

FY 2025-26 Mid-Year Budget Report and 2026-27 Updated Forecast

Town Council
February 17, 2026

Agenda and Recommendations

- Receive the FY 2025-26 Mid-Year Budget Report, including the FY 2025-26 Year End Projections;
- Authorize budget adjustments of \$3,581,888 in estimated revenues and \$1,350,141 in increased expenses as recommended in the Mid-Year Budget Report; and
- Receive the Town Five Year Financial Projection from FY 2026-27 to FY 2030-31.

Major Takeaways

- Improved Financial Forecast and conditions
- Driven by increased Sales Tax estimates
- Deficits are still present but have been reduced

Finance Commission

- Questioned, a decrease in the Equipment fund with no corresponding General Fund Reduction
- Minor corrections
- Miscellaneous Other Category – Measure G proceeds, Pension Trust Fund contributions and the sale of property
- Attachment 5 – Correction to table on page 4 of Attachment 1, to remove a double count of Debt Service.

General Fund Revenue and Expenses Summary (in millions)



	FY25 Actuals	FY25 Q2 Actuals	FY25 % Actuals	FY26 % of Budget	FY26 Q2 Actuals	FY26 Budget	FY26 Budget 12.31.25	Proposed MY Adj	FY26 YE Estimates MY Adj
Revenues	\$61.8	\$19.0	31%	34%	\$21.8	\$59.9	\$63.4	\$3.6	\$66.5
Expenses	\$57.0	\$24.9	44%	44%	\$26.3	\$60.4	\$62.5	\$1.4	\$61.6
Rev over Exp	\$5.7	(\$5.8)	(-102%)	(-563%)	(\$4.5)	(\$0.5)	\$0.3	\$2.3	\$4.3

Financial Overview – All Funds

SUMMARY OF BUDGET ADJUSTMENTS BY FUND AND DEPARTMENT

General Fund	Expenditures	Revenues
Town Attorney	\$ 100,000	\$ -
Administrative Services	\$ 153,305	\$ 472,995
Community Development	\$ 502,500	\$ 1,527,500
Police	\$ 93,370	\$ 36,892
Parks and Public Works	\$ 200,775	\$ 143,472
Library	\$ -	\$ 6,495
Townwide/Non-Departmental	\$ 300,191	\$ 1,394,534
TOTAL GENERAL FUND	\$ 1,350,141	\$ 3,581,888
All Other Funds	Expenditures	Revenues
Special Revenue	\$ 1,328	\$ 4,000
Capital Project	\$ 559,564	
Internal Service	\$ (1,816,453)	\$ (100,000)
TOTAL ALL OTHER FUNDS	\$ (1,255,561)	\$ (96,000)
TOTAL ALL FUNDS	\$ 94,580	\$ 3,485,888

General Fund – Revenue Adjustment Requests

General Fund Revenue Drivers \$3.6M

- Taxes +\$1.27M
 - Property Tax & VLF: +\$96,863
 - Updated County Forecast
 - Sales Tax & Measure G: +\$1.23M
 - Updated HDL forecast and new businesses
 - Business License: +107,508
 - Based on current trends and updated HDL forecast
 - Transient Occupancy Tax: (\$166,585)
 - Based on first 6 month collected

General Fund Revenue Drivers \$3.6M

- Franchise Fees: (\$34,892)
 - Decreases in Cable, offset by increases in PG&E
- Licenses and Permits: +675,000
 - Planning Permit \$235,000
 - Building Permits \$220,000
 - Tree Removal Permits \$180,000
 - Title 24 Fee \$40,000
 - Solid Waste Fee \$14,959

General Fund Revenue Drivers \$3.6M

- Intergovernmental +38,691
 - SCC Unhoused Grant: (\$54,696)
 - Other Grant Funds: +\$23,720
 - Prop 172 Public Safety Sales Tax (\$7,715)
- Town Services (Charges for Services) +\$967,821
 - Pass Thru Revenues: +\$595,500
 - Building Plan Check: +\$350,000
 - Engineer Review Surcharge (\$134,731)
 - Grading & Building Inspections (\$82,000)
 - Other Fees: +\$81,240
 - Other Town Services: +\$157,812

General Fund Revenue Drivers \$3.6M

- Other +\$692,146
 - Pension Trust Contribution: +\$300,000
 - Interest: +\$345,487
 - Insurance Claim Reimbursement \$26,598
 - Other: +\$20,061

General Fund – Expenditure Adjustment Requests

General Fund Expenditure Requests \$1.4M

- Town Attorney - \$100,000 for increased outside legal costs
- Administrative Services - \$153,305
 - SCC Unhoused Services Grant (\$54,307)
 - Leadership Los Gatos \$4,300
 - Road Closures (\$11,000)
 - Salary and Benefits \$194,312
 - Business License Processing Fee \$20,000

General Fund Expenditure Requests \$1.4M

- Community Development - \$502,500
 - Pass Thru Expenses \$615,500
 - Contract Employee Services (\$75,000)
 - Building Inspections (\$45,000)
 - Other \$7,000
- Police - \$93,370
 - Police Services Study \$75,000
 - Drug Test and Wellness Grant \$18,370

General Fund Expenditure Requests \$1.4M

- Parks and Public Works - \$200,775
 - Misc Services and Repairs \$82,110
 - Tree Pruning Services \$51,000
 - Traffic Signalization \$40,000
 - Other \$27,665
- Townwide – \$300,191

• Add'l 115 Pension Trust Payment	\$300,000
• Retiree Medical	\$48,606
• Duplicate Agreement	(\$88,000)
• Other	\$39,585

Other Funds Request

- Revenue Requests (\$96,000)
 - Library Trust: +\$4,000
 - Facilities Maintenance: (\$100,000)
- Expenditure Request (\$1,255,561)
 - GFAR +\$122,064
 - GFAR Interim Community Center +\$437,500
 - Equipment Replacement (\$1,846,453)
 - Facilities Maintenance +\$30,000
 - Blackweel L&L District +\$690
 - Kennedy Meadows L&L District +\$638

5 Year Forecast Updates

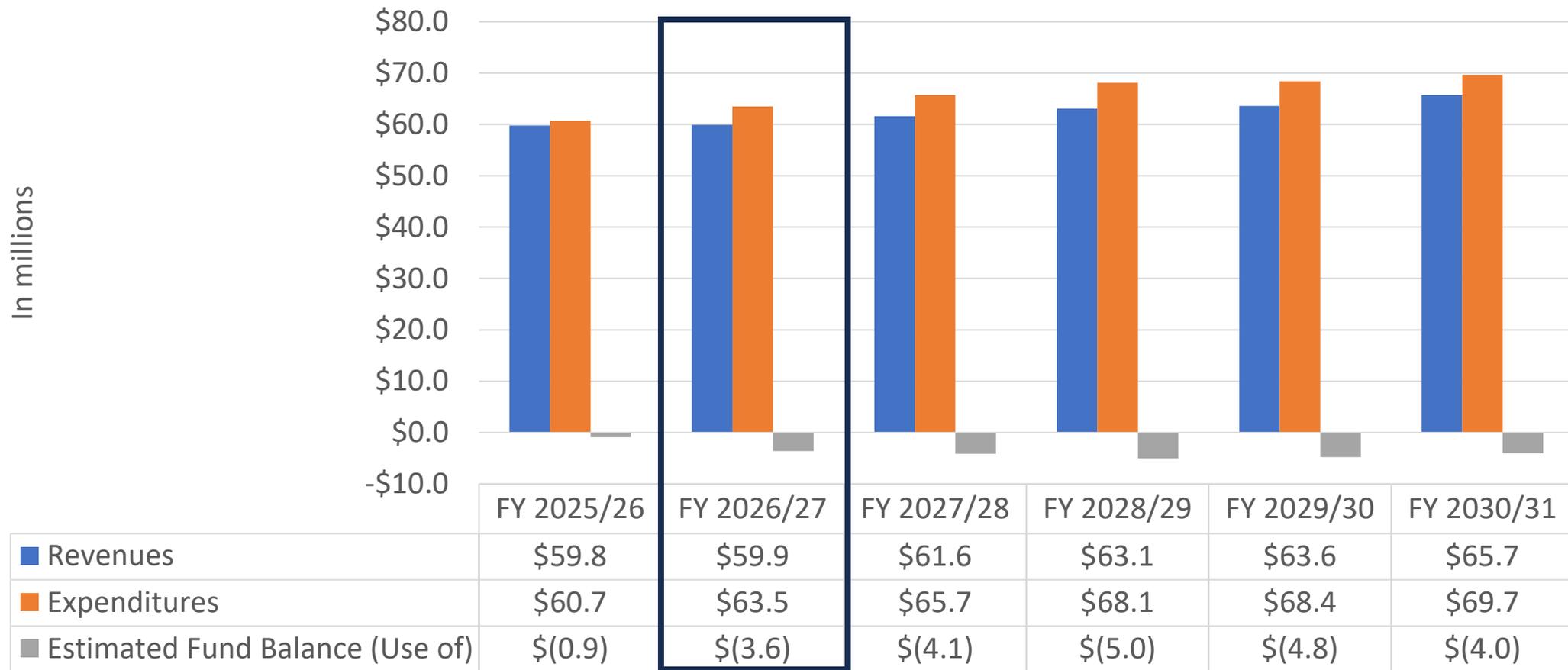
FY27 Final Budget Estimate vs. FY27 Estimate as of 2/6/2026

Major Takeaways

- Improved Financial Forecast and conditions
- Driven by increases Sales Tax
- Deficits are still present but have been reduced
- Updates have been made to out years but focus on FY26-27 changes

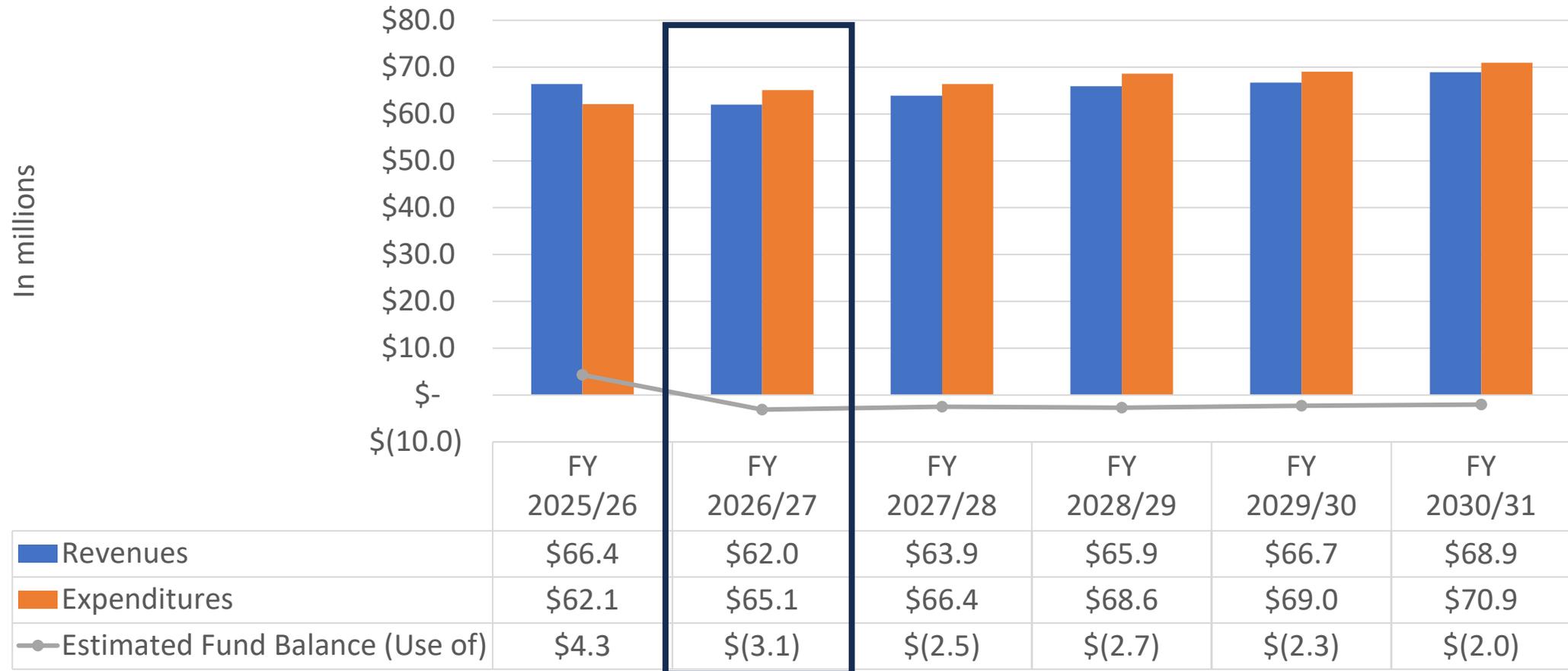
Discussion of Five-Year Projections as of Final Budget

5 Year Forecast as of FY26 Final Budget



Discussion of Five-Year Projections as of 2/6/26

5 Year Forecast as of February 6, 2025



Forecast Changes – Revenues (+\$2.1M)

- Revenues based on updated estimates
 - **Sales Tax + Measure G increased by \$1.6M**
 - TOT decreased by **\$0.1M**
 - Business License Tax increased by **\$0.1M**
 - License and Permits decreased by **\$0.2M**
 - Town Services increased by **\$0.3M**
 - Interest increased by **\$0.3M**
 - Other Sources increased by **\$0.1M**

Forecast Changes – Expenditures (+\$1.8M)

- Expenditures based on updated estimates
 - CalPERS Benefits decreased \$0.1M
 - All Other Benefits decreased by \$0.4M
 - Operating Expenditures increased by \$1.7M
 - Utilities increased by \$0.2M
 - Internal Service Charges increase by \$0.4M

Questions