TOWN OF LOS GATOS
FINANCE COMMISSION REPORT

MEETING DATE: 08/10/2026
ITEM NO: 4
DESK ITEM

DATE: August 10, 2026

TO: Finance Commission

FROM: Chris Contantin, Town Manager

SUBJECT: Receive the Following Final Reports, Fiscal Condition Analysis, Future Growth and Sustainability Study Fiscal Impact Analysis and Asset Liability Management Study and Forward to the Town Council for Review

REMARKS:

Attachment 4 includes commissioner comments received before 11:00 a.m. on Monday August 10, 2026.

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

Attachment Distributed with this Desk Item:
4. Commissioner Comments

PREPARED BY: Kristina Alfaro
Administrative Services Director

Reviewed by: Town Manager and Town Attorney

Motion on Item 4

Fiscal Condition Analysis · Future Growth and Sustainability Study Fiscal Impact Analysis · Asset Liability Management Study

I move that the Finance Commission take the following action on Item 4:

1. **Receive the reports.** The Commission receives the Fiscal Condition Analysis, the Future Growth and Sustainability Study Fiscal Impact Analysis, and the Asset Liability Management Study, and thanks staff and the consultant team for the work.
2. **Find that the Commission requires additional time.** These three reports total approximately 120 pages of technical analysis and were distributed to the Commission with the agenda packet for this meeting. They address the most consequential financial questions before the Town: a projected structural operating deficit beginning in FY 2027; depletion of unassigned fund balance by approximately 2034; an expanded capital program with identified project costs exceeding $290 million; an estimated $7.07 million annual debt service obligation extending thirty years; and a conclusion that every modeled scenario depends on a new tax or exaction. The Commission finds that a single reading does not permit the review this subject matter warrants.
3. **Continue the item.** Consideration of Item 4 is continued to the Commission's next regular meeting for further discussion, and the Commission requests that representatives of NHA Advisors, Raftelis Financial Consultants, and Willdan attend to respond to questions.
4. **Note the following matters for clarification.** The Commission notes, without prejudice to further comment, that:
    - **a.** Attachment 1 is captioned a draft report dated July 2026, and states that reconciliation of line-item financial data to the Town's audited financial statements remains incomplete and that the schedule of excluded amounts may continue to change. The Commission cannot characterize as final a report that describes itself as unreconciled.
    - **b.** The sensitivity analysis regarding the percentage of new units designated as affordable, described in the staff report background and requested by this Commission in February, does not appear in Attachment 2, which analyzes a single case.
    - **c.** The reports treat new development inconsistently. Attachment 1 holds new construction valuation growth at zero and assumes no change in staffing. Attachment 2 finds that the same development is net positive to the General Fund. Attachment 3 adds development exactions to the Attachment 1 baseline but not the recurring operating benefit identified in Attachment 2.
    - **d.** Attachment 3 models a ten percent local share for the Highway 17 / Highway 9 interchange while stating that twenty percent is the minimum contribution likely to give the project traction — a difference of approximately $18 million in the Town's exposure.

ATTACHMENT 4

- **e.** Attachment 3 states that the Attachment 1 baseline includes $1 million annually for Tier 2 capital. Attachment 1 states that its $1 million transfer supports Tier 1 needs only, and that deferred maintenance is excluded from the baseline.
- **f.** Attachment 3 reports three different ending cash balances for the same years in its executive summary, its integrated findings, and its appendix. The term “unassigned fund balance” is used with two different meanings across Attachments 1 and 3, differing by approximately $10 million in the base year.
- **g.** Neither the baseline forecast nor the integrated model includes an economic downturn scenario or an adverse pension investment return scenario, although the record shows the unfunded accrued liability moving by more than $28 million within a single two-year period.
- **h.** The recommendations provided by the Town Council on April 21, 2026 regarding scenarios to inform the Asset Liability Management Study are not included in the packet, and the Commission is therefore unable to determine which were incorporated.

5. **Request the following from staff in advance of the continued item:** the Town Council’s April 21, 2026 scenario direction; a disposition of the Commission’s April 13, 2026 comments; confirmation of the status of the audited-statement reconciliation described in Attachment 1; the total contract amount, expenditures to date, and whether the fourteen recommended next steps in Attachment 3 fall within existing contract scope or will require additional appropriation; and confirmation of the scope of the Town Attorney’s review of the legal characterizations contained in Attachment 3.

6. **Preserve the Council’s schedule.** Nothing in this motion is intended to delay the Town Council’s consideration of these reports. Should the Council take up the matter before the Commission completes its review, the Commission requests that this motion and the Commission’s written comments be transmitted to the Council together with the reports.

Alternative motion — if a continuance does not carry

Receive the reports and forward them to the Town Council, together with the Commission’s comments as set out in paragraph 4 above, and with the Commission’s recommendation that the reports not be characterized as final pending completion of the reconciliation described in Attachment 1 and the affordability sensitivity described in the staff report. The Commission further requests that Item 4 be re-agendized for continued discussion with the consultant team present.