



**TOWN OF LOS GATOS
COUNCIL AGENDA REPORT**

MEETING DATE: 02/16/2021

ITEM NO: 13

ADDENDUM

DATE: February 12, 2021
TO: Mayor and Town Council
FROM: Laurel Prevetti, Town Manager
SUBJECT: Discuss the Five-Year Forecast, Provide Direction on the Other Budget Assumptions, and Provide any Specific Direction for the Preparation of the Town's Fiscal Year 2021/22 Operating and Capital Budgets

REMARKS:

This addendum provides the corrected "*Pension and Other Benefits*" report section as a prior version was inadvertently used for the publication of the staff report.

Pension and Other Benefits

For purposes of the Forecast, staff utilizes data provided by CalPERS in the annual actuarial valuations and then in consultation with the Town's Actuary (Bartel Associates) and CalPERS updates the projections to include data not included. Given that actuarial valuations lag by about a year, the CalPERS 2019 valuation would not have captured the 4.7% CalPERS investment return for FY 2019/20, the current CalPERS investment return year to date, or the Town's \$3.5 million additional discretionary payment from July 2020. The following table illustrates the forecast for pension and other benefits.

Pension & Other Benefits	2021/22 Forecast (\$M)	2022/23 Forecast (\$M)	2023/24 Forecast (\$M)	2024/25 Forecast (\$M)	2025/26 Forecast (\$M)
Base Case	\$11.4	\$11.4	\$11.2	\$11.5	\$11.8

As we move closer to the final development of the Proposed FY 2021/22 Operating Budget, staff will generate an updated pension forecast utilizing an investment return which more closely approximates CalPERS returns at that time versus the plans current 7.0% assumed

PREPARED BY: Arn Andrews
Assistant Town Manager

Reviewed by: Town Manager, Town Attorney, and Finance Director

REMARKS (continued):

return. Any update will not impact the initial years of the forecast due to lags in actuarial reporting but will be exhibited starting in the third year of the forecast.

OPEB and Pay Go

The projections for the Town's OPEB and Pay Go payments are derived from the Town's actuary Bartel Associates. The following table illustrates the forecast for OPEB and Pay as You Go healthcare payments.

OPEB & Pay as you Go Payments	2021/22 Forecast (\$M)	2022/23 Forecast (\$M)	2023/24 Forecast (\$M)	2024/25 Forecast (\$M)	2025/26 Forecast (\$M)
Base Case	\$2.0	\$1.9	\$1.8	\$1.8	\$2.0

Attachments Previously Received with the Staff Report:

1. Annual Budget Process
2. Base Case Five-Year Forecast
3. UCLA Anderson School 2020/23 Economic Forecast
4. Forecast Revenue Assumptions
5. Forecast Expense Assumptions
6. Capital Improvement Project Status