



**TOWN OF LOS GATOS
COUNCIL AGENDA REPORT**

MEETING DATE: 03/16/2026

ITEM NO: 1

DATE: March 12, 2026
TO: Mayor and Town Council
FROM: Chris Constantin, Town Manager
SUBJECT: **Discuss and Provide Direction on Potential Revenue Options**

RECOMMENDATION: Provide Direction to Staff on Proceeding with Revenue Options Presented at the Joint Meeting of Town Council and Finance Commission

FISCAL IMPACT:

There is no direct fiscal impact associated with this item. Potential fiscal impacts would result from future Town Council actions related to revenue measures or associated professional services, as described in the Town Council staff report included as Attachment 1.

STRATEGIC PRIORITY:

This item relates directly to the Town's adopted 2025–2027 Strategic Priority of ensuring prudent financial management, including structurally balanced multi-year forecasts, sustainable service delivery, and adequately funded capital improvement and deferred maintenance programs.

BACKGROUND:

January 20, 2026, and Council approved preserving revenue options and not committing to a tax. In addition, Council authorized staff to engage with fiscal and legislative consultants and provided a budget adjustment to secure these services. Staff subsequently engaged Townsend Public Affairs to support pursuing legislative authority for additional sales tax bandwidth and Urban Futures Inc (UFI) to complete fiscal analysis on a variety of revenue options as shown in the attached presentation (attachment 1).

PREPARED BY: Kristina Alfaro
Administrative Services Director

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

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SUBJECT: Potential Revenue Options

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On March 16, 2026, the Town Council held a joint meeting with the Finance Commission to receive the revenue options presentation from UFI. The Finance Commission provided feedback to the Council.

DISCUSSION:

After receiving the presentation (Attachment 1) and the feedback from the Finance Commission, staff are requesting direction for how to proceed regarding revenue options. In particular, it would be helpful to receive Council direction on the following:

- Which of these options are more appealing to the Council? This will help focus efforts moving forward.
- Would the Council like staff to continue to proceed with preserving revenue options but postponing a decision until fiscal analysis work by NHA Advisors is complete?
- Is there any additional analysis or research that the Council would like to see?

CONCLUSION:

While the Town is able to pass balanced budgets using reserves in the near-term, current trends, including projected operating deficits, rising personnel costs, and significant unfunded capital and wildfire needs, show that the existing revenue structure will not sustain desired service levels over time. Continuing to proceed with a revenue option or additional research for revenue measures allows the Council to preserve options, rather than waiting until a structural crisis forces abrupt cuts or rushed measures.

ENVIRONMENTAL ASSESSMENT:

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

Attachments:

1. Presentation
2. Draft FY 2026-27 Forecast with Forecast History