



**TOWN OF LOS GATOS
COUNCIL AGENDA REPORT**

MEETING DATE: 02/03/2026

ITEM NO: 14

DATE: February 3, 2026
TO: Mayor and Town Council
FROM: Chris Constantin, Town Manager
SUBJECT: **Receive the Preliminary Baseline Forecast Model and Assumptions from NHA Advisors and Provide Feedback**

RECOMMENDATION: Receive the Preliminary Baseline Forecast Model and assumptions from NHA Advisors and provide feedback.

FISCAL IMPACT:

There is no fiscal impact associated with this item. Funding for this work was previously approved by the Town Council.

STRATEGIC PRIORITY:

This action supports Strategic Priorities regarding prudent financial management to result in a structurally balanced 5-year budget.

BACKGROUND:

On October 21, 2025, the Town Council authorized the Town Manager to execute an agreement with NHA Advisors, LLC for fiscal analysis. The purpose was to provide independent, data-driven forecasts and risk assessments to support long-term financial planning and liability management.

DISCUSSION:

Since the original approval, NHA Advisors has completed preliminary modeling and updated

PREPARED BY: Kristina Alfaro
Administrative Services Director

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

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five-year and long-term forecasts will be presented to the Finance Commission on February 2, 2026, and any recommendations and feedback provided at that meeting will be provided to the Town Council via a verbal update as part of the presentation at the February 3, 2026 Town Council meeting.

This purpose of this preliminary model is to have a discussion of assumptions used for both revenue and expenditure categories by NHA Advisors and for the Council to provide feedback to the consultants.

Review of Financial Forecast Assumptions and Budget Drivers:

- Understand underlying data sources and relevant economic factors influencing the Town's revenue projections, including how recent economic trends and updated estimates from outside consultants should be factored into the baseline model
- Distinguish between predictable and less-predictable revenue categories to understand how those sensitivities impact the Town's financial outlook
- Review staffing trends and expenditure drivers that outpace inflationary trends
- Normalize for one-time or ad hoc items in the annual budget process to improve ongoing long-term estimates

Next Steps:

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| 1. Present draft forecast model to the Town Council | Feb 3, 2026 |
| 2. Develop scenarios for comparison | March 2026 |
| 3. Prepare Draft/Final Report | March/April 2026 |

CONCLUSION:

As the Town continues to pursue various options to close the projected structural deficit and unfunded capital and operational needs, this independent review helps validate the anticipated budget gaps. The consultant's baseline forecast, although it varies from year to year, remains in line with the finance staff's original forecast even as new data and information are incorporated into the projections.

ENVIRONMENTAL ASSESSMENT:

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