



**TOWN OF LOS GATOS
MID-YEAR BUDGET REPORT
JULY 1 - DECEMBER 31, 2024**

February 6, 2025

**FINANCIAL OVERVIEW AND EXECUTIVE SUMMARY: STATUS OF FY 2024-25
ADOPTED BUDGET**

The purposes of the Mid-Year Report are to provide the Town Council with a status of the Adopted Fiscal Year (FY) 2024-25 Operating Budget after the first six months and to make any adjustments to ensure the continuity of municipal services and operations for the remainder of the fiscal year. The Report is one of several periodic updates to the Town Council on the status of the current year's revenues and expenditures and the projected financial condition of all Town funds compared with the Adopted Operating Budget. The updates typically focus on the Town's General Fund.

In February 2024, the Town Council established the 2024-26 Strategic Priorities. The Council's Core Goals of Quality Public Infrastructure, Public Safety, Good Governance, Fiscal Stability, Community Character, and Civic Enrichment together with its Strategic Priorities guide the preparation of both the Capital and Operating Budgets. Several Strategic Priorities are not one-time projects, but rather are ongoing commitments due to their critical significance to ensure the Town's fiscal and infrastructure stability and the safety and quality of life for Los Gatos residents, businesses, and visitors. These commitments include continuing to address the Town's fiscal challenges, implementing the Comprehensive Parking Study, and fostering emergency preparedness and community wildfire resilience. Other Strategic Priorities will position the Town for the future. Such Priorities include continuing to enhance economic and community vitality, focusing on traffic safety for all users and investing in key wildfire mitigation. Town Council will review its strategic priorities at its February 11, 2025 Special Meeting.

Staff has started budget development work for the next fiscal year, including updating the Five-Year Financial Forecast, identifying critical Town needs, contractual obligations, unfunded mandates, potential adjustments to the Fee and Fine Schedule, and other analyses. Staff is actively engaged in the FY 2025-26 budget process with the primary focus of ensuring that the available Town resources are allocated to meet the priority service needs of the community. The Town Council is tentatively scheduled to hold a public hearing on the Proposed FY 2025-26 Budget on May 20, 2025.

During FY 2023-24, the General Fund had an excess of revenues over expenditures of \$4.0 million, excluding transfers. Transfers out exceeded transfers in by \$3.2 million. The principal purpose of the Town's interfund transfers were contributions toward capital projects (\$3.1 million) and general liability (\$0.43 million). The General Fund Balance increased by \$1.5 million to \$31 million at the close at the prior fiscal year.

For Fiscal Year 2024-25, the budget was balanced by incorporating a 4.6% vacancy factor along with an additional use of \$0.6 million in reserve funds. Furthermore, through December 31, 2025, the Council has pre-authorized an extra \$1.7 million in reserve funds to cover salaries, benefits (for both represented and non-represented employees), and other Town needs. Current year-end projections show an anticipated surplus of \$0.8 million when combining operating revenues and planned reserve usage against expenditures and reserve allocations. In total, \$3.6 million in reserve funds will be used—\$1.1 million will be transferred to capital projects, and \$2.3 million will provide one-time support for ongoing operating expenditures.

In addition, departments are requesting \$662,078 General Fund revenue budget adjustments and \$1,065,724 expenditure budget adjustments result in a total deficit of \$403,646. As discussed in greater detail later in this Report, the primary drivers of the projected deficit are the decreased revenue projection for property tax, sales tax, and franchise fee combined with increases in retiree health care expenditures, legal services, insurance premiums, and various contractually obligated services.

As mentioned earlier, the Town Council balanced the budget with a 4.6% vacancy factor. Staff continues to monitor each Department's budget because while overall Townwide General Fund savings are predicted due to vacancies, the individual Departments' current personnel expenditure budgets may not be sufficient for the remainder of the year. Staff will recommend the necessary expenditure budget adjustments as needed.

Providing services to the community in this and future fiscal years will require a strong revenue performance of the Town's economically sensitive revenues to offset continued projected cost increases. The FY 2025-26 budget development process will endeavor to maintain essential public services while controlling operational costs in light of the five-year fiscal forecast, which predicts operating revenue shortfalls in subsequent fiscal years with certain assumptions.

CONTENT OVERVIEW

The remainder of this Report focuses on the General Fund and provides analyses of key revenues and expenditures, including historical data by Town Department/Service Area. The next section contains descriptions of recommended revenue and expenditure budget adjustments. The Report also includes financial summaries of other funds as well as a table of General Fund Operating Revenues Versus Operating Expenditures through the second quarter of FY 2024-25, which includes comparison information from the prior year.

GENERAL FUND FINANCIAL SUMMARIES AND ESTIMATES

The following table is the *Schedule of General Fund Operating Revenues Versus Operating Expenditures* for the second quarter of FY 2024-25 which includes comparison information from the prior year.

The FY 2024-25 Adopted Budget represents the original adopted budget.

The FY 2024-25 Adjusted Budget as of 12/31/2024 column includes the adopted budget and items that the Council approved during the first two quarters of the fiscal year, such as additional funding for salaries and benefits, janitorial services, road closures related to special events, and miscellaneous carryover grants from the prior fiscal year.

The FY 2024-25 Estimated column contains projections of final balances for the current fiscal year based upon staff analysis, the early trends observed through the second quarter in sales tax and property tax projections, and the proposed mid-year adjustments as listed in this report. The FY 2024-25 Estimated figures also include an analysis of potential salary and other expenditure savings; however, budget adjustments are only recommended as identified in this Report.

Staff continues to fine-tune the detailed analysis of the FY 2024-25 year-end estimated revenue and expenditure numbers, and an update will be provided with the presentation of the Proposed Fiscal Year 2025-26 Operating Budget.

The table on the next page provides details of the General Fund Revenues, Reserve Use, total Expenditures, and Reserve Allocations.

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GENERAL FUND

SUMMARY OF REVENUES AND EXPENDITURES

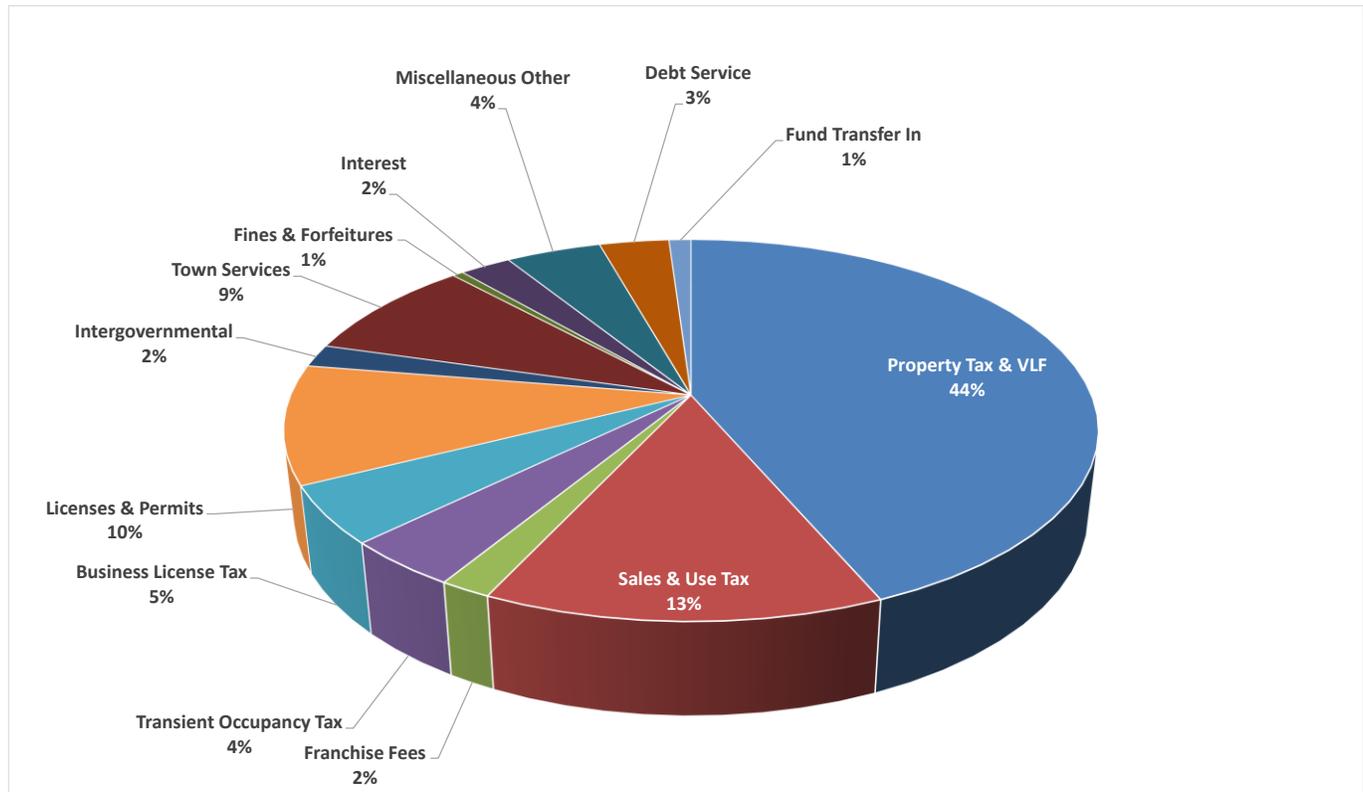
	FY 2023-24 Actuals	FY 2023-24 Q2	2Q % of FY 2023-24 Actuals	2Q % of FY 2024-25 Adjusted Budget as of 12/31/2024	FY 2024-25 Q2	FY 2024-25 Adopted Budget	FY 2024-25 Adjusted Budget as of 12/31/2024	FY 2024-25 Year End Estimates Including Proposed Mid-Year Adjustments
Revenues								
Property Tax	\$ 19,321,147	\$ 6,446,869	33.4%	33.1%	\$ 6,687,895	\$ 20,225,761	\$ 20,225,761	\$ 19,993,070
VLFF Backfill Property Tax	4,906,019	-	0.0%	0.0%	-	4,978,930	4,978,930	5,109,000
Sales & Use Tax	6,795,037	2,250,056	33.1%	31.6%	2,082,120	6,597,351	6,597,351	6,418,412
Measure G Sales & Use Tax	1,276,698	415,004	32.5%	33.3%	428,741	1,288,166	1,288,166	1,243,852
Franchise Fees	2,547,012	1,079,717	42.4%	10.9%	113,842	1,041,330	1,041,330	1,013,330
Transient Occupancy Tax	2,367,653	819,683	34.6%	40.4%	941,711	2,332,419	2,332,419	2,332,419
Business License Tax	1,519,960	352,611	23.2%	6.3%	153,569	2,421,000	2,421,000	2,839,985
Licenses & Permits	3,993,247	1,777,085	44.5%	50.4%	2,940,729	5,867,564	5,832,140	5,789,497
Intergovernmental	1,157,225	735,280	63.5%	67.4%	796,630	1,015,439	1,182,351	1,096,157
Town Services	5,913,520	3,934,979	66.5%	92.9%	4,371,480	4,665,260	4,705,658	4,996,598
Fines & Forfeitures	480,634	226,280	47.1%	59.6%	187,733	315,200	315,200	330,800
Interest	986,489	1,809,893	183.5%	12.5%	220,695	1,764,425	1,764,425	1,427,333
GASB 31 to Market	1,712,246	-	0.0%	-	-	-	-	-
Use of Property	34,722	-	0.0%	-	-	-	-	-
Miscellaneous Other	516,081	828,976	160.6%	24.0%	521,056	1,693,904	2,170,057	2,640,919
Park Construction Tax	5,520	-	-	-	1,770	7,000	7,000	7,000
Subscription	706,713	-	-	-	-	-	-	-
Debt Service - Entry Eliminated for ACFR	1,894,550	-	0.0%	0.0%	-	1,902,300	1,902,300	1,902,300
Unrestricted Fund Tracking - Entry Eliminated for ACFR	458,000	-	-	-	-	-	-	-
Pension Trust Income - Entry Eliminated for ACFR	690,000	-	-	-	-	-	-	-
Measure G for Operations - Entry Eliminated for ACFR	620,044	-	-	-	-	-	-	-
Proceeds for Sales of Assets	223	-	0.0%	-	-	-	-	-
Fund Transfer In	564,910	114,499	20.3%	0.0%	-	562,411	562,411	562,411
Total Revenues & Transfers In	\$ 58,467,650	\$ 20,790,932	36%	34%	\$ 19,447,971	\$ 56,678,460	\$ 57,326,499	\$ 57,703,083
Use of Other Funding Sources:								
Use of Reserves - Capital/Special Projects - Capital	\$ 1,615,000	\$ -	-	-	\$ -	\$ 1,110,000	\$ 1,110,000	\$ 1,110,000
Use of Reserves - Capital/Special Projects - other	-	-	-	-	-	33,000	1,683,569	1,683,569
Use of Reserves - Pension/OPEB	300,000	-	-	-	-	-	-	300,000
Use of Reserves - Accumulated Measure G	-	-	-	-	-	568,051	568,051	568,051
Use of Reserves - ERAF Risk Reserve	-	-	-	-	-	-	-	-
Use of Reserves - Carry Forward Encumbrances	-	-	-	-	-	-	85,861	-
Council Priorities - Economic Recovery	1,535,930	-	-	-	-	11,333	-	-
Total Other Funding Sources	\$ 3,450,930	\$ -	0%	0%	\$ -	\$ 1,722,384	\$ 3,447,481	\$ 3,661,620
Total Revenues and Use of Reserves	\$ 61,918,580	\$ 20,790,932	34%	32%	\$ 19,447,971	\$ 58,400,844	\$ 60,773,980	\$ 61,364,703
Expenditures								
Town Council	\$ 196,366	\$ 98,255	50.0%	49.6%	104,604	\$ 206,236	\$ 210,994	\$ 219,937
Attorney	751,616	336,063	44.7%	40.8%	398,950	943,589	978,732	1,071,653
Administrative Services	5,877,880	3,144,181	53.5%	46.1%	3,163,903	6,397,312	6,861,627	6,739,059
Non- Departmental	2,747,161	2,759,556	100.5%	31.1%	1,617,207	5,118,380	5,203,999	5,453,907
Community Development	5,246,730	2,559,684	48.8%	42.7%	2,632,401	5,577,309	6,161,824	6,491,635
Police	20,718,777	9,732,572	47.0%	44.8%	10,268,293	22,021,478	22,895,849	21,300,796
Parks & Public Works	9,789,656	4,589,535	46.9%	46.2%	4,927,283	10,394,394	10,653,984	11,127,851
Library	3,253,386	1,669,629	51.3%	49.7%	1,719,732	3,398,712	3,458,657	3,542,183
Capital Outlay	708,302	-	-	-	-	-	-	-
Principal	225,370	-	-	-	39,008	156,034	156,034	156,034
Interest and Fees	3,716	-	-	-	-	-	-	-
Total Department Expenditures	\$ 49,518,960	\$ 24,889,475	50%	44%	\$ 24,832,373	\$ 54,213,444	\$ 56,581,700	\$ 56,103,055
Debt Service - Entry Eliminated for ACFR	\$ 1,894,550	\$ -	0.0%	0.0%	\$ -	\$ 1,902,300	\$ 1,902,300	\$ 1,902,300
Unrestricted Fund Tracking - Entry Eliminated for ACFR	458,000	-	-	-	-	-	-	-
Transfer to Pension Trust Fund - Entry Eliminated for ACFR	690,000	-	-	-	-	-	-	-
Measure G Transfer - Entry Eliminated for ACFR	620,044	-	-	-	-	-	-	-
Transfers Out	3,752,325	-	0.0%	0.0%	-	1,110,000	1,110,000	1,110,000
Total Additional Non-Departmental Expenditures	\$ 7,414,919	\$ -	0%	0%	\$ -	\$ 3,012,300	\$ 3,012,300	\$ 3,012,300
Total Operating Expenditures	\$ 56,933,879	\$ 24,889,475	44%	42%	\$ 24,832,373	\$ 57,225,744	\$ 59,594,000	\$ 59,115,355
Allocate to Budget Stabilization/Catastrophic Reserve	-	-	-	-	-	-	-	-
Allocate to Market Fluctuation	1,712,246	-	-	-	-	-	-	-
Allocate to ERAF Risk Reserve	740,446	-	-	-	-	785,100	785,100	785,100
Allocate to Carryover Encumbrances	48,163	-	-	-	-	-	-	-
Allocate to Pension/OPEB Reserve	300,000	-	-	-	-	-	-	-
Allocate to Restricted Pension Trust	690,000	-	-	-	-	390,000	390,000	690,000
Excess (Deficiency) of Revenues Over Expenditures after Reserve Allocation	\$ 1,493,846	** \$ (4,098,543)	*		\$ (5,384,402)	\$ -	\$ 4,880	\$ 774,248

*FY 2023-24 and FY 2024-25 Q2 Net Operating Revenues are negative because some revenues budgeted for the entire fiscal year are received in the third or fourth quarters and fund expended in the first or second quarters.

** This schedule includes fund balance uses. Total Revenues and Transfers In (\$58,467,650) minus Total Operating Expenditures (\$56,933,879) equals \$1,533,770 with rounding.

GENERAL FUND - KEY REVENUE ANALYSIS FY 2024-25

The following information provides a recap of the General Fund budgeted significant revenue sources, including estimated year end collection as of the second quarter ending December 31, 2024. Staff is monitoring developments in each major revenue source closely for potential adjustments to budgeted revenues as recommended in this Report.



Property Tax and Motor Vehicle in Lieu Fee (VLF)

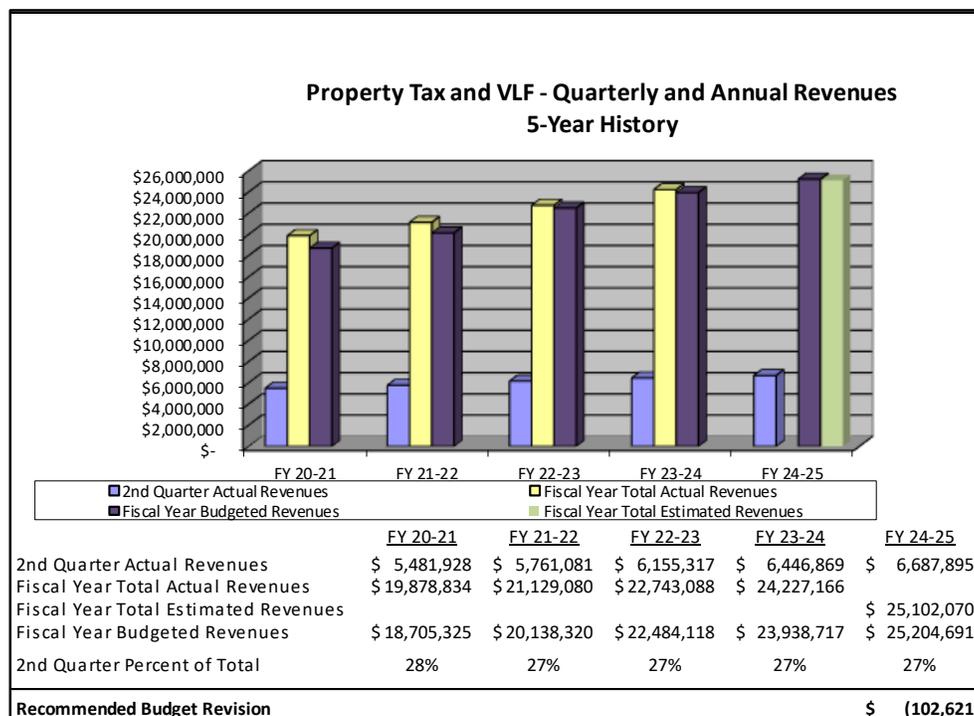
Property tax and VLF are the single largest revenue sources for the Town and comprise approximately 44.1% of total Town General Fund estimated revenues for FY 2024-25. Property tax is levied by the Santa Clara County Assessor's Office at 1% of a property's assessed value, of which the Town receives approximately 9.3 cents per dollar paid on property located within the municipal limits of Los Gatos. In compliance with Proposition 13, the assessed value of real property is based on the 1975/76 assessment roll value, adjusted by a 2% inflation factor annually thereafter. However, when property changes hands or new construction occurs, the property is then reassessed at its current market value.

The County of Santa Clara provides property tax collection updates and projections throughout the year. The current County estimate indicates \$102,621 decrease in estimated collection than the Adopted Budget. The decrease is a combined effect of lower-than-expected secured property tax estimates combined with the increase with the Motor Vehicle in Lieu (VLF) Property tax collection.

The Town has been monitoring ongoing developments regarding the distribution of excess ERAF funds. A portion of property tax revenue goes to the ERAF to support local school districts. When the amount contributed to ERAF is more than the minimum cost of funding local schools, excess funds have traditionally been returned to the counties, cities, and special districts. During the last couple of years, the Santa Clara County redistribution formula was contested by the State, and additional risk raised from State Controller’s audit findings for Marin County. The Town received the full amount since FY 2021-22; however, the Santa Clara County Assessor’s Office recommended reserving certain percentage based on the risk. According to the most recent (January 2025) communication from the Santa Clara State Controller Office the risk remains for the State Controller Office Audit findings that varies from 20% to 22% for the Town. Estimated at risk amounts and the Town Actual and Estimates ERAF Risk Reserves are presented below. The Town Estimated ERAF Risk Reserve is \$1,215,154 as of June 30, 2025. With the FY 2024-25 budget adoption Council action \$1,000,000 of the ERAF Risk Reserve was transferred to the Pension/OPEB Reserve. The total reserve amount of \$2,215,154 is still below the Town’s estimated risk amount of \$2,558,139, therefore, staff recommends continuing to reserve 30% of the anticipated FY 2024-25 ERAF proceeds.

	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	Total \$
	Actual	Actual	Actual	Actual	Estimated	
Excess ERAF	\$ 2,043,321	\$ 2,371,984	\$ 2,298,692	\$ 2,534,820	\$ 2,617,000	
<i>According to Santa Clara County State Controller Office January 2025 Communication</i>						
State Controller Audit Finding Risk %	22%	22%	22%	22%	20%	
State Controller Audit Finding Risk (\$)	\$ 449,531	\$ 521,836	\$ 505,712	\$ 557,660	\$ 523,400	\$ 2,558,139
Town ERAF Risk Reserve as of 6/30/2024						\$ 1,430,054
Estimated Addition to the Reserve - 30% of the FY 2024-25 proceeds						\$ 785,100.00
Allocation of the ERAF Risk Reserve to Pension/OPEB Reserve per June 4, 2024 Council Action						\$ (1,000,000.00)
Town Estimates ERAF Risk Reserve as of 6/30/2025						\$ 1,215,154.00

Property tax distributions are largely received in the third and fourth quarters. Second quarter receipts are trending similar to those received during the second quarter of the previous fiscal year and are at 27% of budgeted totals. Based on current County projections, staff recommends a \$102,621 decrease in estimated General Property Tax and Motor Vehicle in Lieu Fee collections.



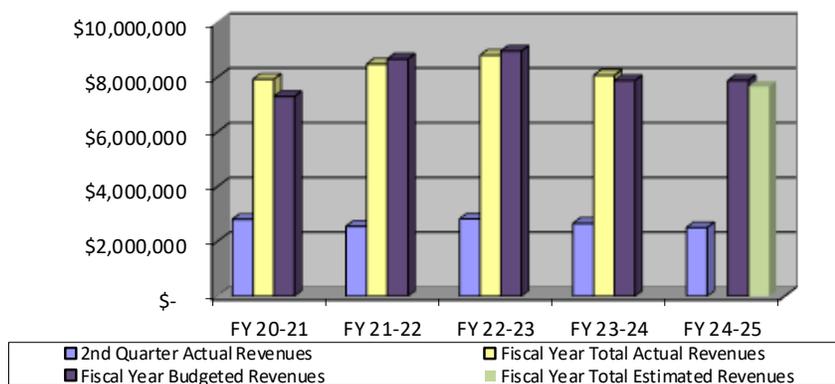
Sales Tax

Sales tax is the second largest revenue source for the Town’s General Fund, accounting for 13.5% of budgeted General Fund projected revenues for FY 2024-25. The Town currently receives 1.125 cents for every 9.125 cents of sales tax paid per dollar on retail sales and taxable services transacted within Los Gatos, including the Town of Los Gatos residents’ approved ballot Measure G in 2018 enacting a one-eighth cent (0.125%) district sales tax for 20 years.

Sales tax estimates are based on actual sales tax data and annual sales tax estimates for five years provided by the Town’s consultant, MuniServices. In addition to brick-and-mortar sales tax generation, the MuniServices estimates include several online sales tax projections. The 2018 Wayfair Decision resulted in e-commerce vendors utilizing the Amazon platform to collect sales tax based on destination; however, items shipped directly from Amazon fulfillment centers are collecting sales tax based on the point of distribution. Regular sales tax collected through online transactions are distributed through the Santa Clara County pool for which the Town receives a pro rata share of the sales tax generated in Santa Clara County for that particular quarter. The Town directly receives the one-eighth district tax portion of the sales tax generated by the residents of Los Gatos. Current total sales tax estimates include \$6,418,412 (a \$178,939 decrease from the Adopted Budget) in proceeds from regular sales tax and \$1,243,852 (a \$44,314 decrease) in proceeds from the Measure G one-eighth cent district tax. Actual receipts net of administrative fees collected by the State will be confirmed at the close of the fiscal year and per prior Council direction, the Measure G funds are allocated at 50% for capital improvement projects and 50% for operating expenses.

While FY 2024-25 second quarter receipts are trending lower than in the same period last fiscal year, staff recommends a \$223,253 budget decrease to reflect the MuniServices current estimates.

**Sales Tax & Measure G Tax - Quarterly and Annual Revenues
5-Year History**



	<u>FY 20-21</u>	<u>FY 21-22</u>	<u>FY 22-23</u>	<u>FY 23-24</u>	<u>FY 24-25</u>
2nd Quarter Actual Revenues	\$ 2,813,652	\$ 2,556,341	\$ 2,825,421	\$ 2,665,060	\$ 2,510,861
Fiscal Year Total Actual Revenues	\$ 7,933,604	\$ 8,483,673	\$ 8,806,477	\$ 8,071,735	
Fiscal Year Total Estimated Revenues					\$ 7,662,264
Fiscal Year Budgeted Revenues	\$ 7,301,869	\$ 8,671,606	\$ 8,959,134	\$ 7,881,069	\$ 7,885,517
2nd Quarter Percent of Total	35%	30%	32%	33%	32%
Recommended Budget Revision					\$ (223,253)

Franchise Fees

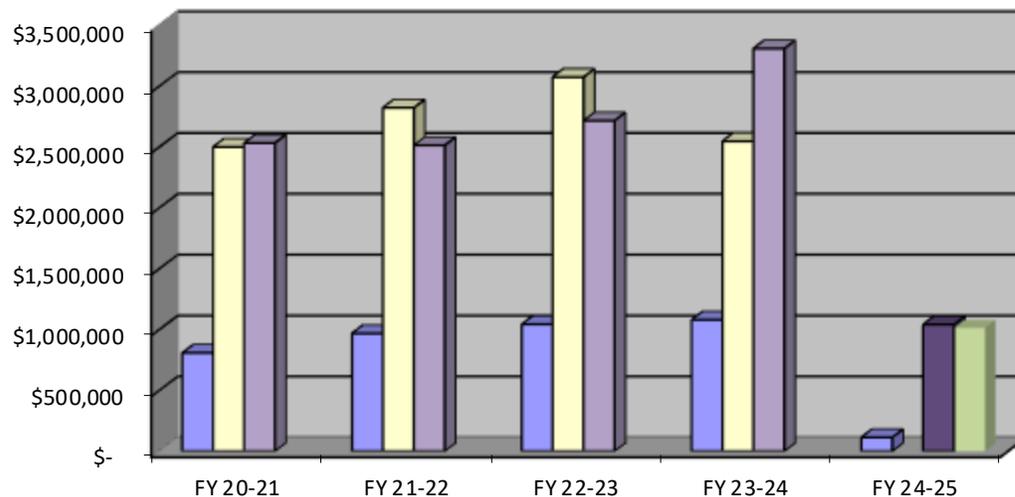
Franchise fees are collected by the Town for the privilege of operating a utility service within Los Gatos, and as a fee in lieu of a business license tax. Franchise fees are currently received from Comcast for cable television, PG&E for gas and electric services, and AT&T and Comcast for video services. Franchise fees represent 1.1% of projected General Fund revenues in FY 2024-25.

Historically, franchise payments are not remitted equally throughout the fiscal year; therefore, second quarter receipts are not necessarily predictive of future receipts. Total franchise fee revenues are trending higher than those of the second quarter in FY 2024-25.

The Town has a seat on the Board of the West Valley Solid Waste Management Authority (WVSWMA), a Joint Powers Authority (JPA) that manages the solid waste contracts. The JPA recently conducted a Franchise Fee Valuation Study. Based on the study, the new agreement reclassified the Franchise Fee Payment to Encroachment Permit since the collection vehicles utilize Town streets with the FY 2024-25 Adopted Budget. While collections are estimated to stay at prior year levels, the revenue shifted from Franchise Fees to Licenses and Permits.

Comcast franchise fees trending lower than budgeted since streaming services are gaining popularity compared to broadcasting services. Staff is recommending a \$28,000 budget decrease in this category.

**Franchise Fees - Quarterly and Annual Revenues
5-Year History**



■ 2nd Quarter Actual Revenues	■ Fiscal Year Total Actual Revenues
■ Fiscal Year Budgeted Revenues	■ Fiscal Year Total Estimated Revenues

	<u>FY 20-21</u>	<u>FY 21-22</u>	<u>FY 22-23</u>	<u>FY 23-24</u>	<u>FY 24-25</u>
2nd Quarter Actual Revenues	\$ 807,833	\$ 968,181	\$ 1,044,055	\$ 1,079,717	\$ 113,842
Fiscal Year Total Actual Revenues	\$ 2,499,463	\$ 2,822,515	\$ 3,074,624	\$ 2,547,011	
Fiscal Year Total Estimated Revenues					\$ 1,013,330
Fiscal Year Budgeted Revenues	\$ 2,532,289	\$ 2,514,020	\$ 2,716,470	\$ 3,308,703	\$ 1,041,330
2nd Quarter Revenue Percent of Total	32%	34%	34%	42%	11%

Recommended Budget Revision	\$ (28,000)
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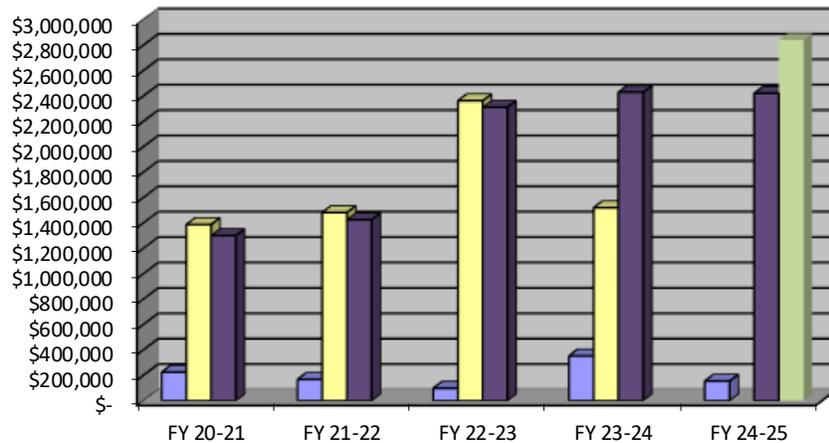
Business License Tax

The Town requires all businesses located within Los Gatos and/or those that operate within Los Gatos to obtain a business license. The amount of business license tax paid by each business is based on its business activity. In November 2022, Los Gatos voters approved Measure J, which modernized the Town’s business license tax program. This was the first update to the program since 1991, strengthening funding for core Town services that are enjoyed by Town businesses. Measure J included a 30% increase on flat rate fees, a 40% increase in retailing gross receipts, and a 120% increase in e-commerce, manufacturing, wholesaling, and jobbing gross receipts. Fees for activities such as wholesale sales and manufacturing are charged on a sliding scale based on gross receipts, as is retail, with retail being capped at \$1,365. These gross receipt activities account for approximately 25% of annual business licenses, while the remaining 75% are flat fee businesses. Annual renewal payments are due on January 2 of each year. Payments for new flat-fee-based businesses are prorated by quarter.

The Town is partnering with HdL Companies (HdL) to provide dedicated business license support to Los Gatos businesses. The Town’s business license application and renewal process is now streamlined by offering online business license applications and renewals. FY 2025-26 collection is forecasted at 2.4 million in line with the FY 2022-23 actual collections.

Staff anticipates collecting the majority of the business license revenue during the third quarter. Business license tax revenue projections provided by HdL are trending higher than the adopted budget due to the timing of the actual business license tax received across fiscal years. Staff is recommending a \$418,985 increase to this revenue source.

**Business License Tax - Quarterly and Annual Revenues
5-Year History**



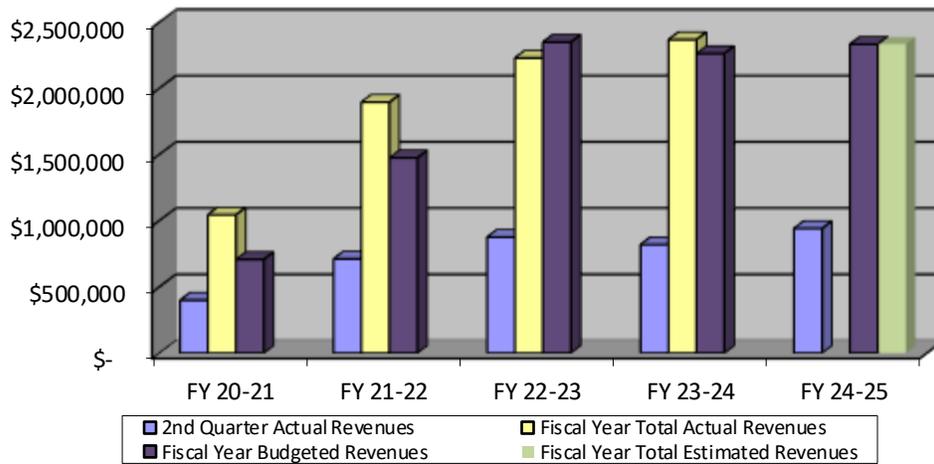
	<u>FY 20-21</u>	<u>FY 21-22</u>	<u>FY 22-23</u>	<u>FY 23-24</u>	<u>FY 24-25</u>
2nd Quarter Actual Revenues	\$ 224,388	\$ 167,942	\$ 97,974	\$ 352,611	\$ 153,569
Fiscal Year Total Actual Revenues	\$ 1,386,943	\$ 1,481,667	\$ 2,361,862	\$ 1,519,960	
Fiscal Year Total Estimated Revenues					\$ 2,839,985
Fiscal Year Budgeted Revenues	\$ 1,300,000	\$ 1,425,000	\$ 2,310,110	\$ 2,429,419	\$ 2,421,000
2nd Quarter Revenue Percent of Total	16%	11%	4%	23%	5%
Recommended Budget Revision					\$ 418,985

Transient Occupancy Tax

TOT is an important revenue source for the Town and comprises approximately 4% of the total Town's estimated revenues in the amount of \$2.3 million for FY 2024-25. The Town levies a 12% transient occupancy tax (TOT) on all hotel and motel rooms within the municipal limits of Los Gatos. The 12% rate has been in effect since January 1, 2017, after the voters approved a ballot measure to increase the TOT from 10% to 12% during the November 8, 2016 election.

During the pandemic, TOT experienced the most significant percentage decline relative to historically adopted budgets. Due to a significant rebound in leisure “staycation” travel and modest improvements in business travel, TOT collections are trending slightly higher than the prior year due to the variance in timing of the payment received. Overall revenue collection is trending with budget; staff does not recommend a change to this category this time.

**TOT - Quarterly and Annual Revenues
5-Year History**



	<u>FY 20-21</u>	<u>FY 21-22</u>	<u>FY 22-23</u>	<u>FY 23-24</u>	<u>FY 24-25</u>
2nd Quarter Actual Revenues	\$ 399,620	\$ 711,861	\$ 875,715	\$ 819,683	\$ 941,711
Fiscal Year Total Actual Revenues	\$ 1,044,820	\$ 1,895,064	\$ 2,228,190	\$ 2,367,653	
Fiscal Year Total Estimated Revenues					\$ 2,332,419
Fiscal Year Budgeted Revenues	\$ 707,723	\$ 1,475,000	\$ 2,348,547	\$ 2,262,528	\$ 2,332,419
2nd Quarter Revenue Percent of Total	38%	38%	39%	35%	40%
Recommended Budget Revision					\$ 0

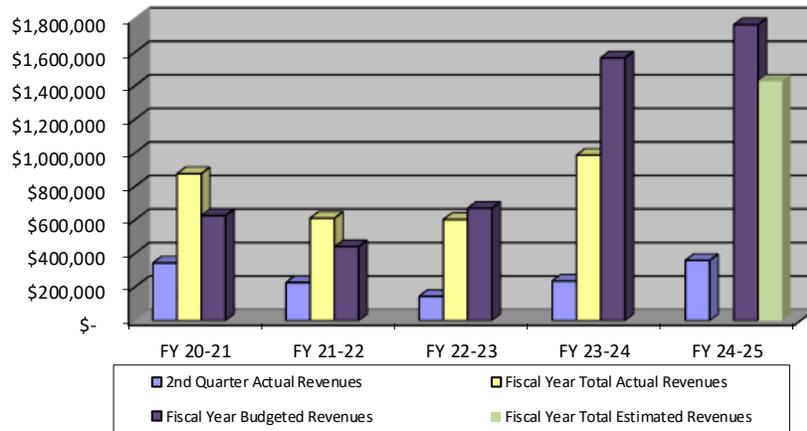
Interest Income

The Town earns interest income by investing monies not immediately required for daily operations in a number of fixed income and money market instruments. These investments are made within the parameters stated in the Town Council’s Investment Policy and State regulation. The Town’s investment goal is to achieve a competitive rate of return while maintaining sufficient liquidity and protecting the safety of its funds. Interest income revenue is primarily dependent on two factors: the cash balance in the Town’s investment portfolio and the yield on those funds.

As of December 31, 2024, the Town’s weighted portfolio yield for investments under management was 4.44%, which was 1 basis point above the Local Agency Investment Fund (LAIF) yield of 4.43% for the same reporting period. Currently, the LAIF portfolio’s weighted average maturity (WAM) is 257 days versus the Town’s longer WAM of 677 days. The longer 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 4.44% at the close of December was 1 basis point lower when compared to the prior month’s return of 4.45% reported as of November 30, 2024.

While interest is trending with budget, at the close of the prior fiscal year, the General Fund cash balance was approximately 60% of the total cash balance, 10% lower than prior year. The General Fund proportionate share of interest is decreasing, while other funds interest share is increasing with the same amount. Interest allocations are finalized upon the final close of the fiscal year based on the actual cash balances as of June 30, 2025. Staff is recommending \$337,092 revenue budget decrease in the General Fund interest collection.

**Interest - Quarterly and Annual Revenues
5-Year History**



	<u>FY 20-21</u>	<u>FY 21-22</u>	<u>FY 22-23</u>	<u>FY 23-24</u>	<u>FY 24-25</u>
2nd Quarter Actual Revenues	\$ 343,813	\$ 227,164	\$ 145,003	\$ 235,922	\$ 358,969
Fiscal Year Total Actual Revenues	\$ 876,460	\$ 610,975	\$ 602,592	\$ 986,489	
Fiscal Year Total Estimated Revenues					\$ 1,427,333
Fiscal Year Budgeted Revenues	\$ 626,409	\$ 441,233	\$ 670,021	\$ 1,566,384	\$ 1,764,425
2nd Quarter Revenue Percent of Total	39%	37%	24%	24%	20%
Recommended Budget Revision					\$ (337,092)

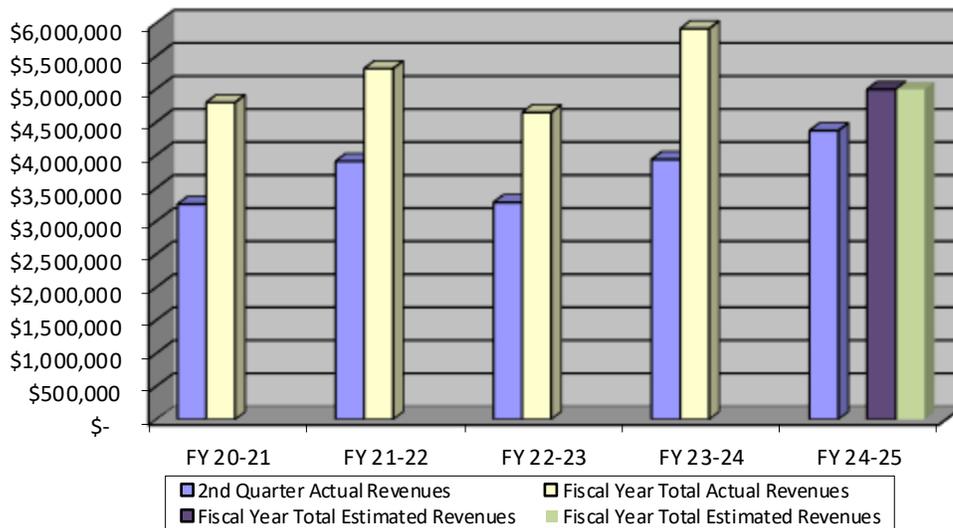
* GASB 31 Market Adjustment and GASB 87 Lease Interest are not Included

Charges for Services

Town Service revenues consist primarily of planning, building, inspections, and engineering fees assessed on local building and development activity. Development fees and charges are assessed based on cost recovery formulas, which reflect approximate costs of providing these regulatory services. This category includes charges for the School Resource Officer and crossing guard services.

Second quarter Town Service revenues, specifically Charges for Services, are trending higher than in the second quarter compared to the previous fiscal year. Typically, development fees are collected in advance for projects and recognized as revenue in the fiscal year the work is performed. Fiscal Year estimated revenues includes all revenue line items in this category. Staff recommends a \$59,275 budget increase in selected items to reflect increased activities in planning and engineering services as explained in the Budget Adjustment section of this Report.

**Charges for Services - Quarterly and Annual Revenues
5-Year History**



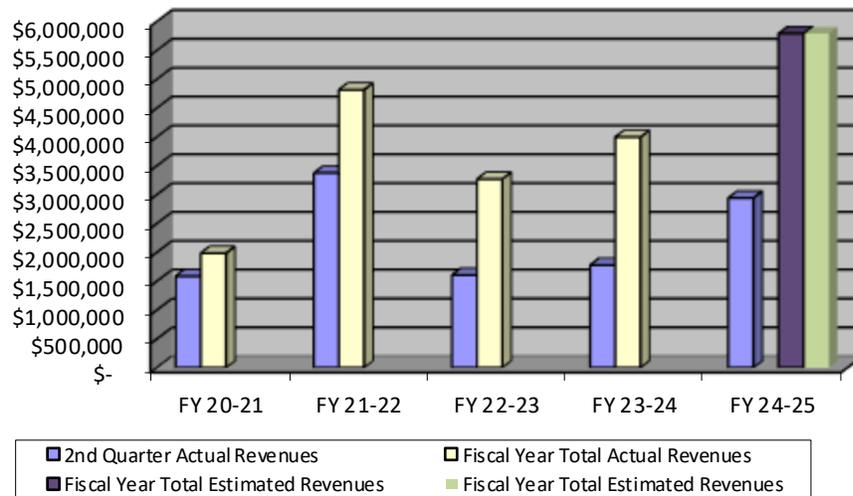
	<u>FY 20-21</u>	<u>FY 21-22</u>	<u>FY 22-23</u>	<u>FY 23-24</u>	<u>FY 24-25</u>
2nd Quarter Actual Revenues	\$ 3,258,027	\$ 3,906,577	\$ 3,284,766	\$ 3,934,979	\$ 4,371,480
Fiscal Year Total Actual Revenues	\$ 4,797,770	\$ 5,310,271	\$ 4,646,705	\$ 5,913,520	
Fiscal Year Total Estimated Revenues					\$ 4,996,598
Fiscal Year Budgeted Revenues	\$ 4,038,119	\$ 4,249,239	\$ 5,540,465	\$ 4,715,797	\$ 4,705,658
2nd Quarter Revenue Percent of Total	68%	74%	71%	67%	87%
Recommended Budget Revision					\$ 59,275

Licenses and Permits

Licenses and Permits consist mainly of planning and building permit fees which are collected by the Town to offset administrative costs associated with evaluating development proposals to ensure compliance with codes and policies.

Second quarter License and Permit revenue is trending 50% of budgeted revenue. Fiscal Year estimated revenues includes all revenue line items in this category. Staff recommends a \$254,073 increase in selected items in this category as explained in the next section of this Report.

**Licenses & Permits - Quarterly and Annual Revenues
5-Year History**



	<u>FY 20-21</u>	<u>FY 21-22</u>	<u>FY 22-23</u>	<u>FY 23-24</u>	<u>FY 24-25</u>
2nd Quarter Actual Revenues	\$ 1,584,098	\$ 3,373,287	\$ 1,602,633	\$ 1,777,085	\$ 2,940,729
Fiscal Year Total Actual Revenues	\$ 1,984,400	\$ 4,814,650	\$ 3,268,498	\$ 3,993,247	
Fiscal Year Total Estimated Revenues					\$ 5,789,497
Fiscal Year Budgeted Revenues	\$ 2,889,898	\$ 3,052,907	\$ 2,830,574	\$ 3,255,155	\$ 5,832,140
2nd Quarter Revenue Percent of Total	80%	70%	49%	45%	50%
Recommended Budget Revision					\$ 254,073

GENERAL FUND – EXPENDITURE ANALYSIS

For FY 2024-25, General Fund Operating expenditures (not including debt payments and transfers out) are programmed at \$56.6 million. The delivery of Town services is highly dependent on talent which comprises 68.5% of budgeted General Fund operating expenditures for FY 2024-25. During the fiscal year, the Town Council has approved several budget adjustments, which are tracked against the Adopted Budget. The net effect is an Adjusted Budget. General Fund expenditure totals are trending in accordance with the Adjusted Budget, with total operational expenditures at the end of the second quarter at or about 44% of the Adjusted Budget. With six months of data now available, staff expects that the individual Departments’ current expenditure budgets may not be sufficient for the remainder of the year. If needed, staff will recommend the necessary expenditure budget adjustments which may require future Council action.

As with most municipalities, services are provided directly by employees to the Town’s residents, businesses, and visitors. As a service delivery enterprise, the cost of salaries and benefits are a significant portion of the budget. As the table below illustrates, at mid-year, actual salaries are trending at 47% of budgeted salaries, overtime is trending 122% respectively to the adopted budget, while pension benefits and other benefits are trending at 46% and 43% respectively to the Adjusted Budget.

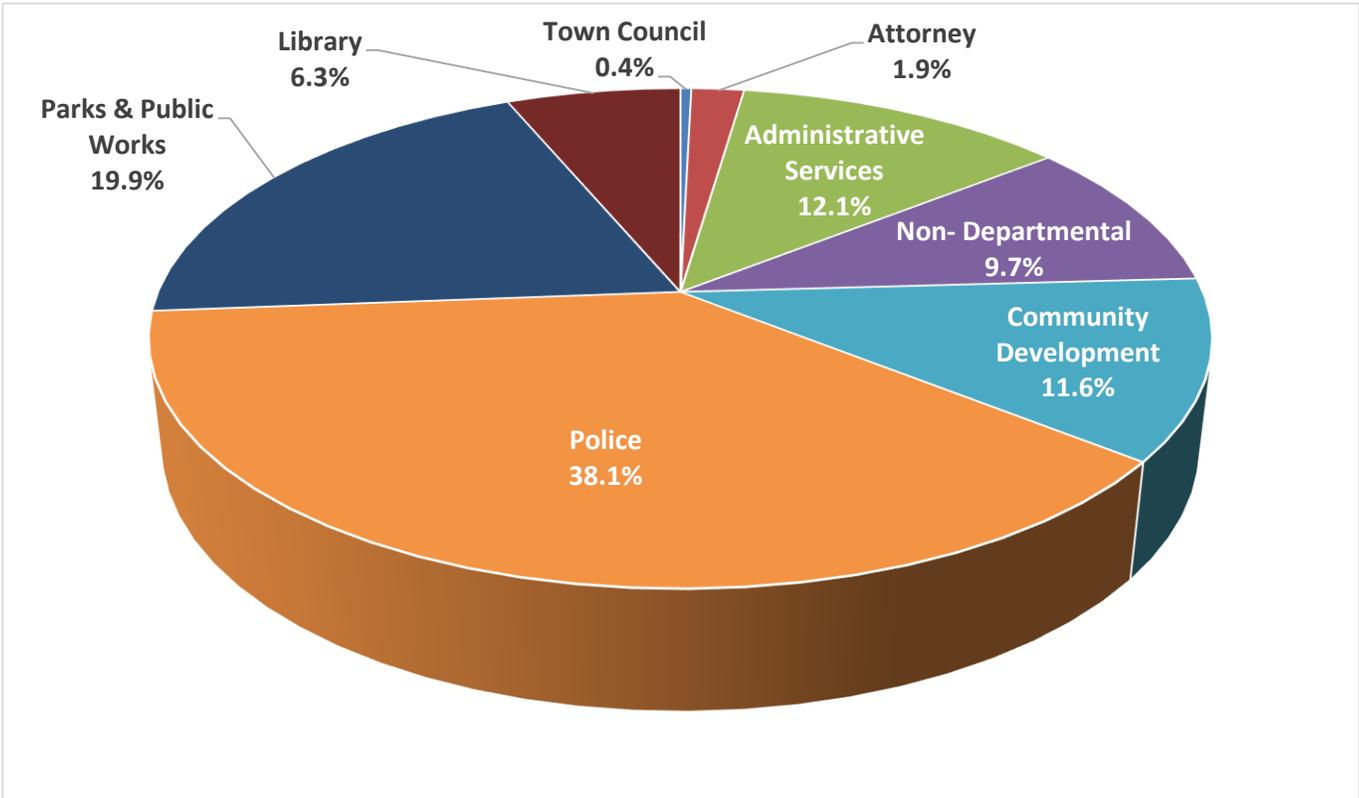
General Fund Salaries & Benefits							
	FY 2023-24 Actuals	FY 2023-24 2Q	2Q % of FY 2023-24 Actuals	2Q % of FY 2024-25 Adjusted Budget	FY 2024-25 2Q	FY 2024-25 Estimated	FY 2024-25 Adjusted Budget
Salaries	\$ 21,541,677	\$ 10,306,661	48%	47%	\$ 10,928,352	\$ 22,648,282	\$ 23,407,866
Overtime	\$ 1,322,849	\$ 546,899	41%	122%	\$ 728,999	\$ 1,498,641	\$ 599,171
Pension Benefits	\$ 7,431,198	\$ 3,652,570	49%	46%	\$ 4,051,720	\$ 8,271,829	\$ 8,786,402
Other Benefits	\$ 4,274,670	\$ 2,044,327	48%	43%	\$ 2,413,604	\$ 4,879,094	\$ 5,647,633
Total Salaries and Benefits	\$ 34,570,393	\$ 16,550,457	48%	47%	\$ 18,122,676	\$ 37,297,846	\$ 38,441,072

The FY 2024-25 budget was balanced including 4.6% vacancy factor, while Council directed that staff continue to hire for all vacant positions. The 4.6% salary savings represents approximately \$1.8 million projected savings. Current year end general Fund salaries and benefits expenditure estimates include about \$1.1 million salary savings compared to the adjusted budget that already includes the 4.6% vacancy factor. Fully staffed Departments are trending over budget due to the 4.6% vacancy factor that was built in. Staff will continue to monitor the Salaries and Benefits and request adjustment as needed to ensure that all programs remain within its allocated budget before Fiscal Year end.

FY 2023-24 presented the first year when the budget was balanced with the 4.6% vacancy factor. The final General Fund salaries and benefits budgets of \$35,611,692, include a negative \$1,670,530 original salary savings and a positive \$714,666 budget restoration for Departments that were fully staffed. In addition, the General Fund had \$1,041,299 salaries and benefits savings. While individual Departments had various savings, the Townwide General Fund salaries and benefits savings would translate to 5.5% if all positions are budgeted without vacancy savings factors. At this time, staff recommends to keep the 4.6% vacancy factor when building the FY 2025-26 proposed budget and reevaluate the most appropriate factor to use after having two full years of actual data available.

The pie chart below represents the Departmental proportion of the Town’s General Fund estimated operating expenditures. The subsequent pages review program expenditures and any anticipated

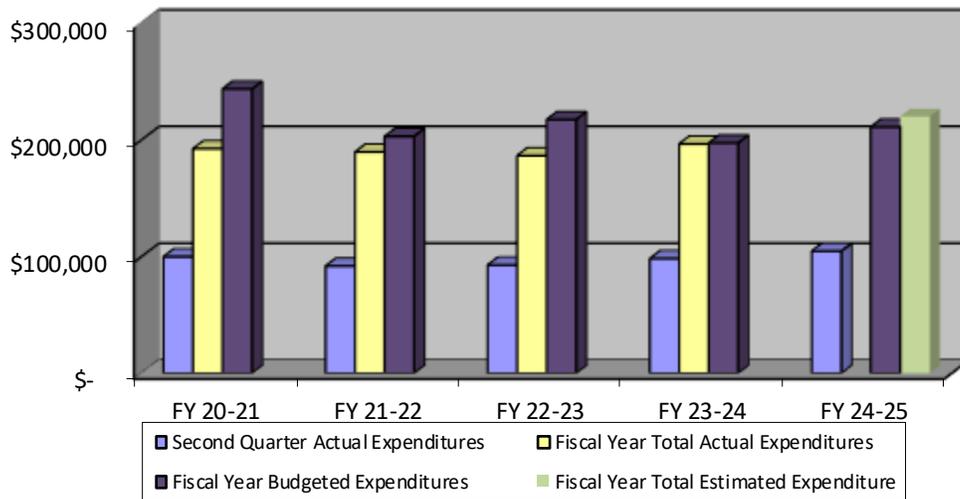
savings are provided for each program. Also provided are historical program costs, year over year (YOY) percentage changes in actual expenditures, and five-year average changes per the Finance Commission's suggestion. YOY percentage changes are, in many cases, impacted by the timing of one-time expenditures that occur during the fiscal year. Historical analysis has been provided in selected cases to provide explanations for some of the fluctuations between fiscal years. The FY 2024-25 estimated figures also include analysis on potential salary and other expenditure savings; however, budget adjustments are only recommended as identified in this Report.



Town Council

The Town Council is the elected legislative body that represents the residents and provides policy direction for the delivery of services and capital improvements for the Town of Los Gatos. Town Council expenditures are trending higher than the same quarter in the prior year. Total estimated expenditures are also trending higher than budget due to the fact that this Department is fully staffed. Staff will monitor this program and request a budget adjustment, if necessary, before Fiscal Year end.

**Town Council - Quarterly and Annual Expenditures
5-Year History**



	<u>FY 20-21</u>	<u>FY 21-22</u>	<u>FY 22-23</u>	<u>FY 23-24</u>	<u>FY 24-25</u>
Second Quarter Actual Expenditures	\$ 99,787	\$ 91,800	\$ 92,674	\$ 98,255	\$ 104,604
Fiscal Year Total Actual Expenditures	\$ 192,280	\$ 189,569	\$ 186,337	\$ 196,368	
Fiscal Year Total Estimated Expenditure					\$ 219,937
Fiscal Year Budgeted Expenditures	\$ 243,486	\$ 202,891	\$ 217,238	\$ 197,261	\$ 210,994
Second Quarter Percentage of Total	52%	48%	50%	50%	50%

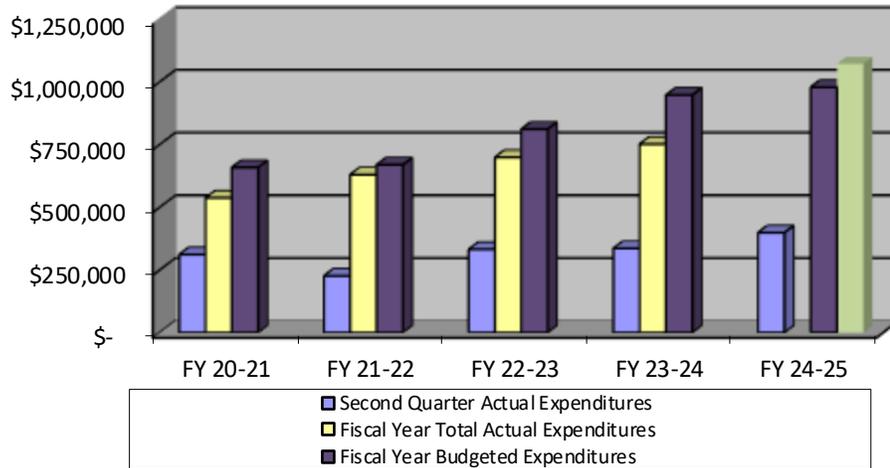
Recommended Budget Revision **\$ -**

YOY Percentage Changes	-6.62%	-1.41%	-1.70%	5.38%	12.00%
5-year Average Percentage Change					1.53%

Town Attorney

The Town Attorney is the legal advisor to the Town Council, Successor Agency to the former Redevelopment Agency, and Town staff. In this capacity, the office of the Town Attorney provides a wide range of legal services to ensure that Town actions and activities are legally sound. Town Attorney program expenditures are trending at 41% at the second quarter. Staff recommends a \$100,000 expenditure budget increase to provide additional legal support anticipated for the Department.

**Town Attorney - Quarterly and Annual Expenditures
5-Year History**



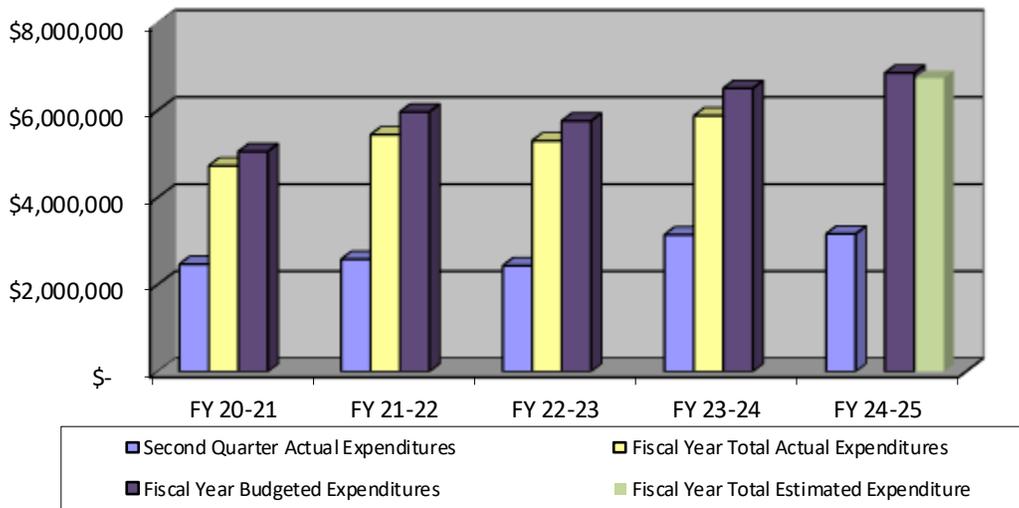
	<u>FY 20-21</u>	<u>FY 21-22</u>	<u>FY 22-23</u>	<u>FY 23-24</u>	<u>FY 24-25</u>
Second Quarter Actual Expenditures	\$ 311,520	\$ 226,377	\$ 332,183	\$ 336,063	\$ 398,950
Fiscal Year Total Actual Expenditures	\$ 537,296	\$ 629,935	\$ 699,143	\$ 751,614	
Fiscal Year Total Estimated Expenditure					\$1,071,653
Fiscal Year Budgeted Expenditures	\$ 658,831	\$ 669,733	\$ 811,426	\$ 947,963	\$ 978,732
Second Quarter Percentage of Total	58%	36%	48%	45%	41%
Recommended Budget Revision					\$ 100,000

Administrative Services

The Town Manager provides overall management, administration, and direction for the entire Town organization, reporting to the full Town Council. Administrative Services incorporates five key programs: Town Manager’s Office, Clerk Department, Finance Department, Human Resources Department, and Information Technology.

Administrative Services program expenditures are trending at 46% at mid-year. Staff estimates approximately \$122,568 expenditure savings in this program. Savings are anticipated in mainly staff salaries and benefits, travel and training, and office supplies. Staff requests \$10,000 expenditure budget adjustment to Council unhoused initiatives to document prior Council direction.

**Administrative Services - Quarterly and Annual Expenditures
5-Year History**

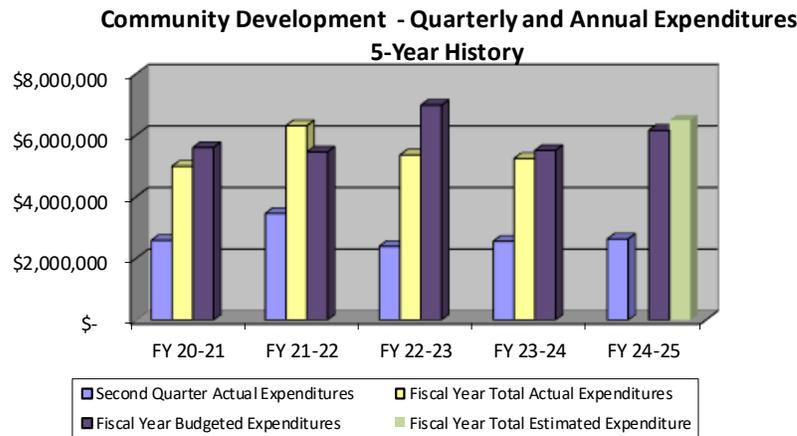


	<u>FY 20-21</u>	<u>FY 21-22</u>	<u>FY 22-23</u>	<u>FY 23-24</u>	<u>FY 24-25</u>
Second Quarter Actual Expenditures	\$ 2,467,813	\$ 2,583,281	\$ 2,435,224	\$ 3,144,181	\$ 3,163,903
Fiscal Year Total Actual Expenditures	\$ 4,730,360	\$ 5,441,605	\$ 5,302,277	\$ 5,877,879	
Fiscal Year Total Estimated Expenditure					\$ 6,739,059
Fiscal Year Budgeted Expenditures	\$ 5,055,847	\$ 5,965,801	\$ 5,759,393	\$ 6,506,131	\$ 6,861,627
Second Quarter Percentage of Total	52%	47%	46%	53%	46%
Recommended Budget Revision					\$ 10,000
YOY Percentage Changes	16.88%	15.04%	-2.56%	10.86%	14.65%
5-year Average Percentage Change					10.97%

Community Development Services

The Community Development Department works with elected and appointed officials, other Departments, and the community to guide the physical growth, development, and preservation of the Town.

Community Development program expenditures are trending lower than the same quarter expenditures in the prior year due to current development activities in Building and Pass-Through programs. The Pass-Through program collects the required developer deposits for various review services. The Town provides those services through consultants and the consultants are paid out of the applicant’s account. At the close of a project, all remaining fees collected will be refunded to the applicant. Staff recommends expenditure budget adjustments for purchase and temporary maintenance of an affordable housing unit in the amount of \$345,367 that is offset with dedicated revenue. Staff also recommends an additional \$50,000 budget adjustment for contract planner services to assist with the current planning application workload that is offset with additional planning application fees. In addition, staff requests a \$40,000 budget decrease for contract building inspection services to reflect current building inspection activity. Staff will monitor this program and request an additional budget adjustment, if necessary, before Fiscal Year end.



	<u>FY 20-21</u>	<u>FY 21-22</u>	<u>FY 22-23</u>	<u>FY 23-24</u>	<u>FY 24-25</u>
Second Quarter Actual Expenditures	\$ 2,589,502	\$ 3,460,301	\$ 2,394,537	\$ 2,559,684	\$ 2,632,401
Fiscal Year Total Actual Expenditures	\$ 4,994,391	\$ 6,313,505	\$ 5,365,410	\$ 5,246,729	
Fiscal Year Total Estimated Expenditure					\$ 6,491,635
Fiscal Year Budgeted Expenditures	\$ 5,605,215	\$ 5,461,716	\$ 6,978,617	\$ 5,509,853	\$ 6,161,824
Second Quarter Percentage of Total	52%	55%	45%	49%	43%
Recommended Budget Revision					\$ 355,367
YOY Percentage Changes	8.35%	26.41%	-15.02%	-2.21%	23.73%
5-year Average Percentage Change					8.25%

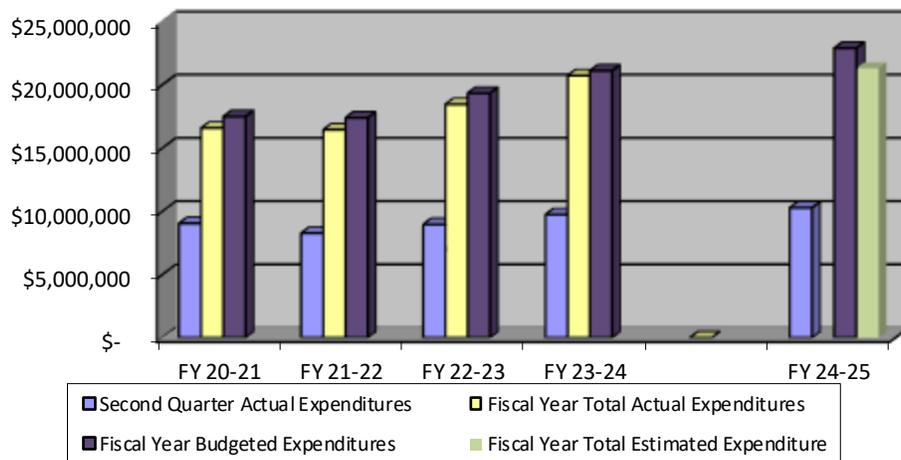
Community Development Department expenditures vary year to year based on the development activity and pass-through services.

Police Services

The Los Gatos-Monte Sereno Police Department provides Police services to the Town of Los Gatos and contractually to the City of Monte Sereno. The Department is committed to ensuring public safety with integrity, compassion, and professionalism, by providing exceptional law enforcement services, building community partnerships, and engaging the community in problem solving.

Staff is continuing to monitor Police service program revenues and expenditures. The Police Department dedicated additional resources for ongoing recruitments for open positions. Whenever feasible, open positions are filled with trainees, per diems, and temporary employees until positions are filled, which contributes to increased costs. Staff recommends \$72,130 expenditure budget decrease to match actual grant spending with grant receipts across the fiscal years. Total estimated expenditures are trending lower than budget due to partial vacancies across the Department. Staff is monitoring this program and may request additional budget adjustments, if necessary, before Fiscal Year end.

**Police - Quarterly and Annual Expenditures
5-Year History**



	<u>FY 20-21</u>	<u>FY 21-22</u>	<u>FY 22-23</u>	<u>FY 23-24</u>	<u>FY 24-25</u>
Second Quarter Actual Expenditures	\$ 9,041,998	\$ 8,266,432	\$ 8,957,541	\$ 9,732,572	\$ 10,268,293
Fiscal Year Total Actual Expenditures	\$ 16,570,836	\$ 16,451,189	\$ 18,446,040	\$ 20,718,871 *	
Fiscal Year Total Estimated Expenditure					\$ 21,300,796
Fiscal Year Budgeted Expenditures	\$ 17,487,761	\$ 17,390,969	\$ 19,331,331	\$ 21,107,570	\$ 22,895,849
Second Quarter Percentage of Total	55%	50%	49%	47%	45%
Recommended Budget Revision					\$ (72,130)
YOY Percentage Changes	9.79%	-0.72%	12.13%	12.32%	2.81%
5-year Average Percentage Change					7.26%

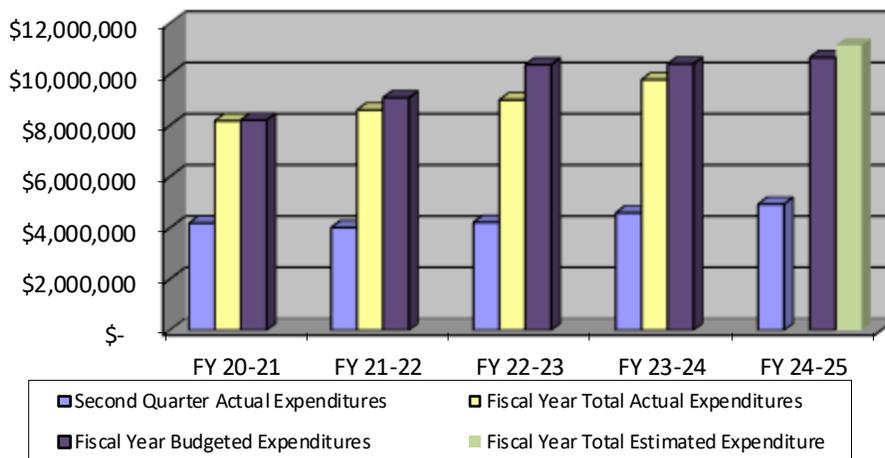
Parks and Public Works Services

The Parks and Public Works Department constructs and maintains the Town’s public parks, facilities, roadways, right-of-way, and other infrastructure. Six organizational units work in coordination to achieve the Department’s overarching goal of ensuring the Town’s facilities are safe, functional, and attractive.

The Parks and Public Works services program expenditures are trending similar to the prior year same quarter expenditures.

Total Estimated expenditures are trending higher than budget due to the fact that the Department is utilizing temporary per diem employees as needed to fill vacancies. Staff recommends an expenditure budget increase of \$139,673 mainly attributed to the additional contractual obligations toward waste management, legal, sidewalk steam cleaning, and street sweeping services. Staff will monitor this program and request an additional budget adjustment, if necessary, before Fiscal Year end.

**Parks and Public Works - Quarterly and Annual Expenditures
5-Year History**



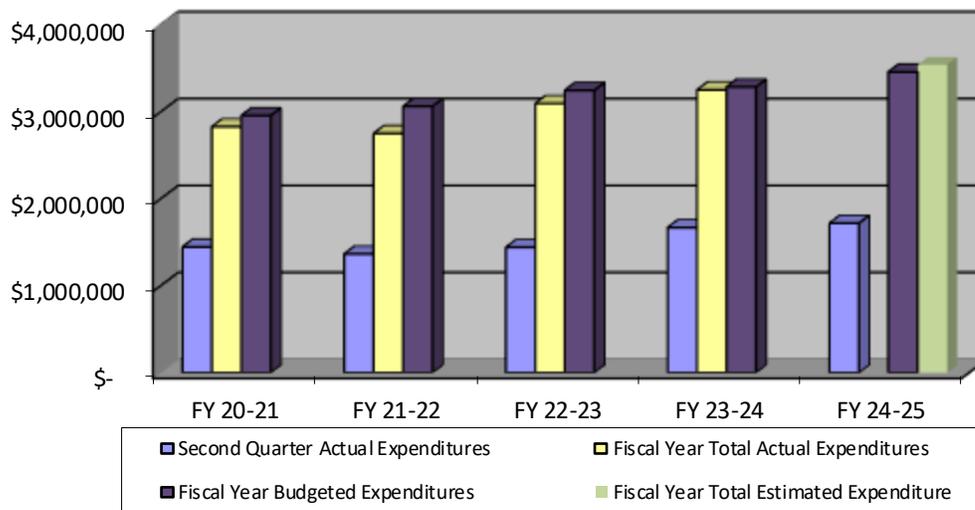
	<u>FY 20-21</u>	<u>FY 21-22</u>	<u>FY 22-23</u>	<u>FY 23-24</u>	<u>FY 24-25</u>
Second Quarter Actual Expenditures	\$ 4,185,306	\$ 4,010,181	\$ 4,215,979	\$ 4,589,535	\$ 4,927,283
Fiscal Year Total Actual Expenditures	\$ 8,179,757	\$ 8,605,455	\$ 8,998,082	\$ 9,789,656	
Fiscal Year Total Estimated Expenditure					\$ 11,127,851
Fiscal Year Budgeted Expenditures	\$ 8,209,850	\$ 9,080,662	\$ 10,368,194	\$ 10,401,796	\$ 10,653,984
Second Quarter Percentage of Total	51%	47%	47%	47%	46%
Recommended Budget Revision					\$ 139,673
YOY Percentage Changes	2.57%	5.20%	4.56%	8.80%	13.67%
5-year Average Percentage Change					6.96%

Library Services

The Los Gatos Library fosters curiosity and community connection and strives to be at the heart of an engaged and vibrant community.

Library services program expenditures are trending higher than prior year same quarter expenditures. Staff recommends a \$32,188 expenditure budget increase for general collection to match the actual grant receipt spending and other cost neutral temporary employee salary transfers between programs to better align the Department needs with the appropriate personnel. Total Estimated expenditures are also trending higher than budget due to the fact that this Department is fully staffed. Staff will monitor this program and request an additional budget adjustment, if necessary, before Fiscal Year end.

**Library - Quarterly and Annual Expenditures
5-Year History**



	<u>FY 20-21</u>	<u>FY 21-22</u>	<u>FY 22-23</u>	<u>FY 23-24</u>	<u>FY 24-25</u>
Second Quarter Actual Expenditures	\$ 1,445,899	\$ 1,365,415	\$ 1,442,417	\$ 1,669,629	\$ 1,719,732
Fiscal Year Total Actual Expenditures	\$ 2,828,873	\$ 2,752,401	\$ 3,096,485	\$ 3,253,389	
Fiscal Year Total Estimated Expenditure					\$ 3,542,183
Fiscal Year Budgeted Expenditures	\$ 2,957,531	\$ 3,062,708	\$ 3,247,731	\$ 3,285,841	\$ 3,458,657
Second Quarter Percentage of Total	51%	50%	47%	51%	50%
Recommended Budget Revision					\$ 32,188
YOY Percentage Changes	11.85%	-2.70%	12.50%	5.07%	8.88%
5-year Average Percentage Change					7.12%

FY 2024-25 RECOMMENDED BUDGET ADJUSTMENTS

Budget adjustments are recommended for the following revenues and expenditures at the second quarter as described below:

FY2024-25 MID-YEAR BUDGET ADJUSTMENT REQUESTS - GENERAL FUNDS				
Program	Account	General Fund Revenues		
1201	411**	Property Tax	\$ (232,691)	Based on Santa Clara County Property Tax Estimates February 2025
1201	41141	Motor Vehicle In Lieu Fee (VLF)	130,070	Based on Santa Clara County Property Tax Estimates February 2025
1201	41211	Sales & Use Tax	(178,939)	Based on MuniServices Most Likely January 2025 Sales Tax Estimates
1221	41214	Measure G - District Sales Tax	(44,314)	Based on MuniServices Most Likely January 2025 Sales Tax Estimates
1201	41611	Cable Franchise Fee	(28,000)	Based on Past Receipts and Current Trend
1201	42542	Waste Hauler Encroachment Fees	(68,927)	Based on current Agreement and Rate
1201	45952	Garbage Solid Waste Agreements	(86,404)	Based on current Agreement and Rate
1201	43341	State Mandated Cost Reimbursement	95,766	Funds Anticipated
1201	44514	City of San Jose Animal Services Reimbursement	(22,225)	Based on current Agreement
1201	48219	Unrestricted Fund Tracking - Made Available by ARPA Grant Receipt	(33,000)	Funds Expended Prior Fiscal Year
1232	45964	Pension Trust Contribution	300,000	Funds Anticipated from Available Reserves
2101	48219	Unrestricted Fund Tracking - Made Available by ARPA Grant Receipt	9,351	Funds Not Expended Prior Fiscal Year, almost Matching Expenditures
2301	45219	Interest to Other Funds	(337,092)	Funds partially Received
2301	41411	Business License Tax	418,958	Funds Anticipated
3201	42413	Planning Permits	300,000	Funds Anticipated
3201	42414	Council Appeal Fees	1,000	Funds Anticipated
3201	44214	Other Planning Fees	10,000	Funds Anticipated
3202	44412	Special Project	20,000	Funds Anticipated
3301	44415	Address Processing Fee	15,000	Funds Anticipated
3301	44422	Building Inspections	(40,000)	Funds are not Received, Matching Expenditures
3301	48427	Building Standards SB 1473 Reimbursement	1,500	Funds Anticipated
3401	45111	Code Compliance - Admin Citation	10,000	Funds Anticipated
3501	45921	Sale of Land/Property	344,388	Funds Received, Matching Expenditure
4202	43336	Prop 172 - Public Safety Sales Tax	(23,900)	Based on MuniServices Most Likely January 2025 Sales Tax Estimates
4301	48218	Measure G - District Sales Tax	(22,157)	Funds are not Received, Matching Tracking Expenditures
5202	44214	Engineering Development Other Service Fees	20,000	Funds are not Received
5202	44621	Engineering Services	20,000	Funds Anticipated
5202	44625	Grading Inspection	17,000	Funds are not Received
5301	42511	Oak Meadow Park Reservation Fee	10,000	Funds Anticipated
5301	42515	Tree Removal Permit	10,000	Funds Anticipated
5301	42543	Park Vending Permit	3,000	Funds Anticipated
5301	44213	Special Event Reimbursement	17,000	Funds Anticipated
5301	45421	Donation - Benches	(3,678)	Funds are not Received, Matching Tracking Expenditures
5302	43522	AB 939 Grant	(8,634)	Funds are not Received
5405	45922	Insurance Claim Reimbursement	16,818	Funds are Received, partially Matching Expenditures
7301	45452	Friends of the Library	(10,000)	Decrease in Donations
7801	43343	Public Library Fund Grant	32,188	Grant Carryforward
TOTAL GENERAL FUND REVENUES			\$ 662,078	

FY2024-25 MID-YEAR BUDGET ADJUSTMENT REQUESTS - GENERAL FUNDS

Program	Account	General Fund Expenditures		
1201	62113	Town Share of Retiree Medical	313,938	<i>Funds are Partially Expended</i>
1201	62119	Additional Payment to IRS Pension Trust	300,000	<i>From Available Reserve</i>
1201	62227	Santa Clara County - Election Fees	(85,520)	<i>Funds are not Expended</i>
1201	62521	Frontier Parking Lot Lease	9,522	<i>Funds are Partially Expended</i>
1201	63114	Animal Services	7,000	<i>Funds are Partially Expended</i>
1221	68218	Measure G Sales Tax - Pass Thru	(44,314)	<i>Funds are not Expended</i>
1301	63215	Legal Services	100,000	<i>Funds are not Expended</i>
2101	63251	Unhoused Initiatives	10,000	<i>Funds are not Expended</i>
3201	62318	Contract Employee Services	50,000	<i>Funds are not Expended</i>
3301	63381	Building Inspections	(40,000)	<i>Funds are not Expended</i>
3501	63370	HOA Dues and Services	979	<i>Funds are Expended, Matching Revenue</i>
3501	8****	Sale of Land/Property	344,388	<i>Funds are Expended, Matching Revenue</i>
4817	61142	Police Program Supplies	(72,130)	<i>Funds are Expended, Matching Revenue</i>
5201	63215	Legal Services	50,000	<i>Funds are Partially Expended</i>
5301	68622	Benches	(3,678)	<i>Funds are not Received, Matching Tracking Expenditures</i>
5302	63121	SCC- Household Waste Fee	25,343	<i>Funds are Partially Expended</i>
5401	63361	Street Sweeping Services	40,000	<i>Funds are not Expended</i>
5401	63365	Sidewalk Steam Cleaning	15,000	<i>Funds are not Expended</i>
5405	62379	Miscellionous Services and Repairs	13,008	<i>Funds are Partially Expended</i>
5201	5****	Salaries and Benefits	(27,101)	<i>Transfer Intern Hours From Engineering To Facilities Maintenance Program</i>
5407	5****	Salaries and Benefits	27,101	<i>Transfer Intern Hours From Engineering To Facilities Maintenance Program</i>
7201	5****	Salaries and Benefits	12,913	<i>Transfer Library Clerk Temporary Hours to Library Assistant Hours</i>
7202	5****	Salaries and Benefits	28,661	<i>Transfer Library Page Temporary Hours to Library Assistant Hours</i>
7204	5****	Salaries and Benefits	(41,574)	<i>Transfer Library Clerk and Page Temporary Hours to Library Assistant Hours</i>
7801	6****	Grant Expenditures	32,188	<i>Match Grant Revenue Carryforward</i>
TOTAL GENERAL FUND EXPENDITURES			\$ 1,065,724	

FY 2024-25 MID-YEAR BUDGET ADJUSTMENT REQUESTS - OTHER FUNDS

Fund	Program	Account	Other Fund Revenues	
251	4508		Los Gatos Theatre	
251		45352	43 N Santa Cruz Ave Rent	60,000 <i>Funds Anticipated</i>
				\$ 60,000
421	421-832-4505		Grants	
421		43214	MTC - OBAG	421 <i>Match Budget to Actual Grants Received</i>
				\$ 421
TOTAL OTHER FUNDS REVENUES				\$ 60,421
Fund	Program	Account	Other Fund Expenditures	
411	411-811-9903		GFAR	
411		82405	Use of Excess VRF Reserves	397,887 <i>From Available Vehicle Registration Fees Reserves</i>
				\$ 397,887
633	5404		Facilities Maintenance	
633		62371	Building Maintenance & Repairs	40,000 <i>Funds are not Expended</i>
				\$ 40,000
714	7304		Susan Mclendon Trust	
714		61172	Youth Collections	2,000 <i>Funds are not Expended</i>
				\$ 2,000
716	7305		Barbara Jones Cassin Trust	
716		61171	General Collections	8,000 <i>Funds are not Expended</i>
				\$ 8,000
TOTAL OTHER FUNDS EXPENDITURES				\$ 447,887

SUMMARY OF KEY RECOMMENDED BUDGET ADJUSTMENTS

- General Property Tax and Motor Vehicle in Lieu Fee: Staff recommends a decrease in projected revenues of approximately \$232,691 in General Property Tax and an increase of \$130,070 Motor Vehicle in Lieu fee which are in line with the estimates and forecasts provided to the Town from Santa Clara County.
- Sales and Use Tax: Staff recommends a \$178,939 revenue budget decrease to reflect current sales tax trends based on MuniServices' current projections.
- Measure G – District Sales Tax: Staff recommends a \$44,314 revenue budget decrease to reflect the current trends of the one-eight cent sales tax based on MuniServices' projections and the matching \$44,314 pass through revenue and expenditure budget adjustments to track the Measure G allocation for police and capital services based on prior Council actions.
- Cable Franchise Fee: Staff recommends a decrease in projected revenues of approximately \$28,000 in cable franchise fee based on current collection trend.
- Waste Hauler Encroachment Fees: Staff recommends a \$68,927 revenue budget decrease based on the current agreement terms.
- Other Wastehauler Fee: Staff recommends a decrease in projected revenues of approximately \$86,404 to match the current agreement.
- Animal Services: Staff recommends a \$22,225 revenue budget decrease and \$7,000 expenditure budget increase due to changes with the current agreement.
- Unrestricted Fund Tracking - Made Available by ARPA Grant Receipt: Staff recommends a \$33,000 revenue budget decrease in the Non-Departmental Program since expenditures incurred in a prior year and a \$9,351 revenue budget increase for unhoused services based on the fact that not all dedicated funds for this purpose were expended in the prior year.
- Business License Tax: Staff recommends a \$418,958 revenue budget increase based on revised estimates that includes one time payments that crossed fiscal years.
- Interest to Other Funds: Staff recommends a \$337,092 revenue budget decrease due to the fact that the General Fund proportionate share of interest is decreasing, while other funds interest share is increasing with the same amount. Interest allocations are finalized upon the final close of the fiscal year based on the actual cash balances as of June 30, 2025.
- Planning Permits and Council Appeal Fees: Staff recommends a \$300,000 revenue budget increase to reflect increased planning application activities and a \$11,000 budget increase for council appeal based on current receipts.
- Special Project: Staff recommends a \$20,000 revenue budget increase based on the current receipts collected.

- Address Processing Fee: Staff recommends a \$15,000 revenue budget increase based on the current receipts collected.
- Building Inspections: Staff recommends a \$40,000 revenue and expenditure budget decrease based on current receipts collected; and a \$1,500 revenue budget increase for reimbursement from Building Standards SB 1473.
- Code Compliance – Admin Citations: Staff recommends a \$10,000 revenue budget increase based on the current receipts collected.
- Affordable Housing Program: Staff recommends a \$344,388 expenditure and revenue budget increase to accommodate to resell and temporary maintain the 137 Bersano Lane unit. All sale proceeds are redeposited to the Town’s Below Market Housing Program fund.
- Prop 172 – Public Safety Sales Tax: Staff recommends a \$23,900 revenue budget decrease to reflect the current trends of the tax based on MuniServices’ current projections.
- Oak Meadow Park Reservation Fee: Staff recommends a \$10,000 revenue budget increase based on the current receipts collected.
- Tree Removal Permit: Staff recommends a \$10,000 revenue budget increase based on the current receipts collected.
- Park Vending Fee: Staff recommends a \$3,000 revenue budget increase based on estimated activity in new park vendor program.
- Special Event Reimbursement: Staff recommends a \$17,000 revenue budget increase based on the current receipts collected.
- Benches: Staff recommends a \$3,678 revenue and expenditure budget decrease due to placement of memorial bench program on hold.
- AB 939 Grant: Staff recommends a \$8,634 revenue budget decrease due to funds not expected to be received.
- Contract Employee Services: Staff recommends a \$50,000 expenditure budget increase for a contract Senior Planner.
- Police Program Supplies: Staff recommends a \$72,130 expenditure budget decrease for previously allocated/spent funds.
- Legal Services: Staff recommends a \$50,000 expenditure budget increase based on investigative needs.
- SCC Household Waste Fee: Staff recommends \$25,353 expenditure budget increase due to changes in billing.

- Street Sweeping Services: Staff recommends a \$40,000 expenditure budget increase for an emergency street sweeping contract.
- Sidewalk Steam Cleaning: Staff recommends a \$15,000 expenditure budget increase due to a prevailing wage increase in the sidewalk steam cleaning contract.
- PPW Salaries and Benefits Reclassification: Staff recommends a \$27,101 expenditure budget transfer to reclassify salaries and benefits for an Intern from the Engineering program to a temporary Facilities Maintenance Worker in the Facilities program.
- Engineering Development Other Service Fees: Staff recommends \$20,000 revenue budget increase based on the current trends in miscellaneous engineering service fees.
- Engineering Service: Staff recommends a \$20,000 revenue budget increase based on the current trends for engineering services.
- Grading Inspection: Staff recommends a \$17,000 revenue budget increase based on the current trends for engineering services.
- Library Salaries and Benefits Reclassification: Staff recommends a \$41,574 expenditure budget transfer to reclassify salaries and benefits for temporary employees across Library Programs for actual program expenses due to changes in workforce and training requirements.
- Insurance Claim Reimbursement: Staff recommends a \$16,818 revenue budget increase to recognize the reimbursement received for damaged retaining walls and a \$13,008 expenditure budget increase for misc. service and repairs.
- Library Operating Grants: Staff recommends a \$32,188 revenue and expenditure budget increase based on use of deferred grant receipts.
- Friends of the Library: Staff recommends a \$10,000 revenue budget decrease to recognize a decrease in anticipated donations.
- Retiree Medical: Staff recommends a \$313,938 expenditure budget increase based on current estimates.
- IRS Pension Trust: Staff recommends a revenue and expenditure budget increase of \$300,000 to make an additional payment to the IRS Pension Trust from the available Pension/OPEB Reserve.
- Legal Services Support: Staff recommends a \$100,000 expenditure budget increase based on hiring a firm to assist with part-time legal support.
- SCC Election Fees: Staff recommends a budget expenditure decrease of \$85,520 for elections not held.
- Frontier Parking Lot Lease: Staff recommends a \$9,522 expenditure budget increase for commissions paid.

- Unhoused Initiatives: Staff recommends a \$10,000 expenditure budget increase from prior Council direction.

Other Fund Revenues and Expenditures

- Theatre Tenant Rent: Staff recommends a \$60,000 revenue budget increase based on anticipated rent payments.
- Grant Funded Projects: Staff recommends a \$421 revenue budget increase to match budget to actual grant receipts.
- Susan McLendon Trust: Staff recommends a \$2,000 expenditure budget increase to recognize use of interest earned.
- Barbara Jones Cassin Trust: Staff recommends a \$8,000 expenditure budget increase to recognize use of interest earned.
- GFAR Project Costs: Staff recommends a \$397,887 expenditure budget increase to use available excess VRF funds in reserves.
- Facilities Maintenance: Staff recommends a \$40,000 expenditure budget to repair the blinds in parts of the Civic Center.

FINANCIAL SUMMARIES OF OTHER FUNDS

The group of financial summaries on the following pages present data by governmental, proprietary, and fiduciary fund types. For each, the fund information starts with a beginning fund balance, adds current year revenues, and subtracts current year expenditures, resulting in an ending fund balance. Adopted budget amounts are provided as a basis for comparison of actuals to date.

Special Revenue Funds (Governmental Fund Type)

Special Revenue Funds account for the proceeds derived from specific revenue sources that are legally restricted or assigned to special purposes. The Town’s Special Revenue Funds are the Community Development Block Grant Fund, Housing Conservation Program Fund, Urban Runoff Source Fund (Non-Point Source), several Landscaping Lighting District (LLD) Funds, Theatre Fund, and Library Trusts Funds. Staff also recommends a \$60,000 revenue budget increase adjustment to recognize the Theatre tenant lease payments, a \$10,000 revenue budget decrease in donations, and a \$10,000 expenditure budget adjustment in the Library trust funds to utilize prior year interest proceeds for general and youth collection items.

Special Revenue Funds Budget to Actuals Comparisons

	CDBG Grants	Non-Point Source	LLD's	THEATRE	LIBRARY TRUSTS
Beginning Fund Balance	\$ 166,653	\$ 754,134	\$ 182,625	\$ 171,035	\$ 556,848
Budgeted Revenues	-	163,690	39,230	57,960	76,400
Total Actual Revenues - 2nd Qtr	\$ -	\$ 68,204	\$ -	\$ 153,718	\$ 60,272
Budgeted Expenditures	-	284,429	40,401	55,814	108,002
Total Actual Expenditures - 2nd Qtr	-	137,476	11,793	31,727	19,975
2nd Quarter Ending Fund Balance	\$ 166,653	\$ 684,862	\$ 170,832	\$ 293,026	\$ 597,145

Capital Projects Funds (Governmental Fund Type)

Capital Projects Funds account for resources used for the acquisition and construction of capital facilities by the Town. Funds in this category are the GFAR (General Fund Appropriated Reserve) Fund, Community Center Development Fund, Traffic Mitigation Fund, Grant Funded CIP Projects Fund, Utility Underground Fund, Gas Tax Fund, and three Storm Drain Funds. Staff recommends \$397,887 expenditure budget adjustments to utilize the excess Vehicle Registration Fee reserve for additional street work and a \$421 revenue adjustment in the grant fund to match the revenue budget with the actual grant receipts. The Grant Funded CIP fund displays a deficit balance because this grant fund expends Town dollars first, then provides documentation of these expenditures to the State of California or other granting agencies and is reimbursed for those costs. The reimbursements eventually result in the fund “breaking even” or a zero-fund balance.

**Capital Project Funds
Budget to Actuals Comparisons**

	GFAR*	Community Center Development	Traffic *	Grant Funds*	Storm Drains	Utility Undergd	Gas Tax
	Fund	Development	Mitigation	CIP			
Beginning Fund Balance	\$ 20,253,302	\$ 866,281	\$ 509,491	\$ (2,563,504)	\$ 3,531,248	\$ 3,584,251	\$ 1,928,167
Budgeted Revenues	5,305,867	-	213,380	15,928,718	106,830	45,590	1,784,585
Total Actual Revenues - 2nd Qtr	711,831	-	-	2,883,522	27,775	7,967	734,964
Budgeted Expenditures	22,153,916	866,281	255,265	12,782,685	1,859,938	299,574	3,404,619
Total Actual Expenditures - 2nd Qtr	2,669,477	-	720	2,210,933	54,193	-	1,620,034
2nd Quarter Ending Fund Balance	\$ 18,295,656	\$ 866,281	\$ 508,771	\$ (1,890,915)	\$ 3,504,830	\$ 3,592,218	\$ 1,043,097

* GFAR, Community Center Development, Traffic Mitigation, and Grant Funds balances are combined in the FY 2024 ACFR. The combined balance of \$19,065,570 is presented as an Appropriated Reserve.

Internal Service Funds (Proprietary Fund Type)

Internal Service Funds finance and account for special activities and services performed by a designated Town Department for other Town Departments on a cost reimbursement basis. Included in this fund type are the Equipment Replacement Fund, Workers’ Compensation Fund, Joint Powers Authority Pooled Liability Network (PLAN) Self-Insurance Fund, Information Technology Fund, and the Facilities Maintenance Fund.

The Self-Insurance Fund displays a deficit balance because insurance premiums are paid at the beginning of the fiscal year. However, Department reimbursements are posted on a bi-monthly basis. In addition, increased premium rates and increased claim activities required the Town to increase its Liability Internal Service charges in the FY 2024-25 budget. Staff continues to monitor the insurance rates and is considering alternative insurances that can provide potential savings for the Town.

Internal Service Funds Budget to Actuals Comparisons					
	Equipment Replacem	Workers Compensation	Self Insurance	Information Technology	Facility Maint.
Beginning Fund Balance	\$ 3,286,552	\$ 586,247	\$ 177,877	\$ 2,523,349	\$ 960,525
Budgeted Revenues	1,123,659	1,905,154	1,507,436	914,114	1,396,548
Total Actual Revenues - 2nd Qtr	561,910	799,845	646,317	412,119	683,466
Budgeted Expenditures	2,105,937	1,826,050	1,540,481	1,118,348	1,445,325
Total Actual Expenditures - 2nd Qtr	372,460	931,916	1,341,650	582,395	540,081
2nd Quarter Ending Fund Balance	\$ 3,476,002	\$ 454,176	\$ (517,456)	\$ 2,353,073	\$ 1,103,910

Trust and Agency Funds (Fiduciary Fund Type)

AB1x26 is the “Dissolution Bill” that eliminated the Town’s Redevelopment Agency effective February 1, 2012. AB 1484 is the “clean-up” bill that revised and attempted to clarify AB1x26. In accordance with the law, the Successor Agency continues to wind down the affairs and operations of the former Redevelopment Agency by implementing programs and activities in accordance with the State-approved Recognized Obligation payment Schedule (ROPS). The Successor Agency monies are now accounted for in a Private Purpose Trust fund and no longer part of the Town’s Financial Statements. The fund balance reported is the actual fund balance that incorporated the full accrual of long-term debt related to the outstanding bonds payable to the 2002 and 2010 Certificates of Participations. The approved ROPS schedule includes full funding related to the obligation for this debt.

	<u>SA Trust</u>
Beginning Fund Balance	\$ (4,632,040)
Budgeted Revenues	3,828,264
Total Actual Revenues - 2nd Qtr	-
Budgeted Expenditures	3,816,144
Total Actual Expenditures - 2nd Qtr	1,715,878
2nd Quarter Ending Fund Balance	\$ (6,347,918)