



TOWN OF LOS GATOS

MONTHLY FINANCIAL REPORT – JULY 2026

The following is the July 2026 Monthly Financial Report. It has been prepared to inform the Town Council, Town Leadership, and the public of the Town's fiscal status. This report provides companion analysis to monthly revenue and expenditure reports.

Background

On June 2, 2026, the Town Council adopted the Fiscal Year (FY) 2026-27 Final Budget, an \$84,944,559 spending plan funded by \$84,016,419, resulting in the use of fund balance of \$928,140. The General Fund expenditure appropriation is recommended at \$67,468,582 with estimated revenues of \$64,815,087, resulting in an estimated use of unassigned fund balance \$2,653,495 due primarily to the transfer out of \$3.0 million of unassigned fund balance to a new Capital Fund for Future Community Use. As of July, no budget revisions had been approved by the Town Council, and to date, not all prior year budget carryovers have been completed.

Revenue and Expenditures Trend Analysis by Fund Type

Overall revenues across all funds as of July are 1.6% collected and on trend for the same period in prior years. Prior years ranged from 0.9% to 5.6% collected as a percent of the revised budget for July.

Fund	Fund Type	FY 2023-24 % COLL	FY 2024-25 % COLL	FY 2025-26 % COLL	STRAIGHT LINE	FY 2026-27 % COLL	TREND
111/ 121/ 732	GENERAL FUND	5.3%	3.1%	1.6%	8.3%	1.4%	↓
2*	SPECIAL REVENUE FUNDS	1.0%	-2.1%	-1.4%	8.3%	2.7%	↑
4*	CAPITAL FUNDS	9.4%	-0.7%	-1.7%	8.3%	5.4%	✓
6*	INTERNAL SERVICE FUNDS	6.2%	0.9%	1.4%	8.3%	1.0%	✓
9*	TRUST FUND	0.0%	0.0%	0.0%	8.3%	0.0%	✓
TOTAL REVENUE BY FUND		5.6%	2.4%	0.9%	8.3%	1.6%	✓

General Fund revenues collected are 1.4% and trending below the same point in the prior three years. Prior years ranged from 1.6% to 5.3% collected as a percent of the revised budget for July. This is primarily due to payment timing and the year-end accrual process, where a negative revenue is posted to account for an anticipated revenue, then reversed when the actual revenue for the month is received.

Special Revenue Funds revenues collected are 2.7% and trending above the same point in the prior three years. Prior years ranged from -2.1% to 1.0% collected as a percent of the revised budget for July. This is primarily due to *receivables that were set up for the 222 Urban Runoff*

Fund in the prior two fiscal years that were not set up in the current fiscal year. This resulted in negative revenues in the prior two years.

Expenditures by Fund Type Trend Analysis

Expenditures and encumbrances are 15.1% as of July and on trend with the same period in the prior three years, which have ranged from 15.0% to 30.7% expended as a percent of the revised budget for July.

Fund	FUND TYPE	FY2023-24 % EXP	FY2024-25 % EXP	FY2025-26 % EXP	STRAIGHT LINE	FY2026-27 % EXP	ON TREND
111/ 121/732	GENERAL FUND	9.3%	10.7%	10.4%	8.3%	8.0%	↓
2*	SPECIAL REVENUE FUNDS	13.5%	8.3%	7.2%	8.3%	12.1%	✓
4*	CAPITAL FUNDS	79.4%	147.0%	15.9%	8.3%	38.8%	✓
6*	INTERNAL SERVICE FUNDS	18.0%	26.8%	31.5%	8.3%	46.5%	↑
9*	TRUST FUND	43.9%	44.8%	45.7%	8.3%	45.0%	✓
TOTAL EXPENDITURE BY FUND TYPE		21.5%	30.7%	15.0%	8.3%	15.1%	✓

General Funds actual expenditures and encumbrances are 8.0% and trending below the prior years, which have ranged from 9.3% to 10.7% expended as a percent of the revised budget for July. This is due to a variety of variances across multiple expense categories. See the General Fund by category for details.

Internal Service Funds actual expenditures and encumbered funds are 46.5% and trending above the same point in the prior three years. Prior years ranged from 18.0% to 31.5% expended as a percent of the revised budget for July. Expenditures are trending above the three-year July average, primarily due to changes in insurance costs, expenditure timing, encumbrances, and fluctuations in budgeted expenditures. Some variances are also related to prior-year vehicle encumbrances and two months of utility costs being recorded in July.

General Fund Revenue by Category Trend Analysis

Overall General Fund revenues across all categories as of July are 1.4% collected and are below the same period in prior years. Prior years ranged from 1.6% to 5.3% collected as a percent of the revised budget for July.

CATEGORY	FY 2023-24 % COLL	FY 2024-25 % COLL	FY 2025-26 % COLL	STRAIGHT LINE	FY 2026-27 % COLL	TREND
PROPERTY TAX	0.0%	-0.5%	-0.5%	8.3%	0.0%	↑
SALES & USE TAX	-9.3%	-8.4%	-9.2%	8.3%	0.0%	↑
MEASURE G	-9.8%	-9.1%	-9.7%	8.3%	0.0%	↑

CATEGORY	FY 2023-24 % COLL	FY 2024-25 % COLL	FY 2025-26 % COLL	STRAIGHT LINE	FY 2026-27 % COLL	TREND
TRANSIENT OCCUPANCY	-5.8%	-6.7%	-13.9%	8.3%	3.9%	↑
BUSINESS LIC & OTHER	0.0%	0.0%	0.0%	8.3%	0.0%	✓
FRANCHISE FEES	-5.9%	-11.9%	-10.5%	8.3%	0.0%	↑
FINES & FORFEITURES	0.0%	0.0%	0.0%	8.3%	0.0%	✓
LICENSES & PERMITS	13.8%	10.3%	10.9%	8.3%	3.5%	↓
TOWN SERVICES	7.4%	8.1%	14.4%	8.3%	4.1%	↓
OTHER SOURCES	77.9%	-11.8%	-59.2%	8.3%	8.2%	✓
INTERGOVERNMENTAL	-27.3%	17.4%	7.0%	8.3%	-6.4%	✓
PASS THRU	95.6%	113.4%	91.4%	8.3%	5.2%	↓
TRANSFERS IN	0.0%	0.0%	0.0%	8.3%	0.0%	✓
DEBT SERVICE REMIB	0.0%	0.0%	0.0%	8.3%	0.0%	✓
GENERAL FUND % COLLECTED BY CATEGORY	5.3%	3.1%	1.6%	8.3%	1.4%	↓

Property Tax actual revenues collected are 0.0%. This is higher than the negative percentages reported in the prior three years. This is primarily due to a receivable for funds yet to be collected that has not been set up this fiscal year and the timing of July revenue postings.

Sales & Use Tax actual revenues collected are 0.0% and trending above the same point in the prior three years. Prior years ranged from -9.3% to -8.4% collected as a percent of the revised budget for July. This is primarily due to a receivable for funds yet to be collected that has not been set up this fiscal year and the timing of July revenue postings.

Measure G actual revenues collected are 0.0% and trending above the same point in the prior three years. Prior years ranged from -9.8% to -9.1% collected as a percent of the revised budget for July. This is primarily due to a receivable for funds yet to be collected that has not been set up this fiscal year and the timing of July revenue postings.

Transient Occupancy Tax actual revenues collected are 3.9% and are trending above the same point in the prior three years. Prior years ranged from -13.9% to -5.8% collected as a percent of the revised budget for July. This is primarily due to a receivable for funds yet to be collected that has not been set up this fiscal year and the timing of July revenue postings.

Franchise Fees actual revenues collected are 0.0% and trending above the same point in the prior three years. Prior years ranged from -11.9% to -5.9% collected as a percent of the revised budget for July. This is primarily due to a receivable for funds yet to be collected that has not been set up this fiscal year and the timing of July revenue postings.

Licenses and Permits actual revenues collected are 3.5% and trending below the same point in the prior three years. Prior years ranged from 10.3% to 13.8% collected as a percent of the revised budget for July. This is primarily due to an increase in budgeted revenue in comparison to other years and due to a delay in accounting for revenues received in the Town's planning software to the ERP.

Town Services actual revenues collected are 4.1% and trending below the same point in the prior three years. Prior years ranged from 7.4% to 14.4% collected as a percent of the revised budget for July. This is due to a delay in accounting for revenues received in the Town's planning software to the ERP. This trend is expected to improve with August reporting. In addition, a receivable for payment related to contracted police services was not set up in the current year.

Pass-Thru actual revenues collected are 5.2% and trending below the same point in the prior three years. Prior years ranged from 91.4% to 113.4%, collected as a percent of the revised budget for July. This is due to a delay in accounting for revenues received in the Town's planning software to the ERP. This trend is expected to improve with August reporting.

General Fund by Expense Category Analysis

Actual expenditures and encumbered funds are 8.0% and trending below for the same point in the prior years. Prior years ranged from 9.3% to 10.7% expended as a percent of the revised budget for July.

CATEGORY	FY2023-24 % Exp	FY2024-25 % EXP	FY2025-26 % EXP	STRAIGHT LINE	FY2026-27 % EXP	ON TREND
SALARIES	5.9%	5.7%	5.3%	8.3%	4.8%	↓
OVERTIME	13.2%	9.9%	11.7%	8.3%	4.5%	↓
PERS	6.3%	6.6%	6.2%	8.3%	6.3%	✓
MEDICAL BENEFITS	6.9%	6.9%	6.8%	8.3%	7.2%	↑
OTHER BENEFITS	6.4%	6.7%	6.3%	8.3%	6.3%	✓
RETIREE MEDICAL	14.9%	16.6%	14.9%	8.3%	8.5%	↓
MATERIALS & SUPPLIES	4.3%	13.2%	9.6%	8.3%	13.1%	✓
CONTRACTS	17.7%	30.7%	20.2%	8.3%	33.6%	↑
UTILITIES	22.6%	20.4%	20.3%	8.3%	23.5%	↑
GRANTS AND AWARDS	0.3%	0.1%	11.8%	8.3%	5.3%	✓
PASS THRU	48.0%	54.3%	67.9%	8.3%	5.8%	↓
MISCELLANEOUS	0.0%	0.0%	0.0%	8.3%	0.0%	✓
INT SERVICE CHARGES	1.0%	2.4%	2.7%	8.3%	2.7%	✓
DEBT SERVICE	0.0%	0.0%	0.0%	8.3%	0.0%	✓
CAPITAL PROJECTS	0.0%	0.0%	0.0%	8.3%	0.0%	✓
TRANSFERS OUT	0.0%	0.0%	0.0%	8.3%	0.0%	✓
OPEB	0.0%	0.0%	0.0%	8.3%	0.0%	✓

CATEGORY	FY2023-24 % Exp	FY2024-25 % EXP	FY2025-26 % EXP	STRAIGHT LINE	FY2026-27 % EXP	ON TREND
GENERAL FUND TOTALS BY CATEGORY	9.3%	10.7%	10.4%	8.3%	8.0%	↓

Salaries actual expenditures and encumbered funds are 4.8% and trending below the same point in the prior three years. Prior years ranged from 5.3% to 5.9% expended as a percent of the revised budget for July. See the “All Fund Vacancy Savings by Pay Period Analysis” section of the report for more details.

Overtime actual expenditures and encumbered funds are 4.5% and trending below the same point in prior years. Prior years ranged from 9.9% to 13.2% expended as a percent of the revised budget for July. See the “All Fund Vacancy Savings by Pay Period Analysis” section of the report for more details.

Medical Benefits actual expenditures and encumbered funds are 7.2% and trending above the same point in the prior three years. Prior years ranged from 6.8% to 6.9% expended as a percent of the revised budget for July. See the “All Fund Vacancy Savings by Pay Period Analysis” section of the report for more details.

Retiree Medical actual expenditures and encumbered funds are 8.5% and trending below the same point in the prior three years. Prior years ranged from 14.9% to 16.6% expended as a percent of the revised budget for July. This is primarily due to reduced pay periods for the current year to 1.29. In comparison, other years have contained two or more pay periods in July.

Contracts actual expenditures and encumbered funds are 33.6% and trending above the same point in the prior three years. Prior years ranged from 17.7% to 30.7% expended as a percent of the revised budget for July. This is primarily due to several software contracts with annual subscriptions that were paid in July.

Utilities actual expenditures and encumbered funds are 23.5% and trending above the same point in the prior three years. Prior years ranged from 20.3% to 22.6% expended as a percent of the revised budget for July. This is primarily due to water, light, and signal expenses being charged to this budget that had not been in prior years.

Pass-thru actual expenditures and encumbered funds are 5.8% and trending below the same point in the prior three years. Prior years ranged from 48.0% to 67.9% expended as a percent of the revised budget for July. This is primarily due to a reduction in plan check revenues caused by a delay in posting revenues received from the Town’s planning software to the ERP. This trend is expected to improve with August reporting.

All Fund Vacancy Savings by Pay Period Analysis

The adopted budget includes a 4.6% vacancy-savings assumption totaling \$2.0 million. This

amount was calculated by applying 4.6% to the pre-vacancy salary-and-benefit base of \$44,545,652. The revised salary-and-benefit budget shown below reflects the resulting vacancy-savings reduction

The payroll percentage column is derived by taking the 1 pay period in July plus 29% of the last payroll in June that was paid in July, based on the total days in July in that pay period. Adding these two together and dividing by the total pay periods in a year, or 26, results in 1.29 pay periods having occurred as of July. Based on the table below, which includes the 4.6% vacancy savings factor and the percent of payroll percentage column. The pay-period analysis is appropriate for salaries and overtime categories. The remaining benefit categories are processed monthly, or 1/12, resulting in an 8.3% and are a more accurate benchmark percentage for analysis of these categories.

CATEGORY	REVISED BUDGET	YTD EXPENDITURES	AVAILABLE BUDGET	PCT USED	% of Pay Periods/ Straight-line
5A SALARIES	\$24,176,333	\$1,170,569	\$23,005,764	4.8%	5.0%
5B OVERTIME	\$ 1,457,000	\$65,827	\$ 1,391,173	4.5%	5.0%
5C PERS	\$10,800,788	\$680,121	\$10,120,668	6.3%	8.3%
5D MEDICAL BENEFITS	\$ 3,371,803	\$242,973	\$ 3,128,830	7.2%	8.3%
5E OTHER BENEFITS	\$ 2,922,678	\$182,824	\$ 2,739,854	6.3%	8.3%
Total Salary and Benefits	\$ 42,728,602	\$ 2,342,314	\$ 40,386,289	5.5%	5.0%

Salary and benefit expenditures are 5.5% of the revised budget as of July. Salaries and overtime are slightly below the 5.0% payroll-period benchmark, while PERS, Medical Benefits, and Other Benefits are below the 8.3% monthly straight-line benchmark. A dedicated vacancy report is not yet available from the ERP; once operational, staff will use that report to provide a more direct analysis of vacancy savings.

Summary

Monthly reports as of July 2026 for both revenue and expenditure show the Town is generally tracking within or below prior-year trends. General Fund expenditures are at 8.0% of the revised budget, including encumbrances, compared with the 8.3% straight-line benchmark. Salary and overtime expenditures are slightly below the payroll-period benchmark, while benefit categories remain below the 8.3% monthly benchmark.