TOWN OF LOS GATOS
FINANCE COMMISSION REPORT

MEETING DATE: 09/14/2026

ITEM NO: 7

DATE: September 4, 2026

TO: Finance Commission

FROM: Chris Contantin, Town Manager

SUBJECT: Receive and Forward to the Town Council the Monthly Expenditure and Revenue Reports for the Month of July 2026 and Provide Direction on Financial Reporting Frequency and Format

RECOMMENDATION:

1. Receive and Forward to the Town Council the Monthly Expenditure and Revenue Reports for the Month of July 2026 and Provide Direction on Financial Reporting Frequency and Format.
2. Provide direction to staff's proposal to continue monthly financial reports, provide detailed trend analysis quarterly, identify major issues in intervening monthly reports, and provide feedback on the format of future reports.

BACKGROUND:

As part of the Town's new ongoing monthly financial reporting process, staff are providing standardized expenditure and revenue reports that present financial activity with multiple levels of detail. These monthly reports are intended to enhance transparency, support monitoring of departmental spending, and ensure timely administrative oversight. Financial reporting is completed two months in arrears to allow for the closing of each accounting period, verification of transactions, and reconciliation of revenue postings. As a result, July 2026 expenditure and revenue reports are being presented in September 2026.

DISCUSSION:

The July 2026 monthly financial reports provide expenditure and revenue information with the following breakdowns:

PREPARED BY: Kristina Alfaro
Administrative Services Director

Reviewed by: Town Manager

1. **By Fund**
   Shows total expenditures and revenues for each Town fund, allowing for high-level review of fiscal performance across all funding sources.
2. **By Fund and Category**
   Provides expenditures and revenues within each fund divided into major categories such as personnel, operating, capital, charges for services, taxes, and other revenue types.
3. **By Fund and Department**
   Displays departmental expenditures by the specific fund supporting each program or operational area.
4. **By Fund, Department and Expense/Revenue Category**
   Offers a detailed breakdown that ties each department's budget activity to the relevant fund and categorizes expenditures and revenues for more granular analysis.

Analysis Overview

These reports support ongoing monitoring of budget-to-actual performance, highlight variances that may require adjustment, and help ensure compliance with adopted financial policies. Staff approached the analysis in two ways. First, a straight-line analysis assumes expenditures and revenues are expended and collected evenly throughout the year, with each month representing 1/12, or 8.3%, of the annual budget. Straight line analysis was shown as part of trend analysis tables; however, staff only show this for illustrative purposes. As you will see, the trend analysis provides far more meaningful analysis and we would expect this trend to continue throughout the fiscal year.

In trend analysis, staff has reviewed the July reports for revenue/expenditures of three prior Julys for fiscal years (FY) 2023-24 to 2025-26 (Attachment 10 and 11) against actual revenues/expenditures and collections in FY 2026-27 to determine if we are on trend with prior years.

Analysis is done by Fund first, followed by in depth analysis for the General Fund only that includes, by category, by department analysis. Staff focused on irregular patterns and on items trending above or below prior year trends for both revenues and expenditures for all analysis completed in this report.

Staff completed a vacancy savings analysis across all funds to determine how the budget is tracking against projected salary savings. This is done across all funds because salary and benefits are charged across multiple funds, with the largest majority being in the General Fund.

When looking at the % Collected and % Expended columns across various reports, the following formulas are used, revenue MTD Actuals/Revised Budget. For expenditures, the formula is (MTD Actuals+Encumbrances)/Revised Budget.

MTD refers to Month to Date (MTD), and encumbrances represent money that has been set aside for an agreement to purchase goods or services. As actual expenditures are charged against the encumbrance it should decrease and actual expenditures should increase. For this reason, many areas where % Expended is trending greatly above the trend or straight line, staff will note the reason, but this is not a cause for concern. We expect both analyses to normalize as the year progresses. However, should a budget be over 100% expended, staff will note the reason, as this may indicate an issue that may require an adjustment.

The months of July and June, as they are the first and last months of the fiscal year, have some anomalies in reporting due to closing out the prior year and starting the new year. These include accruals and timing of both revenues and expenditures. In addition, some revenue and expense items might not be posted yet due mainly to the timing of the item or other delays. Although staff works diligently to clear the bulk of the anomalies, some remain are discussed further below. Most anomalies should resolve by the August reports.

The Town operates on a modified accrual basis. Under this basis, revenues and expenditures are generally recognized when measurable and incurred, with year-end accruals used to assign transactions to the appropriate fiscal year.

You may also note negative encumbrances as part of the July reports as well, this too, is due to this period in the year where an encumbrance has been carried forward as negative from the prior year and will resolve in the August report.

In anticipation of July revenue, receivables are set up and may result in negative revenue until such time as the payment is received. The accruals are then backed out, and the negative revenue should resolve in the August reports.

<u>Executive Summary</u>

All Funds

As of July 2026, the Town has expended or encumbered approximately 15.1% of the total revised expenditure budget, compared with 21.5%, 30.7%, and 15.0% during the same period in the prior three fiscal years. Overall spending is therefore generally consistent with historical experience and does not indicate a Townwide expenditure concern. Several funds have elevated utilization, most notably Storm Basin 2 (175.2%), Gas Tax (108.4%), ABAG Town Liability (88.8%), Workers’ Compensation (36.3%), Information Technology (48.2%), and

Facilities Maintenance (30.4%)—but many of these results are attributable to encumbrances, annual contracts, timing of charges, or other accounting activity. Storm Basin 2 and Gas Tax should be reviewed as encumbrance/budget alignment issues, while ABAG Town Liability warrants closer attention because its high utilization is primarily attributable to actual expenditures. The August report will provide an important opportunity to determine whether July timing and accounting anomalies have been resolved.

General Fund

General Fund expenditures are approximately 8% of the revised budget, including encumbrances, which is essentially in line with the 8.3% one-month straight-line benchmark and below the 9.3%–10.7% range experienced during the same period in the prior three years. Most departments remain below the benchmark, with the exceptions of Parks and Public Works (16.4%) and Town Attorney (36.0%), the latter primarily reflecting a $398,000 contract encumbrance. Personnel expenditures remain favorable, particularly overtime at 4.5% compared with 11.7% in the prior year. The principal General Fund areas to monitor are Contracts (33.9%), Utilities (23.5%), and Materials and Supplies (13.1%), which reflect a combination of annual contractual commitments and timing of expenditures.

<u>Revenues by Fund Trend Analysis</u> Overall revenues across all funds as of July are 1.6% collected, and on trend for the same period in prior years. Prior years ranged from 0.9% to 5.6% collected as a percent of the revised budget for the month of July. Note that General Fund analysis combines funds 111, 121, and 732 and this grouping continues in the General Fund portion of this report. This consolidated view is presented to ensure legibility. Details can be found in Attachment 11).

Fund	Fund Name	FY 2023-24 % COLL	FY 2024-25 % COLL	FY 2025-26 % COLL	STRAIGHT LINE	FY 2026-27 % COLL	TREND
111	GENERAL FUND	5.7%	3.4%	1.9%	8.3%	1.4%	↓
121	MEASURE G FUND	-9.8%	-9.1%	-9.7%	8.3%	0.0%	↑
732	PERS CEPPT PENSION TRUST	0.0%	0.0%	0.0%	8.3%	0.0%	✓
	Total General Fund	**5.3%**	**3.1%**	**1.6%**	8.3%	**1.4%**	
222	URBAN RUNOFF FUND	0.0%	-10.4%	-12.5%	8.3%	0.0%	✓
251	LOS GATOS THEATRE	8.1%	17.1%	12.4%	8.3%	12.5%	✓
411	CAPITAL PROJECTS FUND	29.0%	0.7%	1.5%	8.3%	0.7%	✓

Fund	Fund Name	FY 2023-24 % COLL	FY 2024-25 % COLL	FY 2025-26 % COLL	STRAIGHT LINE	FY 2026-27 % COLL	TREND
413	LONG-TERM COMMUNITY BENEFIT[1]	0.0%	0.0%	0.0%	8.3%	0.0%	✓
421	GRANT FUNDED PROJECTS	-13.9%	0.0%	-2.8%	8.3%	928.9%	↑
461	STORM BASIN 1	14.3%	3.3%	0.0%	8.3%	0.0%	↓
462	STORM BASIN 2	5.1%	3.0%	18.8%	8.3%	0.0%	↓
463	STORM BASIN 3	0.0%	0.0%	-5.1%	8.3%	0.0%	↑
472	UTILITY UNDERGROUND TAX FUND	7.6%	1.4%	4.2%	8.3%	0.0%	↓
481	GAS TAX FUND	-3.6%	-4.5%	-4.6%	8.3%	0.0%	↑
611	ABAG TOWN LIABILITY FUND	0.6%	0.0%	0.0%	8.3%	0.0%	✓
612	WORKERS COMPENSATION FUND	6.8%	1.1%	3.4%	8.3%	0.5%	↓
621	INFORMATION TECHNOLOGY	1.5%	1.3%	1.4%	8.3%	0.7%	↓
631	EQUIPMENT REPLACEMENT FUND	-1.4%	0.0%	0.0%	8.3%	2.2%	↑
633	FACILITIES MAINTENANCE FUND	18.2%	1.8%	1.8%	8.3%	2.2%	✓
942	SA TRUST FUND	0.0%	0.0%	0.0%	8.3%	0.0%	✓
TOTAL REVENUE BY FUND		**5.6%**	**2.4%**	**0.9%**	**8.3%**	**1.6%**	✓

111/121/732 General Fund revenues collected are 1.4% and trending below the same point in the prior three years. Prior years ranged from 1.6% and 5.3% collected as a percent of the revised budget for the month of July. This is primarily due to payment timing, and the year-end accrual process were a negative revenue is posted to account for anticipated revenue timing, then reversed when actual revenue for the month is received.

421 Grant Funded Projects actual revenues collected are 928.9% and trending above the same point in the prior three years. Prior years ranged from -13.9% and 0.0% collected as a percent of the revised budget for the month of July. This is primarily due to the receipt of the MTC One Bay Area Grant (OBAG).

[1] Transfers in/out are processed annually at year-end. You will the $3 million transfer in the June monthly reports.

462 Storm Basin 2 actual revenues collected are 0.0% and trending below the same point in the prior three years. Prior years ranged from 3.0% and 18.8% collected as a percent of the revised budget for the month of July. This is primarily due to prior years having a few storm drain fees received in July.

472 Utility Underground Tax Fund actual revenues collected are 0.0% and trending below the same point in the prior three years. Prior years ranged from 1.4% and 7.6% collected as a percent of the revised budget for the month of July. This is primarily due to prior years having received construction taxes in July.

481 Gas Tax Fund actual revenues collected are 0.0% and trending above the same point in the prior three years. Prior years ranged from -4.6% and -3.6% collected as a percent of the revised budget for the month of July. This is primarily due to the timing of accruing the July SB1 RMRA payment.

612 Workers' Compensation Fund actual revenues collected are 0.5% and trending below the same point in the prior three years. Prior years ranged from 1.1% and 6.8% collected as a percent of the revised budget for the month of July. This is primarily due to reimbursement received in prior years that have not materialized in the current fiscal year.

621 Information Technology Fund actual revenues collected are 0.7% and trending below the same point in the prior three years. Prior years ranged from 1.3% and 1.5% collected as a percent of the revised budget for the month of July. This is primarily due to the timing of payrolls with prior years having at least two full payrolls in July and the current year having only 1.29 pay periods for the same period.

631 Equipment Replacement Fund actual revenues collected are 2.2% and trending above the same point in the prior three years. Prior years ranged from -1.4% and 0.0% collected as a percent of the revised budget for the month of July. This is primarily due to the sale of a fixed asset.

Expenditures by Fund Trend Analysis Expenditures and encumbrances are 15.1% as of July and on trend with the same period in the prior three-years, which have ranged from 15.0% and 30.7% expended as a percent of the revised budget for the month of July. Note that General Fund analysis combines funds 111, 121, and 732, and this grouping continues in the General Fund portion of this report. This consolidated view is presented to ensure legibility. Details can be found in Attachment 10.

Fund	Fund Name	FY2023-24 % EXP	FY2024-25 % EXP	FY2025-26 % EXP	STRAIGHT LINE	FY2026-27 % EXP	ON TREND
111	GENERAL FUND	9.6%	10.9%	10.6%	8.3%	8.2%	↓
121	MEASURE G FUND	-0.8%	-0.6%	-0.8%	8.3%	0.0%	↓
732	PERS CEPPT PENSION TRUST	0.0%	0.0%	0.0%	8.3%	0.0%	✓
TOTAL GENERAL FUND		**9.3%**	**10.7%**	**10.4%**	**8.3%**	**8.0%**	↓
222	URBAN RUNOFF FUND	8.0%	5.1%	3.6%	8.3%	7.7%	✓
231	BLACKWELL DISTRICT	50.6%	36.3%	36.3%	8.3%	31.5%	✓
232	KENNEDY MEADOWS DISTRICT	80.3%	61.5%	61.5%	8.3%	57.6%	↓
233	GEMINI COURT DISTRICT	55.6%	31.7%	31.7%	8.3%	33.9%	✓
234	SANTA ROSA HEIGHTS DISTRICT	92.2%	82.2%	82.2%	8.3%	82.9%	✓
235	VASONA HEIGHTS DISTRICT	56.4%	49.9%	49.9%	8.3%	50.2%	✓
236	HILLBROOK DISTRICT	36.6%	25.7%	25.7%	8.3%	30.1%	✓
251	LOS GATOS THEATRE	0.0%	3.5%	0.0%	8.3%	12.3%	↑
261	LIBRARY TRUST DONATIONS	4.1%	3.6%	4.4%	8.3%	4.8%	↑
411	CAPITAL PROJECTS FUND	82.2%	128.5%	12.1%	8.3%	2.0%	↓
421	GRANT FUNDED PROJECTS	77.9%	208.4%	20.9%	8.3%	0.0%	↓
462	STORM BASIN 2	0.0%	100.0%	4.2%	8.3%	175.2%	↑
471	TRAFFIC MITIGATION FUND	94.7%	153.5%	0.0%	8.3%	0.0%	✓
481	GAS TAX FUND	82.6%	90.8%	28.0%	8.3%	108.4%	↑
611	ABAG TOWN LIABILITY FUND	0.0%	0.0%	83.4%	8.3%	88.8%	↑
612	WORKERS COMPENSATION FUND	4.0%	30.0%	28.1%	8.3%	36.3%	↑
621	INFO TECH	56.7%	58.3%	25.9%	8.3%	48.2%	✓
631	EQUIPMENT REPLACEMENT FUND	12.1%	30.2%	7.6%	8.3%	0.0%	↓

Fund	Fund Name	FY2023-24 % EXP	FY2024-25 % EXP	FY2025-26 % EXP	STRAIGHT LINE	FY2026-27 % EXP	ON TREND
633	FACILITIES MAINTENANCE FUND	27.2%	23.3%	16.9%	8.3%	30.4%	↑
942	SA TRUST FUND	43.9%	44.8%	45.7%	8.3%	45.0%	✓
		TOTAL	**21.5%**	**30.7%**	**15.0%**	**8.3%**	**15.1%**

111/121/732 General Fund actual expenditures and encumbrances are 8.0% and trending below the prior three-years, which have ranged from 9.3% to 10.7% expended as a percent of the revised budget for the month of July. This is due to a variety of variances across multiple expense categories. See the General Fund by category for further information.

232 Kennedy Meadows District actual expenditures and encumbered funds are 57.6% and trending below the same point in the prior three years. Prior years ranged from 61.5% and 80.3% expended as a percent of the revised budget for the month of July. This is primarily due to an encumbrance for median and mowing.

251 Los Gatos Theatre actual expenditures and encumbered funds are 12.3% and trending above the same point in the prior three years. Prior years ranged from 0.0% and 3.5% expended as a percent of the revised budget for the month of July. This is primarily due to an encumbrance for elevator services.

261 Library Trust actual expenditures and encumbered funds are 4.8% and trending above the same point in the prior three years. Prior years ranged from 3.6% to 4.1% expended as a percent of the revised budget for the month of July. Although this is trending slightly higher, prior year actual are in line with prior year; however, this year is budgeted lower than prior years. This causes the larger percentage.

411 Capital Projects Fund actual expenditures and encumbered funds are 2.0% and trending below the same point in the prior three years. Prior years ranged from 12.1% to 128.5% to be expended as a percent of the revised budget for the ma July. This is primarily due to a one-time COVID-19 funds expended in this fund in FY 2023-24.

421 Grant Funded Projects actual expenditures and encumbered funds are 0.0% and trending below the same point in the prior three years. Prior years ranged from 20.9% and 208.4% expended as a percent of the revised budget for the month of July. This is primarily due to large encumbrances in prior years.

462 Storm Basin 2 actual expenditures and encumbered funds are 175.2% and trending above the same point in the prior three years. Prior years ranged from 0.0% to 100.0% expended as a percent of the revised budget for the month of July. This is primarily due to actual charges that were not processed against the existing purchase order, causing this fund to appear over budget. Staff will correct this reporting in August.

481 Gas Tax Fund actual expenditures and encumbered funds are 108.4% and trending above the same point in the prior three years. Prior years ranged from 28.0% to 90.8% expended as a percent of the revised budget for the month of July. This is primarily due to actual charges that were not processed against the existing purchase order, causing this fund to appear over budget. Staff will correct this reporting in August.

611 ABAG Town Liability Fund actual expenditures and encumbered funds are 88.8% and trending above the same point in the prior three years. Prior years ranged from 0% to 83.4% expended as a percent of the revised budget for the month of July. This is primarily due to a change in insurance providers resulting in a lower budget number in comparison to expended funds.
612 Workers' Compensation Fund actual expenditures and encumbered funds are 36.3% and trending above the same point in the prior three years. Prior years ranged from 4.0% to 30.0% expended as a percent of the revised budget for the month of July. This is primarily due to a combination of encumbered funds and fluctuations in budgeted expenditures.

631 Equipment Replacement Fund actual expenditures and encumbered funds are 0.0% and are trending below the same point in the prior three years. Prior years ranged from 7.6% and 30.2% expended as a percent of the revised budget for the month of July. This is primarily due to encumbrances in prior years for patrol vehicles that are not in the current year.

633 Facilities Maintenance Fund actual expenditures and encumbered funds are 30.4% and trending above the same point in the prior three years. Prior years ranged from 16.9% and 27.2% expended as a percent of the revised budget for the month of July. This is primarily due to increases in utilities costs driven by two months of payment being posted to July.

<u>General Fund[2] Department Revenue Trend Analysis</u> Overall General Fund revenues across all departments as of July are 1.4% collected, and trending below for the same period in prior years. Prior years ranged from 0.0% to 5.3% collected as a percent of the revised budget for the month of July. . Note that General Fund analysis combines funds 111, 121, and 732, and this grouping continues in the General Fund portion of this report. This consolidated view is presented to ensure legibility. Details can be found in Attachment 11.

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[2] The General Fund include Funds 111, 121 and 732.

Department Name	FY 2023-24 % COLL	FY 2024-25 % COLL	FY 2025-26 % COLL	STRAIGHT LINE	FY 2026-27 % COLL	TREND
Townwide	-2.7%	-2.5%	-3.0%	8.3%	0.2%	↑
Town Attorney	0.0%	0.0%	0.0%	8.3%	0.0%	✓
Administrative Services	44.5%	-5.9%	-35.9%	8.3%	4.2%	✓
Community Development	14.6%	26.2%	42.1%	8.3%	2.7%	✓
Police	2.6%	4.7%	9.5%	8.3%	1.1%	✓
Parks & Public Works	67.8%	66.5%	48.1%	8.3%	10.7%	✓
Library	-1.8%	87.7%	51.7%	8.3%	-2.5%	↓
General Fund % Collected by Department	**5.3%**	**3.1%**	**1.6%**	**8.3%**	**1.4%**	↓

Townwide actual revenues collected are 0.2% and trending above the same point in the prior three years. Prior years ranged from -3.0% and -2.5% collected as a percent of the revised budget for the month of July. This is primarily due to new year's accruals and timing of payments for Sales Tax, Transient Occupancy Tax and Franchise Fees. This trend is expected to improve with August reporting.

Administrative Services This department is on trend but, prior year collections have varied significantly. This is due to the mark to market adjustments made in prior years that caused large negative and positive swings. In addition, in FY 2023-24 COVID-19 pass thru funds were received in this department.

Community Development This department is on trend, but prior year collections have varied significantly. In the current year, actual collections are trending significantly lower than in prior years. This is due to a delay in accounting for revenues received in the Town's planning software to the ERP. This trend is expected to improve with August reporting.

Library actual revenues collected are -2.5% and trending below the same point in the prior three years. Prior years ranged from -1.8% and 87.7% collected as a percent of the revised budget for the month of July. This is primarily due to larger grant funds received in prior years.

<u>General Fund Revenue by Category Trend Analysis</u> Overall General Fund revenues across all categories as of July are 1.4% collected and are below the same period in prior years. Prior years ranged from 1.6% to 5.3% collected as a percent of the revised budget for the month of July. . Note that General Fund analysis combines funds 111, 121, and 732, and this grouping continues in the General Fund portion of this report. This consolidated view is presented to ensure legibility. Details can be found in Attachment 11.

Department Name	FY 2023-24 % COLL	FY 2024-25 % COLL	FY 2025-26 % COLL	STRAIGHT LINE	FY 2026-27 % COLL	TREND
PROPERTY TAX	0.0%	-0.5%	-0.5%	8.3%	0.0%	↑
SALES & USE TAX	-9.3%	-8.4%	-9.2%	8.3%	0.0%	↑
MEASURE G	-9.8%	-9.1%	-9.7%	8.3%	0.0%	↑
TRANSIENT OCCUPANCY	-5.8%	-6.7%	-13.9%	8.3%	3.9%	↑
BUSINESS LIC & OTHER	0.0%	0.0%	0.0%	8.3%	0.0%	✓
FRANCHISE FEES	-5.9%	-11.9%	-10.5%	8.3%	0.0%	↑
FINES & FORFEITURES	0.0%	0.0%	0.0%	8.3%	0.0%	✓
LICENSES & PERMITS	13.8%	10.3%	10.9%	8.3%	3.5%	↓
TOWN SERVICES	7.4%	8.1%	14.4%	8.3%	4.1%	↓
OTHER SOURCES	77.9%	-11.8%	-59.2%	8.3%	8.2%	↑
INTERGOVERNMENTAL	-27.3%	17.4%	7.0%	8.3%	-6.4%	✓
PASS THRU	95.6%	113.4%	91.4%	8.3%	5.2%	↓
TRANSFERS IN	0.0%	0.0%	0.0%	8.3%	0.0%	✓
DEBT SERVICE REMIB	0.0%	0.0%	0.0%	8.3%	0.0%	✓
GENERAL FUND % COLLECTED BY CATEGORY	**5.3%**	**3.1%**	**1.6%**	**8.3%**	**1.4%**	↓

Property Tax actual revenues collected are 0.0%. This is higher than the negative percentages reported in the prior three years, primarily due to the timing of July revenue postings.

Sales & Use Tax actual revenues collected are 0.0% and trending above the same point in the prior three years. Prior years ranged from -9.3% and -8.4% collected as a percent of the revised budget for the month of July. This is primarily due to the delay in posting July revenue.

Measure G actual revenues collected are 0.0% and trending above the same point in the prior three years. Prior years ranged from -9.8% and -9.1% collected as a percent of the revised budget for the month of July. This is primarily due to a delay in posting July revenue.

Transient Occupancy Tax actual revenues collected are 3.9% and trending above the same point in the prior three years. Prior years ranged from -13.9% and -5.8% collected as a percent of the revised budget for the month of July. This is primarily due to a receivable for funds yet to be received and the delay in posting July revenue.

Franchise Fees actual revenues collected are 0.0% and trending above the same point in the prior three years. Prior years ranged from -11.9% and -5.9% collected as a percent of the revised budget for the month of July. This is primarily due to a receivable for funds yet to be collected that has not been set up this fiscal year.

Licenses and Permits' actual revenues collected are 3.5% and trending below the same point in the prior three years. Prior years ranged from 10.3% and 13.8% collected as a percent of the revised budget for the month of July. This is primarily due to an increase in budgeted revenue in comparison to other years and the large payment received in the previous year.

Town Services actual revenues collected are 4.1% and trending below the same point in the prior three years. Prior years ranged from 7.4% and 14.4% collected as a percent of the revised budget for the month of July. This is due to a delay in accounting for revenues received in the Town's planning software to the ERP. This trend is expected to improve with August reporting. In addition, a receivable for payment related to contracted police services was not set up in the current year.

Pass-Through actual revenues collected are 5.2% and trending below the same point in the prior three years. Prior years ranged from 91.4% to 113.4%, collected as a percent of the revised budget for the month of July. This is due to a delay in accounting for revenues received in the Town's planning software to the ERP. This trend is expected to improve with August reporting.

<u>General Fund Department Expense Trend Analysis</u> Actual expenditures and encumbered funds are 8.0% and below in the same point in the prior three years. Prior years ranged from 9.3% to 10.7% expended as a percent of the revised budget for the month of July. Details can be found in Attachment 10.

Department	FY2023-24 % EXP	FY2024-25 % EXP	FY2025-26 % EXP	STRAIGHT LINE	FY2026-27 % EXP	Trend
Town Council	7.4%	6.3%	6.4%	8.3%	5.5%	↓
Townwide	11.5%	8.2%	9.0%	8.3%	6.2%	↓
Town Attorney	5.5%	5.6%	12.9%	8.3%	36.0%	↑
Administrative Services	5.0%	5.9%	4.5%	8.3%	5.2%	✓
Community Development	9.9%	17.7%	21.2%	8.3%	6.3%	✓
Police	7.4%	7.0%	6.1%	8.3%	5.0%	↓
Parks & Public Works	15.2%	21.6%	20.1%	8.3%	16.4%	✓
Library	4.9%	6.2%	6.1%	8.3%	5.5%	✓
GENERAL FUND % EXPENSED BY DEPARTMENT	**9.3%**	**10.7%**	**10.4%**	**8.3%**	**8.0%**	↓

SUBJECT: Receive and forward to the Town Council the monthly expenditure and revenue reports for the month of July 2026
DATE: September 14, 2026

Town Council actual expenditures and encumbered funds are 5.5% and trending below the same point in the prior three years. Prior years ranged from 6.3% to 7.4% expended as a percent of the revised budget for the month of July. This is primarily due reduces salary costs because there are only 1.29 pay periods in July. In comparison, other years have contained two or more in July.

Townwide actual expenditures and encumbered funds are 6.2% and trending below the same point in the prior three years. Prior years ranged from 8.2% and 11.5% expended as a percent of the revised budget for the month of July. This is primarily due to a reduction in retiree medical expenses due to reduced pay periods for the current year to 1.29. In other years have contained two or more pay periods in July.

Town Attorney actual expenditures and encumbered funds are 36.0% and trending above the same point in the prior three years. Prior years ranged from 5.3% to 12.9% expended as a percent of the revised budget for the month of July. This is primarily due to a large encumbrance in the current fiscal year.

Police actual expenditures and encumbered funds are 5.0% and trending below the same point in the prior three years. Prior years ranged from 5.6% to 7.0% expended as a percent of the revised budget for the month of July. This is primarily due to a change in how overtime is budgeted to align more closely with prior year's actuals.

<u>General Fund by Expense Category Analysis</u> *Actual* expenditures and encumbered funds are 8.0% and on trend for the same point in the prior three years. Prior years ranged from 9.3% to 10.7% expended as a percent of the revised budget for the month of July. . Note that General Fund analysis combines funds 111, 121, and 732, and this grouping continues in the General Fund portion of this report. This consolidated view is presented to ensure legibility. Details can be found in Attachment 10.

Department Name	FY 2023-24 % COLL	FY 2024-25 % COLL	FY 2025-26 % COLL	STRAIGHT LINE	FY 2026-27 % COLL	TREND
SALARIES	5.9%	5.7%	5.3%	8.3%	4.8%	↓
OVERTIME	13.2%	9.9%	11.7%	8.3%	4.5%	↓
PERS	6.3%	6.6%	6.2%	8.3%	6.3%	✓
MEDICAL BENEFITS	6.9%	6.9%	6.8%	8.3%	7.2%	↑
OTHER BENEFITS	6.4%	6.7%	6.3%	8.3%	6.3%	✓
RETIREE MEDICAL	14.9%	16.6%	14.9%	8.3%	8.5%	↓
MATERIALS & SUPPLIES	4.3%	13.2%	9.6%	8.3%	13.1%	✓
CONTRACTS	17.7%	30.7%	20.2%	8.3%	33.6%	↑
UTILITIES	22.6%	20.4%	20.3%	8.3%	23.5%	↑

Department Name	FY 2023-24 % COLL	FY 2024-25 % COLL	FY 2025-26 % COLL	STRAIGHT LINE	FY 2026-27 % COLL	TREND
GRANTS AND AWARDS	0.3%	0.1%	11.8%	8.3%	5.3%	✓
PASS THRU	48.0%	54.3%	67.9%	8.3%	5.8%	↓
MISCELLANEOUS	0.0%	0.0%	0.0%	8.3%	0.0%	✓
INT SERVICE CHARGES	1.0%	2.4%	2.7%	8.3%	2.7%	✓
DEBT SERVICE	0.0%	0.0%	0.0%	8.3%	0.0%	✓
CAPITAL PROJECTS	0.0%	0.0%	0.0%	8.3%	0.0%	✓
TRANSFERS OUT	0.0%	0.0%	0.0%	8.3%	0.0%	✓
OPEB	0.0%	0.0%	0.0%	8.3%	0.0%	✓
GENERAL FUND TOTALS BY CATEGORY	**9.3%**	**10.7%**	**10.4%**	**8.3%**	**8.0%**	✓

Salaries actual expenditures and encumbered funds are 4.8% and trending below the same point in the prior three years. Prior years ranged from 5.3% to 5.9% expended as a percent of the revised budget for the month of July. This is primarily due to reduced pay periods for the current year to 1.29. In comparison other years have contained two or more in July.
Overtime actual expenditures and encumbered funds are 4.5% and trending below the same point in the prior three years. Prior years ranged from 9.9% and 13.2% expended as a percent of the revised budget for the month of July. This is primarily due to reduced pay periods for the current year to 1.29. In comparison other years have contained two or more in July. Overtime costs are trending lower than last year, and lower than they have on average the past three years.

Medical Benefits actual expenditures and encumbered funds are 7.2% and trending above the same point in the prior three years. Prior years ranged from 6.8% and 6.9% expended as a percent of the revised budget for the month of July. The cause for trending above has not yet been identified, some drivers might include a change in budgeting methodology that has resulted in a lower budgeted number, and changes to health plans chosen. Staff will continue to watch this category and report back in August.

Retiree Medical actual expenditures and encumbered funds are 8.5% and trending below the same point in the prior three years. Prior years ranged from 14.9% to 16.6% expended as a percent of the revised budget for the month of July. This is primarily due reduced pay periods for the current year to 1.29. In comparison, other years have contained two or more pay periods in July.

Contracts actual expenditures and encumbered funds are 33.6% and trending above the same point in the prior three years. Prior years ranged from 17.7% to 30.7% expended as a percent of the revised budget for the month of July. This is primarily due to several software contracts with annual subscriptions that were paid in July.

Utilities actual expenditures and encumbered funds are 23.5% and trending above the same point in the prior three years. Prior years ranged from 20.3% to 22.6% expended as a percent of the revised budget for the month of July. This is primarily due to water and light signal expense being charged to this budget that had not been in prior years.

Pass Thru actual expenditures and encumbered funds are 5.8% and trending below the same point in the prior three years. Prior years ranged from 48.0% and 67.9% expended as a percent of the revised budget for the month of July. This is primarily due to a reduction in plan check revenues caused by a delay in posting revenues received from the Town's planning software to the ERP. This trend is expected to improve with August reporting.

All Fund Vacancy Savings by Pay Period Analysis

Staff reviewed year to date actuals expenses against the revised budget total of all funds for all salary and benefit accounts, excluding retiree medical. The 4.6% vacancy savings factor is budgeted in the Salaries category and totals $2.4 million. The dollar amount is derived from taking all salary and benefit categories listed and reducing them by 4.6% of the total.

The payroll percentage column is derived by taking the 1 pay period in July plus 29% of the last payroll in June that was paid in July, based on the total days in July in that pay period. Adding these two together and dividing by the total pay periods in a year or 26, to arrive at 1.29 of pay periods having occurred as of July. Based on the table below, which includes the 4.6% vacancy savings factor and viewing the percent of payroll percentage column. The by pay period analysis is appropriate for salaries and overtime categories. The remaining benefit categories are processed monthly or 1/12 or 8.3% and is a more accurate benchmark percentage to for analysis of these categories.

A vacancy report is still not available in the Town's ERP. We continue to work with our software support to produce this report. We currently anticipate having a functional report in mid to late September. Once that report is available, we anticipate being able to provide more detailed analysis on vacancies.

Category	Revised Budget	YTD Expenditures	Available Budget	PCT USED	% of Pay Periods/ Straight-line
5A SALARIES	$24,176,333	$1,170,569	$23,005,764	4.8%	5.0%
5B OVERTIME	$ 1,457,000	$65,827	$ 1,391,173	4.5%	5.0%
5C PERS	$10,800,788	$680,121	$10,120,668	6.3%	8.3%

5D MEDICAL BENEFITS	$ 3,371,803	$242,973	$ 3,128,831	7.2%	8.3%
5E OTHER BENEFITS	$ 2,922,678	$182,824	$ 2,739,854	6.3%	8.3%
Total Salary and Benefits	**$ 42,728,602**	**$ 2,342,314**	**$ 40,386,289**	**5.5%**	**5.0%**

Salary and benefit expenditures are 5.5% of the revised budget as of July. Salaries and overtime are slightly below the 5.0% payroll-period benchmark, while PERS, Medical Benefits, and Other Benefits are below the 8.3% monthly straight-line benchmark. A dedicated vacancy report is not yet available from the ERP; once operational, staff will use that report to provide a more direct analysis of vacancy savings.

CONCLUSION:

Both revenue and expenditure reports for July show the Town is generally tracking within or below prior-year trends. General Fund expenditures are at 8.0% of the revised budget, including encumbrances, compared with the 8.3% straight-line benchmark. Salary and overtime expenditures are slightly below the payroll-period benchmark, while benefit categories remain below the 8.3% monthly benchmark. Staff recommends that the Finance Commission receive and forward the reports to the Town Council for review

In addition, staff recommends that we continue to provide monthly reports to the Commission but that the level of analysis included in this staff report be completed on a quarterly basis instead of monthly. In the monthly reports between the quarterly updates, staff would identify any major issues. A significant amount of staff time went into producing this level of analysis, and preparing a monthly report at this level may not be sustainable or produce meaningful analysis. Lastly, staff also requesting feedback on format and the analysis that was provided to create a template for future quarterly reporting.

FISCAL IMPACT:

There is no direct fiscal impact associated with receiving and filing these monthly reports.

ENVIRONMENTAL ASSESSMENT:

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

Attachments:
1. Expenditure Report by Fund for July 2026
2. Expenditure Report by Fund and Expense Category for July 2026
3. Expenditure Report by Fund and Department for July 2026
4. Expenditure Report by Fund, Department and Expenditure Category for July 2026

5. Revenue Report by Fund for July 2026
6. Revenue Report by Fund and Expense Category for July 2026
7. Revenue Report by Fund and Department for July 2026
8. Revenue Report by Fund, Department and Expenditure Category for July 2026
9. Historical July Reports
10. Three Year Analysis Expenditure Reports
11. Three Year Analysis Revenue Reports