



TOWN OF LOS GATOS
FINANCE COMMISSION REPORT

MEETING DATE: 10/12/2026

ITEM NO: 5

DATE: October 12, 2026
TO: Finance Commission
FROM: Kristina Alfaro, Administrative Services Director
SUBJECT: Receive and Forward to the Town Council the Monthly Expenditure and Revenue Reports for the Month of August 2026

RECOMMENDATION:

Receive and Forward to the Town Council the Monthly Expenditure and Revenue Reports for the Month of August 2026.

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, August 2026 expenditure and revenue reports are being presented in October 2026.

DISCUSSION:

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

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.

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Administrative Services Director

Reviewed by: Town Manager

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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, under a straight-line analysis each month represents approximately 8.3% of the annual budget. Through August, two months of the fiscal year have elapsed, representing approximately 16.7%. 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 have reviewed the August reports for revenue/expenditures of three prior fiscal years (FY) 2023-24 to 2025-26 against actual revenues/expenditures and collections in FY 2026-27 to determine if we are on trend with prior years.

The analysis is done by fund first, followed by in depth analysis for the General Fund only that includes a by category 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 Percentage Collected and Percentage Expended columns across various reports, the following formulas are used. For revenues, the formula is YTD Actuals/Revised Budget. For expenditures, the formula is (YTD Actuals+Encumbrances)/Revised Budget.

The YTD refers to Year to Date, 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, staff will note areas where Percentage Expended is trending greatly above the trend or straight line, but this is not a cause for concern. We expect both analyses to normalize as the year progresses. However, should a budget be over

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100% expended, staff will note the reason, as this may indicate an issue that may require an adjustment.

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.

CONCLUSION:

The August 2026 reports show total revenues at 7.4% of the revised budget and total expenditures and encumbrances at 21.1%. General Fund revenues are at 8.8%, and General Fund expenditures and encumbrances are at 14.7%. Staff recommends that the Finance Commission receive the reports and forward them to the Town Council.

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 August 2026
2. Expenditure Report by Fund and Expense Category for August 2026
3. Expenditure Report by Fund and Department for August 2026
4. Expenditure Report by Fund, Department and Expenditure Category for August 2026
5. Revenue Report by Fund for August 2026
6. Revenue Report by Fund and Revenue Category for August 2026
7. Revenue Report by Fund and Department for August 2026
8. Revenue Report by Fund, Department and Revenue Category for August 2026
9. August 2026 Monthly Financial Report
10. Historical August Reports