

TOWN OF LOS GATOS

TAX REVENUE ANALYSIS

March 16, 2026



ATTACHMENT 1

Presentation Outline



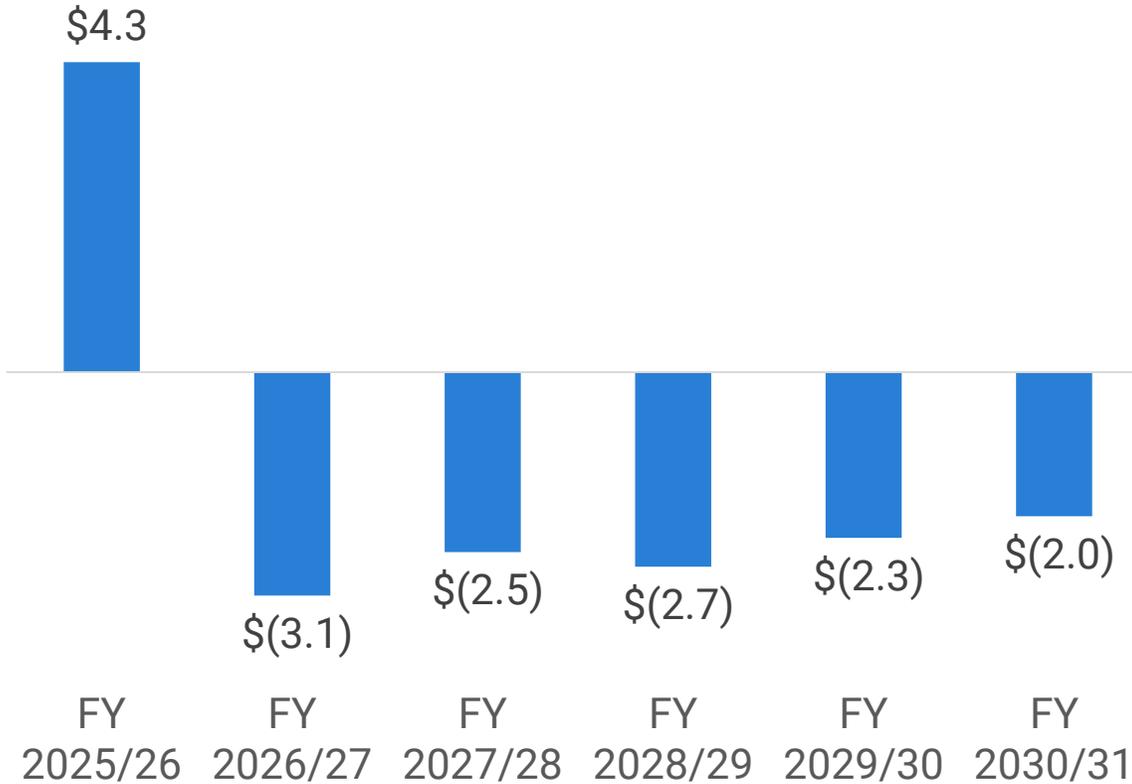
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Operating Deficit and Unfunded Capital Improvement Projects

5 Year Forecast as of February 6, 2025

■ Estimated Fund Balance (Use of)



UNFUNDED NEEDS (in millions)

CATEGORY	DESCRIPTION	EST COST 2025 DOLLARS
STREETS AND ROADS	PAVEMENT AND INFRASTRUCTURE	\$172.7M
PUBLIC SAFETY	NEW POLIC OPS BUILDING AND EOC	\$50.4M to \$66.0M
TOWN FACILITIES	BUILDING MAINTENANCE, REPAIRS, CAPITAL	\$22.7M
PARKS AND ASSETS	PARKS DEFERRED MAINTENANCE	\$29.3M
PARK REHABILITATION	SOCCER FILED TURF REHAB	~\$2.5M
WILDFIRE	CRITICAL INFRASTRUCTURE	\$6M TO \$11M
WILDFIRE OPERATIONS	COMPREHENSIVE WILDFIRE PROGRAM	\$2.1M TO \$3M
TOTAL		\$285.7M TO \$307.2M



Tax Revenue Options & Analysis



General Fund Revenue Taxes – 4 Basic Considerations

1. Adequacy & Certainty (volatility)

- Sustainably generates annual needed revenue.
- Not subject to significant variation (low volatility).

2. Equity (who bears tax burden) & Competitiveness

- Fiscal burden appropriately spread.
- Proportionate to surrounding communities.
- Does not highly skew economic incentives.

3. Transparency & Voter Approval

- Easy to find information on the revenue/tax structure and understand how it operates.
- Likelihood of voter approval.

4. Simplicity

- Does not require multiple ballot measures (voter confusion and fatigue).
- Not highly burdensome, costly or complicated to administer (by Town or payors).



General Fund Tax Revenue Options

Based on the need to find new revenue to cover operational gap and fund new capital, several revenue generation and capital financing options were reviewed to determine how best to align them with the Town's Goals

Recommended

- **Consider Transactions and Use Tax (TUT) or Parcel Tax for Operating Deficit**
- **Consider General Obligation Bond for Capital Projects**

Not recommended at this time or recommended for further study.

- **Utility User Tax** – The voter approval in the state for this type of tax is low and considered regressive.
- **Transaction and Occupancy Tax** – Tax rate is currently at 12%; increasing the rate to generate adequate revenue would place the Town significantly beyond rates in surrounding communities.
- **Vacancy Tax** – Challenging to estimate and implement; more effective for disincentivizing vacancy rather than filling operating deficit.
- **Benefit Assessment** – Levied on real property to fund specific public improvements or expanded/new public services benefiting the properties assessed but cannot be used for funding current operating costs; consider studying for lighting and landscaping and/or storm drains.



Transaction and Use Tax (TUT)



Basics of a TUT

- Functionally similar to state Sales Tax – tax on sale or use of goods – but based on point of receipt or use (not point of sale).
- Excludes “Necessities of Life” including most food products and medicines. Value of these exemptions in 2024 was equivalent to 56% of total sales tax collected. For individuals and families, exemption shifts incident of tax burden more towards controllable or discretionary goods and items.
- State law requires supermajority approval by city council (2/3 vote) to place TUT measure on ballot
 - 50% + 1 voter approval for general purpose
 - 2/3rds voter approval for special purpose

Los Gatos	9.875%*	Expires
State Sales Tax	6.00%	--
Bradley-Burns Local Share	1.25%	--
Local/Regional TUT (2.0% total cap)		
San Clara County Transit District (1976) – Measure A	0.50%	--
San Clara County VTA (2000) – Measure A	0.50%	2036
Santa Clara VTA BART Operations & Maintenance TUT (2008)	0.125%	2042
Santa Clara County Retail TUT (2013)	0.125%	--
Silicon Valley Transportation Solutions Tax (2016) – Measure B	0.50%	2047
Los Gatos TUT (2018) – Measure G	0.125%	2038
Special Legislation		
Peninsula Corridor JPA Retail Transactions and Use Tax (2021)	0.125%	2051
County Temporary Measure*		
Santa Clara County Measure A (2025)	0.625%*	2031

*Effective April 2026.



Transaction & Use Tax (TUT)



Los Gatos Current Rate – 9.875%*

Special Considerations

- Under the state 2.0% “cap” on local TUTs, Los Gatos can only add 0.125% to its TUT, state legislature must authorize any additional TUT by special legislation. Town Council has given direction to pursue legislative authorization.
- Senate Bill 63 authorized 0.50% sales tax measure for transit (BART) on the Nov. 2026 ballot (in five Bay Area counties).

Estimated Additional TUT Annual Revenue @ 0.50% tax rate = \$5.3 million annually beginning in 4Q FY 2027.

- Total New Rate = 10.375%*

Voter approval rates of new or increased TUTs for general purposes (majority vote) in California

- 80% for 2024 Election (63 of 79)
- 73% for 2022 Election (30 of 41)
- 74% for 2020 Election (65 of 88)

City/Area	Current Rate
Santa Clara Countywide	9.75%*
Campbell	10.5%*
Los Gatos	9.875%*
Milpitas	10.0%*
San Jose	10.0%*
Santa Cruz Countywide	8.50%
Capitola	9.25%
Santa Cruz	9.75%
Santa Cruz (unincorporated)	9.50%
Scotts Valley	9.75%
Watsonville	9.75%
San Mateo County	9.375 to 9.875%
San Francisco County	8.625%
Alameda County	10.25 to 10.75%
Contra Costa County	9.25 to 10.25%

**Rates effective as of April 2026 to include Santa Clara County 2025 Measure A (0.625%).*



Transaction & Use Tax (TUT)



➤ Pros:

- ✓ **Voter Approval.** TUT measures in last three election cycles (2020, 2022, and 2024) have high approval rates (74%, 73%, and 80% respectively) despite economic volatility due to Covid-19 pandemic and recent high inflation.
- ✓ **Adequacy & Certainty.** Estimated annual revenues with expected growth at or above estimated inflation.
- ✓ **Equity.** Tax burden spread across businesses, residents, and visitors.

➤ Cons:

- **Certainty (volatility).** Sales tax is more volatile (elastic) than UUT or parcel tax because generally correlates with overall economic trends.
- **Competitiveness.** Additional 0.50% TUT puts Town at 10.375% total sales tax rate, placing it above all other cities on peninsula side of the Bay Area except Campbell.
- **Special Considerations.** For 0.50% TUT, requires state legislature to enact special legislation authorizing an additional 0.375% TUT.



Basics of Parcel Tax

- Non-ad valorem (non-value based) tax levied on parcels of property.
- Methodology: Either a fixed/flat amount per-parcel or a fixed rate depending on the size, use, or number of units on the parcel.
 - Can establish different amount/rate based on property use but must be applied uniformly and roughly proportional to demand for service.
- Can include inflationary index.
- Parcel taxes are considered special taxes requiring 2/3 voter approval (Govt. Code s. 50077).

Statewide Facts - Parcel Tax

- Since 2010, largest percentage of all approved parcel taxes (42%) are for schools (251 of 600 measures).
- Since 2010, 67% of proposed city parcel taxes were approved (118 of 176 measures).
- Because 2/3 vote required to approve city parcel tax, almost all restrict tax revenues to specified purpose; less than 4% are for general municipal funding.
- Most common methodology: flat rate per parcel.



No Current Parcel Taxes in Los Gatos

Parcel tax measures in Santa Clara & San Mateo counties (2/3 vote)

- Since 2008, 20 non-school parcel taxes on ballot with 80% approved (16 of 20).
 - All for special purposes: libraries, roads, police/fire, water, and open space.
- Since 2018, 40 school parcel taxes on ballot with 73% approved (29 of 40).

City/Area	Rate/yr.*
San Mateo County	
Hillsborough – Public Safety	\$570/\$218 parcel
E. Palo Alto – Office Space	\$2.50 per sf
Portola Valley – Roads	\$950 parcel
Highlands CSA – Police & Fire	\$65 parcel
Atherton – Police	\$750 parcel**
Santa Clara County	
Santa Clara - Libraries	\$34 parcel
Santa Clara – Open Space	\$24 parcel
San Jose – Libraries	\$30 parcel
North County - Libraries	\$76 parcel
County Library JPA	\$17 or \$34 unit
Santa Clara Water Dist.	\$0.006 per sf
El Matador - Roads	\$350-\$750 parcel

*Rates as of April 2025.

**Not renewed in 2017.



Parcel Tax



Estimated Annual Revenue – Alternative Structures

FIXED/FLAT AMOUNT PER PARCEL				
Parcel Type		# of Parcels ¹	Per Parcel Tax	Est. Annual Rev.
Condominiums ²		2,413	\$ 445.00	\$ 1,073,781
Single-Family Residential (SFR)		7,606	\$ 445.00	3,384,656
Other Residential		444	\$ 445.00	197,579
Commerical/Industrial/Other		602	\$ 445.00	267,889
Vacant & Agricultural		171	\$ 445.00	76,095
	TOTAL	11,236		\$ 5,000,000

PARCEL SIZE - CUSTOM TIERED AMOUNTS					
Tier Label	Max. Parcel Size (in SF)	# of Parcels ¹	Tax Amount	Median AV	Est. Annual Rev.
Under 1/4 acre	10,890	7,723	\$250	\$ 1,137,440	\$ 1,930,750
1/4 to 1/2 acre	21,780	2,036	\$500	1,838,744	1,018,000
1/2 to 1 acre	43,560	686	\$750	2,434,129	514,500
1 to 2 acres	87,120	481	\$1,500	2,589,437	721,500
Over 2 acres		310	\$3,000	3,126,053	930,000
	TOTALS	11,236			\$ 5,114,750



Estimated Annual Revenue – Alternative Structures (cont.)

PARCEL SIZE - FIXED RATE PER SQUARE FOOT (SF) @ \$ 0.060 PER SF WITH CAP OF \$750							
Parcel Type	Avg. Parcel Size	# of Parcels ¹	# Parcels Capped	Median Tax	Median AV	Est. Annual Rev.	
Condominiums ²	1,734	2,413	0	\$ 105	\$ 881,264	\$ 248,869	
SFR - 5,000 sf & less	3,372	469	0	209	1,570,627	94,900	
SFR - 5,000 sf to 1/4-acre	8,191	4,452	0	497	1,339,590	2,187,949	
SFR - 1/4 to 1/2-acre	14,837	1,561	0	750	1,915,761	1,148,378	
SFR - 1/2 to 1-acre	32,408	556	0	750	2,368,093	417,000	
SFR - Over 1-acre	103,782	568	0	750	2,772,363	426,000	
Other Residential	15,915	444	0	523	1,127,775	245,944	
Commerical/Industrial/Other	34,575	602	0	601	1,513,113	298,780	
Agricultural & Vacant - 1/2 acre or less ³	11,446	78	0	25	269,056	1,950	
Agricultural & Vacant - 1/2 to 1 acre ³	30,789	20	0	50	308,203	1,000	
Agricultural & Vacant - Over 1 acre ³	228,827	73	0	100	470,000	7,300	
TOTAL		11,236	0			\$ 5,078,071	

(1) Excludes parcels owned by public entities, public utilities, exempt entities, vacant parcels under 5,000 sf, private streets, and parcels zoned as "forest and brush lands."

(2) Includes condominiums and mobile homes.

(3) For parcels zoned agricultural and vacant parcels over 5,000, flat tax amount of \$50 per 1/2-acre with cap of \$150.



➤ **Pros:**

- ✓ **Certainty.** Parcel tax revenue not impacted by overall economic trends (non-ad valorem) and inflationary index (if included) can help revenues keep pace with rising expenses.
- ✓ **Equity.** Parcel tax provides some flexibility in designing tax structure (such as square foot rate) to help mitigate inequity/regressive nature of a flat amount. But given the Town's diversity of land uses and wide range of parcel sizes, important to consider incorporating a cap, targeted exemptions, and flat rates for some uses/parcel types.
- ✓ **Voter Approval.** Voter approval for non-school parcel taxes has been strong (80%). Almost all have been designated for special purposes (public safety, roads, libraries, etc.).

➤ **Cons:**

- **Voter Approval.** State law requires 2/3 approval by electorate.
- **Competitiveness.** Parcel tax set at 6 cents per sf with a cap of \$750 would be towards the upper end of parcel tax amounts in surrounding communities.



What is a Benefit Assessment?

- **Definition.** A charge levied on real property to fund specific public improvements or expanded/new public services benefiting the properties assessed. Not for funding current operating costs.
- **Methodology.** Town develops a total assessment amount based on the cost of the improvements or expanded/new services. An Engineer's Report is required to determine the benefitted properties and allocate the total assessment based on each property's proportionate share of the "special benefit."
- **Voter Approval.** A special assessment is approved through the Proposition 218 process.
 - Ballots mailed to each assessed parcel owner.
 - Weighted protest vote.

Examples of Benefit Assessments:

- New fire prevention or mitigation services (e.g., brush removal).
- New open space acquisition or restoration.
- Storm water system construction or expansion.



Capital Financing Options



Overview of General Infrastructure Funding Alternatives

Stand-Alone
Bond
Authority

————— Leverage through General Fund —————

	Property Tax (GO Election)	Transaction and Use Tax (TUT)	Parcel Tax	Utility Users Tax (UUT)
Who Votes	Registered voters (citywide)	Registered voters (citywide)	Registered voters (citywide)	Registered voters (citywide)
Voting For	Bonding authorization	Tax rate percent	Fixed charge	Tax rate percent
General/ Special Tax	Special	Either	Special	Either
Collection Method	County property tax bill	Point of receipt or use	County property tax bill	Utility bill
Types of Bonds	GO Bonds	Lease Revenue Bonds	Lease Revenue Bonds	Lease Revenue Bonds



General Fund Revenues → Lease Revenue Bonds

- **Overview**

- Issuer covenants to appropriate annual lease payments from the general fund
- If lease payments are not made, trustee has right/obligation to enter and re-let designated asset

- **Advantages**

- Not subject to the constitutional debt limits per lease exception
- No voter approval required for the issuance of bonds; Town Council majority vote
- Can be completed quickly in as little as 60 days

- **Disadvantages**

- Requires unencumbered leasable asset(s) valued as least as much as the bond issue
- Lease payments (debt service) competes with other general fund expenditures –i.e., police, fire, services, etc.

- **Leverage**

- All general fund revenues are pledged, although sizing is often based on amount available from a particular revenue source

- **When Used?**

- Typically for general infrastructure projects benefitting the Town

Based on today's market, assuming an AA category rating and 30-year Lease Revenue Bonds, and assuming the Town earmarks approximately \$6.1 million annually for debt service payments, the Town could generate approximately \$100* million in proceeds

**Preliminary, subject to change based on rating, market conditions, and other factors*



Property Tax Override → General Obligation Bonds

- **Overview**

- Annual tax levied on property tax roll in proportion to property's assessed valuation
- Requires approval by 2/3rd of town voters voting in an election
- Voters approve bond authorization and use of proceeds, not tax rate or annual payment

- **Advantages**

- Broad-based tax support for public improvements
- Lowest bond interest cost due to ad valorem security and unlimited tax pledge
- Shifts burden to higher valued properties, including non-residential

- **Disadvantages**

- *Revenues can only be used to repay debt; cannot be used to operate/maintain facilities*
- No ability to differentiate among types of property or target different parts of the town
- Must establish max bond authorization; no flexibility to increase if project costs rise

- **Leverage**

- GO Bonds

- **When Used?**

- Typically for projects with broad political support – varies by community



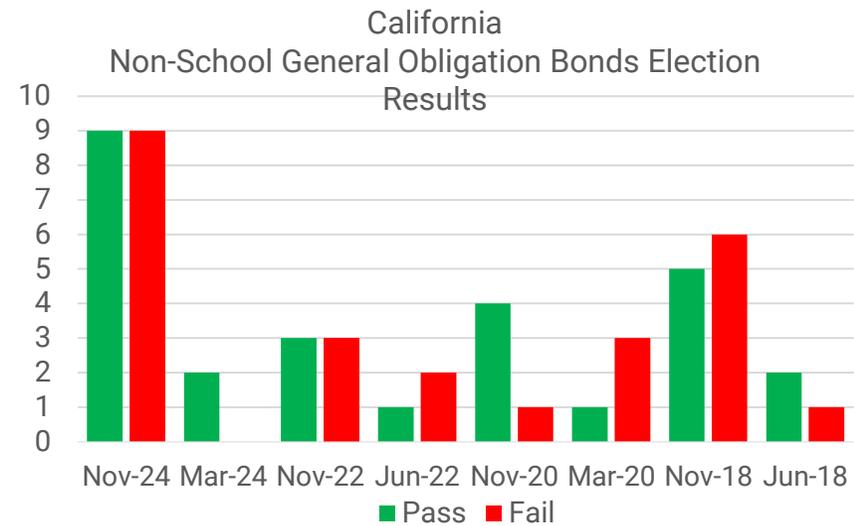
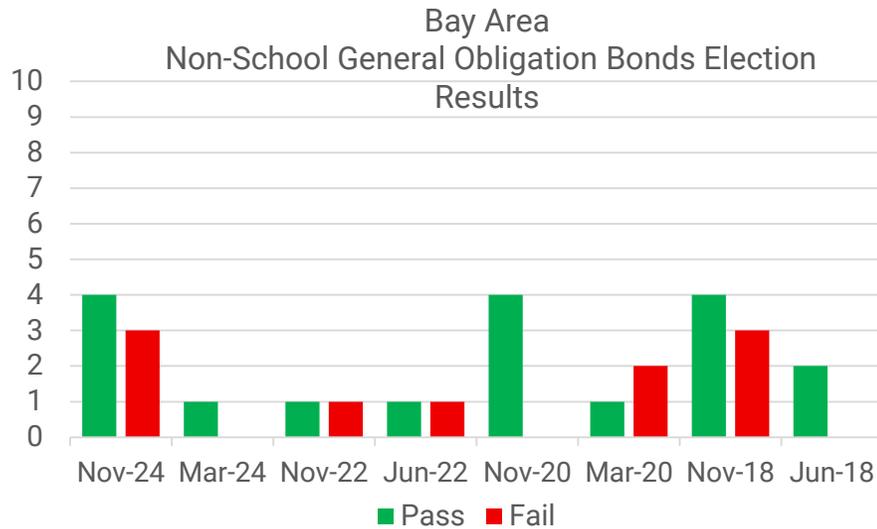
General Obligation (GO) Bonds Election Results

Non-School GO Bonds in Bay Area Election Results (2018-2024)

	<u>Pass</u>	<u>Pass Rate</u>	<u>Fail</u>	<u>Total</u>
2024	5	63%	3	8
2022	2	50%	2	4
2020	5	71%	2	7
2018	6	67%	3	9
Totals	18	64%	10	28

Non-School GO Bonds in California Election Results (2018-2024)

	<u>Pass</u>	<u>Pass Rate</u>	<u>Fail</u>	<u>Total</u>
2024	11	55%	9	20
2022	4	44%	5	9
2020	5	56%	4	9
2018	7	50%	7	14
Totals	27	52%	25	52





Town Assessed Value History

Town of Los Gatos Historical Assessed Value		
Fiscal Year Ending	Total Value	% Change
2017	\$10,634,839,902	8.56%
2018	\$11,544,997,211	6.53%
2019	\$12,299,405,758	6.95%
2020	\$13,154,189,846	5.23%
2021	\$13,842,193,548	7.70%
2022	\$14,908,440,364	4.37%
2023	\$15,560,344,483	7.72%
2024	\$16,762,300,891	7.72%
2025	\$18,056,023,227	4.15%
2026	\$19,905,458,672	5.85%
Average		6.48%

Source: County Assessor, Urban Analytics, LLC

- Town’s 2025-26 assessed value is approximately \$19.9 billion; ten-year average assessed value growth rate is 6.48%



General Obligation (GO) Bonds

Town of Los Gatos Bond Proceeds at Varying Tax Rates*				
Tax Rate per \$100,000 AV	Series A 2027	Series B 2029	Series C 2031	Total Bond Proceeds
\$18.00	\$33,705,000	\$31,440,000	\$34,910,000	\$100,055,000
\$27.00	\$50,555,000	\$47,160,000	\$52,365,000	\$150,080,000
\$36.00	\$67,410,000	\$62,880,000	\$69,820,000	\$200,110,000
\$45.00	\$84,260,000	\$78,600,000	\$87,275,000	\$250,135,000
\$54.00	\$101,115,000	\$94,320,000	\$104,730,000	\$300,165,000

* Assumes assessed value growth of 3% and 30-year bond terms; Preliminary and subject to change

Source: UFI

- With projected annual assessed value growth of 3.0%, the Town of Los Gatos can generate up to \$300 million for capital projects
- Depending on tax rate selected and assessed value assumptions, the Town can generate significant proceeds



General Obligation (GO) Bonds

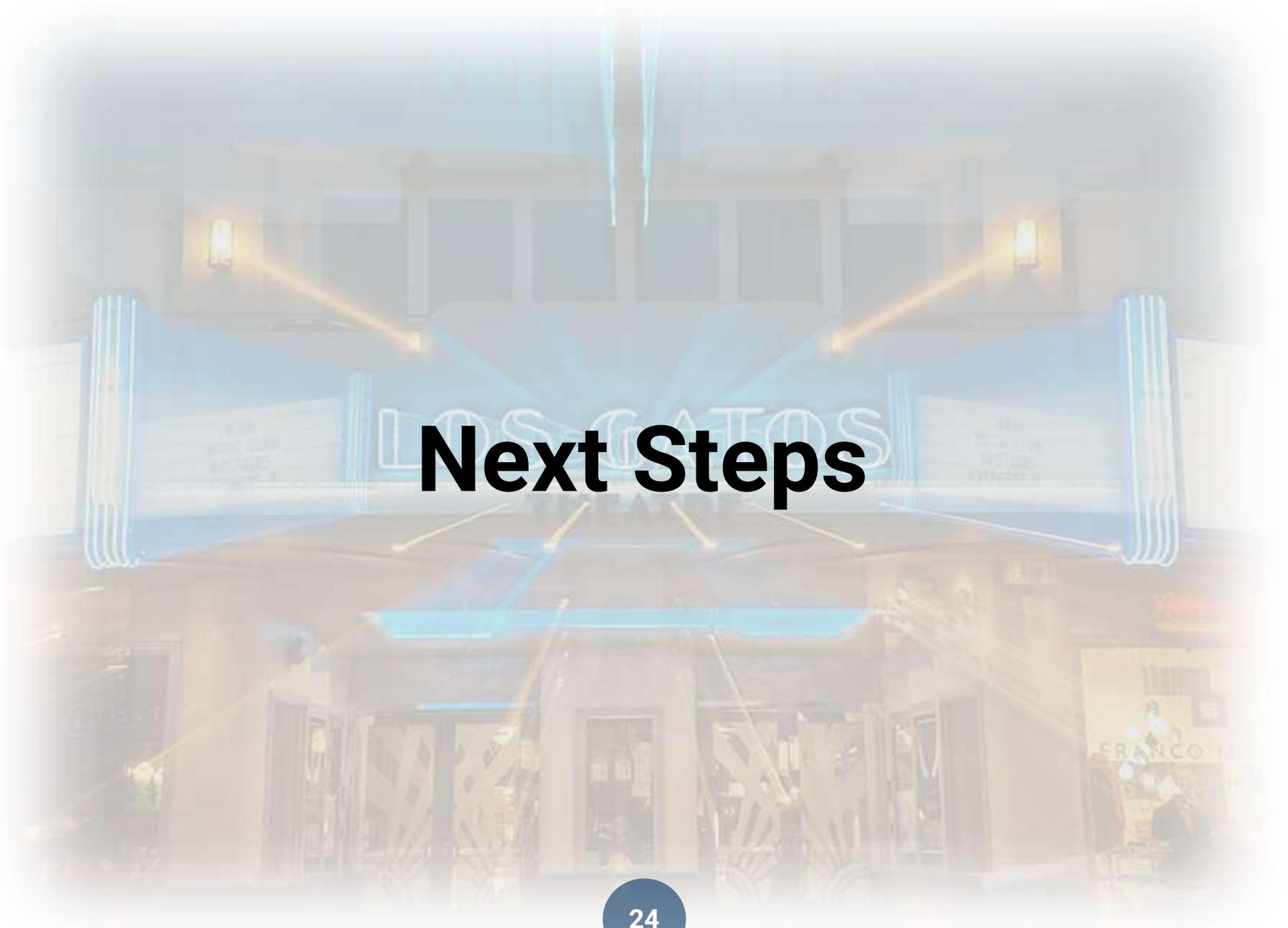


Median Assessed Value (AV) for Single-Family Residence in Los Gatos:

\$1,569,904*

	Calculation	Estimated FY26 Tax Levy
\$18 per \$100,000 AV	$\$1,569,904 / \$100,000 \times \$18 =$	\$ 282.58
\$27 per \$100,000 AV	$\$1,569,904 / \$100,000 \times \$27 =$	\$ 423.87
\$36 per \$100,000 AV	$\$1,569,904 / \$100,000 \times \$36 =$	\$ 565.17
\$45 per \$100,000 AV	$\$1,569,904 / \$100,000 \times \$45 =$	\$ 706.46
\$54 per \$100,000 AV	$\$1,569,904 / \$100,000 \times \$54 =$	\$ 847.75

*Median Assessed Value based on FY 25-26 Assessed Valuations for Los Gatos

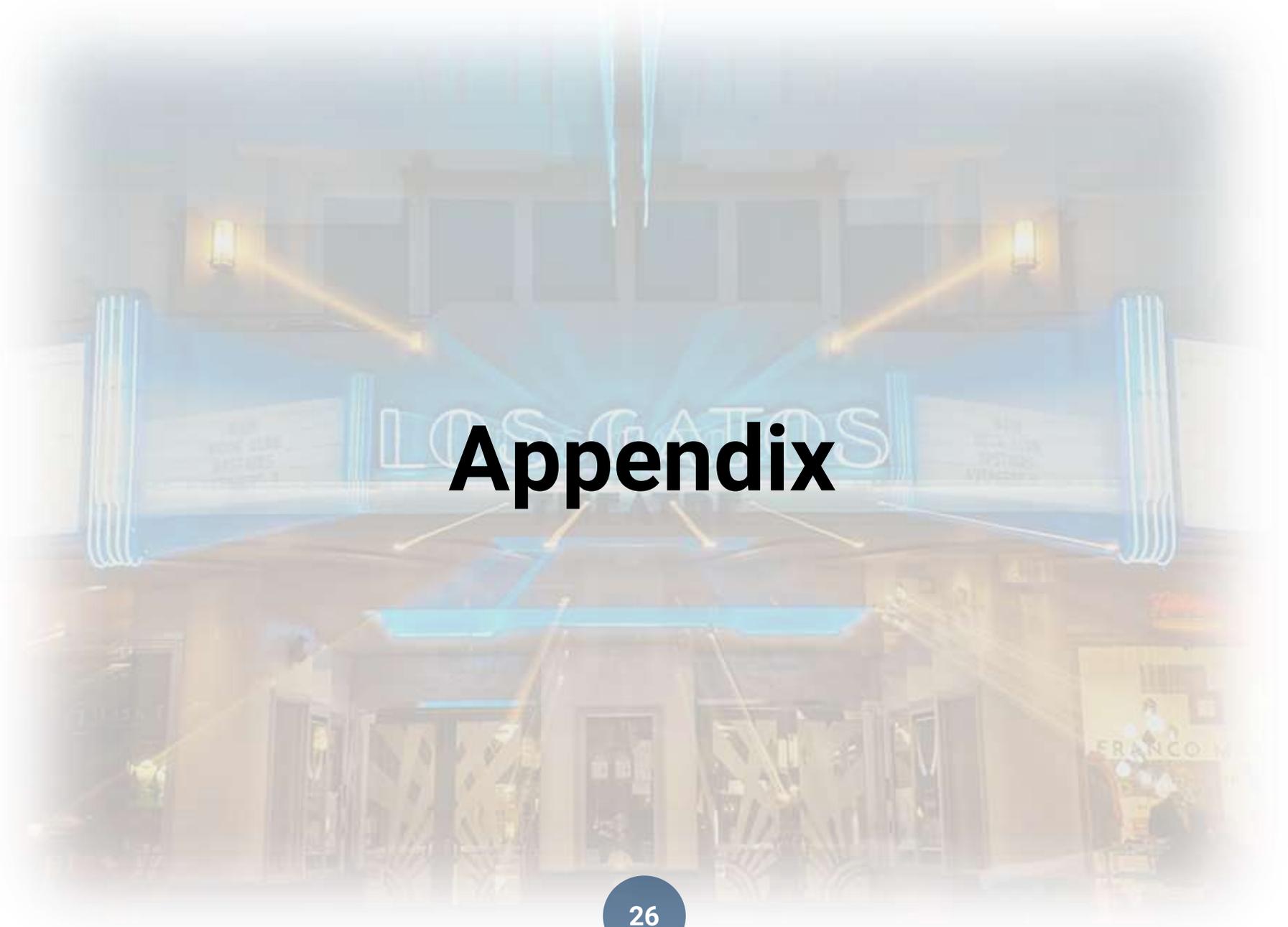


Next Steps



November 2026 Ballot Measure – Potential Timeline

Dates	Task
April to June 2026	Staff develops options for revenue measure based on community input and opinion research, Council input, and other relevant considerations.
June 2026	Council decision on appropriate revenue measure and direction for staff to prepare ballot measure language and required resolutions.
July 7, 2026	Last regularly scheduled meeting of Council for Introduction/First Reading of revenue measure ordinance.
July 21, 2026	Last regularly scheduled meeting of Council for Second Reading/Adoption of revenue measure ordinance and approval of resolution for consolidated election.
August 7, 2026	Deadline for Town submission of ballot measure to Registrar of Voters.
August 18, 2026	Deadline for Town’s submittal of impartial analysis of ballot measure to Registrar of Voters.
November 3, 2026	Election Day.

A photograph of the Los Gatos movie theater at night. The marquee is illuminated with blue neon lights and displays the name 'LOS GATOS' in large, white, stylized letters. Below the marquee, the entrance features ornate, Art Deco-style doors. To the right, a sign for 'FRANCO M...' is visible. The building is lit with warm yellow lights, and the sky is dark.

Appendix



Basics of UUT

- Percentage tax based on the consumption of utility services: electricity, gas, water, sewer, refuse, telecommunications, and cable television.
- Most cities apply UUT to electricity, gas, and telecommunications; only half include water.
- Can establish different rate for residential and commercial. Tax would be collected by utility and transmitted to the Town.
- Most of the cities with UUTs adopted the taxes prior to 1986 by vote of the city council.
- Since 2002, only 32% approval (28 of 87) for new or increased UUT rates (statewide). Including advisory measure may increase voter approval rate by 20% (limited data).

Statewide Facts on UUTs*

- 157 cities in CA have a UUT
- Rates range from 1% to 11%
- Statewide mean rate = 5.5%
- Statewide median = 5% (+- 2.07%)
- Total UUT revenue statewide is approximately \$1.8 billion*
- On average, UUT provides 15% of General Fund revenue**
- All UUTs in California (except two) are currently levied for general purposes (majority vote)

*Data as of April 2025 – CaliforniaCityFinance.com.

**Data as of April 2021 – CaliforniaCityFinance.com.



Regulatory Disclosure

Conflicts of Interest and Other Matters Requiring Disclosures. Pursuant to Municipal Securities Rulemaking Board ("MSRB") Rule G-42, on Duties of Non-Solicitor Municipal Advisors, Municipal Advisors are required to make certain written disclosures to clients which include, amongst other things, Conflicts of Interest and any Legal or Disciplinary events of Urban Futures, Inc. (UFI) and its associated persons.

The following are potential conflicts of interest to be considered.

- UFI represents that in connection with the issuance of municipal securities, UFI may receive compensation from an Issuer or Obligated Person for services rendered, which compensation is contingent upon the successful closing of a transaction and/or is based on the size of a transaction. Consistent with the requirements of MSRB Rule G-42, UFI hereby discloses, that such contingent and/or transactional compensation may present a potential conflict of interest regarding UFI's ability to provide unbiased advice to enter into such transaction. The contingent fee arrangement creates an incentive for UFI to recommend unnecessary financings or financings that are disadvantageous to the client, or to advise the client to increase the size of the issue. This potential conflict of interest will not impair UFI's ability to render unbiased and competent advice or to fulfill its fiduciary duty to the client.
- UFI fees under this potential agreement may be based on hourly fees of UFI's personnel, with the aggregate amount equaling the number of hours worked by such personnel times an agreed-upon hourly billing rate. This form of compensation presents a potential conflict of interest because it could create an incentive for UFI to recommend alternatives that would result in more hours worked. This conflict of interest will not impair UFI's ability to render unbiased and competent advice or to fulfill its fiduciary duty to its clients.
- UFI's fees under this potential agreement, may be a fixed amount established at the outset of the Agreement. The amount is usually based upon an analysis by the client and UFI of, among other things, the expected duration and complexity of the transaction and the Scope of Services to be performed by UFI. This form of compensation presents a potential conflict of interest because, if the transaction requires more work than originally contemplated, UFI may suffer a loss. Thus, UFI may recommend less time-consuming alternatives, or fail to do a thorough analysis of alternatives. This conflict of interest will not impair UFI's ability to render unbiased and competent advice or to fulfill its fiduciary duty to the client.
- The fee paid to UFI increases the cost of investment to client. The increased cost occurs from compensating UFI for municipal advisory services provided.
- UFI serves a wide variety of other clients that may from time to time have interests that could have a direct or indirect impact on the interests of another UFI client. For example, UFI serves as municipal advisor to other municipal advisory clients and, in such cases, owes a regulatory duty to such other clients. These other clients may, from time to time and depending on the specific circumstances, have competing interests. In acting in the interests of its various clients, UFI could potentially face a conflict of interest arising from these competing client interests. UFI fulfills its regulatory duty and mitigates such conflicts through dealing honestly and with the utmost good faith with its clients.
- UFI does not have any affiliate that provides any advice, service, or product to or on behalf of the client that is directly or indirectly related to the municipal advisory activities to be performed by UFI;
- UFI has not made any payments directly or indirectly to obtain or retain its clients municipal advisory business;
- UFI has not received any payments from third parties to enlist UFI's recommendation to its clients of its services, any municipal securities transaction or any municipal finance product;
- UFI has not engaged in any fee-splitting arrangements involving UFI and any provider of investments or services to its clients;
- UFI does not have any legal or disciplinary event that is material to its clients evaluation of the municipal advisory or the integrity of its management or advisory personnel.
- UFI does not act as principal in any of the transaction(s) related to this Agreement.
- Randall Merritt, a Managing Principal, previously worked at Raymond James & Associates, Inc. from December 2015 until December 2023. UFI's relationships with Raymond James and all other investment banks are conducted in an arm's length manner, and any recommendations are independent of any prior employment or other relationships.
- Gabrielle Dawson, an Associate previously worked at Morgan Stanley from June 2022 until December 2023. UFI's relationships with Morgan Stanley and all other investment banks are conducted in an arm's length manner, and any recommendations are independent of any prior employment or other relationships.

Legal Events and Disciplinary History. UFI does not have any legal events and disciplinary history on its Form MA and Form MA-I, which includes information about any criminal actions, regulatory actions, investigations, terminations, judgments, liens, civil judicial actions, customer complaints, arbitrations and civil litigation. The Town may electronically access UFI's the most recent Form MA and each most recent Form MA-I filed with the Commission at the following website: www.sec.gov/edgar/searchedgar/companysearch.html. **There have been no material changes to a legal or disciplinary event disclosure on any Form MA or Form MA-I filed with the SEC.**