



TOWN OF LOS GATOS
FINANCE COMMISSION REPORT

MEETING DATE: 10/12/2026

ITEM NO: 6

DATE: October 9, 2026
TO: Finance Commission
FROM: Kristina Alfaro, Administrative Services Director
SUBJECT: Receive and Forward the Fiscal Condition Analysis Report, the Future Growth and Sustainability Study Fiscal Impact Analysis, and the Asset Liability Management Study to the Town Council; and Recommend an Additional Discretionary Payment to CalPERS

RECOMMENDATION:

1. Receive the Fiscal Condition Analysis Report, Future Growth and Sustainability Study Fiscal Impact Analysis, and Asset Liability Management Study, and forward the reports to the Town Council.
2. Recommend that the Town Council authorize a one-time Additional Discretionary Payment (ADP) to CalPERS of \$5.5 million, funded with approximately \$4.2 million from the Section 115 Pension Trust and \$1.3 million from the Pension/OPEB Committed Reserve, subject to confirmation of available balances, appropriate Council authorization, and final identification of the CalPERS amortization bases to be paid down.
3. Recommend that the Town Council redirect the existing \$390,000 annual Pension Trust contribution to an annual direct ADP to CalPERS, subject to applicable budget appropriations and adopted Town financial policies.

BACKGROUND:

In December 2025, the Town began work with NHA Advisors with sub-contract support from Raftelis Financial Consultants and Willdan. Raftelis is leading the first study with the development of a baseline long-term financial model. Willdan is supporting the second study, focusing on fiscal impact analysis that incorporates proposed and planned growth based on the Housing Element Plan and General Plan, with sensitivity analysis regarding the percentage of

PREPARED BY: Kristina Alfaro
Administrative Services Director

Reviewed by: Town Manager and Town Attorney

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new units designated as affordable. Both studies will support the future Asset, Liability Management (ALM) study.

A preliminary Fiscal Condition Assessment with Five-Year and Long-Term Financial Projections and Fiscal Impact Analysis for Proposed and Planned Growth was presented to the Finance Commission at their February 2, 2026, meeting. The Commission requested an assumptions memo for the five-year and long-term forecast and changes to methodology for the study focused on the fiscal impact of proposed and planned growth based on the Housing Element. Memos were posted to the Town's Finance website on March 18, 2026, and were brought to the Finance Commission on April 13, 2026.

On April 21, 2026, the memos were reviewed by the Town Council, and recommendations were provided on scenarios to inform the Asset Liability Management Study.

DISCUSSION:

On August 10, 2026, the final reports for the three studies were presented and the Finance Commission requested the following updates to the ALM study. The Asset Liability Management Study incorporates information from both the Fiscal Condition Analysis, Future Growth and Sustainability Study Fiscal Impact Analysis and Council recommendations and was submitted to the Finance Commission for review. The Commission received the three fiscal studies but requested additional time to review.

The Commission identified key issues needing clarification that the updated ALM report addresses.

Should the Finance Commission request additional analysis, the agreement with NHA staff will need to be amended and increased. The reports included in this Finance Commission meeting, and one additional Council meeting, are the last remaining contract items.

Staff is moving forward a long-standing recommendation for the Commission for an ADP to CalPERS. The amount being recommended is \$5.5 million and is a combination of \$4.2 million estimated balance in the 115 Pension Trust and an additional \$1.3 million from the Pension/OPEB Committed Reserve. Lastly, staff is also asking the Commission to consider a recommendation to convert the annual \$390,000 Pension Trust payment to an annual ADP to CalPERS.

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CONCLUSION:

The Final ALM Study, Scenario 2 with all transfers to Capital projects removed and only development impact fee revenues shown, illustrates that the Town's operating budget is fiscally sound and balanced in all 10 years of the forecast. After adjustment to the original Raftelis base by staff for the use of OPEB funding and COLA reductions. This analysis does not consider the planned use of reserves in FY 26/27 as a structural deficit.

	FISCAL YEAR										
	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33	33/34	34/35	35/36
Baseline Structural deficit projected by Raftelis with both OPEB and COLA Reduction Savings Estimated by Town Staff	\$0.1	\$-	\$(0.9)	\$(1.8)	\$(1.2)	\$(1.7)	\$(2.1)	\$(2.0)	\$(2.4)	\$(2.8)	\$(3.0)
PENSION											
Projected June 30, 2025 UAL adjustment	\$-	\$-	\$(0.2)	\$0.1	\$0.3	\$0.6	\$0.8	\$0.8	\$0.8	\$0.8	\$0.8
\$5.5M ADP Payment Reduction	\$-	\$-	\$1.3	\$1.0	\$1.1	\$1.1	\$0.8	\$0.7	\$0.4	\$0.2	\$0.1
Cash draw for ADP	\$-	\$(5.5)	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-
CAPITAL PROGRAM											
Remove \$1M CIP Funding is Baseline	\$-	\$1.0	\$1.0	\$1.0	\$1.0	\$1.0	\$1.0	\$1.0	\$1.0	\$1.0	\$1.0
NEW REVENUE											
Impact-fee revenue	\$-	\$1.5	\$1.5	\$1.6	\$1.7	\$1.8	\$1.9	\$2.0	\$2.0	\$2.2	\$2.3
Net deficit including new revenue	\$0.1	\$(3.0)	\$2.7	\$1.9	\$2.9	\$2.7	\$2.4	\$2.5	\$1.8	\$1.4	\$1.2

The introduction of capital funding at any level results in modeled deficits even with additional impact fee revenues.

Attachments:

1. Fiscal Condition Analysis Report
2. Future Growth And Sustainability Study Fiscal Impact Analysis
3. Asset and Liability Management Study