



TOWN OF LOS GATOS
FINANCE COMMISSION REPORT

MEETING DATE: 01/12/2026

ITEM NO: 7

DATE: January 6, 2026
TO: Finance Commission
FROM: Chris Constantin, Town Manager
SUBJECT: Discussion, consideration, and Possible Action to Provide Direction on Revenue Measure Options and Next Steps Including Engaging Professional Services to Support the Evaluation Effort in an amount Not to Exceed \$80,000

RECOMMENDATION:

Staff recommends that the Finance Commission review the Town Council staff report provided as Attachment 1; and provide input to the Town Council for consideration as it evaluates next steps related to potential revenue options.

FISCAL IMPACT:

There is no direct fiscal impact associated with the Finance Commission providing input. Any 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 PRIORITIES:

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:

On January 20, 2026, the Town Council will consider a staff report addressing the Town's long-term fiscal outlook, structural budget risks, unfunded capital and operational needs, and options for preserving the Town's ability to consider future revenue measures. On matters of

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Town Manager

Reviewed by: Town Attorney and Town Manager

this nature, the Town Council traditionally seeks the advisory input of the Finance Commission prior to taking direction.

The Town Council staff report consolidates recent financial forecasting, capital infrastructure assessments, and emergency preparedness analyses. These materials provide the foundation for a policy discussion regarding whether and how the Town should preserve future revenue options, including potential consideration of a revenue measure in November 2026.

Rather than duplicating the full analysis, this Finance Commission report is intended to focus the Commission's review on fiscal policy considerations and to formally transmit the Commission's input to the Town Council.

DISCUSSION:

The Town Council staff report, included as Attachment 1, presents detailed information on:

- The Town's updated multi-year General Fund forecast and underlying revenue and expenditure assumptions;
- The extent to which recent fund balance increases are driven by one-time or economically sensitive revenues rather than ongoing structural balance;
- Significant unfunded capital, facility, infrastructure, and wildfire preparedness needs that are not fully addressed within existing revenue streams; and
- The legal, procedural, and timing considerations associated with potential revenue options, including sales tax, parcel tax, bond measures, and other tools.

The Finance Commission's role is advisory and focused on financial sustainability, risk, and policy alignment. Staff requests that the Finance Commission provide its input that can assist the Town Council in its deliberations. The Commission's input will be summarized and transmitted to the Town Council for consideration as part of its January 20, 2026, discussion and any subsequent actions.

CONCLUSION:

The Town Council is at an early, deliberative stage in evaluating the Town's long-term fiscal sustainability and potential revenue options. The Council staff report does not commit the Town to placing a revenue measure on the ballot but rather seeks to preserve options and inform future decisions.

Finance Commission input at this stage will provide valuable financial perspective to the Town Council as it weighs long-term risks, policy tradeoffs, and fiscal strategy. Staff therefore recommends that the Commission review Attachment 1 and provide its input for Town Council consideration.

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SUBJECT: Discuss and Provide Input for Potential Revenue Measure

DATE: January 12, 2026

ENVIRONMENTAL REVIEW:

The Finance Commission's review and provision of input is advisory in nature and does not constitute approval of a project, funding commitment, or discretionary action. Accordingly, this item is not a project under the California Environmental Quality Act and no environmental review is required.

Attachments:

1. Draft Town Council Staff Report and Attachments