



**TOWN OF LOS GATOS  
COUNCIL AGENDA REPORT**

MEETING DATE: 06/03/2025

ITEM NO:7

DESK ITEM

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DATE: June 3, 2025  
TO: Mayor and Town Council  
FROM: Chris Constantin, Town Manager  
SUBJECT: Adopt a Resolution Approving the Town of Los Gatos Fiscal Year (FY) 2025-26 Operating Budget and FY 2025-26 – 2029-30 Capital Improvement Program (CIP); Adopt a Resolution Approving Commitment of Fund Balances under GASB 54; and Approve FY 2024-25 Budget Adjustments and Reclassifications

REMARKS:

Attachment 8 contains the staff presentation.

Attachments:

1. Resolution of the Town Council Approving FY 2025-26 Operating Budget and FY 2025-26– 2029-30 Capital Improvement Program (Attachment 1), including Exhibit A: Total Town Revenues and Expenditures by Fund
2. Resolution of the Town Council of the Town of Los Gatos Approving Commitments of Fund Balance under GASB 54
3. FY 2024-25 Year-End Budget Adjustments and Reclassifications
4. FY 2025-26 Financial Summaries
5. Public Comments

Attachment distributed with Addendum:

6. Public Comment Received Before 11 a.m. on May 30, 2025

Attachment distributed with Addendum B:

7. Public Comment Received Before 11 a.m. on June 2, 2025

Attachment distributed with this Desk Item:

8. Staff Presentation

# FY 2025-26 Proposed Budget

Town Council  
June 3, 2025  
Item 7

# Agenda and Recommendations

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- **Adopt a Resolution** Approving the Town of Los Gatos Fiscal Year (FY) 2025-26 Operating Budget and FY 2025-26–2029-30 Capital Improvement Program (CIP), including new appropriations, minor corrections, and carry-forward appropriations, as presented in Attachment 1 (with Exhibit A: Total Town Revenues and Expenditures by Fund);
- **Adopt a Resolution** Approving Commitments of Fund Balances under GASB 54, as presented in Attachment 2; and
- **Approve** FY 2024-25 Year-End Budget Adjustments and Reclassifications as listed in Attachment 3.

# Budget Process

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- **February 11, 2025 – Strategic Priorities** reframed and included prioritizing **emergency preparedness, prudent financial management** and preserving unique **small-town charm**.
  - Staff and Council discussed projected financial conditions and challenges
- **April 21, 2025 – Proposed Operating and Capital Budget Released**
- **April 22, 2025 – Council Study Session with Direction to Finance Commission**
  - **Review Five-Year Projection**
- **April 28, May 5, and May 12, 2025 – Finance Commission discussion and Recommendation to Council**

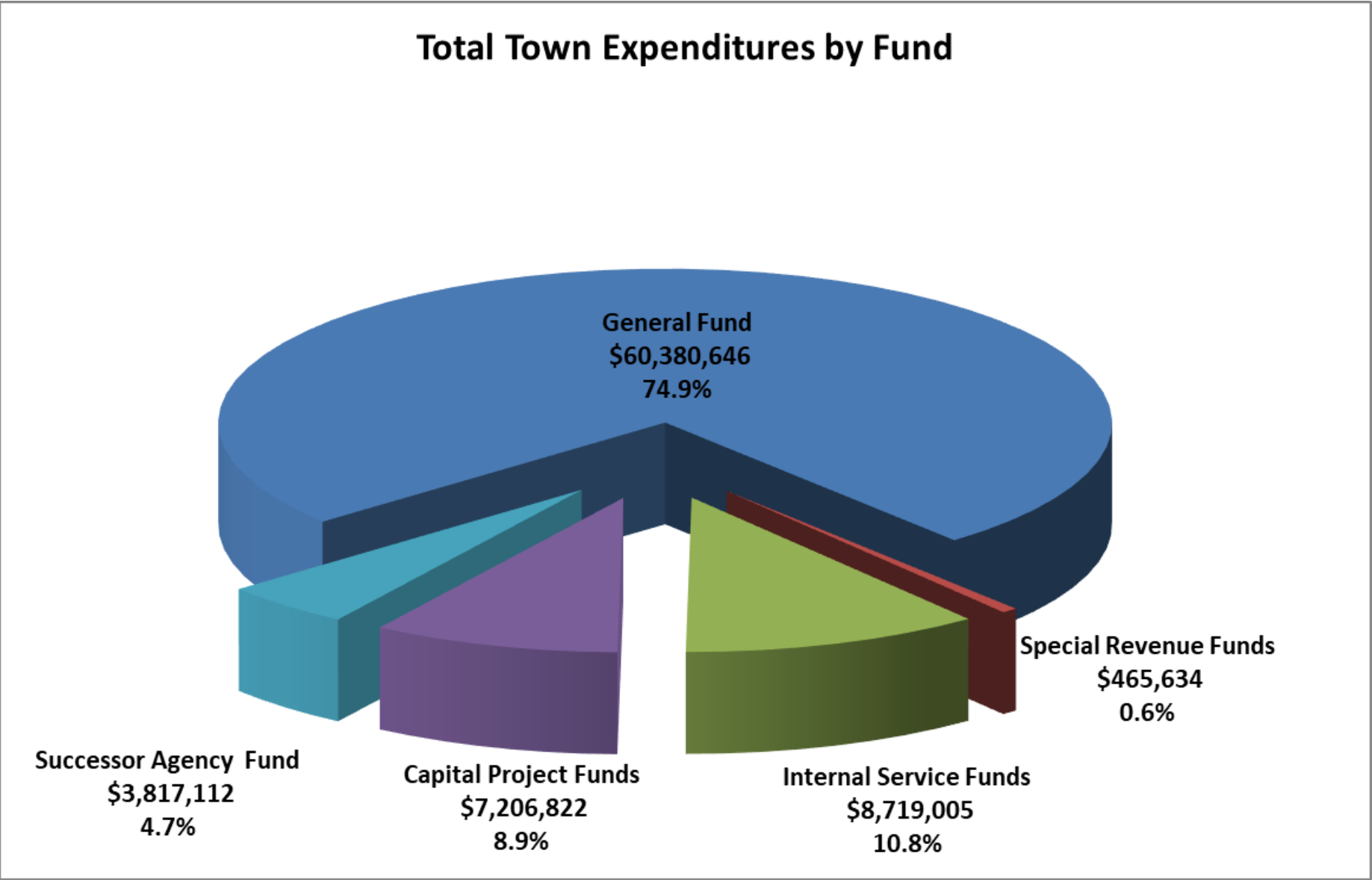
# Budget Process

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- **May 20, 2025 – Council Budget Discussion and Direction**
  - Continue to **Use the 4.6% Vacancy Factor**
  - **Expenditure and Deficit Reductions** – reducing the annual spend for the Town
- **100% Measure G Use** for Operational Budget
- **Revenue Increases** – identifying and implementing measures increases available revenue to support Town activities
- **\$0.9 million use of General Fund Unassigned Fund Balance**
- Establishing a **Tiered CIP program** and accepted the **Tier 1 projects** in the 2025-26 Capital Improvement Program

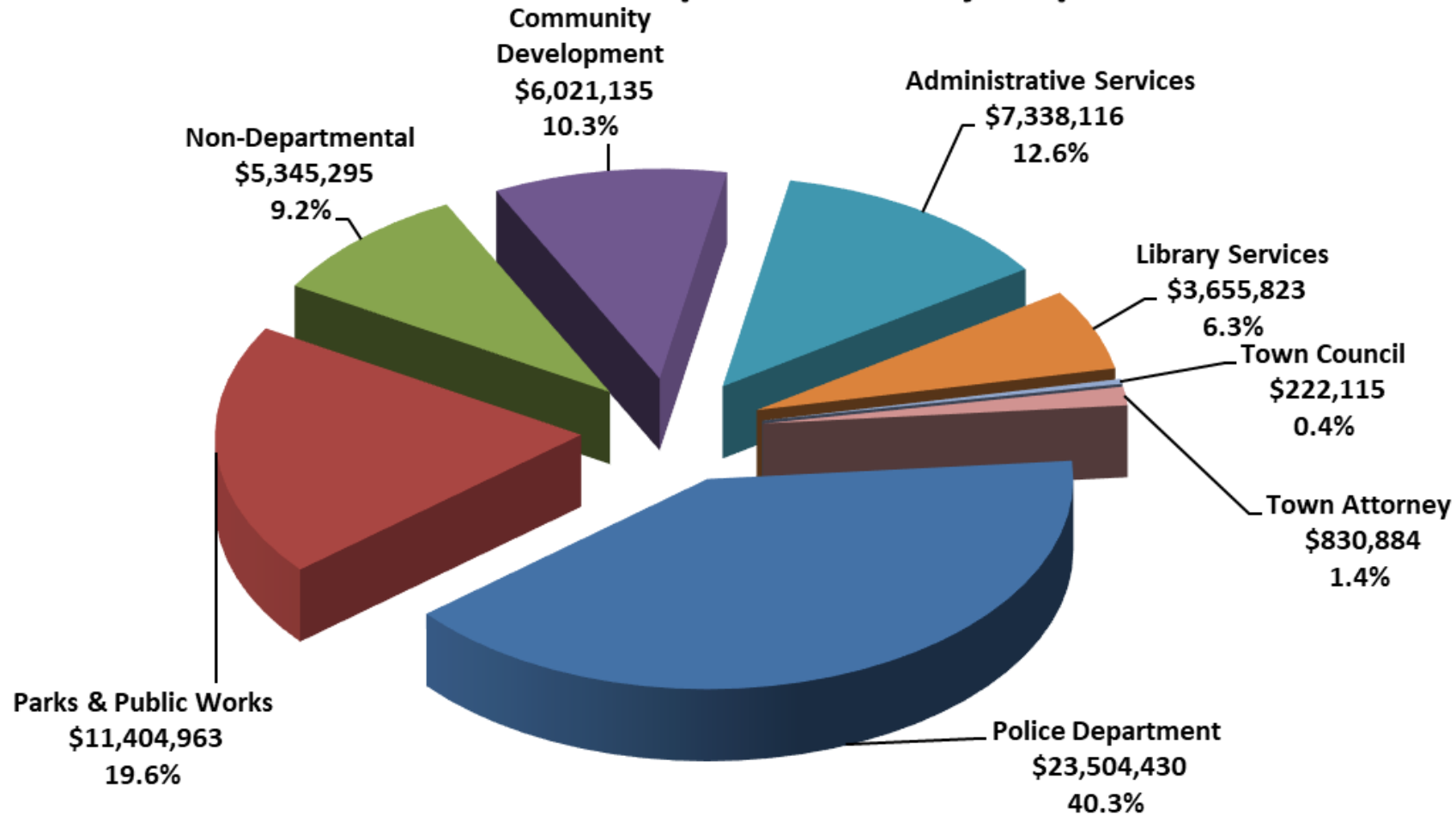
# FY 2025-26 Proposed Budget

Total Town Expenditures by Fund



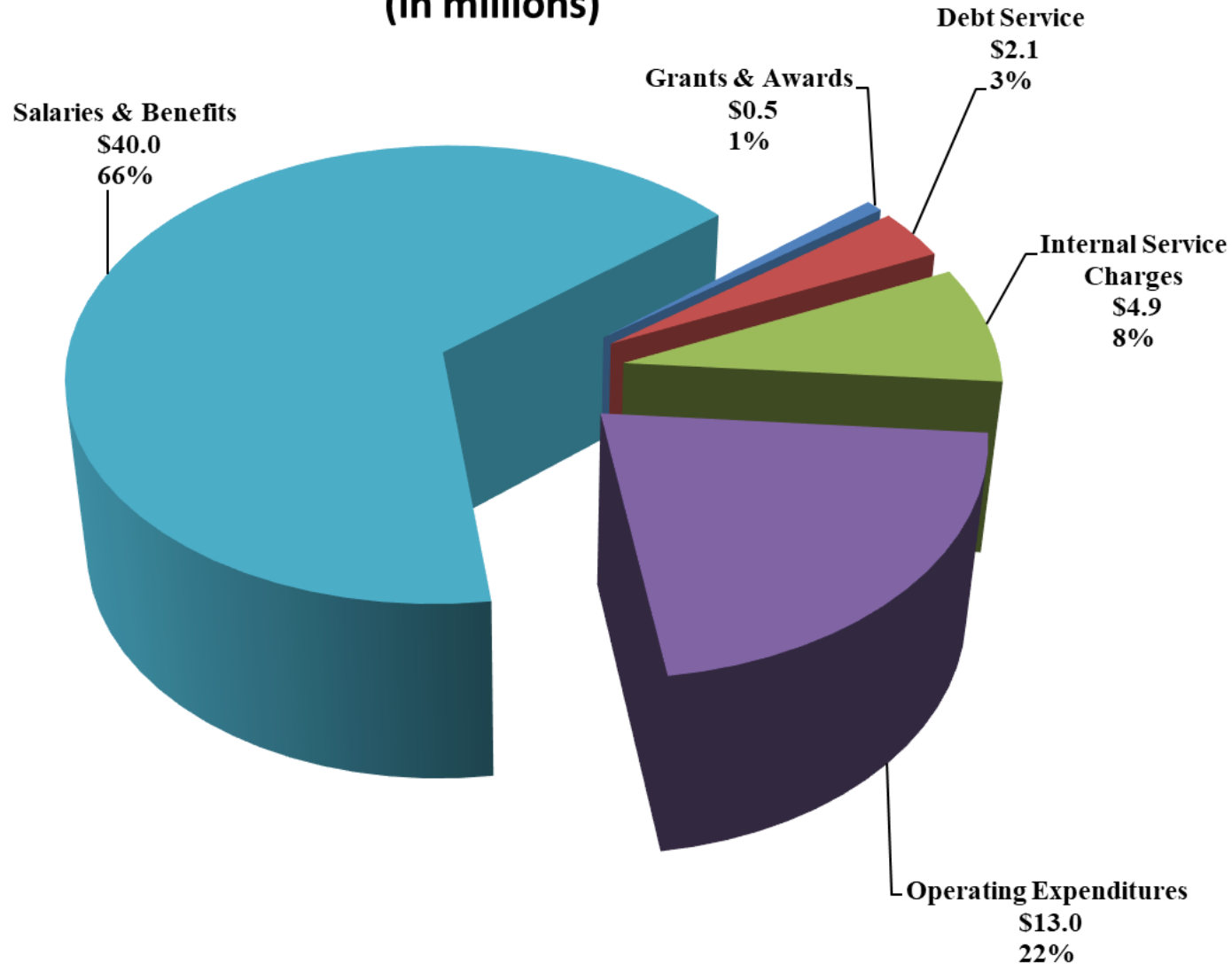
# Proposed FY 2025-26 Budget

## General Fund Expenditures by Department



# Proposed FY 2025-26 Budget

**General Fund Operating Expenditures by Category  
(in millions)**





# Salaries and Benefits



Departments	FY 2024-25 Authorized/Funded Town Staff Position	FY 2025-26 Authorized/Funded Town Staff Position
Town Council	0.50	0.50
Town Attorney	1.88	1.88
Administrative Services	21.42	22.88
Community Development	20.45	20.00
Police Department	60.00	60.00
Parks & Public Works	34.75	35.00
Library	13.50	13.50
Total Position	152.50	153.75
All Hourly Employee Staff Converted to FTE's	10.33	9.99
	162.83	163.74

66% of General Fund Expenditures

# FY 2025-26 Capital Improvement Program

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- Capital budget **switches to Tier system** focused on staff capacity and appropriating only Tier 1 projects.
- Support Core Goals of **Good Governance** and **Fiscal Stability**
- **Tier 1** – In Progress, Grant Funded, **Substantial Progress Expected** in FY 2025-26
- **Tier 2** – All Remaining Projects in **Prior CIP's**
- **Tier 3** – **Other** Known Needs
- Recognizes Staffing Levels are Limited, and Carryforward Funding has Been Excessive in Recent Years

# Changes Compared to the April 21, 2025 Proposed Budget

## Budget Resolution -

## Operating & Capital

	FY 2025-26 Proposed Budget	Estimated Budget Revision	FY 2025-26 Recommended Budget
<b>REVENUES</b>			
General Fund	\$58,080,028	\$ 1,785,558 (1)	\$ 59,865,586
Special Revenue Funds	403,420	-	403,420
Internal Service Funds	7,497,304	(108,592) (2)	7,388,712
Capital Project Funds (does not include carryforwards)	4,564,355	-	4,564,355
Successor Agency Funds	3,923,926	-	3,923,926
<b>TOTAL REVENUES</b>	<b>\$74,469,033</b>	<b>\$ 1,676,966</b>	<b>\$ 76,145,999</b>
<b>OTHER FUNDING SOURCES</b>			
Designated One-Time Use of General Fund Unassigned	3,658,215		905,060
<b>TOTAL TOWN REVENUES &amp; OTHER FUNDING SOURCES</b>	<b>\$78,127,248</b>	<b>\$ 1,676,966</b>	<b>\$ 77,051,059</b>
<b>TOTAL TOWN EXPENDITURES, TRANSFERS OUT &amp; CARRYFORWARD APPROPRIATION</b>			
General Fund	\$61,348,243	\$ (967,597)	\$ 60,380,646
Special Revenue Funds	466,581	(947)	465,634
Internal Service Funds	8,887,546	(168,541)	8,719,005
Capital Project Funds (does not include carryforwards)	7,206,822	-	7,206,822
Successor Agency Funds	3,817,122	(10)	3,817,112
<b>TOTAL TOWN EXPENDITURE &amp; OTHER FUNDING USES</b>	<b>\$81,726,314</b>	<b>\$ (1,137,095) (3)</b>	<b>\$ 80,589,219</b>
<b>OTHER FUNDING USES</b>			
Designated One-Time Use of General Fund Reserves			-
<b>TOTAL TOWN EXPENDITURES &amp; OTHER FUNDING SOURCES</b>	<b>\$81,726,314</b>	<b>\$ (1,137,095)</b>	<b>\$ 80,589,219</b>
GENERAL FUND SOURCE(USE) OF FUND BALANCES	\$ 390,000		\$ 390,000
OTHER FUNDS SOURCE(USE) OF FUND BALANCES	(3,989,066)		(3,928,160)
<b>TOTAL SOURCE(USE) OF FUND BALANCES</b>	<b>\$ (3,599,066)</b>		<b>\$ (3,538,160)</b>

# Revenue Changes

***(1) Additional General Fund Revenues in the amount of \$1,785,558***

Property Tax	\$	220,000
Waste Hauler Permit Fee		668,000
Sales and Use Tax		131,490
Sales and Use Tax - Measure G		31,269
Transient Occupancy Tax		20,000
Business License Tax		110,000
Interest		181,268
Planning Permit Fees		15,000
Below Market Housing Service Fee (based on decreased cost)		(360)
Engineering Fees		358,891
Electric Vehicle Charging Stations Enhanced Revenue		50,000
	<b>\$</b>	<b>1,785,558</b>

***(2) Decreased Internal Service Charges in the amount of 108,592***

Decreased Internal Service Expenditures Cost Recovery	\$	(108,592)
	<b>\$</b>	<b>(108,592)</b>

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<b>Total Revenues</b>	<b>\$</b>	<b>1,676,966</b>
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# Expenditures Changes

***(3) Tiered Operational Savings in the amount of \$1,137,095***

All Tier 1, Some Tier 2, and Some Tier 3 Reductions

Reduce Membership and other Operational Reductions	\$ (245,358)
Reduce Boards and Commissions Budget	(17,500)
Add Bulk Purchase Items to Boards and Commissions	5,000
Reduce Hotel Program	(8,700)
Reduce Outside Legal Services Hours	(138,000)
Remove Decorative Tree Wrap Lighting	(67,650)
Reduce Library Offerings	(104,350)
Reorganize Community Police Complaints	(60,000)
Reduce Block Tree Pruning	(100,000)
Pension Benefit Savings	(255,196)
Increase Community Grant Funding	23,200
Internal Service Funds Operational Savings	(168,541)

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<b>Total Expenditures</b>	<b>\$ (1,137,095)</b>
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# Resolution - Fund Balance Commitments

	Actual General Fund Reserves June 30, 2024	FY 2024-25 Budget, GF Reserve Policy, and this Resolution Approved Increase	FY 2024-25 Budget, GF Reserve Policy, and this Resolution Approved (Decrease)	Estimated General Fund Reserves June 30, 2025	FY 2025-26 Budget Resolution Approved Increase	FY 2025-26 Budget Resolution Approved (Decrease)	Estimated General Fund Reserves June 30, 2026
<b>Restricted Fund Balances</b>							
Pension	\$ 2,188,659	\$ 690,000	\$ -	\$ 2,878,659	\$ 390,000	\$ -	\$ 3,268,659
Porperty Held for Resale	344,338	-	(344,338)	-	-	-	-
<b>Nonspendable</b>							
Rehab Loan Reserve (Nonspendable)	159,000	-	-	159,000	\$ -	\$ -	\$ 159,000
<b>Committed Fund Balances</b>							
Budget Stabilization	6,736,781	\$ 1,133,858	-	7,870,639	-	-	7,870,639
Catastrophic	6,736,781	\$ 1,133,858	-	7,870,639	-	-	7,870,639
Pension/OPEB	300,000	1,000,000	(300,000)	1,000,000	-	-	1,000,000
Measure G District Sale Tax - Operating	590,581		(590,581)	-	-	-	-
<b>Assigned Fund Balances</b>							
Capital/Special Projects	8,651,056	-	(7,144,607)	1,506,449	-	-	1,506,449
Compensated Absences	1,555,478	-	-	1,555,478	-	-	1,555,478
Open Space	410,000	-	-	410,000	-	-	410,000
Sustainability	140,553	-	-	140,553	-	-	140,553
Market Fluctuations	1,712,246	-	-	1,712,246	-	-	1,712,246
Carryover Encumbrances	85,861	-	-	85,861	-	-	85,861
Council Priorities - Economic Recovery	20,684	-	(20,684)	-	-	-	-
ERAF Risk Reserve	1,430,054	-	(1,430,054)	-	-	-	-
<b>Unassigned Fund Balance</b>	-	4,000,000	-	4,000,000	-	(905,060)	3,094,940

# FY 2024-25 Revenue Budget Adjustments for Year End



Fund	Program	Account	General Fund Revenues	Amount
111	1201	41211	Sales & Use Tax	\$ 145,138
111	1221	41214	Measure G - District Sales Tax	34,243
111	2101	43208	Emergency Managment Performance Grant	(15,300)
111	3501	45921	BMP Housing in Lieu Fund for Unit Purchase	(476,154)
111	5202	42514	Encroachment Permits	70,000
111	5202	44623	Engineering Review Surcharges	54,000
111	5301	42515	Tree Removal Permits	91,000
<b>TOTAL GENERAL FUND REVENUES</b>				<b>\$ (97,073)</b>

# FY 2024-25 Expenditure Budget Adjustments and Reclassifications

Fund	Program	Account	General Fund Expenditures	Amount	Comments
111	1201	99611	To General Liability	60,000	<i>Funds Partially Expended</i>
					<i>Up to 4.6% Salary Saving Factor Applied Up to</i>
					<i>the Amount of \$1,788,636 by</i>
111	Town-wide	5XXXX	Salaries and Benefits	Varies	<i>Programs/Departments</i>
111	Town-wide	5XXXX	Additional Expensed due to Protective Leaves	Varies	<i>Up to the Amount of \$320,000</i>
111	3501	82202	BMP Housing Unit Purchase	(476,154)	<i>BMP Program is not Purchasing the House</i>
<b>TOTAL GENERAL FUND EXPENDITURES</b>				<b>\$ (416,154)</b>	<b>Plus Anticipated Salaries and Benefits Adjustments</b>

FY 2024-25 YEAR-END BUDGET ADJUSTMENT REQUESTS - OTHER FUNDS					
Fund	Program	Account	Other Fund Revenues	Amount	Comments
<b>611</b>			<b>Liability Self Insurance</b>		
	1302	49111		60,000	<i>From General Fund</i>
<b>Total Liability Self Insurance</b>				<b>\$ 60,000</b>	



# Future Outlook

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- Using 4.6% vacancy savings and **\$0.9 million from unassigned reserves** to balance budget
- Budget is legally balanced, but the **Town has a structural imbalance** which will grow if not addressed
- Current level of programs and services are not sustainable – **expenditure growth exceeds revenue**
- Town will **continue to use limited reserves** to maintain program and services
- Existing capital obligations (buildings, parks, public infrastructure) will **add to financial pressure**

# Future Outlook

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- **Refining understanding** of financial condition, outlook, and scope of the structural deficit
- Stronger **budget monitoring and response** approach
- Continuing work in defining what is important and how to do it well – **dealing with tough tradeoffs**
- Securing fiscal impact of **existing capital assets**
- Finding opportunities for improving **efficiency, effectiveness, and economic development**
- **Engaging the public**, Council, and staff in balancing the budget
- **Goal:** Mapping a **course towards financial sustainability**

# QUESTIONS

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# Actions Requested

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