



TOWN OF LOS GATOS
FINANCE COMMISSION REPORT

MEETING DATE: 08/11/2025

ITEM NO: 6

DATE: August 9, 2025
TO: Finance Commission
FROM: Chris Constantin, Town Manager
SUBJECT: Review and Provide Recommendations on the Scope of Services for a Fiscal Condition Analysis and Five-Year Projections; Fiscal Impact Analysis for Proposed and Planned Growth; and an Asset Liability Management Study

RECOMMENDATION:

Staff recommend that the Finance Commission

- Review the proposed scope of services for the Fiscal Condition Analysis and Five-Year Projections, Fiscal Impact Analysis for Proposed and Planned Growth, and Asset Liability Management (ALM) Study, and
- Provide recommendations to refine and prioritize the scopes prior to the Town issuing a Request for Proposals (RFP).

FISCAL IMPACT:

There is no direct fiscal impact from reviewing and recommending changes to the scope of services. However, the eventual consultant engagement will require appropriation of funds from the Town's budget. Costs will vary depending on the scope breadth, whether studies are combined, and the selected consultant's pricing. Future costs will be presented to the Town Council at the time of contract award.

STRATEGIC PRIORITIES:

This initiative supports the Town's strategic priorities of:

- **Fiscal Stability:** Providing independent, data-driven forecasts and risk assessments to ensure sustainable financial planning.

PREPARED BY: Chris Constantin
Town Manager

Reviewed by: Town Manager, Town Attorney, Assistant Town Manager, and Community Development Director

- **Community Character:** Evaluating fiscal impacts of growth to balance economic vitality with quality-of-life considerations.
- **Operational Excellence:** Developing clear, auditable tools for decision-making and aligning long-term fiscal strategies with policy objectives.

BACKGROUND:

At its April 14, 2025, meeting, the Finance Commission discussed draft scopes for a Fiscal Impact Analysis and a Fiscal Condition Analysis with Five-Year Projection. After reviewing the objectives and overlaps between the two scopes, the Commission recommended consolidating the scopes into a single RFP process with three separate line items:

1. **Fiscal Condition Analysis and Five-Year Forecast**
2. **Long-Term Outlook (to 2040, aligned with the General Plan and Housing Element)**
3. **Standalone Asset Liability Management Study**

The Commission emphasized the importance of:

- Using scenario planning with defined assumptions (best, worst, baseline, macroeconomic variations) and a risk/opportunity matrix.
- Including both internal and external stakeholder engagement.
- Ensuring clarity on accounting basis (government-wide vs. fund-based) and reconciliation across documents.
- Including cost as a decision criterion and requesting consultants' methodological transparency (including AI/data tool usage).
- Requesting work samples to evaluate consultant capabilities.
- Clearly articulating specific questions to be addressed, including the Town's short- and long-term fiscal condition and the fiscal impacts of projected development under the 2040 General Plan and Housing Element.

This agenda item continues the conversation and facilitates the Finance Commission's input on the draft scope of services.

DISCUSSION:

The proposed RFP will solicit qualified firms to conduct:

- **A Fiscal Condition Analysis and Five-Year Financial Forecast** to provide a rigorous, auditable view of the Town's current fiscal health, structural drivers, and near-term risks.
- **A Fiscal Impact Analysis for Proposed and Planned Growth** to model revenues, costs, and capital demands from development consistent with the General Plan and Housing Element through 2040, under multiple scenarios.

- **An Asset Liability Management Study** to inventory and evaluate pension, OPEB, bonded debt, and unfunded infrastructure liabilities, and recommend funding and reserve strategies.

The scope incorporates best practices, including:

- Multi-scenario forecasting with documented assumptions.
- Stress testing and sensitivity analysis.
- Stakeholder interviews to validate data and assumptions.
- Deliverables in both PDF and editable formats, with staff training for ongoing use.
- Public presentations to the Finance Commission and Town Council.

Given the breadth of analysis, the Finance Commission's input is sought on the scope of the review, criteria for assessment, and any other guidance helpful to this important analysis. The final scopes will guide the Town in procuring services that provide robust, actionable, and transparent fiscal planning tools.

CEQA:

This review and recommendation process is not a project under the California Environmental Quality Act (CEQA) and is therefore exempt from environmental review.

CONCLUSION:

Staff requests that the Finance Commission review the attached draft scopes of services and provide recommendations to ensure the RFP yields proposals capable of delivering clear, comprehensive, and decision-ready fiscal analyses. The Finance Commission's feedback will help align the studies with the Town's strategic priorities and resource constraints before the RFP is finalized for Council consideration.

ATTACHMENTS:

1. Draft Request for Proposals – Fiscal Condition Analysis, Five-Year Forecast, Fiscal Impact Analysis, and Asset Liability Management Study
2. Fiscal Impact Analysis Example – City of Annapolis, Maryland (BAE Urban Economics)
3. April 14, 2025 Finance Commission Agenda Item and Draft Scopes