



**TOWN OF LOS GATOS
FINANCE COMMISSION AGENDA
APRIL 08, 2024
110 EAST MAIN STREET
TOWN COUNCIL CHAMBERS
5:00 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.gov.zoom.us/j/84900234481?pwd=yU0df-8jrAkCWM_LI83-iQY6qEV7gg.IQR-LAzX1jg9DnoC

Passcode: 347436 You can also type in 84900234481 in the “Join a Meeting” page on the Zoom website at and use passcode 347436.

- When the Mayor 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 the subject line “Public Comment Item #__” (insert the item number relevant to your comment). All comments received will become part of the record.

(3) Deadlines to submit written comments are:

- 11:00 a.m. the Thursday before the Commission meeting for inclusion in the agenda packet.
- 11:00 a.m. the Friday before the Commission meeting for inclusion in an addendum.
- 11:00 a.m. on the day of the Commission meeting for inclusion in a desk item.

(4) Persons wishing to make an audio/visual presentation must submit the presentation electronically to Clerk@losgatosca.gov no later than 3:00 p.m. on the day of the Commission 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)).*

CONSENT ITEMS *(Items appearing on the Consent are considered routine Town business and may be approved by one motion. Members of the public may provide input on any Consent Item(s) when the Chair asks for public comment on the Consent Items.)*

- [1.](#) Approve the Minutes of the March 11, 2024, Finance Commission Regular Meeting
- [2.](#) Receive the Monthly Financial and Investment Report for February 2024

VERBAL COMMUNICATIONS *(Members of the public are welcome to address the Commission on any matter that is not listed on the agenda and is within the subject matter jurisdiction of the Finance Commission. To ensure all agenda items are heard, this portion of the agenda is limited to 30 minutes. In the event additional speakers were not able to be heard during the initial Verbal Communications portion of the agenda, an additional Verbal Communications will be opened prior to adjournment. Each speaker is limited to no more than three (3) minutes or such time as authorized by the Chair.)*

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

- [3.](#) Discussion of Content and Timeline for Ad Hoc Subcommittee Work Plans – “Plan the Plan”
- [4.](#) Discussion of Report on Transportation Impact Fee
- [5.](#) Staff Update on FY 2024/25 Budget and Capital Plan

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
MINUTES**

MEETING DATE: 04/08/2024

Item 1.

ITEM NO: 1

**Minutes of the Finance Commission Meeting
March 11, 2024**

The Finance Commission of the Town of Los Gatos conducted a meeting in person and utilizing teleconferencing means on Monday, March 11, 2024, at 5:00 p.m.

THE MEETING WAS CALLED TO ORDER AT 5:04 P.M.

ROLL CALL

Present: Vice Chair Linda Reiners, Commissioner Andrew Howard, Commissioner Ashby Monk, Commissioner Joe Rodgers, Vice Mayor Matthew Hudes, and Council Member Rob Rennie (Zoom)

Absent: Chair Phil Koen

Town Staff Present: Town Manager Laurel Prevetti, Assistant Town Manager Katy Nomura, Finance Director Gitta Ungvari, Parks and Public Works Director Nicolle Burnham, Town Engineer Gary Heap, Senior Administrative Analyst Stefanie Hockemeyer, Accounting Manager Eric Lemon, and Town Clerk Wendy Wood.

CONSENT ITEMS

1. Approve the Minutes of the February 12, 2024, Finance Commission Regular Meeting
2. Receive the Monthly Financial and Investment Report for January 2024
3. Recommend that the Town Council Receive the Independent Accountants' Report on Agreed-Upon Procedures on Measure G Revenues and Expenditures for the Period July 1, 2022 to June 30, 2023
4. Receive FY 2022/23 Federal Single Audit Report
5. Receive the California Employer's Retiree Benefit Trust (CERBT) Strategy 1 Market Value Summary Report for the Period Ending December 31, 2023 and the Performance Report as of January 31, 2024.
6. Receive the California Employer's Pension Prefunding Trust (CEPPT) Strategy 2 Market Value Summary Report for the Period Ending December 31, 2023 and Performance as of January 31, 2024
7. Receive the Investment Policy and Recommend No Changes to the Town Council Regarding the Town's Investment Policy

There was no public comment.

MOTION: Motion by Commissioner Andrews to approve the consent Items. Seconded by Commissioner Rogers.

VOTE: Motion passed 4-0

VERBAL COMMUNICATIONS

Darrel Miller

- Requested that Finance Commission meetings be posted with video and audio.

OTHER BUSINESS

8. Review and Adopt the Finance Commission 2024 Workplan and Meeting Dates

Finance Director Gitta Ungvari presented the staff report.

The Commission asked questions and discussed the item.

Staff addressed the Commissioners’ questions.

There was no public comment.

MOTION: Motion by Commissioner Monk to adopt the Finance Commission 2024 workplan and meeting dates. Seconded by Commissioner Howard.

VOTE: Motion passed 4-0

9. Discuss and Establish Three Ad Hoc Subcommittees Comprised of Less Than a Quorum of the Commission’s Citizen Appointees to Address the Five-Year Capital Plan, the Unfunded Pension Liability/CalPERS, and the Council Priority Score Card

Finance Director Gitta Ungvari presented the staff report.

The Commission discussed the item and established three Ad Hoc Subcommittees. The subcommittees are:

1. Five Year Capital Plan – Chair Koen and Commissioner Rogers
2. Unfunded Pension Liability/CalPERS – Commissioner Andrews and Commissioner Monk.
3. Council Priority Score Card – Vice Chair Reiners

Staff addressed the Commissioners’ questions.

There was no public comment.

MOTION: Motion by Commissioner Howard to establish three ad hoc subcommittees comprised of less than a quorum of the Commission’s citizen appointees to

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SUBJECT: Draft Minutes of the Finance Commission Regular Meeting of March 11, 2024

DATE: March 12, 2024

address the Five-Year Capital Plan, the Unfunded Pension Liability/CalPERS, and the Council Priority Score Card. **Seconded by Commissioner Monk.**

VOTE: Motion passed 4-0

10. Review and Provide Feedback on the Reasonableness and Completeness of the Town's Five-Year Capital Plan Taken as a Whole

Parks and Public Works Director Nicolle Burnham presented the staff report.

The Commission asked questions and discussed the item.

Staff addressed the Commissioners' questions.

There was no public comment.

ADJOURNMENT:

The meeting adjourned at 6:25 p.m.

This is to certify that the foregoing is a true and correct copy of the minutes of the March 11, 2024, meeting as approved by the Finance Commission.

Eric Lemon, Finance and Accounting Manager



TOWN OF LOS GATOS
FINANCE COMMISSION REPORT

MEETING DATE: 04/08/2024

ITEM NO: 2

Item 2.

DATE: April 1, 2024
TO: Finance Commission
FROM: Laurel Prevetti, Town Manager
SUBJECT: Receive the Monthly Financial and Investment Report for February 2024

RECOMMENDATION:

Receive the Monthly Financial and Investment Report for February 2024.

BACKGROUND:

California Government Code Section 41004 requires that the Town Treasurer submit to the Town Clerk and the legislative body a written report and accounting of all receipts, disbursements, and fund balances. The Finance Director assumes the Town Treasurer role.

Attachment 1 contains the February 2024 Monthly Financial and Investment Report which fulfills this requirement. The February 2024 Monthly Financial and Investment Report will be presented to Town Council on April 16, 2024.

DISCUSSION:

The February 2024 Monthly Financial and Investment Report includes a Fund Balance Schedule, representing estimated funding available for all funds at the end of the respective month. The fund balances were estimated at a point in time and will be finalized at the final close of the fiscal year.

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

PREPARED BY: Eric Lemon
Finance and Accounting Manager

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

DISCUSSION (continued):

As illustrated in the summary below, Total Cash is adjusted by the addition of Total Assets less the amount of Total Liabilities to arrive at the Ending Fund Balance – which represents the actual amount of funds available.

Reconciling Cash to Fund Balance - February 29, 2024		
Total Cash	\$	71,152,030
Plus: Assets	\$	13,917,589
Less: Liabilities	\$	(27,512,065)
Estimated Fund Balance	\$	57,557,554

As of February 29, 2024, the Town's financial position (Assets \$85.07M, Liabilities \$27.51M, and Fund Equity \$57.56M) remains strong and there are no issues meeting financial obligations in the near future.

As of February 29, 2024, the Town's weighted portfolio yield for investments under management was 4.32% which was 20 basis points above the Local Agency Investment Fund (LAIF) yield of 4.12% for the same reporting period. Currently, the LAIF portfolio's weighted average maturity (WAM) is 218 days versus the Town's longer WAM of 682 days. The longer maturity (WAM) for Town assets under management reflects the Town's strategy to take advantage of higher yields associated with longer maturities balanced with shorter term yields available on investments held with the State's LAIF. The Town's weighted average rate of return on investments under management of 4.32% at the close of February was 9 basis points higher when compared to the prior month's return of 4.23% reported as of January 31, 2024.

Since February 2023, LAIF yields had climbed from 262 basis points (2.62%) to 412 basis points (4.12%) through the end of February 2024.

Staff, in coordination with the Town's investment advisor, primarily replaced maturing investments with long term maturities in the two-to-four-year maturity range. These investments capture current yields that exceed the rates expected to be earned in the LAIF pool during that same time period. The State LAIF pool typically lags the market when current market yields are either increasing or decreasing.

On March 22, 2023, the Federal Reserve voted to approve a ¼ percentage basis point increase from 4.75% to 5.00%. This action was followed with additional hikes in May 2023 from 5.00% to 5.25% and July from 5.25% to 5.5%. Through these actions over time, the Federal Open Market Committee's (FOMC) goal is to bring year to year inflation to its targeted level of 2%.

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SUBJECT: Monthly Financial and Investment Report for February 2024

DATE: April 1, 2024

DISCUSSION (continued):

The labor market data was strong. Employment rose by 353,000 jobs in January, exceeding the consensus estimate for 185,000, albeit the data may have reflected some seasonal adjustment complications. Wage growth was surprisingly strong at 0.6% month-on-month, up 4.5% year-on-year from 4.3%. The unemployment rate was unchanged at 3.7%, partly due to the participation rate remaining at 62.5%.

The Town's investments are in compliance with the Town's Investment Policy dated February 21, 2023, and also in compliance with the requirements of Section 53600 at seq. of the California State Code. Based on the information available, the Town has sufficient funds to meet the cash demands for the next six months.

CONCLUSION:

Receive Monthly Financial and Investment Report for February 2024.

Attachment:

1. Financial and Investment Report (February 2024)

**Town of Los Gatos
Summary Investment Information
February 29, 2024**

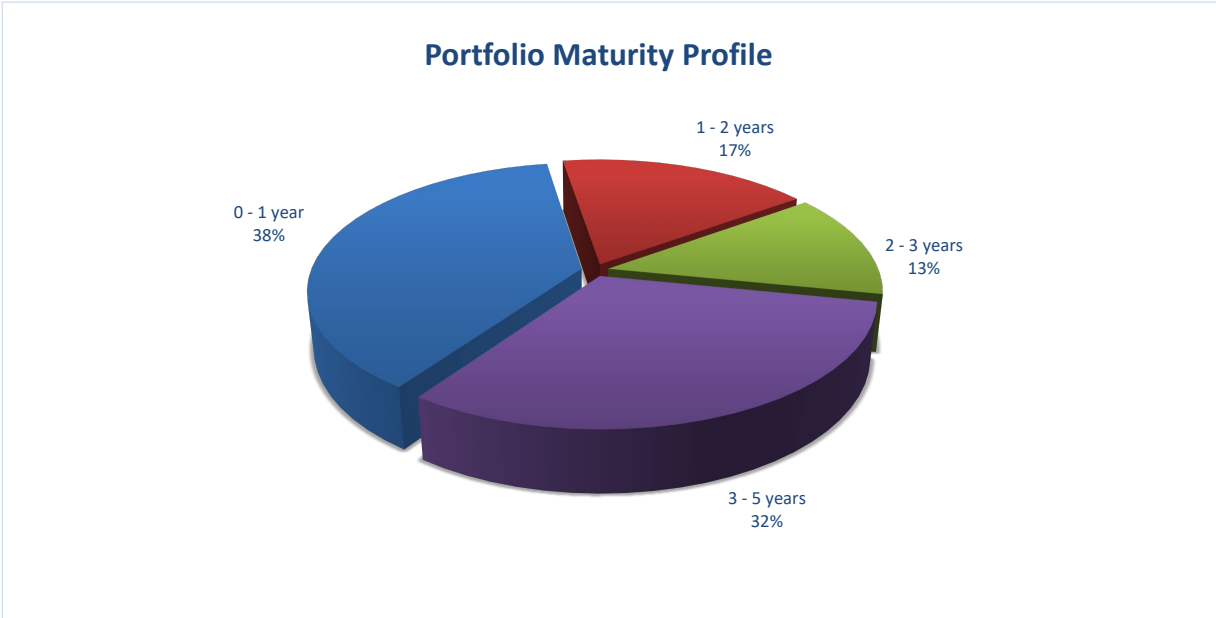
Weighted Average YTM Portfolio Yield on Investments under Management **4.32%**

Weighted Average Maturity (days) **682**

	This Month	Last Month	One year ago
Portfolio Allocation & Treasurer's Cash Balances	\$71,152,030	\$72,393,065	\$69,108,644
Cert. of Participation 2002 Lease Payment Fund			
Managed Investments	\$49,463,891		
Local Agency Investment Fund	\$11,391,357		
Reconciled Demand Deposit Balances	\$10,296,783		
Portfolio Allocation & Treasurer's Cash Balances	\$71,152,030		

Benchmarks/ References:

Town's Average Yield	4.32%	4.23%	2.66%
LAIF Yield for month	4.12%	4.01%	2.62%
3 mo. Treasury	5.39%	5.38%	4.85%
6 mo. Treasury	5.32%	5.20%	5.18%
2 yr. Treasury	4.62%	4.21%	4.82%
5 yr. Treasury (most recent)	4.25%	3.84%	4.19%
10 Yr. Treasury	4.25%	3.91%	3.93%

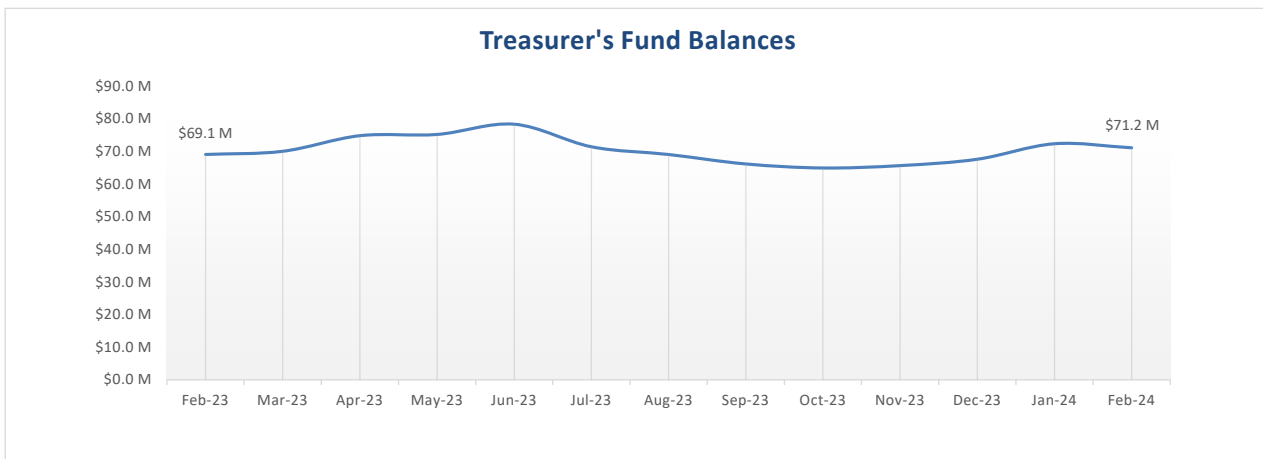
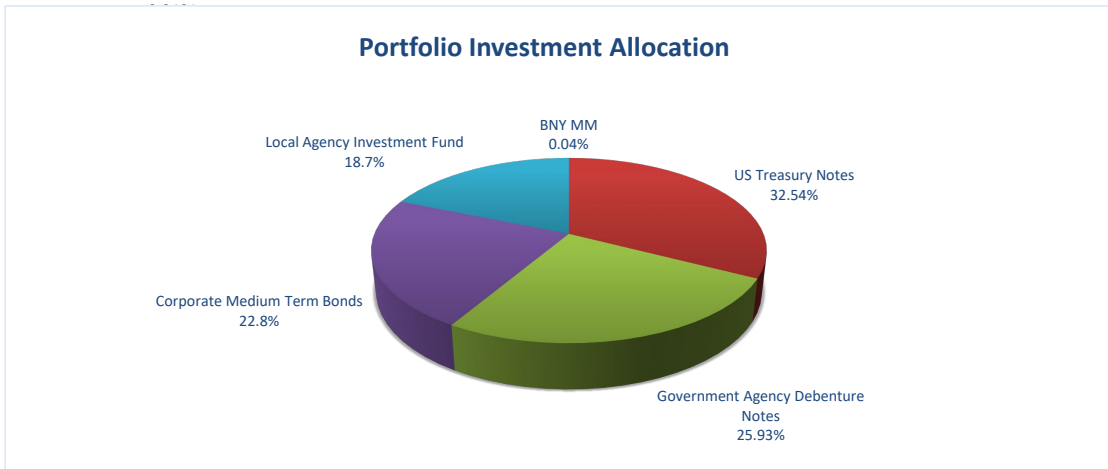


Compliance: The Town's investments are in compliance with the Town's investment policy dated February 21, 2023 and also in compliance with the requirements of Section 53600 at seq. of the California State Code. Based on the information available, the Town has sufficient funds to meet the cash demands for the next six months.

**Town of Los Gatos
Portfolio Allocation & Treasurer's Cash Balances
February 29, 2024**

	Month	YTD
Cash & Investment Balances - Beginning of Month/Period	\$ 72,393,064.72	\$ 78,384,947.79
Receipts	3,732,973.50	44,733,074.15
Disbursements	(4,974,007.87)	(51,965,991.59)
Cash & Investment Balances - End of Month/Period	<u>\$71,152,030.35</u>	<u>\$71,152,030.35</u>

Portfolio Allocation	Amount	% of Portfolio	Max. % or \$ Allowed per State Law or Policy
BNY MM	\$27,261.53	0.04%	20% of Town Portfolio
US Treasury Notes	\$19,802,509.31	32.54%	No Max. on US Treasuries
Government Agency Debenture Notes	\$15,777,961.90	25.93%	No Max. on Non-Mortgage Backed
Corporate Medium Term Bonds	\$13,856,158.01	22.77%	30% of Town Portfolio
Local Agency Investment Fund	\$11,391,356.50	18.72%	\$75 M per State Law
Subtotal - Ir Subtotal - Investments	60,855,247.25	100.00%	
Reconciled Demand Deposit Balances	<u>10,296,783.10</u>		
Total Portfolio Allocation & Treasurer's Cash Balances	<u>\$71,152,030.35</u>		



**Town of Los Gatos
Non-Treasury Restricted Fund Balances
February 29, 2024**

	Beginning Balance	February 2024 Deposits Realized Gain/Adj.	February 2024 Interest/ Earnings	February 2024 Withdrawals	Ending Balance	
Non-Treasury Funds:						
Cert. of Participation 2002 Series A Reserve Fund	\$ 715,454.34	\$ -	\$ 2,927.32	\$ 29,203.34	\$ 689,178.32	Note 1
Cert. Of Participation 2010 Ser A Lease Pymt Fund	114,162.50	-	100.71	114,162.50	100.71	Note 1
Cert. of Participation 2002 Lease Payment Fund	110,501.86	29,203.34	89.05	110,500.00	29,294.25	Note 1
Cert. of Participation 2010 Series Reserve Fund	1,359,255.83		6,024.99		1,365,280.82	Note 2
Total Restricted Funds:	\$ 2,299,374.53	\$ 29,203.34	\$ 9,142.07	\$ 253,865.84	\$ 2,083,854.10	
CEPPT IRS Section 115 Trust	1,456,631.96	690,000.00	544.16		\$ 2,147,176.12	Note 3
Grand Total COP's and CEPPT Trust	\$ 3,756,006.49	\$ 719,203.34	\$ 9,686.23	\$ 253,865.84	\$ 4,231,030.22	

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

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

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

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

Town of Los Gatos
Statement of Interest Earned
February 29, 2024

July 2023	\$	133,845.42
August 2023	\$	131,615.82
September 2023	\$	158,361.71
October 2023	\$	149,112.14
November 2023	\$	163,137.22
December 2023	\$	177,498.26
January 2024	\$	183,950.61
February 2024	\$	183,453.40
March 2024		-
April 2024		-
May 2024		-
June 2024		-
	\$	<u>1,280,974.58</u>

Town of Los Gatos
Investment Schedule
February 29, 2024

Institution	CUSIP #	Security	Coupon	Deposit Date	Par	Original Cost	Original Issue (Discount/Premium)	Market Value	Market Value Above (Under) Cost	Purchased Interest	Maturity Date or Call	Yield to Maturity or Call	Interest Received to Date	Interest Earned Prior to FY	Interest Earned Current FY	Days to Maturity
FFCB	3133EMBE1	Gov. Agency Debenture	0.30%	10/8/2020	1,600,000.00	1,598,000.00	(2,000.00)	1,593,632.00	(4,368.00)	-	2/28/2024	0.34%	\$ 14,253.34	\$ 14,655.57	\$ 14,593.93	28
Apple	037833DB3	Corporate Bond	2.90%	12/20/2022	1,300,000.00	1,228,591.00	(71,409.00)	1,206,095.00	(24,506.00)	-	6/21/2027	4.19%	\$ 27,437.22	\$ 28,170.97	\$ 35,800.61	1208
Home Depot	437076BM3	Corporate Bond	3.00%	8/4/2022	1,000,000.00	991,960.00	(8,040.00)	962,830.00	(29,130.00)	-	1/1/2026	3.04%	\$ 34,750.00	\$ 29,252.66	\$ 21,629.24	672
US Treasury	912828ZW3	US Treasury Note	0.25%	8/9/2022	350,000.00	322,966.88	(27,033.12)	329,343.00	7,246.12	-	6/30/2025	3.16%	\$ 1,217.39	\$ 3,366.72	\$ 7,023.24	487
IBM	459200JY8	Corporate Bond	3.00%	3/25/2021	1,000,000.00	1,071,040.00	71,040.00	994,940.00	(76,100.00)	-	5/15/2024	0.71%	\$ 97,166.67	\$ 16,751.96	\$ 4,942.54	76
FFCB	3133ENSV8	Gov. Agency Debenture	4.13%	1/17/2023	236,000.00	239,174.20	3,174.20	233,654.16	(5,520.04)	-	1/11/2027	3.76%	\$ 5,972.75	\$ 4,061.30	\$ 5,972.48	1047
US Treasury	91282CB7	US Treasury Note	0.75%	9/30/2022	900,000.00	712,565.18	(87,434.82)	739,472.00	26,906.82	-	3/31/2026	4.14%	\$ 6,000.00	\$ 23,165.06	\$ 20,704.30	761
FFCB	3133ENPZ2	Gov. Agency Debenture	4.25%	9/30/2022	900,000.00	900,939.60	939.60	892,017.00	(88,922.60)	-	9/30/2025	4.14%	\$ 38,250.00	\$ 28,374.86	\$ 25,360.68	579
American Honda	02665WC22	Corporate Bond	2.40%	11/27/2019	1,000,000.00	1,012,410.00	12,410.00	989,950.00	(24,660.00)	-	6/27/2024	2.12%	\$ 108,733.34	\$ 76,483.79	\$ 14,234.97	119
JP Morgan Chase	46625HRS1	Corporate Bond	3.20%	9/23/2022	500,000.00	474,660.00	(25,340.00)	481,270.00	6,610.00	-	3/15/2026	4.70%	\$ 19,644.44	\$ 17,865.15	\$ 15,568.20	745
Honeywell Int'l.	438516BW5	Corporate Bond	2.30%	11/20/2019	1,000,000.00	1,014,660.00	14,660.00	986,160.00	(28,500.00)	-	7/15/2024	1.64%	\$ 96,983.33	\$ 71,679.55	\$ 13,269.96	137
Caterpillar Financial Serv	14913QZV0	Corporate Bond	2.85%	2/23/2021	1,000,000.00	1,077,370.00	77,370.00	993,910.00	(83,460.00)	-	5/17/2024	0.44%	\$ 77,900.00	\$ 10,677.18	\$ 3,039.94	78
FNMA	3135G0V75	Gov. Agency Debenture	1.75%	10/17/2019	1,100,000.00	1,105,833.30	5,833.30	1,086,646.00	(19,187.30)	-	7/2/2024	1.63%	\$ 81,331.25	\$ 66,718.86	\$ 12,040.98	124
FFCB	3133EKQA7	Gov. Agency Debenture	2.08%	10/21/2019	1,000,000.00	1,019,780.00	19,780.00	983,520.00	(36,260.00)	-	9/10/2024	1.66%	\$ 80,831.11	\$ 61,888.40	\$ 11,202.35	194
FHLB	3135G05X7	Gov. Agency Debenture	0.38%	6/10/2022	1,200,000.00	1,102,952.40	(97,047.60)	1,124,076.00	21,123.60	-	8/25/2025	3.04%	\$ 7,687.50	\$ 36,626.55	\$ 23,212.67	543
US Treasury	912828ZL7	US Treasury Note	0.38%	4/12/2022	1,700,000.00	1,583,927.57	(116,072.43)	1,612,739.00	28,811.43	-	4/30/2025	2.72%	\$ 9,879.49	\$ 54,017.06	\$ 29,685.05	426
FHLB	3130AQF65	Gov. Agency Debenture	1.25%	11/30/2022	1,300,000.00	1,160,559.40	(139,440.60)	1,189,760.00	29,200.60	-	12/21/2026	4.15%	\$ 17,197.92	\$ 29,385.32	\$ 33,820.85	1026
US Treasury	912828X70	US Treasury Note	2.00%	12/30/2019	1,000,000.00	1,010,589.29	10,589.29	994,570.00	(16,019.29)	-	4/30/2024	1.75%	\$ 76,703.30	\$ 61,478.37	\$ 11,737.65	61
US Treasury	912828XT2	US Treasury Note	2.00%	10/31/2019	1,000,000.00	1,015,667.41	15,667.41	991,760.00	(23,907.41)	-	5/31/2024	1.64%	\$ 81,639.34	\$ 60,792.37	\$ 11,086.20	92
FHLB	3130APJH9	Gov. Agency Debenture	1.00%	1/17/2023	1,000,000.00	907,010.00	(92,990.00)	928,120.00	21,110.00	-	10/28/2026	4.17%	\$ 8,354.14	\$ 15,544.14	\$ 23,126.64	972
FFCB	3133ENSN6	Gov. Agency Debenture	4.00%	2/8/2023	1,700,000.00	1,706,732.00	6,732.00	1,674,925.00	(31,807.00)	-	3/6/2028	3.91%	\$ 61,955.56	\$ 29,921.64	\$ 44,541.41	1407
FFCB	3133EAE33	Gov. Agency Debenture	0.38%	5/1/2023	750,000.00	689,032.50	(60,967.50)	700,365.00	11,332.50	-	11/09/27	3.97%	\$ 1,109.37	\$ 4,638.18	\$ 15,861.96	572
American Honda	02665WED9	Corporate Bond	4.70%	5/11/2023	600,000.00	608,856.00	8,856.00	597,174.00	(11,682.00)	-	1/12/2028	4.34%	\$ 18,878.33	\$ 3,603.61	\$ 17,582.62	1413
US Treasury	91282CE4	US Treasury Note	2.50%	6/9/2023	1,500,000.00	1,416,626.12	(83,373.88)	1,417,845.00	1,218.88	-	3/31/2027	4.09%	\$ 11,577.87	\$ 3,416.23	\$ 39,693.39	1126
US Treasury	91282CGA3	US Treasury Note	4.00%	6/20/2023	2,100,000.00	2,080,558.59	(19,441.41)	2,073,834.00	(6,724.59)	-	12/15/2025	4.40%	\$ 40,852.46	\$ 2,515.25	\$ 61,372.02	655
Colgate-Palmolive	194162AR4	Corporate Bond	4.60%	7/14/2023	500,000.00	504,655.00	4,655.00	503,620.00	(1,035.00)	-	2/1/2028	4.37%	\$ 3,002.79	\$ -	\$ 13,849.34	1433
FannieMae	3135G06G3	Gov. Agency Debenture	0.50%	7/14/2023	500,000.00	455,157.00	(44,843.00)	466,025.00	10,868.00	-	11/7/2025	4.63%	\$ 784.72	\$ -	\$ 13,752.31	617
FFCB	3133EPQC2	Gov. Agency Debenture	4.63%	7/17/2023	500,000.00	501,957.50	1,957.50	500,210.00	(1,747.50)	-	7/17/2026	4.48%	\$ 11,562.50	\$ -	\$ 13,976.42	869
FFCB	3133EPM66	Gov. Agency Debenture	4.13%	7/14/2023	500,000.00	506,220.00	(3,780.00)	533,892.00	(2,328.00)	-	9/23/2027	4.29%	\$ 15,056.25	\$ -	\$ 16,175.10	1271
PNC Bank	493353RF2	Corporate Bond	3.25%	7/25/2023	1,000,000.00	921,490.00	(78,510.00)	929,940.00	7,850.00	-	12/29/2027	5.20%	\$ 19,979.17	\$ -	\$ 30,166.06	1393
US Treasury	91282CFU0	US Treasury Note	4.13%	7/31/2023	1,300,000.00	1,290,660.00	(9,339.40)	1,288,781.00	(1,879.60)	-	10/31/2027	4.31%	\$ 13,406.25	\$ -	\$ 32,574.43	1340
Toyota Motor Credit	89236TKL8	Corporate Bond	5.45%	8/25/2023	1,600,000.00	1,617,168.00	17,168.00	1,631,296.00	16,128.00	-	11/10/2027	5.16%	\$ -	\$ -	\$ 42,815.41	1350
US Treasury	912810FE3	US Treasury Note	5.50%	10/3/2023	1,200,000.00	1,238,207.14	38,207.14	1,257,756.00	19,548.86	-	8/15/2028	4.76%	\$ 24,211.96	\$ -	\$ 23,740.63	1629
PepsiCo Inc	712448DF2	Corporate Bond	2.85%	10/16/2023	1,000,000.00	947,570.00	(52,430.00)	961,100.00	13,530.00	-	11/24/2025	5.24%	\$ -	\$ -	\$ 19,879.54	634
FFCB	3133EPUW3	Gov. Agency Debenture	4.75%	10/13/2023	1,000,000.00	994,338.00	(5,662.00)	1,004,380.00	10,042.00	5,541.67	9/1/2026	4.96%	\$ 15,561.67	\$ -	\$ 18,835.74	915
Freddie Mac	3137EAP0	Gov. Agency Debenture	1.50%	10/13/2023	1,000,000.00	951,540.00	(48,460.00)	0.00	(951,540.00)	-	2/12/2025	5.32%	\$ 4,958.33	\$ -	\$ 19,515.48	349
US Treasury	91282CEM7	US Treasury Note	3.25%	10/16/2023	1,000,000.00	950,039.06	(49,960.94)	964,770.00	14,730.94	-	6/29/2027	4.73%	\$ 6,711.96	\$ -	\$ 17,131.53	1217
US Treasury	91282CEN7	US Treasury Note	2.75%	10/31/2023	1,300,000.00	1,214,336.39	(85,663.61)	1,236,378.00	22,041.61	-	4/30/2027	4.82%	\$ -	\$ -	\$ 19,968.28	1156
US Treasury	912828YV6	US Treasury Note	1.50%	11/15/2023	700,000.00	673,667.97	(26,332.03)	681,107.00	7,439.03	-	11/30/2024	5.26%	\$ 430.33	\$ -	\$ 10,379.29	275
US Treasury	91282CAB7	US Treasury Note	0.25%	11/15/2023	675,000.00	623,900.39	(51,099.61)	632,893.50	8,993.11	-	7/31/2025	4.92%	\$ 353.09	\$ -	\$ 9,170.45	518
US Treasury	91282CGU9	US Treasury Note	3.88%	11/30/2023	1,000,000.00	983,515.62	(16,484.38)	988,090.00	4,574.38	6,458.33	3/31/2025	5.17%	\$ (6,458.33)	\$ -	\$ 12,741.20	396
US Treasury	91282CCH2	US Treasury Note	1.25%	12/21/2023	900,000.00	798,647.55	(101,352.45)	791,649.00	(6,998.55)	-	6/30/2028	3.99%	\$ 305.71	\$ -	\$ 6,449.53	1583
FNMA	3135G0Q22	Gov. Agency Debenture	1.88%	12/12/2023	900,000.00	845,676.00	(54,324.00)	843,255.00	(2,421.00)	4,078.12	9/24/2026	4.22%	\$ (4,078.12)	\$ -	\$ 7,008.80	938
US Treasury	91282CEH4	US Treasury Note	2.75%	1/2/2024	1,000,000.00	960,354.91	(39,645.09)	948,160.00	(12,194.91)	-	7/31/2027	3.95%	\$ 2,167.12	\$ -	\$ 6,130.52	1248
US Treasury	91282CHE4	US Treasury Note	3.63%	1/17/2024	1,800,000.00	1,775,185.72	(24,814.28)	1,751,346.00	(23,839.72)	8,557.37	5/31/2028	3.97%	\$ (8,557.37)	\$ -	\$ 3,355.44	1553
JP Morgan Chase	46647PDG8	Corporate Bond	4.85%	2/1/2024	1,400,000.00	1,396,528.00	(3,472.00)	1,384,782.00	(11,746.00)	-	7/25/2027	4.93%	\$ (1,131.90)	\$ -	\$ 5,286.39	1242
US Bancorp	91159HF8	Corporate Bond	4.55%	2/5/2024	1,000,000.00	989,200.00	(10,800.00)	975,900.00	(13,300.00)	-	7/22/2027	4.89%	\$ (1,642.33)	\$ -	\$ 3,195.69	1239
US Treasury	91282CHB0	US Treasury Note	3.63%	2/23/2024	1,175,000.00	1,151,962.92	(23,037.08)	1,151,500.00	(462.92)	-	5/15/2026	4.56%	\$ (11,701.58)	\$ -	\$ 870.40	806
FHLB	3130AXB31	Gov. Agency Debenture	4.88%	2/27/2024	1,000,000.00	1,003,060.00	3,060.00	1,004,410.00	1,350.00	21,395.83	3/13/2026	4.72%	\$ (21,395.83)	\$ -	\$ 258.91	743
Subtotal					\$ 50,686,000.00	\$ 49,436,629.22	\$ (1,249,370.78)	\$ 48,289,247.66	\$ (1,417,381.56)	\$ 60,507.13			\$ 1,078,629.20	\$ 757,005.75	\$ 861,344.88	
BNV MM		Money Market			27,261.53		27,261.53	0.00				0.00%				1
LAIF		State Investment Pool			11,391,356.50		11,317,804.00	(73,552.50)				4.12%			331,373.55	1
					60,855,247.25		59,634,313.19	(\$1,220,934.06)	\$60,507.13				\$ 1,078,629.20	\$ 757,005.75	\$ 1,192,715.43	
Matured Assets															\$ 88,259.16	
PNC Financial	69349LAM0	Corporate Bond	3.80%	2/7/2022	1,000,000.00	1,033,470.00	33,470.00			</						

Town of Los Gatos
 Investment Transaction Detail
 February 29, 2024

Date	Cusip/Id	Description	Transaction Type	Settlement Date	Par	Coupon	Maturity Date	Price	Principal	Interest	Transaction Total
2/1/2024	46647PDG8	JPMORGAN CHASE & CO 4.851% 25JUL2028 (CALLABLE 25JUL27)	PURCHASE	2/1/2024	1,400,000	485.100%	7/25/2028	99.75	1,396,528.00	1,131.90	1,397,659.90
2/1/2024	46625HJT8	JPMORGAN CHASE & CO 3.875% 01FEB2024	BOND INTEREST	2/1/2024	1,400,000	387.500%	2/1/2024	-	-	27,125.00	27,125.00
2/1/2024	46625HJT8	JPMORGAN CHASE & CO 3.875% 01FEB2024	REDEMPTION	2/1/2024	1,400,000	387.500%	2/1/2024	100.00	1,400,000.00	-	1,400,000.00
2/2/2024	Cash-USD	Cash-USD	SHORT TERM INVESTMENT FUND INCOME	2/2/2024	617	0.000%		100.00	-	-	617.28
2/5/2024	91159HJF8	US BANCORP 4.548% 22JUL2028 (CALLABLE 22JUL27)	PURCHASE	2/5/2024	1,000,000	454.800%	7/22/2028	98.92	989,200.00	1,642.33	990,842.33
2/5/2024	91159HHV5	US BANCORP 3.375% 05FEB2024 CALLABLE	BOND INTEREST	2/5/2024	1,000,000	337.500%	2/5/2024	-	-	16,875.00	16,875.00
2/5/2024	91159HHV5	US BANCORP 3.375% 05FEB2024 CALLABLE	REDEMPTION	2/5/2024	1,000,000	337.500%	2/5/2024	100.00	1,000,000.00	-	1,000,000.00
2/12/2024	3137EAEP0	FREDDIE MAC 1.5% 12FEB2025	BOND INTEREST	2/12/2024	1,000,000	150.000%	2/12/2025	-	-	7,500.00	7,500.00
2/15/2024	438516BW5	HONEYWELL INTERNATIONAL 2.3% 15AUG2024 (CALLABLE 15JUL24)	BOND INTEREST	2/15/2024	1,000,000	230.000%	8/15/2024	-	-	11,500.00	11,500.00
2/15/2024	912810FE3	USA TREASURY 5.5% 15AUG2028	BOND INTEREST	2/15/2024	1,200,000	550.000%	8/15/2028	-	-	33,000.00	33,000.00
2/23/2024	91282CHB0	USA TREASURY 3.625% 15MAY2026	PURCHASE	2/23/2024	1,175,000	362.500%	5/15/2026	98.04	1,151,962.92	11,701.58	1,163,664.50
2/23/2024	3133EPBM6	FEDERAL FARM CREDIT BANK 4.125% 23AUG2027	BOND INTEREST	2/23/2024	600,000	412.500%	8/23/2027	-	-	12,375.00	12,375.00
2/23/2024	3133EKMX1	FEDERAL FARM CREDIT BANK 2.23% 23FEB24	BOND INTEREST	2/23/2024	1,000,000	223.000%	2/23/2024	-	-	11,150.00	11,150.00
2/23/2024	3133EKMX1	FEDERAL FARM CREDIT BANK 2.23% 23FEB24	REDEMPTION	2/23/2024	1,000,000	223.000%	2/23/2024	100.00	1,000,000.00	-	1,000,000.00
2/26/2024	713448DF2	PEPSICO INC 2.85% 24FEB2026 (CALLABLE 24NOV25)	BOND INTEREST	2/24/2024	1,000,000	285.000%	2/24/2026	-	-	14,250.00	14,250.00
2/26/2024	3135G05X7	FANNIE MAE 0.375% 25AUG2025	BOND INTEREST	2/25/2024	1,200,000	37.500%	8/25/2025	-	-	2,250.00	2,250.00
2/26/2024	3130ALH98	FEDERAL HOME LOAN BANK 0.25% 26FEB2024 CALLABLE	BOND INTEREST	2/26/2024	1,000,000	25.000%	2/26/2024	-	-	1,250.00	1,250.00
2/26/2024	3130ALH98	FEDERAL HOME LOAN BANK 0.25% 26FEB2024 CALLABLE	REDEMPTION	2/26/2024	1,000,000	25.000%	2/26/2024	100.00	1,000,000.00	-	1,000,000.00
2/27/2024	3130AXB31	FEDERAL HOME LOAN BANK 4.875% 13MAR2026	PURCHASE	2/27/2024	1,000,000	487.500%	3/13/2026	100.31	1,003,060.00	21,395.83	1,024,455.83

Town of Los Gatos								
Insight ESG Ratings as of February 29, 2024								
Security Description	Maturity Date	Par/Shares	S&P Rating	Moody Rating	Insight ESG Rating	Environment	Social	Governance
IBM CORP 3.0% 15MAY2024	5/15/2024	\$ 1,000,000	A-	A3	2	1	2	3
CATERPILLAR FIN SERVICES 2.85% 17MAY24	5/17/2024	\$ 1,000,000	A	A2	4	4	3	4
AMERICAN HONDA FINANCE 2.4% 27JUN2024	6/27/2024	\$ 1,000,000	A-	A3	3	2	3	3
HONEYWELL INTERNATIONAL 2.3% 15AUG2024 (CALLABLE 15JUL24)	8/15/2024	\$ 1,000,000	A	A2	4	3	4	3
PEPSICO INC 2.85% 24FEB2026 (CALLABLE 24NOV25)	2/24/2026	\$ 1,000,000	A+	A1	2	2	2	2
HOME DEPOT INC. 3% 01APR2026 (CALLABLE 01JAN2026)	4/1/2026	\$ 1,000,000	A	A2	2	2	3	3
JPMORGAN CHASE & CO 3.2 15JUN2026 (CALLABLE 15MAR26)	6/15/2026	\$ 500,000	A-	A1	3	1	3	4
APPLE INC. 2.9% 12SEP2027 (CALLABLE 12JUN27)	9/12/2027	\$ 1,300,000	AA+	Aaa	5	1	4	5
TOYOTA MOTOR CREDIT CORP 5.45% 10NOV2027	11/10/2027	\$ 1,600,000	A+	A1	3	2	3	5
AMERICAN HONDA FINANCE 4.7% 12JAN2028	1/12/2028	\$ 600,000	A-	A3	3	2	3	3
PNC BANK NA 3.25% 22JAN2028 (CALLABLE 01 FEB28)	1/22/2028	\$ 1,000,000	A	A2	3	2	3	3
COLGATE-PALMOLIVE CO 4.6% 01MAR2028 (CALLABLE 01FEB28)	3/1/2028	\$ 500,000	AA-	Aa3	3	2	3	3
US BANCORP 4.548% 22JUL2028 (CALLABLE 22JUL27)	7/22/2028	\$ 1,000,000	A	A3	4	3	4	4
JPMORGAN CHASE & CO 4.851% 25JUL2028 (CALLABLE 25JUL28)	7/25/2028	\$ 1,400,000	A-	A1	3	1	3	4
Total/Average		\$ 13,900,000			3.1	2.0	3.0	3.4

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

Fund Schedule

Item 2.

Fund Number	Fund Description	Prior Year Carryforward 7/1/2023	Increase/ (Decrease) July - Jan	Feb 2024				Estimated Fund Balance 2/29/2024*
				Current Revenue	Current Expenditure	Transfer In	Transfer Out	
	GENERAL FUND							
	Non-Spendable:							
	Loans Receivable	159,000	-	-	-	-	-	159,000
	Restricted Fund Balances:							
	Pension	1,400,163	-	-	-	-	-	1,400,163
	Land Held for Resale	44,338	-	-	-	-	-	44,338
	Committed Fund Balances:							
	Budget Stabilization	6,129,774	-	-	-	-	-	6,129,774
	Catastrophic	6,129,775	-	-	-	-	-	6,129,775
	Pension/OPEB	300,000	-	-	-	-	-	300,000
	Measure G District Sales Tax	590,581	-	-	-	-	-	590,581
	Assigned Fund Balances:							
	Open Space	410,000	-	-	-	-	-	410,000
	Sustainability	140,553	-	-	-	-	-	140,553
	Capital/Special Projects	10,359,577	-	-	-	-	-	10,359,577
	Carryover Encumbrances	37,698	-	-	-	-	-	37,698
	Compensated Absences	1,580,623	-	-	-	-	-	1,580,623
	ERAF Risk Reserve	689,608	-	-	-	-	-	689,608
	Council Priorities - Economic Recovery	1,556,614	-	-	-	-	-	1,556,614
	Unassigned Fund Balances:							
111	Other Unassigned Fund Balance Reserve (Pre YE distribution)	-	(865,635)	5,193,178	(5,906,456)	-	-	(1,578,913)
	General Fund Total	29,528,304	(865,635)	5,193,178	(5,906,456)	-	-	27,949,391

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

Fund Schedule

Item 2.

Fund Number	Fund Description	Prior Year Carryforward 7/1/2023	Increase/ (Decrease) July - Jan	Feb 2024				Estimated Fund Balance 2/29/2024*
				Current Revenue	Current Expenditure	Transfer In	Transfer Out	
SPECIAL REVENUE								
211/212	CDBG	166,653	-	-	-	-	-	166,653
222	Urban Runoff (NPDES)	629,843	38,366	29,996	(17,768)	-	-	680,437
231-236	Landscape & Lighting Districts	176,964	2,561	260	(257)	-	-	179,528
251	Los Gatos Theatre	74,991	33,584	9,830	(5,807)	-	-	112,598
711-716	Library Trusts	530,173	72,479	-	(1,874)	-	-	600,778
Special Revenue Total		1,578,624	146,990	40,086	(25,706)	-	-	1,739,994
CAPITAL PROJECTS								
411	GFAR - General Fund Appropriated Reserve	21,725,837	(1,097,732)	83,091	(424,506)	-	-	20,286,690
412	Community Center Development	-	866,281	-	-	-	-	866,281
421	Grant Funded Projects	(406,890)	98,414	-	(62,638)	-	-	(371,114)
461-463	Storm Basin Projects	3,218,331	79,996	84,660	-	-	-	3,382,987
471	Traffic Mitigation Projects	431,079	-	-	-	-	-	431,079
472	Utility Undergrounding Projects	3,438,996	12,965	-	-	-	-	3,451,961
481	Gas Tax Projects	1,671,245	(645,652)	153,906	-	-	-	1,179,499
Capital Projects Total		30,078,598	(685,728)	321,657	(487,144)	-	-	29,227,383
INTERNAL SERVICE FUNDS								
611	Town General Liability	212,022	3,189	-	-	-	-	215,211
612	Workers Compensation	514,813	(441,195)	37,099	(7,238)	-	-	103,479
621	Information Technology	2,474,618	(176,745)	20,383	(4,334)	-	-	2,313,922
631	Vehicle & Equipment Replacement	2,413,719	502,162	-	(35,843)	-	-	2,880,038
633	Facility Maintenance	927,700	132,136	5,933	(84,028)	-	-	981,741
Internal Service Funds Total		6,542,872	19,547	63,415	(131,443)	-	-	6,494,391
Trust/Agency								
942	RDA Successor Agency	(6,187,789)	(1,665,699)	1,894,550	(1,894,667)	-	-	(7,853,605)
Trust/Agency Fund Total		(6,187,789)	(1,665,699)	1,894,550	(1,894,667)	-	-	(7,853,605)
Total Town		61,540,609		7,512,886	(8,445,416)	-	-	57,557,554

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

Deposit Accounts of Interest:

- 111-23541 General Plan Update deposit account balance \$682,423.43
- 111-23521 BMP Housing deposit account balance \$4,021,280.60



TOWN OF LOS GATOS
FINANCE COMMISSION REPORT

MEETING DATE: 4/8/2024

ITEM NO: 3

Item 3.

DATE: April 1, 2024
TO: Finance Commission
FROM: Laurel Prevetti, Town Manager
SUBJECT: Discussion of Content and Timeline for Ad Hoc Subcommittee Work Plans –
“Plan the Plan”

RECOMMENDATION:

Discuss the content and timeline for ad hoc subcommittee work plans.

BACKGROUND:

At the March 11, 2024 Finance Commission meeting, the Commission established three ad hoc subcommittees: Five-Year Capital Plan, the Unfunded Pension Liability/CalPERS, and the Council Priority Score Card.

Ad hoc subcommittees are temporary advisory committees composed solely of less than a quorum of the legislative body that serve a limited or single purpose, are not perpetual, and will be dissolved once their specific task is completed. An ad hoc subcommittee includes only the ad hoc subcommittee members and no members of the public. An ad hoc subcommittee can only be comprised of less than a quorum (up to 2) of the Citizen Appointees to the Finance Commission and cannot have staff or Council Liaisons as official members of the ad hoc subcommittee. However, Council Liaisons, staff, and anyone else may still attend ad hoc committee meetings. The work will be conducted outside of regular Commission meetings with only minor staff involvement. There is no staff capacity to create work products for the ad hoc subcommittees. The ad hoc subcommittee(s) would report back to the full Commission during regular meetings.

PREPARED BY: Gitta Ungvari
Finance Director

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

PAGE 2 OF 2

SUBJECT: Ad Hoc Subcommittees Work Plans

DATE: April 1, 2024

DISCUSSION:

This item provides an opportunity to the Finance Commission discuss the ad hoc subcommittees' work plans, including a description of the product(s) that the ad hoc subcommittee intends to complete. The Finance Commission should approve each ad hoc subcommittee work plan before the work begins. This is the Town's practice with its other Commissions that have ad hoc subcommittees.



TOWN OF LOS GATOS
FINANCE COMMISSION REPORT

MEETING DATE: 4/8/2024

ITEM NO: 4

Item 4.

DATE: April 2, 2024
TO: Finance Commission
FROM: Laurel Prevetti, Town Manager
SUBJECT: Discussion of Report on Transportation Impact Fee

RECOMMENDATION:

Discuss a report on the Transportation Impact Fee.

REMARKS:

The Finance Commission Chair requested to place this item on the April 8th Finance Commission agenda.

The legislative history of this item dates back at least to 2021. The more recent reports to the Town Council on this topic can be found at the following links.

May 2, 2023 Item 13:

<https://meetings.municode.com/adaHtmlDocument/index?cc=LOSGATOS&me=fb83ca256a484c41ab2fe5ff70e4c560&ip=True>

October 10, 2023 Special Meeting:

<https://meetings.municode.com/adaHtmlDocument/index?cc=LOSGATOS&me=1802208495f24eedb2d0601cb2c096ad&ip=True>

November 21, 2023 Item 16:

<https://meetings.municode.com/adaHtmlDocument/index?cc=LOSGATOS&me=ffcca5304af64abf85cf2d1a80cb3d14&ip=True>

PREPARED BY: Gitta Ungvari
Finance Director

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

PAGE 2 OF 2

SUBJECT: Discussion of Report on Transportation Impact Fee

DATE: April 2, 2024

REMARKS (continued):

January 16, 2024 Item 12:

<https://meetings.municode.com/adaHtmlDocument/index?cc=LOSGATOS&me=6f19635f84ad4713a27b577cff420113&ip=True>

April 2, 2024 Item17:

<https://meetings.municode.com/adaHtmlDocument/index?cc=LOSGATOS&me=0f6dcfeb51ae4eb48712dc2fe4d3b60b&ip=True>

On April 2, 2024, the Town Council provided direction to staff to update the Nexus Study and return to Town Council with the results.

Attachment:

1. Finance Commissioner's Communication

TURNER CENTER FOR HOUSING INNOVATION UC BERKELEY

A TURNER CENTER REPORT - NOVEMBER 2020

Improving Impact Fees in California: Rethinking the Nexus Study Requirement

Introduction

California’s housing crisis has only become more acute amid the COVID-19 pandemic. As the legislature grapples with the emergency response for economically vulnerable households, the need to address longer-running supply constraints remains. Even amid the ongoing challenges of the pandemic, there are elements of the production puzzle that can be addressed to improve processes and ease potential barriers to building affordable homes.

One factor that has contributed to escalating [costs of building housing](#) in California is the slate of fees charged to new development, including impact fees. Impact fees help jurisdictions pay for critical infrastructure needed to support new housing. But fees are not always transparent, and the number, type, and methodology for setting fees can vary widely across jurisdictions. They can also add up to more than [\\$100,000 per unit](#).

Fees can be assessed under many different authorities, but recently the legislature has paid particular attention to fees charged under the Mitigation Fee Act (MFA). Lawmakers in Sacramento passed several bills in 2019 aimed at reforming the rules around impact fees governed by the state’s MFA, including bills to help increase transparency and to address potentially excessive fees. For instance, Assembly Bill 1483 (Grayson) requires jurisdictions to clearly post impact fee schedules and nexus studies online, and Senate Bill 13 (Wieckowski) limits impact fees on some Accessory Dwelling Units. Senate Bill 330 (Skinner) locks in fee amounts once a project application is deemed complete to ensure predictability around total costs. Several other impact fee reforms were proposed in

2020, though these proposals were shelved as the state prioritized more immediate COVID-19 response and relief.

One area of much-needed reform is to provide cities with more guidance on how to conduct “nexus studies,” which are the required analyses that justify fee levels. In effect, these studies are required to illustrate the “nexus” between new development and its incremental impacts on infrastructure. Yet as we found in [our 2019 Residential Impact Fee report](#), the approaches to how cities conduct nexus studies vary significantly, ranging from rigorous assessments to more lenient “rubber stamps” for the fees the city wants to collect. We determined the processes around how nexus studies are conducted warrants further analysis.

In this analysis, we reviewed a selection of fire protection, parks, transportation, and utility nexus studies in eight jurisdictions across the state. The goal of the research was to understand how nexus studies are currently conducted, and to identify areas for improvement. Our review suggests that the following steps could be taken to improve the setting of fees:

- **Clarify requirements around level of service.**

Currently, nexus studies do not always explicitly state the existing level of service that jurisdictions provide, or they set fees based on a higher level of service that the jurisdiction is seeking to attain. This results in new residents bearing the cost of increasing services for all residents. Nexus studies should clearly identify the current level of service and establish fees based on offsetting incremental impacts to the existing level of service.

- **Tie fees more closely to direct impacts of new development.**

Some methods of establishing fees make it difficult to ensure fees are only being used to maintain service levels in jurisdictions impacted by new development. Adopting methodological best practices can better target fees to the incremental infrastructure costs related to new housing.

- **Incorporate consideration of feasibility and create mechanisms for triggering review.**

Nexus studies should be required to include the current fees and exactions charged by a locality and other local entities alongside the maximum allowable fee estimated in each study. New mechanisms should be established to trigger state review and/or more stringent feasibility analysis for potentially unreasonable or exclusionary fee programs.

After a brief background on nexus study methods, we explore each of these areas for improvement in more detail.

A Note on Methods

Nexus studies are meant to quantify the impact of new development on local infrastructure and determine the cost of this impact, establishing the maximum fee amount that can be charged on the construction of new homes. They also establish the legal authority for jurisdictions to charge those fees, so they are a critical component to the impact fee setting process.

That said, there are no required methodologies for conducting nexus studies. As a result, there is wide variation in the methodologies used by the cities and/or consultants who prepare these studies on the jurisdiction's behalf. For reference, Table 1 lays out a few of the most common approaches used to calculate impact fees and the circumstances under which each is used.

To better understand ways in which the nexus study process could be improved to prevent unreasonable fees, we reviewed at least two studies for each of the following fee types: fire protection, parks (allowed by the Mitigation Fee Act, not the Quimby Act), transportation, and utilities. We collected studies from a range of different jurisdictions of various sizes and densities (Table 2).

These nexus studies were originally collected for the Turner Center's 2019 study, *Residential Impact Fees*. As we noted in that report, the process of accessing the studies was often onerous: in many cases nexus studies were only available in city council agendas or via public records requests. While not representative of all nexus studies across the state, this review surfaced strengths and limitations of current nexus study methodologies, and suggest potential paths forward to further refine the setting of fees.



Table 1. Common Methodological Approaches Used in Nexus Studies

Name of Method	Basic Mathematical Calculation	Uses
Planned facilities method	$\frac{\text{Cost of Planned Facilities}}{\text{New Development Demand}}$	Used when a jurisdiction has planned facilities that will only serve future growth, or can calculate which portion of planned facilities will serve future growth.
Incremental cost method (used for utilities)	$\frac{\text{Cost of Planned Facilities}}{\text{New Development Demand}}$	Used when an existing utility system has limited to no capacity to serve new development and new or incremental facilities are needed.
Existing inventory method	$\frac{\text{Current Value of Existing Facilities}}{\text{Existing Development Demand}}$	Used when a long-range plan for new facilities is not available, but new facilities are needed to maintain the existing level of service.
System buy-in method (used for utilities)	$\frac{\text{Current Value of Existing Facilities}}{\text{Existing Development Demand}}$	Used when the existing utility system has sufficient capacity to serve new development now and over the long-term.
System plan method	$\frac{\text{Value of Existing Facilities} + \text{Cost of Planned Facilities}}{\text{Existing} + \text{New Development Demand}}$	Used when planned facilities are part of an integrated system benefitting both existing and new development and jurisdictions cannot (or do not) delineate which portion of planned facilities will serve future growth.

Note: The information in this chart was gleaned from several sources, including the City of Fremont's Comprehensive Development Impact Fee Update, Background Report (2014) and the City of Santa Cruz's Water System Development Charge Report (2015).

Table 2. Nexus studies review by location and type

Fee Types	Localities	
Fire	Elk Grove	Truckee
Parks	Fresno	Fremont
Transportation	Riverside County	Irvine
Utilities	Santa Cruz (water)	Roseville (electric)

Findings

Our review of this sample of nexus studies yields three key areas for action to improve the transparency, calibration, and assessment of methodologies used to set impact fees. In this section we present each of the findings.

Clarify expectations around the treatment of levels of service.

Ideally, nexus studies should offer a clear statement of the existing level of service provided by the locality, assess to what degree new development would impact that infrastructure, and estimate the resources needed to keep that infrastructure at its existing level of service after additional development takes place.

Riverside County's Transit Nexus Study offers an example of this approach. Consultants based their calculations on ensuring roadways maintain a volume-to-capacity ratio of less than 0.9 (the existing level of service standard).¹ After identifying roads that would experience increased traffic above that standard as a result of the new development, consultants identified specific infrastructure projects that could accommodate the new traffic patterns. Accordingly, the jurisdiction ensured that its transit fee represented the actual cost of maintaining a similar level of service before and after new development.

But in many cases, the current level of service is not clear or the level of services is purposefully set above current levels. In some of the cases that we reviewed, jurisdictions based fees on the cost of planned infrastructure without explicitly calculating the current service level, making it unclear whether a proposed fee would maintain or

increase services. In the park nexus studies we reviewed, each clearly stated the ratio of park acres to people, but they did not clearly identify whether the level of amenities planned for on park lands exceeded or maintained the existing level of service. For example, while Fremont's fee was based on maintaining the current ratio of park acres to people, Fresno's Park Nexus Study based its impact fee on providing three park acres per 1,000 new residents, a benchmark three times higher than Fresno's current level of service.²

All jurisdictions in California are limited in their ability to raise new revenues to pay for infrastructure—and that is especially true for resource-constrained jurisdictions. Yet assessing the full costs of new infrastructure on new housing could prove exclusionary in cases where fees increase local housing prices, and therefore place an outsized burden on or prevent the accommodation of new residents.^{3/4/5/6/7/8} Given that future residents will not be the sole beneficiaries of newly developed park facilities, for instance, this approach asks newcomers to pay the full cost to raise a city's level of service for all residents.

To address this concern, the state should set standards for nexus study design requiring that (1) the studies focus on maintaining existing service levels, and (2) the studies clearly report the current levels of service and what they reflect. If a city aspires to a higher level of service, then they should use other, less regressive approaches to achieve it, such as a local bond measure or parcel tax that is borne by all city residents. In addition, the state should call for other nexus study methodological best practices (including those presented below) that help calibrate fees to only target added costs caused directly by new development.

Tie fees more closely to direct impacts of new development.

There are a number of ways nexus study methodologies can calibrate fees to tie them to the incremental costs associated with accommodating new development. For instance, nexus analyses based on the *planned facilities method* summarized in Table 1—or *incremental cost method* in the case of utilities studies—identify the infrastructure needed to serve future growth and calculate how much each new development will need to contribute to cover the cost of expanding facilities, thus tying fees directly to estimated demand for services.

In contrast, other methodologies can result in higher costs disproportionately impacting new residents. In the *system buy-in method*, for example, agencies calculate the total value of the existing infrastructure system and divide by the city’s current population to identify a per capita cost for new development.⁹ This method offers a straightforward way to assess fees, especially for jurisdictions that are already largely built-out, but can also result in overstating the costs for new residents. In its water nexus study, for example, Santa Cruz calculated the value of its water system based on what it would cost to replace the entire system in today’s dollars, rather than how much the local agency originally paid for the system.¹⁰ This approach results in a larger estimation of the system’s value and ultimately places higher fees on new residents. In addition, the local agency did not factor depreciation caused by wear and tear into the estimate.

Jurisdictions that use the *system buy-in method* could strengthen the link between the level of fees charged and the actual impact of new development by using more conservative assumptions throughout their

analysis, such as basing calculations on the depreciated value of infrastructure.

In addition, jurisdictions could base fees on a Capital Improvement Program (CIP), a locality’s plan for constructing and financing new public facilities, some of which will serve both new and existing residents. The MFA encourages, but does not require, the use of CIPs. Jurisdictions that set impact fees based on a CIP are often able to use the *incremental cost method* or *planned facilities method* to establish a nexus. Our review found that two out of three jurisdictions using CIPs calculated more precise fees by identifying the portion of each new facility that will be used to support newcomers, rather than using the less targeted approach of dividing existing and planned facilities costs by the number of existing and expected new residents.

As we noted in *Residential Impact Fees*, another best practice that can work in concert with the approaches noted above is to target fees geographically. Given that infrastructure needs can vary across a locality, setting geographically-specific fees helps to ensure new developments only contribute to infrastructure needed to serve their site. In less populous areas, or in districts that span incorporated and unincorporated areas, geographic targeting can help tie fees to infrastructure needs directly resulting from new development. In the City of Elk Grove’s Fire Fee Nexus Study for the Cosumnes Community Services District, the local agency used the CIP to identify which fire facilities would exclusively serve future development in the cities of Elk Grove or Galt, and which facilities would be used district-wide.¹¹ The city then set six fee zones, which partially reflected differences in facility costs.

Together these methodological changes should be used to prevent unreasonably high fees and ensure fees are targeted to areas and incremental costs specific to supporting new development.

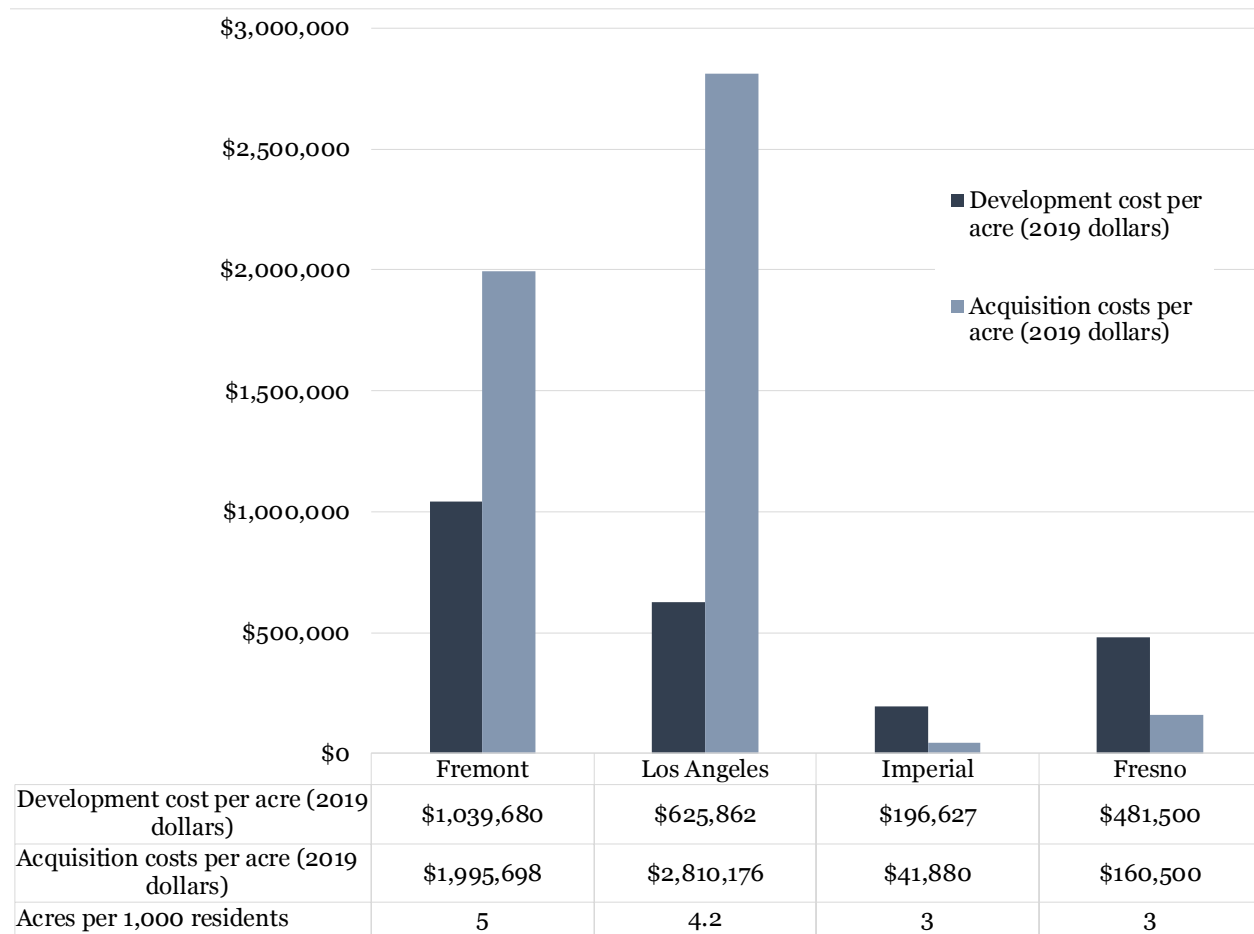
Incorporate consideration of feasibility and mechanisms for triggering review.

Considering the feasibility of a fee— which in this case means determining whether or not the cost would have negative financial consequences for potential housing development—is not a required element of a nexus study or of the fee setting process more broadly. Only one of the nexus studies we reviewed mentioned feasibility concerns within the nexus analysis. While some cities do voluntarily conduct a feasibility analysis, these often rely on informal methods (e.g., scanning fees set in neighboring jurisdictions) and do not include rigorous analyses based on actual market conditions and data.

Conducting a feasibility analysis should no longer be an informal add-on. It is critical that cities calculate the total fees and exactions charged to new construction, and compare that total against what is financially viable. An important step would be to require that a nexus study include not only the legal maximum established for that specific service, but also an estimate of the total cost of existing fees and exactions. While fees are not always set below the legally allowable maximum (two of our eight case studies set fees below the legal maximum), having the full fee stack included in the nexus study would offer more clarity as to how much a new fee would add to the collective costs on new development.

This type of analysis could also make it easier to determine when a locality's fee or set of fees might merit additional review or a more stringent feasibility test. With that information, California's Department of Housing and Community Development (HCD) could use its statutory authority to set a threshold at which an audit of a jurisdiction's fee program would be triggered. For instance, if the total fees and exactions charged by a locality surpass a certain threshold (e.g., 10 or 15 percent) of (a) construction costs per unit or (b) the median home value of housing constructed within a certain time frame (e.g., since 2000), it would be within HCD's purview to review each of the city's impact fees to (1) ensure they are based on nexus studies that conform to state law, and (2) determine whether the cumulative cost of the fees function as a regulatory constraint that would impede the jurisdiction's compliance under housing element law. There is precedent for these actions through HCD's existing authority to review, approve, and decertify each city's Housing Element. Specifically, 2017's Assembly Bill 72 (Santiago) grants HCD authority to review any action or failure to act by a local government that HCD determines is inconsistent with an adopted Housing Element and to take action to decertify that local government's Housing Element. The review authority proposed above would fall under this existing authority. A limitation to using construction costs per unit as part of the audit trigger is that it would require privately held data (except in the case of LIHTC or other publicly-funded developments), while using something like median home value could be derived from public (although somewhat lagged) data sources like the American Community Survey.

Figure 1: Levels of Service for Parkland



Other mechanisms could also be established to trigger a review or additional feasibility analysis to help rein in unreasonable or potentially exclusionary fees. One example of this is for the state to compare local fee levels to state benchmarks, calculated at different levels of service, and subject those jurisdictions that are significantly above the state benchmark to automatic review. Existing levels of service vary widely across jurisdictions. Park acreage is one example (Figure 1).

If each nexus study is required to clearly identify the current level of service a jurisdiction is providing, the state would be able to clearly establish and track the range of service provided for that type of infrastructure, including an average (mean)

or typical (median) level of service across the state or in certain types of jurisdictions. With that context, a jurisdiction that establishes a level of service significantly above the standard (e.g., 20 percent higher than the standard) for one or more fees could be subject to a fee review or be required to demonstrate feasibility.

Even in jurisdictions that may not trigger review or additional analysis under these scenarios, the state could support efforts to more rigorously assess feasibility by drafting guidelines for analysis or build on tools like [the Terner Center Housing Development Dashboard](#) to enable jurisdictions to assess the effect of the full stack of fees on new housing supply.

Conclusion

Impact fees play an important role in funding the infrastructure necessary to support new housing development. But as the state works to overcome its long-running production shortfall and to contribute to an economic recovery through the construction of new housing, impact fee reform merits attention.

A few of the recommendations included in this analysis have recently been the subject of legislative efforts. For example, Assembly Bill 1484 (Grayson), which was stalled in the 2020 legislative session, would have limited fee calculations to a locality's existing level of service. This legislation would have also required a rough proportionality standard for determining fees, with the intention of requiring a stronger link between fees charged and the actual impact of development than currently exists with the "reasonable relationship" MFA standard. In addition, Assembly Bill 3145 (Grayson)—which was also tabled for the year—would have required HCD review of local fees in instances where total fees make up more than 12 percent of the median home price in the corresponding jurisdiction.

As legislators consider these provisions, there is also an opportunity to improve methodological transparency in nexus studies (e.g., by clearly indicating the existing level of service used as a baseline) and to advance best practices, considerations of feasibility, and mechanisms for review. It is also important to ensure that fees aren't set at levels that hinder construction or erode housing affordability. Local governments should prioritize this important work in the context of reviewing regulatory constraints as part of their existing process of assessing

housing programs for the forthcoming housing element sixth cycle. In addition, HCD should consider producing technical advisories and guidance to clarify these best practices and affirm the centrality of fee impact in its assessment of regulatory constraints as part of the housing element certification process. Furthermore, HCD should set clearer parameters for how nexus studies should be performed and commit to a review of those methodologies that may be unreasonable. Administrative actions such as these would make the process more equitable and help rein in excessive fees without resorting to a blunter instrument of capping fees in already revenue-constrained jurisdictions.

These changes will help to ensure that fees are being set and used as intended: to support the expansion of critical infrastructure needed to accommodate more housing.

ENDNOTES

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9. The *system buy-in method* is used for utilities. The *system plan method* is used for other types of fees and functions slightly differently in that it takes into account existing and planned infrastructure and current and expected demand to calculate the per capita cost.
10. Raftelis Financial Consultants, Inc. (2015). City of Santa Cruz Water Department: Water System Development Charge.
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ACKNOWLEDGMENTS

We would like to acknowledge Annelise Osterberg and Hayley Raetz for their excellent work on this report. We also appreciate the members of the Turner Center’s team, especially Carol Galante, Elizabeth Kneebone, David Garcia, Carolina Reid, and Ben Metcalf, for their thoughtful feedback and contributions to the report. We are also grateful to the California Department of Housing and Community Development for its support of the Turner Center’s portfolio of research on impact fees.

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TOWN OF LOS GATOS
DEPARTMENT OF PARKS AND PUBLIC WORKS
41 MILES AVENUE, LOS GATOS, CA 95030

REQUEST FOR PROPOSALS

Transportation Impact Fee Study

RFP RELEASE DATE:

December 8, 2021

PROPOSAL SUBMITTAL DEADLINE:

12:00 pm, January 21, 2022



RFP

REQUEST FOR PROPOSALS

1. INTRODUCTION AND PROJECT BACKGROUND

The Town of Los Gatos (Town) is requesting proposals from qualified firms to prepare a Transportation Impact Fee Study develop a Transportation Impact Fee Program. The recommended program will be presented to the Town Council for its consideration. If adopted, the Transportation Impact Fee Program will replace the Town's current Traffic Impact Mitigation Fees.

California Senate Bill (SB) 743, which was signed into law by Governor Brown in 2013, changes the way that public agencies evaluate the transportation impacts of projects under the California Environmental Quality Act (CEQA), recognizing that roadway congestion, while an inconvenience to drivers, is not itself an environmental impact. The Town of Los Gatos (Town) started the process of transitioning to using Vehicle Miles Traveled (VMT) as a metric in conducting CEQA transportation analysis in 2019. The Town Council has made several decisions leading to the completion of the efforts.

The transition to using VMT as the metric for transportation analyses pursuant to CEQA has necessitated the update to the Traffic Impact Policy. Policy No. 1-05, currently known as the Traffic Impact Policy, is intended to provide guidance to Town staff and the development community in implementing the provisions of the Town Municipal Code, Chapter 15, Article VII, Traffic Impact Mitigation Fees. The new Transportation Impact Policy, adopted by the Town Council at its December 7, 2021 meeting, superseded Policy No. 1-05 and expanded the purpose to include "evaluating and mitigating CEQA transportation impacts".

The Transportation Impact Policy identifies a framework of VMT mitigation measures, named VMT Reduction Strategies, to mitigate Townwide and project-level CEQA transportation impacts. The Town intends to update the current Traffic Impact Mitigation Fees to incorporate the VMT mitigation measures. To support the update, the Town will prepare a Nexus Study that will serve as the basis for requiring development impact fees under AB 1600 legislation, as codified by California Code Government Section 66000 et seq. The established procedures under AB 1600 require that a "reasonable relationship", or nexus, exist between the traffic infrastructure improvements required to mitigate the traffic impacts and the proposed development project.

The study shall satisfy the statutory requirements:

- Identify the purpose of the fee.
- Identify the use to which the fee will be put.
- Determine that there is a reasonable relationship between the fee's use and the type of development on which the fee is to be imposed.
- Identify reasonable relationship between the amount of the fee and the cost of the public facility or portion of the public facility attributable to the development on which the fee is imposed.

2. SCOPE OF WORK

The Town is requesting proposals from qualified firms to prepare a Transportation Impact Fee Study develop a Transportation Impact Fee Program. The Town's impact fee must comply with the Mitigation Fee Act (California Government Code Section 66000 et seq., also known as AB 1600). The consultant should review the Town's enabling legislation (ordinances) establishing the Transportation Impact Policy.

The proposal shall include a minimum of the following tasks and deliverables:

Task 1: Project Management and Stakeholder Engagement

Deliverables

- Final project scope and schedule
- Project Team meetings and materials
- Public meetings: prepare and attend meetings with the public, stakeholders, Town Commissions, and Town Council.

Task 2: Fee Program Approach and Scope

The Consultant will advise staff on the relationship between Level of Service-based and Vehicle-Miles-Traveled (VMT)-based fees. The Transportation Impact Policy requires land use projects to mitigate CEQA transportation impacts and provide mitigation improvements, as applicable. Town staff is considering two possible approaches in the new fee program:

- A. Two fees: maintain the current LOS-based traffic impact mitigation fee and establish a new VMT-based fee
- B. A combined fee: combine the current traffic impact mitigation fee and the new VMT-based fee

The Town is interested in the Consultant's input on these two and possibly other approaches and the recommendation on the best practice. It is anticipated that the new fee program would be designed to reduce vehicle trips and vehicle miles of travel per capita within the Town to avoid or minimize the need to expand existing roadway capacity.

Deliverables

- Report: summarizes the considerations in the approach and provides a recommendation on the preferred approach

Task 3: Transportation Improvements Project List

The benefit zone of the fee program would be Townwide.

In the update to the Transportation Impact Policy, no change was made to the Transportation Mitigation Improvements Project List. This project list already has many improvements that are

consistent with the VMT Reduction Strategies. It is the Town's intent to update the project list to emphasize the VMT-reducing improvements and fund a broader range of project types.

The Consultant should review the Mobility Element of the Draft General Plan 2040 and other Town's plans and policies and formulate a draft Project List. The Consultant should identify the transportation improvements and facilities needed to serve this growth and achieve the General Plan VMT goals.

The Consultant should prepare order-of-magnitude project cost estimates and propose timing of project implementation.

Deliverables:

- Report: confirms the benefit zone, proposes criteria for capital improvement projects used to develop the fee program.
- Map and list depicting the preliminary set of projects to be considered in this study.
- Report: identifies draft capital improvement projects based on the project selection criteria.
- Project cost estimates and proposed timing for the need projects

Task 4: Fee Revenue Estimation

The Consultant should evaluate different fee calculation options and recommend a preferred option based on staff and stakeholder input. Consequently, the Consultant should develop an estimation of overall fee revenues based on the General Plan growth forecasts and the project list.

Deliverables:

- Report: fee calculation options and fee revenue estimation.

Task 5: Nexus Study

The purpose of this task is to allocate the expected unfunded costs of the transportation improvement projects in the draft project list by land use type. A portion of each project's cost must be allocated to the correction of existing deficiencies (if appropriate) and to growth in new trips and VMT.

Once the project list is refined the allocated project costs will be used to construct a fee schedule by land use type. Recommendations will be provided on different strategies for allocating the fees among residential, retail, and other commercial development.

Deliverables

- Technical Memorandum: documents the nexus analysis methods, quantification of the nexus and burden, proposed fee schedule, and an assessment of the relative economic burden imposed by the preliminary fee schedule on local residential and commercial markets. The proposed fee schedule shall include a comparative analysis for nearby like sized jurisdictions.

Task 9: Draft and Final Nexus Study Reports

The Consultant shall prepare the draft and final reports containing background information, methodology, findings, and recommendations. The report should explain the purpose of the transportation impact fee, provide sufficient information and the necessary findings to determine the appropriate development impact fees based on the proposed infrastructure requirements to support the Town's General Plan growth projections. The report shall include calculations that demonstrate the legal nexus between the recommended fees and the impact created by new development.

Deliverables

- Draft Nexus Study Report
- Final Report and recommendations

Task 10: Additional Services

The Consultant shall include in the proposal, as a separate line item, a section for Additional Services. These work items are optional depending on the project budget and the Town's needs.

3. MINIMUM QUALIFICATIONS OF PERSONNEL

The Consultant shall meet, at a minimum, the appropriate professional qualifications as required to complete the scope of work as required by State Law and the contract. qualified consultants that have demonstrated verifiable experience in assessing a comprehensive list of development impact fees, in order to identify and recommend a program of impact fees to be acted in Foster City that meet the requirements of the Mitigation Fee Act. Specifically, the study should include detailed and legally defensible justification and analysis, including nexus studies, demonstrating the financial connection between the need for each proposed fee and new development or redevelopment.

4. ADDITIONAL INFORMATION AND RELEVANT PROJECTS

The Town's Vehicle Miles Traveled (VMT) project webpage includes all relevant documents and the Town Council's past decisions:

<https://www.losgatosca.gov/2563/Vehicle-Miles-Traveled---VMT>

Town of Los Gatos Draft 2040 General Plan and DEIR: www.losgatos2040.com

2016 Santa Clara County Measure B: <https://www.vta.org/projects/funding/2016-measure-b>

Connect Los Gatos: <https://www.losgatosca.gov/ConnectLG>

Town of Los Gatos Bicycle and Pedestrian Master Plan (BPMP):
<https://www.losgatosca.gov/2347/Bicycle-and-Pedestrian-Master-Plan>

5. INSTRUCTIONS TO PROPOSERS

5.1 Schedule

The tentative schedule is provided in Table 1. The Town may, at its own discretion, conduct interviews and other evaluations of some, all, or none of the applicants prior to selection. The performance period is no greater than twenty-four (24) months, with a project schedule determined by the Town and the select Consultant.

Table 1 - RFP Schedule (Tentative):

Task	Schedule
Request for Proposal	December 8, 2021
Questions from Proposer	December 20, 2021
Town Response to Questions from Proposers	December 30, 2021
Deadline for Proposal Submittals	Noon, January 21, 2022
Virtual Interview (if necessary)	Feb. 1 - 3, 2022
Scope Refinement and Negotiation	Feb. 7 - 11, 2022
Notice to Proceed (tentative)	February 14, 2022

5.2 Town of Los Gatos Standard Agreement: Included in Attachment A.

5.3 Examination of Proposal Documents

The submission of a proposal shall be deemed a representation and certification by the Proposer that they:

- Have carefully read and fully understand the information that was provided by the Town to serve as the basis for submission of this proposal.
- Have the capability to successfully undertake and complete the responsibilities and obligations of the proposal being submitted.
- Represent that all information contained in the proposal is true and correct.
- Did not, in any way, collude, conspire to agree, directly or indirectly, with any person, firm, corporation or other Proposer in regard to the amount, terms or conditions of this proposal.
- Acknowledge that the Town has the right to make any inquiry it deems appropriate to substantiate or supplement information supplied by Proposer, and Proposer hereby grants the Town permission to make these inquiries, and to provide any and all related documentation in a timely manner.

5.4 The Proposer bears all costs of preparing and submitting its proposal consistent with the requirements outlined in this RFP.

5.5 Questions Regarding the RFP

Any questions by the Proposer regarding this RFP or the attachment(s) must be put in writing and received by the deadline shown on Table 1. Correspondence shall include in the email subject line: Transportation Impact Fee Study and be addressed to:

Ying Smith, Transportation and Mobility Manager

E-mail: ysmith@losgatosca.gov

The Town shall not be responsible for nor be bound by any oral instructions, interpretations, or explanations issued by the Town or its representatives.

Responses from the Town to questions by any Proposer will be communicated in writing to all recipients of this RFP. Questions received after the date and time stated above will not be accepted or responded. No oral questions or inquiries to other individuals about this RFP shall be accepted.

5.6 Addenda

Addenda to this RFP, if issued, will be sent to all prospective Consultants the Town of Los Gatos - Parks and Public Works Department has specifically e-mailed a copy of the RFP to and will be posted on the Town of Los Gatos - Parks and Public Works Department website at: <https://www.losgatosca.gov/2258/RFPFRQ>

5.7 Submittal of Proposals

Proposers are requested to submit the proposal by the deadline in Table 1 in electronic format in one of the following ways: send the proposals via email (file size is limited to 25MB); or Upload to your own file sharing website or FTP site and send a link via email. The email address for electronic submittals is: YSmith@LosGatosCA.gov.

No request for modification of the proposal shall be considered after its submission on grounds that Proposer was not fully informed of any fact or condition. Hard copies of the proposals will not be accepted.

5.8 Withdrawal of Proposals

A Proposer may withdraw its proposal at any time before the expiration of the time for submittal of proposals as provided in the RFP by delivering a written request for withdrawal signed by, or on behalf of, the Proposer.

5.9 Project Funding

This phase of the project is funded with Town of Los Gatos dollars, requiring the Consultant to follow all pertinent local regulations.

6 RIGHTS OF THE TOWN OF LOS GATOS

This RFP does not commit the Town to enter into a contract, nor does it obligate the Town to pay for any costs incurred in preparation and submittal of proposals or in anticipation of a contract. The Town reserves the right to:

- Make the selection based on its sole discretion;
- Reject any and all proposals;
- Issue subsequent Requests for Proposals;
- Postpone opening proposals for its own convenience;

- Remedy errors in the Request for Proposals process;
- Approve or disapprove the use of particular subconsultants;
- Negotiate with any, all or none of the Proposers regarding project scope;
- Accept other than the lowest cost offer;
- Waive informalities and irregularities in the Proposals; and/or
- Enter into an agreement with another Proposer in the event the originally selected Proposer defaults or fails to execute an agreement with the Town.

An agreement shall not be binding or valid with the Town unless and until it is executed by authorized representatives of the Town and of the Proposer.

7 INFORMATION TO BE SUBMITTED

These guidelines govern the format and content of the proposal. The intent of the RFP is to encourage responses that clearly communicate the Proposer's understanding of the Town's requirements and the firm's ability to meet those requirements.

In addition to the items included within this RFP, including Attachments A and B, the proposal should include the following information referenced by letter for ease of identification:

- 7.1 Consultant Qualifications and Experience: Provide details of the team's qualifications and experience, including any specific qualifications in the same type of projects in similar California Cities and Towns. Provide Examples of projects with similar scope.
- 7.2 Organization and Approach: Describe the roles and organization of your proposed team for this project. Describe your project and management approach and identify the Project Manager. Describe the roles of key individuals on the team. Provide resumes and references for all key team members.
- 7.3 Scope of Services: Prepare a detailed Scope of Services. Describe project deliverables for each phase of your work.
- 7.4 Schedule of Work: Provide a detailed schedule for all tasks/phases of the project and the proposed Consultant's services, including time for reviews and approvals. The schedule shall meet the performance period identified by the Town or shall be modified with explanation as to why an alternate schedule is being proposed.
- 7.5 Cost Proposal: All labor costs, overhead costs, sub-consultant costs, and direct expenses should be included. Costs must be shown in a matrix format, by task grouping (as negotiated), and show hours per staff member, base labor rates, and overhead and profit rates.
- 7.6 Identify any exceptions taken to Attachment A – Standard Agreement.
- 7.7 Additional supporting documentation as the proposer's discretion.

8 EVALUATION CRITERIA AND SELECTION PROCESS

Based on the proposals and interviews, proposers will be evaluated according to each Evaluation Criteria. The Evaluation Criteria Summary and their respective weights are shown on Table 2:

Table 2 - Evaluation Criteria

No.	Written Evaluation Criteria	Weight
0	Completeness of Response	Pass/Fail
1	Consulting Firm's Experience	10
2	Team Qualifications & Experience	20
3	Organization & Approach	10
4	Scope of Services to be Provided	20
5	Schedule of Work	5
6	Cost	20
7	References	5
Subtotal:		90
No.	Interview Evaluation Criteria	Weight
8	Presentation by team	5
9	Q&A Response to panel questions	5
Subtotal:		10
Total:		100

After proposal evaluation and interviews, Town staff will meet with the top-rated firm(s) to discuss and develop a final scope of services and an updated cost proposal. If the Town is unable to reach agreement with the top-rated firm, the Town may choose to negotiate with additional firms.

9 CONTRACT TYPE AND METHOD OF PAYMENT

It is anticipated that the agreement resulting from this RFP, if awarded, will be an Agreement for Services.

Proposers shall be prepared to accept the terms and conditions of the Agreement, including Insurance Requirements. If a Proposer desires to take exception to the Agreement, Proposer shall provide the following information of their submittal package.

- Proposer shall clearly identify each proposed change to the Agreement, including all relevant Attachments.
- Proposer shall furnish the reasons for each proposed change, as well as specific recommendations for alternative language.

The above factors will be taken into account in evaluating proposals.

The Town pays net 30 days of invoice for work performed.

10 INSURANCE REQUIREMENTS

The selected Proposer(s), at Proposer's sole cost and expense and for the full term of the agreement or any extension thereof, shall obtain and maintain, at a minimum, all of the insurance requirements as outlined in the Town Standard Agreement.

All policies, endorsements, certificates and/or binders shall be subject to the approval of the Town of Los Gatos as to form and content. These requirements are subject to amendment or waiver, if so approved in writing by the Town of Los Gatos. The selected Proposer agrees to provide the Town with a copy of said policies, certificates and/or endorsement upon award of Agreement.

11 PUBLIC NATURE OF PROPOSAL MATERIAL

Responses to this RFP become the exclusive property of the Town of Los Gatos. At such time as the Town awards a contract, all proposals received in response to this RFP become a matter of public record and shall be regarded as public records, with the exception of those elements in each proposal which are defined by the Proposer as business or trade secrets and plainly marked as "Confidential," "Trade Secret," or "Proprietary." The Town shall not in any way be liable or responsible for the disclosure of any such proposal or portions thereof, if they are not plainly marked as "Confidential," "Trade Secret," or "Proprietary," or if disclosure, in the Town's sole discretion, is required under the California Public Records Act as addressed below. Any proposal which contains language purporting to render all or significant portions of the proposal "Confidential," "Trade Secret," or "Proprietary" shall be regarded as non-responsive.

Although the California Public Records Act recognizes that certain confidential trade secret information may be protected from disclosure, the Town of Los Gatos may determine, in its sole discretion that the information that a Proposer submits is not a trade secret. If a request is made for information marked "Confidential," "Trade Secret," or "Proprietary," the Town shall provide the Proposer who submitted the information reasonable notice to allow the Proposer to seek protection from disclosure by a court of competent jurisdiction, at the Proposer's sole expense.

12 COLLUSION

By submitting a proposal, each Proposer represents and warrants that its proposal is genuine and made in the interest of or on behalf of any person named therein; that the Proposer has not directly induced or solicited any other person to submit a sham proposal or any other person to refrain from submitting a proposal; and that the Proposer has not in any manner sought collusion to secure any improper advantage over any other person submitting a proposal.

13 DISQUALIFICATION

Factors, such as, but not limited to, any of the following, may disqualify a proposal without

further consideration:

- Evidence of collusion, directly or indirectly, among Proposers in regard to the amount, terms or conditions of this proposal;
- Any attempt to improperly influence any member of the evaluation team;
- Existence of any lawsuit, unresolved contractual claim or dispute between Proposer and the Town;
- Evidence of incorrect information submitted as part of the proposal;
- Evidence of Proposer's inability to successfully complete the responsibilities and obligations of the proposal; and
- Proposer's default under any previous agreement with the Town.

14 NON-CONFORMING PROPOSAL

A proposal shall be prepared and submitted in accordance with the provisions of these RFP instructions and specifications. Any alteration, omission, addition, variance, or limitation of, from or to a proposal may be sufficient grounds for non-acceptance of the proposal, at the sole discretion of the Town.

15 GRATUITIES

No person shall offer, give or agree to give any Town employee any gratuity, discount or offer of employment in connection with the award of contract by the Town. No Town employee shall solicit, demand, accept or agree to accept from any other person a gratuity, discount or offer of employment in connection with a Town contract.

AGREEMENT FOR CONSULTANT SERVICES

THIS AGREEMENT is made and entered into on **DATE** by and between TOWN OF LOS GATOS, a California municipal corporation, (“Town”) and _____ (“Consultant”), whose address is xxxxx. This Agreement is made with reference to the following facts.

I. RECITALS

- 1.1 The Town desires to engage Consultant to provide services to **(Insert)**.
- 1.2 The Consultant represents and affirms that it is willing to perform the desired work pursuant to this Agreement.
- 1.3 Consultant warrants it possesses the distinct professional skills, qualifications, experience, and resources necessary to timely perform the services described in this Agreement. Consultant acknowledges Town has relied upon these warranties to retain Consultant.

II. AGREEMENTS

- 2.1 Scope of Services. Consultant shall provide services as described in that certain proposal sent to the Town on **DATE** which is hereby incorporated by reference and attached as Exhibit A.
- 2.2 Term and Time of Performance. This contract will remain in effect upon execution to **DATE**. Consultant shall perform the services described in this agreement as described in Exhibit A.
- 2.3 Compliance with Laws. The Consultant shall comply with all applicable laws, codes, ordinances, and regulations of governing federal, state and local laws. Consultant represents and warrants to Town that it has all licenses, permits, qualifications and approvals of whatsoever nature which are legally required for Consultant to practice its profession. Consultant shall maintain a Town of Los Gatos business license pursuant to Chapter 14 of the Code of the Town of Los Gatos.
- 2.4 Sole Responsibility. Consultant shall be responsible for employing or engaging all persons necessary to perform the services under this Agreement.
- 2.5 Information/Report Handling. All documents furnished to Consultant by the Town and all reports and supportive data prepared by the Consultant under this Agreement are the Town’s property and shall be delivered to the Town upon the completion of Consultant's services or at the Town's written request. All reports, information, data, and exhibits prepared or assembled by Consultant in connection with the performance of its services pursuant to this Agreement are confidential until released by the Town to the public, and the Consultant shall not make any of the these documents or information available to any

individual or organization not employed by the Consultant or the Town without the written consent of the Town before such release. The Town acknowledges that the reports to be prepared by the Consultant pursuant to this Agreement are for the purpose of evaluating a defined project, and Town's use of the information contained in the reports prepared by the Consultant in connection with other projects shall be solely at Town's risk, unless Consultant expressly consents to such use in writing. Town further agrees that it will not appropriate any methodology or technique of Consultant which is and has been confirmed in writing by Consultant to be a trade secret of Consultant.

- 2.6 Compensation. Compensation for Consultant's professional services **shall not exceed \$XXXXX**, inclusive of all costs. Payment shall be based upon Town approval of each task.
- 2.7 Billing. Billing shall be monthly by invoice within thirty (30) days of the rendering of the service and shall be accompanied by a detailed explanation of the work performed by whom at what rate and on what date. Also, plans, specifications, documents or other pertinent materials shall be submitted for Town review, even if only in partial or draft form.

Payment shall be net thirty (30) days. All invoices and statements to the Town shall be addressed as follows:

Invoices:

Town of Los Gatos
Attn: Accounts Payable
P.O. Box 655
Los Gatos, CA 95031-0655

- 2.8 Availability of Records. Consultant shall maintain the records supporting this billing for not less than three years following completion of the work under this Agreement. Consultant shall make these records available to authorized personnel of the Town at the Consultant's offices during business hours upon written request of the Town.
- 2.9 Assignability and Subcontracting. The services to be performed under this Agreement are unique and personal to the Consultant. No portion of these services shall be assigned or subcontracted without the written consent of the Town.
- 2.10 Independent Contractor. It is understood that the Consultant, in the performance of the work and services agreed to be performed, shall act as and be an independent contractor and not an agent or employee of the Town. As an independent contractor he/she shall not obtain any rights to retirement benefits or other benefits which accrue to Town employee(s). With prior written consent, the Consultant may perform some obligations under this Agreement by subcontracting, but may not delegate ultimate responsibility for performance or assign or transfer interests under this Agreement. Consultant agrees to testify in any litigation brought regarding the subject of the work to be performed under this Agreement. Consultant shall be compensated for its costs and expenses in preparing

for, traveling to, and testifying in such matters at its then current hourly rates of compensation, unless such litigation is brought by Consultant or is based on allegations of Consultant's negligent performance or wrongdoing.

- 2.11 Conflict of Interest. Consultant understands that its professional responsibilities are solely to the Town. The Consultant has and shall not obtain any holding or interest within the Town of Los Gatos. Consultant has no business holdings or agreements with any individual member of the Staff or management of the Town or its representatives nor shall it enter into any such holdings or agreements. In addition, Consultant warrants that it does not presently and shall not acquire any direct or indirect interest adverse to those of the Town in the subject of this Agreement, and it shall immediately disassociate itself from such an interest, should it discover it has done so and shall, at the Town's sole discretion, divest itself of such interest. Consultant shall not knowingly and shall take reasonable steps to ensure that it does not employ a person having such an interest in this performance of this Agreement. If after employment of a person, Consultant discovers it has employed a person with a direct or indirect interest that would conflict with its performance of this Agreement, Consultant shall promptly notify Town of this employment relationship, and shall, at the Town's sole discretion, sever any such employment relationship.
- 2.12 Equal Employment Opportunity. Consultant warrants that it is an equal opportunity employer and shall comply with applicable regulations governing equal employment opportunity. Neither Consultant nor its subcontractors do and neither shall discriminate against persons employed or seeking employment with them on the basis of age, sex, color, race, marital status, sexual orientation, ancestry, physical or mental disability, national origin, religion, or medical condition, unless based upon a bona fide occupational qualification pursuant to the California Fair Employment & Housing Act.

III. INSURANCE AND INDEMNIFICATION

- 3.1 Minimum Scope of Insurance:
- i. Consultant agrees to have and maintain, for the duration of the contract, General Liability insurance policies insuring him/her and his/her firm to an amount not less than: one million dollars (\$1,000,000) combined single limit per occurrence for bodily injury, personal injury and property damage.
 - ii. Consultant agrees to have and maintain for the duration of the contract, an Automobile Liability insurance policy ensuring him/her and his/her staff to an amount not less than one million dollars (\$1,000,000) combined single limit per accident for bodily injury and property damage.
 - iii. Consultant shall provide to the Town all certificates of insurance, with original endorsements effecting coverage. Consultant agrees that all

certificates and endorsements are to be received and approved by the Town before work commences.

- iv. Consultant agrees to have and maintain, for the duration of the contract, professional liability insurance in amounts not less than \$1,000,000 which is sufficient to insure Consultant for professional errors or omissions in the performance of the particular scope of work under this agreement.

General Liability:

- i. The Town, its officers, officials, employees and volunteers are to be covered as insured as respects: liability arising out of activities performed by or on behalf of the Consultant; products and completed operations of Consultant, premises owned or used by the Consultant. This requirement does not apply to the professional liability insurance required for professional errors and omissions.
- ii. The Consultant's insurance coverage shall be primary insurance as respects the Town, its officers, officials, employees and volunteers. Any insurance or self-insurances maintained by the Town, its officers, officials, employees or volunteers shall be excess of the Consultant's insurance and shall not contribute with it.
- iii. Any failure to comply with reporting provisions of the policies shall not affect coverage provided to the Town, its officers, officials, employees or volunteers.
- iv. The Consultant's insurance shall apply separately to each insured against whom a claim is made or suit is brought, except with respect to the limits of the insurer's liability.

3.2 All Coverages. Each insurance policy required in this item shall be endorsed to state that coverage shall not be suspended, voided, cancelled, reduced in coverage or in limits except after thirty (30) days' prior written notice by certified mail, return receipt requested, has been given to the Town. Current certification of such insurance shall be kept on file at all times during the term of this agreement with the Town Clerk.

3.3 Workers' Compensation. In addition to these policies, Consultant shall have and maintain Workers' Compensation insurance as required by California law and shall provide evidence of such policy to the Town before beginning services under this Agreement. Further, Consultant shall ensure that all subcontractors employed by Consultant provide the required Workers' Compensation insurance for their respective employees.

3.4 Indemnification. The Consultant shall save, keep, hold harmless and indemnify and defend the Town its officers, agent, employees and volunteers from all damages, liabilities, penalties, costs, or expenses in law or equity that may at any time arise or be set up because of damages to property or personal injury received by reason of, or in the course of performing work which may be occasioned by a willful or negligent act or omissions of the Consultant, or any of the Consultant's officers, employees, or agents or any subconsultant.

IV. GENERAL TERMS

4.1 Waiver. No failure on the part of either party to exercise any right or remedy hereunder shall operate as a waiver of any other right or remedy that party may have hereunder, nor does waiver of a breach or default under this Agreement constitute a continuing waiver of a subsequent breach of the same or any other provision of this Agreement.

4.2 Governing Law. This Agreement, regardless of where executed, shall be governed by and construed to the laws of the State of California. Venue for any action regarding this Agreement shall be in the Superior Court of the County of Santa Clara.

4.3 Termination of Agreement. The Town and the Consultant shall have the right to terminate this agreement with or without cause by giving not less than fifteen days (15) written notice of termination. In the event of termination, the Consultant shall deliver to the Town all plans, files, documents, reports, performed to date by the Consultant. In the event of such termination, Town shall pay Consultant an amount that bears the same ratio to the maximum contract price as the work delivered to the Town bears to completed services contemplated under this Agreement, unless such termination is made for cause, in which event, compensation, if any, shall be adjusted in light of the particular facts and circumstances involved in such termination.

4.4 Amendment. No modification, waiver, mutual termination, or amendment of this Agreement is effective unless made in writing and signed by the Town and the Consultant.

4.5 Disputes. In any dispute over any aspect of this Agreement, the prevailing party shall be entitled to reasonable attorney's fees, including costs of appeal.

4.6 Notices. Any notice required to be given shall be deemed to be duly and properly given if mailed postage prepaid, and addressed to:

Town of Los Gatos
Attn: Town Clerk
110 E. Main Street
Los Gatos, CA 95030

Consultant
address
city st zip

or personally delivered to Consultant to such address or such other address as Consultant designates in writing to Town.

- 4.7 Order of Precedence. In the event of any conflict, contradiction, or ambiguity between the terms and conditions of this Agreement in respect of the Products or Services and any attachments to this Agreement, then the terms and conditions of this Agreement shall prevail over attachments or other writings.
- 4.8 Entire Agreement. This Agreement, including all Exhibits, constitutes the complete and exclusive statement of the Agreement between the Town and Consultant. No terms, conditions, understandings or agreements purporting to modify or vary this Agreement, unless hereafter made in writing and signed by the party to be bound, shall be binding on either party.

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From: Phil Koen <[REDACTED]>
Date: January 16, 2024 at 7:10:35 AM PST
To: Rob Moore <RMoore@losgatosca.gov>
Subject: Agenda item 12

[EXTERNAL SENDER]

Hello Rob,

I want to share some quick thoughts regarding the TIF study under consideration in agenda item #12. Unfortunately, this study fails to analyze what the law requires, which is a fair analysis of capital improvements related to growth.. There must be a factual causal relationship between new incremental growth and the capital expenditure.

Before adopting a TIF, a local jurisdiction must make a specific finding that include identifying the purpose of the fee and describing why the fee is needed to provide new or expanded facilities to mitigate the impacts of new development induced by the growth. Unfortunately, most of the projects listed are the result of deficiencies in current conditions. Under state law AB 1600, improvements to existing deficiencies cannot be funded through a TIF. At the very least the study needs to analyze and separate which capital costs will serve future growth vs which capital costs are associated with existing deficiencies.

I have attached the staff report from the study session that was held on October 10, 2023. The discussion of the SR-17 project is very instructive on this point. This project is all about addressing an existing regional deficiency. Just read VTM's flyer

on this project. If there was no growth in Los Gatos over the next 20 years, this project will still go forward given the current deficiencies. The staff report makes it very clear that the only reason this project is included is Staff wants to use TIF funds to pay for the required 10% match. That unfortunately is not how the law works. They have put the cart before the horse.

The net result of the TIF study is to burden 100 % of the \$42m of unfunded capital project costs (and who knows if that number is even remotely accurate – I have my doubts) on the new residents of Los Gatos. This is driving the TIF for new residential units to increase anywhere from 168% to 178% at the same time we are trying to promote new housing development. Furthermore, the difference between the proposed TIF and surrounding jurisdictions of like size is breath taking. It simply doesn't make sense to me.

Assessing the full cost of new infrastructure on new housing/growth could prove to be exclusionary and place an outsized burden on or prevent the accommodation of new residents. This is totally at odds to what we are saying in the HE.

My recommendation is the send the study to the FC and have the FC work with the consultant to prepare a complete TIF study. This one is deeply flawed.

As always, please let me know if you have any questions.

Phil Koen

Transportation Impact Fee Program

Town Council Meeting
January 16, 2024

PROJECT BACKGROUND

- 2014 – Town’s most recent Nexus Study and Traffic Impact Fee are adopted (Resolutions 2014-017 and 2014-059) in accordance with Assembly Bill 1600 (the Mitigation Fee Act).
- 2022, January – Assembly Bill 602 takes effect, requiring new nexus studies for impact fees and certain other changes to fee calculation methodology.
- 2022 – DKS Associates is contracted to develop new Nexus Study and Update Traffic Impact Fee Program.

PROJECT BACKGROUND (Cont'd)

- May 2023 – Staff provides report on technical work completed and preliminary fee calculations.
- October 2023 – Town Council holds a study session to address questions raised in the May 2023 meeting and provides feedback to staff.
- November 2023 – Town Council received the draft Nexus Study, including the Capital Project List in Appendix 1, and set a hearing date for January 16, 2024.

ADOPT THE NEXUS STUDY WITH CAPITAL IMPROVEMENT PLAN

- Informed by General Plan and previously adopted transportation related planning documents.
- Considers historic investment in transportation infrastructure.
- Documents desired transportation investments based on adopted planning documents and needed projects. This is the Capital Improvement Plan as presented in Appendix Section 1 of the Nexus Study.
- Calculated the maximum justifiable fee to \$57,907 per dwelling unit equivalent based on the historic level of investment the Town of has made in transportation related projects.

UPDATE THE TRANSPORTATION IMPACT FEE

Land Use Classification	Proposed Fee
Single Family Residential (per square foot) ¹	\$6.10
Multi-Family Residential (per square foot) ²	\$6.96
Retail (per 1,000 square feet)	\$22,391.00
Office (per 1,000 square feet)	\$19,731.00
Industrial (per 1,000 square feet)	\$9,255.00

1. Single family fee is \$16,051 per dwelling unit; converted to a square foot basis using an average single family residential unit size of 2,632 square feet.
2. Multi-family fee is \$11,472 per dwelling unit converted to a square foot basis using an average multi- family residential unit size of 1,649 square feet.

MODIFY TOWN CODE SECTION 15, ARTICLE VII

- Update title and name of the fee to Transportation Impact Fees to reflect the inclusion of bicycle and pedestrian projects in the Project List.
- Update method of calculating the Transportation Impact Fee to reflect the Nexus Study and AB 602 requirements.
- Add credits of 50% for deed restricted low- and very-low-income housing units and for existing traffic from current uses of a property.

MODIFY COUNCIL POLICY 1-08 TRANSPORTATION IMPACT POLICY

- Update the name of the fee
- Charge impact fees on Accessory Dwelling Units of 750 square feet or larger
- Clarify per square foot basis fee calculation for residential units
- Update information about credits to be consistent with proposed changes to Town Code Chapter 15
- Replace the project list in Attachment 2 with the Capital Improvement Plan in Appendix 1 of the Nexus Study.

PROPOSED ACTIONS

- a. Adopt a Resolution to Adopt the Transportation Impact Nexus Study dated November 2023 (including the Project List – Appendix 1 which serves as the Town’s Transportation Capital Improvement Plan)
- b. Adopt a Resolution to Update a Transportation Impact Fee to Replace the Town’s Existing Traffic Impact Mitigation Fee
- c. Introduce an ordinance titled “An Ordinance of the Town of Council of the Town of Los Gatos Amending Town Code Section 15, Article VII ‘Traffic Impact Mitigation Fees’”
- d. Adopt a resolution to modify Town Council Policy 1-08: “Transportation Impact Policy”



TOWN OF LOS GATOS
FINANCE COMMISSION REPORT

MEETING DATE: 4/8/2024

ITEM NO: 5

Item 5.

DATE: April 2, 2024
TO: Finance Commission
FROM: Laurel Prevetti, Town Manager
SUBJECT: Staff Update on FY 2024/25 Budget and Capital Plan

RECOMMENDATION:

Staff Update on FY 2024/25 Budget and Capital Plan

REMARKS:

Based on Council Priority Setting and Budget Direction, staff is currently developing the Proposed FY 2024/25 Operating Budget (Budget) and the Proposed FY 2024/25 – FY 2028/29 Capital Improvement Plan (CIP).

The Proposed Budget and CIP will be available online on April 22, 2024.

The Finance Commission has an opportunity to discuss the Proposed Budget and CIP at its April 29 and May 6 special meetings, finalizing the recommendations to the Town Council at its May 13 regular meeting.

The Council's budget hearing is scheduled for May 21, 2024.

Attachment:

1. Commissioner's Communications

PREPARED BY: Gitta Ungvari
Finance Director

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



**TOWN OF LOS GATOS
FINANCE COMMISSION
MINUTES**

**Minutes of the Finance Commission Regular Meeting
March 13, 2023**

The Finance Commission of the Town of Los Gatos conducted a regular meeting in person and utilizing teleconferencing means on Tuesday, March 13, 2023, at 5:00 p.m.

MEETING CALLED TO ORDER AT 5:00 P.M.

ROLL CALL

Present: Chair Rick Tinsley, Vice Chair Phil Koen, Commissioner Stacey Dell, Commissioner Andrew Howard, Commissioner Linda Reiners, Mayor Maria Ristow, and Council Member Rob Rennie.

Absent: None

Town Staff Present: Town Manager Laurel Prevetti, Finance Director Gitta Ungvari, and Town Clerk Wendy Wood.

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

1. Approve Draft Minutes of the February 23, 2023, Finance Commission Meeting. (Item pulled from consent)
2. Receive California Employer's Retiree Benefits Trust (CERBT) Strategy 1 Market Value Summary Report for the Period Ending December 31, 2022.
3. Receive California Employer's Pension Prefunding Trust (CEPPT) Strategy Market Value Summary Report for the Period Ending December 31, 2022.
4. Receive the Monthly Financial and Investment Report (January 2023). (item pulled from consent)
5. Receive Information on the Town-wide Justice, Equity, Diversity, and Inclusion Plan.

Vice Chair Koen pulled consent items 1 and 4.

MOTION: Motion by Commissioner Reiners to approve the consent items with the exception of items one and four. **Seconded by Commissioner Dell.**

VOTE: Motion passed 5-0.

VERBAL COMMUNICATIONS

There were no verbal communications.

ATTACHMENT 1

OTHER BUSINESS

6. Discuss and Approve the Finance Commission Special Meeting Dates and Times for 2023.

Finance Director Gitta Ungvari introduced the item.

Opened Public Comment.

None.

Closed Public Comment.

The Commission discussed the item and had a general consensus to approve the proposed dates.

7. Receive the Preliminary Fiscal Year 2023/24 – 2027/28 Five-Year Capital Improvement Program Information and Provide Recommendations to the Town Council.

Public Works Director Nicolle Burnham introduced the item.

Opened Public Comment.

Rob Stump

- Commented on roadside fuel reduction and the weed abatement program; and suggested pursuing a public safety parcel tax for wildfire preparation and prevention, enhanced communication system, evacuation road width, Eucalyptus trees removal program, and water supply reinforcement.

Catherine Somers

- Commented on a long-term plan for the Los Gatos Boulevard, Downtown Streetscape Revitalization/Economic Recovery Efforts, and the holiday lights.

Closed Public Comment.

MOTION: Motion by Chair Tinsley that the Finance Commission recommends a report substantially in the format of Attachment four of the staff report with similar schedules for ongoing projects to be published more frequently than annually and include the project start dates and original budgets. **Seconded by Commissioner Howard.**

VOTE: Motion passed 5-0.

MOTION: Motion by Chair Tinsley that the Finance Commission recommends that the Town Council set hard spending limits on the projects that assume grant money. **Seconded by Commissioner Reiners.**

VOTE: Motion passed 5-0.

MOTION: Motion by Chair Tinsley that the Finance Commission recommends the Town Council approve the staff suggestion to add the three ongoing annual projects. **Seconded by Vice Chair Koen.**

VOTE: Motion passed 5-0.

MOTION: Motion by Vice Chair Koen that the Finance Commission recommends that the described projects be fully funded, and the description could be limited to a phase. **Seconded by Chair Tinsley.**

VOTE: Motion passed 5-0.

Commissioner Howard left the meeting at 7:00 p.m.

MOTION: Motion by Chair Tinsley that the Finance Commission recommends Council asks staff to project a realistic capital investment amount in the budget process going forward, specifically money from the General Fund. **Seconded by Vice Chair Koen.**

VOTE: Motion passed 4-0-1. (Commissioner Howard was absent)

8. Recommend that the Town Council Receive the Independent Accountants' Report on Agreed-Upon Procedures on Measure G Revenues and Expenditures for the Period of July 1, 2021, to June 30, 2022.

Finance Director Gitta Ungvari introduced the item.

Staff addressed Commissioners' questions.

Opened Public Comment.

No one spoke.

Closed Public Comment.

MOTION: Motion by Chair Tinsley that the Finance Commission recommends the Council receives the Independent Accountants' Report. **Seconded by Commissioner Reiners.**

VOTE: Motion passed 3-1-1. (Vice Chair Koen voted no and Commissioner Howard was absent)

9. Receive Actuarial Presentation on CalPERS Analysis – 6/30/2021 Valuation Report by Foster & Foster Actuaries and Consultants and Recommend Amortization Bases for Future Potential Additional Discretionary Payments (ADPs).

Finance Director Gitta Ungvari introduced the item. Foster & Foster Actuaries and Consultant representative Mary Beth Redding presented the CalPERS Actuary Valuation Report prepared as of 6/30/2021.

Commissioners discussed the item and asked questions. The consultant and staff addressed Commissioners’ questions.

Opened Public Comment.

No one spoke.

Closed Public Comment.

MOTION: Motion by Vice Chair Koen that the Finance Commission recommends the Town Council consider paying off the longest Miscellaneous Plan bases if they are looking to do an additional discretionary payment. **Seconded by Chair Tinsley.**

VOTE: Motion passed 4-0-1. (Commissioner Howard was absent)

Items Pulled from Consent:

1. Approve Draft Minutes of the February 23, 2023, Finance Commission Meeting.

Vice Chair Koen asked if the minutes could reflect any additional information requests, so the Commission could track follow up. Staff stated they would follow up with the Clerk.

Opened Public Comment.

No one spoke.

Closed Public Comment.

MOTION: Motion by Commissioner Reinert to approve the approve draft minutes of the February 23, 2023, Finance Commission Meeting. **Seconded by Vice Chair Koen.**

VOTE: Motion passed 4-0-1. (Commissioner Howard was absent)

4. Receive the Monthly Financial and Investment Report (January 2023).

Vice Chair Koen asked about demand deposits and investments. Staff addressed Commissioners' questions.

Opened Public Comment.

No one spoke.

Closed Public Comment.

MOTION: Motion by Commissioner Reiners to receive the monthly Financial and Investment Report (January 2023). Seconded by Chair Tinsley.

VOTE: Motion passed 4-0 1. (Commissioner Howard was absent)

ADJOURNMENT:

The meeting adjourned at 8:29 p.m.

This is to certify that the foregoing is a true and correct copy of the minutes of the April 17, 2023 meeting as approved by the Finance Commission.

/s/ Wendy Wood, Town Clerk



**TOWN OF LOS GATOS
FINANCE COMMISSION**

**Minutes of the Finance Commission Regular Meeting
May 8, 2023**

The Finance Commission of the Town of Los Gatos conducted a regular meeting in person and utilizing teleconferencing means on Tuesday, May 8, 2023, at 5:00 p.m.

THE MEETING WAS CALLED TO ORDER AT 5:00 P.M.

ROLL CALL

Present: Chair Rick Tinsley, Vice Chair Phil Koen (participated remotely), Commissioner Stacey Dell, Commissioner Andrew Howard, Mayor Maria Ristow, and Council Member Rob Rennie.
Absent: Commissioner Linda Reiners.

Town Staff Present: Town Manager Laurel Prevetti, Finance Director Gitta Ungvari, Public Works Director Nicholle Burnham, and Town Clerk Wendy Wood.

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

1. Approve the Draft Minutes of the May 1, 2023, Finance Commission Special Meeting.
2. Receive the Monthly Financial and Investment Report (March 2023).
3. Receive FY 2021/22 Federal Single Audit Report.

MOTION: Motion by Commissioner Howard to approve the consent items. **Seconded** by Commissioner Dell.

VOTE: Motion passed 4-0 (Commissioner Reiners was absent).

VERBAL COMMUNICATIONS

Susan Burnett

Requested the Commission identify the page number of the document under discussion.

OTHER BUSINESS

4. Conclude Recommendations to the Town Council Regarding the Proposed Fiscal Year (FY) 2023/24 Proposed Operating and Capital Budgets

Finance Director Gitta Ungvari introduced the item.

Commissioners discussed the item and asked questions.
Staff addressed Commissioners' questions.

Opened Public Comment.

Ron Meyer

- Commented on capital projects and requested that Gantt charts be part of the reporting associated with Capital Improvement Projects.

Rick Kananen

- Commented on providing additional funding for the Chamber of Commerce to help produce more tax revenue by increasing sales tax and Transit Occupancy Tax.

Ellen Manzo, Veterans Memorial, and Support Foundation

- Commented on the services the Foundation provides and requested a grant for \$269,000 to pay off an outstanding construction loan for the Veterans Memorial.

Closed Public Comment.

MOTION: Motion by Vice Chair Koen to make a recommendation to the Town Council to adjust the ERAF revenue estimate for FY 24 to \$2.2 million from the budgeted amount of \$1.5. **Seconded** by Commissioner Howard.

VOTE: Motion passed 4-0 (Commissioner Reiners was absent).

MOTION: Motion by Vice Chair Koen to make a recommendation to the Town Council to adjust the schedules C-9, C-10, C-14, and C-26 to expand the salary benefits line to include salary, overtime, CalPERS Benefits, all other benefits, and OPEB pay as you go benefits. **Seconded** by Chair Tinsley.

VOTE: Motion passed 4-0 (Commissioner Reiners was absent).

MOTION: Motion by Vice Chair Koen to make a recommendation to the Town Council to direct staff to revise the schedules on pages B-5 and B-6 to add a column showing the best estimate of funds to be spent within fiscal year 2024 by project. **Seconded** by Commissioner Dell.

VOTE: Motion passed 4-0 (Commissioner Reiners was absent).

ADJOURNMENT:

The meeting adjourned at 7:05 p.m.

This is to certify that the foregoing is a true and correct copy of the minutes of the May 8, 2023, meeting as approved by the Finance Commission.

/s/ Wendy Wood, Town Clerk

TOTAL TOWN
REVENUES AND EXPENDITURES

GENERAL FUND

	GENERAL FUND				
	2018/19 Actuals	2019/20 Actuals	2020/21 Actuals	2021/22 Estimated	2022/23 Adopted
REVENUES					
Property Tax	\$ 13,636,099	\$ 14,454,513	\$ 15,826,162	\$ 15,908,858	\$ 16,551,544
VLF Backfill	3,685,247	3,875,914	4,052,672	4,229,462	4,356,350
Sales & Use Tax	7,930,021	6,535,034	6,794,218	7,497,873	7,934,189
Measure G - District Sales Tax	228,131	996,391	1,139,386	1,173,733	1,240,755
Franchise Fees	2,475,916	2,495,792	2,499,463	2,435,800	2,493,870
Transient Occupancy Tax	2,692,043	1,869,685	1,044,820	1,475,000	1,642,460
Other Taxes	1,526,894	1,357,080	1,386,943	1,425,000	1,387,500
Licenses & Permits	3,059,894	2,696,457	2,999,711	3,065,997	2,757,029
Intergovernmental	945,191	1,104,075	1,573,697	1,130,125	1,051,814
Town Services	4,648,904	4,447,213	4,835,962	4,295,407	4,235,261
Internal Svc Reimbursement	-	-	-	-	-
Fines & Forfeitures	510,266	271,117	103,467	218,120	201,750
Interest	1,682,347	2,266,134	96,061	441,233	432,947
Other Sources	6,093,211	1,381,187	2,217,072	1,140,853	3,287,749
Debt Service Reimbursement	1,909,073	1,905,024	1,908,494	1,899,850	1,893,713
Transfers In	1,578,911	599,669	1,833,218	633,352	538,536
TOTAL REVENUES	\$ 52,602,148	\$ 46,255,285	\$ 48,311,346	\$ 46,970,663	\$ 50,005,467
EXPENDITURES					
Salaries & Benefits	\$ 26,803,225	\$ 28,933,568	\$ 30,297,504	\$ 30,160,568	\$ 35,472,825
Operating Expenditures	11,955,327	13,397,031	14,276,602	9,849,151	9,318,742
Grants & Awards	248,533	274,249	298,303	800,000	241,000
Fixed Assets	38,307	138,384	2,365	-	-
Interest	-	-	52,011	-	-
Internal Service Charges	2,527,470	2,188,211	2,314,305	2,619,672	2,711,652
Capital Projects	-	-	-	-	-
Capital Acquisitions	-	-	-	-	-
Debt Service	1,909,073	1,905,024	1,908,494	1,899,850	1,893,713
Transfers Out	2,785,220	8,053,847	4,582,641	3,423,211	3,006,978
TOTAL EXPENDITURES	\$ 46,267,155	\$ 54,890,314	\$ 53,732,225	\$ 48,752,452	\$ 52,644,910
Net Increase (Decrease)	6,334,993	(8,635,029)	(5,420,879)	(1,781,789)	(2,639,443)
Beginning Fund Balance	31,635,533	37,970,526	29,335,497	23,914,618	22,132,829
Ending Fund Balance	\$ 37,970,526	\$ 29,335,497	\$ 23,914,618	\$ 22,132,829	\$ 19,493,386

* Year End Fund Balance represents General Fund 111 (Long Term Compensated Absences were accounted in Fund 961 prior to FY 2018/19, Pension Trust Fund 731 was incorporated in FY 2018/19).

TOWN OF LOS GATOS, CALIFORNIA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (GAAP)
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
REVENUES				
Property Taxes	\$ 20,907,894	\$ 22,484,118	\$ 22,743,087	\$ 258,969
Sales Taxes	9,174,944	8,959,134	8,806,477	(152,657)
Transient Occupancy Taxes	1,642,460	2,348,547	2,228,190	(120,357)
Other Taxes	7,000	7,000	6,454	(546)
Licenses & Permits	4,122,529	5,140,684	5,630,362	489,678
Intergovernmental	1,051,814	1,273,910	1,553,396	279,486
Charges for Services	4,257,261	5,540,465	4,646,705	(893,760)
Fines and Forfeitures	201,750	226,750	416,950	190,200
Franchise Fees	2,493,870	2,716,470	3,074,624	358,154
Interest	432,947	670,021	605,789	(64,232)
Use of Property	41,211	41,211	38,126	(3,085)
Other	1,203,657	863,964	859,571	(4,393)
Total Revenues	<u>45,537,337</u>	<u>50,272,274</u>	<u>50,609,731</u>	<u>337,457</u>
EXPENDITURES				
Current:				
General Government:				
Town Council	217,238	217,240	186,337	30,903
Town Attorney	707,555	811,427	699,143	112,284
Administrative Services	5,298,494	5,759,393	5,302,281	457,112
Non-Departmental	3,194,526	3,334,931	2,641,018	693,913
Total General Government	9,417,813	10,122,991	8,828,779	1,294,212
Public Safety	19,225,985	19,331,330	18,446,048	885,282
Parks & Public Works	9,798,967	10,368,194	8,998,088	1,370,106
Community Development	5,772,004	6,543,199	5,065,412	1,477,787
Library Services	3,139,449	3,247,730	3,096,486	151,244
Capital Outlay	-	435,416	300,000	135,416
Debt Service:				
Principal	-	156,034	156,034	-
Total Expenditures	<u>47,354,218</u>	<u>50,204,894</u>	<u>44,890,847</u>	<u>5,314,047</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	<u>(1,816,881)</u>	<u>67,380</u>	<u>5,718,884</u>	<u>5,651,504</u>
OTHER FINANCING SOURCES (USES)				
Gain from sale of assets	600	600	2,162	1,562
Transfers In	2,183,817	3,381,544	4,153,408	771,864
Transfers Out	(3,006,978)	(5,842,011)	(7,242,939)	(1,400,928)
Total Other Financing Sources (Uses)	<u>(822,561)</u>	<u>(2,459,867)</u>	<u>(3,087,369)</u>	<u>(627,502)</u>
NET CHANGES IN FUND BALANCE	<u>\$ (2,639,442)</u>	<u>\$ (2,392,487)</u>	<u>2,631,515</u>	<u>\$ 5,024,002</u>
BEGINNING FUND BALANCE			<u>26,896,789</u>	
ENDING FUND BALANCE			<u>\$ 29,528,304</u>	

The notes to the financial statements are an integral part of this statement.