

**TOWN OF LOS GATOS  
FINANCE COMMISSION SPECIAL MEETING  
AGENDA  
AUGUST 05, 2024  
110 EAST MAIN STREET  
TOWN COUNCIL CHAMBERS  
12:00 PM**

*Phil Koen, Chair  
Linda Reiners, Vice Chair  
Andrew Howard, Commissioner  
Ashby Monk, Commissioner  
Joe Rodgers, Commissioner  
Matthew Hudes, Vice Mayor  
Rob Rennie, 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 through the Zoom Webinar by following the instructions listed below.

**HOW TO PARTICIPATE**

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

**Zoom Webinar (Online):** Join from a PC, Mac, iPad, iPhone or Android device. Please click this URL to join: [https://losgatosca-](https://losgatosca.gov.zoom.us/j/85253347404?pwd=2two1zfAlUNHgVYRBeSsDeOzd25ALf.1)

[gov.zoom.us/j/85253347404?pwd=2two1zfAlUNHgVYRBeSsDeOzd25ALf.1](https://losgatosca.gov.zoom.us/j/85253347404?pwd=2two1zfAlUNHgVYRBeSsDeOzd25ALf.1)

Passcode: 327301 You can also type in 852 5334 7404 in the “Join a Meeting” page on the Zoom website at and use passcode 327301.

- 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 (877) 3361839 for US Toll-free or (636) 651-0008 for US Toll. (Conference code: 686100)

- If you are participating by calling in, press #2 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:** (1) Comments will be limited to three (3) minutes or less at the Chair’s discretion.

(2) If you are unable to participate in real-time, you may email to [Clerk@losgatosca.gov](mailto: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.

(3) Deadline to submit written comments is:

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

(4) Persons wishing to make an audio/visual presentation must submit the presentation electronically to [Clerk@losgatosca.gov](mailto:Clerk@losgatosca.gov) no later than 10:00 a.m. on the day of the meeting.

## **CALL MEETING TO ORDER**

## **ROLL CALL**

**APPROVE REMOTE PARTICIPATION** *(This item is listed on the agenda in the event there is an emergency circumstance requiring a Commissioner to participate remotely under AB 2449 (Government Code 54953)).*

**VERBAL COMMUNICATIONS** *(Members of the public may address the Commission only on the items listed on the agenda. Remarks shall be limited to three minutes, or such time authorized by the Chair.)*

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

1. Discuss the Draft Resolution and Correspondence from the Finance Commission Chair dated June 29, 2024 that was Presented to the Town Council Regarding a Proposed Tax Measure, Including the Finding that Town Revenues Have Not Kept Pace with the Costs of Providing Town Services and Programs to Residents and to Review Staff's Documentation which Supports this Finding.
2. Review the Status of the Enterprise Resource Planning (ERP) System Upgrade Project (6101) Including But Not Limited to Reviewing the Statement of Work, Projected Cost Versus Approved Capital Plan, and Timing for Implementation Versus Approved Implementation Plan.
3. Review of Select High Dollar Value Capital Projects in the FY 25 CIP Budget as to Current Status versus the Originally Approved Capital Plan and to Better Understand the Capital Project Tracking and Reporting Process.

## **ADJOURNMENT**

**ADA NOTICE** In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the Clerk's Office at (408) 354- 6834. Notification at least two (2) business days prior to the meeting date will enable the Town to make reasonable arrangements to ensure accessibility to this meeting. [28 CFR §35.102-35.104]



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

MEETING DATE: 08/05/2024

ITEM NO: 1

Item 1.

DATE: July 31, 2024  
TO: Finance Commission  
FROM: Laurel Prevetti, Town Manager  
SUBJECT: Discuss the Draft Resolution and Correspondence from the Finance Commission Chair dated June 29, 2024 that was Presented to the Town Council Regarding a Proposed Tax Measure, Including the Finding that Town Revenues Have Not Kept Pace with the Costs of Providing Town Services and Programs to Residents and to Review Staff's Documentation which Supports this Finding.

**RECOMMENDATION:**

Discuss the Draft Resolution that was presented to the Town Council regarding a potential tax measure, including the statement that revenues have not kept pace with Town expenses.

**BACKGROUND:**

The Finance Commission Chair requested the topic as described in the subject line above on the agenda for this Finance Commission Special Meeting.

Consistent with its Strategic Priorities for Fiscal Years (FY) 2023 through 2025, the Town Council has been discussing a potential revenue ballot measure for over a year. On July 1, 2024, the Council decided not to move forward. The July 1<sup>st</sup> meeting information can be found at :

<https://mccmeetings.blob.core.usgovcloudapi.net/losgatos-pubu/MEET-Packet-f28b4d8d27984eb1a497d3481f1fad0b.pdf>

The Chair has requested documentation for the statement in the proposed ballot measure resolution that "revenues have not kept pace with expenditures" (see Attachment 1, correspondence from the Chair). This report reviews the data that have been presented to the Finance Commission and Town Council previously regarding this topic.

**PREPARED BY:** Gitta Ungvari  
Finance Director

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

PAGE 2 OF 8

SUBJECT: Discussion of the Draft Resolution of a Tax Measure

DATE: July 31, 2024

BACKGROUND (continued):

The Chair has also requested the link to the most recent Annual Comprehensive Financial Report (ACFR): (<https://www.losgatosca.gov/DocumentCenter/View/37241/FY-202223-ACFR?bidId=>) and the Government Financial Officers Association (GFOA) information related to Governmental Accounting Standards Board Statement (GASB) #34: (<https://www.gasb.org/page/PageContent?pageId=/standards-and-guidance/pronouncements/summary-statement-no-34.html>).

The Town's ACFR for the period ending June 30, 2023 received the Government Finance Officers Association Distinguished Award. This award signifies that the Town's Report meets and exceeds the GFOA standards of financial reporting. The Town has been awarded the distinction every year since 1994.

The ACFR displays strong fiscal management of the Town's resources, living within our existing means. The ACFR assesses actual past performance of a given fiscal year. This past perspective does not inform future trends.

DISCUSSION:

The resolution language is based on professional analyses of the Town's finances, forecast information provided by qualified agencies (such as the Tax Assessor, CalPERS, etc.), and other data. The Finance Commission and Town Council have multiple opportunities each year to review revenue and expenditure trends, including and not limited to the Annual Budget, Mid-Year Budget, Five-Year Forecast, and the Annual Comprehensive Financial Report (ACFR). Staff has repeatedly disclosed its concerns about the Town's revenues not keeping pace with expenditures.

The Town is highly dependent on economically sensitive revenues (property tax, sales tax, and Transient Occupancy Tax (TOT) comprising 62.5% of General Fund forecasted revenues. The delivery of Town services is highly dependent on employee talent, which comprise 67.4% of the FY 2024/25 General Fund expenditures. The following high-level review focuses on analyzing the trend of the above-mentioned key drivers.

Focusing on the key drivers prevents the fluctuations of one-time revenues and expenditures from skewing the trend data, as fiscally responsible agencies aim to ensure ongoing expenditures can be covered with recurring revenues rather than one-time revenues. While one-time solutions can solve near term shortfalls, the best practice is to build a structurally balanced forecast where recurring revenues (the portion of the Town's revenues that can reasonably be expected to continue year to year with some degree of predictability) equal or exceed recurring expenditures (salaries, benefits, and other operational expenditures).



SUBJECT: Discussion of the Draft Resolution of a Tax Measure

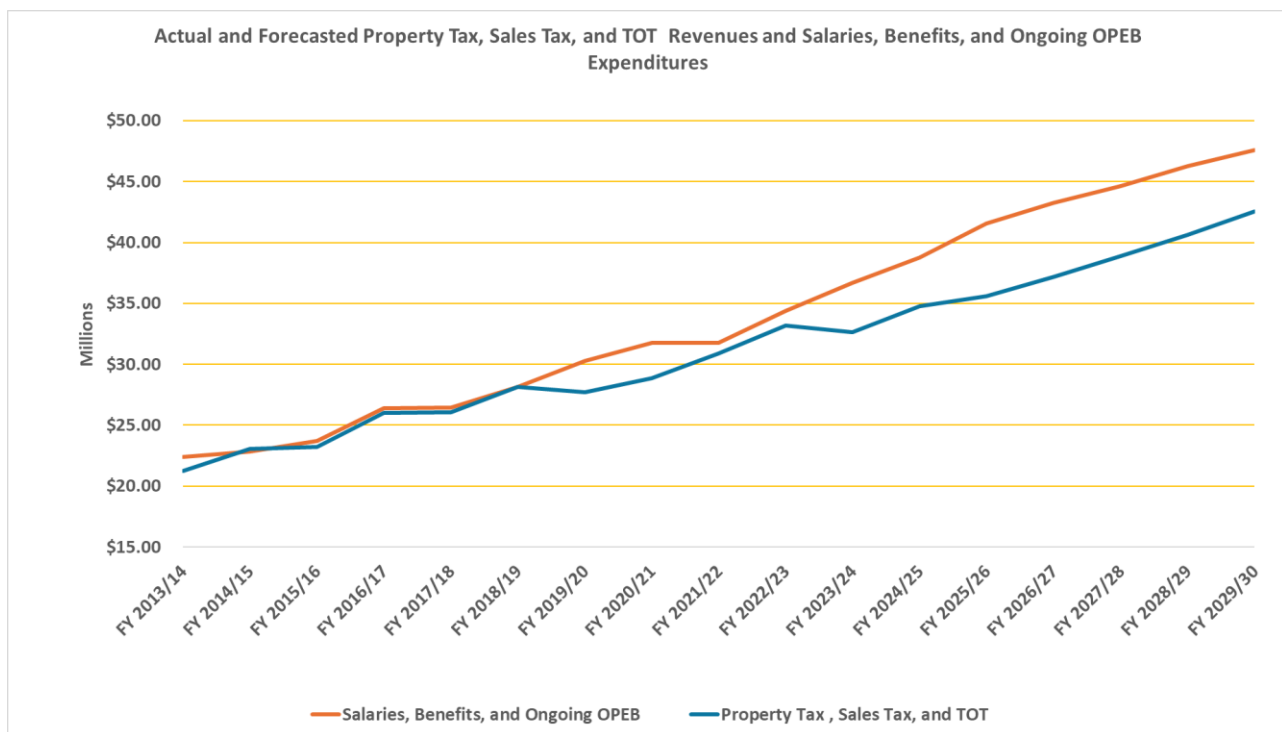
DATE: July 31, 2024

DISCUSSION (continued):

This report covers past and future trends, General Fund Reserves, and other liabilities.

Past Trends

The following graph shows actual major revenues (property tax, sales tax, and Transient Occupancy Tax) revenues and major expenditures (salaries, benefits, and Post Employment Benefits) from FY 2013/14 through FY 2022/23, and projected revenues and expenditures to FY 2029/30.



The orange line represents salaries, benefits, ongoing Other Post Employment Benefit (OPEB), and pension-related costs. It is important to note that the increase is not due to hiring significant numbers of new employees; it is that the cost per employee is increasing. In particular, mandated pension payments to CalPERS have consistently been one of the major cost drivers for the Town over the past decade with persistent unanticipated increases in pension costs (see Attachment 2).

The expense line has been moderated by the proactive actions of the Town Council to make Additional Discretionary Payments (ADPs) to address the Town's unfunded pension liability. Specifically, in FY 2013/14, the Council directed the payment of a Safety side fund valued at

PAGE 4 OF 8

SUBJECT: Discussion of the Draft Resolution of a Tax Measure

DATE: July 31, 2024

DISCUSSION (continued):

\$4.5 million. In FY 2019/20, the Council paid an ADP of \$4.8 million and in FY 2020/21, an ADP of \$5.6 million was authorized.

While the early years on the graph show revenues and expenditures tracking closely together, consistently since FY 2019/20, the major revenues have not kept pace with the major expenditures.

Future Trends

The revenue and expenditure trends are explained in every Town Operating Budget. In addition, the Town Council discusses the Five-Year Forecast prior to the preparation of the Operating Budget. Projected revenues and expenses are discussed based on data from the Tax Assessor, sales tax consultants, CalPERS information, and other credible sources. It is a municipal best practice to complete a forecast to understand trends, identify potential headwinds, and anticipate future challenges. In this way, the Town Council can understand how the budget decisions of today impact the budgets of tomorrow.

Since 2019, staff has analyzed the sensitivity of the major revenues and expenses as part of the Forecast. In this way, the Town Council could decide the level of optimism or pessimism it would like to assume in the Forecast. In recent years, the Finance Commission has also had the opportunity to review the sensitivity analysis and provide recommendations to the Town Council.

It is very important that the approach to the Forecast and the underlying assumptions are clear, analyzing the risk between being objective versus conservative.

During the last couple of years, the Town Council changed elements of the budgeting and forecasting methodology. Starting FY 2020/21, the salaries are budgeted and forecasted at actual salary plus one step higher. Beginning FY 2023/24, the Budget and the Forecast included a 4.6% vacancy factor, moving toward a less conservative approach. In addition, for FY 2024/25, the Council directed that the growth assumption for regular property tax and Vehicle in Lieu change from 3% to 6.6% based on the Finance Commission's recommendations.

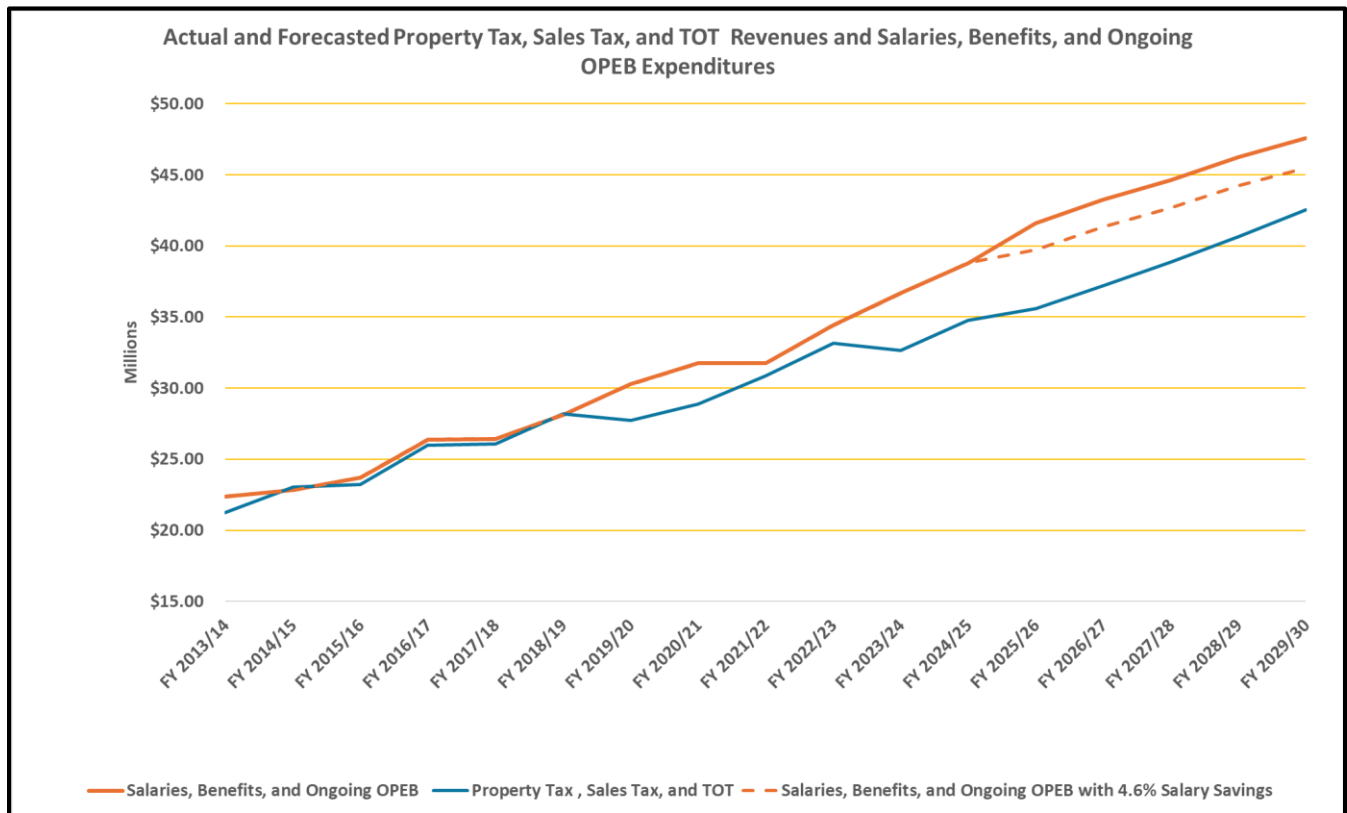
The FY 2024/25 Adopted Budget reflects the recently updated three-year contract with the Police Officers Association, including salary increases and annual cost of living increases. The Adopted Budget does not include cost of living or other adjustments for the Town's other two bargaining units or the non-represented groups. After the labor agreements are considered by Town Council, the salary and benefit expenditures will be adjusted for the current year and in the Forecast to reflect the applicable increases.

SUBJECT: Discussion of the Draft Resolution of a Tax Measure

DATE: July 31, 2024

DISCUSSION (continued):

The following graph depicts the past actual major revenues (blue line) and expenditures (orange line) along with the budgeted (FY 2024/25) and forecasted major revenues and expenditures. The dotted orange line shows the effect of the 4.6 % vacancy savings factor that was incorporated into the budget beginning FY 2023/24. These are the same data presented in the Forecast contained in the FY 2024/25 Adopted Budget.

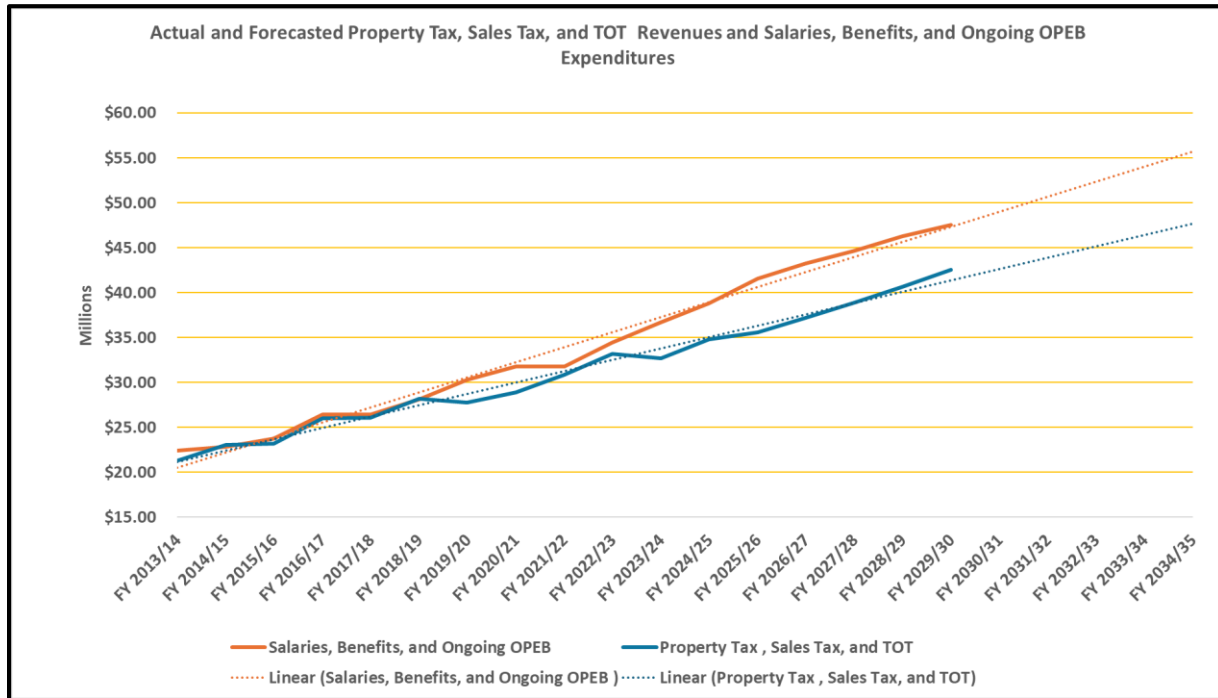


In the next chart, trendlines are fitted to the graphs to determine the slope of the actual growth projections for major revenues (blue) and expenditures (orange). The trendline shows expenditures outpacing revenues.

PAGE 6 OF 8

SUBJECT: Discussion of the Draft Resolution of a Tax Measure

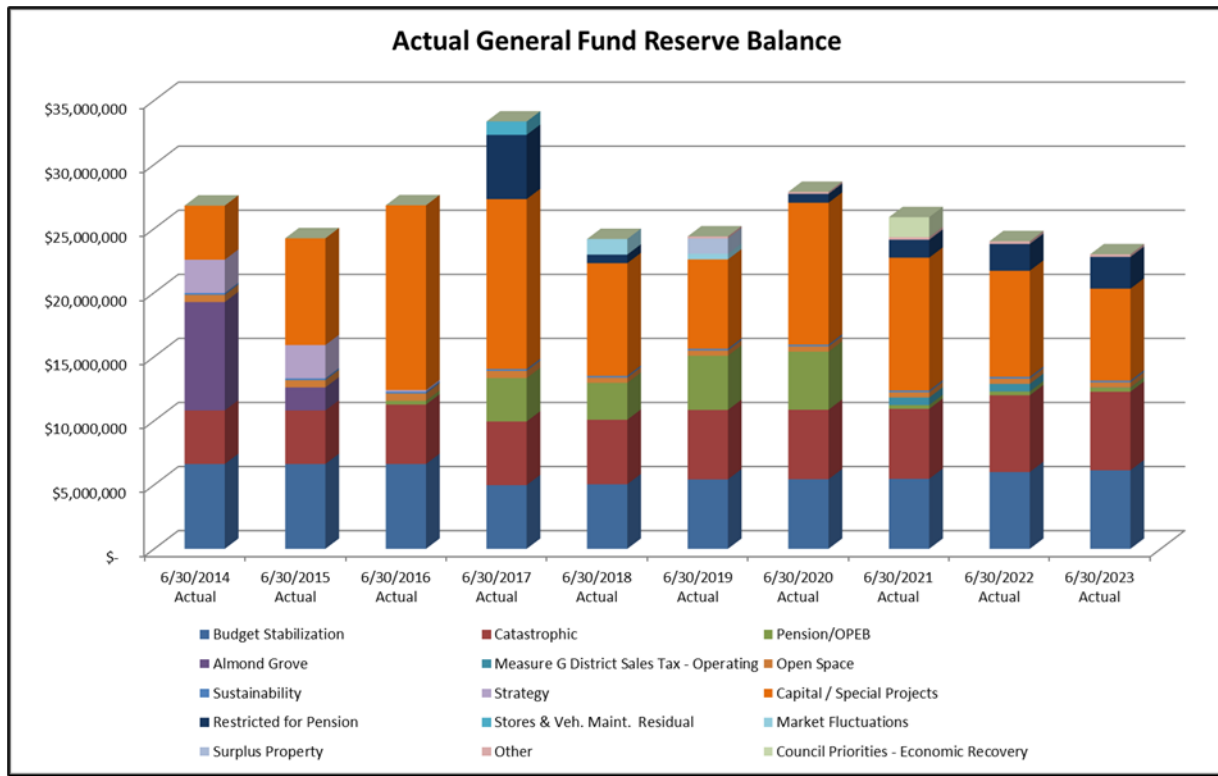
DATE: July 31, 2024

DISCUSSION (continued):General Fund Reserves

Local governments are required by law to have balanced budgets. Deficit spending is not a legal option. The Town manages its budget during the year, including budget adjustments considered by the Town Council throughout the year to ensure adequate resources for the consistent delivery of services and to cover unforeseen expenses. Because the Town only spends what has been budgeted, surpluses result every year. Larger surpluses are also due to vacancy savings and stronger revenues than budgeted.

The Town uses the Capital/Special Projects General Fund Reserve to pay for most budget adjustments. This is also the Reserve that contributes to the Town's annual Capital Improvement Program. The General Fund Reserve balances are shown in the chart below, showing a total downward trend since June 30, 2020.

General Fund Reserves were established by Town Council action and are governed by the General Fund Reserve Town Council Policy. The Reserves are categorized as legally restricted, committed, and assigned. Each Reserve has a specific purpose as described in the Adopted Budget. One-time uses are appropriate for the Reserves and not ongoing expenditures.

DISCUSSION (continued):Other Liabilities

In addition to salary, benefits, pension, and OPEB as key drivers for the Town's expenses, the Town is also experiencing increased general liability insurance premiums and workers' compensation claims costs. Over the last year, the Town has made significant progress to contain its workers' compensation costs by increasing worker safety programs and resolving cases. We continue to monitor these cases and implement other mechanisms to reduce risk of injury to employees. These costs are built into the Operating Budget and the Five-Year Forecast.

As resources allow and Council priorities direct, the Town is very slowly working through its infrastructure backlog and the maintenance needs for Town facilities and other assets (not including life cycle replacements). The current total estimate of this work is \$76.5 million, broken down as follows:

- Americans with Disability Needs: \$27.0 million
- Town Facilities Maintenance: 23.6 million
- Stormwater Infrastructure: 16.5 million
- Pavement Maintenance: 9.4 million

PAGE 8 OF 8

SUBJECT: Discussion of the Draft Resolution of a Tax Measure

DATE: July 31, 2024

CONCLUSION:

Staff continues to closely monitor expenditures and revenues throughout the year. In considering past and future trends, it is staff's responsibility to alert the Finance Commission and the Town Council of potential concerns.

Staff looks forward to the Commission's questions and discussion.

Attachments:

1. Communications from the Chair
2. Pension Information

From: [Phil Koen](#)  
 To: [Gitta Ungvari](#)  
 Cc: [Linda Reiners](#); [Laurel Prevetti](#); [Gabrielle Whelan](#); [Mary Badame](#)  
 Subject: [Re: August Finance Commission](#)  
 Date: Thursday, July 4, 2024 11:59:50 AM  
 Attachments: [inky-injection-inliner-6f42d488d748cfd86b9f9497ca9f6a.png](#)  
[inky-injection-inliner-209b06d63f3139b7bbda7129634c80da.png](#)

[EXTERNAL SENDER]

Hello Gita,

If we could target the FC meeting for August 5 from noon - 3 pm that would be best. I know that this is a departure from our traditional schedule, but I think it might accommodate some member's schedule.

In addition to the agenda items I mentioned, could we also add an item for the Finance Commission to review my June 29 email as Chair to the Town Council regarding the sales tax measure since they did not have an opportunity to do so. I would specifically request Staff to provide the supporting back up material which substantiates the claim the Town's revenues have not kept pace with expenditures over the years since I specifically called this out in my correspondence. We need to understand the basis for this claim.

Thank you for your assistance.

Phil Koen

On Jul 2, 2024, at 9:23 AM, Gitta Ungvari <[GUNgvari@losgatosca.gov](mailto:GUNgvari@losgatosca.gov)> wrote:



Good morning Chair,

Our regular Finance Commission meeting is set for the second Monday of the month. The schedule approved previously for the Finance Commission did not include any meeting for the month of August. I will check the Commissioners' availability for a Special Finance Commission meeting on August 5<sup>th</sup>.

I will let you know as soon as I hear back from them.

Thanks,

Gitta

From: Phil Koen [REDACTED]  
 Sent: Tuesday, July 2, 2024 8:48 AM  
 To: Gitta Ungvari <[GUNgvari@losgatosca.gov](mailto:GUNgvari@losgatosca.gov)>  
 Cc: Laurel Prevetti <[LPrevetti@losgatosca.gov](mailto:LPrevetti@losgatosca.gov)>; Nicolle Burnham <[NBurnham@losgatosca.gov](mailto:NBurnham@losgatosca.gov)>; Linda Reiners [REDACTED]; Mary Badame <[MBadame@losgatosca.gov](mailto:MBadame@losgatosca.gov)>; Gabrielle Whelan <[GWhelan@losgatosca.gov](mailto:GWhelan@losgatosca.gov)>  
 Subject: August Finance Commission

[EXTERNAL SENDER]

Hello Gitta,

Now that the FY 2025 budget cycle is behind us, I would like to schedule a Finance Commission meeting for Monday August 5. The agenda will be to approve minutes from prior meetings, and two new agenda items - 1) detail review of the 7 capital projects highlighted in yellow in the attachment and 2) review of the ERP project.

Could you please check availability of the rest of the Commission to see if they can attend on August 5. Both Linda and I are available.

Under a separate email I will provide more direction regarding the information we would like to have presented to the FC for the capital projects.

Thank you for your assistance.

Phil Koen  
Chair



**From:** [Phil Koen](#)  
**To:** [Gitta Ungvari](#)  
**Cc:** [Laurel Prevetti](#); [Gabrielle Whelan](#); [Linda Reiners](#)  
**Subject:** Supporting documentation  
**Date:** Monday, July 8, 2024 6:09:18 AM  
**Attachments:** [Pages from Pages from MEET-Packet-f28b4d8d27984eb1a497d3481f1fad0b\(2\).pdf](#)

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[EXTERNAL SENDER]

Gitta,

As part of the August 5 agenda, I would request staff to present the documentation that supports the statement revenues have not kept pace with costs of providing Town services over the years. While the resolution was not passed, it is important to understand the basis for this statement since it is claimed to be a true statement. For the record, this resolution was never presented to the FC during our discussion of the sales tax measure.

In my letter to the TC, I specifically pointed out the claim was not supported by the audited financial statements. Since monitoring and understanding the Town's financial position is core to the FC's charter, I believe this statement needs to be examined and understood by the FC.

Looking forward to hearing confirmation of our meeting on August 5 and the inclusion of this on the agenda.

Thank you,

Phil Koen

RESOLUTION NO. \_\_\_\_\_

**A RESOLUTION OF THE TOWN COUNCIL OF THE TOWN OF LOS GATOS, CALIFORNIA,  
SUBMITTING A SUPPLEMENTAL GENERAL TRANSACTIONS AND USE TAX MEASURE  
TO THE VOTERS AT THE TUESDAY, NOVEMBER 5, 2024,  
GENERAL MUNICIPAL ELECTION**

**WHEREAS**, Town of Los Gatos residents have indicated that the quality of life in Los Gatos is highly valued; and

**WHEREAS**, the costs of providing Town services and programs to residents have significantly increased over the years and Town revenues have not kept pace; and

**WHEREAS**, additional locally controlled funding would allow the Town to maintain and enhance critical public safety services and infrastructure; and

**WHEREAS**, the Town seeks to maintain and improve public safety services; and

**WHEREAS**, the Town also seeks to maintain and improve emergency services, including protection against wildfire and storm hazards; and

**WHEREAS**, the Town also seeks to help fund infrastructure programs improving traffic flow and mobility to relieve congestion;

**WHEREAS**, Government Code section 53724 and Revenue & Taxation Code section 7285.9 authorize the Town Council to submit to the qualified voters of the Town for their approval a proposed transactions and use tax; and

**WHEREAS**, locally-enacted funding sources such as a voter-approved transactions and use tax are not subject to seizure by the State or County; and

**WHEREAS**, the Town Council desires to submit to the qualified voters of the Town a proposed one-eighth of one percent (0.125%) Transactions and Use Tax (the "Tax") to be collected in addition to the existing one-eighth of one percent (0.125%) Transactions and Use Tax currently being collected within the Town; and

**WHEREAS**, the Tax must be approved by the electorate to be effective; and

**WHEREAS**, the Town Council also desires to submit to the qualified voters of the Town on the same ballot as the proposed Tax measure a proposed non-binding advisory measure ("the Advisory Measure") asking the voters whether they would prefer the revenues from the Tax measure, should it pass, to be spent on certain identified priorities; and

**WHEREAS**, by Resolution 2024-029, the Town Council of the Town of Los Gatos called a municipal election to be held on Tuesday, November 5, 2024, (“the Election”) and requested the Board of Supervisors of the County of Santa Clara to consolidate the election with the General Statewide election; and

**WHEREAS**, the consolidated municipal election will be held, regulated, and conducted in accordance with the provisions of the law as provided in Resolution 2024-029.

**NOW THEREFORE, BE IT RESOLVED**, that the Town Council orders as follows:

**Section 1.** The Town Council finds and determines that each of the findings set forth above are true and correct.

**Section 2.** The Town Council hereby submits the proposed ordinance set forth in Exhibit A, attached hereto and incorporated in this Resolution by this reference, to the qualified voters of the Town at the Election, and orders the following question to be submitted to the voters at the Election and appear on the ballot immediately after the Advisory Measure:

“To maintain/enhance Los Gatos essential services, including Police/emergency services, rapid 911 response, wildfire/storm hazard prevention/protection, infrastructure to reduce traffic congestion, and for general government use, shall the measure enacting a 1/8 cent sales tax (0.125%), raising approximately \$1 million annually, ending in 20 years, with mandatory annual audits, independent resident oversight, and all funds controlled locally in Los Gatos, be adopted?”	YES
	NO

The measure requires a majority of the qualified voters voting on the measure to pass.

**Section 3.** The “full text” of the proposed ordinance shall appear in the Voter Information Pamphlet. The “full text” of the proposed ordinance is attached to this resolution as “Exhibit A.”

**Section 4.** Pursuant to Elections Code section 9280, the Town Council hereby directs the Town Clerk to transmit a copy of the measure to the Town Attorney. The Town Attorney shall prepare an impartial analysis of the measure, not to exceed 500 words in length, showing the effect of the measure on the existing law and the operation of the measure, and transmit such impartial analysis to the Town Clerk on or before 4:00 p.m. on August 12, 2024.

**Section 5.** Pursuant to Elections Code Section 9286 et. seq., August 12, 2024, at 4:00 p.m. shall be the deadline for submission of arguments in favor of, and arguments against, this measure. Arguments in favor of or against the measure shall not exceed 300 words in length. The Mayor, or her designee(s), is hereby authorized to prepare a written argument in favor of the proposed

measure on behalf of the Town Council. At the Mayor's discretion, the Argument may also be signed by bona fide associations or by individual voters who are eligible to vote in the Town of Los Gatos. Each argument shall be signed, filed with the Town Clerk, and include the printed name(s) and signature(s) of the author(s) submitting the argument. If more than one argument for or against is received, the priorities established by Elections Code section 9287 shall control.

**Section 6.** Subdivision (a) of section 9285 of the Elections Code shall apply to the Election and shall control the submission of any rebuttal arguments for this measure. If an argument in favor and an argument against the measure have been selected to be printed in the voter information guide, the Clerk shall send a copy of the argument in favor of the measure to the authors of the argument against the measure and a copy of an argument against the measure to the authors of the argument in favor of the measure. The rebuttal authors or persons designated by them may prepare and submit rebuttal arguments not to exceed 250 words in length. Rebuttal arguments must be submitted not later than August 19, 2024, by 4:00 p.m. This Section shall apply only to the election to be held on November 5, 2024, and shall then be repealed.

**Section 7.** Pursuant to Elections Code section 10002, the Town Council hereby requests the Board of Supervisors of the County of Santa Clara to make available the services of the Registrar of Voters for the purpose of performing the usual services necessary in the conduct of the consolidated general municipal election, including the provisions of election supplies and voters' pamphlets; and that upon approval of such requests, the Registrar of Voters of the County of Santa Clara shall be reimbursed for all costs incurred by said services.

**Section 8.** Pursuant to the Elections Code commencing with section 10400, the Town Council hereby requests the Board of Supervisors of the County of Santa Clara to order the consolidation of the general municipal election to be conducted within the boundaries of the Town of Los Gatos on November 5, 2024, with respect to which the Board of Supervisors of the County of Santa Clara has the power to order a consolidation. The Town Council further consents to and orders the consolidation of the general municipal election hereby called with the statewide general election and acknowledges that the consolidated election will be held and conducted in the manner prescribed in Elections Code section 10418.

**Section 9.** The Town Clerk is hereby authorized and directed to publish a notice of the general municipal election within the time and in the manner specified in the Elections Code Section 12112. The Town Clerk is further authorized and directed to do all other things required by law to hold the general municipal election above provided.

**Section 10.** The Town Clerk is hereby authorized and directed to certify to the adoption of this resolution and to transmit a certified copy to the Board of Supervisors of the County of Santa Clara and to the Registrar of Voters of the County of Santa Clara.

**Section 11.** That the Town Manager is authorized to negotiate and execute an agreement with the California Department of Tax and Fee Administration (formerly the Board of Equalization) in

accordance with Revenue and Taxation Code section 7270 to perform all functions incident to the administration and operation of the ordinance if adopted.

**PASSED AND ADOPTED** at a special meeting of the Town Council of the Town of Los Gatos this 1<sup>st</sup> day of July, 2024 by the following vote:

COUNCIL MEMBERS:

AYES:

NAYS:

ABSENT:

ABSTAIN:

SIGNED:

MAYOR OF THE TOWN OF LOS GATOS  
LOS GATOS, CALIFORNIA

DATE: \_\_\_\_\_

ATTEST:

TOWN CLERK OF THE TOWN OF LOS GATOS  
LOS GATOS, CALIFORNIA

DATE: \_\_\_\_\_

From: Phil Koen  
 To: Linda Reiners; Joseph Rodgers; Ashley Monk; Andrew Howard; Matthew Hudes; Bob Rennie  
 Cc: Laurel Prevetti; Gitta Ungvari; Gabrielle Whelan; Wendy Wood  
 Subject: Fwd: August Finance Commission Meeting  
 Date: Wednesday, July 10, 2024 11:51:05 PM  
 Attachments: [inky-injection-inliner-6f42d488d348cfc086b6f9497caf9f6a.png](#)  
[inky-injection-inliner-209b06d53f3139b7b0da7129634c80da.png](#)  
[image001.png](#)  
[image002.png](#)

[EXTERNAL SENDER]

Dear members of the FC,

Hopefully you have received a notice from Gitta that I would like to schedule a special meeting of the FC for August 5 from noon to 2 pm. at the Council Chambers.

The meeting will be focused on three items - 1) a discussion of my letter as Chair to the TC regarding the sales tax proposal and the proposed resolution drafted by Staff. While the TC voted not to proceed, it is still appropriate to review and discuss the letter and resolution since the FC was unable to do so prior to it being sent. There were a number of points raised that I believe are worthy of a short discussion; 2) a status review of the largest capital projects currently in flight. I don't believe there has ever been a detail status review of individual projects outside a budgeting cycle by the FC. I have submitted to Gitta a proposed list of the projects to review., and 3) a review of the ERP System implementation including a discussion of objectives, project scope, time phased deliverables, overall project timeline, known risks and actual spend vs approved budget. We have heard for sometime that the Town needs a new ERP platform. This will be our first opportunity to learn more about this critical project.

I am allocating 15 minutes to agenda item 1, 75 minutes to agenda item 2 and 30 minutes to agenda item 3. My hope is that we can conclude the meeting by 2pm.

Please do not respond to this email. This is meant to provide information only. I hope all of you will be able to attend.

Thank you,

Phil Koen  
 Chair

Begin forwarded message:

From: Gitta Ungvari <Gungvari@losgatosca.gov>  
 Date: July 8, 2024 at 8:48:00 PM GMT+1  
 To: Phil Koen [REDACTED]  
 Subject: RE: August Finance Commission Meeting



Good afternoon Chair,

I have confirmed that the Council Chamber will be available on August 5, 2024 at noon. I have reached out to the Commissioners with the new time. I will let you know as I hear back from them.

Thanks,

Gitta

From: Phil Koen [REDACTED]  
 Sent: Thursday, July 4, 2024 12:00 PM  
 To: Gitta Ungvari <Gungvari@losgatosca.gov>  
 Cc: Linda Reiners [REDACTED]; Laurel Prevetti <LPrevetti@losgatosca.gov>; Gabrielle Whelan <GWhelan@losgatosca.gov>; Mary Badame <MBadame@losgatosca.gov>  
 Subject: Re: August Finance Commission

[EXTERNAL SENDER]

Hello Gita,

If we could target the FC meeting for August 5 from noon - 3 pm that would be best. I know that this is a departure from our traditional schedule,

but I think it might accommodate some member's schedule.

In addition to the agenda items I mentioned, could we also add an item for the Finance Commission to review my June 29 email as Chair to the Town Council regarding the sales tax measure since they did not have an opportunity to do so. I would specifically request Staff to provide the supporting back up material which substantiates the claim the Town's revenues have not kept pace with expenditures over the years since I specifically called this out in my correspondence. We need to understand the basis for this claim.

Thank you for your assistance.

Phil Koen

On Jul 2, 2024, at 9:23 AM, Gitta Ungvari <[GUngvari@losgatosca.gov](mailto:GUngvari@losgatosca.gov)> wrote:



Good morning Chair,

Our regular Finance Commission meeting is set for the second Monday of the month. The schedule approved previously for the Finance Commission did not include any meeting for the month of August. I will check the Commissioners' availability for a Special Finance Commission meeting on August 5<sup>th</sup>.

I will let you know as soon as I hear back from them.

Thanks,

Gitta

---

From: Phil Koen [REDACTED]  
 Sent: Tuesday, July 2, 2024 8:48 AM  
 To: Gitta Ungvari <[GUngvari@losgatosca.gov](mailto:GUngvari@losgatosca.gov)>  
 Cc: Laurel Prevetti <[LPrevetti@losgatosca.gov](mailto:LPrevetti@losgatosca.gov)>; Nicolle Burnham <[NBurnham@losgatosca.gov](mailto:NBurnham@losgatosca.gov)>; Linda Reiners [REDACTED]; Mary Badame <[MBadame@losgatosca.gov](mailto:MBadame@losgatosca.gov)>; Gabrielle Whelan <[GWwhelan@losgatosca.gov](mailto:GWwhelan@losgatosca.gov)>  
 Subject: August Finance Commission

[EXTERNAL SENDER]

Hello Gitta,

Now that the FY 2025 budget cycle is behind us, I would like to schedule a Finance Commission meeting for Monday August 5. The agenda will be to approve minutes from prior meetings, and two new agenda items - 1) detail review of the 7 capital projects highlighted in yellow in the attachment and 2) review of the ERP project.

Could you please check availability of the rest of the Commission to see if they can attend on August 5. Both Linda and I are available.

Under a separate email I will provide more direction regarding the information we would like to have presented to the FC for the capital projects.

Thank you for your assistance.

Phil Koen  
 Chair



From: [Phil Koen](#)  
 To: [Gitta Ungvari](#)  
 Cc: [\[REDACTED\]](#); [Laurel Prevetti](#); [Gabrielle Whelan](#); [Mary Badame](#)  
 Subject: Re: Draft Agenda for August 5, 2024 Special Meeting  
 Date: Tuesday, July 23, 2024 5:42:52 PM  
 Attachments: [inky-injection-inliner-209b06d63f3139b75bda7129634c80da.png](#)  
[inky-injection-inliner-6f42d488d348cfd86b9f9497caf9f6a.png](#)  
[inky-injection-inliner-6f42d488d348cfd86b9f9497caf9f6a.png](#)  
[inky-injection-inliner-209b06d63f3139b75bda7129634c80da.png](#)

[EXTERNAL SENDER]

Gitta,

I'll send you a more detail response later today but I wanted to make sure Staff is prepared to discuss with the FC the following ;

1. The proposed resolution for the sales tax had a finding that "Town revenues have not kept pace" with "the costs of providing services and programs to residents". The Staff did not provided the TC any documents that would support this finding. Furthermore the audited financial statements, based on my review, do not support this finding. I mentioned this in my letter to the TC. I am requesting the Staff provide the FC the documentation that supports this finding. Furthermore, I am requesting Staff to explain the internal review process that is in place to insure critical findings such as this are true and accurate. I am not aware of what the review process is and it would constructive for Staff to outline this process.

2. Regarding reviewing the status of the significant capital projects, I will provide you the exact projects I would like to review. I anticipate staff would present and review the management reports the Staff uses to manage these projects. There should not be any time spent on developing new reports - just present what is used currently by staff. I am going to allocate only a hour to this agenda item and if we don't get through all the projects, we will roll forward the ones we don't review to our next meeting.

More to come —

Thank you,

Phil Koen  
 Sent from my iPhone

On Jul 23, 2024, at 10:38 PM, Gitta Ungvari <[GUNGvari@losgatosca.gov](mailto:GUNGvari@losgatosca.gov)> wrote:



Good morning Chair,

Please see draft agenda for the Finance Commission special meeting per the information you provided.

1. Discussion of the Finance Commission Chair Letter to the Town Council Regarding the Sales Tax Proposal and the Proposed Resolution Drafted by Staff.
2. Status Review of the Largest Capital Improvement Projects
3. Review of the Enterprise Resource Planning System Implementation Project

Please confirm the draft agenda by July 25 at 5 p.m.

Thanks,

Gitta

p.s. I will be travelling and will have limited email access. I will be at the office on Thursday July 25<sup>th</sup>.



From: [Phil Koon](#)  
To: [Gitta Ungvari](#)  
Cc: [Linda Reiman](#); [Laurel Penzotti](#); [Gabrielle Wheeler](#); [Mary Rickards](#)  
Subject: Summary - Statement No. 34  
Date: Tuesday, July 23, 2024 9:29:37 PM

[EXTERNAL SENDER]

Gitta,

As part of the report package that will be distributed to the FC, please include this summary of GASB 34. I suspect that there will be a healthy discussion regarding the purpose of the various financial statements that are published annually by the Town.

Central to that discussion is for the FC and the TC to fully understand the primary reporting purpose of government wide financial statements. To be clear, it is my view that these financial statements are the only statements that report total revenues and total costs of providing services each year on an accrual basis. As such it is these financial statements which will report whether the Town's financial improved or deteriorated year over year. Therefore it will be important for everyone to have a common foundational understanding.

Thank you,

Phil Koen

<https://www.gcc02.safelinks.protection.outlook.com/?url=http%3A%2F%2Fwww.gub.org%2Fpage%2Fpage%2Fpage%2Fpage%2Fstandards-and-guidance%2Fpronouncements%2Fsummary-statement-no-34.html&data=05%7C02%7C7C91ngvsn%40logosica.gov%7C6528262a94348a2e0d0ab9730be%7C6d38c6b747e6d4139c7e5230f7ccccc5%7C0%7C0%7C6835739156797743%7CUnknown%7CTWFlbGz8dGzhKeyWjjoMC4dLjAwaMDALCjQ0j0v2aMbJLcBTi6k1baWwLcJXVCbMaf%3D%7C0%7C7%7C7C&data=I2k6EYsQPEDqsk2TIZZesAlz8coPOn6yckv4k3D&reserved=0>

**From:** [Phil Koen](#)  
**To:** [Gitta Ungvari](#)  
**Cc:** [Linda Reiners](#); [Laurel Prevetti](#); [Gabrielle Whelan](#); [Mary Badame](#)  
**Subject:** FY 23 ACFR  
**Date:** Tuesday, July 23, 2024 9:34:14 PM

---

[EXTERNAL SENDER]

Gitta,

Please include the FY 23 ACFR in the FC report package. I suspect we will be reviewing the 10 year financial data included in the supplemental section as we address the question of revenue and cost of services.

Phil Koen

From: [Phil Koen](#)  
 To: [Gitta Ungvari](#)  
 Subject: Re: Capex Project Review  
 Date: Friday, July 26, 2024 5:17:27 PM  
 Attachments: [inky-injection-inliner-6f42d488d348cfd86bf9497caf9f6a.png](#)  
[inky-injection-inliner-209b06d63f3139b7bda7129634c80da.png](#)  
[image001.png](#)  
[image002.png](#)

[EXTERNAL SENDER]

Gitta,

The agenda order should be .

1. Discussion of the Chair's letter to TC and draft sales tax resolution
2. ERP project status and update and discussion
3. Capital projects review.

Again my goal is to keep this to 2 hours. I'm allocating 30 min to item one, 45 minutes to item 2 and 45 minutes to item 3.

We will not complete item 3 and will roll forward the remaining projects to our next meeting.

Thank you

Phil Koen  
 Sent from my iPhone

On Jul 27, 2024, at 2:14 AM, Gitta Ungvari <[GUngvari@losgatosca.gov](mailto:GUngvari@losgatosca.gov)> wrote:



Thanks,

Gitta

From: Phil Koen [REDACTED]  
 Sent: Friday, July 26, 2024 2:05 AM  
 To: Gitta Ungvari <[GUngvari@losgatosca.gov](mailto:GUngvari@losgatosca.gov)>  
 Subject: Re: Capex Project Review

[EXTERNAL SENDER]

Hello Gitta,

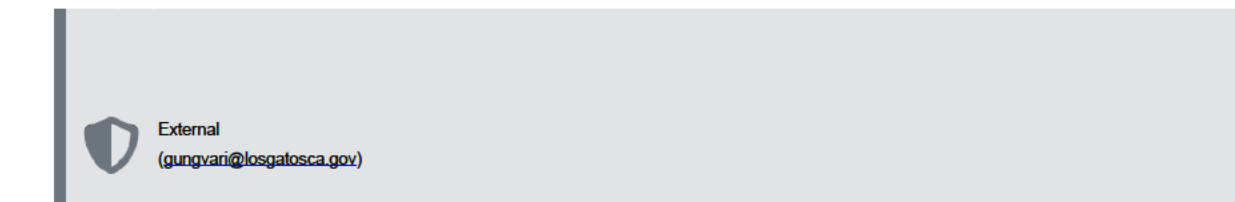
Please include project 2302 - Building Replacement.

This project is a good example of a project being closed out and will inform everyone as to the final cost, scope and timeline vs. the initial approved capital plan.

Thank you

Phil Koen

On Jul 26, 2024, at 3:22 AM, Gitta Ungvari <[GUngvari@losgatosca.gov](mailto:GUngvari@losgatosca.gov)> wrote:





Good afternoon Chair,

I have a quick question regarding the seven capital projects listed. The original email referenced the ARC- Interim Community Center, while the list refers to the Building Replacement at Corporation Yard.

Can you verify which one should be included in the detailed discussion?

Thanks,

Gitta

Carry-forward & FY 2024/25 CIP Projects					
	GIAR	Grants and Fees	Gas Tax	Other	Total
<b>CARRY-FORWARD PROJECTS</b>					
<b>Streets</b>					
Street Repair & Resurfacing	\$ 4,120,208	\$ -	\$ 1,360,089	\$ -	\$ 7,579,304
Pavement Rehab-Crack Seal	360,000	-	-	-	360,000
Annual Street Sealing	15,000	-	-	-	15,000
Uncollected Repairs - Annual	110,788	-	-	-	110,788
Retaining Wall Repairs	585,300	-	-	-	585,300
Shannon Road Repairs	4,574,187	-	-	-	4,574,187
Roadside Fuel Reduction - Annual	735,551	750,000	-	-	1,485,551
East Main Street Crosswalk Improvements	253,300	-	-	-	253,300
VMT Mitigation Program	66,666	-	-	-	66,666
Measure B Education & Encouragement	-	60,657	-	-	60,657
Town-wide Speed Studies	-	-	80,000	-	80,000
Curb, Gutter & Sidewalk Maintenance	62,147	-	-	-	62,147
Shannon Road Ped & Bikeway Improvements	442,078	-	1,124,150	-	1,566,228
Utility Underpinning Improvements	-	-	295,373	-	295,373
Traffic Signal Modernization	-	-	94,858	-	94,858
Downtown Streetscape Revitalization/Economic Recovery Efforts	553,638	-	-	-	553,638
State Route 17 Corridor Congestion Relief Project	807,000	-	-	-	807,000
Winchester Class IV Bikeway	412,246	1,872,190	-	-	2,284,436
Kennedy Sidewalk & Blue Gates - 2024 to be completed	496,620	-	-	-	496,620
Parking Program Implementation	36,636	-	-	-	36,636
Stormwater System - Pollution Prevention Compliance	-	-	-	-	-
Annual Storm Drain Improvements	-	-	252,233	-	252,233
Lane Street Drainage	-	-	360,000	-	360,000
Hemlock/Redridge Drainage Study	-	-	100,000	-	100,000
300 University Avenue Drainage System Replacement	-	-	300,000	-	300,000
300 University Ave Capacity Improvements	-	-	60,000	-	60,000
Downtown Parking Lots Seal Coat & Restriping	48,340	-	-	-	48,340
Parking Lot 4 Repairs/Waterproofing	50,300	-	-	-	50,300
Curtis Road - Bridge Replacement	40,000	-	-	-	40,000
Highway 17 Bridge & Pedestrian Bridge - Design	406,718	480,805	-	-	1,066,523
Timber Bridge Inspection	-	-	-	-	-
<b>Parks</b>					
Oak Meadow Bandstand Area Improvements	44,495	196,730	-	-	241,225
Town Plaza Turf Repairs	42,000	-	-	-	42,000
Creskide Turf Replacement	500,000	-	-	-	500,000
Park Playground Fiber Project	45,349	-	-	-	45,349
Parkwest Community Garden	252,280	-	-	-	252,280
Charter Oaks Trail Improvement	474,895	-	-	-	474,895
Open Space Trail Upgrades	152,000	-	-	-	152,000
Trailhead Connector	696,376	126,179	-	-	822,555
Vegetation Management - Town-wide	530,417	-	-	-	530,417
Lynn Ave Pedestrian Path Design	184,552	-	-	-	184,552
<b>Public Facilities</b>					
Town Beautification	22,517	-	-	-	22,517
Public Art Gateway Project	37,500	-	-	-	37,500
Emergency Preparedness	96,790	-	-	-	96,790
Annual ADA Compliance Work	80,000	-	-	-	80,000
Civic Center ADA Restrooms and HI Offices	805,000	-	-	-	805,000
Civic Center Plumbing Repair	80,000	-	-	-	80,000
ARC - Interim Community Center	877,614	-	-	-	877,614
Building Replacement at Corporation Yard	267,454	-	-	-	267,454
Engineering Counter Modification	40,000	-	-	-	40,000
POB Space Study	75,000	-	-	-	75,000
Library Improvements	22,000	-	-	-	22,000
Battery Power Supply - Library	2,818	-	-	-	2,818
ADA Upgrade for Public Restrooms - Adult Recreation Building	13,195	294,108	-	-	307,303
Town-wide Document Imaging Project	14,389	-	-	-	14,389
Interpretive Resource Planning Upgrade	578,817	-	-	-	578,817
EOC Communications Upgrade	6,000	-	-	-	6,000
11 Dispatch Recovery Improvements	29,090	-	-	-	29,090

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

From: Phil Koen [mailto:phil.koen@losgatosca.gov]

Sent: Tuesday, July 23, 2024 9:50 PM

To: Gitta Ungvari <Gungvari@losgatosca.gov>

Cc: Linda Reiners [mailto:linda.reiners@losgatosca.gov]; Laurel Prevetti <LPrevetti@losgatosca.gov>; Gabrielle Whelan <GWhelan@losgatosca.gov>; Mary Badame <MBadame@losgatosca.gov>

Subject: Capex Project Review

[EXTERNAL SENDER]

Hello Gitta,

To help center the capital project discussion, I would respectfully request Staff to focus the review discussion on the following 7 projects:

- 0008 - Shannon Road repair
- 0130 - Roadside Fuel Reduction
- 0218 - Shannon Ped. and bikeway improvements
- 0241 - Kennedy Sidewalk

0803 - Highway 17 bridge  
4505 - trailhead connector  
2302 - building replacement - corporate yard.

Again, we wish to avoid creating a large burden on the Staff in preparing for this discussion. Sharing with the FC the regular management reports the Staff uses to track actual spend to budget and performance to schedule, etc. is all that is required at this time. In total these 7 projects represent a total capital budget of \$29.7m.

Thank you,

Phil Koen

**From:** [Phil Koen](#)  
**To:** [Gitta Ungvari](#)  
**Subject:** deskitem.ballot\_measure\_general\_sales\_tax\_advisory\_measure\_with\_attachment  
**Date:** Saturday, July 27, 2024 3:15:09 PM  
**Attachments:** [deskitem.ballot\\_measure\\_general\\_sales\\_tax\\_advisory\\_measure\\_with\\_attachment.pdf](#)

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[EXTERNAL SENDER]

Please include this in the Aug 5 FC package as background material.

Thank you



**TOWN OF LOS GATOS  
COUNCIL AGENDA REPORT**

MEETING DATE: 07/01/2024

ITEM NO: 1

DESK ITEM

Item 1.

DATE: July 1, 2024

TO: Mayor and Town Council

FROM: Laurel Prevetti, Town Manager

SUBJECT: Adopt a Resolution to Place a 1/8<sup>th</sup> Cent Sales Tax on the November 2024 Ballot as a General Tax, Introduce an Ordinance to Approve the Tax Ordinance, Adopt a Resolution to Add a Companion Advisory Measure, and Authorize a Budget Adjustment in the Amount of \$132,000 from the Available Capital/Special Projects Reserve

**ORDINANCE TITLE: AN ORDINANCE OF THE TOWN COUNCIL OF THE TOWN OF LOS GATOS APPROVING THE ORDINANCE TO BE SUBMITTED TO THE VOTERS OF THE TOWN OF LOS GATOS AT THE NOVEMBER 5, 2024, GENERAL MUNICIPAL ELECTION THAT PROPOSES TO IMPOSE A ONE-EIGHTH OF ONE PERCENT GENERAL TRANSACTIONS AND USE TAX IN THE TOWN OF LOS GATOS**

REMARKS:

Attachment 7 contains public comment received public comments received after 11:00 a.m. Friday, June 28 and before 11:00 on Monday, July 1, 2024.

Attachments Previously Received with the Staff Report:

1. Draft General Tax Resolution with Exhibit A: General Tax Ordinance
2. Draft Ordinance Approving Proposed Ordinance with Exhibit A: General Tax Ordinance
3. Resolution Approving Advisory Measure to General Tax
4. Examples of Approved General Taxes with Advisory Measures
5. Responses to Questions from Council Members
6. Public Comment
7. Public Comment Received After 11:00 a.m. on Friday, June 28

PREPARED BY: Wendy Wood  
Town Clerk

Reviewed by: Town Manager and Town Attorney

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**From:** [Jim Foley](#)  
**To:** [Council](#)  
**Cc:** [Clerk; Jennifer Lin \(jennifer@losgatoschamber.com\); \[REDACTED\]](#)  
**Subject:** Chamber of Commerce comments on Sales Tax Measure  
**Date:** Friday, June 28, 2024 3:25:42 PM  
**Attachments:** [image002.png](#)

[EXTERNAL SENDER]

Honorable Mayor and Town Council,

We appreciate your consideration of our recent feedback on the Sales Tax measure. Our understanding is that there is new information providing that there is less urgency to pass the ballot measures in November of 2024 because any revenue measure passed by Santa Clara County no longer precludes Los Gatos from passing a sales tax measure that otherwise could have exceeded the maximum tax allowed by the State of California and thus not be allowed. As such, the Chamber of Commerce believes it would be wise to take additional time for more broad outreach and garner strong support for the measures to ensure their success, and consider it on a future ballot.

Thank you,

Jim Foley  
 Committee on Economic Vitality and Government Affairs – Chair  
 Los Gatos Chamber of Commerce

*Jim Foley*

*Principal/Broker-Owner*



DRE # 01841825



**Confidentiality Statement:** This communication, including any attachments, constitutes an electronic communication within the meaning of the Electronic Communications Privacy Act, 18 USC 2510, and its disclosure is strictly limited to the intended recipient. This communication may contain confidential and privileged material for the sole use of the intended recipient and receipt by anyone other than the intended recipient does not constitute a loss of the confidential or privileged nature of the communication. Any review or distribution by others is strictly prohibited and is in violation of the rights of privacy provided for by the United States Constitution and the Constitution of the State of California. If you are not the intended recipient, please contact the sender and delete or destroy all copies of this communication including any attachments.

**From:** Julie Southern [REDACTED]  
**Sent:** Saturday, June 29, 2024 12:46 AM  
**To:** Town Manager <[Manager@losgatosca.gov](mailto:Manager@losgatosca.gov)>  
**Subject:** No more tax

[EXTERNAL SENDER]

I am not able to attend the July 1 meeting, but want it noted that I am not in favor of another tax increase.

I live at [REDACTED] Los Gatos and have been a Los Gatos residence for more than 35 years.

Please vote No on this.

Thank you

Julie



## July 1, 2024 Special Town Council Meeting

The agenda and reports for the July 1, 2024 Special Town Council meeting at **5:15 p.m.** are available [online](#). Among the items on the agenda, the Town Council will consider an Ordinance to Place a One-Eighth Cent Sales Tax on the November 2024 Ballot.

This is a hybrid meeting and will be held in-person at the Town Council Chambers at 110 E. Main Street and virtually through the Zoom webinar application.

**From:** [Phil Koen](#)  
**To:** [Mary Badame](#); [Matthew Hudes](#); [Rob Rennie](#); [Maria Ristow](#); [Rob Moore](#); [REDACTED] [Joe](#); [Andrew Howard](#); [Ashby Monk](#)  
**Cc:** [Laurel Prevetti](#); [Gabrielle Whelan](#); [Wendy Wood](#)  
**Subject:** Agenda Item #1 - Sales Tax Resolution  
**Date:** Saturday, June 29, 2024 5:51:19 PM  
**Attachments:** [Pages from Pages from MEET-Packet-f28b4d8d27984eb1a497d3481f1fad0b\(1\).pdf](#)  
[Pages from MEET-Packet-f8e64916cd514d08a245697ea657aaa0\(2\).pdf](#)  
[NBS Memorandum- December 2023.pdf](#)

[EXTERNAL SENDER]

Dear Honorable Mayor and Town Council Members,

In my capacity as Chair of the Finance Committee, I am writing to the Town Council to make it clear the Finance Commission's recommendation on May 13 to pursue the 1/8 specific sales tax was based on unequivocal statements made by both the Town Manager and the Assistant Town Manager (refer to the meeting's voice recording from 2 hour 28 minutes to 2 hours 32 minutes) that the County of Santa Clara had an exemption to exceed the State's sales tax cap and as a result was able to compete with the Town's ability to increase the local sales tax rate.

Solely because of this concern, the Finance Commission made a recommendation to the Town Council to pursue a specific sales tax. Based on the 5-year financial forecasts prepared by Staff and reviewed by the Finance Commission, it was also concluded the 5-year forecasts should not be relied upon because they were

unrealistically conservative in the revenue growth assumptions. The Finance Commission further concluded there was no objective evidence to suggest additional sales tax revenues were immediately required to balance the Town's general fund budgets because a more reasonable forecast of future revenues based on historical trends coupled with reasonable cost containment measures indicated revenue growth was sufficient to continue to provide essential town services at existing levels with no cuts in service levels required.

The recommendation to proceed with the sales tax increase was based on Staff's representation that if the Town did not act quickly, there was a chance the Town would forever lose the ability to increase the local sales tax rate by an additional 1/8 cent. It now appears that the Finance Commission relied upon inaccurate information.

I would also remind the Town Council, that at the May 7 Council meeting, the Council specifically requested the Finance Commission to review the polling results, discuss next steps regarding the proposed sales tax initiative and provide a recommendation to the Town Council. The Finance Commission quickly reacted to the Council's request and at its May 13 meeting thoroughly reviewed the sales tax proposals.

For sale of clarity, the Staff first made the claim regarding the County of Santa Clara in their report to Council dated February 15, 2024, which is also attached. It appears Staff relied upon a December 14, 2023 NBS memorandum which urged the Town to “move quickly on this option (e.g., sales tax increase), if desired, as the Town’s remaining capacity for a sales tax increase could be utilized by another government agency within the County the next election cycle”. No objective evidence was provided by NBS to substantiate this claim and it appears Staff at the time did not review the accuracy of the claim. I have attached the NBS memorandum for your review.

It appears that between the December 14, 2023 NBS memorandum and the February 15, 2024 Staff report, a statutory change came into effective on January 1, 2024 that neither Staff nor NBS was aware of. The change was first disclosed in the June 26, 2024 staff report – approximately 6 months after the change. As Chair of the Finance Commission, I was not contacted and only learned of this because I read the June 26 Staff report.

Given what has now been disclosed, the Town Council should not rely on the Finance Commission’s May 13 recommendation. It is clear the Finance Commission had

been provided inaccurate information and had not been informed on a timely manner of the statutory changes that were enacted January 1, 2024. This may be a moot point, because it appears the Town Council has not relied upon the Finance Commission's recommendation regarding a specific sales tax any way.

Furthermore, the Town Council should note the "whereas" statement in the proposed general sales tax resolution that "the cost of providing Town services and programs to residents have significantly increased over the years and Town revenues have not kept pace" is not supported by the audited financial statements the Finance Commission has reviewed, nor by a reasonable review of the Staff's 5-year forecasts. In FY 23 the General Fund reported a \$5.7m excess of revenues over expenditures which was a 72% increase over the FY 22 results of a \$3.3m excess of revenues over expenditures.

Lastly, the Finance Commission discussed the need for the Town Council to be fully transparent regarding the use of sales tax proceeds and to legally bind the use of the tax proceeds through a specific sales tax and not a general sales tax. The proposed ballot box language does not reflect the Finance Commission's recommendation and is misleading. Please refer to the Finance Commission's



discussion of this by reviewing the audio recording of the May 13 meeting.

I would urge the Town Council to take these comments under serious consideration so as to avoid a potential legal challenge to a general sales tax initiative which uses the proposed ballot box language.

Thank you,

Phil Koen

Chair of the Finance Commission



**TOWN OF LOS GATOS  
COUNCIL AGENDA REPORT**

MEETING DATE: 07/01/2024

ITEM NO: 1

ITE	Item 1.
-----	---------

DATE: June 26, 2024

TO: Mayor and Town Council

FROM: Laurel Prevetti, Town Manager

SUBJECT: Adopt a Resolution to Place a 1/8<sup>th</sup> Cent Sales Tax on the November 2024 Ballot as a General Tax, Introduce an Ordinance to Approve the Tax Ordinance, Adopt a Resolution to Add a Companion Advisory Measure, and Authorize a Budget Adjustment in the Amount of \$132,000 from the Available Capital/Special Projects Reserve

**ORDINANCE TITLE: AN ORDINANCE OF THE TOWN COUNCIL OF THE TOWN OF LOS GATOS APPROVING THE ORDINANCE TO BE SUBMITTED TO THE VOTERS OF THE TOWN OF LOS GATOS AT THE NOVEMBER 5, 2024, GENERAL MUNICIPAL ELECTION THAT PROPOSES TO IMPOSE A ONE-EIGHTH OF ONE PERCENT GENERAL TRANSACTIONS AND USE TAX IN THE TOWN OF LOS GATOS**

**RECOMMENDATION:**

Adopt a resolution (Attachment 1) to place a 1/8<sup>th</sup> cent sales tax on the November 2024 ballot as a general tax, introduce an ordinance (Attachment 2) to approve the tax ordinance adopt a resolution (Attachment 3) to add a companion advisory measure, and authorize a budget adjustment in the amount of \$132,000 from the available Capital/Special Projects Reserve.

**REMARKS:**

On June 18, 2024, Council voted not to consider a special sales tax for the 2024 ballot and requested a special meeting in July to discuss the potential of a general sales tax with a companion advisory measure. This approach that has been used in other jurisdictions in which a general tax is placed on the ballot along with a companion advisory measure that indicates the specific use(s) for which the voters would prefer the tax revenue to be spent should both measures pass.

**PREPARED BY:** Katy Nomura  
Assistant Town Manager

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





SUBJECT: Adopt a Resolution to Place a 1/8<sup>th</sup> Cent Sales Tax on the November 2024 Ballot

DATE: June 26, 2024

REMARKS (continued):

- Attachment 5 contains answers to questions from Council Members.

CONCLUSION:

The Town Council has the opportunity to determine whether to:

1. Adopt a resolution (Attachment 1) to place a 1/8th cent sales tax on the November 2024 ballot as a general tax, introduce an ordinance (Attachment 2) to approve the tax ordinance, adopt a resolution (Attachment 3) to add a companion advisory measure, and authorize a budget adjustment in the amount of \$132,000 from the available Capital/Special Projects Reserve; or
2. Provide other direction; or
3. Take no action.

August 9, 2024 is the last day in which the Santa Clara County Registrar of Voters is accepting resolutions to add measures for the November 2024 election.

COORDINATION:

This report was prepared in collaboration between NBS, the Town Manager's Office, the Town Attorney, and municipal tax counsel.

FISCAL IMPACT:

The estimated cost to put two measures on the ballot (i.e., general tax and companion advisory measures) is \$132,000. Budget adjustments would be needed to add these resources to the adopted Fiscal Year 2024/25 Operating Budget. The source of funds would be the Capital/Special Projects Reserve.

If a sales tax measure passes in November, it is estimated to generate approximately \$1 million per year.

ENVIRONMENTAL ASSESSMENT:

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

SUBJECT: Adopt a Resolution to Place a 1/8<sup>th</sup> Cent Sales Tax on the November 2024 Ballot

DATE: June 26, 2024

Attachments:

1. Draft General Tax Resolution with Exhibit A: General Tax Ordinance
2. Draft Ordinance Approving Proposed Ordinance with Exhibit A: General Tax Ordinance
3. Resolution Approving Advisory Measure to General Tax
4. Examples of Approved General Taxes with Advisory Measures
5. Responses to Questions from Council Members
6. Public Comment



**TOWN OF LOS GATOS  
COUNCIL AGENDA REPORT**

MEETING DATE: 02/20/2024

ITEM NO: 15

Item 1.

DATE: February 15, 2024  
TO: Mayor and Town Council  
FROM: Laurel Prevetti, Town Manager  
SUBJECT: Provide Direction on Any Ballot Measures to Consider for Polling

**RECOMMENDATION:**

Provide direction on any ballot measures to consider for polling.

**BACKGROUND:**

While costs of providing services and programs for residents have significantly increased over the years, Town revenues have not kept pace. Los Gatos is facing the same economic pressures as many other cities and businesses, including inflation and the uneven recovery from the pandemic. In addition, unfunded mandates by the State have also reduced the Town's available funds.

The Town maintains a relatively stable and low staffing level. Even so, costs per employee continue to escalate as evidenced by pension benefit costs having increased 35% in the last five years. The Town Council has taken several proactive steps to reduce the Town's pension liability, including Additional Discretionary Payments for the Pension Plans and curbing cost escalation in Other Post-Employment Benefits (OPEB).

Other cost drivers, such as medical benefits, have been fluctuating and increasing in recent years by as much as 11% in a single year. Unfortunately, revenues are not increasing by double digits.

**PREPARED BY:** Katy Nomura  
Assistant Town Manager

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



PAGE 2 OF 5

SUBJECT: Potential Revenue Ballot Measure Options

DATE: February 15, 2024

BACKGROUND (continued):

Los Gatos has taken the following proactive cost-cutting measures during major economic downturns to reduce budget expenditures and control costs while maintaining high service levels:

- Staffing levels significantly reduced from 2001 – 2005 and have not returned to those levels, despite an increase in population since then, unfunded mandates, and service demands,
- Imposed wage freezes and unpaid furloughs, and
- Reduced employee benefit costs.

Town budgets are reviewed annually by an independent auditor. Los Gatos has earned recognition for its fiscal responsibility with the highest credit rating (AAA bond rating by Moody's) and annual awards by the Government Finance Officers Association for its high quality and transparent budgeting practices.

On November 17, 2022, the Finance Commission reviewed several cost reduction measures and recommended that the Town further work toward operational efficiencies and researching additional revenue options.

On January 24, 2023, the Town Council determined its Strategic Priorities for 2023-2025, which included exploring new revenue opportunities.

On June 20, 2023, the Town Council authorized the Town Manager to issue a Request for Qualifications (RFQ) for revenue ballot measure consulting services. After conducting the RFQ process, the Town selected NBS.

On October 17, 2023, Town Council authorized the Town Manager to enter into an agreement for the initial phase of the work for an amount not to exceed \$44,600, with direction to return to Council with revenue modeling prior to beginning any polling.

On December 19, 2023, Town Council reviewed the Revenue Modeling Report prepared by NBS (Attachment 1) and continued the item to February 20, 2024 to consider it at the same time as the five-year forecast.

On February 12, 2024, the Finance Commission discussed the NBS report and made the following recommendation to Council: The Finance Commission unanimously passed a motion recommending that the Town Council not rely upon the NBS Report's conclusions regarding deficit reductions because the financial analysis was based on an outdated 5-Year Forecast which did not include actual results for Fiscal Year 2022/23. The Finance Commission did find that the incremental revenue contribution for the revenue options analyzed are credible and can be used for modeling purposes.

PAGE 3 OF 5

SUBJECT: Potential Revenue Ballot Measure Options

DATE: February 15, 2024

BACKGROUND (continued):

While the Commission did not make a motion regarding any potential ballot measure, individual Commissioners questioned the need for it at this time. One Commissioner expressed that there may or may not be merit to the 1/8<sup>th</sup> cent tax measure and indicated this was the reason they declined to opine.

On February 13, 2024, the Council updated its Strategic Priorities and removed the detailed bullets under “Develop a Five-Year Structurally Balanced and Sustainable Operating Forecast,” including reference to new revenue opportunities.

DISCUSSION:

NBS conducted a comprehensive evaluation of options to increase revenue for the Town and associated revenue modeling. This included an evaluation of a property transfer tax increase, utility user tax (UUT), special assessment districts, transient occupancy tax (TOT), business license tax, sales tax, and parcel tax scenarios. Franchise fees were discussed as part of the UUT analysis. Each of these options is outlined in NBS’ revenue modeling report (Attachment 1). Of the options, NBS recommended either a sales tax or a parcel tax.

Sales Tax

As mentioned in the NBS report, “the current sales tax rate in the Town is 9.25%, of which the Town’s share is 1% (not including the Measure G sales tax rate of 0.125%). The Town has the capacity to raise its sales tax rate by an additional 0.125%...If structured as a general sales tax, the Town would only need to secure approval from a majority of the registered voters within the Town to increase the sales tax rate. NBS recommends that the Town move quickly on this option, if desired, as the Town’s remaining capacity for a sales tax increase could be utilized by another government agency within the County during the next election cycle.”

The following table shows NBS’ revenue modeling for FY 2025/26 through FY 2028/29:

Potential Sales Tax Increase	Potential New Total Sales Tax %	Additional Revenue 2025/26 Projected	Additional Revenue 2026/27 Projected	Additional Revenue 2027/28 Projected	Additional Revenue 2028/29 Projected
0.125%	9.375%	\$ 1,062,500	\$ 1,087,500	\$ 1,125,000	\$ 1,162,500

Parcel Tax

Among other scenarios, NBS explored revenue modeling for a parcel tax with senior/low-income exemptions and a parcel tax on commercial buildings over 25,000 square feet. Any parcel tax would require a two-thirds approval from voters to pass.

In order for a parcel tax with senior/low-income exemptions to generate an estimated \$1M annually, it would need to be roughly \$97.70 per parcel, \$0.0055 per lot square foot, or \$0.04 per building square foot.



PAGE 4 OF 5

SUBJECT: Potential Revenue Ballot Measure Options

DATE: February 15, 2024

DISCUSSION (continued):

In order for a parcel tax on commercial buildings over 25,000 square feet to generate an estimated \$1M annually, it would need to be roughly \$0.83 per building square foot. Only 35 parcels in the Town have commercial buildings over 25,000 square feet that would be subject to such a parcel tax.

Polling Next Steps

Regarding a revenue measure for the 2024 ballot, the Town is not in a position to determine whether a measure should be placed on the ballot or not as polling has not been conducted. Polling is a targeted effort to survey a statistically representative sample of likely voters to test potential ballot measures, ballot language, and potential services to fund (see Attachment 2). In other smaller cities, samples sizes as low as 90 likely voters have yielded reliable and ultimately successful results. The results of any polling should give proper guidance for specific recommendations and for the Council to make its decision. Polling will also inform public messaging around any potential revenue ballot measure. Draft messaging is included in Attachment 3 and updated messaging would return to Council with the polling results, should polling occur.

If polling is conducted, a summary of the results would be brought to the Finance Commission for a recommendation to the Council as to whether or not to pursue placing a measure on the 2024 ballot. The results and the Finance Commission's recommendation would then be brought to the Council for consideration.

CONCLUSION:

Staff looks forward to Council's discussion and direction on which potential revenue measures to consider for polling, if any. NBS recommends that no more than two options should be polled.

COORDINATION:

The preparation of this report was coordinated with the Town Manager, Town Attorney, and Director of Finance.

FISCAL IMPACT:

On October 17, 2023, Council authorized the Town Manager to enter into an agreement for the initial phase of the work for amount not to exceed \$44,600. The cost for polling for potential revenue ballot measures was already included in this amount. After polling is complete, Council will have the option to decide whether to allocate additional funding to pursue placing a measure on the 2024 ballot.

PAGE 5 OF 5

SUBJECT: Potential Revenue Ballot Measure Options

DATE: February 15, 2024

ENVIRONMENTAL ASSESSMENT:

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

Attachment:

1. NBS Revenue Modeling Report
2. Polling Overview
3. Draft Messaging



## TOWN OF LOS GATOS MEMORANDUM

**TO:** Laurel Prevetti, Town Manager, Town of Los Gatos

**FROM:** Nick Dayhoff, Senior Consultant

**DATE:** December 14, 2023

**SUBJECT:** Revenue Modeling Scenarios

### Purpose

The Town of Los Gatos (the “Town”) has requested a comprehensive evaluation of options to increase revenue to address the Town’s forecasted budget deficits in the near term. This evaluation includes modeling for increases to sales tax and transient occupancy tax (“TOT”) rates, and a limited model for a new utility user tax (“UUT”) and a new parcel tax. This Memorandum summarizes additional revenues that could be generated via a new parcel tax based on various revenue targets, the estimated revenue generated by potential increases to the Town’s sales tax and TOT rates, and the estimated revenue generated by the implementation of a UUT.

### Projected Budget Deficits

According to the Town’s Operating and Capital Summary Budget for Fiscal Year 2023/24, the following table shows the forecasted budget deficits for Fiscal Years 2025/26 through 2028/29:

Item	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29
Forecasted Surplus/(Deficit), in Millions	(\$2.8)	(\$3.1)	(\$3.3)	(\$3.8)

### Non-Viable and Not-Recommended Revenue Options

#### *Property Transfer Tax Increase*

Only Charter cities can increase the property transfer tax rate above the general law maximum of \$0.55 per \$1,000 of value (city rate). The Town is not a Charter city.

#### *Limited UUT for Cable, Gas, and Electric Utilities*

A UUT may be imposed by the Town on the consumption of utility services, including (but not limited to) electricity, gas, water, sewer, telephone (including cell phone and long distance), sanitation and cable television.

The Town does not currently levy UUTs, so modeling what the potential revenues might be from a new UUT relies on the limited amount of information received from the Town, including historical franchise fee collections from its cable, electric, and gas franchises. Since any UUT would be based upon the gross receipts of each utility, NBS has had to estimate the gross receipts of the gas, electric, and cable utilities based on forecasted franchise fee collections and franchise fee rates for the Town's cable, electric, and gas franchises.

The Town does not collect franchise fees for the water, sewer, or telephone utilities, so we cannot estimate what the gross receipts of those utilities might be. As such, we have not included these utilities in our estimate of potential UUT revenue. In addition, NBS is not including a UUT on the Town's garbage utility as part of this analysis, as the contract between the hauler and the Town is currently being negotiated and the service may no longer be categorized as a "Franchise" moving forward.

According to the Town, the following table shows the forecasted cable, electric, and gas franchise fee collections for Fiscal Years 2025/26 through 2028/29:

Title	2025/26	2026/27	2027/28	2028/29
CABLE FRANCHISE FEE	\$ 530,450	\$ 546,360	\$ 562,750	\$ 579,630
PG&E FRANCHISE FEE	441,830	455,080	468,730	482,790
<b>TOTAL</b>	<b>\$ 972,280</b>	<b>\$ 1,001,440</b>	<b>\$ 1,031,480</b>	<b>\$ 1,062,420</b>

From here, we can estimate what the gross receipts of the cable and gas/electric utility are, as the cable franchise fee is 5.00% of gross revenues, and the gas/electric franchise fee is 2.00% of gross revenues.

Title	2025/26	2026/27	2027/28	2028/29
CABLE @ 5% FF	\$ 10,609,000	\$ 10,927,200	\$ 11,255,000	\$ 11,592,600
PG&E @ 2% FF	22,091,500	22,754,000	23,436,500	24,139,500
<b>TOTAL</b>	<b>\$ 32,700,500</b>	<b>\$ 33,681,200</b>	<b>\$ 34,691,500</b>	<b>\$ 35,732,100</b>

The following table shows the potential revenue generated via various UUT rates for the cable, gas, and electric utilities for Fiscal Years 2025/26 through 2028/29:

Potential UUT	Potential New Total UUT %	Additional Revenue 2025/26 Projected	Additional Revenue 2026/27 Projected	Additional Revenue 2027/28 Projected	Additional Revenue 2028/29 Projected
1.00%	1.00%	\$ 327,005	\$ 336,812	\$ 346,915	\$ 357,321
2.00%	2.00%	654,010	673,624	693,830	714,642
3.00%	3.00%	981,015	1,010,436	1,040,745	1,071,963
4.00%	4.00%	1,308,020	1,347,248	1,387,660	1,429,284
5.00%	5.00%	1,635,025	1,684,060	1,734,575	1,786,605



The following table shows how the maximum estimated UUT revenue (5.00%) in the table above would affect the Town's forecasted deficits:

Item	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29
Forecasted Surplus/(Deficit), in Millions	(\$2.8)	(\$3.1)	(\$3.3)	(\$3.8)
UUT Revenue @ 5.00%, in Millions	1.6	1.7	1.7	1.8
<b>Forecasted Surplus/(Deficit), in Millions</b>	<b>(\$1.2)</b>	<b>(\$1.4)</b>	<b>(\$1.6)</b>	<b>(\$2.0)</b>

Based on these revenue estimates, the Town would still be in deficit in the near term; however, if combined with the following other recommended revenue options, the Town could potentially close its deficit. The approval of a majority of registered voters within the Town is needed to implement a UUT. In general, obtaining voter approval for a new UUT where none existed is difficult to achieve. In addition, when Town voters were asked about a new UUT in a 2016 poll, opposition was twice that of support, with 62% opposed and 31% in favor. We see no reason why this sentiment should have changed enough since then to make a new UUT a viable option for the Town. In addition, from 2002 through 2020, 85 cities asked for voter approval of a new UUT, and just 28 (33%) were successful, even though approval required only a majority vote.

#### ***UUT for Streaming Video Services***

In 2021, a judge in Los Angeles ruled that local utility laws don't cover streaming services, so imposing a UUT on streaming services may not be a viable option. NBS recommends that the Town obtain a legal opinion on this matter.

#### ***Special Assessment Districts***

Several statutes authorize cities to levy assessment for specific services and facilities. General law cities considering assessments are limited to the services and facilities types listed in each statute and must comply with the substantive and procedural requirements in Article XIII D of the California Constitution, added by Proposition 218, and the Proposition 218 Omnibus Implementation Act.

The following are some of the most used authorizing statutes for assessments and the kinds of services and facilities for which they can be used:

Landscaping and Lighting Act of 1972: Authorizes assessments for such things as the installation, construction, and maintenance of landscaping; ornamentation; street lighting, including traffic signals; curbs, gutters, sidewalks, and drainage; parks and recreational facilities; community centers, auditoriums, and public performance space.

Benefit Assessment Act of 1982: Authorizes assessments for the maintenance of drainage; flood control; street lighting; and streets, roads, or highways.

Improvement Act of 1911 ("1911 Act"): Authorizes assessments for a variety of public improvements, such as streets and sidewalks, including decorative features; sewers; storm drains; lighting; pipes and hydrants for fire protection; levees and walls for the protection of streets and to prevent beach erosion or promote accretion to beaches; water supply; gas supply; bomb shelters; trees and landscaping; mooring; land

stabilization improvements. It also allows assessment revenue to be used for limited acquisition of land related to the authorized improvements.

**Municipal Improvement Act of 1913 ("1913 Act"):** Generally authorizes assessments for the acquisition of land and construction of a wide array of public works and improvements, including but not limited to utilities. It also allows for the financing of some improvements to private property, such as seismic strengthening and fire safety.

In calculating an assessment, a city must first determine the entire cost of the facility or service to be funded. It must then separate the benefits of the service or facility to the general public from the benefits to property owners who will be subject to the assessment. That means, in part, determining the proportionate special benefit that each parcel subject to the assessment derives from the service or facility. Finally, the assessment imposed on each parcel cannot exceed the cost of the special benefit conferred on the parcel.

An option to fund general city services via special assessment does not exist in California. In addition, assessment districts may not fund general public-safety services, as those services have been deemed to provide general benefits to entire communities, and not special benefits to certain properties.

#### ***Transient Occupancy Tax***

The Town currently levies a TOT in the amount of 12% of the rent charged by the operator for the privilege of occupancy in any hotel. It's worth noting here that Palo Alto has a 15.50% TOT rate, Los Altos and Milpitas have a 14.00% TOT rate, Santa Clara, Sunnyvale, and the unincorporated areas of Santa Clara County have a 12.50% TOT rate, Campbell and Cupertino have a 12.00% TOT rate, Morgan Hill, Mountain View, San Jose and Saratoga have a 10.00% TOT rate, and Gilroy has a 9.00% TOT. Los Altos Hills and Monte Serreno do not currently have a TOT.

According to the Town's Operating and Capital Summary Budget for Fiscal Year 2023/24, the following table shows the forecasted TOT collections for Fiscal Years 2025/26 through 2028/29, including what each 1% yields:

FY	Forecasted TOT Collections	Each 1% Yields <sup>1</sup>
2025/26	\$ 2,600,000	\$ 216,667
2026/27	2,600,000	216,667
2027/28	2,600,000	216,667
2028/29	2,700,000	225,000

*1 - Current TOT rate is 12%*



The following table shows the potential revenue generated via various increases in the Town's TOT rate for Fiscal Years 2025/26 through 2028/29:

Potential TOT Increase	Potential New Total TOT %	Additional Revenue 2025/26 Projected	Additional Revenue 2026/27 Projected	Additional Revenue 2027/28 Projected	Additional Revenue 2028/29 Projected
0.25%	12.25%	\$ 54,167	\$ 54,167	\$ 54,167	\$ 56,250
0.50%	12.50%	108,333	108,333	108,333	112,500
0.75%	12.75%	162,500	162,500	162,500	168,750
1.00%	13.00%	216,667	216,667	216,667	225,000
1.25%	13.25%	270,833	270,833	270,833	281,250
1.50%	13.50%	325,000	325,000	325,000	337,500
1.75%	13.75%	379,167	379,167	379,167	393,750
2.00%	14.00%	433,333	433,333	433,333	450,000
2.25%	14.25%	487,500	487,500	487,500	506,250
2.50%	14.50%	541,667	541,667	541,667	562,500
2.75%	14.75%	595,833	595,833	595,833	618,750
3.00%	15.00%	650,000	650,000	650,000	675,000
3.25%	15.25%	704,167	704,167	704,167	731,250
3.50%	15.50%	758,333	758,333	758,333	787,500

The following table shows how the maximum estimated additional TOT revenue (3.50% increase) in the table above would affect the Town's forecasted deficits:

Item	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29
Forecasted Surplus/(Deficit), in Millions	(\$2.8)	(\$3.1)	(\$3.3)	(\$3.8)
TOT Revenue @ 15.50%, in Millions	0.8	0.8	0.8	0.8
<b>Forecasted Surplus/(Deficit), in Millions</b>	<b>(\$2.0)</b>	<b>(\$2.3)</b>	<b>(\$2.5)</b>	<b>(\$3.0)</b>

NBS does not recommend increasing the TOT rate, as any potential increase doesn't raise that much additional revenue to support the Town's budget deficit.

### **Business License Tax Modification**

The Town may also have an interest in exploring a modification to its Business License Tax to add a charge per employee. NBS is not modeling what the rate per employee would be as the Town does not yet know the number of employees that would be subject to the tax. It's also worth noting here that voters in the Town approved an increase to the Business License Tax in November 2022 (Measure J), so perhaps it's too soon to ask the voters for another modification.

## **Recommended Revenue Options**

### **Sales Tax Rate Modeling**

The current sales tax rate in the Town is 9.25%, of which the Town's share is 1% (not including the Measure G sales tax rate of 0.125%). The Town has the capacity to raise its sales tax rate by an additional 0.125%.

According to the Town's Operating and Capital Summary Budget for Fiscal Year 2023/24, the following table shows the forecasted sales tax collections for Fiscal Years 2025/26 through 2028/29, including what each 1% yields:

FY	Forecasted Sales Tax Collections	Each 1% Yields <sup>1</sup>
2025/26	\$ 8,500,000	\$ 8,500,000
2026/27	8,700,000	8,700,000
2027/28	9,000,000	9,000,000
2028/29	9,300,000	9,300,000

*1 - Current sales tax rate is 9.25%, of which the City receives 1% (does not include Measure G sales tax rate of 0.125%)*

The following table shows the potential revenue generated via a 0.125% increase in the Town's sales tax rate for Fiscal Years 2025/26 through 2028/29:

Potential Sales Tax Increase	Potential New Total Sales Tax %	Additional Revenue 2025/26 Projected	Additional Revenue 2026/27 Projected	Additional Revenue 2027/28 Projected	Additional Revenue 2028/29 Projected
0.125%	9.375%	\$ 1,062,500	\$ 1,087,500	\$ 1,125,000	\$ 1,162,500

The following table shows how the estimated additional sales tax revenue would affect the Town's forecasted deficits:

Item	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29
Forecasted Surplus/(Deficit), in Millions	(\$2.8)	(\$3.1)	(\$3.3)	(\$3.8)
Sales Tax Revenue, in Millions	1.1	1.1	1.1	1.2
<b>Forecasted Surplus/(Deficit), in Millions</b>	<b>(\$1.7)</b>	<b>(\$2.0)</b>	<b>(\$2.2)</b>	<b>(\$2.6)</b>

It's worth noting here that Campbell, Milpitas, and San Jose already have a 9.375% sales tax rate, while all other cities (excluding the Town) in Santa Clara County and the unincorporated areas of Santa Clara County are currently subject to a sales tax rate of 9.125%.

The amount of revenue generated by a potential sales tax increase does not completely fill the Town's budget deficit, but it is higher than the potential revenue generated by an increase in the Town's TOT rate and could potentially serve as a "first step" for the Town to raise additional revenue. If structured as a general sales tax, the Town would only need to secure approval from a majority of the registered voters within the Town to increase the sales tax rate. **NBS recommends that the Town move quickly on this option, if desired, as the Town's remaining capacity for a sales tax increase could be utilized by another government agency within the County during the next election cycle.**



### Parcel Tax Scenarios

For purposes of modeling a new parcel tax, the Town has provided four revenue target scenarios to fill its projected operating deficits: a consensus target of \$3.5MM, a high target of \$4MM, a middle target of \$2MM, and a low target of \$1MM, as shown below:

Revenue Target	Amount
High	\$ 4,000,000
Consensus	\$ 3,500,000
Middle	\$ 2,000,000
Low	\$ 1,000,000

Our analysis assumes that the parcel tax, if approved in November 2024, would be collected beginning in Fiscal Year 2025/26, and rates would increase by 3% per year. The following table shows how each of the four revenue target scenarios for a potential parcel tax would affect the Town's forecasted deficits:

Item	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29
Forecasted Surplus/(Deficit), in Millions	(\$2.8)	(\$3.1)	(\$3.3)	(\$3.8)
Parcel Tax Revenue, in Millions (High)	4.0	4.1	4.2	4.4
<b>Forecasted Surplus/(Deficit), in Millions (High)</b>	<b>\$1.2</b>	<b>\$1.0</b>	<b>\$0.9</b>	<b>\$0.6</b>
Parcel Tax Revenue, in Millions (Consensus)	3.5	3.6	3.7	3.8
<b>Forecasted Surplus/(Deficit), in Millions (Consensus)</b>	<b>\$0.7</b>	<b>\$0.5</b>	<b>\$0.4</b>	<b>\$0.0</b>
Parcel Tax Revenue, in Millions (Middle)	2.0	2.1	2.1	2.2
<b>Forecasted Surplus/(Deficit), in Millions (Middle)</b>	<b>(\$0.8)</b>	<b>(\$1.0)</b>	<b>(\$1.2)</b>	<b>(\$1.6)</b>
Parcel Tax Revenue, in Millions (Low)	1.0	1.0	1.1	1.1
<b>Forecasted Surplus/(Deficit), in Millions (Low)</b>	<b>(\$1.8)</b>	<b>(\$2.1)</b>	<b>(\$2.2)</b>	<b>(\$2.7)</b>

Based on the latest Santa Clara County Assessor's data from July 2023, there are a total of 11,230 parcels within the Town that would be Taxable, and an additional 365 parcels that would be Non-Taxable (generally publicly owned parcels, utilities, common areas, mobile homes, or other parcels with no assessed value). We provide below three parcel tax scenarios for each of the four revenue targets scenarios: (1) a uniform rate per parcel, (2) a uniform rate per lot square foot, (3) a uniform rate per building square foot, (4) a uniform rate per parcel with senior/low-income exemptions, (5) a uniform rate per lot square foot with senior/low-income exemptions, and (6) a uniform rate per building square foot with senior/low-income exemptions.

#### Without Senior/Low-Income Exemptions

Description	Rate - High	Rate - Consensus	Rate - Mid	Rate - Low
Taxable Parcels - per Parcel	\$ 356.19	\$ 311.67	\$ 178.09	\$ 89.05
Taxable Parcels - per Lot Square Foot	\$ 0.0203	\$ 0.0178	\$ 0.0102	\$ 0.0051
Taxable Parcels - per Building Square Foot	\$ 0.14	\$ 0.12	\$ 0.07	\$ 0.03

The average taxes on SFR and Condo parcels under the consensus revenue target for the three different apportionment methods are shown below:

Average of Parcel Tax - By Parcel	Average of Parcel Tax - By LotSqFt	Average of Parcel Tax - By BldgSqFt
\$ 311.67	\$ 254.10	\$ 262.08

#### With Senior/Low-Income Exemptions

For the purposes of this analysis, we have assumed that 10% of Taxable single-family residential parcels, 10% of Taxable single-family residential lot area, or 10% of Taxable single-family residential building area could qualify for a senior/low-income exemption, if offered.

Description	Rate - High	Rate - Consensus	Rate - Mid	Rate - Low
Taxable Parcels - per Parcel	\$ 390.82	\$ 341.96	\$ 195.41	\$ 97.70
Taxable Parcels - per Lot Square Foot	\$ 0.0219	\$ 0.0192	\$ 0.0110	\$ 0.0055
Taxable Parcels - per Building Square Foot	\$ 0.15	\$ 0.13	\$ 0.07	\$ 0.04

The average taxes on SFR and Condo parcels under the consensus revenue target for the three different apportionment methods are shown below:

Average of Parcel Tax - By Parcel (SLI)	Average of Parcel Tax - By LotSqFt (SLI)	Average of Parcel Tax - By BldgSqFt (SLI)
\$ 341.96	\$ 273.89	\$ 283.18

#### Commercial/Office/Industrial Parcels Only

The Town has also requested a scenario for a parcel tax that would only apply to Taxable Commercial/Office/Industrial Properties at a rate per building square foot over 25k building square feet. The rates per building square foot over 25k building square feet for each of the revenue targets are shown below:

Description	Rate - High	Rate - Consensus	Rate - Mid	Rate - Low
Taxable Commercial/Office/Industrial Parcels - per Building Square Foot > 25K	\$ 3.31	\$ 2.90	\$ 1.66	\$ 0.83

There are 35 Commercial/Office/Industrial parcels with buildings of 25,000 square feet or more and the resulting annual tax per owner would range from approximately \$4,600 to \$612,000.



The parcel tax option is the only reliable way to correct the Town's projected deficits with one funding mechanism, however attaining two-thirds approval from voters at the rates that meet that objective may be difficult. I look forward to our upcoming meeting to discuss these revenue scenarios and the resulting model results. Please contact me with any questions or comments; I can be reached at 800. 676.7516 or via email at [ndayhoff@nbsgov.com](mailto:ndayhoff@nbsgov.com).

Sincerely,



Nick Dayhoff  
Senior Consultant

**From:** [Phil Koen](#)  
**To:** [Mary Badame](#); [Matthew Hudes](#); [Rob Rennie](#); [Maria Ristow](#); [Rob Moore](#)  
**Cc:** [Gabrielle Whelan](#); [Laurel Prevetti](#); [Wendy Wood](#)  
**Subject:** 10 year Trend of change in net position  
**Date:** Monday, July 1, 2024 9:41:42 AM  
**Attachments:** [Pages from Town%20of%20Los%20Gatos%20FY%202022-23%20Final%20ACFR\(2\).pdf](#)

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[EXTERNAL SENDER]

Dear Honorable Mayor and Council Members,

To remove any doubt or uncertainty, attached is a 10 year trend report taken from the FY 2023 ACFR which reports the annual change in net position. Please note that every year with the exception of FY 2021 during the peak of COVID, the Town reported a positive increase. In fact in FY 2022 the change was \$24.2m and in FY 2023 \$15.1m

This demonstrates revenue growth has consistently exceeded the growth in total government expenses for 9 out of the 10 years. An increase in net position can only happen if revenues exceed expenditures.

Please be advised the Town's website which claims that revenue growth has not kept pace with the growth in expenses, as measured by the Statement of Activities which reports consolidated results on an accrual basis, is incorrect.

The Town's website must be corrected so residents understand the true historical performance of the Town.

Thank you,

Phil Koen  
Chair of the Finance Commission

Town of Los Gatos  
Changes in Net Position  
Last Ten Fiscal Years  
(Accrual Basis of Accounting)

Schedule 2

	Fiscal Year				
	2013/14	2014/15	2015/16	2016/17	2017/18
<b>Expenses</b>					
Governmental Activities:					
General Government	\$ 6,955,804	\$ 6,465,852	\$ 6,993,661	\$ 6,771,628	\$ 7,948,918
Public Safety	14,119,786	12,644,221	12,825,688	14,587,597	15,545,521
Parks and Public Works	8,154,616	8,069,352	8,320,623	9,502,707	10,047,003
Community Development	4,424,040	4,047,738	3,227,224	5,093,459	4,667,609
Library Services	2,234,431	2,553,414	2,522,142	2,868,748	3,087,684
Sanitation	363,180	491,359	528,580	466,762	536,296
Redevelopment	21,687	-	-	-	-
Interest and Fees	-	-	-	-	-
Total Governmental Activities	36,273,544	34,271,936	34,417,918	39,290,901	41,833,031
<b>Program Revenues</b>					
Charges for Services:					
General Government	2,179,077	1,888,213	1,517,012	1,669,020	1,701,146
Public Safety	3,206,579	3,529,166	3,278,585	2,076,688	1,888,359
Parks and Public Works	1,550,867	2,206,765	1,516,108	2,155,841	4,150,068
Community Development	5,156,061	5,027,497	4,359,146	3,803,626	3,456,390
Library Services	51,775	53,123	46,192	46,746	14,702
Sanitation	328,648	328,868	368,813	410,626	771,442
Operating Grants and Contributions:					
General Government	-	-	15,291	-	-
Public Safety	42,661	24,838	98,138	837,329	895,730
Parks and Public Works	994,096	907,745	749,300	665,779	953,294
Community Development	-	-	-	-	-
Library Services	14,662	4,062	12,228	-	57,200
Capital Grants and Contributions:					
General Government	-	176,705	-	-	-
Public Safety	-	-	-	-	-
Parks and Public Works	2,274,879	2,338,154	1,610,657	770,600	348,437
Community Development	19,360	-	-	9,280	-
Total Program Revenues	15,818,665	16,485,136	13,571,470	12,445,535	14,236,768
<b>General Revenues and Special Items:</b>					
Property Taxes	11,712,312	12,931,603	13,763,458	14,756,214	15,958,406
Sales Taxes	8,029,571	8,202,678	7,501,175	8,925,276	7,466,253
Franchise Taxes	-	2,215,430	2,258,892	2,366,908	2,474,814
Other Taxes	3,718,405	2,062,893	1,997,497	2,351,223	2,667,840
Motor Vehicle in Lieu	13,068	-	12,308	14,056	16,483
Developer Fees	-	-	-	-	-
Investment Earnings	772,200	428,772	698,324	192,260	333,120
Sale of Property	-	-	-	-	-
Miscellaneous	350,468	813,324	598,170	528,946	622,105
Insurance recoveries	-	-	-	-	-
Total General Revenues and Special Items	24,596,024	26,654,700	26,829,824	29,134,883	29,539,021
<b>Change in Net Position</b>	<b>\$ 4,141,145</b>	<b>\$ 8,867,900</b>	<b>\$ 5,983,376</b>	<b>\$ 2,289,517</b>	<b>\$ 1,942,758</b>

Continued

Town of Los Gatos  
Changes in Net Position  
Last Ten Fiscal Years  
(Accrual Basis of Accounting)

Schedule 2

	Fiscal Year				
	2018/19	2019/20	2020/21	2021/22	2022/23
<b>Expenses</b>					
Governmental Activities:					
General Government	\$ 8,163,991	\$ 7,405,368	\$ 7,086,377	\$ 15,681,345	\$ 10,522,568
Public Safety	16,635,726	20,446,188	19,808,230	15,093,308	17,428,923
Parks and Public Works	10,627,716	11,803,005	13,141,034	12,969,615	12,258,626
Community Development	5,064,637	5,001,958	6,846,834	5,827,001	5,215,961
Library Services	3,059,294	3,347,523	3,496,153	2,969,954	3,653,642
Sanitation	684,673	3,041	185,981	178,575	208,262
Redevelopment	-	-	-	-	-
Interest and Fees	-	-	-	-	29,221
Total Governmental Activities	44,236,037	48,007,083	50,564,609	52,719,798	49,317,203
<b>Program Revenues</b>					
Charges for Services:					
General Government	1,562,683	1,470,324	1,894,080	1,725,857	2,635,527
Public Safety	1,745,889	1,549,207	1,288,358	1,596,313	1,846,312
Parks and Public Works	2,910,936	3,674,222	4,209,048	5,090,014	3,590,936
Community Development	4,155,231	3,351,753	4,063,776	4,129,718	3,971,336
Library Services	9,476	11,522	-	521	2,039
Sanitation	966,130	231,323	299,478	231,323	359,950
Operating Grants and Contributions:					
General Government	-	12,290	-	2,766,833	-
Public Safety	826,643	952,045	1,061,344	1,144,226	4,622,373
Parks and Public Works	1,301,152	2,824,638	1,547,102	1,482,896	1,735,608
Community Development	-	15,864	223,129	670,929	616,937
Library Services	47,482	49,351	55,181	114,958	174,663
Capital Grants and Contributions:					
General Government	-	8,258	2,365	12,205,050	-
Public Safety	-	9,100	-	-	-
Parks and Public Works	146,792	832,755	843,980	10,021,156	3,915,175
Community Development	-	-	-	-	-
Total Program Revenues	13,672,414	14,992,652	15,487,841	41,179,794	23,470,856
<b>General Revenues and Special Items:</b>					
Property Taxes	17,321,347	18,330,426	19,878,835	21,132,098	22,746,842
Sales Taxes	8,158,152	7,531,425	7,933,604	8,483,673	8,806,477
Franchise Taxes	2,475,916	2,495,792	2,499,463	2,822,515	3,074,624
Other Taxes	2,726,743	1,911,774	1,126,887	2,042,580	2,292,008
Motor Vehicle in Lieu	14,689	24,526	23,058	35,624	34,406
Developer Fees	-	-	-	1,735,571	614,820
Investment Earnings	1,809,128	2,428,470	227,136	(1,278,978)	797,587
Sale of Property	-	-	-	-	-
Miscellaneous	2,407,840	323,940	1,528,039	755,400	1,029,864
Insurance recoveries	-	-	-	-	1,565,000
Total General Revenues and Special Items	34,913,815	33,046,353	33,217,022	35,728,483	40,961,628
<b>Change in Net Position</b>	<b>\$ 4,350,192</b>	<b>\$ 31,922</b>	<b>\$ (1,859,746)</b>	<b>\$ 24,188,479</b>	<b>\$ 15,115,281</b>

Concluded

**From:** [Phil Koen](#)  
**To:** [Gitta Ungvari](#)  
**Cc:** [Linda Reiners](#)  
**Subject:** Re: deskitem.ballot\_measure\_general\_sales\_tax\_advisory\_measure\_with\_attachment  
**Date:** Monday, July 29, 2024 1:41:57 PM  
**Attachments:** [inky-injection-inliner-209b06d63f3139b75bda7129634c80da.png](#)  
[inky-injection-inliner-6f42d488d348cfd86b9497caf9f6a.png](#)  
[inky-injection-inliner-6f42d488d348cfd86b9497caf9f6a.png](#)  
[inky-injection-inliner-209b06d63f3139b75bda7129634c80da.png](#)

[EXTERNAL SENDER]

Gitta,

To help frame the conversation for the sales tax discussion, I will provide you with a list of questions that perhaps you could answer in advance and distribute to the FC prior to the meeting. This should save us a lot of time.

Thank you.

Phil Koen  
Sent from my iPhone

On Jul 29, 2024, at 11:59 AM, Gitta Ungvari <[Gungvari@losgatosca.gov](mailto:Gungvari@losgatosca.gov)> wrote:



Good afternoon Chair,

I will include this item as a background material with the rest that I have received last week.

Thanks,

Gitta

**From:** Phil Koen [REDACTED]  
**Sent:** Saturday, July 27, 2024 3:15 PM  
**To:** Gitta Ungvari <[Gungvari@losgatosca.gov](mailto:Gungvari@losgatosca.gov)>  
**Subject:** deskitem.ballot\_measure\_general\_sales\_tax\_advisory\_measure\_with\_attachment

[EXTERNAL SENDER]

Please include this in the Aug 5 FC package as background material.

Thank you

**From:** [Phil Koen](#)  
**To:** [Gitta Ungvari](#)  
**Cc:** [REDACTED]; [Gabrielle Whelan](#)  
**Subject:** RE: Draft Agenda for August 5, 2024 Special Meeting  
**Date:** Monday, July 29, 2024 3:36:38 PM  
**Attachments:** [image001.png](#)  
[image002.png](#)

[EXTERNAL SENDER]

Hello Gitta,

Thank you for your email. Please see my comments in **red below**. Hopefully, this captures what we intend to discuss.

Phil Koen

**From:** Gitta Ungvari <GUngvari@losgatosca.gov>  
**Sent:** Monday, July 29, 2024 2:59 PM  
**To:** Phil Koen [REDACTED]  
**Cc:** [REDACTED]  
**Subject:** RE: Draft Agenda for August 5, 2024 Special Meeting  
 Tow



External ([gungvari@losgatosca.gov](mailto:gungvari@losgatosca.gov))



Good afternoon Chair,

Please confirm the below draft agenda language by July 29, 2024 at 5 p.m. Please note that #1 and #3 are a bit longer than what you originally sent to me because the Brown Act requires all agenda items to describe what the Commission is intending to discuss.

1. Discuss the Draft Resolution **and correspondence from the Finance Commission Chair dated June 29, 2024** that was Presented to the Town Council Regarding a Proposed Tax Measure, Including the **finding Town revenues have not kept pace with the costs of providing Town services and programs to residents and to review Staff's documentation which supports this finding.**
2. Review the **status of the Enterprise Resource Planning System Upgrade Project (6101) including but not limited to reviewing the statement of work, projected cost**

vs approved capital plan, and timing for implementation vs approved implementation plan.

3. Review of Select high dollar value Capital Projects in the FY 25 CIP Budget as to current status vs the originally approved capital plan and to Better Understand the Capital Project tracking and reporting Process

Thanks,

Gitta

---

**From:** Gitta Ungvari

**Sent:** Tuesday, July 23, 2024 7:39 AM

**To:** Phil Koen [REDACTED]

**Cc:** [REDACTED]

**Subject:** Draft Agenda for August 5, 2024 Special Meeting

Good morning Chair,

Please see draft agenda for the Finance Commission special meeting per the information you provided.

1. Discussion of the Finance Commission Chair Letter to the Town Council Regarding the Sales Tax Proposal and the Proposed Resolution Drafted by Staff.
2. Status Review of the Largest Capital Improvement Projects
3. Review of the Enterprise Resource Planning System Implementation Project

Please confirm the draft agenda by July 25 at 5 p.m.

Thanks,

Gitta

p.s. I will be travelling and will have limited email access. I will be at the office on Thursday July 25<sup>th</sup>.

### Questions for the Director of Finance

1. Using the Statement of Activities as the “source of truth,” please provide the analysis which supports the finding “Town revenues have not kept pace with the costs of providing Town services and programs to residents” over the past 10 years.
2. Was any analysis ever presented to the Town Council in support of the above finding?
3. Staff presented to the Town Council a report dated February 15, 2024 titled “Provide Direction on Any Ballot Measure to Consider for Polling” which made the claim “while costs of providing services and programs for residents have significantly increased over the years, Town revenues have not kept pace”. This report was coordinated with the Town Manager, Town Attorney and Director of Finance. Please provide the financial analysis which lead the Staff, including the Town Manager and Town Attorney, to this conclusion.
4. At the July 1, 2024 Town Council meeting, Council Member Moore stated, “if the Town is projecting, over the next two to five years, we will have to cut services, we have to tell that story more”. Is there a forecast the Staff has published which supports Council Member Moore’s comment that the Town will have to cut services? If so, please attach the forecast for the Finance Commission’s review.
5. The town produces two different sets of financial statements – Government-wide statements and Fund Financial Statements. Which set of financial statements assesses the finances of the Town in its entirety, including operating results? Which set of financial statements evaluates whether the Town’s current year revenues were sufficient to pay for current year services?

### Questions for the Town Attorney

1. Who drafted the proposed resolution and what was the internal review process?
2. The draft resolution states “the Town Council finds and determines that each of the findings set forth above are true and correct.” What is the legal significance of making this determination?
3. Are findings legally required?
4. What risk does the Town incur if, after passing the resolution, any of the findings are determined to be false? Does this invalidate the resolution? Could this expose the Town to a legal challenge?
5. What responsibility do individual Council Members have to verify the accuracy of the findings are “true and correct” before making the determination or is it sufficient to rely solely on Staff’s representations?



**From:** [Phil Koen](#)  
**To:** [Gitta Ungvari](#); [Gabrielle Whelan](#)  
**Cc:** [REDACTED]  
**Subject:** Agenda item 1 - advance questions  
**Date:** Monday, July 29, 2024 6:53:02 PM  
**Attachments:** [Questions for the Director of Finance.docx](#)

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[EXTERNAL SENDER]

Hello Gitta,

It would be very helpful to have the attached questions answered and provided to the Finance Commission in advance of the meeting. This will allow the Commission to review the responses prior to the meeting and focus on follow up questions if necessary. This will allow an efficient use of our time. Thank you.

Phil Koen

**From:** [Phil Koen](#)  
**To:** [Gitta Ungvari](#)  
**Subject:** Re: Draft Agenda for August 5, 2024 Special Meeting  
**Date:** Wednesday, July 31, 2024 8:42:04 AM  
**Attachments:** [image001.png](#)  
[image002.png](#)  
[inky-injection-inliner-209b06d63f3139b7bbda7129634c80da.png](#)  
[inky-injection-inliner-6f42d488d348cfd86b9497caf9f6a.png](#)  
[inky-injection-inliner-6f42d488d348cfd86b9497caf9f6a.png](#)  
[inky-injection-inliner-209b06d63f3139b7bbda7129634c80da.png](#)  
[image001.png](#)  
[image002.png](#)

[EXTERNAL SENDER]

Hello Gitta,

Thank you for your email. I would request you prepare written responses to the questions and distribute the responses to the FC in advance of the meeting. This will be more productive and should enable the FC to quickly complete our work for that agenda item.

Thank you,

Phil Koen  
 Sent from my iPhone

On Jul 31, 2024, at 8:26 AM, Gitta Ungvari <GUngvari@losgatosca.gov> wrote:



Good morning Chair,

Thank you for the agenda language. In addition, we are prepared to discuss the questions that you provided yesterday at the special meeting.

See you on Monday,

Gitta

**From:** Phil Koen [REDACTED]  
**Sent:** Monday, July 29, 2024 3:37 PM  
**To:** Gitta Ungvari <GUngvari@losgatosca.gov>  
**Cc:** [REDACTED] Gabrielle Whelan <GWhelan@losgatosca.gov>  
**Subject:** RE: Draft Agenda for August 5, 2024 Special Meeting

[EXTERNAL SENDER]

Hello Gitta,

Thank you for your email. Please see my comments in **red below**. Hopefully, this captures what we intend to discuss.

Phil Koen

**From:** Gitta Ungvari <GUngvari@losgatosca.gov>  
**Sent:** Monday, July 29, 2024 2:59 PM  
**To:** Phil Koen [REDACTED]  
**Cc:** [REDACTED]  
**Subject:** RE: Draft Agenda for August 5, 2024 Special Meeting  
**Tow**



External  
(gungvari@losgatosca.gov)



# GUARDIAN

Good afternoon Chair,

Please confirm the below draft agenda language by July 29, 2024 at 5 p.m. Please note that #1 and #3 are a bit longer than what you originally sent to me because the Brown Act requires all agenda items to describe what the Commission is intending to discuss.

1. Discuss the Draft Resolution and correspondence from the Finance Commission Chair dated June 29, 2024 that was Presented to the Town Council Regarding a Proposed Tax Measure, Including the finding Town revenues have not kept pace with the costs of providing Town services and programs to residents and to review Staff's documentation which supports this finding.
2. Review the status of the Enterprise Resource Planning System Upgrade Project (6101) including but not limited to reviewing the statement of work, projected cost vs approved capital plan, and timing for implementation vs approved implementation plan.
3. Review of Select high dollar value Capital Projects in the FY 25 CIP Budget as to current status vs the originally approved capital plan and to Better Understand the Capital Project tracking and reporting Process

Thanks,

Gitta

---

From: Gitta Ungvari  
Sent: Tuesday, July 23, 2024 7:39 AM  
To: Phil Koen [REDACTED]  
Cc: [REDACTED]  
Subject: Draft Agenda for August 5, 2024 Special Meeting

Good morning Chair,

Please see draft agenda for the Finance Commission special meeting per the information you provided.

1. Discussion of the Finance Commission Chair Letter to the Town Council Regarding the Sales Tax Proposal and the Proposed Resolution Drafted by Staff.
2. Status Review of the Largest Capital Improvement Projects
3. Review of the Enterprise Resource Planning System Implementation Project

Please confirm the draft agenda by July 25 at 5 p.m.

Thanks,

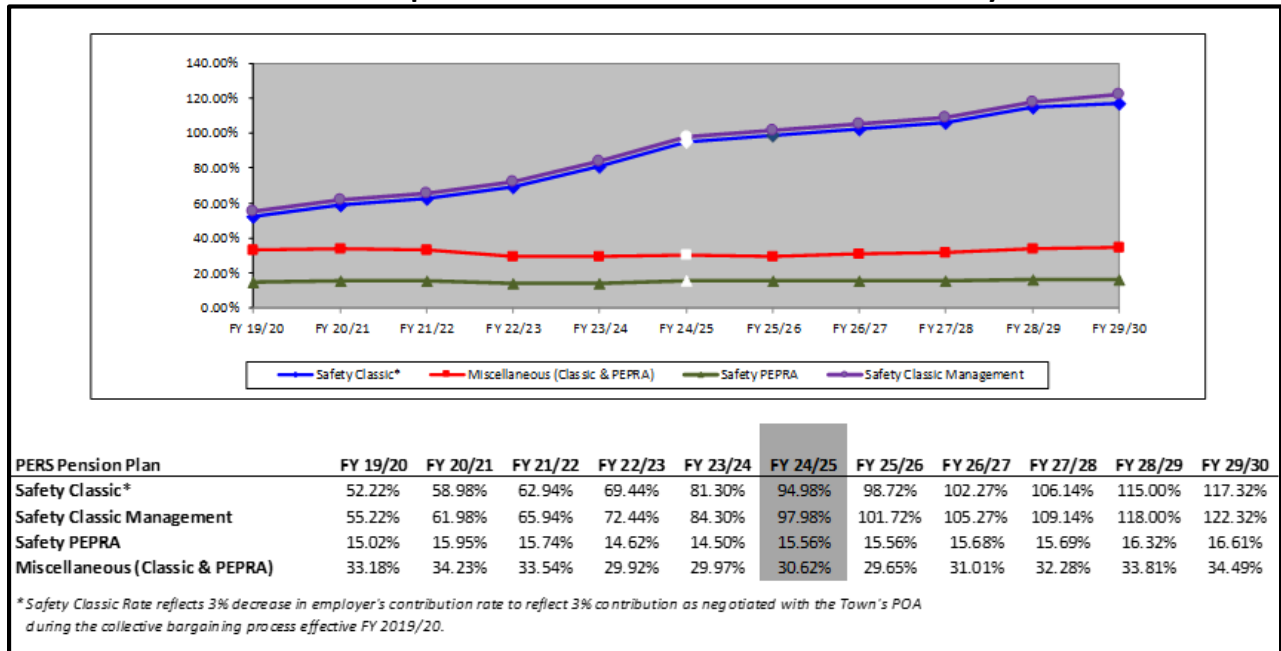
Gitta

p.s. I will be travelling and will have limited email access. I will be at the office on Thursday July 25<sup>th</sup>.

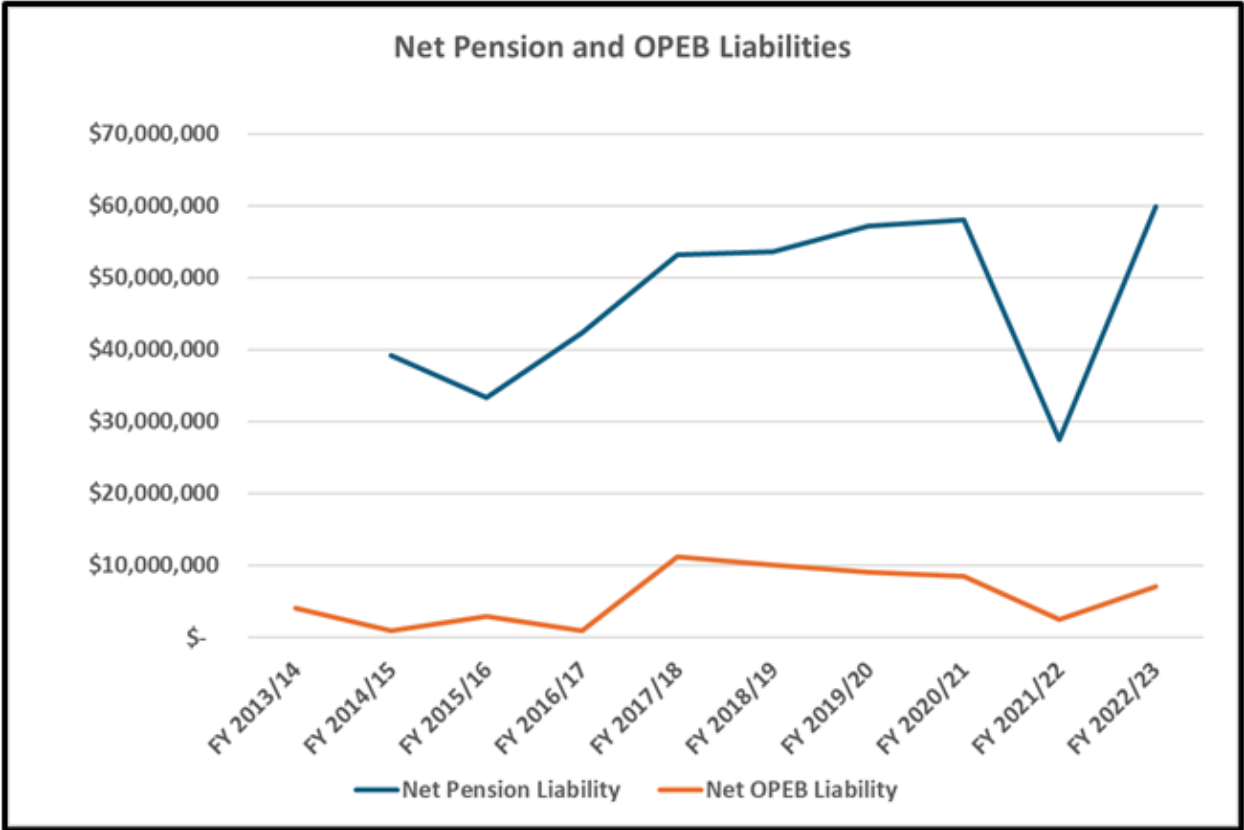
The Town's pension plans (Safety Plan for the Town's sworn personnel and Miscellaneous Plan for all other employees) over the past several decades, like all other CalPERS participants, have experienced unfavorable investment returns, changes in actuarial assumptions, and demographic changes which have outweighed any positive plan experiences.

Based on data from CalPERS, pension costs (included the mitigation effect of the above-mentioned Additional Discretionary Payments) are estimated to grow as demonstrated the following graph.

**Actual and Proposed CalPERS Pension Rates of Covered Payroll**



Beginning FY 2014/15, the unfunded pension liability was incorporated to the financial statements. In addition to our actual cost, the following chart represents the unfunded pension and OPEB liabilities. The pay down of the pension liability is mandatory and as such, it is built into the Town's future CalPERS contribution rates.





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

MEETING DATE: 08/5/2024

ITEM NO: 2

Item 2.

---

DATE: July 26, 2024  
TO: Finance Commission  
FROM: Laurel Prevetti, Town Manager  
SUBJECT: Review the Status of the Enterprise Resource Planning (ERP) System Upgrade Project (6101) Including But Not Limited to Reviewing the Statement of Work, Projected Cost Versus Approved Capital Plan, and Timing for Implementation Versus Approved Implementation Plan.

**RECOMMENDATION:**

Receive a status report of the new ERP system implementation.

**BACKGROUND:**

The Town's current ERP system, CentralSquare FinancePlus, was implemented back in 2008 and has become outdated and increasingly difficult to support. Staff determined that a modern system was required to meet the demands for advanced functionalities, improved efficiencies, fiscal transparency, better customer service, and enhanced systems integration all in a single platform. A Request for Proposals (RFP) was posted to solicit responses from qualified firms, such as WorkDay, Oracle, Tyler Technologies, OpenGov, and CentralSquare.

Tyler Technologies was the only vendor to respond back with a proposal. It is typical for small agencies to receive little interest in its opportunities. The proposal and demonstration of their system was reviewed by an inter-disciplinary Town team, evaluating the system's reporting capabilities, streamlined process workflows, and self-service online capabilities for employees, residents, and vendors. The reviewers also assessed the vendor's demonstration of organizational, functional, and technical abilities, as well as the experience, expertise, and qualifications necessary to provide a fully integrated and proven ERP solution to include both implementation and ongoing maintenance and support.

**PREPARED BY:** Sai Kim  
IT Manager

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

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PAGE 2 OF 4

SUBJECT: ERP System Implementation Update

DATE: July 26, 2024

BACKGROUND (continued):

Tyler Technologies currently has over 2,000 customers nationwide and over 150 in California. Forty former CentralSquare customers have migrated over successfully to Tyler's Munis solution in California (Attachment 1). Staff also performed reference checks with other surrounding municipalities who currently utilize the Tyler Munis solution and received positive feedback.

Council approved entering into an agreement with Tyler Technologies at its June 21, 2022 meeting.

DISCUSSION:

The implementation of the Tyler Technologies Enterprise ERP system began in August 2022 with the following objectives:

- Consolidate information, link processes and functions, and eliminate separate Departmental spreadsheets/Excel databases in favor of a single system that integrates the Town's financial and non-financial systems where possible.
- Streamline business processes to take advantage of best practices through automation, integration, and enhanced workflows.
- Provide a user-friendly and intuitive user interface to promote system use and productivity.
- Eliminate the need for redundant data entry.
- Improve and/or provide necessary reports and reporting capabilities, and access to data through inquiry or drilldown capabilities.
- Provide interface capabilities with third-party systems.

The following functional areas were included in the implementation:

- Financial Management
  - General Ledger (GL), Budgeting, Accounts Payable, Procurement, Cash Management, Capital Assets, Account Receivables, General Billing, and Cashiering
- Human Capital Management
  - Payroll, Human Resource Management System, Time, and Attendance

The various modules for each functional area are being implemented through a phased approach spanning a multi-year period. The implementation methodology is an iterative process where the Town's business processes are first assessed through a detailed current state and future state analysis. The new ERP system is then configured, validated, and refined cyclically and then preparations are made for the system to go live.

PAGE 3 OF 4

SUBJECT: ERP System Implementation Update

DATE: July 26, 2024

DISCUSSION (continued):

The Town, together with the vendor have completed the assessment, along with much of the configuration stages, and is deep in the validation and refinement processes. The data conversion is a critical element to the validation process which has proved to have its challenges as described below.

The original proposed go-live dates proposed by Tyler Technologies were:

Financial Management – July 2023

Human Capital Management – October 2023

Advanced Time and Attendance – September 2024

As the implementation progresses, the originally proposed go-live dates were not realistic due to difficulties and delays with the data conversion. It is critically important for the Town's data to be converted thoroughly and accurately. In addition, during the configuration process, it became clear that it makes more sense to go-live with all functional areas at the same time rather than a phased roll-out approach. Therefore, the new go-live date is February 2025. Specifically, the detailed data conversion of the Town's General Ledger (GL) history continues to be a complex process for the Tyler Technologies conversion team. This has been identified as the only risk at this time and is the primary reason for pushing the go-live date to February of 2025.

Here are a few key improvements that will come with the new ERP system:

- Removal of manual processes through new automated workflows, approvals, and notifications.
- Automated central document storage, eliminating the manual process of saving various documents to a separate location.
- Vendor self-service portal for direct vendor access to invoices, payments, W9 submittals, and other vendor information.
- Public self-service portal for general billing and online payments.
- Employee self-service portal for updating employee information, forms and documents, benefits administration, paystubs, and online expense reimbursement.
- Electronic timesheet system that removes manual timesheets and integrates directly with the new Payroll system.

CONCLUSION:

Staff looks forward to the Finance Commission's questions and discussion.



FISCAL IMPACT:

The project is currently under budget as reflected in the following fiscal table.

Enterprise Resource Planning Upgrade CIP No. 841-6101		
	Budget	
<b>Fiscal Years</b>		
2022/23	\$ 215,360	
2023/24	\$ 1,094,647	
2024/25	\$ -	
<b>Total Budget</b>	<b>\$ 1,310,007</b>	
		<b>Actuals to Date</b>
<b>Fiscal Years</b>		
2022/23		\$ 215,360
2023/24		\$ 319,598
2024/25		\$ -
<b>Total Expenditures</b>		<b>\$ 215,360</b>
<b>Total Project Balance to Date</b>		<b>\$ 1,094,647</b>

Attachment:

1. Account Success Replacing CentralSquare

# CentralSquare-to-Munis Account Success

Item 2.

For communities, schools, and special districts, maintaining fiscal responsibility and providing timely customer-centric services is paramount to success. Many managing operations with CentralSquare have now chosen the industry's leading, functionally-robust ERP solution: Tyler.

Clients who have switched to Tyler across the United States (click to jump to):

- [West](#)
- [East](#)
- [Midwest](#)
- [South](#)

## West

- Matanuska-Susitna Borough Schools, AK
- City of Kingman, AZ
- City of Sierra Vista, AZ
- Coconino County, AZ
- City of Alameda, CA
- City of Benicia, CA
- City of Berkeley, CA
- City of Beverly Hills, CA
- City of Carson, CA
- City of Chino Hills, CA
- City of Chula Vista, CA
- City of Coronado, CA
- City of Covina, CA
- City of Diamond Bar, CA
- City of El Cajon, CA
- City of Encinitas, CA
- City of Fontana, CA
- City of Fremont, CA
- City of Fullerton, CA
- City of Gilroy, CA
- City of Hanford, CA
- City of Indio, CA
- City of Merced, CA
- City of Mission Viejo, CA
- City of Napa, CA
- City of Newport Beach, CA
- City of Oxnard, CA
- City of Palm Springs, CA
- City of Perris, CA
- City of Poway, CA
- City of Rancho Mirage, CA
- City of Rancho Palos Verdes, CA
- City of Redlands, CA
- City of San Ramon, CA
- City of Solano Beach, CA
- City of Stockton, CA
- City of Watsonville, CA
- Cucamonga Valley Water Dist, CA
- Nevada Irrigation District, CA
- Plumas County, CA
- Santa Margarita Water District, CA
- San Diego Association of Governments, CA
- Vallejo Flood and Wastewater District, CA
- West Contra Costa Unified School Dist, CA
- City of Centennial, CO
- City of Greenwood, CO
- City of Pueblo, CO
- City of Alamogordo, NM
- City of Roswell, NM
- City of Boulder City, NV
- City of Carson City, NV
- City of Broken Arrow, OK
- City of Norman, OK
- City of Bend, OR
- City of Corvallis, OR
- City of Gresham, OR
- City of Grants Pass, OR
- Deschutes County, OR
- City of Clearfield, UT
- City of Murray City, UT
- City of West Jordan, UT
- Bellevue School District 405, WA
- City of Kirkland, WA
- Cheyenne Board of Public Utilities, WY
- City of Gillette, WY
- City of Laramie, WY
- Laramie County, WY
- Laramie County School District 1, WY
- Sweetwater County, WY

## East

- City of Hoover, AL
- City of New London, CT
- Town of Groton, CT
- Town and Schools of Madison, CT
- Town of Orange, CT
- Town of Simsbury, CT
- Town of Windham, CT
- City of Dover, DE
- Queen Anne's County, MD
- City of Lewiston, ME
- City of Portland, ME
- Portland Public Schools, ME
- City of Keene, NH
- Essex County, NY
- Ontario County, NY
- Steuben County, NY
- City of Titusville, PA
- Eire Water Works, PA
- Radnor Township, PA
- York County, PA
- City of Pawtucket, RI
- Alleghany County, VA
- City & Schools of Waynesboro, VA
- City of Colonial Heights, VA
- City of Manassas, VA
- Prince George County, VA
- Stafford County Public Schools, VA
- Town of Herndon, VA
- Town of Vienna, VA
- Williamsburg-James City County Public Schools, VA
- Wythe County, VA

ATTACHMENT 1

"A proposal was received from the City's current software vendor to upgrade to their new product ONESolution. However ... **Tyler Technologies' Munis provides the most functionality.**"

City of Sanibel, FL

# CentralSquare-to-Munis Account Success

Item 2.

For communities, schools, and special districts, maintaining fiscal responsibility and providing timely customer centric services is paramount to success. Many managing operations with CentralSquare have now chosen the industry's leading, functionally-robust ERP Solution: Tyler.

Clients who have switched to Tyler across the United States (click to jump to):

- [West](#)
- [East](#)
- [Midwest](#)
- [South](#)

## Midwest

- City of Dubuque, IA
- City of Bloomington, IL
- City of Elmhurst, IL
- City of Joliet, IL
- City of Naperville, IL
- City of Peoria, IL
- City of Quincy, IL
- Village of Elk Grove, IL
- Village of Gurnee, IL
- Village of Orland Park, IL
- Village of Woodridge, IL
- City of Dodge City, KS
- City of Hutchinson, KS
- City of Lenexa, KS
- City of Paducah, KY
- City of Bloomington, MN
- City of Mankato, MN
- Crow Wing County, MN
- City of Belton, MO
- City of Columbia, MO
- Waynesville R-VI School District, MO
- City of Minot, ND
- City of Rapid City, SD
- City of Sioux Falls, SD
- City of Dublin, OH
- City of Gahanna, OH
- Columbus Metropolitan Library, OH

## South

- City of Opelika, AL
- City of Bentonville, AR
- City of Fort Smith, AR
- City of Altamonte Springs, FL
- City of Coral Springs, FL
- City of Dunedin, FL
- City of Fort Pierce, FL
- City of Hallandale Beach, FL
- City of Jacksonville Beach, FL
- City of Kissimmee, FL
- City of Miramar, FL
- City of Naples, FL
- City of New Port Richey, FL
- City of Ormond Beach, FL
- City of Pembroke Pines, FL
- City of Sanibel, FL
- City of Sunrise, FL
- City of Winter Park, FL
- Emerald Coast Utilities Authority, FL
- Flagler County, FL
- Flagler County Sheriff's Office, FL
- Marion County, FL
- St Johns County Sheriff's Office, FL
- Town of Jupiter, FL
- Village of Wellington, FL
- Walton County, FL
- Chatham County, GA
- City of Alpharetta, GA
- City of Johns Creek, GA
- City of Roswell, GA
- City of Sandy Springs, GA
- City of Smyrna, GA
- Hall County, GA
- Henry County, GA
- City and Parish of Baton Rouge – East Baton Rouge, LA
- City of Bossier City, LA
- Chatham County, NC
- City of Asheville, NC
- City of Greenville, NC
- City of Hickory, NC
- City of Monroe, NC
- City of New Bern, NC
- City of Wilmington, NC
- Craven County, NC
- Harnett County, NC
- Rowan County, NC
- Scotland County, NC
- Town of Morrisville, NC
- Orangeburg County, SC
- Hamilton County School District, TN
- Alvin Independent School Dist, TX
- City of Allen, TX
- City of Burleson, TX
- City of College Station, TX
- City of Duncanville, TX
- City of Farmers Branch, TX
- City of Irving, TX
- City of League City, TX
- City of Missouri City, TX
- City of North Richland Hills, TX
- City of Odessa, TX
- City of Port Arthur, TX
- City of Richardson, TX
- City of Rowlett, TX
- City of Sugar Land, TX
- City of Waco, TX
- City of Wichita Falls, TX
- Collin County, TX
- Lewisville Independent School Dist, TX
- Round Rock Independent School Dist, TX
- Socorro Independent School Dist, TX

"A proposal was received from the City's current software vendor to upgrade to their new product ONESolution. However ... **Tyler Technologies' Munis provides the most functionality.**"

*City of Sanibel, FL*



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

MEETING DATE: 08/05/2024

ITEM NO: 3

Item 3.

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DATE: August 1, 2024  
TO: Finance Commission  
FROM: Laurel Prevetti, Town Manager  
SUBJECT: Review of Select High Dollar Value Capital Projects in the FY 25 CIP Budget as to Current Status versus the Originally Approved Capital Plan and to Better Understand the Capital Project Tracking and Reporting Process

**RECOMMENDATION:**

Receive a report on the capital project development process and select capital improvement projects as identified by the Finance Commission Chair.

**BACKGROUND:**

The Finance Commission Chair has requested information regarding seven specific Capital Improvement Projects that are presented in the 2024/25 – 2028/29 Capital Improvement Program<sup>1</sup> (the CIP). The request for detailed project review was made after two meetings between staff and the Finance Commission Ad Hoc committee. These two meetings, held on April 1, 2024 with a follow up on June 17, 2024, provided Ad Hoc members the opportunity to ask questions about the CIP development process and project management process. Both meetings included similar questions and discussions.

Subsequently, the Chair requested a special Finance Commission meeting to discuss three topics, including the CIP. The subject for this item was provided by the Chair as noted above. Attachment 4 provides communications from the Commission Chair regarding the which projects and information were sought for review via this agenda item.

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<sup>1</sup> [FY2024-25 Capital Budget](#)

**PREPARED BY:** Nicolle Burnham  
Parks and Public Works Director

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

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PAGE 2 OF 8

SUBJECT: Receive a Report on Capital Project Development Process and Select Capital Improvement Projects

DATE: August 1, 2024

DISCUSSION:

A brief overview of each project is provided in this report. Attachment 1 is a copy of the financial information staff provided to Town Council at its meeting on May 21, 2024 based on information from Pages B-5 and B-6 of the CIP document, plus information regarding projected spending over the upcoming two fiscal years. The highlighted rows pertain to the specific projects identified by the Finance Commission Chair.

**Capital Improvement Project Development and Delivery Process**

Town of Los Gatos CIP projects are proposed for various reasons. Four of the projects highlighted in Attachment 1 (Shannon Road Pedestrian and Bicycle Project, Kennedy Sidewalk and Bike Lanes – LGB to Englewood, Highway 17 Bicycle and Pedestrian Bridge Design and the Trailhead Connector) were proposed as a result of the Town's Bicycle and Pedestrian Master Plan (the Plan) that was adopted in 2017, and updated in 2020. Those projects were conceptualized and prioritized during development of the Plan and a capital project was created for each.

The Shannon Road Repair project and the Roadside Fire Fuel Reduction projects were created to support public safety initiatives. The last project, Building Replacement at the Corporation Yard, was created to replace a deteriorated and unsafe employee work space and Police Department evidence storage.

As these projects have progressed through the design and development process (Attachment 2), the project scope and costs have been refined. It is common practice in public sector to complete capital improvement projects in phases. At each phase, the project scope and associated costs are refined and adjusted in an iterative fashion, ultimately narrowing to the final cost and a completed project. This approach is consistent with the "Cone of Uncertainty" model that is often referenced across numerous industries.

Public Works projects have a distinct difference from private sector construction in that the design of public spaces supported by the use of public funds typically requires public involvement throughout the design process. The design team (staff and consultants) for any project receives feedback from community members regarding their suggestions for the project and then, the input is provided to the Town Council who makes the final design decisions if the community's ideas are technically feasible. Therefore, public project design includes elements that cannot always be predicted when the Council initially includes a project in the Five-Year Program.

PAGE 3 OF 8

SUBJECT: Receive a Report on Capital Project Development Process and Select Capital Improvement Projects

DATE: August 1, 2024

DISCUSSION (continued):

This was evidenced in fall 2022 in the Shannon Road Bicycle and Pedestrian Project, where the homeowners adjacent to the project expressed significant concerns about the design. The design had been developed based on engineering principles without addressing comments and concerns of the residents. When staff presented the “final” project to Town Council in spring 2023, the resident concerns were so significant that Town Council asked staff to re-evaluate the design, resulting in design changes with adjusted associated costs.

Once a project is fully designed, the project is ready to bid in accordance with State law (and federal law for projects with federal funding). The Town is obligated accept the lowest responsive bid. The award of the bid is approved by the Town Council. Funding contingencies are typically included in the bid award due to unforeseen circumstances. The Town then enters into a construction agreement with the contractor. Execution of the construction project then also includes securing the required bonds from the contractor, and reviewing the project schedule, payment requests and various submittals of materials required for the project. Depending on the project, construction may be limited to certain times of the year to avoid impacts to biological resources, reduce weather delays, or address other unique circumstances.

Many Public Works projects are multi-year efforts, depending upon their complexity, site conditions, and other factors. These projects occur generally in public spaces and maintaining the public safety of site is critical while trying to minimize the impacts to adjacent property owners, road users, etc.

The contractor is responsible for timely delivery of the project based on the agreed upon schedule. Any use of contingency funds must be fully documented and approved by the Town. Public Works staff oversee the work of the contractor, ensuring adherence to the bid documents and costs, communicating to the public about project status, and completing other project management functions.

Throughout the life of a project, communication about project status occurs in several ways:

- Public engagement in the design phase through community workshops or other mechanisms.
- Key milestones are brought to Town Council meetings for public input and Council action, including design, recognition of grant revenue, and award of bid.
- Flyers, social media posts, and formal notices are communicated prior to the start of construction and during construction.
- For many projects, project information is available to the public through the Town’s website.

PAGE 4 OF 8

SUBJECT: Receive a Report on Capital Project Development Process and Select Capital Improvement Projects

DATE: August 1, 2024

DISCUSSION (continued):

- The Capital Improvement Program is updated each year, including the detailed project sheets, timeline, and budget.

**Select Projects**

The following is the status of each of the projects identified by the Finance Commission Chair.

**Shannon Road Repair (CIP No. 811-0008)**

The Town of Los Gatos accepted the portion of Shannon Road between Santa Rosa Drive and Diduca Way in 2018 from Santa Clara County (the County). The roadway began to deteriorate soon after the Town accepted it despite previous efforts by the County to stabilize the roadway. Funding for this project is from Town funds, a portion of which are the result of a settlement agreement between the Town and the County. Information about this project can be found on Page C-18 of the CIP.

Work on the project included an initial geotechnical assessment of the failing roadway, determining the potential causes of the failure, and setting the design requirements for improvements. Project design was completed in 2023 and staff continues to work with the adjacent property owner to coordinate the necessary rights to complete the work. Funds were added to this project in the Fiscal Year (FY) 2024/25 CIP to address costs associated with property owner coordination and the need to hire a consultant for construction inspection services.

**Roadside Fire Fuel Reduction – Annual (CIP No. 812-0130)**

This project funded the development of a Roadway Vegetation Management Plan<sup>2</sup> in 2020 and supports fuel reduction along 31.09 miles of Town-owned roadways that were identified in that plan. The project was initiated with Town funds in FY 2020/2021. Since that time the Town has been awarded two federal grants, one from the Federal Emergency Management Agency and another from the United States Forest Service. Information about this project can be found on Page C-22 of the CIP.

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<sup>2</sup> [Los-Gatos-Roadway-Vegetation-Management-Plan](#)



PAGE 5 OF 8

SUBJECT: Receive a Report on Capital Project Development Process and Select Capital Improvement Projects

DATE: August 1, 2024

DISCUSSION (continued):

Recent Town Council actions on this project occurred on September 20, 2022<sup>3</sup> (Item 11); March 21, 2023<sup>4</sup> (Item 12); and October 17, 2023<sup>5</sup> (Item 8) and these memorandums provide both technical detail and information regarding the project budget and work plans.

*Shannon Road Ped & Bikeway Improvements (CIP No. 813-0218)*

This project is identified as Priority Project No. 7 in the Town of Los Gatos 2017 Bicycle and Pedestrian Master Plan and can be found on page C-18 of the CIP. The Shannon Road Pedestrian and Bikeway Improvements Project is intended to provide pedestrian and bicycle safety improvements on Shannon Road between Los Gatos Boulevard and Cherry Blossom Lane. This segment of Shannon Road is a two-lane neighborhood collector street with high volumes of bicycle and pedestrian traffic when schools are in session.

Staff presented this project to Town Council on April 18, 2023<sup>6</sup> (Item 14) for bidding. During that meeting residents in the project area expressed concern over certain design elements. Town Council then returned the project to staff with direction to revise the design to minimize large asphalt buffers, remove parking spaces and to add trees wherever possible. Council also requested additional outreach to the residents. Staff completed this work and has made substantial changes to the project. The project was bid for construction in spring 2024 construction start is expected in August of this year.

The project is funded with Town General Fund Appropriated Reserve (GFAR) monies, and both Transportation for Clean Air (TFCA) and Congestion Mitigation and Air Quality (CMAQ) grant funding.

*Kennedy Sidewalk & Bike Lanes – LBG to Englewood (CIP No. 813-0241)*

This project is identified as Priority Project No. 4 in the Town of Los Gatos 2017 Bicycle and Pedestrian Master Plan and can be found on page C-52 of the CIP. The Kennedy Road Sidewalk improvement project would provide bicycle and pedestrian safety improvements, similar to those along the Shannon Road project, between Los Gatos Boulevard and Englewood Avenue. The goal is to improve access to Louise Van Meter Elementary School, R.J. Fisher Middle School, and Los Gatos High School.

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<sup>3</sup> [September 2022 USDA Grant](#)

<sup>4</sup> [March 2023 Roadside Fire Fuel Reduction](#)

<sup>5</sup> [October 2023 Overlook Trees](#)

<sup>6</sup> [April 2023 Shannon Road Bike and Pedestrian](#)

PAGE 6 OF 8

SUBJECT: Receive a Report on Capital Project Development Process and Select Capital Improvement Projects

DATE: August 1, 2024

DISCUSSION (continued):

The project was added to the CIP in FY 2021/22 with the funding allocation of \$356,700 in GFAR in future FY 2023/24 and Measure B grant funding of \$832,300 to be accepted in FY 2024/25. The project schedule presented in the FY 2021/22 CIP showed the bid and construction schedule as “To Be Determined;” an acknowledgement of the fact that the project planning and study phases had not been completed. Attachment 3 is the detail pages for this project from the FY 2021/22 CIP.

Staff started the study phase of this project in 2022 by completing the survey work (ahead of the schedule that was presented in the CIP) and solicited proposals for the planning phase in early 2023. Staffing levels within the Parks and Public Works Department prevented the planning phase from moving forward, but that work will resume in fall 2024.

In spring 2023 staff recommended, and Town Council agreed, that the Winchester Boulevard Complete Streets Project (CIP No. 813-0238) should no longer be pursued due to the projected construction cost. At that time, it was agreed that staff would ask the Valley Transportation Authority (VTA) to reallocate Measure B grant funds from the Winchester Boulevard Project to the Kennedy Road Project. On April 16, 2024<sup>7</sup> (Item 5) Town Council authorized the reallocation of funds to the Kennedy Road Project following approval of the reallocation from the VTA.

Highway 17 Bicycle & Pedestrian Bridge – Design (CIP No. 818-0803)

This project was identified as Priority Project No. 1 in the Town of Los Gatos 2017 Bicycle and Pedestrian Master Plan, and the 2020 Update of that Plan. A history of this project was included in the Town Council report of June 18, 2024<sup>8</sup> (Item 11). The project history outlines the process staff went through to assess the feasibility of the project, evaluate design alternatives, perform community engagement, and secure funding for the various stages of work. The project is partially within the Highway 17 right-of-way, necessitating extensive coordination with the California Department of Transportation (Caltrans). This project is currently in design and the Town has submitted grant applications into two separate programs to provide the construction funding. Results of the grant applications will be publicly available in later 2024.

Trailhead Connector (CIP No. 832-4505)

This project was identified as Priority Project No. 5 in the Town of Los Gatos 2017 Bicycle and Pedestrian Master Plan, and the 2020 Update that Plan. The project was initiated in 2018 and

<sup>7</sup> [April 2024 Kennedy Road Project](#)

<sup>8</sup> [June 2024 Highway 17](#)

PAGE 7 OF 8

SUBJECT: Receive a Report on Capital Project Development Process and Select Capital Improvement Projects

DATE: August 1, 2024

DISCUSSION (continued):

numerous Council actions have occurred regarding that project since this time, the most recent being in August 2023<sup>9</sup> (Item 9) when the construction contract was awarded. The Council report outlines the funding source for the design and construction phases of the project.

When this project was bid in spring 2023, construction costs exceeded the engineer's estimate for the work. The increased cost was attributed to ongoing post-COVID changes in construction

costs throughout the Bay Area. On June 6, 2023<sup>10</sup> (Item 12) staff presented a recovery funding plan to Town Council. This plan included accepting an additional \$2.8 million in grant funding from the California Department of Transportation (Caltrans) to cover the bid overrun. This funding was made available on short notice when another Bay Area jurisdiction had to cancel their project, leading them to forfeit their grant funds. Caltrans put out a request seeking shovel ready projects that could use the forfeited funds and, because the Trailhead Connector project was ready to move forward and staff could make a commitment to spending the funds, the Town was awarded the additional monies. This project is an example of why proceeding with design of large projects, even when construction funding is unknown, is an important part of the project delivery in public works projects.

The project is partially within the Highway 17 right-of-way, necessitating extensive coordination with the California Department of Transportation (Caltrans) at each phase of work, which adds time and complexity to the schedule. Construction is in progress and will be completed in early 2024.

*Building Replacement at Corporation Yard (CIP No. 821-2302)*

This project was initially created in FY 2013/14 with GFAR funding to begin being allocated in FY 2014/15 to replace a defunct office building and police evidence storage facility. In FY 2015/16, funding for the project was redirected to the Almond Grove Street Reconstruction Project, with project funding for the building replacement then shown being spread over future years.

In FY 2019/20, staff reassessed the project and identified a potential to save costs by renovating a garage and storage space to employee offices. In that budget cycle new GFAR funding of approximately \$975,000 was added to the project plus additional funding of \$25,000 each year proposed in future years.

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<sup>9</sup> [August 2023 Trailhead Connector](#)

<sup>10</sup> [June 2023 Trailhead Connector Funding Plan](#)

PAGE 8 OF 8

SUBJECT: Receive a Report on Capital Project Development Process and Select Capital Improvement Projects

DATE: August 1, 2024

DISCUSSION (continued):

Since the additional funding was provided in FY 2019/2020, staff has completed the renovation of staff office spaces and constructed a new storage / police evidence building at the public works yard. The most recent Town Council action associated with this project occurred on April 16, 2024<sup>11</sup> (Item 10) when action was taken to accept the building construction. Staff is currently working on fit up of the building. This project will be completed and closed during FY 2024/25.

CONCLUSION:

Information about the select projects is provided per request of the Finance Commission Chair. Staff looks forward to answering the Commission's questions at the meeting.

COORDINATION:

This report was coordinated with the Finance Director and the Town Manager's Office.

FISCAL IMPACT:

Information regarding the costs of each project is provided. The referenced memorandums considered at past Town Council meetings each include a fiscal table the documents funding for each project.

ENVIRONMENTAL ASSESSMENT:

This item is not a project defined under CEQA, and no further action is required. CEQA actions for each project is addressed through the work on that project.

Attachments:

1. Past and Projected CIP Spending
2. Project Process
3. Kennedy Road FY2122 Detail Pages
4. Communications from the Chair

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<sup>11</sup> [April 2024 Corporation Yard Building Acceptance](#)

Anticipated Capital Expenditures FY 2024/25 and FY 2025/26

		Financial Summary As Presented in Proposed CIP Pages B-5 and B-6									New Information on Projected Spending				
Project Number and Name		Expended Through 2022/23	2023/24 Estimated Actuals	Estimated Carryfwd to 2024/25	2024/25 Budget	2025/26 Budget	2026/27 Budget	2027/28 Budget	2028/29 Budget	Total Budgeted	Projected Available Funding (Total Budgeted - Expended Through 2022/23)	2023/24 Estimated Actuals (From CIP Budget Book B-5, B-6)	Projected Spending 24/25	Projected Spending 25/26	Projected Available Funding as 7/1/26
<b>Reconstruction</b>															
811-9901	Street Repair & Resurfacing	24,851,825	3,723,736	4,044,465	3,534,839	3,534,839	3,534,839	3,534,839	3,534,839	50,294,221	25,442,396	3,723,736	3,800,000	3,800,000	14,118,660
811-9903	Pavement Rehab-Crack Seal	1,616,628	180,000	180,000	180,000	180,000	180,000	180,000	180,000	2,876,628	1,260,000	180,000	180,000	180,000	720,000
<b>Maintenance-Safety</b>															
811-9902	Annual Street Restriping	180,228	-	-	15,000	20,000	30,000	40,000	50,000	335,228	155,000	-	15,000	20,000	120,000
811-9904	Unanticipated Repairs - Annual	-	9,572	10,788	100,000	100,000	100,000	100,000	100,000	520,360	520,360	9,572	111,000	100,000	299,788
815-9930	Retaining Wall Repairs	1,595,978	31,499	535,300	50,000	50,000	50,000	50,000	50,000	2,412,777	816,799	31,499	25,000	25,000	735,300
811-0008	Shannon Road Repair	433,152	268,745	4,174,167	500,000					5,376,064	4,942,912	268,745	4,674,167		
811-0010	Blossom Hill Rd - Union to Camden Improvements	-	-	-	800,000	-	-	-	-	800,000	800,000	-	400,000	400,000	-
812-0130	Roadside Fire Fuel Reduction - Annual	999,809	186,640	1,385,551	100,000	100,000	100,000	100,000	100,000	3,072,000	2,072,191	186,640	1,000,000	750,000	135,551
812-0131	East Main Street Crosswalk Improvements	43,700	18,000	253,300	-	-	-	-	-	315,000	271,300	18,000	100,000	153,300	-
812-0133	VTM Mitigation Program	134,767	48,568	66,665	-	-	-	-	-	250,000	115,233	48,568	30,000	-	36,665
812-0134	Measure B Education & Encouragement	18,671	52,017	68,657	-	-	-	-	-	139,345	120,674	52,017	30,000	30,000	8,657
812-0135	Town-wide Speed Studies	-	-	80,000	-	-	-	-	-	80,000	80,000	-	-	80,000	-
<b>Street Improvements</b>															
813-9921	Curb, Gutter & Sidewalk Maintenance	5,108,300	89,535	321,147	300,000	300,000	300,000	300,000	300,000	7,018,982	1,910,682	89,535	400,000	350,000	1,071,147
813-0218	Shannon Road Ped & Bikeway Improvements	263,407	106,014	1,937,809						2,307,230	2,043,823	106,014	1,937,809		
813-0225	Utility Undergrounding Improvements	2,852	-	299,573	-	-	-	-	-	302,425	299,573	-	-	-	299,573
813-0227	Traffic Signal Modernization	2,001,927	540,474	94,858	-	-	-	-	-	2,637,259	635,333	540,474	-	-	94,858
813-0235	Downtown Streetscape Revitalization/Economic Recovery Efforts	1,929,140	359,867	552,633	-	-	-	-	-	2,841,640	912,500	359,867	-	-	552,633
813-0237	State Route 17 Corridor Congestion Relief Project	600,000	-	867,000	-	600,000	600,000	600,000	600,000	3,867,000	3,267,000	-	867,000	-	2,400,000
813-0240	Winchester Class IV Bikeway	942,062	-	-	-	-	-	-	-	942,062	-	-	-	-	-
813-0241	Kennedy Sidewalk & Bike Lanes - LGB to Englewood			2,365,376						2,365,376	2,365,376		250,000	2,115,376	
813-0242	Parking Program Implementation	153,110	125,519	488,826	-	-	-	-	-	767,455	614,345	125,519	384,998	20,000	83,828
813-0244	Overlook Road Tree Replacement	-	-	-	40,000	-	-	-	-	40,000	40,000	-	40,000	-	-
816-0414	Stormwater System - Pollution Prevention Compliance	22,722	38,747	36,531	-	-	-	-	-	98,000	75,278	38,747	36,531	-	-
816-0420	Annual Storm Drain Improvements	291,181	-	252,219	-	-	-	-	-	543,400	252,219	-	-	-	252,219
816-0421	Loma Street Drainage	-	-	100,000	250,000	496,300	-	-	-	846,300	846,300	-	150,000	100,000	596,300
816-0422	Harwood/Belridge Drainage Study	-	-	100,000	-	-	-	-	-	100,000	100,000	-	50,000	50,000	-
816-0423	709 University Avenue Drainage System Replacement	-	-	200,000	-	-	-	-	-	200,000	200,000	-	75,000	125,000	-
816-0424	333 University Inlet Capacity Improvements	-	-	50,000	-	-	-	-	-	50,000	50,000	-	-	50,000	-
816-0425	Storm Drainage Mapping	-	-	190,000	260,001	-	-	-	-	450,001	450,001	-	400,000	50,001	-
817-0705	Downtown Parking Lots Seal Coat & Restriping	84,839	-	15,161	50,000	-	10,000	-	10,000	170,000	85,161	-	-	85,161	-
817-0708	Parking Lot 4 Repair/Waterproofing	199,800	-	50,200	-	-	-	-	-	250,000	50,200	-	-	50,200	-
<b>Bridges</b>															
818-0801	Quito Road - Bridge Replacement	64,594	235,087	50,000	-	-	-	-	-	349,681	285,087	235,087	-	50,000	-
818-0803	Highway 17 Bicycle & Pedestrian Bridge - Design	1,083,238	2,317,745	1,056,319						4,457,302	3,374,064	2,317,745	1,056,319		
818-0804	Timber Bridge Inspection	-	-	-	-	25,000	25,000	-	-	50,000	50,000	-	-	50,000	-
<b>Parks</b>															
831-4007	Oak Meadow Bandstand Area Improvements	22,282	23,223	241,225	-	-	-	-	-	286,730	264,448	23,223	190,000	51,225	-
831-4008	Oak Meadow Park Plane Recoating	-	-	-	-	-	40,000	-	-	40,000	40,000	-	-	-	40,000
831-4202	Town Plaza Turf Repairs	9,116	-	27,000	15,000	-	-	-	-	51,116	42,000	-	42,000	-	-

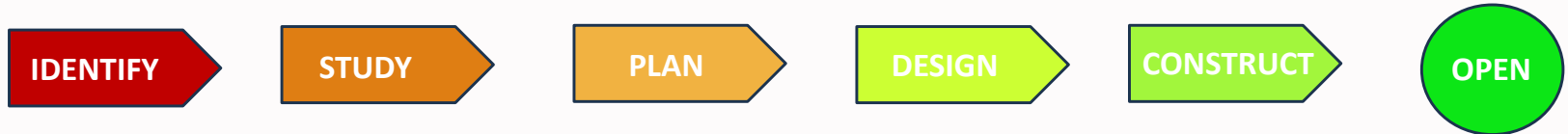
Anticipated Capital Expenditures FY 2024/25 and FY 2025/26

		Proposed Financial Summary As Presented in CIP Pages B-5 and B-6									New Information on Projected Spending				
Project Number and Name		Expended Through 2022/23	2023/24 Estimated Actuals	Estimated Carryfwd to 2024/25	2024/25 Budget	2025/26 Budget	2026/27 Budget	2027/28 Budget	2028/29 Budget	Total Budgeted	Projected Available Funding (Total Budgeted - Expended Through 2022/23)	2023/24 Estimated Actuals (From CIP Budget Book B-5, B-6)	Projected Spending 24/25	Projected Spending 25/26	Projected Available Funding as 7/1/26
831-4404	Creekside Turf Replacement	-	-	500,000	-	-	-	-	-	500,000	500,000	-	-	-	500,000
831-4605	Parks Playground Fibar Project	92,531	36,820	20,149	25,000	-	25,000	-	25,000	224,500	131,969	36,820	-	40,000	55,149
831-4610	Pinehurst Community Garden	14,314	70,627	200,059	50,000	-	-	-	-	335,000	320,686	70,627	50,000	-	200,059
831-4611	Sport Court Resurfacing	-	-	-	100,000	-	-	-	-	100,000	100,000	-	100,000	-	-
Trails															
832-4503	Charter Oaks Trail Improvement	72,942	-	474,891	-	-	-	-	-	547,833	474,891	-	-	-	474,891
832-4504	Open Space Trail Upgrades	-	-	152,000	-	-	-	-	-	152,000	152,000	-	75,000	77,000	-
832-4505	Trailhead Connector	692,000	8,006,899	822,953						9,521,851	8,829,851	8,006,899	822,953		
832-4508	Vegetation Management - Town-wide	244,826	5,423	97,458	432,959	100,000	100,000	100,000	100,000	1,180,666	935,840	5,423	930,417	-	-
832-4510	Lynn Ave Pedestrian Path Design	-	55,448	134,552	50,000	-	-	-	-	240,000	240,000	55,448	50,000	-	134,552
Town Infrastructure															
821-2002	Town Beautification	129,422	17,687	7,517	15,000	15,000	15,000	15,000	15,000	229,625	100,203	17,687	15,000	15,000	52,517
821-2009	Public Art Gateway Project	50,000	105,611	-	37,500	37,500	-	-	-	230,611	180,611	105,611	37,500	37,500	-
821-2012	Emergency Preparedness	-	-	96,780	-	-	-	-	-	96,780	96,780	-	20,000	20,000	56,780
821-2012	Annual ADA Compliance Work	-	-	10,000	70,000	20,000	20,000	20,000	20,000	160,000	160,000	-	40,000	15,000	105,000
821-2117	Civic Center ADA Restrooms and HR Offices	74,924	96,076	809,000	-	-	-	-	-	980,000	905,076	96,076	730,000	79,000	-
821-2120	Civic Center Plumbing Repair	-	-	40,000	40,000	40,000	-	-	-	120,000	120,000	-	20,000	30,000	70,000
821-2121	TMO Roof Repairs	-	-	79,640	-	-	-	-	-	79,640	79,640	-	79,640	-	-
821-2208	ARC – Interim Community Center	-	-	866,281	11,333	-	-	-	-	877,614	877,614	-	30,000	-	847,614
821-2302	Building Replacement at Corporation Yard	2,156,661	239,619	267,414						2,663,694	507,033	239,619	250,000		17,414
821-2310	Engineering Counter Modification	-	-	40,000	-	-	-	-	-	40,000	40,000	-	40,000	-	-
821-2311	Fleet Service Outdoor Work Area (Design Phase)	-	-	-	45,000	-	-	-	-	45,000	45,000	-	35,000	10,000	-
821-2404	POB Space Study	-	-	75,000	-	-	-	-	-	75,000	75,000	-	40,000	35,000	-
821-2504	Library Improvements	-	-	22,000	-	-	-	-	-	22,000	22,000	-	-	10,000	12,000
821-2505	Battery Power Supply - Library	439,466	100,716	2,818	-	-	-	-	-	543,000	103,534	100,716	-	-	2,818
821-2601	ADA Upgrade for Public Restrooms - Adult Recreation Building	103,964	294,099	305,799	-	-	-	-	-	703,861	599,898	294,099	75,000	-	230,799
Equipment															
841-6003	Town-wide Document Imaging Project	198,011	-	16,989	-	-	-	-	-	215,000	16,989	-	16,989	-	-
841-6101	Enterprise Resource Planning Upgrade	470,129	555,607	576,817	-	-	-	-	-	1,602,554	1,132,425	555,607	505,607	71,210	-
841-6103	EOC Communications Upgrade	24,717	1,000	6,000	-	-	-	-	-	31,717	7,000	1,000	6,000	-	-
841-6104	IT Disaster Recovery Improvements	171,163	757	28,080	-	-	-	-	-	200,000	28,837	757	10,000	-	18,080
TOTALS		47,588,397	17,941,378	25,746,967	7,071,632	5,618,639	5,129,839	5,039,839	5,084,839	119,221,530	71,633,133	17,941,378	20,223,930	9,124,973	24,342,851

NOTE: This is a reprint of Attachment 6 to Town Council Item 11 of the May 21, 2024 meeting with the seven projects highlighted.



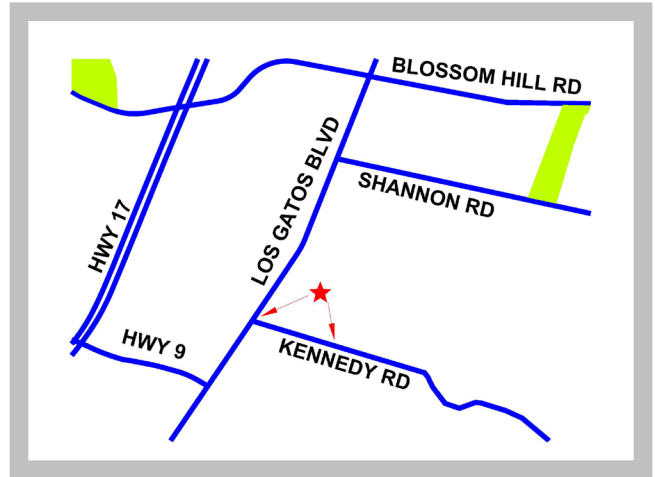
# Project Development Process



Basic Analysis	Technical Analysis	Community Engagement and Preliminary Designs	Completed Designs	Construction	Operation and Maintenance
Define Project	Analyze / Assess Feasibility	Outreach and Preliminary Designs	Detailed Design Development	Build	Public Use
Outcomes					
<ul style="list-style-type: none"> <li>Define Project Goals</li> <li>Assessment Alignment with Other Projects</li> <li>Identify Limitations</li> </ul>	<ul style="list-style-type: none"> <li>Survey / Right-of-way Analysis</li> <li>Soil Sampling / Analysis</li> <li>Identify Utility Conflicts</li> <li>Evaluate Regulatory Requirements</li> </ul>	<ul style="list-style-type: none"> <li>Community Engagement</li> <li>Develop Design Concepts / Cost Estimates</li> <li>Evaluate Potential Funding Sources</li> <li>Establish Design Direction</li> </ul>	<ul style="list-style-type: none"> <li>Develop Detailed Construction Plans and Specifications</li> <li>Coordinate with Funding Agents</li> <li>Conduct Environmental Review</li> </ul>	<ul style="list-style-type: none"> <li>Bid Project</li> <li>Perform Construction Inspection</li> <li>Complete Required Reporting</li> <li>Review Pay Requests</li> </ul>	Ongoing Operation and Maintenance
Timeline (Varies by Project Complexity)					
1 Month – 6 Months	6 Months – 2 Years	1 - 2 Years	6 Months – 2 Years	1 – 2 Years	Ongoing



**Street Improvements**



**Project Name** Kennedy Sidewalk – LGB to Englewood

**Project Number** 813-0241

**Department** Parks & Public Works

**Project Manager** Town Engineer: WooJae Kim

**Description** The project will install sidewalks and Class II bike lanes on Kennedy Road.

**Location** This project location is Kennedy Road Between Los Gatos Boulevard and Englewood Avenue.

**Project Background** The Kennedy Road Sidewalk improvement project will provide safe connections to Los Gatos Boulevard, a destination point in Town for employment. The project is in a residential neighborhood that will provide benefits to Louise Van Meter Elementary School, R.J. Fisher Middle School, and Los Gatos High School. The project location is in close proximity to the VTA – Bus Route 27 stop at Los Gatos Boulevard providing access to further destinations within the Town .

In June 2020 the Town was awarded a Measure B grant in the amount of \$832,300 for final design and construction of this project. The local match amount is included in this project budget. The project schedule is contingent upon Measure B grant fund schedule.

**Operating Budget Impacts** Staff time for design and construction of the project is tracked, which allows for accountability in the costs of the project, recovery of costs from grants, and identification of future staffing needs. This project utilizes a combination of full-time budgeted staff and temporary staff to support fluctuating workloads. The costs for temporary staff will be funded through the project. Full-time staff is accounted for in the FY 2021/22 Operating Budget.

**Street Improvements**

<b>Project Components &amp; Estimated Timeline</b>	Fall 2022	Preliminary Design	Project design & development
	TBD	Bid Process	Project bidding & contract award (pending Measure B grant funding schedule)
	TBD	Construction	Project completed.

<b>KENNEDY SIDEWALK BETWEEN LGB AND ENGELWOOD</b>										
										<b>Project 813-0241</b>
<b>SOURCE OF FUNDS</b>	Prior Yrs Actuals	2020/21 Estimated	Estimated Carryfwd to 2021/22	2021/22 New Funding	2021/22 Budget (with Carryfwd)	2022/23 Proposed	2023/24 Proposed	2024/25 Proposed	2025/26 Proposed	Total Project
GFAR	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 356,700	\$ -	\$ -	\$ 356,700
GRANTS & AWARDS	-	-	-	-	-	-	-	832,300	-	832,300
<b>TOTAL SOURCE OF FUNDS</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 356,700</b>	<b>\$ 832,300</b>	<b>\$ -</b>	<b>\$1,189,000</b>
<b>USE OF FUNDS</b>	Prior Yrs Actuals	2020/21 Estimated	Estimated Carryfwd to 2021/22	2021/22 New Funding	2021/22 Budget (with Carryfwd)	2022/23 Proposed	2023/24 Proposed	2024/25 Proposed	2025/26 Proposed	Total Project
<b>GFAR</b>										
Salaries and Benefits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Services/Supplies/Equipment	-	-	-	-	-	-	-	-	-	-
Site Acquisition & Preparation	-	-	-	-	-	-	-	-	-	-
Consultant Services	-	-	-	-	-	-	-	-	-	-
Project Construction Expenses	-	-	-	-	-	-	356,700	-	-	356,700
<b>TOTAL GFAR</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 356,700</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 356,700</b>
<b>GRANTS &amp; AWARDS</b>										
Salaries and Benefits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Services/Supplies/Equipment	-	-	-	-	-	-	-	-	-	-
Site Acquisition & Preparation	-	-	-	-	-	-	-	-	-	-
Consultant Services	-	-	-	-	-	-	-	-	-	-
Project Construction Expenses	-	-	-	-	-	-	-	832,300	-	832,300
<b>TOTAL GRANTS &amp; AWARDS</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 832,300</b>	<b>\$ -</b>	<b>\$ 832,300</b>
<b>TOTAL USE OF FUNDS</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 356,700</b>	<b>\$ 832,300</b>	<b>\$ -</b>	<b>\$1,189,000</b>

From: Phil Koen  
 To: Gitta Ungvari  
 Cc: Linda Reiners; Nicole Burnham  
 Subject: Aug 5 meeting  
 Date: Thursday, August 1, 2024 6:45:11 AM  
 Attachments: [Inky-Injection-Inliner-6f42d488d148cf5d862f99497caf9f5a.png](#)  
[Inky-Injection-Inliner-209b06d63f71139b7b0da7129634c80da.png](#)  
[Image005.png](#)  
[Image006.png](#)  
[Image008.png](#)

[EXTERNAL SENDER]

Gitta,

Please include this email thread in the FC package as back ground material.

Thank you,

Phil Koen

Begin forwarded message:

From: Phil Koen [REDACTED]  
 Date: June 27, 2024 at 2:43:43 PM PDT  
 To: Nicole Burnham <NBurnham@losgatosca.gov>  
 Cc: Joe [REDACTED], Laurel Prevetti <LPrevetti@losgatosca.gov>, Gitta Ungvari <Gungvari@losgatosca.gov>, Mary Badame <MBadame@losgatosca.gov>, Matthew Hudes <MHudes@losgatosca.gov>, Linda Reiners [REDACTED]  
 Subject: Re: Org chart

Hello Nicole,

Thank you for your reply. It sounds like you are not in a position to provide the specific information we requested in our last email. Could you please confirm that? I do not want to misrepresent your position.

If that is correct, the Ad Hoc Committee will not be able to fulfill the task we set out to do. We will report at our next public meeting Staff was unable to accommodate our request for fact gathering meetings beyond the two we have had, nor able to provide detail information the Committee requested regarding project tracking and reporting for two specific projects which were critical to our analysis and findings. It is impossible to analyze data that we don't have nor make recommendations without appropriate knowledge transfer from Staff. I am sure this is not lost on you.

If I have misunderstood your email, please correct me. Personally I am disappointed in this outcome and fail to see how this is in the best interest of the residents.

Thank you,

Phil Koen  
 Chair of the Finance Commission  
 Sent from my iPhone

On Jun 27, 2024, at 2:12 PM, Nicole Burnham <NBurnham@losgatosca.gov> wrote:



Good afternoon Phil-

Thank you for your work on this topic. I think you have done a great job of identifying aspects of the capital program where refinement might be considered. We look forward to the Ad Hoc's future insights.

At this time, we have had two meetings of the CIP Ad Hoc and both meetings covered similar questions and content. From your email below, it appears you have identified relevant issues and topics that the Finance Commission could discuss and, depending on the outcome of that discussion, recommend actions for Town Council to consider in light of its other priorities for staff work. As mentioned at the Finance Commission meeting when the Ad Hoc's were created and in other communications, the Ad Hoc is responsible for completing its own analysis, compilations, and/or documents without staff involvement after the initial meeting.

Thank you for your continued work on the Finance Commission.



<!--[if !vml]--><!--[endif]-->Nicole Burnham • Director  
 Parks and Public Works • 41 Miles Avenue, Los Gatos, CA 95030  
 Desk: 408.399.5774 • [nburnham@losgatosca.gov](mailto:nburnham@losgatosca.gov)  
[www.losgatosca.gov](http://www.losgatosca.gov) • <https://www.facebook.com/losgatosca>

From: Phil Koen [REDACTED]

Sent: Friday, June 21, 2024 11:06 AM  
 To: Nicolle Burnham <[NBurnham@losgatosca.gov](mailto:NBurnham@losgatosca.gov)>; Joe [REDACTED]  
 Cc: Laurel Prevetti <[LPrevetti@losgatosca.gov](mailto:LPrevetti@losgatosca.gov)>; Gitta Ungvari <[GUngvari@losgatosca.gov](mailto:GUngvari@losgatosca.gov)>  
 Subject: Re: Org chart

[EXTERNAL SENDER]

Nicole,

Thank you for your reply. I have copied Joe on your reply.

We would like to schedule another "fact gathering" meeting towards the end of July. So far this last meeting was the only session we have had to gather data.

In a meeting of the next meeting it would be helpful if you were to scrub the CIP list by grouping projects into the three categories we discussed- 1) design/bid/build projects; 2) projects that are not D/B/B but are active projects and 3) projects which are place holders or reserve construction are no active construction plans.

Also if you could provide us the detail project tracking spreadsheets for the two projects we mentioned previously, that would be helpful. The goal of our next meeting is to gain an understanding of the current project tracking and management tools used by PPW to manage projects to schedule and budget. I understand these documents exist and are the principal tracking tool to manage CIP projects. We need to see these.

Lastly of the CIP projects you are closing in FY 25, could you provide a list of these projects, the original adopted budget and adopted schedule completion date, the actual total spend and the actual completion date. We are interested in understanding the historical rate of completing projects on time and on budget. We will only look at FY 25.

Once we have all the data, the Ad Hoc committee will be in a position to analyse the data and form our recommendations. Of course feel free to share with us any recommendations you would like to also make. This should be a team effort.

Again thank you for meeting with us and I think the next session should conclude our fact gathering.

Phil Koen

Sent from my iPhone

On Jun 21, 2024, at 10:30 AM, Nicolle Burnham <[NBurnham@losgatosca.gov](mailto:NBurnham@losgatosca.gov)> wrote:



Hi Phil-

Thank you for this response. I've provided feedback to your comments below.

I do want to let you know that I work with Ad Hoc committees from two other Commissions and it is not the Town's practice for staff to work through issues with the Ad Hoc. In all cases, the Ad Hoc members meet with staff once at the beginning of their work to frame the issues and obtain background on publicly available information. The Ad Hoc members then meet on their own and do their own work and analysis. Once the Ad Hoc has developed recommendations, the Ad Hoc presents a report with its recommendations to the full Commission to consider and discuss. The Commission then makes a recommendation to Town Council for potential policy changes or other actions, if any are deemed necessary.

We are looking forward to hearing the feedback you and Joe provide to the Finance Commission and the Commission's subsequent recommendation to Town Council. In the meantime, my team is continuing to work on delivering the projects in the CIP.



**Nicolle Burnham • Director**

Parks and Public Works • 41 Miles Avenue, Los Gatos, CA 95030

Desk: 408.399.5774 • [nburnham@losgatosca.gov](mailto:nburnham@losgatosca.gov)

[www.losgatosca.gov](http://www.losgatosca.gov) • <https://www.facebook.com/losgatosca>

From: Phil Koen [REDACTED]

Sent: Tuesday, June 18, 2024 8:49 AM

To: Nicolle Burnham <[NBurnham@losgatosca.gov](mailto:NBurnham@losgatosca.gov)>

Cc: Joe [REDACTED]

Subject: Org chart

[EXTERNAL SENDER]

Hi Nicole,

Thank you for meeting with us yesterday. Again, I apologize for being late.

I found the meeting to be very constructive. I also went back and found the org chart that you had previously sent me.

I thought I should summarize several key points that we discussed. If any of these are incorrect, please let us know:

1. The CIP budgeting process begins in February and is concluded by mid-April. This is a very tight timeline and gives limited opportunity for PPW to react to any changes mandated by TC during the budget review process. Not all unfunded "chartered" projects have been fully scoped (schedule and budget) making it difficult to prioritize. The Town should consider beginning the process in October with an initial update/priority setting meeting with the Town Council. There should be a list of "chartered projects" that are properly scoped presented to the TC for their consideration. TC should work from this fully vetted list to add or delete from the draft CIP plan.



We begin project evaluation in January, and present to Council in February or so. The limited staff resources have prevented us from detailing out all potential future projects; however, a more robust prioritization process is something staff would like to consider.

2. The initial "new capital target" budget is established by Finance and has historically been set at \$600k. This is the forecasted annual transfer of "new funding" from the GF to the GFAR for the upcoming budget cycle. It is unclear as to how this amount is established given that as of the end of FY 23 there was \$10.4m in the GF Capital/Special Project reserve. Additionally, historical transfers have greatly exceeded this amount. It should be noted that at the May 21, 2024 TC meeting, PPW staff flashed an annually transfer of \$1.1m for each of the next 5 years. There was no explanation as to why that was the correct amount as opposed to the historical \$600k. More work needs to be done to answer the question - what is the proper amount that should be annually budgeted for capital expenditures based on the Town's invested capital and new capital investment requirements? As a benchmark, the annual gross depreciation expense is \$4.1m. Follow up question - is the investment in roads capitalized and depreciated? What is PPW's view on what should the annual capital spend required to maintain the Town's current infrastructure investment? How do we know this? We need to develop the proper "business model" for CIP and set expectations accordingly.

The Town has a well established and long standing process for how funds are allocated across various funds and accounts. The focus of PPW staff is on project specific budgets and accounts.

3. The detail CIP project list needs to be fully scrubbed. There are "projects" listed that aren't really "active" CIP projects (e.g., project 9930), as well as projects that are very simple to execute co-mingled with complex design/bid/build projects which require substantial management oversight. The CIP list should provide an emphasis on the complex projects that are truly active and require staff time to track schedule and spend vs. the adopted project plan. The 80/20 rule is operative here. There does not appear to be formal monthly reviews of any projects let alone the most complex projects where actual vs plan performance is discussed, and corrective actions plans if required are formed. It is also unclear as to whether there is a formal monthly project close process, so all CIP projects are up to date as of the end of each accounting period. Without a formal close process, it will be impossible to determine the true "burn rate" and determine whether projects are really on time and on budget until a milestone is reached. At that point, it may be too late. The CIP is a budget document rather than a project management tool. Its function is to document what projects are funded, and projects are presented by technical category. Staff does manage some projects as design-bid-build while others don't require that level of design or oversight. The project management protocol used for a project does not relate to the fact that the project is funded or what the funding source is, which is what the CIP documents.

4. All CIP tracking is done on spreadsheets. There is no integrated CIP accounting package that will automatically produce detail CIP standardize tracking reports. As a follow up we would like to look at the underlying CIP tracking spreadsheets for 2 projects - 0227 Traffic Signal Modernization and 4505 Trail Head Connector. We will schedule a meeting in a couple of weeks to review this with PPW so we can gain a better understanding of the current system. To clarify, the Town's accounting system is used to log project revenues and expenditures and reporting is available from that system. PPW consults the accounting system to reconcile project budgets as needed. Project budgeting is made public through the budget process, when Town Council actions are required during a project (e.g., construction award, etc.), and again at project close out.

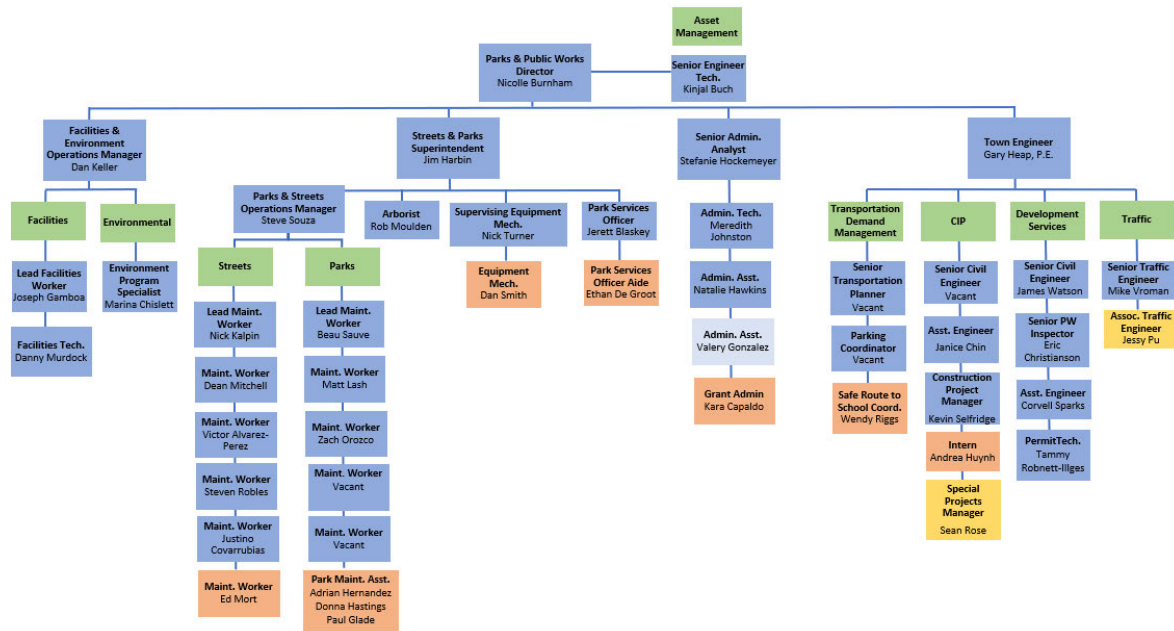
5. We understand that the ERP upgrade that is currently in progress will not include a CIP accounting module when it initially goes live. With 64 projects in flight and a projected capital spend for FY 24 and FY 25 of \$17.9m and \$7.1m respectively, we are concerned that the current accounting and tracking systems are not robust enough to provide sufficient control and visibility over the CIP spending in a timely fashion. We believe we heard that current PPW leadership shares this concern. As a follow up we should schedule a joint discussion with Finance and PPW to fully understand the risks associated with the current ERP implementation approach and what the plan is to improve CIP tracking and reporting in the future. To be clear, the ERP system will be used to track all town related finances – operating and capital. Our current system is tracking all the financial information related to all capital projects. As discussed at our meeting, PPW is working to improve our processes around capital project management. We have implemented a number of improvements in the past two years and more are under consideration. As implementation of the ERP system moves forward, staff will work closely with our partners in other Town Departments to optimize use of the information available.

6. There are currently only 2 people in CIP in addition to the Town Engineer responsible for managing the CIP budget. All agreed that this was inadequate staffing to properly manage the FY 25 CIP budget. Of the 64 CIP projects, approximately 31 are sufficiently complex that require active oversight. Given the current headcount, the staff has capacity to manage appropriately 20 projects. As a follow up discussion, we should discuss a strategy to "bleed off" the excess projects to restore balance. Given this level of Staffing, we are extremely concerned about the Town's ability to manage a projected FY 24 capital spend of \$17.9m (the Town has never had an annual spend at this level) let alone the projected FY 25 spend. Staff is actively working to complete active projects and good progress is being made in this regard. As explained at our meeting, we know that the projected spending plan for 24/25 is high, because a number of larger projects are either in construction, were recently bid, or will be bid in the fall. Staff continues to work on delivering all of the projects that Town Council has approved in the adopted budget document.

7. I have attached some documents that were presented to the TC at the May 21, 2024 meeting. The FC did not have a chance to review these schedules. We should do that at our next meeting. I would encourage you to review this material and watch the Town Council meeting to hear the discussion of these items. Again, thank you for taking the time to meet with us. We look forward to continuing to work through these issues with you. If I have misstated anything, please feel free to correct our understanding. We need to get this right.

Phil Koen





**From:** [Phil Koen](#)  
**To:** [Gitta Ungvari](#)  
**Cc:** [Laurel Prevetti](#); [Nicolle Burnham](#); [Linda Reiners](#); [Mary Badame](#); [Gabrielle Whelan](#)  
**Subject:** August Finance Commission  
**Date:** Tuesday, July 2, 2024 8:48:00 AM  
**Attachments:** [Pages from FY-2024-2025-Proposed-CIP-Budget \(2\).pdf](#)

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[EXTERNAL SENDER]

Hello Gitta,

Now that the FY 2025 budget cycle is behind us, I would like to schedule a Finance Commission meeting for Monday August 5. The agenda will be to approve minutes from prior meetings, and two new agenda items - 1) detail review of the 7 capital projects highlighted in yellow in the attachment and 2) review of the ERP project.

Could you please check availability of the rest of the Commission to see if they can attend on August 5. Both Linda and I are available.

Under a separate email I will provide more direction regarding the information we would like to have presented to the FC for the capital projects.

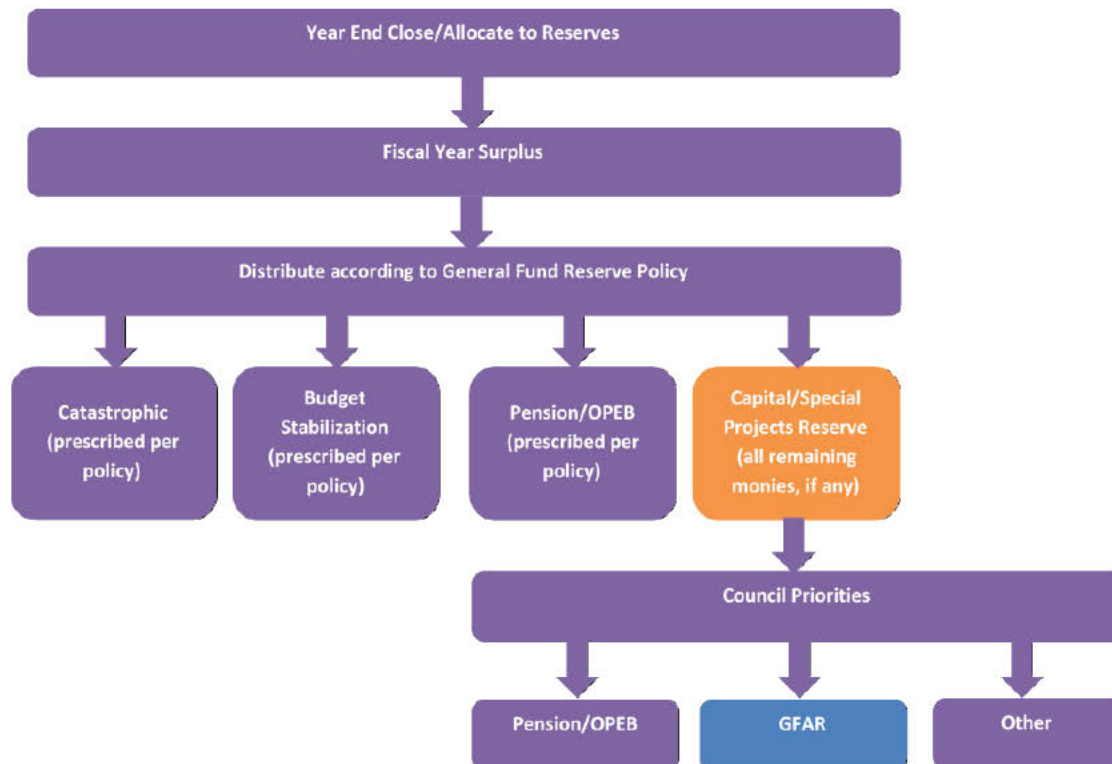
Thank you for your assistance.

Phil Koen  
Chair

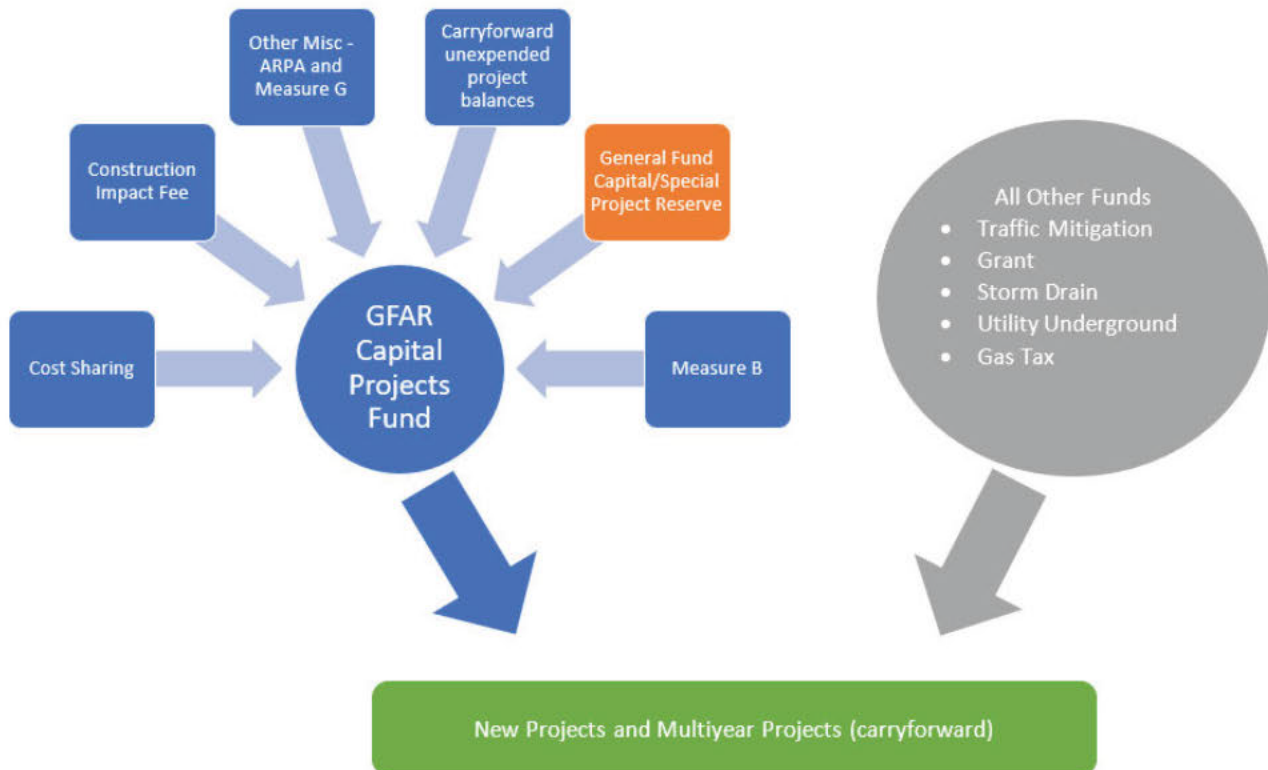
## Introduction Section

Carry-forward & FY 2024/25 CIP Projects						
		GFAR	Grants and Awards	Gas Tax	Other	Total
<b>CARRY-FORWARD PROJECTS</b>						
<i>Streets</i>	* Street Repair & Resurfacing	\$ 4,219,205	\$ -	\$ 3,360,099	\$ -	\$ 7,579,304
	* Pavement Rehab-Crack Seal	360,000	-	-	-	360,000
	* Annual Street Restriping	15,000	-	-	-	15,000
	* Unanticipated Repairs - Annual	110,788	-	-	-	110,788
	* Retaining Wall Repairs	585,300	-	-	-	585,300
	* Shannon Road Repair	4,674,167	-	-	-	4,674,167
	* Roadside Fire Fuel Reduction - Annual	735,551	750,000	-	-	1,485,551
	East Main Street Crosswalk Improvements	253,300	-	-	-	253,300
	VMT Mitigation Program	66,665	-	-	-	66,665
	Measure B Education & Encouragement	-	68,657	-	-	68,657
	Town-wide Speed Studies	-	-	-	80,000	80,000
	* Curb, Gutter & Sidewalk Maintenance	621,147	-	-	-	621,147
	Shannon Road Ped & Bikeway Improvements	442,076	1,114,350	-	381,383	1,937,809
	Utility Undergrounding Improvements	-	-	-	299,573	299,573
	Traffic Signal Modernization	-	-	-	94,858	94,858
	Downtown Streetscape Revitalization/Economic Recovery Efforts	552,633	-	-	-	552,633
	State Route 17 Corridor Congestion Relief Project	867,000	-	-	-	867,000
	Winchester Class IV Bikeway	-	-	-	-	-
	Kennedy Sidewalk & Bike Lanes - LGB to Englewood	492,386	1,872,990	-	-	2,365,376
	Parking Program Implementation	488,826	-	-	-	488,826
	Stormwater System - Pollution Prevention Compliance	36,531	-	-	-	36,531
	Annual Storm Drain Improvements	-	-	-	252,219	252,219
	* Loma Street Drainage	-	-	-	350,000	350,000
	Harwood/Belridge Drainage Study	-	-	-	100,000	100,000
	709 University Avenue Drainage System Replacement	-	-	-	200,000	200,000
	333 University Inlet Capacity Improvements	-	-	-	50,000	50,000
	* Downtown Parking Lots Seal Coat & Restriping	65,161	-	-	-	65,161
	Parking Lot 4 Repair/Waterproofing	50,200	-	-	-	50,200
	Quito Road - Bridge Replacement	50,000	-	-	-	50,000
	Highway 17 Bicycle & Pedestrian Bridge - Design	606,714	449,605	-	-	1,056,319
	Timber Bridge Inspection	-	-	-	-	-
<i>Parks</i>	Oak Meadow Bandstand Area Improvements	44,495	196,730	-	-	241,225
	* Town Plaza Turf Repairs	42,000	-	-	-	42,000
	Creekside Turf Replacement	500,000	-	-	-	500,000
	* Parks Playground Fibar Project	45,149	-	-	-	45,149
	* Pinehurst Community Garden	250,059	-	-	-	250,059
	Charter Oaks Trail Improvement	474,891	-	-	-	474,891
	Open Space Trail Upgrades	152,000	-	-	-	152,000
	Trailhead Connector	696,374	126,579	-	-	822,953
	* Vegetation Management - Town-wide	530,417	-	-	-	530,417
	* Lynn Ave Pedestrian Path Design	184,552	-	-	-	184,552
<i>Public Facilities</i>	* Town Beautification	22,517	-	-	-	22,517
	* Public Art Gateway Project	37,500	-	-	-	37,500
	Emergency Preparedness	96,780	-	-	-	96,780
	* Annual ADA Compliance Work	80,000	-	-	-	80,000
	Civic Center ADA Restrooms and HR Offices	809,000	-	-	-	809,000
	* Civic Center Plumbing Repair	80,000	-	-	-	80,000
	* ARC - Interim Community Center	877,614	-	-	-	877,614
	Building Replacement at Corporation Yard	267,414	-	-	-	267,414
	Engineering Counter Modification	40,000	-	-	-	40,000
	POB Space Study	75,000	-	-	-	75,000
	Library Improvements	22,000	-	-	-	22,000
	Battery Power Supply - Library	2,818	-	-	-	2,818
	ADA Upgrade for Public Restrooms - Adult Recreation Building	151,691	154,108	-	-	305,799
	Town-wide Document Imaging Project	16,989	-	-	-	16,989
	Enterprise Resource Planning Upgrade	576,817	-	-	-	576,817
	EOC Communications Upgrade	6,000	-	-	-	6,000
	IT Disaster Recovery Improvements	28,080	-	-	-	28,080
<b>TOTAL OF CARRY-FORWARD PROJECTS (INCLUDES NEW ALLOCATIONS)</b>		\$ 21,402,807	\$ 4,733,019	\$ 3,360,099	\$ 1,808,033	\$ 31,303,958
*These carry-forward projects include new money for FY 2024/25 in the amount of \$5,826,631.						
<b>NEW PROJECTS</b>						
<i>Streets</i>	Blossom Hill Rd - Union to Camden Improvements	160,000	640,000	-	-	800,000
	Overlook Road Tree Replacement	40,000	-	-	-	40,000
	Storm Drainage Mapping	190,000	-	-	260,001	450,001
<i>Parks</i>	Oak Meadow Park Plane Recoating	-	-	-	-	-
	Sport Court Resurfacing	100,000	-	-	-	100,000
<i>Public Facilities</i>	TMO Roof Repairs	79,640	-	-	-	79,640
	Fleet Service Outdoor Work Area (Design Phase)	45,000	-	-	-	45,000
<b>TOTAL OF NEW PROJECTS</b>		\$ 614,640	\$ 640,000	\$ -	\$ 260,001	\$ 1,514,641
<b>TOTAL OF CARRY-FORWARD &amp; NEW PROJECTS</b>		\$ 22,017,447	\$ 5,373,019	\$ 3,360,099	\$ 2,068,034	\$ 32,818,599

## FISCAL YEAR SURPLUS FLOW OF FUNDS



## CAPITAL IMPROVEMENT PROGRAM



## Financial Summaries

STREETS PROGRAM SUMMARY									
	Expended Through 2022/23	2023/24 Estimated Actuals	Estimated Carryfwd to 2024/25	2024/25 Budget	2025/26 Budget	2026/27 Budget	2027/28 Budget	2028/29 Budget	Total Budgeted
<b>Reconstruction</b>									
9901 Street Repair & Resurfacing	24,851,825	3,723,736	4,044,465	3,534,839	3,534,839	3,534,839	3,534,839	3,534,839	50,294,221
9903 Pavement Rehab-Crack Seal	1,616,628	180,000	180,000	180,000	180,000	180,000	180,000	180,000	2,876,628
<b>Maintenance-Safety</b>									
9902 Annual Street Restriping	180,228	-	-	15,000	20,000	30,000	40,000	50,000	335,228
9904 Unanticipated Repairs - Annual	-	9,572	10,788	100,000	100,000	100,000	100,000	100,000	520,360
9930 Retaining Wall Repairs	1,595,978	31,499	535,300	50,000	50,000	50,000	50,000	50,000	2,412,777
0008 Shannon Road Repair	433,152	268,745	4,174,167	500,000	-	-	-	-	5,376,064
0010 Blossom Hill Rd - Union to Camden Improvements	-	-	-	800,000	-	-	-	-	800,000
0130 Roadside Fire Fuel Reduction - Annual	999,809	186,640	1,385,551	100,000	100,000	100,000	100,000	100,000	3,072,000
0131 East Main Street Crosswalk Improvements	43,700	18,000	253,300	-	-	-	-	-	315,000
0133 VMT Mitigation Program	134,767	48,568	66,665	-	-	-	-	-	250,000
0134 Measure B Education & Encouragement	18,671	52,017	68,657	-	-	-	-	-	139,345
0135 Town-wide Speed Studies	-	-	80,000	-	-	-	-	-	80,000
<b>Street Improvements</b>									
9921 Curb, Gutter & Sidewalk Maintenance	5,108,300	89,535	321,147	300,000	300,000	300,000	300,000	300,000	7,018,982
0218 Shannon Road Ped & Bikeway Improvements	263,407	106,014	1,937,809	-	-	-	-	-	2,307,230
0225 Utility Undergrounding Improvements	2,852	-	299,573	-	-	-	-	-	302,425
0227 Traffic Signal Modernization	2,001,927	540,474	94,858	-	-	-	-	-	2,637,259
0235 Downtown Streetscape Revitalization/Economic Recovery Efforts	1,929,140	359,867	552,633	-	-	-	-	-	2,841,640
0237 State Route 17 Corridor Congestion Relief Project	600,000	-	867,000	-	600,000	600,000	600,000	600,000	3,867,000
0240 Winchester Class IV Bikeway	942,062	-	-	-	-	-	-	-	942,062
0241 Kennedy Sidewalk & Bike Lanes - LGB to Englewood	-	-	2,365,376	-	-	-	-	-	2,365,376
0242 Parking Program Implementation	153,110	125,519	488,826	-	-	-	-	-	767,455
0244 Overlook Road Tree Replacement	-	-	-	40,000	-	-	-	-	40,000
0414 Stormwater System - Pollution Prevention Compliance	22,722	38,747	36,531	-	-	-	-	-	98,000
0420 Annual Storm Drain Improvements	291,181	-	252,219	-	-	-	-	-	543,400
0421 Loma Street Drainage	-	-	100,000	250,000	496,300	-	-	-	846,300
0422 Harwood/Belridge Drainage Study	-	-	100,000	-	-	-	-	-	100,000
0423 709 University Avenue Drainage System Replacement	-	-	200,000	-	-	-	-	-	200,000
0424 333 University Inlet Capacity Improvements	-	-	50,000	-	-	-	-	-	50,000
0425 Storm Drainage Mapping	-	-	190,000	260,001	-	-	-	-	450,001
0705 Downtown Parking Lots Seal Coat & Restriping	84,839	-	15,161	50,000	-	10,000	-	10,000	170,000
0708 Parking Lot 4 Repair/Waterproofing	199,800	-	50,200	-	-	-	-	-	250,000
<b>Bridges</b>									
0801 Quito Road - Bridge Replacement	64,594	235,087	50,000	-	-	-	-	-	349,681
0803 Highway 17 Bicycle & Pedestrian Bridge - Design	1,083,238	2,317,745	1,056,319	-	-	-	-	-	4,457,302
0804 Timber Bridge Inspection	-	-	-	-	25,000	25,000	-	-	50,000
<b>Total Streets Projects</b>	<b>\$ 42,621,929</b>	<b>\$ 8,331,766</b>	<b>\$ 19,826,546</b>	<b>\$ 6,179,840</b>	<b>\$ 5,406,139</b>	<b>\$ 4,929,839</b>	<b>\$ 4,904,839</b>	<b>\$ 4,924,839</b>	<b>\$ 97,125,736</b>

PARK & TRAILS PROGRAM SUMMARY									
	Expended Through 2022/23	2023/24 Estimated Actuals	Estimated Carryfwd to 2024/25	2024/25 Budget	2025/26 Budget	2026/27 Budget	2027/28 Budget	2028/29 Budget	Total Budgeted
<b>Parks</b>									
4007 Oak Meadow Bandstand Area Improvements	22,282	23,223	241,225	-	-	-	-	-	286,730
4008 Oak Meadow Park Plane Recoating	-	-	-	-	-	40,000	-	-	40,000
4202 Town Plaza Turf Repairs	9,116	-	27,000	15,000	-	-	-	-	51,116
4404 Creekside Turf Replacement	-	-	500,000	-	-	-	-	-	500,000
4605 Parks Playground Fibar Project	92,531	36,820	20,149	25,000	-	25,000	-	25,000	224,500
4610 Pinehurst Community Garden	14,314	70,627	200,059	50,000	-	-	-	-	335,000
4611 Sport Court Resurfacing	-	-	-	100,000	-	-	-	-	100,000
<b>Trails</b>									
4503 Charter Oaks Trail Improvement	72,942	-	474,891	-	-	-	-	-	547,833
4504 Open Space Trail Upgrades	-	-	152,000	-	-	-	-	-	152,000
4505 Trailhead Connector	692,000	8,006,899	822,953	-	-	-	-	-	9,521,851
4508 Vegetation Management - Town-wide	244,826	5,423	97,458	432,959	100,000	100,000	100,000	100,000	1,180,666
4510 Lynn Ave Pedestrian Path Design	-	55,448	134,552	50,000	-	-	-	-	240,000
<b>Total Parks Projects</b>	<b>\$ 1,148,011</b>	<b>\$ 8,198,439</b>	<b>\$ 2,670,287</b>	<b>\$ 672,959</b>	<b>\$ 100,000</b>	<b>\$ 165,000</b>	<b>\$ 100,000</b>	<b>\$ 125,000</b>	<b>\$ 13,179,696</b>



## Financial Summaries

PUBLIC FACILITIES PROGRAM SUMMARY									
	Expended Through 2022/23	2023/24 Estimated Actuals	Estimated Carryfwd to 2024/25	2024/25 Budget	2025/26 Budget	2026/27 Budget	2027/28 Budget	2028/29 Budget	Total Budgeted
<b>Infrastructure</b>									
2002 Town Beautification	129,422	17,687	7,517	15,000	15,000	15,000	15,000	15,000	229,625
2009 Public Art Gateway Project	50,000	105,611	-	37,500	37,500	-	-	-	230,611
2012 Emergency Preparedness	-	-	96,780	-	-	-	-	-	96,780
2013 Annual ADA Compliance Work	-	-	10,000	70,000	20,000	20,000	20,000	20,000	160,000
2117 Civic Center ADA Restrooms and HR Offices	74,924	96,076	809,000	-	-	-	-	-	980,000
2120 Civic Center Plumbing Repair	-	-	40,000	40,000	40,000	-	-	-	120,000
2121 TMO Roof Repairs	-	-	79,640	-	-	-	-	-	79,640
2208 ARC – Interim Community Center	-	-	866,281	11,333	-	-	-	-	877,614
2302 Building Replacement at Corporation Yard	2,156,661	239,619	267,414	-	-	-	-	-	2,663,694
2310 Engineering Counter Modification	-	-	40,000	-	-	-	-	-	40,000
2311 Fleet Service Outdoor Work Area (Design Phase)	-	-	-	45,000	-	-	-	-	45,000
2404 POB Space Study	-	-	75,000	-	-	-	-	-	75,000
2504 Library Improvements	-	-	22,000	-	-	-	-	-	22,000
2505 Battery Power Supply - Library	439,466	100,716	2,818	-	-	-	-	-	543,000
2601 ADA Upgrade for Public Restrooms - Adult Recreation Building	103,964	294,099	305,799	-	-	-	-	-	703,861
<b>Equipment</b>									
6003 Town-wide Document Imaging Project	198,011	-	16,989	-	-	-	-	-	215,000
6101 Enterprise Resource Planning Upgrade	470,129	555,607	576,817	-	-	-	-	-	1,602,554
6103 EOC Communications Upgrade	24,717	1,000	6,000	-	-	-	-	-	31,717
6104 IT Disaster Recovery Improvements	171,163	757	28,080	-	-	-	-	-	200,000
<b>Total Facilities Projects</b>	<b>3,818,457</b>	<b>1,411,173</b>	<b>3,250,134</b>	<b>218,833</b>	<b>112,500</b>	<b>35,000</b>	<b>35,000</b>	<b>35,000</b>	<b>8,916,097</b>
<b>Total Street, Parks and Trails, and Public Facilities Projects</b>	<b>\$ 47,588,397</b>	<b>\$ 17,941,378</b>	<b>\$ 25,746,967</b>	<b>\$ 7,071,632</b>	<b>\$ 5,618,639</b>	<b>\$ 5,129,839</b>	<b>\$ 5,039,839</b>	<b>\$ 5,084,839</b>	<b>\$ 119,221,530</b>

From: [Phil Koen](#)  
To: [Gitta Ungvari](#)  
Subject: Re: Capex Project Review  
Date: Friday, July 26, 2024 2:05:10 AM  
Attachments: [inky-injection-inliner-209b06d63f3139b7bbda7129634c80da.png](#)  
[inky-injection-inliner-6f42d488d348cfc86d9f9497caf9f6a.png](#)  
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[inky-injection-inliner-209b06d63f3139b7bbda7129634c80da.png](#)

[EXTERNAL SENDER]

Hello Gitta,

Please include project 2302 - Building Replacement.

This project is a good example of a project being closed out and will inform everyone as to the final cost, scope and timeline vs. the initial approved capital plan.

Thank you

Phil Koen

On Jul 26, 2024, at 3:22 AM, Gitta Ungvari <[Gungvari@losgatosca.gov](mailto:Gungvari@losgatosca.gov)> wrote:



Good afternoon Chair,

I have a quick question regarding the seven capital projects listed. The original email referenced the ARC- Interim Community Center, while the list refers to the Building Replacement at Corporation Yard.

Can you verify which one should be included in the detailed discussion?

Thanks,

Gitta

Carry-forward & FY 2024/25 CIP Projects					
CARRY-FORWARD PROJECTS	GFAR	Grants and Awards	Gas Tax	Other	Total
<b>Streets</b>					
• Street Repair & Resurfacing	\$ 4,225,226	\$ -	\$ 3,362,000	\$ -	\$ 7,577,844
• Pavement Rehab-Crack Seal	360,000	-	-	-	360,000
• Annual Street Restriping	15,000	-	-	-	15,000
• Unanticipated Repairs - Annual	112,788	-	-	-	112,788
• Retaining Wall Repairs	585,300	-	-	-	585,300
• Shannon Road Repair	4,634,167	-	-	-	4,634,167
• Roadside Fire Fuel Reduction - Annual	738,551	750,000	-	-	1,488,551
• East Main Street Curbwalk Improvements	253,300	-	-	-	253,300
• VMT Mitigation Program	66,665	-	-	-	66,665
• Measure B Education & Encouragement	-	68,657	-	-	68,657
• Town-wide Speed Studies	-	-	-	80,000	80,000
• Curb, Gutter & Sidewalk Maintenance	621,147	-	-	-	621,147
• Shannon Road Ped & Bikeway Improvements	442,078	1,134,360	-	381,383	1,957,821
• Utility Undergrounding Improvements	-	-	-	295,573	295,573
• Traffic Signal Modernization	-	-	-	94,858	94,858
• Downtown Streetscape Revitalization/Economic Recovery Efforts	552,633	-	-	-	552,633
• State Route 17 Corridor Congestion Relief Project	867,000	-	-	-	867,000
• Winchester Class IV Bikeway	-	-	-	-	-
• Kennedy Sidewalk & Bike Lanes - 108 to Englewood	492,386	1,872,990	-	-	2,365,376
• Parking Program Implementation	488,626	-	-	-	488,626
• Stormwater System - Pollution Prevention Compliance	36,531	-	-	-	36,531
• Annual Storm Drain Improvements	-	-	-	252,219	252,219
• Loma Street Drainage	-	-	-	350,000	350,000
• Horseshoe/Bridge Drainage Study	-	-	-	100,000	100,000
• 708 University Avenue Drainage System Replacement	-	-	-	200,000	200,000
• 333 University Inlet Capacity Improvements	-	-	-	50,000	50,000
• Downtown Parking Lots Seal Coat & Restriping	65,161	-	-	-	65,161
• Parking Lot 4 Repairs/Waterproofing	50,000	-	-	-	50,000
• Quilo Road - Bridge Replacement	50,000	-	-	-	50,000
• Highway 17 Bicycle & Pedestrian Bridge - Design	606,714	440,825	-	-	1,047,539
• Timber Bridge Inspection	-	-	-	-	-
<b>Parks</b>					
• Oak Meadow Bandstand Area Improvements	44,495	196,730	-	-	241,225
• Town Plaza Turf Repairs	42,000	-	-	-	42,000
• Creekside Turf Replacement	500,000	-	-	-	500,000
• Parks Playground Fiber Project	45,149	-	-	-	45,149
• Pinehurst Community Garden	250,000	-	-	-	250,000
• Charter Oak Trail Improvement	474,891	-	-	-	474,891
• Open Space Trail Upgrades	152,000	-	-	-	152,000
• Trailhead Connector	496,174	126,579	-	-	622,753
• Vegetation Management - Town-wide	532,417	-	-	-	532,417
• Lynn Ave Pedestrian Path Design	184,552	-	-	-	184,552
<b>Public Facilities</b>					
• Town Beautification	22,517	-	-	-	22,517
• Public Art Gateway Project	37,500	-	-	-	37,500
• Emergency Preparedness	96,780	-	-	-	96,780
• Annual ADA Compliance Work	80,000	-	-	-	80,000
• Civic Center ADA Restrooms and MI Offices	805,000	-	-	-	805,000
• Civic Center Plumbing Repair	80,000	-	-	-	80,000
• AHC - Interim Community Center	877,614	-	-	-	877,614
• Building Replacement at Corporation Yard	267,414	-	-	-	267,414
• Engineering Counter Modification	40,000	-	-	-	40,000
• PCB Space Study	75,000	-	-	-	75,000
• Library Improvements	22,000	-	-	-	22,000
• Better Power Supply - Library	2,858	-	-	-	2,858
• ADA Upgrade for Public Restrooms - Adult Renovation Building	151,495	154,108	-	-	305,799
• Town-wide Document Imaging Project	16,989	-	-	-	16,989
• Enterprise Resource Planning Upgrade	576,827	-	-	-	576,827
• BOC Communications Upgrade	6,000	-	-	-	6,000
• IT Disaster Recovery Improvements	28,080	-	-	-	28,080

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

From: Phil Koen [REDACTED]

Sent: Tuesday, July 23, 2024 9:50 PM

To: Gitta Ungvari <[Gungvari@losgatosca.gov](mailto:Gungvari@losgatosca.gov)>

Cc: Linda Reiners [REDACTED]; Laurel Prevetti <[LPrevetti@losgatosca.gov](mailto:LPrevetti@losgatosca.gov)>; Gabrielle Whelan <[GWwhelan@losgatosca.gov](mailto:GWwhelan@losgatosca.gov)>; Mary Badame <[MBadame@losgatosca.gov](mailto:MBadame@losgatosca.gov)>

Subject: Capex Project Review

[EXTERNAL SENDER]

Hello Gitta,

To help center the capital project discussion, I would respectfully request Staff to focus the review discussion on the following 7 projects:

- 0008 - Shannon Road repair
- 0130 - Roadside Fuel Reduction
- 0218 - Shannon Ped. and bikeway improvements
- 0241 - Kennedy Sidewalk
- 0803 - Highway 17 bridge
- 4505 - trailhead connector
- 2302 - building replacement - corporate yard.

Again, we wish to avoid creating a large burden on the Staff in preparing for this discussion. Sharing with the FC the regular management reports the Staff uses to track actual spend to budget and performance to schedule, etc. is all that is required at this time. In total these 7 projects represent a total capital budget of \$29.7m.

Thank you,

Phil Koen

**From:** [Phil Koen](#)  
**To:** [Gitta Ungvari](#)  
**Cc:** [Ireiners59@gmail.com](#); [Laurel Prevett](#); [Gabrielle Whelan](#); [Mary Badame](#)  
**Subject:** Re: Draft Agenda for August 5, 2024 Special Meeting  
**Date:** Tuesday, July 23, 2024 5:42:52 PM  
**Attachments:** [inky-injection-inliner-209b06d63f3139b75bda7129634c80da.png](#)  
[inky-injection-inliner-6f42d488d348cfd86b9f9497caf9f6a.png](#)  
[inky-injection-inliner-6f42d488d348cfd86b9f9497caf9f6a.png](#)  
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[EXTERNAL SENDER]

Gitta,

I'll send you a more detail response later today but I wanted to make sure Staff is prepared to discuss with the FC the following ;

1. The proposed resolution for the sales tax had a finding that "Town revenues have not kept pace" with "the costs of providing services and programs to residents". The Staff did not provided the TC any documents that would support this finding. Furthermore the audited financial statements, based on my review, do not support this finding. I mentioned this in my letter to the TC. I am requesting the Staff provide the FC the documentation that supports this finding. Furthermore, I am requesting Staff to explain the internal review process that is in place to insure critical findings such as this are true and accurate. I am not aware of what the review process is and it would constructive for Staff to outline this process.

2. Regarding reviewing the status of the significant capital projects, I will provide you the exact projects I would like to review. I anticipate staff would present and review the management reports the Staff uses to manage these projects. There should not be any time spent on developing new reports - just present what is used currently by staff. I am going to allocate only a hour to this agenda item and if we don't get through all the projects, we will roll forward the ones we don't review to our next meeting.

More to come —

Thank you,

Phil Koen  
 Sent from my iPhone

On Jul 23, 2024, at 10:38 PM, Gitta Ungvari <GUNGvari@losgatosca.gov> wrote:



Good morning Chair,

Please see draft agenda for the Finance Commission special meeting per the information you provided.

1. Discussion of the Finance Commission Chair Letter to the Town Council Regarding the Sales Tax Proposal and the Proposed Resolution Drafted by Staff.
2. Status Review of the Largest Capital Improvement Projects
3. Review of the Enterprise Resource Planning System Implementation Project

Please confirm the draft agenda by July 25 at 5 p.m.

Thanks,

Gitta

p.s. I will be travelling and will have limited email access. I will be at the office on Thursday July 25<sup>th</sup>.

**From:** Phil Koen  
**To:** Linda Reiners; Joseph Rodgers; Ashley Moniz; Andrew Howard; Matthew Hudes; Rob Rennie  
**Cc:** Laurel Prevetti; Gitta Ungvari; Gabrielle Whelan; Wendy Wood  
**Subject:** Fwd: August Finance Commission Meeting  
**Date:** Wednesday, July 10, 2024 11:51:05 PM  
**Attachments:** inky-injection-inliner-6f47d488d348cfc086b9f9497caf9f6a.png  
 inky-injection-inliner-209b06d63f3139b7b0da7129634c80da.png  
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 image002.png

[EXTERNAL SENDER]

Dear members of the FC,

Hopefully you have received a notice from Gitta that I would like to schedule a special meeting of the FC for August 5 from noon to 2 pm. at the Council Chambers.

The meeting will be focused on three items - 1) a discussion of my letter as Chair to the TC regarding the sales tax proposal and the proposed resolution drafted by Staff. While the TC voted not to proceed, it is still appropriate to review and discuss the letter and resolution since the FC was unable to do so prior to it being sent. There were a number of points raised that I believe are worthy of a short discussion; 2) a status review of the largest capital projects currently in flight. I don't believe there has ever been a detail status review of individual projects outside a budgeting cycle by the FC. I have submitted to Gitta a proposed list of the projects to review., and 3) a review of the ERP System implementation including a discussion of objectives, project scope, time phased deliverables, overall project timeline, known risks and actual spend vs approved budget. We have heard for sometime that the Town needs a new ERP platform. This will be our first opportunity to learn more about this critical project.

I am allocating 15 minutes to agenda item 1, 75 minutes to agenda item 2 and 30 minutes to agenda item 3. My hope is that we can conclude the meeting by 2pm.

Please do not respond to this email. This is meant to provide information only. I hope all of you will be able to attend.

Thank you,

Phil Koen  
 Chair

Begin forwarded message:

**From:** Gitta Ungvari <Gungvari@losgatosca.gov>  
**Date:** July 8, 2024 at 8:48:00 PM GMT+1  
**To:** Phil Koen [REDACTED]  
**Subject:** RE: August Finance Commission Meeting



Good afternoon Chair,

I have confirmed that the Council Chamber will be available on August 5, 2024 at noon. I have reached out to the Commissioners with the new time. I will let you know as I hear back from them.

Thanks,

Gitta

**From:** Phil Koen [REDACTED]  
**Sent:** Thursday, July 4, 2024 12:00 PM  
**To:** Gitta Ungvari <Gungvari@losgatosca.gov>  
**Cc:** Linda Reiners [REDACTED]; Laurel Prevetti <LPrevetti@losgatosca.gov>; Gabrielle Whelan <GWhelan@losgatosca.gov>; Mary Badame <MBadame@losgatosca.gov>  
**Subject:** Re: August Finance Commission

[EXTERNAL SENDER]

Hello Gita,

If we could target the FC meeting for August 5 from noon - 3 pm that would be best. I know that this is a departure from our traditional schedule,



but I think it might accommodate some member's schedule.

In addition to the agenda items I mentioned, could we also add an item for the Finance Commission to review my June 29 email as Chair to the Town Council regarding the sales tax measure since they did not have an opportunity to do so. I would specifically request Staff to provide the supporting back up material which substantiates the claim the Town's revenues have not kept pace with expenditures over the years since I specifically called this out in my correspondence. We need to understand the basis for this claim.

Thank you for your assistance.

Phil Koen

On Jul 2, 2024, at 9:23 AM, Gitta Ungvari <[GUngvari@losgatosca.gov](mailto:GUngvari@losgatosca.gov)> wrote:



Good morning Chair,

Our regular Finance Commission meeting is set for the second Monday of the month. The schedule approved previously for the Finance Commission did not include any meeting for the month of August. I will check the Commissioners' availability for a Special Finance Commission meeting on August 5<sup>th</sup>.

I will let you know as soon as I hear back from them.

Thanks,

Gitta

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From: Phil Koen [REDACTED]  
 Sent: Tuesday, July 2, 2024 8:48 AM  
 To: Gitta Ungvari <[GUngvari@losgatosca.gov](mailto:GUngvari@losgatosca.gov)>  
 Cc: Laurel Prevetti <[LPrevetti@losgatosca.gov](mailto:LPrevetti@losgatosca.gov)>; Nicolle Burnham <[NBurnham@losgatosca.gov](mailto:NBurnham@losgatosca.gov)>; Linda Reiners [REDACTED] Mary Badame <[MBadame@losgatosca.gov](mailto:MBadame@losgatosca.gov)>; Gabrielle Whelan <[GWwhelan@losgatosca.gov](mailto:GWwhelan@losgatosca.gov)>  
 Subject: August Finance Commission

[EXTERNAL SENDER]

Hello Gitta,

Now that the FY 2025 budget cycle is behind us, I would like to schedule a Finance Commission meeting for Monday August 5. The agenda will be to approve minutes from prior meetings, and two new agenda items - 1) detail review of the 7 capital projects highlighted in yellow in the attachment and 2) review of the ERP project.

Could you please check availability of the rest of the Commission to see if they can attend on August 5. Both Linda and I are available.

Under a separate email I will provide more direction regarding the information we would like to have presented to the FC for the capital projects.

Thank you for your assistance.

Phil Koen  
 Chair



**From:** [Phil Koen](#)  
**To:** [Gitta Ungvari](#)  
**Cc:** [Linda Reiners](#); [Laurel Prevetti](#); [Gabrielle Whelan](#); [Mary Badame](#)  
**Subject:** Capex Project Review  
**Date:** Tuesday, July 23, 2024 9:49:42 PM

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[EXTERNAL SENDER]

Hello Gitta,

To help center the capital project discussion, I would respectfully request Staff to focus the review discussion on the following 7 projects:

0008 - Shannon Road repair  
0130 - Roadside Fuel Reduction  
0218 - Shannon Ped. and bikeway improvements  
0241 - Kennedy Sidewalk  
0803 - Highway 17 bridge  
4505 - trailhead connector  
2302 - building replacement - corporate yard.

Again, we wish to avoid creating a large burden on the Staff in preparing for this discussion. Sharing with the FC the regular management reports the Staff uses to track actual spend to budget and performance to schedule, etc. is all that is required at this time. In total these 7 projects represent a total capital budget of \$29.7m.

Thank you,

Phil Koen