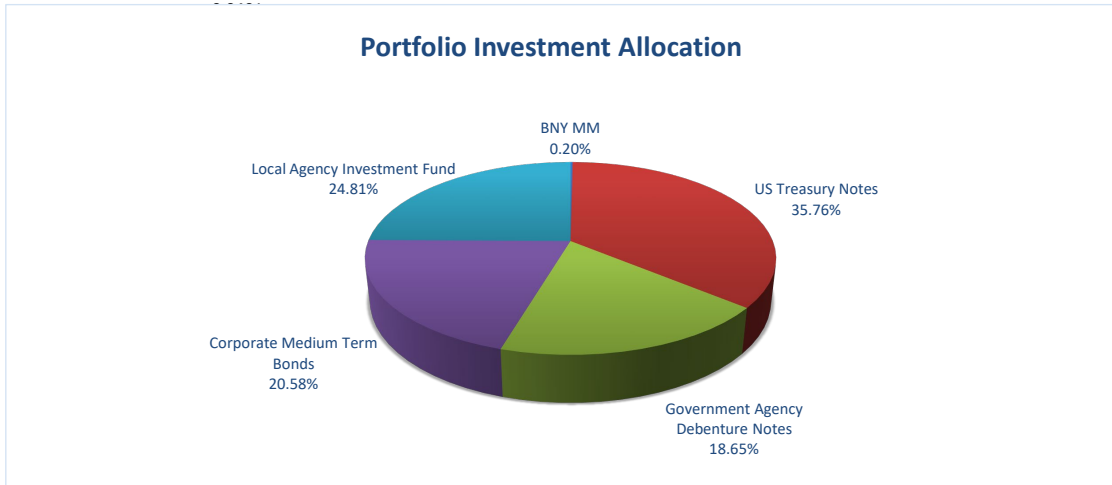


Compliance: The Town's investments are in compliance with the Town's investment policy dated March 18, 2025, and also in compliance with the requirements of Section 53600 at seq. of the California State Code. Based on the information available, the Town has sufficient funds to meet the cash demands for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

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

	Month	YTD
Cash & Investment Balances - Beginning of Month/Period	\$ 79,742,121.55	\$ 81,558,113.19
Receipts	7,610,935.97	76,273,171.11
Disbursements	(3,758,170.51)	(74,236,397.29)
Cash & Investment Balances - End of Month/Period	<u>\$83,594,887.01</u>	<u>\$83,594,887.01</u>

Portfolio Allocation	Amount	% of Portfolio	Max. % or \$ Allowed per State Law or Policy
BNY MM	\$141,965.23	0.20%	20% of Town Portfolio
US Treasury Notes	\$25,522,775.26	35.76%	No Max. on US Treasuries
Government Agency Debenture Notes	\$13,313,715.31	18.65%	No Max. on Non-Mortgage Backed
Corporate Medium Term Bonds	\$14,691,647.80	20.58%	30% of Town Portfolio
Local Agency Investment Fund	\$17,712,191.07	24.81%	\$75 M per State Law
Subtotal - Investments	<u>71,382,294.67</u>	100.00%	
Reconciled Demand Deposit Balances	<u>12,212,592.34</u>		
Total Portfolio Allocation & Treasurer's Cash Balances	<u><u>\$83,594,887.01</u></u>		



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

	Beginning Balance	April 2026 Deposits Realized Gain/Adj.	April 2026 Interest/ Unrealized Gains (Losses)/ Gains (Losses)	April 2026 Withdrawals / Fees	Ending Balance	
Non-Treasury Funds:						
Cert. of Participation 2002 Ser A Reserve Fund	\$ 702,426.13	\$ -	\$ 1,886.52	\$ -	\$ 704,312.65	Note 1
Cert. of Participation 2010 Ser Lease Payment Fund	84.97	-	0.27	-	85.24	Note 2
Cert. of Participation 2002 Ser A Lease Payment Fund	144.81	-	0.31	-	145.12	Note 1
Cert. of Participation 2010 Ser Reserve Fund	1,314,998.24	-	3,943.34	-	1,318,941.58	Note 2
Total Restricted Funds:	<u>\$ 2,017,654.15</u>	<u>\$ -</u>	<u>\$ 5,830.44</u>	<u>\$ -</u>	<u>\$ 2,023,484.59</u>	
CEPPT IRS Section 115 Trust	3,885,749.72	-	119,058.24	750.42	\$ 4,004,057.54	Note 3
Grand Total COP's and CEPPT Trust	<u>\$ 5,903,403.87</u>	<u>\$ -</u>	<u>\$ 124,888.68</u>	<u>\$ 750.42</u>	<u>\$ 6,027,542.13</u>	

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

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

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

Note 3: The CEPPT 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
April 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	\$	-
June 2026	\$	-
	\$	<u>2,338,172.22</u>

Town of Los Gatos
Investment Schedule
April 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	Yield to Maturity or Call	Interest Received to Date	Interest Earned Prior Yrs.	Interest Earned Current FY	Days to Maturity	
Apple	037333DB3	Corporate Bond	2.90%	12/20/2022	1,300,000.00	1,228,591.00	(71,409.00)	1,281,852.00	53,261.00		6/21/2027	4.19%	\$ 121,687.22	\$ 135,426.07	\$ 44,604.04	417	
FFCB	3133ENSV8	Gov. Agency Debenture	4.13%	1/17/2023	236,000.00	239,174.20	3,174.20	236,632.48	(2,541.72)		1/11/2027	3.76%	\$ 29,042.75	\$ 21,918.24	\$ 7,444.85	256	
JP Morgan Chase	46625HRS1	Corporate Bond	3.20%	9/23/2022	500,000.00	474,660.00	(25,340.00)	499,565.00	24,905.00		6/15/2026	4.70%	\$ 51,644.44	\$ 63,141.28	\$ 18,986.10	46	
FHLB	3130AQF65	Gov. Agency Debenture	1.25%	11/30/2022	1,300,000.00	1,160,559.40	(139,440.60)	1,279,109.00	118,549.60		12/21/2026	4.15%	\$ 49,697.92	\$ 130,709.25	\$ 42,137.45	235	
FHLB	3130ADPH9	Gov. Agency Debenture	1.00%	1/17/2023	1,000,000.00	907,010.00	(92,990.00)	993,770.00	86,760.00		10/28/2026	4.17%	\$ 33,354.17	\$ 84,829.28	\$ 28,813.52	181	
FFCB	3133ENS66	Gov. Agency Debenture	4.00%	2/8/2023	1,700,000.00	1,706,732.00	6,732.00	1,702,890.00	(3,842.00)		1/6/2028	3.91%	\$ 197,955.56	\$ 159,363.33	\$ 55,494.22	616	
American Honda	02665WED9	Corporate Bond	4.70%	5/11/2023	600,000.00	608,856.00	8,856.00	601,974.00	(6,882.00)		1/12/2028	4.34%	\$ 75,278.33	\$ 56,288.41	\$ 21,909.96	622	
US Treasury	91282CFE4	US Treasury Note	2.50%	6/9/2023	1,500,000.00	1,416,626.12	(83,373.88)	1,483,155.00	66,528.88		3/31/2027	4.09%	\$ 105,327.87	\$ 122,333.72	\$ 41,954.06	335	
Colgate-Palmolive	194162AR4	Corporate Bond	4.60%	7/14/2023	500,000.00	504,655.00	4,655.00	506,060.00	1,405.00		2/1/2028	4.37%	\$ 60,502.79	\$ 43,173.83	\$ 18,305.22	642	
FFCB	3133EPQC2	Gov. Agency Debenture	4.63%	7/17/2023	500,000.00	501,957.50	1,957.50	500,835.00	(1,122.50)		7/17/2026	4.48%	\$ 57,812.50	\$ 43,961.07	\$ 18,717.32	78	
FFCB	3133EPBM6	Gov. Agency Debenture	4.13%	7/14/2023	600,000.00	596,220.00	(3,780.00)	602,124.00	5,904.00		8/23/2027	4.29%	\$ 64,556.25	\$ 50,424.13	\$ 21,379.27	480	
PNC Bank	69353FEJ2	Corporate Bond	3.25%	7/25/2023	1,000,000.00	921,490.00	(78,510.00)	984,730.00	63,240.00		12/23/2027	5.23%	\$ 80,979.17	\$ 97,247.67	\$ 41,874.35	602	
US Treasury	91282CFU0	US Treasury Note	4.13%	7/31/2023	1,300,000.00	1,290,660.00	(9,339.40)	1,304,576.00	13,915.40		10/31/2027	4.31%	\$ 147,468.75	\$ 107,052.11	\$ 46,491.20	549	
Toyota Motor Credit	89236TKL8	Corporate Bond	5.45%	8/25/2023	1,600,000.00	1,617,168.00	17,168.00	1,631,520.00	14,352.00		11/10/2027	5.16%	\$ 192,566.67	\$ 153,725.55	\$ 69,233.43	359	
US Treasury	912810FE3	US Treasury Note	5.50%	10/3/2023	1,200,000.00	1,238,207.14	38,207.14	1,242,276.00	4,068.86		8/15/2028	4.76%	\$ 156,211.96	\$ 101,335.84	\$ 48,437.26	838	
FFCB	3133EPUW3	Gov. Agency Debenture	4.75%	10/13/2023	1,000,000.00	994,338.00	(5,662.00)	1,003,170.00	8,832.00		9/1/2026	4.96%	\$ 113,208.33	\$ 84,828.57	\$ 41,194.71	124	
US Treasury	91282CEW7	US Treasury Note	3.25%	10/16/2023	1,000,000.00	950,039.06	(49,960.94)	993,520.00	43,480.94		6/30/2027	4.73%	\$ 71,711.96	\$ 78,477.53	\$ 38,290.41	426	
US Treasury	91282CEN7	US Treasury Note	2.75%	10/31/2023	1,300,000.00	(85,663.61)	1,286,844.00	72,507.61		4/30/2027	4.82%	\$ 89,375.00	\$ 100,336.49	\$ 50,168.25	365		
US Treasury	91282CH2	US Treasury Note	1.25%	12/21/2023	900,000.00	798,647.55	(101,352.45)	850,995.00	52,347.45		6/30/2028	3.99%	\$ 22,805.71	\$ 51,319.84	\$ 28,009.39	792	
FNMA	3133G0Q22	Gov. Agency Debenture	1.88%	12/21/2023	900,000.00	845,676.00	(54,324.00)	893,286.00	47,610.00		9/24/2026	4.22%	\$ 38,109.38	\$ 55,770.03	\$ 30,438.22	147	
US Treasury	91282CFB2	US Treasury Note	2.75%	1/2/2024	1,000,000.00	960,734.91	(39,645.09)	986,720.00	26,365.09		7/31/2027	3.95%	\$ 57,167.12	\$ 57,605.73	\$ 32,132.37	457	
US Treasury	91282CHE4	US Treasury Note	3.63%	1/17/2024	1,800,000.00	1,775,186.72	(24,813.28)	1,790,370.00	15,184.28		5/31/2028	3.97%	\$ 121,942.63	\$ 102,986.91	\$ 59,071.74	762	
JP Morgan Chase	46647PDG8	Corporate Bond	4.85%	2/1/2024	1,400,000.00	1,396,528.00	(3,472.00)	1,407,644.00	11,116.00		7/25/2027	4.93%	\$ 134,696.10	\$ 97,231.80	\$ 57,395.08	451	
US Bancorp	91159HJF8	Corporate Bond	4.55%	2/5/2024	1,000,000.00	989,200.00	(10,800.00)	1,001,590.00	12,390.00		7/22/2027	4.89%	\$ 89,317.67	\$ 68,041.60	\$ 40,478.76	448	
US Treasury	91282CHB0	US Treasury Note	3.63%	2/23/2024	1,175,000.00	1,151,962.92	(23,037.08)	1,174,941.25	22,978.33		5/15/2026	4.56%	\$ 73,485.92	\$ 71,517.53	\$ 44,100.06	15	
FFCB	3133EP5U5	Gov. Agency Debenture	4.13%	3/28/2024	1,700,000.00	1,687,981.00	(12,019.00)	1,702,242.00	19,261.00		3/20/2029	4.28%	\$ 138,691.67	\$ 91,219.09	\$ 60,415.26	1055	
US Treasury	91282SM8	US Treasury Note	3.13%	4/30/2024	1,200,000.00	1,123,832.14	(76,167.86)	1,177,452.00	53,619.86		11/15/2028	4.69%	\$ 57,795.34	\$ 63,313.82	\$ 45,181.69	930	
Cisco Systems	17275RBR2	Corporate Bond	4.85%	5/15/2024	1,000,000.00	999,130.00	(870.00)	1,016,510.00	17,380.00		1/26/2029	4.87%	\$ 86,356.94	\$ 54,820.58	\$ 40,548.56	1002	
Home Depot	437076CW0	Corporate Bond	4.90%	5/17/2024	1,000,000.00	1,001,790.00	1,790.00	1,018,290.00	16,500.00		4/15/2029	4.86%	\$ 93,644.44	\$ 54,498.76	\$ 40,507.64	1081	
US Treasury	91282CR3	US Treasury Note	3.75%	5/31/2024	1,200,000.00	1,154,629.02	(45,370.98)	1,195,176.00	40,546.98		12/31/2028	4.68%	\$ 71,208.79	\$ 59,398.06	\$ 45,713.95	976	
FHLB	3130B1BT3	Gov. Agency Debenture	4.88%	7/2/2024	1,150,000.00	1,150,966.00	966.00	1,151,345.50	379.50		6/12/2026	4.82%	\$ 75,372.92	\$ 55,261.42	\$ 46,279.54	43	
Citibank	17325FBK3	Corporate Bond	4.84%	8/15/2024	1,250,000.00	1,263,650.50	13,650.50	1,267,650.00	4,885.50		7/6/2029	4.60%	\$ 89,200.62	\$ 50,200.38	\$ 48,144.81	1163	
FNMA	3135G05Y5	Gov. Agency Debenture	0.75%	9/10/2024	1,100,000.00	1,010,724.00	(89,276.00)	1,052,524.00	41,800.00		10/8/2027	3.56%	\$ 13,016.67	\$ 29,915.45	\$ 31,038.56	526	
US Treasury	91282CFL0	US Treasury Note	3.88%	12/3/2024	1,100,000.00	1,088,144.31	(11,855.69)	1,097,470.00	9,325.69		9/30/2029	4.12%	\$ 56,442.99	\$ 25,813.46	\$ 37,546.85	1249	
FHLB	3130ATU12	Gov. Agency Debenture	4.50%	2/12/2025	505,000.00	508,253.21	3,253.21	513,999.10	5,745.89		12/14/2029	4.35%	\$ 19,063.75	\$ 8,337.70	\$ 18,367.11	1324	
FFCB	3133ERSX5	Gov. Agency Debenture	3.88%	3/12/2025	1,000,000.00	998,480.00	(1,520.00)	998,330.00	(150.00)		3/7/2028	3.93%	\$ 38,211.81	\$ 13,831.34	\$ 32,697.51	677	
US Treasury	91282CF9	US Treasury Note	4.88%	3/31/2025	1,100,000.00	1,130,167.75	30,167.75	1,125,091.00	(5,076.75)		10/31/2028	4.04%	\$ 58,069.06	\$ 11,273.90	\$ 37,625.91	915	
State Street Corp	85747CD3	Corporate Bond	5.27%	4/30/2025	800,000.00	811,184.00	11,184.00	801,872.00	(9,312.00)		8/3/2026	4.04%	\$ 31,983.47	\$ 5,565.50	\$ 27,366.24	95	
Freddie Mac	3134HAW33	Gov. Agency Debenture	4.75%	4/30/2025	1,000,000.00	1,005,644.00	5,644.00	999,640.00	(6,004.00)		12/18/2029	4.23%	\$ 30,743.07	\$ 7,735.00	\$ 38,548.19	1328	
US Treasury	91282CNG2	US Treasury Note	4.00%	6/30/2025	660,000.00	665,184.24	5,184.24	660,462.00	(4,722.24)		5/31/2030	3.82%	\$ 11,036.08	\$ -	\$ 21,110.43	1492	
US Treasury	91282CMG3	US Treasury Note	4.25%	8/4/2025	825,000.00	842,308.43	17,308.43	833,060.25	(9,248.18)		1/31/2030	3.74%	\$ 17,150.14	\$ -	\$ 23,003.31	1372	
US Treasury	91282CMA6	US Treasury Note	4.13%	8/25/2025	1,200,000.00	1,218,847.77	18,847.77	1,206,840.00	(12,007.77)		11/30/2029	3.72%	\$ 13,118.86	\$ -	\$ 30,632.72	1310	
US Treasury	91282CHR5	US Treasury Note	4.00%	9/23/2025	950,000.00	967,036.38	17,036.38	950,152.00	(16,884.38)		7/31/2030	3.59%	\$ 13,423.92	\$ -	\$ 20,694.49	1553	
US Treasury	91282CG08	US Treasury Note	4.00%	10/3/2025	1,000,000.00	1,013,362.72	13,362.72	1,001,090.00	(12,272.72)		2/28/2030	3.67%	\$ 16,353.59	\$ -	\$ 21,168.37	1400	
State Street Corp	85747DB6	Corporate Bond	4.83%	11/10/2025	580,000.00	596,533.80	16,533.80	588,578.20	(7,955.60)		4/24/2030	4.13%	\$ 12,772.51	\$ -	\$ 11,396.23	1455	
US Treasury	91282CKA8	US Treasury Note	4.13%	12/17/2025	1,150,000.00	1,157,775.34	7,775.34	1,153,139.50	(4,635.84)		2/15/2027	3.52%	\$ 7,638.33	\$ -	\$ 14,963.89	291	
US Treasury	91282CHW4	US Treasury Note	4.13%	12/17/2025	1,150,000.00	1,170,308.54	20,308.54	1,155,485.50	(14,823.04)		8/31/2030	3.71%	\$ 9,566.13	\$ -	\$ 15,831.39	1584	
US Treasury	91282CHZ7	US Treasury Note	4.63%	1/13/2026	1,050,000.00	1,089,087.89	39,087.89	1,076,208.00	(12,879.89)		9/30/2030	3.75%	\$ 10,272.84	\$ -	\$ 11,805.91	1614	
Morgan Stanley Pvt Bank	61776NL43	Corporate Bond	4.21%	2/26/2026	1,250,000.00	1,254,137.50	4,137.50	1,236,375.00	(17,762.50)	3.510.83	2/8/2029	4.09%	\$ -	\$ (3,510.83)	\$ -	\$ 8,847.89	1015
John Deere Capital Corp	24422ENX4	Corporate Bond	4.90%	3/17/2026	1,000,000.00	1,024,660.00	24,660.00	1,020,610.00	(4,050.00)	1,361.11	3/7/2031	4.34%	\$ -	\$ (1,361.11)	\$ -	\$ 5,309.36	1772
US Treasury	91282CLC3	US Treasury Note	4.00%	4/6/2026	1,050,000.00	1,053,691.41	3,691.41	1,052,131.50	(1,559.91)	7,541.44	7/31/2029	3.88%	\$ -	\$ (7,541.44)	\$ -	\$ 2,688.55	1188
US Treasury	91282CMB4	US Treasury Note	4.00%	4/6/2026	1,050,000.00	1,052,378.91	2,378.91	1,051,890.00	(488.91)	12,923.08	12/15/2027	3.86%	\$ -	\$ (12,923.08)	\$ -	\$ 2,669.26	594
Subtotal					\$ 54,331,000.00	\$ 53,528,138.37	\$ (802,										

Town of Los Gatos
 Investment Transaction Detail
 April 30, 2026

Date	Cusip/Id	Description	Transaction Type	Trade Date	Settlement Date	Par	Coupon	Maturity Date	Price	Principal	Interest	Transaction Total
4/1/2026	437076BM3	HOME DEPOT INC 3% 01APR2026 CALLABLE	BOND INTEREST	4/1/2026	4/1/2026	1,000,000.00	0.000%	4/1/2026	-	-	15,000.00	15,000.00
4/1/2026	437076BM3	HOME DEPOT INC 3% 01APR2026 CALLABLE	REDEMPTION	4/1/2026	4/1/2026	1,000,000.00	0.000%	4/1/2026	100.00	1,000,000.00	-	1,000,000.00
4/6/2026	91282CLC3	USA TREASURY 4% 31JUL2029	PURCHASE	4/2/2026	4/6/2026	1,050,000.00	4.000%	7/31/2029	100.35	1,053,691.41	7,541.44	1,061,232.85
4/2/2026	Cash-USD	Cash-USD	SHORT TERM INVESTMENT FUND INCOME	4/2/2026	4/2/2026	1,129.61	0.000%		100.00	-	-	1,129.61
4/6/2026	91282CMB4	USA TREASURY 4% 15DEC2027	PURCHASE	4/2/2026	4/6/2026	1,050,000.00	4.000%	12/15/2027	100.23	1,052,378.91	12,923.08	1,065,301.99
4/8/2026	3135G05Y5	FANNIE MAE 0.75% 08OCT2027	BOND INTEREST	4/8/2026	4/8/2026	1,100,000.00	0.750%	10/8/2027	-	-	4,125.00	4,125.00
4/15/2026	437076CW0	HOME DEPOT INC 4.9% 15APR2029 (CALLABLE 15MAR29)	BOND INTEREST	4/15/2026	4/15/2026	1,000,000.00	4.900%	4/15/2029	-	-	24,500.00	24,500.00
4/24/2026	857477DB6	STATE STREET CORP 4.834% 24APR2030 (CALLABLE 24MAR30)	BOND INTEREST	4/24/2026	4/24/2026	580,000.00	4.834%	4/24/2030	-	-	14,018.60	14,018.60
4/28/2026	3130APJH9	FEDERAL HOME LOAN BANK 2.5% 28OCT2026 (CALLABLE 28JUL26) #0006	BOND INTEREST	4/28/2026	4/28/2026	1,000,000.00	2.500%	10/28/2026	-	-	10,000.00	10,000.00
4/30/2026	91282CJF9	USA TREASURY 4.875% 31OCT2028	BOND INTEREST	4/30/2026	4/30/2026	1,100,000.00	4.875%	10/31/2028	-	-	26,812.50	26,812.50
4/30/2026	91282CEN7	USA TREASURY 2.75% 30APR2027	BOND INTEREST	4/30/2026	4/30/2026	1,300,000.00	2.750%	4/30/2027	-	-	17,875.00	17,875.00
4/30/2026	91282CFU0	USA TREASURY 4.125% 31OCT2027	BOND INTEREST	4/30/2026	4/30/2026	1,300,000.00	4.125%	10/31/2027	-	-	26,812.50	26,812.50

TOWN OF LOS GATOS, CA

Insight ESG ratings as of April 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	610,429	BBB+	A3	3	2	4	3
46625HRS1	JPMORGAN CHASE & CO 3.2% 15JUN2026 (CALLABLE 30MAY26)	6/15/2026	500,000	505,509	A	A1	3	1	3	5
194162AR4	COLGATE-PALMOLIVE CO 4.6% 01MAR2028 (CALLABLE 01FEB28)	3/1/2028	500,000	509,830	A+	Aa3	3	3	3	2
24422EXN4	JOHN DEERE CAPITAL CORP 4.9% 07MAR2031	3/7/2031	1,000,000	1,027,791	A	A1	3	1	3	4
437076CW0	HOME DEPOT INC 4.9% 15APR2029 (CALLABLE 15MAR29)	4/15/2029	1,000,000	1,020,825	A	A2	3	3	3	3
857477CD3	STATE STREET CORP 5.272% 03AUG2026 (CALLABLE 03JUL26)	8/3/2026	800,000	811,995	A	Aa3	1	1	2	2
857477DB6	STATE STREET CORP 4.834% 24APR2030 (CALLABLE 24MAR30)	4/24/2030	580,000	589,101	A	Aa3	1	1	2	2
17275RBR2	CISCO SYSTEMS INC 4.85% 26FEB2029 (CALLABLE 26JAN29)	2/26/2029	1,000,000	1,025,128	AA-	A1	2	1	3	3
17325FBK3	CITIBANK NA 4.838% 06AUG2029 (CALLABLE 06JUL29)	8/6/2029	1,250,000	1,281,961	A+	Aa3	3	1	2	4
69353RFJ2	PNC BANK NA 3.25% 22JAN2028 (CALLABLE 23DEC27)	1/22/2028	1,000,000	993,554	A	A2	3	3	4	3
91159HJF8	US BANCORP 4.548% 22JUL2028 (CALLABLE 22JUL27)	7/22/2028	1,000,000	1,013,958	A	A3	3	2	3	4
61776NU43	MORGAN STANLEY PVT BANK 4.213% 08FEB2030 (CALLABLE 08FEB29)	2/8/2030	1,250,000	1,249,160	A+	Aa3	3	1	3	4
89236TKL8	TOYOTA MOTOR CREDIT CORP 5.45% 10NOV2027	11/10/2027	1,600,000	1,672,671	A+	A1	3	1	3	4
037833DB3	APPLE INC 2.9% 12SEP2027 (CALLABLE 12JUN27)	9/12/2027	1,300,000	1,286,907	AA+	Aaa	5	2	5	5
46647PDG8	JPMORGAN CHASE & CO 4.851% 25JUL2028 (CALLABLE 25JUL27)	7/25/2028	1,400,000	1,425,558	A	A1	3	1	3	5
Total Corporate / weighted average			14,780,000	15,024,375			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-March	April 2026				Estimated Fund Balance 4/30/2026*
				Current Revenue	Current Expenditure	Transfer In	Transfer Out	
	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	(1,170,564)	6,623,127	(4,316,254)	-	-	11,347,358
	General Fund Total	35,763,316	(1,170,564)	6,623,127	(4,316,254)	-	-	36,899,625

* 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-March	April 2026				Estimated Fund Balance 4/30/2026*
				Current Revenue	Current Expenditure	Transfer In	Transfer Out	
SPECIAL REVENUE								
211/212	CDBG	166,653	-	-	-	-	-	166,653
222	Urban Runoff (NPDES)	664,168	4,577	13,641	(10,730)	-	-	671,656
231-236	Landscape & Lighting Districts	193,606	(695)	-	(2,087)	-	-	190,824
251	Los Gatos Theatre	381,120	157,000	13,251	(5,123)	-	-	546,248
261-264,269	Library Trusts	559,745	42,787	-	(1,557)	-	-	600,975
Special Revenue Total		1,965,292	203,669	26,892	(19,497)	-	-	2,176,356
CAPITAL PROJECTS								
411	GFAR - General Fund Appropriated Reserve	16,974,946	955,518	81,198	(36,369)	-	-	17,975,293
412	Community Center Development	819,604	-	-	-	-	-	819,604
421	Grant Funded Projects	(1,577,430)	1,695,943	20,048	(8,902)	-	-	129,659
461-463	Storm Basin Projects	2,825,234	108,525	11,272	(17,327)	-	-	2,927,704
471	Traffic Mitigation Projects	676,482	-	-	-	-	-	676,482
472	Utility Undergrounding Projects	3,763,913	20,490	-	-	-	-	3,784,403
481	Gas Tax Projects	2,130,548	219,811	140,433	-	-	-	2,490,792
Capital Projects Total		25,613,297	3,000,287	252,951	(62,598)	-	-	28,803,937
INTERNAL SERVICE FUNDS								
611	Town General Liability	208,746	(370,979)	-	(26,262)	-	-	(188,495)
612	Workers Compensation	1,259,972	325,185	8,036	(163,114)	-	-	1,430,079
621	Information Technology	2,585,103	(267,474)	6,241	(27,149)	-	-	2,296,721
631	Vehicle & Equipment Replacement	3,890,428	720,334	-	-	-	-	4,610,762
633	Facility Maintenance	820,099	37,222	49,503	(113,271)	-	-	793,553
Internal Service Funds Total		8,764,348	444,288	63,780	(329,796)	-	-	8,942,620
Trust/Agency								
942	RDA Successor Agency	(3,037,146)	(1,736,280)	-	(155)	-	-	(4,773,581)
Trust/Agency Fund Total		(3,037,146)	(1,736,280)	-	(155)	-	-	(4,773,581)
Total Town		69,069,107	741,400	6,966,750	(4,728,300)	-	-	72,048,957

* 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 \$620,481.82
- 111-23521 BMP Housing deposit account balance \$3,723,190.79



TOWN OF LOS GATOS
FINANCE COMMISSION REPORT

MEETING DATE: 06/08/2026

ITEM NO: 3

Item 3.

DATE: May 22, 2026
TO: Finance Commission
FROM: Chris Constantin, Town Manager
SUBJECT: **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.**

RECOMMENDATION:

Receive 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.

BACKGROUND:

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

DISCUSSION:

The ending OPEB 115 Trust account balance as of March 31, 2026, was \$32,549,667.02 compared to \$32,526,434.78 as of December 31, 2025 (Attachment 1). As of March 31, 2026, the CERBT Strategy 1 fund had a net return of 7.05% for the month and 15.05% as of Fiscal Year to Date (Attachment 2).

This report was presented to the Town Pension and OPEB Trusts Oversight Committee at its regular meeting on June 2, 2026.

PREPARED BY: Diane M. Howard
Finance Division Manager

Reviewed by: Town Manager, Town Attorney, and Administrative Services Director

PAGE 2 OF 2
SUBJECT: CERBT
DATE: May 22, 2026

Item 3.

Attachments:

1. OPEB 115 Trust Market Value Summary Report as of March 31, 2026
2. CERBT Strategy 1 Performance Report March 31, 2026

Market Value Summary:

	QTD Current Period	Fiscal Year to Date
Beginning Balance	\$32,526,434.78	\$30,284,763.02
Contribution	0.00	0.00
Disbursement	0.00	0.00
Transfer In	0.00	0.00
Transfer Out	0.00	0.00
Investment Earnings	28,985.85	2,281,811.26
Administrative Expenses	(2,219.25)	(6,521.37)
Investment Expense	(3,534.36)	(10,385.89)
Other	0.00	0.00
Ending Balance	\$32,549,667.02	\$32,549,667.02
FY End Contrib per GASB 74 Para 22	0.00	0.00
FY End Disbursement Accrual	0.00	0.00
Grand Total	\$32,549,667.02	\$32,549,667.02

Unit Value Summary:

	QTD Current Period	Fiscal Year to Date
Beginning Units	1,188,552.988	1,188,552.988
Unit Purchases from Contributions	0.000	0.000
Unit Sales for Withdrawals	0.000	0.000
Unit Transfer In	0.000	0.000
Unit Transfer Out	0.000	0.000
Ending Units	1,188,552.988	1,188,552.988
Period Beginning Unit Value	27.366416	25.480364
Period Ending Unit Value	27.385962	27.385962

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

Statement of Transaction Detail for the Quarter Ending 03/31/2026

Town of Los Gatos

Entity #: SKB0-4589482285



Date	Description	Amount	Unit Value	Units	Check/Wire	Notes
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CERBT Strategy 1



March 31, 2026

Objective

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

Strategy

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

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

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

Assets Under Management

As of the specified reporting month-end:

CERBT Strategy 1	Annual Operating Ratio
\$24,067,131,982	0.085%

Composition

Asset Class Allocations and Benchmarks

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

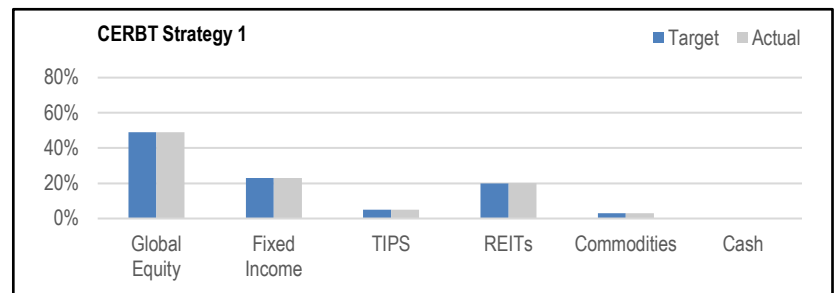
Asset Class	Target Allocation	Target Range	Benchmark
Global Equity	49%	± 5%	MSCI All Country World Index IMI (Net)
Fixed Income	23%	± 5%	Bloomberg Long Liability Index
Treasury Inflation-Protected Securities ("TIPS")	5%	± 3%	Bloomberg US TIPS Index, Series L
Real Estate Investment Trusts ("REITs")	20%	± 5%	FTSE EPRA/NAREIT Developed Index (Net)
Commodities	3%	± 3%	S&P GSCI Total Return Index
Cash	-	+ 2%	ICE BofA US 3-Month Treasury Bill Index

Portfolio Benchmark

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

Target vs. Actual Asset Class Allocations

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



CERBT Strategy 1 Performance as of March 31, 2026

	1 Month	3 Months	Fiscal YTD	1 Year	3 Years*	5 Years*	10 Years*	Since Inception* (June 1, 2007)
Gross Return ^{1,3}	-5.22%	0.09%	7.53%	15.06%	11.23%	5.69%	7.84%	5.86%
Net Return ^{2,3}	-5.23%	0.07%	7.48%	14.98%	11.14%	5.61%	7.75%	5.78%
Benchmark Returns	-5.29%	-0.04%	7.29%	14.66%	10.92%	5.43%	7.50%	5.47%
Standard Deviation ⁴	-	-	-	-	10.25%	12.24%	11.30%	12.65%

* Returns for periods greater than one year are annualized.

¹ Gross returns are net of State Street Investment Management operating expenses.

² Net returns are net of State Street Investment Management operating expenses, investment management, administrative and recordkeeping fees.

³ Expenses are described in more detail on page 2 of this document.

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

CERBT Strategy 1



March 31, 2026

General Information

Information Accessibility

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

Portfolio Manager Information

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

Custodian and Record Keeper

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

Expenses

CERBT is a self-funded trust in which participating employers pay for all administrative and investment expenses. Expenses reduce the gross investment return by the fee amount. The larger the expenses, the greater the reduction of investment return. Currently, CERBT expenses are 0.085% which consist of administrative expenses borne by CalPERS to administer and oversee the Trust assets, investment management and administrative fees paid to State Street Investment Management to manage all asset classes, and recordkeeping fees paid to Northeast Retirement Services to administer individual employer accounts. The expenses described herein are reflected in the net asset value per unit. The expense ratio is subject to change at any time and without prior notification due to factors such as changes to average fund assets or market conditions. CalPERS reviews the operating expenses annually and changes may be made as appropriate. Even if the portfolio loses money during a period, the expenses will still be charged.

What Employers Own

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

Price

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

Principal Risks of the Portfolio

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

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

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

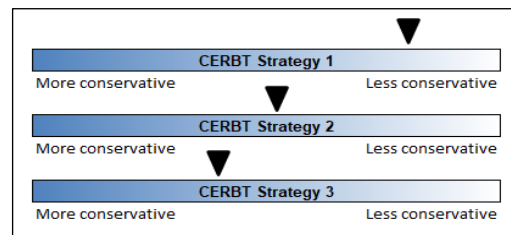
Fund Performance

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

CERBT Strategy Risk Levels

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

Asset Class Target Allocations ¹	Strategy 1	Strategy 2	Strategy 3
Global Equity	49%	34%	23%
Fixed Income	23%	41%	51%
Treasury Inflation-Protected Securities	5%	5%	9%
Real Estate Investment Trusts	20%	17%	14%
Commodities	3%	3%	3%



¹ Since June 2018, State Street Investment Management has passively managed all CERBT asset classes. Previously, Fixed Income, TIPS and Commodity asset classes were managed internally by CalPERS.



TOWN OF LOS GATOS
FINANCE COMMISSION REPORT

MEETING DATE: 06/08/2026

ITEM NO: 4

Item 4.

DATE: May 22, 2026
TO: Finance Commission
FROM: Chris Constantin, Town Manager
SUBJECT: 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

RECOMMENDATION:

Receive the California Employer's Pension Prefunding Trust (CEPPT) Strategy 2 Market Value Summary Report for the period ending March 31, 2026, and performance as of March 31, 2026.

BACKGROUND:

On November 5, 2019, the Town Council authorized the Town Manager to enter into an agreement with CalPERS for participation in the California Employers' Pension Prefunding Trust (CEPPT) program.

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

DISCUSSION:

Effective Fiscal Year (FY) 2015/16, Council determined that if sufficient General Fund year-end savings are available and targeted reserve levels for the Catastrophic Reserve and Budget Stabilization Reserve have been met, upon the final close of the fiscal year, a minimum of \$300,000 annually shall be deposited into the Pension/OPEB Reserve Fund. In 2018, the Council updated the General Fund Reserve Policy to provide for additional discretionary payments

PREPARED BY: Diane M. Howard
Finance Division Manager

Reviewed by: Town Manager, Town Attorney, and Administrative Services Director

PAGE 2 OF 2

SUBJECT: CEPPT Update

DATE: May 22, 2026

Strategy 2 (ADPs) of \$390,000 per year to address the unfunded pension liability. Under the updated Policy, a 20-year amortization equivalence will be achieved.

The ending CEPPT 115 Trust account balance as of March 31, 2026, was \$3,885,749.72 (Attachment 1). In addition, staff transferred \$690,000 to the CEPPT Trust on February 24, 2026. As of March 31, 2026, the CEPPT Strategy 2 fund had a net return of -3.59% for the month and 4.18% for the Fiscal Year to Date (FYTD) (Attachment 2).

This report was presented to the Town Pension and OPEB Trusts Oversight Committee at its regular meeting on June 2, 2026.

A joint Study Session was held between the Town Pension and OPEB Trust Oversight Committee and the Finance Commission, led by a Financial Advisor, to review the Pension and OPEB Trusts.

The Finance Commission reiterated its prior recommendation to the Oversight Committee on March 10, 2025, to transfer the balance of the Pension IRS 115 Trust to CalPERS and pay off the Longest Base in the Safety Plan to maximize the interest savings. The Finance Commission also recommended that the Town move from Strategy 2 to Strategy 1.

According to the December 2, 2025, Pension/OPEB Oversight Committee action, the Town will retain the funds in the CEPPT Trust until the Town concludes its Fiscal Condition Analysis and Asset Liability Management studies. After receiving and considering the studies, staff plans to explore alternative providers and investment options through an RFP process. The information presented at the study session highlighted that several public sector trust providers offer varied investment structures, account configurations, reporting tools, and fiduciary support models. Alternative trust platforms may include daily valuation, customized portfolios, broader asset classes, and individualized reporting. These features differ from the structure offered through CalPERS and could provide the Town with expanded flexibility or different oversight mechanisms. An RFP would allow the Town to obtain comparable information on investment flexibility, fiduciary services, reporting features, trust governance, and account structure across interested providers. It would also allow the Town to evaluate costs and implementation requirements in a standardized manner. An RFP would not commit the Town to change providers but would ensure that any future decision is made with a full understanding of available alternatives.

Attachments:

1. CEPPT Market Value Summary Report as of March 31, 2026
2. CEPPT Strategy 2 Performance as of March 31, 2026

Market Value Summary:

	QTD Current Period	Fiscal Year to Date
Beginning Balance	\$3,234,153.34	\$3,090,730.98
Contribution	690,000.00	690,000.00
Disbursement	0.00	0.00
Transfer In	0.00	0.00
Transfer Out	0.00	0.00
Investment Earnings	(36,409.99)	110,747.44
Administrative Expenses	(1,314.94)	(3,778.44)
Investment Expense	(678.69)	(1,950.26)
Other	0.00	0.00
Ending Balance	\$3,885,749.72	\$3,885,749.72
FY End Contribution Accrual	0.00	0.00
FY End Disbursement Accrual	0.00	0.00
Grand Total	\$3,885,749.72	\$3,885,749.72

Unit Value Summary:

	QTD Current Period	Fiscal Year to Date
Beginning Units	266,043.432	266,043.432
Unit Purchases from Contributions	55,025.060	55,025.060
Unit Sales for Withdrawals	0.000	0.000
Unit Transfer In	0.000	0.000
Unit Transfer Out	0.000	0.000
Ending Units	321,068.492	321,068.492
Period Beginning Unit Value	12.156486	11.617392
Period Ending Unit Value	12.102557	12.102557

Please note the Grand Total is your actual fund account balance at the end of the period, including accrued contribution and disbursements. Please review your statement promptly. All information contained in your statement will be considered true and accurate unless you contact us within 30 days of receipt of this statement. If you have questions about the validity of this information, please contact CEPPT4U@calpers.ca.gov.



Statement of Transaction Detail for the Quarter Ending 03/31/2026

Town of Los Gatos

Entity #: SKHE-4589482285-501P

Date	Description	Amount	Unit Value	Units	Check/Wire	Notes
02/26/2026	Contribution	\$690,000.00	\$12.539741	55,025.060	100000548016 06	

CEPPT Strategy 2



March 31, 2026

Objective

The CEPPT Strategy 2 portfolio seeks to provide capital appreciation and income consistent with its strategic asset allocation. There is no guarantee that the portfolio will achieve its investment objective.

Strategy

The CEPPT Strategy 2 portfolio is invested in various asset classes that are passively managed to an index. CalPERS periodically adjusts the composition of the portfolio in order to match the target allocations. Generally, equities are intended to help build the value of the employer's portfolio over the long term while bonds are intended to help provide income and stability of principal. Also, strategies invested in a higher percentage of equities seek higher investment returns (but assume more risk) compared with strategies invested in a higher percentage of bonds.

Compared with CEPPT Strategy 1, this portfolio has a lower allocation to equities and a higher allocation to bonds. Historically, funds with a lower percentage of equities have displayed less price volatility and, therefore, this portfolio may experience comparatively less fluctuation of value. Employers that seek greater stability of value, in exchange for possible lower investment returns, may wish to consider this portfolio.

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

Composition

Asset Class Allocations and Benchmarks

The CEPPT Strategy 2 portfolio consists of the following asset classes and corresponding benchmarks:

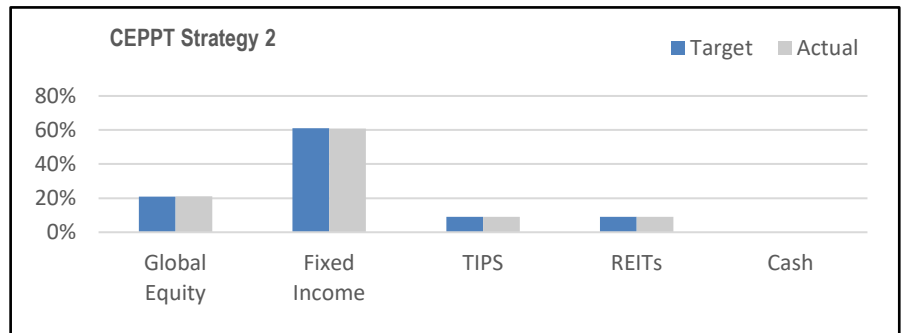
Asset Class	Target Allocation	Target Range	Benchmark
Global Equity	21%	± 5%	MSCI All Country World Index IMI (Net)
Fixed Income	61%	± 5%	Bloomberg US Aggregate Bond Index
Treasury Inflation-Protected Securities ("TIPS")	9%	± 3%	Bloomberg US TIPS Index, Series L
Real Estate Investment Trusts ("REITs")	9%	± 5%	FTSE EPRA/NAREIT Developed Index (Net)
Cash	-	+ 2%	ICE BofA US 3-Month Treasury Bill Index

Portfolio Benchmark

The CEPPT Strategy 2 benchmark is a composite of underlying asset class market indices, each assigned the target weight for the asset class it represents.

Target vs. Actual Asset Class Allocations

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



Assets Under Management

As of the specified reporting month-end:

CEPPT Strategy 2	Annual Expense Ratio
\$96,314,521	0.25%

CEPPT Strategy 2 Performance as of March 31, 2026

	1 Month	3 Months	Fiscal YTD	1 Year	3 Years*	5 Years*	10 Years*	Since Inception* (January 1, 2020)
Gross Return ^{1,3}	-3.57%	-0.39%	4.36%	8.18%	6.67%	2.58%	-	3.24%
Net Return ^{2,3}	-3.59%	-0.44%	4.18%	7.93%	6.42%	2.35%	-	3.01%
Benchmark Return	-3.61%	-0.49%	4.23%	8.00%	6.52%	2.48%	-	3.12%
Standard Deviation ⁴	-	-	-	-	7.11%	8.10%	-	7.79%

* Returns for periods greater than one year are annualized.

¹ Gross returns are net of State Street Investment Management operating expenses.

² Net returns are net of State Street Investment Management operating expenses, investment management, administrative and recordkeeping fees.

³ Expenses are described in more detail on page 2 of this document.

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

CEPPT Strategy 2



March 31, 2026

General Information

Information Accessibility

The CEPPT Strategy 2 portfolio consists of assets managed internally by CalPERS and/or by external managers. Since it is not a mutual fund, a prospectus is not available and daily holdings are not published. CalPERS provides a quarterly statement of the employer's account and other information about the CEPPT. For total market value, detailed asset allocation, investment policy and performance information, please visit our website at www.calpers.ca.gov.

Portfolio Manager Information

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

Custodian and Record Keeper

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

Expenses

CEPPT is a self-funded trust in which participating employers pay for all administrative and investment expenses. Expenses reduce the gross investment return by the fee amount. The larger the expenses, the greater reduction of investment return. Currently, CEPPT expense ratios are 0.25%. This equates to \$2.50 per \$1,000 invested. The expenses consist of administrative expenses borne by CalPERS to administer and oversee the Trust assets, investment management and administrative fees paid to State Street Investment Management to manage all asset classes, and recordkeeping fees paid to Northeast Retirement Services to administer individual employer accounts. The expenses described herein are reflected in the net asset value per unit. The expense ratio is subject to change at any time and without prior notification due to factors such as changes to average fund assets or market conditions. CalPERS reviews the operating expenses annually and changes may be made as appropriate. Even if the portfolio loses money during a period, the expenses will still be charged.

What Employers Own

Each employer invested in CEPPT Strategy 2 owns units of this portfolio, which invests in pooled asset classes managed by CalPERS and/or external advisors. Employers do not have direct ownership of the securities in the portfolio.

Price

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

Principal Risks of the Portfolio

The CEPPT fund is a trust fund dedicated to prefunding employer contributions to defined benefit pension plans for eligible state and local agencies. CEPPT is not, however, a defined benefit plan. There is no guarantee that the portfolio will achieve its investment objectives or provide sufficient funding to meet employer obligations.

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

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

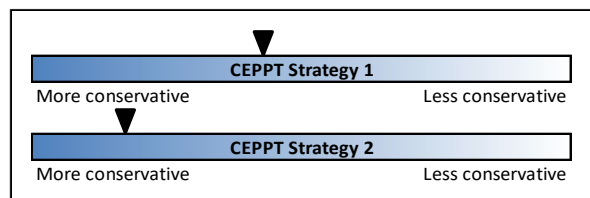
Fund Performance

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

CEPPT Strategy Risk Levels

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

Asset Class Target Allocations	Strategy 1	Strategy 2
Global Equity	37%	21%
Fixed Income	44%	61%
Treasury-Inflation Protected Securities	5%	9%
Real Estate Investment Trusts	14%	9%





TOWN OF LOS GATOS
FINANCE COMMISSION REPORT

MEETING DATE: 6/8/2026

ITEM NO: 5

Item 5.

DATE: June 8, 2026
TO: Finance Commission
FROM: Chris Constantin, Town Manager
SUBJECT: Review Proposed Changes to the Town's Investment Policy and Make a Recommendation to the Town Council

RECOMMENDATION:

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

DISCUSSION:

The Finance Commission last reviewed the Investment Policy in March 2025, with Council adoption in March 2025, adding language for medium term notes. In March of 2024, the Finance Commission and Council reviewed the policy with no recommended changes. In February 2023, the Town's Investment Policy for its operating portfolio was reviewed by the Finance Commission in February 2023 and adopted by the Council in February of 2023, changing the frequency of the reporting from quarterly to monthly to comply with California Government Code Section 41004 and adding references to Government Code Sections 53607 and 53646(b).

The Investment Policy establishes the investment scope, objectives, delegation of authority, standards of prudence, reporting requirements, internal controls, State mandated eligible investments, transactions, diversification requirements, risk tolerance, and safekeeping and custodial procedures for the investment of the operating funds of the Town. All Town funds are invested and/or will be invested in accordance with the Investment Policy and with applicable sections of the California Government Code.

The Investment Policy requires an annual review. Staff is recommending several minor edits to the Investment Policy in the Authorized Securities and Transactions, Competitive Transactions,

PREPARED BY: Eric Lemon
Finance & Accounting Manager

Reviewed by: Town Manager, Administrative Services Director, and Town Attorney

PAGE 2 OF 2

SUBJECT: Investment Policy Review and Recommendation to Town Council

DATE: June 8, 2026

and Safekeeping and Custody Sections, based on recommendations from the Town's investment advisor, to provide additional clarity in the policy's descriptions. The proposed redlined edits are shown in Attachment 1.

The Finance Commission should review the recommendation and forward it to the Town Council for its consideration.

FISCAL IMPACT:

There is no fiscal impact of reviewing and modifying the Investment Policy.

Attachment:

1. Town Investment Policy-Redlined



TITLE: Investment Policy		POLICY NUMBER: 4-02
EFFECTIVE DATE: 11/1/16		PAGES: 8
ENABLING ACTIONS: 2016-063	REVISED DATES: 5/16/17;5/15/2018; 9/3/2019; 11/03/2020, 1/17/2023, 2/21/2023, 3/25/2025, XX/XX/2026	
APPROVED:		

PURPOSE

The Town of Los Gatos (the “Town”), incorporated in 1887, is located approximately 60 miles south of San Francisco, in the southwestern portion of Santa Clara County. The Town operates under the Council/Manager form of government. The Town Council is the legislative body for the Town. It has five members elected to serve staggered four year terms. The Town Manager is appointed by the Town Council.

The Town Council has adopted this Investment Policy in order to establish the investment scope, objectives, delegation of authority, standards of prudence, reporting requirements, internal controls, eligible investments and transactions, diversification requirements, risk tolerance, and safekeeping and custodial procedures for the investment of the funds of the Town. All Town funds will be invested in accordance with this Investment Policy and with applicable sections of the California Government Code 53607 and 53646(b).

This Investment Policy was originally adopted by the Town Council of the Town of Los Gatos on November 1, 2016. Town Council adopted revisions replace any previous investment policy or investment procedures of the Town.

SCOPE

This Investment Policy applies to all of the Town's short-term operating funds. These funds are described in the Town's annual financial report and include, but are not limited to:

- General Fund
- Special Revenue Funds
- Capital Project Funds
- Debt Service Funds
- Enterprise Fund
- Internal Service Funds
- Fiduciary Funds

TITLE: Investment Policy	PAGE: 2 of 10	POLICY NUMBER: 4-02
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Specifically excluded from this Investment Policy are amounts which are held by a trustee or fiscal agent and pledged as payment or security for bonds or other indebtedness, obligations under a lease, or obligations under certificates of participation. Such funds are invested in accordance with statutory provisions, ordinance, resolution, or indenture governing the issuance of the obligations. In addition, this Investment Policy is not applicable to the Town's Deferred Compensation Plan. These investments are directed by each employee participant in accordance with the rules of the Deferred Compensation Plan.

POLICY

OBJECTIVES

The Town’s funds shall be invested in accordance with all applicable Town policies and codes, State statutes, and Federal regulations, and in a manner designed to accomplish the following objectives, which are listed in priority order:

1. Preservation of capital and protection of investment principal.
2. Maintenance of sufficient liquidity to meet anticipated cash flows.
3. Attainment of a market value rate of return.
4. Diversification to avoid incurring unreasonable market risks.

DELEGATION OF AUTHORITY

Management responsibility for the Town’s investment program is delegated annually by the Town Manager to the Town Treasurer/Finance Director (the “Treasurer”) pursuant to California Government Code Section 36510. The Treasurer may delegate the authority to conduct investment transactions and to manage the operation of the investment portfolio to other specifically authorized staff members. The Treasurer shall maintain a list of persons authorized to transact securities business for the Town. No person may engage in an investment transaction except as expressly provided under the terms of this Investment Policy.

The Treasurer shall develop written administrative procedures and internal controls, consistent with this Investment Policy, for the operation of the Town's investment program. Such procedures shall be designed to prevent losses arising from fraud, employee error, misrepresentation by third parties, or imprudent actions by employees.

The Town may engage the support services of outside investment advisors in regard to its investment program, so long as it can be demonstrated that these services produce a net financial advantage or necessary financial protection of the Town's financial resources.

PRUDENCE

The standard of prudence to be used for managing the Town's investments shall be California Government Code Section 53600.3, the prudent investor standard which states, “When

TITLE: Investment Policy	PAGE: 3 of 10	POLICY NUMBER: 4-02
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investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency.”

The Town's overall investment program shall be designed and managed with a degree of professionalism that is worthy of the public trust. The Town recognizes that no investment is totally without risk and that the investment activities of the Town are a matter of public record. Accordingly, the Town recognizes that occasional measured losses may occur in a diversified portfolio and shall be considered within the context of the overall portfolio's return, provided that adequate diversification has been implemented and that the sale of a security is in the best long-term interest of the Town.

The Treasurer and authorized investment personnel acting in accordance with written procedures and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided that the deviations from expectations are reported in a timely fashion to the Town Council and appropriate action is taken to control adverse developments.

ETHICS AND CONFLICTS OF INTEREST

Elected officials and Town employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program or could impair or create the appearance of an impairment of their ability to make impartial investment decisions. Elected officials and Town employees shall disclose to the Town Council any business interests they have in financial institutions that conduct business with the Town and they shall subordinate their personal investment transactions to those of the Town. In addition, the Town Manager and the Treasurer shall file a Statement of Economic Interests each year pursuant to California Government Code Section 87203 and regulations of the Fair Political Practices Commission.

SOCIALLY RESPONSIBLE INVESTING

In addition to and subordinate to the objectives set forth above, investment of funds should be guided by the following socially responsible investment goals when investing in corporate securities and depository institutions. Investments shall be made in compliance with the responsible investment goals to the extent that such investments achieve substantially equivalent safety, liquidity and yield compared to other investments permitted by state law.

TITLE: Investment Policy	PAGE: 4 of 10	POLICY NUMBER: 4-02
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(1) Environmental, Social Responsibility and Governance Concerns
Investments are encouraged in entities that support community well-being through safe and environmentally sound practices and fair labor practices. Investments are encouraged in entities that support equality of rights regardless of sex, race, age, disability or sexual orientation. All corporate securities within the portfolio will be monitored by an independent third-party who will provide the Town with an ESG (Environmental, Social Responsibility, and Governance) rating. The Town will prefer companies when appropriate that maintain a higher ESG rating as opposed to those companies that have a lower ESG Rating.

(2) Community Investments
Investments are encouraged in entities that promote community economic development, and investments are discouraged in entities that finance high-cost check-cashing and deferred deposit (payday-lending) businesses. Investments are encouraged in entities that have a demonstrated involvement in the development or rehabilitation of low-income affordable housing and have a demonstrated commitment to reducing predatory mortgage lending and increasing the responsible servicing of mortgage loans. Securities investments are encouraged in financial institutions that have a Community Reinvestment Act (CRA) rating of either Satisfactory or Outstanding, as well as financial institutions that are designated as a Community Development Financial Institution (CDFI) by the United States Treasury Department, or otherwise demonstrate commitment to community economic development.

AUTHORIZED SECURITIES AND TRANSACTIONS

All investments and deposits of the Town shall be made in accordance with California Government Code Sections 16429.1, 53600-53609 and 53630-53686, except that pursuant to California Government Code Section 5903(e), proceeds of bonds and any moneys set aside or pledged to secure payment of the bonds may be invested in securities or obligations described in the ordinance, resolution, indenture, agreement, or other instrument providing for the issuance of the bonds. Any revisions or extensions of these code sections will be assumed to be part of this Investment Policy immediately upon being enacted. However, in the event that amendments to these sections conflict with this Investment Policy and past Town investment practices, the Town may delay adherence to the new requirements when it is deemed in the best interest of the Town to do so. In such instances, after consultation with the Town’s attorney, the Treasurer will present a recommended course of action to the Town Council for approval. All investment limits specified in the Policy are calculated at the time of investment.

The Town has further restricted the eligible types of securities and transactions as follows:

1. United States Treasury bills, notes, bonds, or certificates with a final maturity not exceeding five years from the date of trade settlement.
2. Federal Agency Obligations for which the faith and credit of the United States are pledged for the payment of principal and interest and which have a final maturity not exceeding five years from the date of trade settlement. There is no limit on the percentage of the

TITLE: Investment Policy	PAGE: 5 of 10	POLICY NUMBER: 4-02
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portfolio that can be invested in this category, however, no more than 20% of the town’s total portfolio shall be invested in the combination of Government National Mortgage Association (GNMA), Federal National Mortgage Association (FNMA) and Federal Home Loan Mortgage Corporation (FHLMC) mortgage-backed securities.

3. Federal Instrumentality (government sponsored enterprise) debentures, discount notes, callable securities, step-up securities, and mortgage-backed securities (including FNMA and FHLMC) with a final maturity not exceeding five years from the date of trade settlement. There is no limit on the percentage of the portfolio that can be invested in this category, however, no more than 20% of the town’s total portfolio shall be invested in the combination of GNMA, FNMA, and FHLMC mortgage-backed securities.
4. Prime Commercial Paper with a maturity not exceeding ~~270~~397 days from the date of trade settlement with the highest ranking or of the highest letter and number rating as provided for by a nationally recognized statistical-rating organization (NRSRO) at the time of purchase. The entity that issues the commercial paper shall meet all of the following conditions in either sub-paragraph A. or sub-paragraph B. below:

A. The entity shall (1) be organized and operating in the United States as a general corporation, (2) have total assets in excess of five hundred million dollars (\$500,000,000) and (3) Have debt other than commercial paper, if any, that is rated “A” or higher by a NRSRO.

B. The entity shall (1) be organized within the United States as a special purpose corporation, trust, or limited liability company, (2) have program wide credit enhancements, including, but not limited to, over collateralization, letters of credit or surety bond and (3) have commercial paper that is rated “A-1” or higher, or the equivalent, by a NRSRO.

Purchases of eligible commercial paper shall not exceed:

- 10% of the outstanding commercial paper of any single corporate issuer,
- 5% of the Town’s total portfolio in the commercial paper of any one issuer, and
- 25% of the Town’s total portfolio.

5. Eligible Bankers Acceptances with a maturity not exceeding 180 days from the date of trade settlement, issued by a state or national bank with combined capital and surplus of at least \$250 million, whose deposits are insured by the FDIC, and whose senior long-term debt is rated at least A or the equivalent by a NRSRO at the time of purchase. No more than 5% of the Town’s total portfolio shall be invested in banker’s acceptances of any one issuer, and the aggregate investment in banker’s acceptances shall not exceed 30% of the Town’s total portfolio.

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6. Medium Term Notes (Corporate Notes) issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States, with a final maturity not exceeding five years from the date of trade settlement and rated at least “A” or the equivalent by a NRSRO at the time of the purchase. No more than 5% of the Town’s total portfolio shall be invested in the medium-term notes of any one issuer and the aggregate investment in medium-term notes shall not exceed 30% of the Town’s total portfolio.

7. Municipal & State Obligations:

- A. Municipal bonds including registered notes or bonds of any of the 50 states, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the 50 states.
- B. In addition, bonds, notes, warrants, or other evidences of indebtedness of any local agency in California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, operated by the local agency, or by a department, board, agency, or authority of the local agency.

Municipal bonds and state obligations must be rated at least “A” or the equivalent by a NRSRO at the time of purchase with maturities not exceeding five years from the date of the trade settlement. No more than 5% of the Town’s total portfolio shall be invested in ~~“A” rated bonds or in~~ the bonds of any one ~~municipality~~ issuer. In addition, the aggregate investment in municipal and state obligations ~~bonds~~ may not exceed 30% of the total portfolio.

8. Certificates of Deposit with a final maturity not exceeding five years from the date of trade settlement. The aggregate investment in certificates of deposit shall not exceed 30% of the Town’s portfolio, and no more than 5% of the portfolio shall be held in any one deposit or allocated to any one issuer. Certificates of Deposit shall be issued by a nationally or state-chartered bank or a state or federal savings and loan association or by a state-licensed branch of a foreign bank or by a federally licensed branch of a foreign bank provided that the senior debt obligations of the issuing institution are rated at least “A” or the equivalent by a NRSRO at the time of purchase.

Negotiable certificates of deposit issued by a nationally or state-chartered bank, or by a federally licensed or state-licensed branch of a foreign bank. Purchases of negotiable certificates of deposits are subject to the limitations of Section 53601(i), shall be fully insured by the FDIC with a corresponding FDIC certification number, and shall be delivered through the Depository Trust Company.

Non-Negotiable certificates of deposit issued by a nationally or state-chartered bank, or by a federally licensed or state-licensed branch of a foreign bank. Purchases of non-negotiable

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certificates of deposit are subject to the limitations of Sections 53601(n) and 53638 and shall be fully insured by the FDIC with a corresponding FDIC certification number. Private sector entities may be used to place certificates of deposit subject to the limitations of Section 53601.8.

9. State of California’s Local Agency Investment Fund (LAIF), pursuant to California Government Code Section 16429.1. The aggregate amount invested in LAIF shall not exceed the maximum allowed by the fund.

10. Money Market Funds registered under the Investment Company Act of 1940 that (1) are “no-load” (meaning no commission or fee shall be charged on purchases or sales of shares); (2) have a constant net asset value per share of \$1.00; (3) invest only in government securities,-and (4) have a rating of at least AAA or the equivalent by at least two NRSROs. No more than 10% of the Town’s total portfolio shall be invested in money market funds of any one issuer, and the aggregate investment in money market funds shall not exceed 20% of the Town’s total portfolio.

Securities that have been downgraded to a level that is below the minimum ratings described herein may be sold or held at the Town’s discretion. The portfolio will be brought back into compliance with Investment Policy guidelines as soon as is practical.

The foregoing list of authorized securities and transactions shall be strictly interpreted. Any deviation from it must be preapproved by resolution of the Town Council.

PORTFOLIO MATURITIES AND LIQUIDITY

To the extent possible, investments shall be matched with anticipated cash flow requirements and known future liabilities. The Town will not invest in securities maturing more than five years from the date of trade settlement, unless the Town Council has by resolution granted authority to make such an investment at least three months prior to the date of investment.

SELECTION OF BROKER/DEALERS

The Treasurer shall maintain a list of broker/dealers approved for investment purposes, and it shall be the policy of the Town to purchase securities only from those authorized firms. To be eligible, a firm must meet at least one of the following criteria:

- Be recognized as a Primary Dealer by the Federal Reserve Bank of New York or have a primary dealer within their holding company structure; or
- Report voluntarily to the Federal Reserve Bank of New York; or
- Qualify under Securities and Exchange Commission (SEC) Rule 15c3-1 (Uniform Net Capital Rule).

In addition, authorized broker/dealers must be licensed by the State of California as a broker/dealer as defined in Section 25004 of the California Corporations Code.

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The Town may engage the services of investment advisory firms to assist in the management of the portfolio and investment advisors may utilize their own list of approved broker/dealers. Such broker/dealers will comply with the selection criteria above and the list of approved firms shall be provided to the Town on an annual basis or upon request.

In the event that an external investment advisor is not used in the process of recommending a particular transaction in the Town’s portfolio, authorized broker/dealers shall attest in writing that they have received and reviewed a copy of the this Investment Policy and shall be required to submit and annually update a Town approved Broker/Dealer Information request form, which includes the firm’s most recent financial statements.

The Town may purchase commercial paper from direct issuers even though they are not on the approved broker/dealer list as long as they meet the criteria outlined in Item 4 of the Authorized Securities and Transactions section of this Investment Policy.

COMPETITIVE TRANSACTIONS

Each investment transaction shall be competitively transacted with authorized broker/dealers. Whenever possible, at least three broker/dealers shall be contacted for each transaction and their bid and offering prices shall be recorded.

~~If the Town is offered a security for which there is no other readily available competitive offering, the Treasurer will document quotations for comparable or alternative securities.~~

SELECTION OF BANKS

The Treasurer shall maintain a list of banks and savings banks approved to provide banking services for the Town. To be eligible, a bank must be a member of the Federal Deposit Insurance Corporation, must qualify as a depository of public funds in the State of California as defined in California Government Code Section 53630.5 and shall secure deposits in excess of FDIC coverage in accordance with California Government Code Section 53652.

Authorized banks that accept deposits from the Town shall meet high standards with regard to liquidity, asset quality, profitability and capital adequacy. The Treasurer shall utilize a commercial bank rating service to perform credit analysis on banks seeking authorization. Banks that in the judgment of the Treasurer no longer offer adequate safety to the Town shall be removed from the Town’s list of authorized banks.

SAFEKEEPING AND CUSTODY

The Treasurer shall select one or more financial institutions to provide safekeeping and custodial services for the Town. A Safekeeping or Custodial Agreement shall be executed with each custodian bank prior to utilizing that bank’s safekeeping services.

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Custodian banks will be selected on the basis of their ability to provide services for the Town's account and the competitive pricing of their safekeeping related services.

The purchase and sale of securities and repurchase agreement transactions shall be settled on a delivery versus payment basis. All securities shall be perfected in the name of the Town. Sufficient evidence to title shall be consistent with modern investment, banking and commercial practices.

All investment securities, purchased by the Town, will be delivered by book entry and will be held in third-party safekeeping by a Town approved custodian bank or its Depository Trust Company (DTC) participant account.

All Fed wireable book entry securities owned by the Town shall be held in the Federal Reserve System in a customer account for the custodian bank which will name the Town as "customer."

All DTC eligible securities shall be held in the custodian bank's DTC participant account and the custodian bank shall provide evidence that the securities are held for the Town as "customer."

PORTFOLIO PERFORMANCE

The investment portfolio shall be designed to attain a market rate of return throughout budgetary and economic cycles, taking into account prevailing market conditions, risk constraints for eligible securities, and cash flow requirements. The performance of the Town's investments shall be compared to the average yield on the U.S. Treasury security that most closely corresponds to the portfolio's weighted average effective maturity. When comparing the performance of the Town's portfolio, its rate of return will be computed net of all fees and expenses.

REPORTING

Every month, the Treasurer shall prepare a report that conforms to Government Code Section 41004. The report shall be submitted to the Town Clerk within 45 days after the end of each month for inclusion as an agenda item at the next scheduled Town Council meeting. The report shall include the following information:

1. Investment type, issuer, date of maturity, par value and dollar amount invested in all securities, and investments and monies held by the Town;
2. A market value as of the date of the report (or the most recent valuation as to assets not valued monthly) and the source of the valuation;
3. Realized and unrealized gains or losses calculated by amortized cost and by fair value;
4. The weighted average maturity of the portfolio and a percentage breakdown of the total portfolio by maturity;
5. A description of the funds, investments and programs that are under the management of contracted parties;

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- 6. The Town of Los Gatos Environmental, Social and Governance (ESG) scores;
- 7. A statement of compliance with this Investment Policy or an explanation for non-compliance; and
- 8. A statement of the ability to meet expenditure requirements for the next six months, and an explanation of why money will not be available if that is the case.

PROCEDURES

This Investment Policy shall be adopted by resolution of the Town Council. Annually the Town Manager shall present this Investment Policy to the Town Council and the Finance Commission for review to ensure its consistency with the Town’s investment objectives, current law and economic trends. Any amendments to this Investment Policy shall be approved by the Town Council.

APPROVED AS TO FORM:

Gabrielle Whelan, Town Attorney



TOWN OF LOS GATOS
FINANCE COMMISSION REPORT

MEETING DATE: 6/8/2026

ITEM NO: 6

Item 6.

DATE: June 8, 2026
TO: Finance Commission
FROM: Chris Constantin, Town Manager
SUBJECT: Review Proposed Changes to the Town’s General Fund Reserve Policy and Make a Recommendation to the Town Council

RECOMMENDATION:

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

DISCUSSION:

The Town’s General Fund Reserve Policy was last reviewed by the Finance Commission on October 13, 2025, and adopted by the Council on November 4, 2025. The 2025 policy revision incorporated feedback from the Finance Commission and GFOA guidance while retaining the Town’s core reserve structure. It also formally established the General Fund Unassigned Fund Balance Reserve with the 2025–26 Adopted Budget, reflecting available resources that are not allocated for other uses and can support temporary revenue shortfalls or one-time expenditures. In addition, staff recommended removing obsolete language related to the Almond Grove Reserve and established a clear order for year-end surplus deposits.

Reviewing Reserve Policies

It is a good practice to periodically review the policy. While this staff report discusses some potential changes to policy, staff note that discussion of our approach to reserving, the target amounts specified for a reserve, as well as the criteria for use of such reserve may need to be an ongoing discussion. For the purpose of the Finance Commission’s workplan, the current discussion would address the need to review the policy. However, there are more areas that may need consideration and so future discussions may be necessary to gather the commission’s perspective as we move forward. This may include consolidation of the number of reserves

PREPARED BY: Eric Lemon
Finance & Accounting Manager

Reviewed by: Town Manager, Administrative Services Director, and Town Attorney

PAGE 2 OF 2

SUBJECT: Discussion and Consideration of General Fund Reserve Policy Changes

DATE: June 8, 2026

into fewer reserve categories as well as determining whether certain reserves may benefit from being specified as committed as opposed to assigned fund balances.

Initial Staff Recommendations for the Finance Commission's Consideration

Staff is recommending one change in the Committed Fund Balance definition to remove "such as an ordinance or resolution". This change aligns the language to the GASB 54 Statement language. Staff are open to more advice and perspective from the Finance Commission as well as keeping dialog going on opportunities to refine how we maintain and fund reserves.

The Finance Commission should review the policy and consider its recommendation for Town Council's consideration.

FISCAL IMPACT:

There is no fiscal impact of reviewing and modifying the General Fund Reserve Policy.

Attachment:

1. General Fund Reserve Policy



TITLE: General Fund Reserve Policy		POLICY NUMBER: 4-03
EFFECTIVE DATE: 05/16/2011		PAGES: 7
ENABLING ACTIONS:	REVISED DATES: 02/21/2017; 05/15/2018; 06/04/2019, 09/21/2021, 11/04/2025	
APPROVED:		

PURPOSE

The purpose of this Policy is to establish a target minimum level of designated reserves in the General Fund to:

- Reduce the financial impacts associated with a disaster or catastrophic event;
- Respond to the challenges of a changing economic environment, including prolonged downturns in the local, state, or national economy
- Demonstrate continued prudent fiscal management and creditworthiness and
- Define a replenishment plan and deposit hierarchy to maintain fiscal resilience.

BACKGROUND

The Town of Los Gatos has always maintained a high level of General Fund reserves, which has contributed to superior ratings by credit rating agencies; provided financial flexibility in economic downturns; contributed a source of investment income for General Fund operations; and assured financial coverage in the event of future emergencies.

General Fund operating expenditures refer to the recurring costs necessary to support the day-to-day delivery of public services. These include personnel costs such as salaries, wages, employee benefits, and pension contributions; contracted services like legal counsel, janitorial services, and IT support; and essential operational expenses such as utilities, office supplies, and insurance. They also encompass routine maintenance, minor repairs, and programmatic costs associated with departments like police, fire, parks and recreation, and community development. These expenditures are distinct from one-time or capital costs and are typically funded through general revenues such as property taxes, sales taxes, and service fees.

TITLE: General Fund Reserve Policy	PAGE: 2 of 7	POLICY NUMBER: 4-03
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GUIDING PRINCIPLES

Following sound financial practices and adhering to the Government Finance Officers of America (GFOA) recommendations, the Town’s designated reserves include reserves for known and unknown contingencies, which take into consideration the:

- Diversity of revenue base
- Volatility of revenue structure
- Changes in political environment
- Frequency of operating surpluses/deficits
- Cash flow management practices

Transparency & Review

The General Fund Reserve Policy is to be reviewed periodically by the Town Council as part of the annual operating budget review and adoption process. Reserves are reported at the Monthly Financial and Investment Report.

POLICY

The fund balance is the difference between the assets and liabilities reported in a governmental fund. Under current accounting standards, there are five separate components of fund balance, each of which identifies the extent to which the Town is bound to honor constraints on the specific purposes for which amounts can be spent.

Government Accounting Standards Board (GASB) 54 includes a prescribed hierarchy based on the extent to which a city is bound by constraints for the use of the funds reported in governmental funds. GASB 54 provides the classification as non-spendable, restricted, committed, assigned and unassigned based on the relative strength of the constraints that control how specific amounts can be spent. The following definitions are provided in GASB 54:

- **Non-spendable**
These funds are not available for expenditures based on legal or contractual requirements.
- **Restricted**
These funds are governed by externally enforceable restrictions.
- **Committed**
Fund balances in this category are limited by the government’s highest level of decision making (in this case the Town Council). Any changes of this designation must be done in the same manner that it was implemented.
- **Assigned**
For funds to be assigned, there must be an intended use which can be established by the Town Council or an official delegated by the council.
- **Unassigned**
This classification is the default for all funds that do not fit into the other categories.

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This, however, should not be a negative number for the General Fund. If it is, the assigned fund balance must be adjusted to offset the Unassigned Fund balance.

The first two components listed above are not specifically addressed in this Policy due to the nature of their restrictions. The example of nonspendable fund balance is inventory. Restricted fund balance is either imposed by law or constrained by grantors, contributors, or laws or regulations of other governments. This Policy is focused on financial reporting of unrestricted fund balance, or the last three components listed above. These three components are further defined below.

The accounting policies of the Town consider restricted fund balance spent first when expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Similarly, when an expenditure is incurred for purposes for which amounts of the unrestricted classifications of fund balance could be used, the Town considers committed amounts to be reduced first, followed by assigned amounts and then unassigned amounts.

Committed Fund Balance

The Town Council, as the Town’s highest level of decision-making authority, may commit fund balance for specific purposes pursuant to constraints imposed by formal action taken, ~~such as an ordinance or resolution~~. These committed amounts cannot be used for any other purpose, unless the Town Council removes or changes the specific use through the same type of formal action taken to establish the commitment. The Town Council action to commit fund balance needs to occur within the fiscal reporting period; however, the amount can be determined subsequently at the final close of the fiscal year.

The Town currently sets aside funds into three omitted reserves to address unforeseen emergencies or disasters, significant changes in the economic environment, unfunded pension and Other Post-Employment Benefits (OPEB) obligations, and key infrastructure and capital projects. These include the Catastrophic Reserve, Budget Stabilization Reserve, and Pension (OPEB) Reserve.-The Town Council can commit other reserves by resolution.

Catastrophic Reserve

Funds reserved under this category shall be used to mitigate costs associated with unforeseen emergencies, such as a disaster or catastrophic event. Should unforeseen and unavoidable events occur that require the expenditure of Town resources beyond those provided for in the annual budget, the Town Manager or designee shall have authority to approve Catastrophic Reserve appropriations. The Town Manager or designee shall then present to the Town Council a budget amendment confirming the nature of the emergency and authorizing the appropriation of reserve funds. Reimbursements from the Federal Emergency Management Agency (FEMA) or other agencies shall be used to replenish the reserve.

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The Town currently commits to maintaining this reserve at a minimum of 12.5% of General Fund ongoing operating expenditures (minus one-time and pass-through expenditures).

Should a catastrophic disaster occur, the required reserve level should be adequate to meet the Town’s immediate financial needs. For example, in the event of natural disaster, the Catastrophic Reserve would provide necessary coverage for basic operating expenses, including salary and benefits for safety and non-safety Town employees, while still meeting debt service obligations for approximately 60 days. This time frame would enable the Town to explore other available cash alternatives, including the use of internal service funds.

Budget Stabilization Reserve

Funds reserved under this category shall be used to mitigate annual revenue shortfalls due to changes in the economic environment and/or one-time uses that will result in future efficiencies and/or budgetary savings. Examples of “economic triggers” and one-time uses include, but are not limited to:

- An unplanned, major event such as a catastrophic disaster requiring expenditures which exceed the General Fund Catastrophic Reserve;
- Drop in projected/actual revenue of more than five percent in property or sales tax, or other economically sensitive revenues;
- Budgeted revenue taken over by another entity exceeding \$100,000;
- Loss of businesses considered to be significant-tax generators;
- Reductions or disruption in projected/actual revenue due to actions by the state/federal government which materially impact the Town’s ability to fund current operations;
- Workflow/technical system improvements to reduce ongoing, personnel costs and enhance customer service;
- One-time maintenance of service levels due to significant economic/budget constraints; and
- One-time transitional costs associated with organizational restructuring to secure long-term personnel cost savings.

The Town currently commits to maintaining this reserve at a minimum of 12.5% of General Fund ongoing operating expenditures, including salaries and benefits (minus one-time and pass-through expenditures).

Pension/OPEB Reserve

Funds reserved under this category shall be used to further mitigate costs associated with pension and OPEB unfunded obligations. These funds will be used as a funding source for potential additional discretionary payments to pay down unfunded pension and other post-employment obligations, or held in the reserve account to be used as a supplemental funding source for increases to the annual pension and other post-employment costs resulting from future actuarial assumptions and investment market volatility, which may impair the Town’s ability to continue existing operations.

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This Policy requires the Town to set aside additional annual discretionary payments (ADPs) to reduce the effective amortization period of the Town’s pension unfunded actuarial liabilities from approximately 30 years to 20 years. To facilitate the implementation of this Policy, staff shall update the estimated unfunded amortization schedules in conjunction with the Town’s and CalPERS actuaries. This process will coincide with the annual proposed budget process to determine the additional annual discretionary payment levels required to maintain the goal of lowering the amortization period from a 30-year to a 20-year amortization period for all prior year actuarial bases through 2018-19. The ADP was projected at \$390,000 for FY 2018-19 (subject to annual updates provided by CalPERS actuaries). Per Council direction ADPs will either be allocated directly to CalPERS, the Town’s Pension IRS 115 Trust Fund, or the OPEB_IRS 115 Trust Fund.

As part of the proposed budget for each forthcoming fiscal year, staff will strive to annually appropriate, to the extent possible, the amount of annual discretionary payments necessary to maintain the unfunded pension liability amortization shortening from 30 to 20 years.

In the event the annual amount required for additional discretionary payments is not available from operating revenues, the ADP shall be funded by a first lien on any one-time excess revenues above expenditures once other General Fund required reserve levels have been established at the appropriate levels as per the Town’s General Fund Reserve Policy. If in any given year neither budgetary appropriations or a first lien on one-time excess revenues are sufficient to fund the annual ADP, that years ADP will be accrued to the following year until paid.

Additionally, effective upon the close of fiscal year 2015-16 and thereafter, if sufficient General Fund year-end savings are available and targeted reserve levels of 25% (12.5% for Catastrophic Reserve and 12.5% for Budget Stabilization Reserve) of the next fiscal year’s operating budget and the funding the following year’s proposed budget ADP have been met, upon final close of the fiscal year, a minimum of \$300,000 annually shall be deposited into the Pension/OPEB Reserve fund. In addition, Council can assign additional amount deposited to the Pension/OPEB Reserve with a formal Council action from available year end savings.

Assigned Fund Balance

Amounts that are constrained by the Town’s intent to be used for specific purposes, but are neither restricted nor committed, should be reported as assigned fund balance. This Policy hereby delegates the authority to assign amounts to be used for specific purposes to the Town Manager, for the purpose of reporting to assign amounts in the annual financial statements, with annual ratification by the Town Council. A few examples of assigned fund balance follow.

- Encumbrances – material s and services on purchase order and contracts which are unperformed.

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- Reappropriations – appropriated by the Council for specific projects or programs that were not completed and not encumbered by year end.
- GASB 31 Adjustments – \$10,000 or higher unrealized investment gains that have been recorded in the financial statements in accordance with GASB 31.

Capital Special Projects Reserve

Funds reserved under this category are designated for key infrastructure and capital/special projects as identified in the Town 5-year Capital Improvement Plan, as there is no ongoing funding source to support the Town’s capital needs.

Unassigned Fund Balance

At the end of each fiscal year, the Finance Department reports on the audited year-end budgetary fiscal results. Should actual General Fund revenues exceed expenditures and encumbrances, a year-end operating surplus shall be reported. Any year-end surplus which results in the General Fund balance exceeding the level required by this Reserve Policy shall be available for allocation for the following, subject to Council approval:

- Offset projected future deficits
- Anticipated intergovernmental fiscal impacts
- One-time funding, non-recurring needs

This policy allows for Unassigned fund balances and places no specific restriction on their use. The unassigned fund balance is established at \$4,000,000 with the FY 2025-26 budget process to cover needs and support ongoing operations during the upcoming fiscal year. Use of unassigned fund balances must be approved by the Town Council.

Upon funding any of the above reserve levels pursuant to this General Fund Reserve Policy, any remaining surplus of fiscal year revenues above expenditures shall be placed in the Unassigned Fund Balance. Upon closing the fiscal year, the Council can reassigned portion of the Unassigned Fund Balance for Town liabilities or initiatives.

Surplus Allocation Hierarchy

After funding carryforwards and legally restricted uses, year-end surpluses shall be allocated in the following order:

1. Catastrophic Reserve
2. Budget Stabilization Reserve
3. Pension/OPEB Reserve
4. Unassigned Fund Balance

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5. Other Council-prioritized reserves

Replenishment of-Reserves

In keeping with the principles discussed in this Policy, when either fund is used, Town Council will develop a 1 to 5 year reserve replenishment plan to meet the minimum threshold of 25% of General Fund ongoing, operating expenditures, excluding one-time expenditures. Temporary exceptions to the minimum may be allowed for one fiscal year with an adopted restoration schedule.

APPROVED AS TO FORM:

Gabrielle Whelan, Town Attorney