



**TOWN OF LOS GATOS  
MID-YEAR BUDGET REPORT  
JULY 1 - DECEMBER 31, 2023**

**February 13, 2024**

**FINANCIAL OVERVIEW AND EXECUTIVE SUMMARY: STATUS OF FY 2023/24  
ADOPTED BUDGET**

The purposes of the Mid-Year Report are to provide the Town Council with a status of the Adopted Fiscal Year (FY) 2023/24 Operating Budget after the first six months and to make any adjustments to ensure the continuity of municipal services and operations for the remainder of the fiscal year. The Report is one of several periodic updates to the Town Council on the status of the current year's revenues and expenditures and the projected financial condition of all Town funds compared with the Adopted Operating Budget. The updates typically focus on the Town's General Fund.

On January 24, 2023, the Town Council determined the Strategic Priorities for 2023-2025, providing guidance to Town staff and Commissions on workload prioritization. The Council affirmed its Strategic Priorities to be multi-year efforts focused on Safety, Prudent Financial Management, Traffic/Transportation, and Quality of Life. Under these broad topics, the Council added a few new items including: Hazardous Tree Management, Develop a Five-Year Structurally Balanced and Sustainable Operating Forecast, Develop a Five-Year Full Funded Capital Plan, Traffic Calming/Safety for All Users, Streamline Permit Process, Work with Town Partners to Support Needs of Unhoused Residents, and Redefine Town Commissions in Alignment with Strategic Priorities (see the following page). Town Council will review these priorities on its February 13, 2024 Special Meeting.

Staff has started budget development work for the next fiscal year, including an update of the Five-Year Financial Forecast, identification of critical Town needs, contractual obligations, unfunded mandates, potential adjustments to the Fee and Fine Schedule, and other analyses. Staff is actively engaged in the FY 2024/25 budget process with the primary focus of ensuring that the available Town resources are allocated to meet the priority service needs of the community. The Town Council is scheduled to hold a public hearing on the Proposed FY 2024/25 Budget on May 21, 2024.

The prior fiscal year closed with approximately \$4.1 million in surplus operating revenues, transfers in, and use of reserves over expenditures, transfers out, and reserve allocations. The General Fund balance was \$29,528,304.

Current fiscal year-end projections for FY 2023/24 reflect an anticipated \$1.7 million surplus of operating revenues and planned use of reserves over expenditures in addition to reserving 30% of ERAF and the proceeds to Pension Trust Fund.

**ATTACHMENT 1**



# Ongoing Strategic Priorities 2023-2025

## **SAFETY**

- Community Policing
- Emergency Preparedness
  - CERT Recruitment & Training
  - Communications, EOC Readiness & Emergency Plan Development
- Fire Protection
  - Implementation of Ad Hoc Wildfire Mitigation Plan
- Vegetation and Hazardous Tree Management

## **PRUDENT FINANCIAL MANAGEMENT**

- Address Pension & OPEB Obligations
- Sell or Lease Certain Town Properties
- Develop a Five-Year Structurally Balanced and Sustainable Operating Forecast
  - Explore New Revenue Opportunities
  - Cure Forecasted Structural Deficit
- Develop a Five-Year Full Funded Capital Plan

## **QUALITY OF LIFE**

- Community Vitality
  - Diversity, Equity & Inclusion Efforts
  - Community Where Older Adults Thrive
    - Adopt a Senior Road Map
  - Events & Other Town-Wide Efforts
  - Community Engagement
  - Environmental Sustainability/Climate Resiliency
- Economic Vitality & Pandemic Recovery
  - Policies & Ordinances
  - Semi-Permanent Parklets
  - Streamline Permit Process
- Land Use Planning
  - General Plan 2040
  - Housing Element
  - Affordable Housing Partnerships
  - SB9 Implementation
- Work with Town Partners to Support Needs of Unhoused Residents
- Redefine Town Commissions in Alignment with Strategic Priorities

## **TRAFFIC/TRANSPORTATION**

- Comprehensive Parking Study
  - Short, Medium, and Long-Term Actions
- Transportation Demand Management
  - Measure B Transportation Projects
  - Bicycle & Pedestrian Improvements
  - Community Shuttle
  - Summer/Rush Hour/School Traffic
  - Regional Transportation Issues
- Traffic Calming/Safety for All Users

As discussed in greater detail later in this Report, the primary drivers of the projected surplus are the increased revenue projection for property tax and the restoration of the garbage franchise fee to prior year levels.

On June 6, 2023, the Town Council balanced the budget with a 4.6% vacancy factor. Staff continues to monitor each Department budget because while overall Townwide savings are predicted due to higher projected revenues, the individual Departments' current expenditure budgets may not be sufficient for the remainder of the year. Staff will recommend the necessary expenditure budget adjustments as needed.

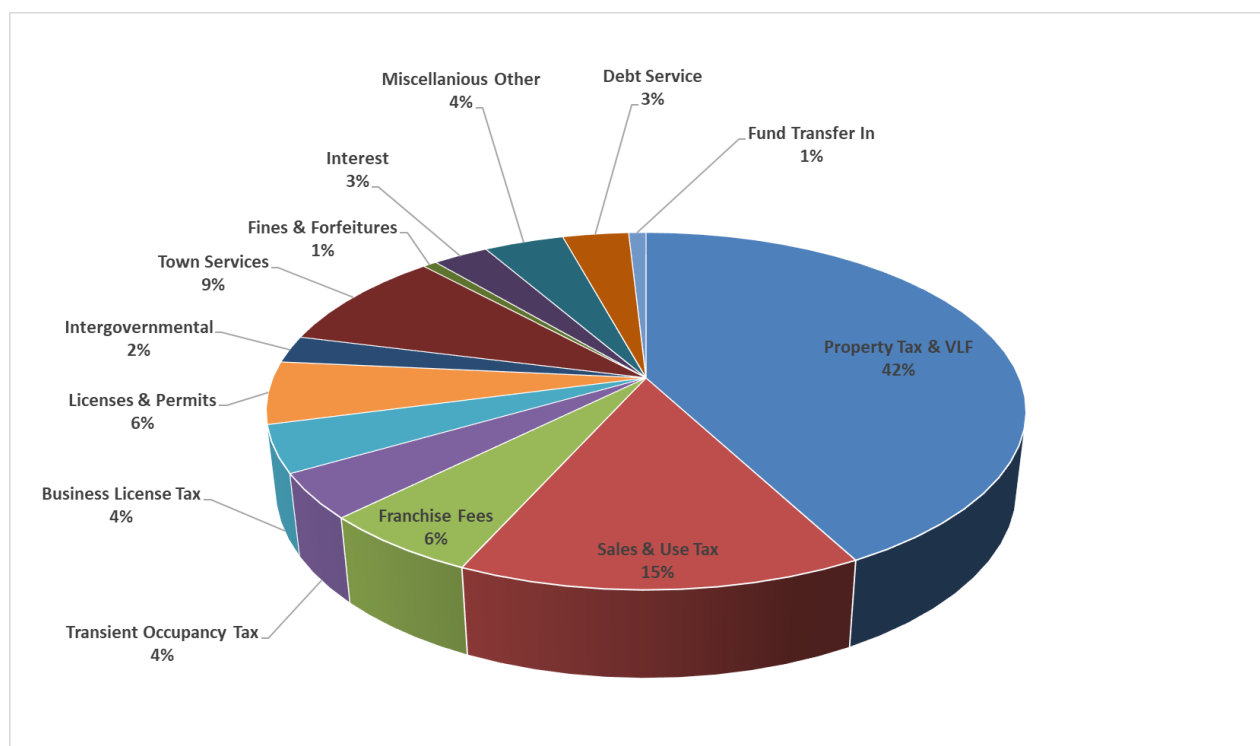
Providing services to the community in this and future fiscal years will require a strong revenue performance of the Town's economically sensitive revenues to offset continued projected cost increases. The FY 2024/25 budget development process will endeavor to maintain essential public services while controlling operational costs in light of the five-year fiscal forecast, which predicts operating revenue shortfalls in subsequent fiscal years with certain assumptions.

## CONTENT OVERVIEW

The remainder of this Report focuses on the General Fund and provides analyses of key revenues and expenditures, including historic data by Town Department/Service Area. The next section contains descriptions of recommended revenue and expenditure budget adjustments. The Report also includes financial summaries of other funds as well as a table of General Fund Operating Revenues Versus Operating Expenditures through the second quarter of FY 2023/24 which includes comparison information from the prior year.

## GENERAL FUND - KEY REVENUE ANALYSIS FY 2023/24

The following information provides a recap of the General Fund budgeted significant revenue sources, including estimated year end collection as of the second quarter ending December 31, 2023. Staff is monitoring developments in each major revenue source closely for potential adjustments to budgeted revenues as recommended in this Report.



### Property Tax and Motor Vehicle in Lieu Fee (VLF)

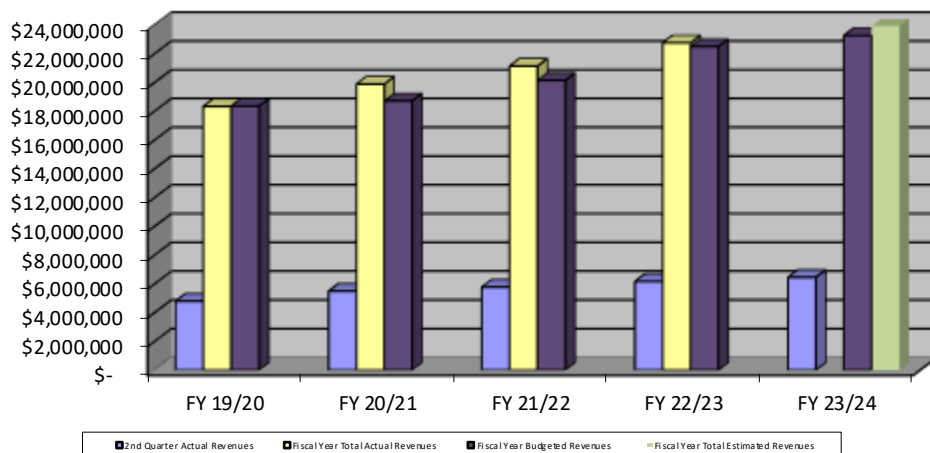
Property tax and VLF are the single largest revenue sources for the Town and comprise approximately 42% of total Town General Fund estimated revenues for FY 2023/24. Property tax is levied by the Santa Clara County Assessor's Office at 1% of a property's assessed value, of which the Town receives approximately 9.3 cents per dollar paid on property located within the municipal limits of Los Gatos. In compliance with Proposition 13, the assessed value of real property is based on the 1975/76 assessment roll value, adjusted by a 2% inflation factor annually thereafter. However, when property changes hands or new construction occurs, the property is then reassessed at its current market value.

The County of Santa Clara provides property tax collection updates and projections throughout the year. The current County estimate indicates \$654,587 of more collections than the Adopted Budget. The increase is a combined effect of higher-than-expected Redevelopment Agency (RDA) Residual Apportionment, and Motor Vehicle in Lieu (VLF) Property, Excess Educational Revenue Augmentation Fund (ERAF) estimates and decrease in secured property tax estimates and in property transfer tax.

The Town has been monitoring ongoing developments regarding the distribution of excess ERAF funds. A portion of property tax revenue goes to the ERAF to support local school districts. When the amount contributed to ERAF is more than the minimum cost of funding local schools, excess funds have traditionally been returned to the counties, cities, and special districts. Five counties, including Santa Clara, have been using a redistribution allocation formula that has been contested by the State. The Town received the full amount for FY 2021/22; however, the Santa Clara County Assessor's Office recommends reserving 30% of the FY 2023/24 projected number due to an ongoing lawsuit between Santa Clara County and the State Controller Office and the State Controller's audit findings on Marin County.

Property tax distributions are largely received in the third and fourth quarters. Second quarter receipts are trending similar to those received during the second quarter of the previous fiscal year and are at 28% of budgeted totals. Based on current County projections, staff recommends a \$654,587 increase in estimated General Property Tax and Motor Vehicle in Lieu Fee collections.

**Property Tax and VLF - Quarterly and Annual Revenues  
5-Year History**



	<u>FY 19/20</u>	<u>FY 20/21</u>	<u>FY 21/22</u>	<u>FY 22/23</u>	<u>FY 23/24</u>
2nd Quarter Actual Revenues	\$ 4,785,479	\$ 5,481,928	\$ 5,761,081	\$ 6,155,317	\$ 6,446,869
Fiscal Year Total Actual Revenues	\$ 18,330,427	\$ 19,878,834	\$ 21,129,080	\$ 22,743,088	\$ 23,903,898
Fiscal Year Total Estimated Revenues					\$ 23,903,898
Fiscal Year Budgeted Revenues	\$ 18,352,880	\$ 18,705,325	\$ 20,138,320	\$ 22,484,118	\$ 23,249,311
2nd Quarter Percent of Total	26%	28%	27%	27%	28%
<b>Recommended Budget Revision</b>					<b>\$ 654,587</b>

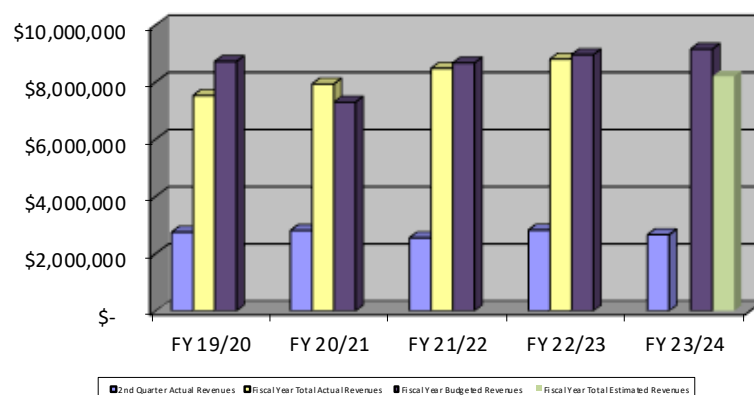
## Sales Tax

Sales tax is the second largest revenue source for the Town's General Fund, accounting for 15% of budgeted General Fund projected revenues for FY 2023/24. The Town currently receives 1.125 cents for every 9.125 cents of sales tax paid per dollar on retail sales and taxable services transacted within Los Gatos, including the Town of Los Gatos residents' approved ballot Measure G in 2018 enacting a one-eighth cent (0.125%) district sales tax for 20 years.

Sales tax estimates are based on actual sales tax data and annual sales tax estimates for five years provided by the Town's consultant, MuniServices. In addition to brick-and-mortar sales tax generation, the MuniServices estimates include several online sales tax projections. The 2018 Wayfair Decision resulted in e-commerce vendors utilizing the Amazon platform to collect sales tax based on destination; however, items shipped directly from Amazon fulfillment centers are collecting sales tax based on the point of distribution. Regular sales tax collected through online transactions are distributed through the Santa Clara County pool for which the Town receives a pro rata share of the sales tax generated in Santa Clara County for that particular quarter. The Town directly receives the one-eighth district tax portion of the sales tax generated by the residents of Los Gatos. Current total sales tax estimates include \$6,960,850 (a \$915,383 decrease from the Adopted Budget) in proceeds from regular sales tax and \$1,239,843 (a \$36,802 decrease) in proceeds from the Measure G one-eighth cent district tax. Actual receipts net of administrative fees collected by the State will be confirmed at the close of the fiscal year and per prior Council direction, the Measure G funds are allocated at 50% for capital improvement projects and 50% for operating expenses.

While FY 2023/24 second quarter receipts are trending lower than in the same period last fiscal year, staff recommends a \$952,185 budget decrease to reflect the MuniServices current estimates.

**Sales Tax & Measure G Tax - Quarterly and Annual Revenues**  
**5-Year History**



	FY 19/20	FY 20/21	FY 21/22	FY 22/23	FY 23/24
2nd Quarter Actual Revenues	\$ 2,755,208	\$ 2,813,652	\$ 2,556,341	\$ 2,825,421	\$ 2,665,060
Fiscal Year Total Actual Revenues	\$ 7,531,425	\$ 7,933,604	\$ 8,483,673	\$ 8,806,477	
Fiscal Year Total Estimated Revenues					\$ 8,200,693
Fiscal Year Budgeted Revenues	\$ 8,723,000	\$ 7,301,869	\$ 8,671,606	\$ 8,959,134	\$ 9,152,878
2nd Quarter Percent of Total	37%	35%	30%	32%	29%
<b>Recommended Budget Revision</b>					<b>\$ (952,185)</b>

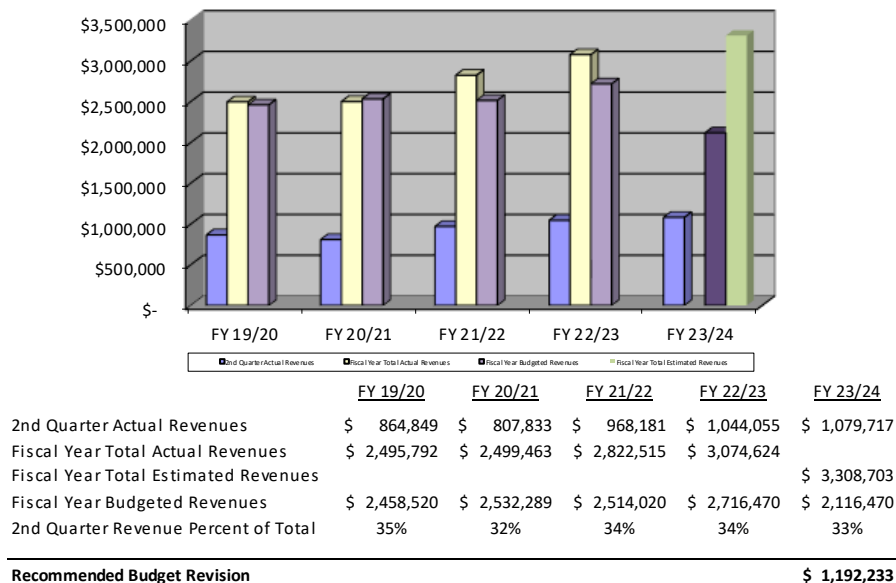
## Franchise Fees

Franchise fees are collected by the Town for the privilege of operating a utility service within Los Gatos, and as a fee in lieu of a business license tax. Franchise fees are currently received from Comcast for cable television, PG&E for gas and electric services, West Valley Collection and Recycling for solid waste collection services, and AT&T and Comcast for video services. Franchise fees represent 6% of projected General Fund revenues in FY 2023/24.

Historically, franchise payments are not remitted equally throughout the fiscal year; therefore, second quarter receipts are not necessarily predictive of future receipts. Total franchise fee revenues are trending higher than those of the second quarter in FY 2023/24.

As the Town previously disclosed in the FY 2021/22 Annual Comprehensive Financial Report (ACFR), the California Supreme Court recently issued an opinion in a case challenging the franchise fees that the City of Oakland charges to certain waste hauling companies. In *Zolly v. City of Oakland*, the court concluded that it did not have enough evidence to rule as a matter of law that the fees are exempt from the voter approval requirements that apply to taxes under Proposition 26, Article XIII C of the California Constitution. However, there are several exceptions to the general rule that a tax must be approved by the voters. One exception (Article IIIC, section 1 (e)(1)) is for “a charge imposed for a specific benefit conferred or privileged granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege.” The Town anticipated the impact starting on March 1, 2024, when the new garbage hauler contract goes into effect and reduced the Adopted Budget accordingly. The Town has a seat on the West Valley Solid Waste Management Authority (WVSWMA) Board that manages the solid waste contracts. The WVSWMA recently completed a Franchise Valuation Study that indicated that prior level of proceeds will be restored. Staff is recommending a \$1,097,703 increase in garbage franchise fee collection to restore the prior year levels of proceeds, and a \$94,530 increase in the PG&E Franchise Fee collection.

**Franchise Fees - Quarterly and Annual Revenues  
5-Year History**



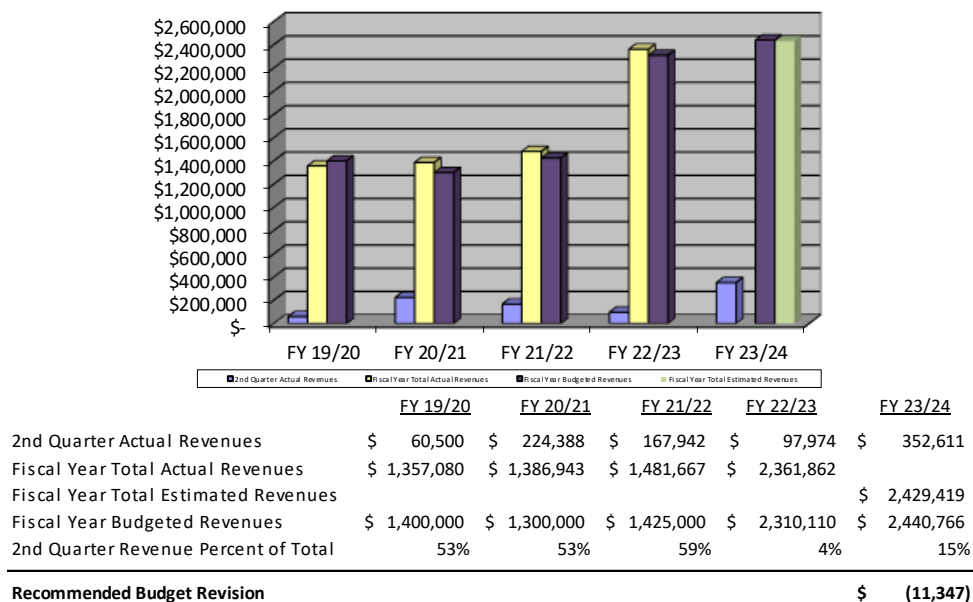
## Business License Tax

The Town requires all businesses located within Los Gatos and/or those that operate within Los Gatos to obtain a business license. The amount of business license tax paid by each business is based on its business activity. In November 2022, Los Gatos voters approved Measure J, which modernized the Town's business license tax program. This was the first update to the program since 1991, strengthening funding for core Town services that are enjoyed by Town businesses. Measure J included a 30% increase on flat rate fees, a 40% increase in retailing gross receipts, and a 120% increase in e-commerce, manufacturing, wholesaling, and jobbing gross receipts. Fees for activities such as wholesale sales and manufacturing are charged on a sliding scale based on gross receipts, as is retail, with retail being capped at \$1,365. These gross receipt activities account for approximately 25% of annual business licenses, while the remaining 75% are flat fee businesses. Annual renewal payments are due on January 2 of each year. Payments for new flat-fee-based businesses are prorated by quarter.

The Town is partnering with HdL Companies (HdL) to provide dedicated business license support to Los Gatos businesses. The Town's business license application and renewal process is now streamlined by offering online business license applications and renewals. Council authorized the reactivation of late business license penalties for all businesses in 2024 that was previously omitted due to pandemic and to assist with the business license management transition.

Business license tax revenue projections provided by HdL are trending slightly lower than the adopted budget. Staff is recommending a \$11,347 decrease to this revenue source. Staff anticipates collecting the majority of the business license revenue during the third quarter. Staff is closely monitoring the activities and will return with any recommended adjustments in May.

**Business License Tax - Quarterly and Annual Revenues  
5-Year History**

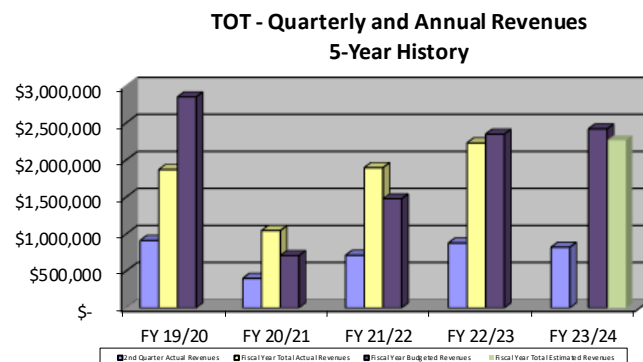




## Transient Occupancy Tax

TOT is an important revenue source for the Town and comprises approximately 4% of total Town estimated revenues in the amount of \$2.3 million for FY 2023/24. The Town levies a 12% transient occupancy tax (TOT) on all hotel and motel rooms within the municipal limits of Los Gatos. The 12% rate has been in effect since January 1, 2017, after the voters approved a ballot measure to increase in the TOT from 10% to 12% during the November 8, 2016 election.

During the pandemic, TOT experienced the most significant percentage decline relative to historical adopted budgets. Due to a significant rebound in leisure “staycation” travel and modest improvements in business travel, TOT collections were recovering but current quarter is trending lower than the prior year. Based on the current trend, staff is recommending a \$154,516 decrease to this revenue source.



	<u>FY 19/20</u>	<u>FY 20/21</u>	<u>FY 21/22</u>	<u>FY 22/23</u>	<u>FY 23/24</u>
2nd Quarter Actual Revenues	\$ 910,806	\$ 399,620	\$ 711,861	\$ 875,715	\$ 819,683
Fiscal Year Total Actual Revenues	\$ 1,869,685	\$ 1,044,820	\$ 1,895,064	\$ 2,228,190	
Fiscal Year Total Estimated Revenues					\$ 2,264,484
Fiscal Year Budgeted Revenues	\$ 2,850,285	\$ 707,723	\$ 1,475,000	\$ 2,348,547	\$ 2,419,000
2nd Quarter Revenue Percent of Total	49%	38%	38%	39%	34%
<b>Recommended Budget Revision</b>					<b>\$ (154,516)</b>

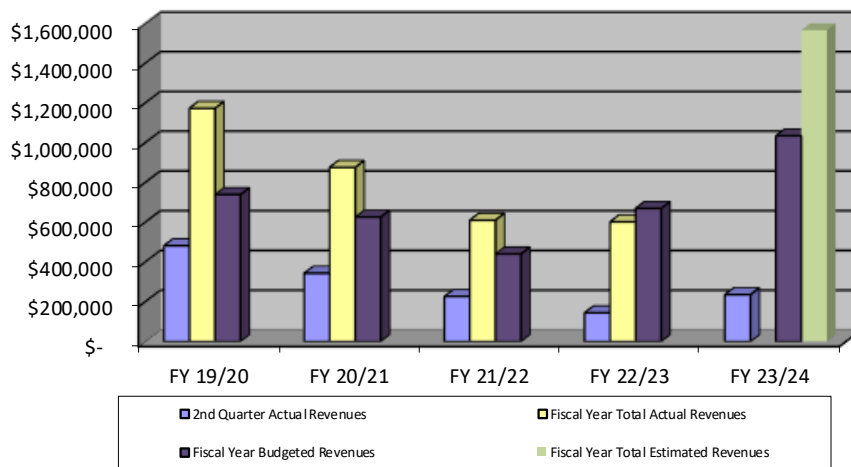
## Interest Income

The Town earns interest income by investing monies not immediately required for daily operations in a number of fixed income and money market instruments. These investments are made within the parameters stated in the Town Council's Investment Policy and State regulation. The Town's investment goal is to achieve a competitive rate of return while maintaining sufficient liquidity and protecting the safety of its funds. Interest income revenue is primarily dependent on two factors: the cash balance in the Town's investment portfolio and the yield on those funds.

As of December 31, 2023, the Town's weighted portfolio yield for investments under management was 4.23% which was 30 basis points above the Local Agency Investment Fund (LAIF) yield of 3.93% for the same reporting period. Currently, the LAIF portfolio's weighted average maturity (WAM) is 230 days versus the Town's longer WAM of 587 days. The longer maturity (WAM) for Town assets under management reflects the Town's strategy to take advantage of higher yields associated with longer maturities balanced with shorter term yields available on investments held with the State's LAIF. The Town's weighted average rate of return on investments under management of 4.23% at the close of December was 3 basis points higher when compared to the prior month's return of 4.20% reported as of November 30, 2023.

Based on current interest rate environment and the Town portfolio, staff recommends a \$532,033 revenue budget increase to this revenue source.

**Interest - Quarterly and Annual Revenues  
5-Year History**



	FY 19/20	FY 20/21	FY 21/22	FY 22/23	FY 23/24
2nd Quarter Actual Revenues	\$ 482,517	\$ 343,813	\$ 227,164	\$ 145,003	\$ 235,922
Fiscal Year Total Actual Revenues	\$1,173,570	\$ 876,460	\$ 610,975	\$ 602,592	
Fiscal Year Total Estimated Revenues					\$ 1,567,130
Fiscal Year Budgeted Revenues	\$ 739,774	\$ 626,409	\$ 441,233	\$ 670,021	\$ 1,035,097
2nd Quarter Revenue Percent of Total	41%	39%	37%	24%	23%
<b>Recommended Budget Revision</b>					<b>\$ 532,033</b>

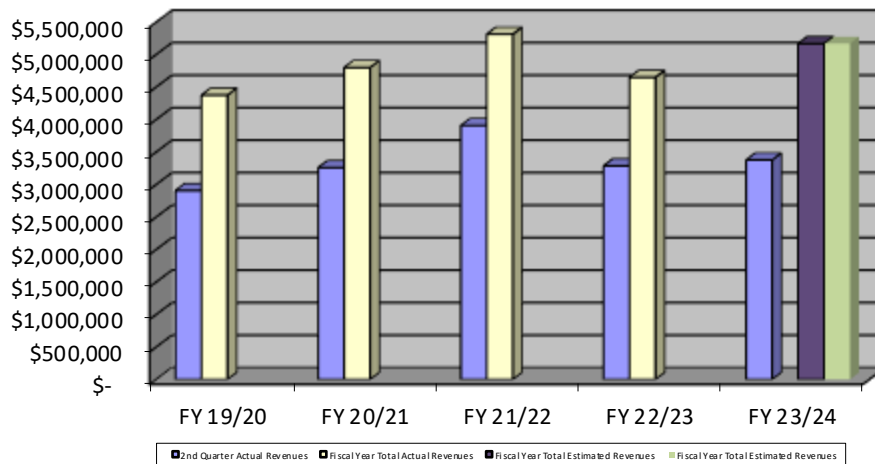
\* GASB 31 Market Adjustment is not Included

## Charges for Services

Town Service revenues consist primarily of planning, building, inspections, and engineering fees assessed on local building and development activity. Development fees and charges are assessed based on cost recovery formulas, which reflect approximate costs of providing these regulatory services. This category includes charges for the School Resource Officer and crossing guard services.

Second quarter Town Service revenues, specifically Charges for Services, are trending higher than in the second quarter compared to the previous fiscal year. Typically, development fees are collected in advance for projects and recognized as revenue in the fiscal year the work is performed. Fiscal Year estimated revenues includes all revenue line items in this category. Staff recommends a \$199,547 budget increase in selected items to reflect increased activities in planning and engineering services as explained in the Budget Adjustment section of this Report.

**Charges for Services - Quarterly and Annual Revenues  
5-Year History**



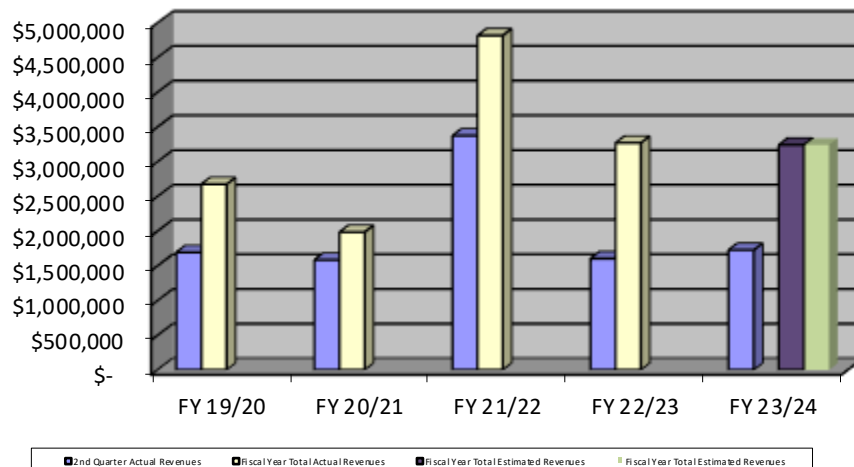
	<u>FY 19/20</u>	<u>FY 20/21</u>	<u>FY 21/22</u>	<u>FY 22/23</u>	<u>FY 23/24</u>
2nd Quarter Actual Revenues	\$ 2,905,238	\$ 3,258,027	\$ 3,906,577	\$ 3,284,766	\$ 3,375,872
Fiscal Year Total Actual Revenues	\$ 4,373,603	\$ 4,797,770	\$ 5,310,271	\$ 4,646,705	
Fiscal Year Total Estimated Revenues					\$ 5,166,743
Fiscal Year Budgeted Revenues					\$ 4,416,250
2nd Quarter Revenue Percent of Total	66%	68%	74%	71%	65%
<b>Recommended Budget Revision</b>					<b>\$ 199,547</b>

## Licenses and Permits

Licenses and Permits consist mainly of planning and building permit fees which are collected by the Town to offset administrative costs associated with evaluating development proposals to ensure compliance with codes and policies. Licenses and Permits revenue was budgeted slightly lower than FY 2022/23 in anticipation of slower development activity.

Second quarter License and Permit revenue is trending 59% of budgeted revenue. Fiscal Year estimated revenues includes all revenue line items in this category. Staff recommends a \$337,425 increase in selected items in this category as explained in the next section of this Report.

**Licenses & Permits - Quarterly and Annual Revenues  
5-Year History**



	<u>FY 19/20</u>	<u>FY 20/21</u>	<u>FY 21/22</u>	<u>FY 22/23</u>	<u>FY 23/24</u>
2nd Quarter Actual Revenues	\$ 1,692,252	\$ 1,584,098	\$ 3,373,287	\$ 1,602,633	\$ 1,726,270
Fiscal Year Total Actual Revenues	\$ 2,673,706	\$ 1,984,400	\$ 4,814,650	\$ 3,268,498	
Fiscal Year Total Estimated Revenues					\$ 3,239,593
Fiscal Year Budgeted Revenues	\$ 3,250,534	\$ 2,889,898	\$ 3,052,907	\$ 2,830,574	\$ 2,925,230
2nd Quarter Revenue Percent of Total	63%	80%	70%	49%	59%
<b>Recommended Budget Revision</b>					<b>\$ 337,425</b>

## GENERAL FUND – EXPENDITURE ANALYSIS

For FY 2023/24, General Fund Operating expenditures (not including debt payment and transfers out) are programmed at \$51.6 million. The delivery of Town services is highly dependent on talent which comprises 67.4% of budgeted General Fund expenditures for FY 2023/24. During the fiscal year, the Town Council has approved several budget adjustments, which are tracked against the Adopted Budget. The net effect is an Adjusted Budget. General Fund expenditure totals are trending in accordance with the Adjusted Budget, with total operational expenditures at the end of the second quarter at or about 44% of the Adjusted Budget. With six months of data now available, staff expects that the individual Departments' current expenditure budgets may not be sufficient for the remainder of the year. If needed, staff will recommend the necessary expenditure budget adjustments which may require future Council action.

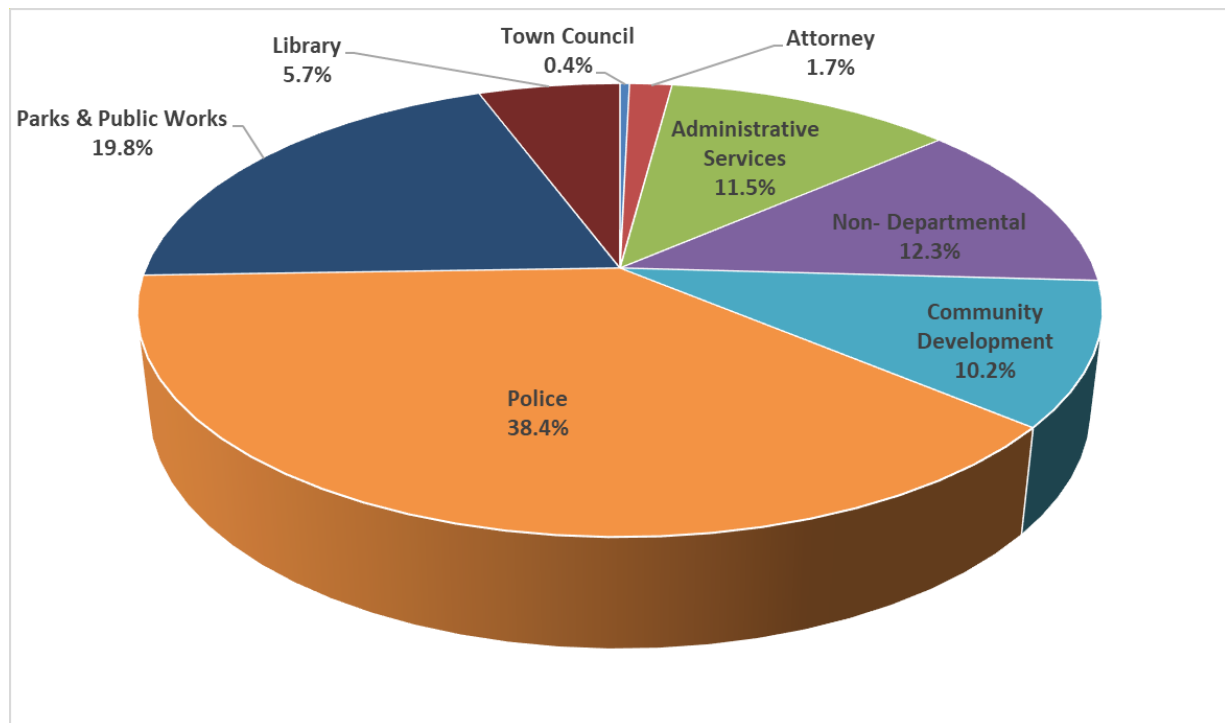
As with most municipalities, services are provided directly by employees to the Town's residents, businesses, and visitors. As a service delivery enterprise, the cost of salaries and benefits are a significant portion of the budget. As the table below illustrates, at mid-year, actual salaries are trending at 48% of budgeted salaries, overtime is trending 98% respectively to the adopted budget, while pension benefits and other benefits are trending at 44% and 43% respectively to the Adjusted Budget.

General Fund Salaries & Benefits							
	FY 2022/23 Actuals	FY 2022/23 2Q	2Q % of FY 2022/23 Actuals	2Q% of FY 2023/24 Adjusted Budget	FY 2023/24 2Q	FY 2023/24 Adjusted Budget as of 12/31/2023	FY 2023/24 Estimated
Salaries	20,424,953	10,163,834	50%	48%	10,288,684	21,263,027	21,516,835
Overtime	1,373,672	639,179	47%	98%	564,876	578,856	1,174,026
Pension Benefits	7,091,215	3,493,382	49%	44%	3,652,570	8,237,154	7,313,256
Other Benefits	3,829,826	1,841,520	48%	43%	2,044,327	4,716,655	4,209,350
<b>Total Salaries and Benefits</b>	<b>32,719,665</b>	<b>16,137,915</b>	<b>49%</b>	<b>48%</b>	<b>16,550,457</b>	<b>34,795,692</b>	<b>34,213,467</b>

The FY 2023/24 budget was balanced including 4.6% vacancy factor, while Council directed that staff continue to hire for all vacant positions. The 4.6% salary savings represents approximately \$1.7 million projected savings. Current year end expenditure estimates include about \$0.6 million salary savings Townwide. Fully staffed Departments are trending over budget due to the 4.6% vacancy factor that was built in. Staff will continue to monitor the Salaries and Benefits and request adjustment as needed to ensure that all programs remain within its allocated budget before Fiscal Year end. Actual vacancies during the course of the first half of fiscal year are illustrated in the table below.

Position		Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23
Deputy Clerk	Separation		Filled										
Emergency Manager - Temp	Separation									Filled			
Finance Manager	Promotion				Filled								
Assistant Town Manager	Separation	Filled		Vacant			Filled						
Accountant	Separation				Vacant			Filled					Vacant
Accountant	Retirement	Filled											
HR Analyst	Separation	Filled			Vacant	Filled							
HR Director	Separation											Vacant	
Associate Planner	Separation					Vacant			Filled				
Permit Technician	Separation												Vacant
Assistant Planner	Separation												Vacant
Police Dispatcher	Separation	Vacant								Filled			
Police Dispatcher	Separation	Vacant	Filled										
Police Dispatcher	Separation	Vacant											
Police Dispatcher	Separation	Vacant				Filled		Vacant		Filled			
Police Officer	Retirement												Vacant
Police Officer	Separation							Filled					
Police Corporal	Separation		Vacant	Filled									
Police Officer	Promotion			Vacant									
Police Officer	Separation			Vacant									
Police Officer	Separation				Vacant								
Police Officer	Separation	Vacant					Filled						
Administrative Analyst	Separation	Vacant											
Parks and Maintenance Worker	Separation							Vacant					
Senior Civil Engineer	Separation												
Transp and Mob Manager	Separation												Vacant
Town Engineer	Separation	Vacant			Filled								
Associate Civil Engineer	Separation		Vacant										

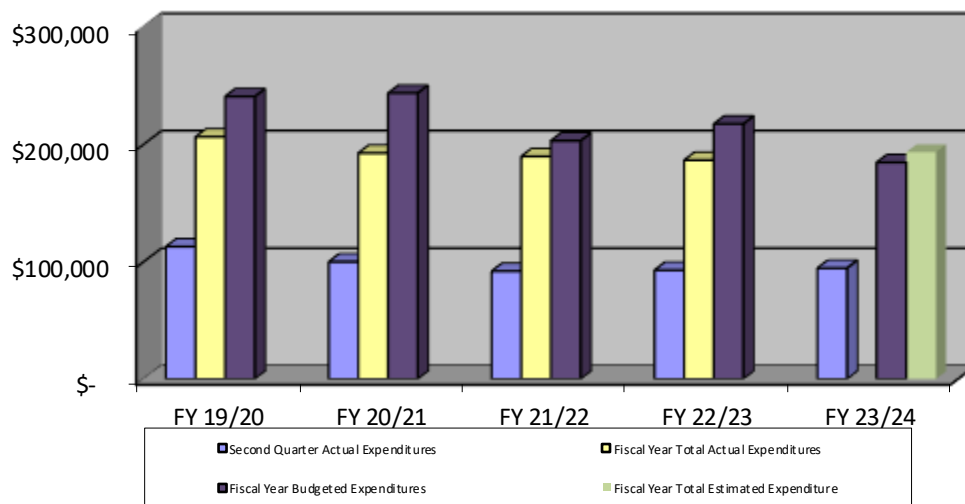
The pie chart below represents the Departmental proportion of the Town's General Fund estimated operating expenditures. The subsequent pages review program expenditures and any anticipated savings are provided for each program. Also provided are historical program costs, year over year (YOY) percentage changes in actual expenditures, and five-year average changes per the Finance Commission's suggestion. YOY percentage changes are, in many cases, impacted by the timing of one-time expenditures that occur during the fiscal year. Historical analysis has been provided in selected cases to provide explanations for some of the fluctuations between fiscal years. The FY 2023/24 Estimated figures also include analysis on potential salary and other expenditure savings; however, budget adjustments are only recommended as identified in this Report.



## Town Council

The Town Council is the elected legislative body that represents the residents and provides policy direction for the delivery of services and capital improvements for the Town of Los Gatos. Town Council expenditures are trending higher than the same quarter in the prior year. Total estimated expenditures are also trending higher than budget due to the fact that this Department is fully staffed. Staff will monitor this program and request a budget adjustment, if necessary, before Fiscal Year end.

**Town Council - Quarterly and Annual Expenditures  
5-Year History**

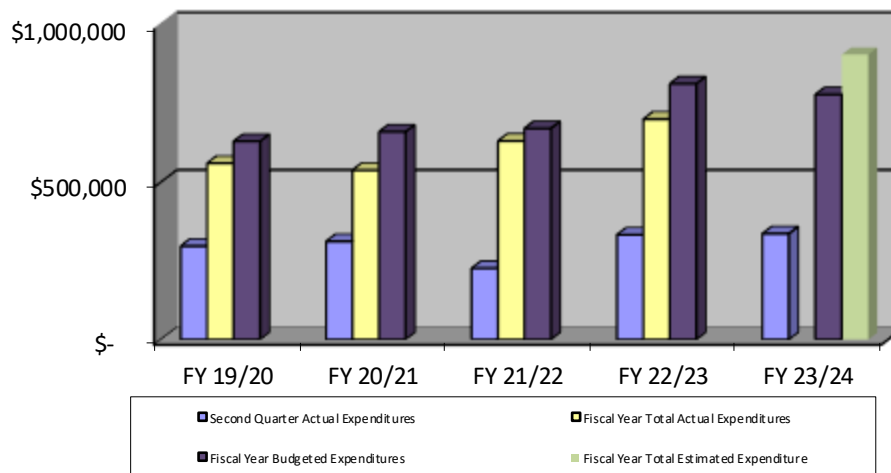


	<u>FY 19/20</u>	<u>FY 20/21</u>	<u>FY 21/22</u>	<u>FY 22/23</u>	<u>FY 23/24</u>
Second Quarter Actual Expenditures	\$ 112,711	\$ 99,787	\$ 91,800	\$ 92,674	\$ 94,408
Fiscal Year Total Actual Expenditures	\$ 206,163	\$ 192,280	\$ 189,569	\$ 186,337	
Fiscal Year Total Estimated Expenditure					\$ 193,212
Fiscal Year Budgeted Expenditures	\$ 240,605	\$ 243,486	\$ 202,891	\$ 217,238	\$ 184,395
Second Quarter Percentage of Total	55%	52%	48%	50%	51%
<b>Recommended Budget Revision</b>					<b>\$ -</b>
YOY Percentage Changes	0.13%	-6.73%	-1.41%	-1.70%	3.69%
5-year Average Percentage Change					<b>-1.21%</b>

## Town Attorney

The Town Attorney is the legal advisor to the Town Council, Successor Agency to the former Redevelopment Agency, and Town staff. In this capacity, the office of the Town Attorney provides a wide range of legal services to ensure that Town actions and activities are legally sound. Town Attorney program expenditures are trending at 43%. Staff recommends a \$150,000 expenditure budget increase to provide additional legal support for the Department.

**Town Attorney - Quarterly and Annual Expenditures  
5-Year History**



	<u>FY 19/20</u>	<u>FY 20/21</u>	<u>FY 21/22</u>	<u>FY 22/23</u>	<u>FY 23/24</u>
Second Quarter Actual Expenditures	\$ 296,424	\$ 311,520	\$ 226,377	\$ 332,183	\$ 336,063
Fiscal Year Total Actual Expenditures	\$ 559,010	\$ 537,296	\$ 629,935	\$ 699,143	
Fiscal Year Total Estimated Expenditure					\$ 904,041
Fiscal Year Budgeted Expenditures	\$ 628,793	\$ 658,831	\$ 669,733	\$ 811,426	\$ 777,508
Second Quarter Percentage of Total	53%	58%	36%	48%	43%
<b>Recommended Budget Revision</b>					<b>\$ 150,000</b>

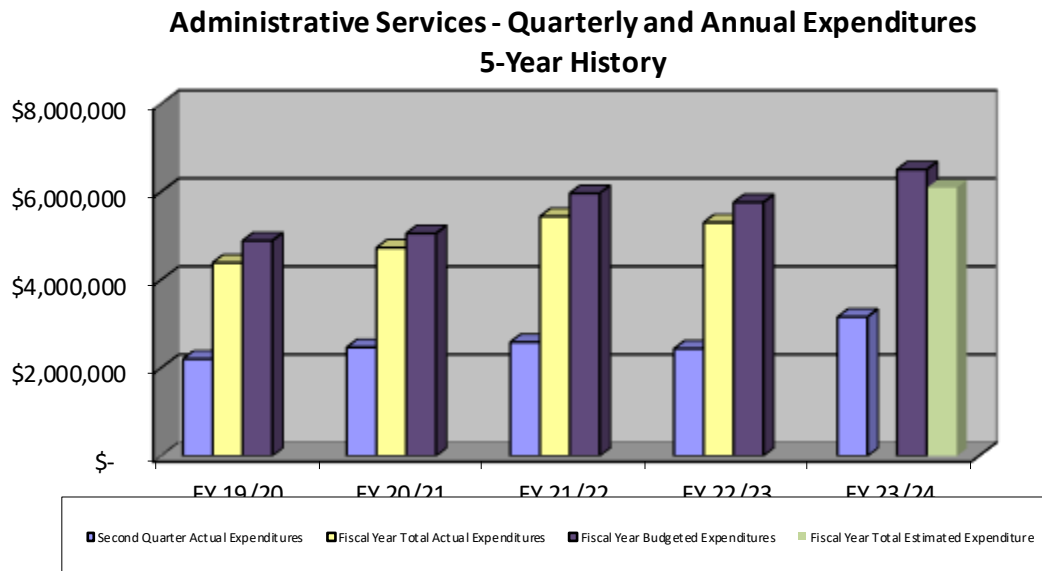
YOY Percentage Changes	-0.63%	-3.88%	17.24%	10.99%	29.31%
5-year Average Percentage Change					10.60%



## Administrative Services

The Town Manager provides overall management, administration, and direction for the entire Town organization, reporting to the full Town Council. Administrative Services incorporates five key programs: Town Manager's Office, Clerk Department, Finance Department, Human Resources Department, and Information Technology.

Administrative Services program expenditures are trending higher compared to the same quarter expenditures in prior year. This program had some vacancies during the first half of the fiscal year including Accountant and HR Director positions. Staff estimates approximately \$322,000 expenditure savings in this program. Savings are anticipated in mainly staff salaries and benefits, travel and training, and office supplies. Staff requests a total of \$79,500 budget decrease combining a \$20,500 operating budget expenditure increase offsetting with a \$100,000 expenditure budget decrease in the ARPA Tracking Pass-Through expenditures, since funds were expended in the prior year.

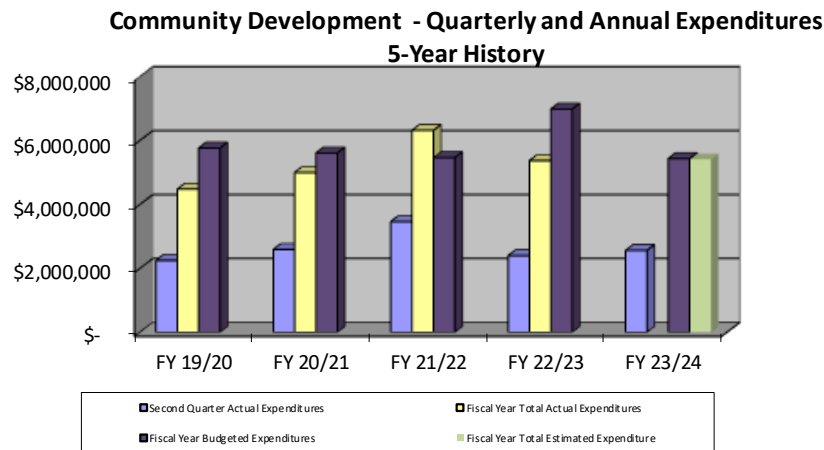


	<u>FY 19/20</u>	<u>FY 20/21</u>	<u>FY 21/22</u>	<u>FY 22/23</u>	<u>FY 23/24</u>
Second Quarter Actual Expenditures	\$ 2,204,552	\$ 2,467,813	\$ 2,583,281	\$ 2,435,224	\$ 3,157,872
Fiscal Year Total Actual Expenditures	\$ 4,388,762	\$ 4,730,360	\$ 5,441,605	\$ 5,302,277	
Fiscal Year Total Estimated Expenditure					\$ 6,091,006
Fiscal Year Budgeted Expenditures	\$ 4,891,905	\$ 5,055,847	\$ 5,965,801	\$ 5,759,393	\$ 6,508,065
Second Quarter Percentage of Total	50%	52%	47%	46%	49%
<b>Recommended Budget Revision</b>					<b>\$ (79,500)</b>
YOY Percentage Changes	10.41%	7.78%	15.04%	-2.56%	14.88%
5-year Average Percentage Change					9.11%

## Community Development Services

The Community Development Department works with elected and appointed officials, other Departments, and the community to guide the physical growth, development, and preservation of the Town.

Community Development program expenditures are trending higher than the same quarter expenditures in the prior year due to increased development activities in the Department Building and Pass-Through programs. The Pass-Through program collects the required developer deposits for various review services. The Town provides those services through consultants and the consultants are paid out of the applicant's account. At the close of a project, all remaining fees collected will be refunded to the applicant. This program had limited vacancies during the first half of the fiscal year. In addition, staff recommends expenditure budget adjustments for maintenance and repair of an affordable housing unit in the amount of \$66,000 that is offset with dedicated revenue. Staff also recommends an additional \$3,500 budget adjustment for miscellaneous operating expenditures. Staff anticipates approximately \$20,000 expenditure savings in this program. Staff will monitor this program and request an additional budget adjustment, if necessary, before Fiscal Year end.



	<u>FY 19/20</u>	<u>FY 20/21</u>	<u>FY 21/22</u>	<u>FY 22/23</u>	<u>FY 23/24</u>
Second Quarter Actual Expenditures	\$ 2,245,767	\$ 2,589,502	\$ 3,460,301	\$ 2,394,537	\$ 2,559,684
Fiscal Year Total Actual Expenditures	\$ 4,473,790	\$ 4,994,391	\$ 6,313,505	\$ 5,365,410	
Fiscal Year Total Estimated Expenditure					\$ 5,410,008
Fiscal Year Budgeted Expenditures	\$ 5,760,099	\$ 5,605,215	\$ 5,461,716	\$ 6,978,617	\$ 5,430,624
Second Quarter Percentage of Total	50%	52%	55%	45%	47%
<b>Recommended Budget Revision</b>					<b>\$ 70,418</b>

YOY Percentage Changes	-2.32%	11.64%	26.41%	-15.02%	0.83%
5-year Average Percentage Change					4.31%

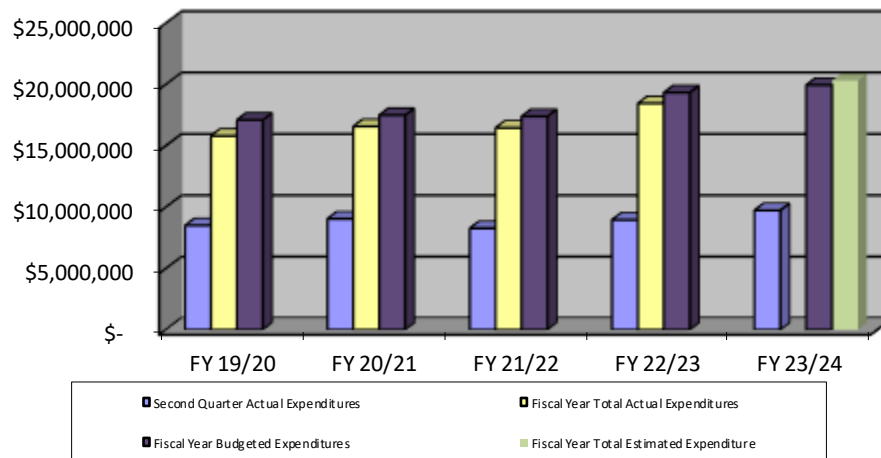
Community Development Department expenditures vary year to year based on the development activity and pass-through services.

## Police Services

The Los Gatos-Monte Sereno Police Department provides Police services to the Town of Los Gatos and contractually to the City of Monte Sereno. The Department is committed to ensuring public safety with integrity, compassion, and professionalism, by providing exceptional law enforcement services, building community partnerships, and engaging the community in problem solving.

Staff is continuing to monitor Police service program revenues and expenditures. The Police Department dedicated additional resources for ongoing recruitments for open positions. Whenever feasible, open positions are filled with trainees, per diems, and temporary employees until positions are filled, which contributes to increased costs. Staff recommends \$380,143 expenditure budget increase to aid with recruitment services, additional temporary employee costs, mandated software support, and legal services as described in the Recommended Budget Adjustments. Total estimated expenditures are also trending higher than budget due to overtime related activities. Staff is monitoring this program and may request additional budget adjustments, if necessary, before Fiscal Year end.

**Police - Quarterly and Annual Expenditures  
5-Year History**



	<u>FY 19/20</u>	<u>FY 20/21</u>	<u>FY 21/22</u>	<u>FY 22/23</u>	<u>FY 23/24</u>
Second Quarter Actual Expenditures	\$ 8,504,636	\$ 9,041,998	\$ 8,266,432	\$ 8,957,541	\$ 9,732,666
Fiscal Year Total Actual Expenditures	\$ 15,793,815	\$ 16,570,836	\$ 16,451,189	\$ 18,446,040	
Fiscal Year Total Estimated Expenditure					\$ 20,313,916
Fiscal Year Budgeted Expenditures	\$ 17,097,583	\$ 17,487,761	\$ 17,390,969	\$ 19,331,331	\$ 19,933,414
Second Quarter Percentage of Total	54%	55%	50%	49%	49%

<b>Recommended Budget Revision</b>	<b>\$ 380,143</b>
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YOY Percentage Changes	5.35%	4.92%	-0.72%	12.13%	10.13%
5-year Average Percentage Change					6.36%

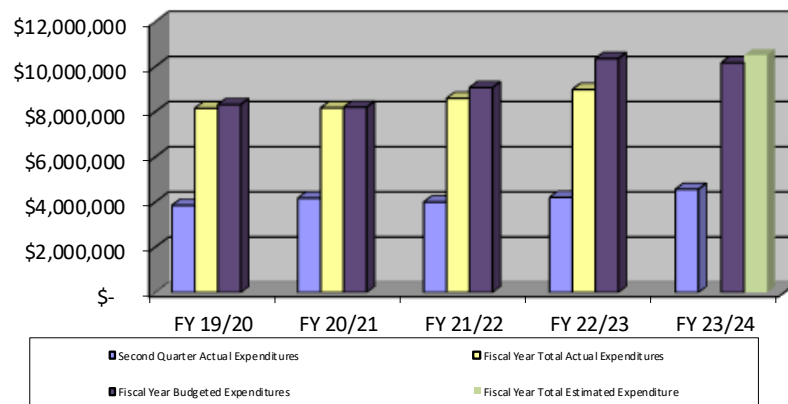
## Parks and Public Works Services

The Parks and Public Works Department constructs and maintains the Town's public parks, facilities, roadways, right-of-way, and other infrastructure. Six organizational units work in coordination to achieve the Department's overarching goal of ensuring the Town's facilities are safe, functional, and attractive.

The Parks and Public Works services program expenditures are trending lower than prior year same quarter expenditures. This program experienced vacancies in several positions including Associate Engineer and Park and Maintenance Worker during the first half of the fiscal year. Staff is requesting the deletion of the hire-ahead one-time Lead Maintenance Worker position (approximately \$200,000). Staff also is requesting restructuring a couple of positions to better align the Department needs and further ensure Capital Project delivery by defunding the Transportation Mobility Manager and Associate Engineer positions and adding positions for Engineering Planner and Senior Engineer, resulting in a total net addition of \$23,875.

Total Estimated expenditures are also trending higher than budget due to the fact that the Department is utilizing temporary per diem employees as needed to fill vacancies. Staff recommends an expenditure budget decrease of \$33,416 attributed to the additional contractual obligations combined with the restructuring and defunding the hire-ahead position. Staff will monitor this program and request an additional budget adjustment, if necessary, before Fiscal Year end.

**Parks and Public Works - Quarterly and Annual Expenditures  
5-Year History**

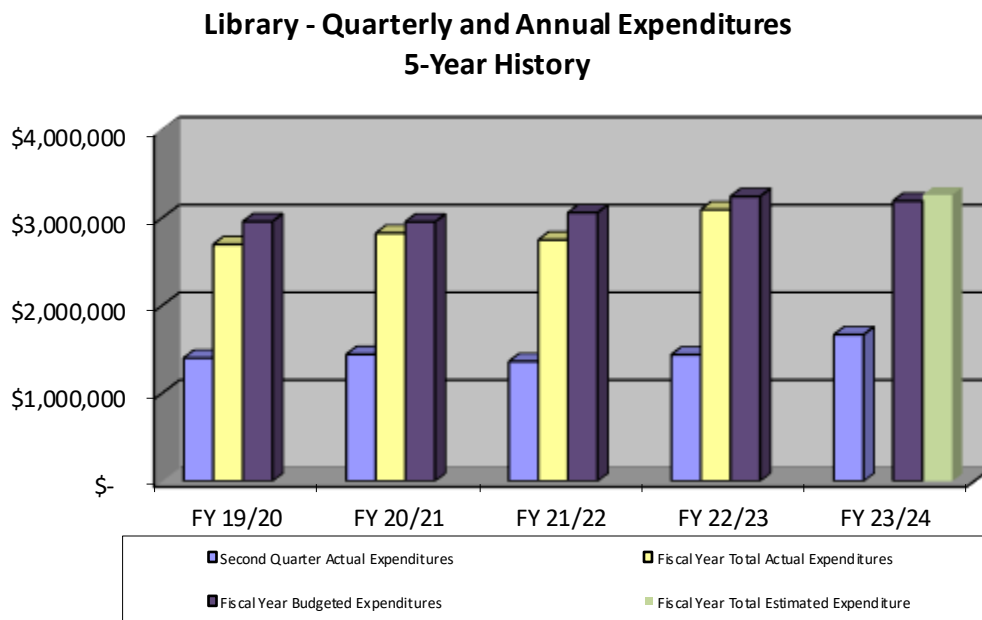


	<u>FY 19/20</u>	<u>FY 20/21</u>	<u>FY 21/22</u>	<u>FY 22/23</u>	<u>FY 23/24</u>
Second Quarter Actual Expenditures	\$ 3,864,874	\$ 4,185,306	\$ 4,010,181	\$ 4,215,979	\$ 4,574,800
Fiscal Year Total Actual Expenditures	\$ 8,168,040	\$ 8,179,757	\$ 8,605,455	\$ 8,998,082	
Fiscal Year Total Estimated Expenditure					\$ 10,519,175
Fiscal Year Budgeted Expenditures	\$ 8,328,730	\$ 8,209,850	\$ 9,080,662	\$ 10,368,194	\$ 10,177,731
Second Quarter Percentage of Total	47%	51%	47%	47%	45%
<b>Recommended Budget Revision</b>					<b>\$ (33,416)</b>
YOY Percentage Changes	2.43%	0.14%	5.20%	4.56%	16.90%
5-year Average Percentage Change					5.85%

## Library Services

The Los Gatos Library fosters curiosity and community connection and strives to be at the heart of an engaged and vibrant community.

Library services program expenditures are trending higher than prior year same quarter expenditures. Staff recommends a \$23,200 budget increase for general collection and other miscellaneous operating expenditures as described in the following section. Total Estimated expenditures are also trending higher than budget due to the fact that this Department is fully staffed. Staff will monitor this program and request an additional budget adjustment, if necessary, before Fiscal Year end.



	<u>FY 19/20</u>	<u>FY 20/21</u>	<u>FY 21/22</u>	<u>FY 22/23</u>	<u>FY 23/24</u>
Second Quarter Actual Expenditures	\$ 1,404,285	\$ 1,445,899	\$ 1,365,415	\$ 1,442,417	\$ 1,671,000
Fiscal Year Total Actual Expenditures	\$ 2,700,802	\$ 2,828,873	\$ 2,752,401	\$ 3,096,485	
Fiscal Year Total Estimated Expenditure					\$ 3,263,710
Fiscal Year Budgeted Expenditures	\$ 2,960,784	\$ 2,957,531	\$ 3,062,708	\$ 3,247,731	\$ 3,194,842
Second Quarter Percentage of Total	52%	51%	50%	47%	52%
<b>Recommended Budget Revision</b>					<b>\$ 23,200</b>
YOY Percentage Changes	7.67%	4.74%	-2.70%	12.50%	5.40%
5-year Average Percentage Change					5.52%

## FY 2023/24 RECOMMENDED BUDGET ADJUSTMENTS

Budget adjustments are recommended for the following revenues and expenditures at the second quarter as described below:

FY 2023/24 MID-YEAR BUDGET ADJUSTMENT REQUESTS - GENERAL FUND					
Program	Account	General Fund Revenues			
1201	411**	Property Tax - Without ERAF	\$ 144,267		Based on Santa Clara County Property Tax Estimates
1201	41126	Excess ERAF	297,000		Based on Santa Clara County Property Tax Estimates
1201	41141	Motor Vehicle In Lieu Fee (VLF)	213,320		Based on Santa Clara County Property Tax Estimates
1201	41211	Sales & Use Tax	(915,383)		Based on MuniServices Most Likely January 2024 Sales
1221	41214	Measure G - District Sales Tax	(36,802)		Based on MuniServices Most Likely January 2024 Sales
1201	41311	Transient Occupancy Tax	(156,472)		Based on Past Receipts and Current Trend
1201	41612	PG&E Franchise Fee	94,530		Funds Anticipated
1201	41613	Garbage Franchise Fee	1,097,703		Funds Anticipated, Restore Prior Level
1301	44715	Attorney Services - Reimbursement	20,989		Funds Received
2101	44316	Leadership Los Gatos Participation Fee	3,450		Funds Received, Partially Matching Expenditures
2101	4351*	Additional Grants for Unhoused Initiative	5,000		Funds Anticipated
2102	48219	ARPA Tracking Pass-Through Revenue	(100,000)		Funds Expended Prior Fiscal Year, Matching
2301	41411	Business License Tax	(11,347)		Funds Anticipated
2301	452**	Interest	532,033		Funds Anticipated
3201	42413	Planning Permits	86,500		Funds Anticipated
3201	42414	Council Appeal Fees	3,000		Funds Anticipated
3301	44421	Plan Check Building	(19,800)		Funds are not Received
3401	45111	Code Compliance - Admin Citation	7,500		Funds Anticipated
3501	45929	Affordable Housing Escrow Refund	85,000		Funds Received, Partially Matching Expenditure
4101	45411	Police Foundation Donation	33,000		Matching Expenditure
4202	43336	Prop 172 - Public Safety Sales Tax	(40,100)		Based on MuniServices Most Probable January 2024
4301	42616	Alarm Registration	(5,500)		Funds are not Received
4304	42611	Parking Permits	(12,000)		Funds are not Received
4304	45112	Online Parking Permit	(7,500)		Funds are not Received
4304	45126	Online Parking Ticket	150,000		Funds Anticipated
4304	45127	SCC Park Bail Collection	5,000		Funds Anticipated
4999	43409	Excess SLESF	43,079		Funds Anticipated
4999	45917	Opioid Settlement	10,422		Funds Anticipated
5101	45919	Metal Recycling	209		Funds Received
5201	49411	Street Paving Project Management Support	23,875		Funds are not Received
5202	42514	Encroachment Permits	50,000		Funds Anticipated
5202	42517	Dumpster Permit	(700)		Funds are not Received
5202	42518	Under Utility Fee	3,000		Funds Anticipated
5202	44214	Other Service Fee	7,600		Funds Anticipated
5202	44621	Engineering Services	(60,000)		Funds are not Received
5202	44623	Engineering Review	130,000		Funds Anticipated
5202	44624	Grading Inspection	55,000		Funds Anticipated
5202	44625	NPDES Inspection	40,000		Funds Anticipated
5301	44614	LGUSL Sport Park Rental	5,884		Funds Anticipated
5301	45313	LGS Lawn Maintenance Reimbursement	(3,972)		Funds are not Received
5302	42523	JPA Fee	216,125		Funds Anticipated
5401	42519	Chargepoint Flex Billing	13,424		Funds Anticipated
5401	45922	Insurance Claim Reimbursement	54,696		Funds Received
5405	45922	Insurance Claim Reimbursement	18,563		Funds Received
7801	43343	Public Library Fund Grant	43,500		Grant Reimbursement Crossing Fiscal Years
<b>TOTAL GENERAL FUND REVENUES</b>			<b>\$ 2,124,093</b>		

**FY 2023/24 MID-YEAR BUDGET ADJUSTMENT REQUESTS - GENERAL FUND**

<b>Program</b>	<b>Account</b>	<b>General Fund Expenditures</b>			
1201	62113	Town Share of Retiree Medical	\$ 18,506		<i>Funds are not Expended</i>
1201	62119	Additional Payment to IRS Pension Trust	300,000		<i>From Available Reserve</i>
1301	63215	Legal Service Support	150,000		<i>Funds are not Expended</i>
2101	62413	Boards and Commissions - DEI	2,500		<i>Funds are not Expended</i>
2101	62434	Leadership Los Gatos	13,000		<i>Funds are Partially Expended</i>
2101	62351	Unhoused Initiatives	5,000		<i>Funds are not Expended</i>
2102	68219	ARPA Tracking Pass-Through Expenditures	(100,000)		<i>Funds Expended Prior Fiscal Year, Matching Revenues</i>
3201	61111	Office Supplies	1,000		<i>Funds are not Expended</i>
3201	61114	Postage	2,500		<i>Funds are Partially Expended</i>
3201	62142	Membership Fees	1,000		<i>Funds are Partially Expended</i>
3501	62371	Building Maint and Repairs- Affordable Housing	63,952		<i>Funds are Expended, Matching Revenue</i>
3501	63370	HOA Dues and Services	1,966		<i>Funds are Expended, Matching Revenue</i>
4101	67503	Police Foundation Donation	33,000		<i>Matching Revenues</i>
4201	62143	Dues and Subscriptions	12,635		<i>Funds are Partially Expended</i>
4201	633XX	Legal Services	48,000		<i>Funds are Partially Expended</i>
4202	63213	Recruitment Services	78,429		<i>Funds are Partially Expended</i>
4301	51***	Temporary Employee	100,000		<i>Funds are not Expended</i>
4301	61145	Safety Uniforms	21,000		<i>Funds are not Expended</i>
4301	64111	Training	16,000		<i>Funds are not Expended</i>
4304	62223	SCC Court and Jail Construction Fee	28,000		<i>Funds are Partially Expended</i>
4999	6841*	Excess SLESF	43,079		<i>Funds are not Expended</i>
5101	62379	Miscellaneous Services and Repairs	10,000		<i>Funds are Partially Expended</i>
5301	62524	Park Use Lease	1,500		<i>Funds are Partially Expended</i>
5301	62613	Utilities - Water	64,000		<i>Funds are Expended</i>
5301	5****	Defund - Hire Ahead Lead Maintenance Worker	(196,904)		<i>Funds are not Expended</i>
5101	5****	Defund - Transportation and Mobility Manager	(134,160)		<i>Funds are Partially Expended</i>
5201	5****	Add - Senior Engineer Planner	121,195		<i>Funds are not Expended</i>
5201	5****	Defund - Associate Engineer	(237,389)		<i>Funds are Partially Expended</i>
5201	5****	Add - Senior Engineer	274,229		<i>Funds are not Expended</i>
5401	61212	Street Signs	20,000		<i>Funds are Partially Expended</i>
5405	62379	Miscellaneous Services and Repairs	6,216		<i>Funds are Expended</i>
5405	63364	Traffic Signalization	37,897		<i>Funds are Partially Expended</i>
7101	62142	Membership Fees	1,000		<i>Funds are Partially Expended</i>
7101	62317	Office Equipment Maintenance	1,200		<i>Funds are not Expended</i>
7201	61171	General Collections	6,000		<i>Funds are not Expended</i>
7204	61132	Computer Supplies	15,000		<i>Funds are not Expended</i>
<b>TOTAL GENERAL FUND EXPENDITURES</b>			<b>\$ 829,351</b>		

**FY 2023/24 MID-YEAR BUDGET ADJUSTMENT REQUESTS - OTHER FUNDS**

<b>Fund</b>	<b>Program</b>	<b>Account</b>	<b>Other Fund Revenues</b>		
<b>251</b>	<b>5408</b>		<b>Los Gatos Theatre</b>		
		4353*	Theatre Tenant Rent	51,445	Funds Anticipated
		45919	Tenant Utility Reimbursement	54,155	Funds Anticipated
				<b>\$ 105,600</b>	
<b>611</b>	<b>1302</b>		<b>Liability Self Insurance</b>		
611		45922	Insurance Claim Reimbursement	5,000	Funds Received
				<b>\$ 5,000</b>	
<b>612</b>	<b>2202</b>		<b>Workers' Compensation</b>		
612		45922	Excess Insurance Claim Reimbursement	140,379	Funds Received
				<b>\$ 140,379</b>	
<b>631</b>	<b>5402</b>		<b>Equipment Replacement</b>		
631		45328	Equipment Sharing Revenue	(8,900)	Funds are not Received
		45922	Insurance Claim Reimbursement	18,591	Funds Received
				<b>\$ 9,691</b>	
<b>481</b>	<b>411-811-6004</b>	<b>4332*</b>	<b>Gas Tax</b>		
481			Decreased Gas Tax Projections for Street Repair	(73,138)	Based on California City Finance Projection January 2024
				<b>\$ (73,138)</b>	
<b>711</b>	<b>7301</b>		<b>Library Trust</b>		
711		45411	Additional Donation	1,000	Funds Received
		45452	Friends of the Library Donation	17,300	Funds Received
				<b>\$ 18,300</b>	
<b>TOTAL OTHER FUNDS REVENUES</b>				<b>\$ 50,762</b>	
<b>Fund</b>	<b>Program</b>	<b>Account</b>	<b>Other Fund Expenditures</b>		
<b>251</b>	<b>5408</b>		<b>Los Gatos Theatre</b>		
		62611	Utilities - Electric	73,068	Funds are Partially Expended
		62612	Utilities - Gas	108	Funds are Partially Expended
		62613	Utilities - Water	4,188	Funds are Partially Expended
				<b>\$ 77,364</b>	
<b>411</b>	<b>411-831-9901</b>	<b>69111</b>	<b>GFAR</b>		
411				23,875	From Available GFAR Fund Balance
				<b>\$ 23,875</b>	
<b>481</b>	<b>481-811-9901</b>	<b>82405</b>	<b>Gas Tax</b>		
481			Decreased Gas Tax Projections for Street Repair	(73,138)	Based on California City Finance Projection January 2024
				<b>\$ (73,138)</b>	
<b>611</b>	<b>1302</b>		<b>Liability Self Insurance</b>		
611		655XX	Insurance Premium	49,482	From Available Liability Self Insurance Internal Service Fund
		6551X	Employee Risk Management Authority Insurance	120,000	From Available Liability Self Insurance Internal Service Fund
				<b>\$ 169,482</b>	
<b>612</b>	<b>2202</b>	<b>62332</b>	<b>Workers' Compensation</b>		
612			Ergonomic Evaluation	7,000	From Available Workers' Comp Internal Service Fund
				<b>\$ 7,000</b>	
<b>631</b>	<b>5402</b>	<b>81112</b>	<b>Facilities Maintenance</b>		
			Traffic Speed Monitor Trailer	23,591	From Available Workers' Comp Internal Service Fund
				<b>\$ 23,591</b>	
<b>633</b>	<b>5404</b>		<b>Facilities Maintenance</b>		
633		62611	Utilities - Electric	90,000	From Available Facilities Maintenance Internal Service Fund
		62613	Utilities - Water	30,000	From Available Facilities Maintenance Internal Service Fund
		62631	Utilities - Telephone	15,000	From Available Facilities Maintenance Internal Service Fund
				<b>\$ 135,000</b>	
<b>TOTAL OTHER FUNDS EXPENDITURES</b>				<b>\$ 363,174</b>	



## SUMMARY OF KEY RECOMMENDED BUDGET ADJUSTMENTS

- General Property Tax and Motor Vehicle in Lieu Fee: Staff recommends an increase in projected revenues of approximately \$144,267 in General Property Tax and an increase of \$213,320 Motor Vehicle in Lieu fee which are in line with the estimates and forecasts provided to the Town from Santa Clara County.
- ERAF: Staff recommends a \$297,000 revenue budget increase to reflect current estimates and forecasts provided to the Town from Santa Clara County.
- Sales and Use Tax: Staff recommends a \$915,383 revenue budget decrease to reflect current sales tax trends based on MuniServices' current projections.
- Measure G – District Sales Tax: Staff recommends a \$36,802 revenue budget decrease to reflect the current trends of the one-eight cent sales tax based on MuniServices' projections.
- Transient Occupancy Tax (TOT): Staff recommends a \$156,472 revenue budget decrease based on the current trends and past receipts.
- PG&E Franchise Fee: Staff recommends an increase in projected revenues of approximately \$94,530 in cable franchise fee based on last year's actuals.
- Garbage Franchise Fee: Staff recommends an increase in projected revenues of approximately \$1,097,703 to restore prior levels based on the new agreement.
- Attorney Services – Reimbursement: Staff recommends a \$20,989 revenue budget increase based on current reimbursements.
- Leadership Los Gatos: Staff recommends a \$3,450 revenue budget increase in fee revenue based on current receipts and a \$13,000 increase in expenditures based on revised estimates.
- Unhoused Initiative Grant: Staff recommends a \$5,000 revenue and expenditure budget increase based on an anticipated additional contribution.
- ARPA Passthrough Tracking: Staff recommends a \$100,000 revenue and expenditure budget decrease based on funds expended in the prior year.
- Business License Tax: Staff recommends a \$11,347 revenue budget decrease based on revised estimates and current receipts.
- Interest Earnings: Staff recommends a \$531,287 revenue budget increase based on a higher interest rate environment than expected.
- Planning Permits and Council Appeal Fees: Staff recommends a \$86,500 revenue budget increase for planning permits and a \$3,000 budget increase for council appeal fees based on current receipts.

- Plan Check Fees: Staff recommends a \$19,800 revenue budget decrease based on the current plan check activities.
- Code Compliance – Admin Citations: Staff recommends a \$7,500 revenue budget increase based on the current receipts collected.
- Affordable Housing Program: Staff recommends a \$85,000 revenue budget increase based on current escrow funds from the purchase of 137 Bersano Ln and an expenditure budget increase of \$65,918 for building repairs and HOA Dues and services for 137 Bersano Ln.
- Police Foundation: Staff recommends a \$33,000 revenue and expenditure budget increase based on additional donations.
- Prop 172 – Public Safety Sales Tax: Staff recommends a \$40,100 revenue budget decrease to reflect the current trends of the tax based on MuniServices' current projections.
- Alarm Registration: Staff recommends a \$5,500 revenue budget decrease due to alarm registration trending down for the year.
- Parking Permits: Staff recommends a \$12,000 revenue budget decrease for parking permits and a \$7,500 budget decrease for online parking permits based on a change in the business parking permit process.
- Online Parking Ticket System: Staff recommends a \$150,000 revenue budget increase to reflect revised estimates based on citations collected.
- Parking Bail: Staff recommends a \$5,000 revenue budget increase to reflect revised estimates based on current collections from Santa Clara County.
- Excess SLESF: Staff recommends a \$43,079 revenue and expenditure budget increase to create a pass-through account. This action is recommended and consistent with the intent of the Citizens Option for Public Safety (COPS) program for use of SLESF funds.
- Opioid Settlement Proceeds: Staff recommends a \$10,422 revenue budget increase to recognize the receipt of Opioid Settlement funds. The Settlement requires funds be used primarily for opioid abatement; the Police Department will follow the fiscal guidelines outlined in the Settlement agreement.
- Metal Recycling: Staff recommends \$209 revenue budget increase to recognize receipt of funds for metal recycling.
- Street Paving Project Management: Staff recommends a \$23,875 revenue budget increase based on additional engineering support.
- Encroachment Permits: Staff recommends \$50,000 revenue budget increase to recognize incoming increased development fees.

- Dumpster Permits: Staff recommends \$700 revenue budget decrease based on less applications submitted than expected.
- Utility Underground Fee: Staff recommends \$3,000 revenue budget increase to recognize an increase in encroachment permit inspections.
- Subdivision Map Checking Fees: Staff recommends \$7,600 revenue budget increase based on the current engineering subdivision map checking activities.
- Engineering Development Services: Staff recommends \$60,000 revenue budget decrease based on the current trends for misc. engineering service fees.
- Engineering Review Surcharge: Staff recommends \$130,000 revenue budget increase based on the current trends for applications.
- Public Improvements & Grading Inspection Fees: Staff recommends a revenue budget increase of \$55,000 based on the current trends for inspections.
- National Pollutant Discharge Elimination System (NPDES): Staff recommends a revenue budget increase of \$40,000 based on the current trends for NPDES inspection and permit services.
- Los Gatos Parks Use Agreements: Staff recommends a revenue budget increase of \$5,884 to recognize contracted annual use fee increases.
- LGS-Rec Lease Landscape Services: Staff recommends a revenue budget decrease of \$3,972 to recognize a reduction in the rent.
- West Valley Solid Waste Management Authority JPA: Staff recommends a revenue budget increase of \$216,125 to recognize the current Authority Administrative portion of the Authority Reimbursement paid by WVCRA to each Member Agency, and then each Member Agency pays that to the Authority.
- ChargePoint Flex Billing: Staff recommends a \$13,424 revenue budget increase to recognize the current trend of usage and reimbursements received.
- JPA Safety Grant: Staff recommends a \$54,696 revenue budget increase to recognize the receipt of safety grant for sidewalk repairs.
- Property Damage Claims: Staff recommends a \$18,562 revenue budget increase to recognize the receipt of reimbursement for playground structure, and damaged streetlight, pole and sign; and \$6,216 expenditure budget increase for misc. service and repairs.
- Library Operating Grants: Staff recommends a \$43,500 revenue budget increase based on grant reimbursements that crossed the fiscal year.
- Retiree Medical: Staff recommends a \$18,506 expenditure budget increase based on current estimates.
- IRS Pension Trust: Staff recommends an expenditure budget increase in the amount of \$300,000 for an additional payment to the IRS Pension Trust from available Pension/OPEB Reserve.

- Legal Services Support: Staff recommends a \$150,000 expenditure budget increase based on hiring a firm to assist with part-time legal support.
- Boards and Commissions: Staff recommends a \$2,500 expenditure budget allocation to the Diversity, Equity, and Inclusion Commission.
- Development Review Expenditures: Staff recommends budget expenditure increases for office supplies (\$1,000), postage (\$2,500), and membership fees (\$1,000) based on current expenditures.
- Dues and Subscriptions: Staff recommends a \$12,635 expenditure budget increase for the PowerDMS annual subscription agreement.
- Legal Services: Staff recommends a \$48,000 expenditure budget increase based on additional investigative needs.
- Recruitment Services: Staff recommends a \$78,429 expenditure budget increase based on an increase in recruitment activity and the Police Department has been actively planning for upcoming staff transition. This multi-faceted request is for three vendors services. The first vendor provides law enforcement agencies digital recruiting services using a multi-dimensional approach to officer recruiting combining effective communication, public relations, branding, marketing, and analytics, to engage with potential candidates. The two other vendors are assisting with the Police Captain recruitment and upcoming hiring and promotional process for the ranks of Corporal and Sergeant.
- Temporary Employees: Staff recommends a \$100,000 expenditure budget increase based on temporary/hourly compensation for four planned police recruits attending the police academy.
- Safety Uniforms: Staff recommends a \$21,000 expenditure budget increase based on additional staffing of four police recruits, one lateral police officer, and three sworn promotional positions.
- Training: Staff recommends a \$16,000 expenditure budget increase based on additional training expenditures for four police recruits attending the police academy.
- Court Fee Expenses: Staff recommends a \$28,000 expenditure budget increase based on parking citations trending higher than expected.
- Miscellaneous Services and Repairs: Staff recommends \$10,000 expenditure budget increase to recognize the cost of personnel related contracted services.
- Park Use Lease: Staff recommends an expenditure budget increase of \$1,500 annually for the LG Creek Trail Lease with Dept. of Transportation.
- Park Utilities: Staff recommends an expenditure budget increase of \$64,000 based on the current trends for water costs.
- Defund Lead Park Maintenance Worker: Staff recommends an expenditure budget decrease of \$196,904 to defund the Lead Park Maintenance Worker due to this hire-ahead position being budgeted and the retirement crossed fiscal years.

- Engineering Position Changes: Staff recommends an expenditure budget decrease of \$134,160 to defund the Transportation & Mobility Manager, an expenditure budget decrease of \$237,389 to defund an Associate Engineer, and an expenditure budget increases to add a Senior Engineer (\$274,229) and Senior Engineer Planner (\$121,195) to better align Department needs and workloads. The total net cost is \$23,875 and offset from revenue from the Street Maintenance Capital Project.
- Signs: Staff recommends \$20,000 expenditure budget increase related to the costs for modified signage supplies
- Traffic Signalization: Staff recommends \$37,897 expenditure budget increase to recognize increased property damages to streetlights.
- Membership Fees: Staff recommends an expenditure budget increase in the amount of \$1,000 for increase in costs for participation in Pacific Library Partnership resource sharing.
- Office Equipment Maintenance: Staff recommends an expenditure budget increase in the amount of \$1,200 for additional upholstery repair to Library furniture.
- General Collections: Staff recommends an expenditure increase in the amount of \$6,000 for increased public usage of library media platforms.
- Computer Supplies: Staff recommends a one-time expenditure increase of \$15,000 for replacement of failing radio frequency ID tag readers for circulation of library materials.

#### Other Fund Revenues and Expenditures

- Theatre Tenant Rent: Staff recommends a \$51,445 revenue budget increase based on anticipated rent payments.
- Tenant Utility Reimbursement: Staff recommends a \$54,155 revenue budget increase based on projected utility bills.
- Insurance Claim Reimbursement: Staff recommends a \$5,000 revenue budget increase based on current receipts.
- Worker's Compensation – Excess Insurance Claim Reimbursement: Staff recommends a \$140,379 revenue budget increase based on higher-than-expected claim activity.
- Equipment Sharing Revenue: Staff recommends a \$8,900 revenue budget decrease based on funds not received.
- Gas Tax: Staff recommends \$73,138 revenue and expenditure budget decrease based on California City Finance Projections.
- Library Trust: Staff recommends a \$18,300 revenue budget increase to recognize additional donation received from the Friends of the Library (\$17,300) and other parties (\$1,000).

- Equipment Replacement Fund: Staff recommends \$18,590 revenue budget increase and \$23,591 expenditure budget increase to recognize the receipt of insurance reimbursement and the purchase of traffic speed trailer caused by a hit and run.
- Theatre Utility Costs: Staff recommends a \$73,068 expenditure budget increase based on the current trends for electric costs, a \$108 expenditure budget increase based on the current trends for gas costs, and a \$4,188 expenditure budget increase based on the current trends for water costs.
- GFAR Project Costs: Staff recommends a \$23,875 expenditure budget increase based on project expenditures.
- Liability Self Insurance: Staff recommends a \$49,482 expenditure budget increase in insurance premiums and a \$120,000 expenditure budget increase in Employee Risk Management Authority Insurance based on an increase in insurance costs.
- Ergonomic Evaluations: Staff recommends a \$7,000 expenditure budget increase based on catching up on staff evaluations.
- Facilities Maintenance: Staff recommends \$90,000 expenditure budget increase based on the current trends for electric costs, \$30,000 expenditure budget increase based on the current trends for water costs, and \$15,000 expenditure budget increase for the increase of Town telephone costs (Frontier and Verizon).

## GENERAL FUND FINANCIAL SUMMARIES AND ESTIMATES

The following table is the *Schedule of General Fund Operating Revenues Versus Operating Expenditures* for the second quarter of FY 2023/24 which includes comparison information from the prior year.

The FY 2023/24 Adjusted Budget as of 12/31/2023 column includes the adopted budget and items that Council approved during the course of the first two quarters of the fiscal year, such as additional funding for legal services, and miscellaneous carry over grants from prior fiscal year.

The FY 2023/24 Adjusted Budget as of 2/20/2024 column includes the adopted budget and items that Council approved during the course of the first two quarters of the fiscal year and the budget adjustment requested with this report.

The FY 2023/24 Estimated column contains projections of final balances for the current fiscal year based upon staff analysis, the early trends observed through the second quarter in sales tax and property tax projections, and the proposed mid-year adjustments as listed in this report.

The FY 2023/24 Estimated figures also include analysis on potential salary and other expenditure savings; however, budget adjustments are only recommended as identified in this Report.

Staff continues to fine tune the detailed analysis of the FY 2023/24 year-end estimated revenue and expenditure numbers and an update will be provided with the presentation of the Proposed Fiscal Year 2024/25 Operating Budget.

The table below provides the details of the Revenues and Use of Reserves and Total Expenditures and Reserve Allocations.

GENERAL FUND								
SUMMARY OF REVENUES, TRANSFERS INM USE OF RESERVES AND EXPENDITURES, TRANSFERS OUT AND RESERVE ALLOCATIONS								
	FY 2022/23 Actuals	FY 2022/23 Q2	2Q % of FY 2022/23 Actuals	2Q % of FY 2023/24 Adjusted Budget as of 12/31/2023	FY 2023/24 Q2	FY 2023/24 Adjusted Budget as of 12/31/2023	FY 2023/24 Adjusted Budget as of 2/20/2024	FY 2023/24 Year End Estimates
<b>Revenues</b>								
Property Tax	\$ 18,187,388	\$ 6,155,317	33.8%	34.7%	\$ 6,446,869	\$ 18,556,631	18,997,898	\$ 18,997,898
VLF Backfill Property Tax	4,555,700	-	0.0%	0.0%	-	4,692,680	4,906,000	4,906,000
Sales & Use Tax	7,507,068	2,398,925	32.0%	28.6%	2,250,056	7,876,233	6,960,850	6,960,850
Measure G Sales & Use Tax	1,299,409	426,496	32.8%	32.5%	415,004	1,276,545	1,239,743	1,239,843
Franchise Fees	3,074,624	1,044,055	34.0%	51.0%	1,079,717	2,116,470	3,308,703	3,308,703
Transient Occupancy Tax	2,228,190	857,715	38.5%	33.9%	819,683	2,419,000	2,262,528	2,264,484
Business License Tax	2,361,862	97,974	4.1%	14.4%	352,611	2,440,766	2,429,419	2,429,419
Licenses & Permits	3,268,498	1,614,760	49.4%	59.0%	1,726,270	2,925,230	3,262,655	3,239,593
Intergovernmental	1,553,397	493,329	31.8%	60.0%	735,280	1,224,466	1,100,945	1,356,699
Town Services	4,646,675	3,299,202	71.0%	76.4%	3,375,872	4,416,250	4,615,797	5,166,743
Fines & Forfeitures	416,951	151,615	36.4%	111.2%	226,280	203,450	358,450	367,700
Interest	602,592	145,003	24.1%	22.8%	235,922	1,035,097	1,567,130	1,567,130
GASB 31 to Market	3,197	1,577,168	49332.7%		1,573,971	-	-	-
Use of Property	38,126	-	0.0%		-	-	-	-
Miscellaneous Other	859,578	551,234	64.1%	40.8%	826,265	2,026,716	2,124,634	2,306,791
Park Construction Tax	6,454	-	0.0%	109.7%	7,680	7,000	7,000	8,280
Debt Service - <i>Entry Eliminated for ACFR</i>	1,893,713	1,893,713	100.0%	0.0%	-	1,894,550	1,894,550	1,894,550
ARPA Income Replacement - <i>Entry Eliminated for ACFR</i>	471,664	-	0.0%		-	-	-	-
Pension Trust Income - <i>Entry Eliminated for ACFR</i>	690,000	-	0.0%		-	-	-	-
Measure G for Operations - <i>Entry Eliminated for ACFR</i>	629,065	-	0.0%		-	-	-	-
Proceeds for Sales of Assets	2,162	-	0.0%		-	-	-	-
Fund Transfer In	4,153,408	102,000	2.5%	21.3%	114,499	538,536	562,411	562,411
<b>Total Revenues &amp; Transfers In</b>	<b>\$ 58,449,721</b>	<b>\$ 20,808,506</b>	<b>36%</b>	<b>38%</b>	<b>\$ 20,185,979</b>	<b>\$ 53,649,620</b>	<b>\$ 55,598,713</b>	<b>\$ 56,577,094</b>
<b>Use of Other Funding Sources:</b>								
Use of Reserves - Capital/Special Projects	\$ 2,350,000	\$ -	0.0%	0.0%	\$ -	\$ 2,108,288	\$ 2,108,288	\$ 1,615,000
Use of Reserves - Council Priorities - Economic Recovery	2,065,302	-			-	1,645,281	1,545,281	1,545,281
Use of Reserve - Pension/OPEB	300,000	-			-	-	-	300,000
<b>Total Other Funding Sources</b>	<b>\$ 4,715,302</b>	<b>\$ -</b>	<b>0%</b>	<b>0%</b>	<b>\$ -</b>	<b>\$ 3,753,569</b>	<b>\$ 3,653,569</b>	<b>\$ 3,460,281</b>
<b>Total Revenues and Use of Reserves</b>	<b>\$ 63,165,023</b>	<b>\$ 20,808,506</b>	<b>33%</b>	<b>35%</b>	<b>\$ 20,185,979</b>	<b>\$ 57,403,189</b>	<b>\$ 59,252,282</b>	<b>\$ 60,037,375</b>
<b>Expenditures</b>								
Town Council	\$ 186,337	\$ 92,674	49.7%	51.2%	94,408	\$ 184,395	184,395	\$ 193,212
Attorney	699,143	332,183	47.5%	43.2%	336,063	777,508	927,508	904,041
Administrative Services	5,302,277	2,435,224	45.9%	48.5%	3,157,872	6,508,065	6,428,565	6,091,006
Non- Departmental	2,641,017	3,230,657	122.3%	42.7%	2,759,192	6,462,904	6,781,410	6,499,660
Community Development	5,065,410	2,394,537	47.3%	47.1%	2,559,684	5,430,624	5,501,042	5,410,008
Police	18,446,040	8,957,541	48.6%	48.8%	9,732,666	19,933,414	20,313,557	20,313,916
Parks & Public Works	8,998,082	4,215,979	46.9%	44.9%	4,574,800	10,177,731	10,144,315	10,519,175
Library	3,096,485	1,442,417	46.6%	52.3%	1,671,000	3,194,842	3,218,042	3,263,710
Capital Outlay	300,000	-			-	-	-	-
Principal	156,034	-			-	156,034	156,034	156,034
<b>Total Department Expenditures</b>	<b>\$ 44,890,825</b>	<b>\$ 23,101,212</b>	<b>51%</b>	<b>47%</b>	<b>\$ 24,885,685</b>	<b>\$ 52,825,517</b>	<b>\$ 53,654,868</b>	<b>\$ 53,350,762</b>
Debt Service - <i>Entry Eliminated for ACFR</i>	\$ 1,893,713	\$ -	0.0%	0.0%	\$ -	\$ 1,894,550	\$ 1,894,550	\$ 1,894,550
ARPA Income Replacement - <i>Entry Eliminated for ACFR</i>	471,664	-			-	-	-	-
Transfer to Pension Trust Fund - <i>Entry Eliminated for ACFR</i>	690,000	-			-	-	-	-
Measure G Transfer - <i>Entry Eliminated for ACFR</i>	629,065	-			-	-	-	-
Transfers Out	7,242,939	-	0.0%	0.0%	-	1,615,000	1,615,000	1,615,000
<b>Total Additional Non-Departmental Expenditures</b>	<b>\$ 10,927,381</b>	<b>\$ -</b>	<b>0%</b>	<b>0%</b>	<b>\$ -</b>	<b>\$ 3,509,550</b>	<b>\$ 3,509,550</b>	<b>\$ 3,509,550</b>
<b>Total Expenditures and Transfers Out</b>	<b>\$ 55,818,206</b>	<b>\$ 23,101,212</b>	<b>41%</b>	<b>44%</b>	<b>\$ 24,885,685</b>	<b>\$ 56,335,067</b>	<b>\$ 57,164,418</b>	<b>\$ 56,860,312</b>
Allocate to Budget Stabilization/Catastrophis Reserve	\$ 276,417	-			-	\$ -	\$ -	\$ -
Allocate to Compensated Absences	61,476	-			-	-	-	-
Allocate to Carryover Encumbrances	4,553	-			-	-	-	-
Allocate to Economic Recovery	1,556,614	-			-	-	-	-
Allocate to ERAF Risk Reserve	689,608	-			-	660,900	750,000	750,000
Allocate to Restricted Pension Trust	690,000	-			-	390,000	690,000	690,000
<b>Net Total Revenues, Transfers, and Use of Reserve Less Total Expenditure and Reserve Allocation</b>	<b>\$ 4,068,149 **</b>	<b>\$ (2,292,706) *</b>			<b>\$ (4,699,706) *</b>	<b>\$ 17,222</b>	<b>\$ 647,864</b>	<b>\$ 1,737,063</b>

\*FY 2022/23 and FY 023/24 2Q Net Operating Revenues are negative because some revenues budgeted for the entire fiscal year are received in the third or fourth quarters and fund expended in the first or second quarters.

\*\* This schedule includes fund balance uses. Total Revenues and Transfers In (\$58,449,721) minus Total Operating Expenditures (\$55,818,206) equals \$2,631,515.

## FINANCIAL SUMMARIES OF OTHER FUNDS

The group of financial summaries on the following pages present data by governmental, proprietary, and fiduciary fund types. For each, the fund information starts with a beginning fund balance, adds current year revenues, and subtracts current year expenditures, resulting in an ending fund balance. Adopted budget amounts are provided as a basis for comparison of actuals to date.

**Special Revenue Funds (Governmental Fund Type)**

Special Revenue Funds account for the proceeds derived from specific revenue sources that are legally restricted or assigned to special purposes. The Town's Special Revenue Funds are Community Development Block Grant Fund, Housing Conservation Program Fund, Urban Runoff Source Fund (Non-Point Source), several Landscaping Lighting District (LLD) Funds, Theatre Fund, and Library Trusts Funds. Staff also recommends \$105,600 revenue budget adjustment to recognize Theatre tenant lease and utility reimbursement revenues and \$77,364 expenditure budget adjustment for Theatre related expenses from available rent proceeds.

**Special Revenue Funds  
Budget to Actuals Comparisons**

	<b>CDBG Grants</b>	<b>Non-Point Source</b>	<b>LLD's</b>	<b>THEATRE</b>	<b>LIBRARY TRUSTS</b>
<b>Beginning Fund Balance</b>	<b>\$ 166,653</b>	<b>\$ 629,843</b>	<b>\$ 176,966</b>	<b>\$ 74,991</b>	<b>\$ 530,174</b>
Budgeted Revenues	-	359,950	39,230	68,400	74,800
<b>Total Actual Revenues - 2nd Qtr</b>	<b>\$ -</b>	<b>\$ 149,979</b>	<b>\$ -</b>	<b>\$ 30,020</b>	<b>\$ 97,161</b>
Budgeted Expenditures	-	271,103	47,684	55,814	100,800
<b>Total Actual Expenditures - 2nd Qtr</b>	<b>-</b>	<b>121,074</b>	<b>13,774</b>	<b>26,936</b>	<b>21,949</b>
<b>2nd Quarter Ending Fund Balance</b>	<b>\$ 166,653</b>	<b>\$ 658,748</b>	<b>\$ 163,192</b>	<b>\$ 78,075</b>	<b>\$ 605,386</b>



## Capital Projects Funds (Governmental Fund Type)

Capital Projects Funds account for resources used for the acquisition and construction of capital facilities by the Town. Funds in this category are the GFAR (General Fund Appropriated Reserve) Fund, Traffic Mitigation Fund, Grant Funded CIP Projects Fund, Utility Underground Fund, Gas Tax Fund, and three Storm Drain Funds. Staff recommends revenue and expenditure budget adjustments in the amount of \$73,138 to reflect decreased gas tax projections. Staff will continue to monitor these revenues and expenditures throughout the remainder of the year and \$23,875 expenditure budget increase to support street related engineer work. The Grant Funded CIP fund displays a deficit balance because this grant fund expends Town dollars first, then provides documentation of these expenditures to the State of California or other granting agencies and is reimbursed for those costs. The reimbursements eventually result with the fund “breaking even” or a zero fund balance.

Capital Project Funds Budget to Actuals Comparisons						
	GFAR* Fund	Traffic * Mitigation	Grant Funds* CIP	Storm Drains	Utility Undergd	Gas Tax
<b>Beginning Fund Balance</b>	<b>\$ 21,725,838</b>	<b>\$ 431,078</b>	<b>\$ (406,891)</b>	<b>\$ 3,218,331</b>	<b>\$ 3,438,996</b>	<b>\$ 1,671,245</b>
Budgeted Revenues	4,968,017	80,000	2,427,810	105,670	45,190	1,787,514
<b>Total Actual Revenues - 2nd Qtr</b>	<b>3,580,968</b>	<b>-</b>	<b>177,838</b>	<b>76,142</b>	<b>11,736</b>	<b>691,970</b>
Budgeted Expenditures	24,550,486	413,097	15,561,567	902,219	347,576	3,263,771
<b>Total Actual Expenditures - 2nd Qtr</b>	<b>3,759,292</b>	<b>98,920</b>	<b>330,492</b>	<b>-</b>	<b>-</b>	<b>1,464,600</b>
<b>2nd Quarter Ending Fund Balance</b>	<b>\$ 21,547,514</b>	<b>\$ 332,158</b>	<b>\$ (559,545)</b>	<b>\$ 3,294,473</b>	<b>\$ 3,450,732</b>	<b>\$ 898,615</b>

*\* GFAR, Traffic Mitigation, and Grant Funds balances are combined in the FY 2023 ACFR. The combined balance of \$21,750,025 is presented as an Appropriated Reserve.*

### Internal Service Funds (Proprietary Fund Type)

Internal Service Funds finance and account for special activities and services performed by a designated Town Department for other Town Departments on a cost reimbursement basis. Included in this fund type are the Equipment Replacement Fund, Workers' Compensation Fund, Joint Powers Authority Pooled Liability Network (PLAN) Self-Insurance Fund, Information Technology Fund, and the Facilities Maintenance Fund.

Staff recommends a \$5,000 revenue budget increase for recognize insurance claim reimbursement proceeds and a \$169,482 expenditure budget adjustment to cover additional insurance premium expenses in the Self Insurance Fund. The Self Insurance Fund Display a deficit balance because insurance premiums are paid at the beginning of the fiscal year, however Department reimbursement posted on the bi-monthly bases. In addition, increased premium rates and increased claim activities require the Town to increase its Liability Internal Service charges to increase by \$450,000 or 58% percent to assure cost recovery. Staff recommend \$140,379 revenue budget increase in the Workers' Compensation Internal Service Fund to recognize insurance claim reimbursement proceeds. Staff recommends increasing the internal service rate by \$500,000 or 45% percent to assure cost recovery in the Workers' Compensation Internal Service Fund. Staff will incorporate the new rates in the Proposed FY 2024/25 Operating Budget for Council consideration.

<b>Internal Service Funds Budget to Actuals Comparisons</b>					
	<b>Equipment Replacemt</b>	<b>Workers Compensation</b>	<b>Self Insurance</b>	<b>Information Technology</b>	<b>Facility Maint.</b>
<b>Beginning Fund Balance</b>	<b>\$ 2,413,720</b>	<b>\$ 514,813</b>	<b>\$ 212,022</b>	<b>\$ 2,474,618</b>	<b>\$ 927,699</b>
Budgeted Revenues	1,056,738	1,123,448	779,024	735,656	1,252,523
<b>Total Actual Revenues - 2nd Qtr</b>	<b>528,197</b>	<b>645,243</b>	<b>389,512</b>	<b>385,019</b>	<b>728,988</b>
Budgeted Expenditures	993,636	1,773,264	1,161,313	1,018,679	1,252,521
<b>Total Actual Expenditures - 2nd Qtr</b>	<b>26,035</b>	<b>1,012,838</b>	<b>1,057,171</b>	<b>551,895</b>	<b>454,942</b>
<b>2nd Quarter Ending Fund Balance</b>	<b>\$ 2,915,882</b>	<b>\$ 147,218</b>	<b>\$ (455,637)</b>	<b>\$ 2,307,742</b>	<b>\$ 1,201,745</b>

Trust and Agency Funds (Fiduciary Fund Type)

AB1x26 is the “Dissolution Bill” that eliminated the Town’s Redevelopment Agency effective February 1, 2012. AB 1484 is the “clean-up” bill that revised and attempted to clarify AB1x26. In accordance with the law, the Successor Agency continues to wind down the affairs and operations of the former Redevelopment Agency by implementing programs and activities in accordance with the State-approved Recognized Obligation payment Schedule (ROPS). The Successor Agency monies are now accounted for in a Private Purpose Trust fund and no longer part of the Town’s Financial Statements. The fund balance reported is the actual fund balance that incorporated the full accrual of long-term debt related to the outstanding bonds payable to the 2002 and 2010 Certificates of Participations. The approved ROPS schedule includes full funding related to the obligation for this debt.

**Trust & Agency Fund  
Budget to Actuals Comparisons**

		<b>SA Trust</b>
<b>Beginning Fund Balance</b>	<b>\$</b>	<b>(6,187,788)</b>
Budgeted Revenues		3,811,664
<b>Total Actual Revenues - 2nd Qtr</b>		<b>1,894,000</b>
Budgeted Expenditures		3,800,934
<b>Total Actual Expenditures - 2nd Qtr</b>		<b>3,568,622</b>
<b>2nd Quarter Ending Fund Balance</b>	<b>\$</b>	<b>(7,862,410)</b>