

**TOWN OF LOS GATOS  
COUNCIL AGENDA REPORT**

MEETING DATE: 05/19/2026

ITEM NO: 16

DESK ITEM

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DATE: May 19, 2026  
TO: Mayor and Town Council  
FROM: Chris Constantin, Town Manager  
SUBJECT: **Conduct a Public Hearing on the Town of Los Gatos Proposed Operating and Capital Budget for Fiscal Year 2026-27 and on the Proposed Capital Improvement Program for FY 2026-27 – FY 2030-31**

**REMARKS:**

Attachment 5 contains the staff presentation.

**Attachments received with the Staff Report:**

1. Finance Commission Recommendations and Staff Responses
2. Tier 3 Projects - Facilities Needs
3. Solicitation and Donation Policy
4. Donation Opportunities List 2026-27

**Attachments received with this Desk Item:**

5. Staff Presentation

# Public Hearing

## 2026-27 Proposed Budget, Five-Year Forecast and Capital Improvement Program

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Town Council

May 19, 2026

1. Budget Process
2. Changes to the Budget
3. Finance Commission  
Recommendations
4. Fiscal Year 2026-27 Proposed Budget
5. Proposed Budget Alternative
6. Five-Year General Fund Forecast
7. Staffing Recommendations
8. Issues and Challenges
9. Capital Improvement Program

# Budget Process

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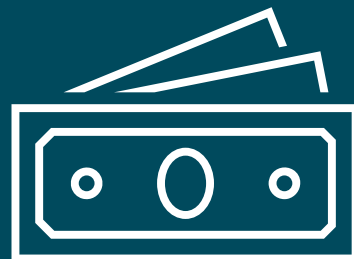
- April 27<sup>th</sup>  
May 8<sup>th</sup> &  
May 11<sup>th</sup> Finance Commission discussion and recommendations to Council
- May 19<sup>th</sup> Proposed Operating and Capital Budget Public Hearing

# Changes to the Budget

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Performance Measures



Base Budget



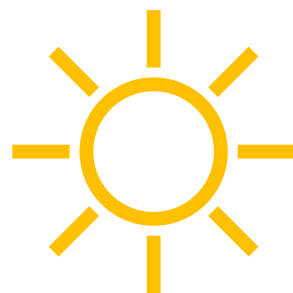
New 10 Year Charts



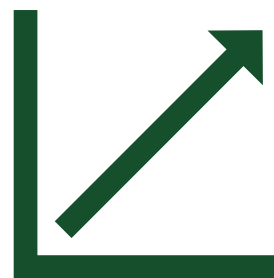
Annual Average Growth  
Rate (AAGR)

# Budget Themes

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Improved Outlook



Revenue Driven



Proceed with Caution

# Finance Commission Recommendations

Finance Commission Recommendation	Staff Response
<p>1. Use Section 115 Trust for targeted CalPERS Unfunded Actuarial Liability (UAL reduction).</p>	<p>1. Pension Section 115 Trust / ADP Strategy:</p> <ul style="list-style-type: none"><li>• Staff agree trust funds can reduce UAL but recommend waiting for ALM study before action.</li><li>• Retaining funds ensures flexibility for short-term budget needs.</li></ul>
<p>2. Implement vacancy savings tracking with monthly labor reporting.</p>	<ul style="list-style-type: none"><li>• Staff support improved labor reporting for vacancy accuracy.</li><li>• Vacancy factor removal not feasible until FY 27–28 or later due to operational realities.</li></ul>
<p>3. Require Finance Commission review of all NHA financial reports.</p>	<p>Staff agree Finance Commission should review final NHA reports before they go to Council.</p>

# Finance Commission Recommendations

Finance Commission Recommendation	Staff Response
<p>4. Adjust Internal Service Fund (ISF) vehicle and equipment charges by \$1.5 million and conduct full ISF methodology review.</p>	<ul style="list-style-type: none"> <li>• Staff agree to \$1.5M Vehicle &amp; Equipment ISF charge reduction.</li> <li>• Support for a full ISF methodology review.</li> <li>• Recommend savings support facilities liabilities, not solely the General Fund. (Alternative Proposed)</li> </ul>
<p>5. Enhance CIP with cash-flow estimates and paving plan alignment</p>	<ul style="list-style-type: none"> <li>• Staff support cash-flow statements for major CIP projects.</li> <li>• Achieving PCI target requires more resources; Council discussion needed.</li> <li>• Recommend reserving part of paving funds for future major reconstruction needs.</li> </ul>

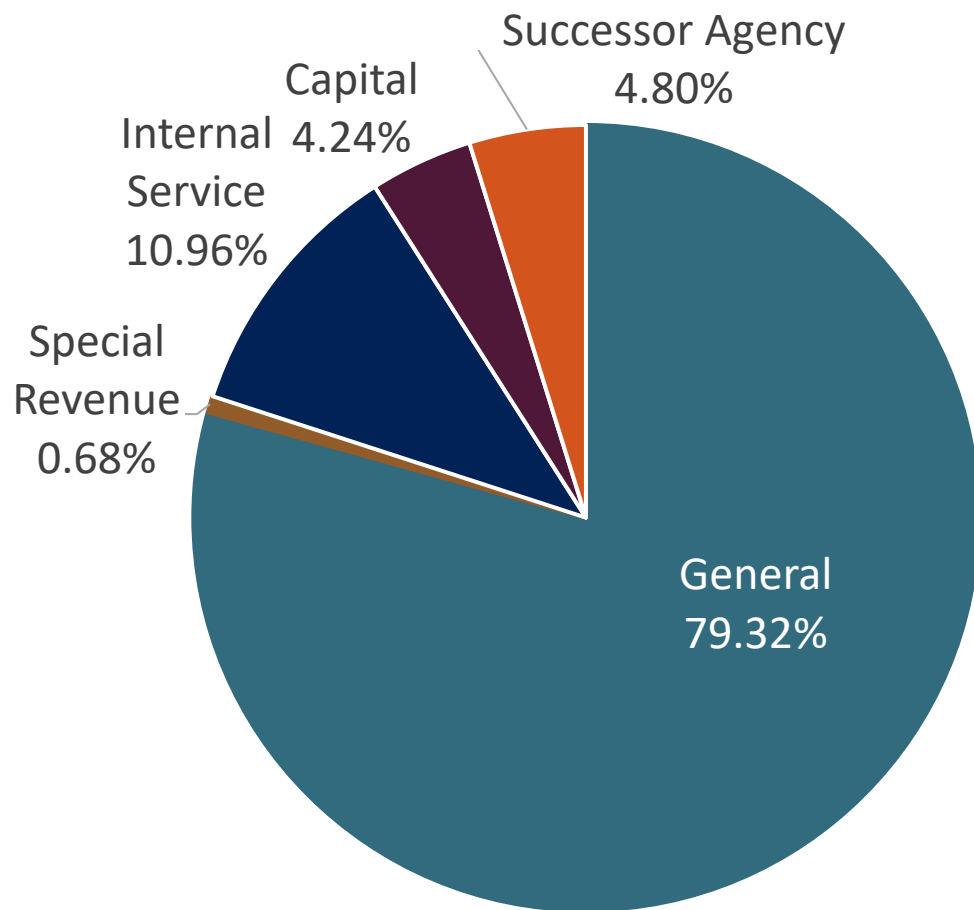
# FY 2026-27 Proposed Budget (pp. C-16 to C-18)

Fund Type	Revenue	Expenditures	Difference (Rev-Exp)
General	\$ 64,815,086	\$ 64,974,408	(\$549,322) <sup>1</sup>
Special Revenue	554,802	475,541	79,261
Internal Service	8,952,358	6,272,388	2,679,970
Capital	3,460,439	6,454,919	(\$2,994,480)
Successor Agency	3,923,926	3,938,045	(\$114,119)
<b>Total</b>	<b>\$ 81,706,611</b>	<b>\$ 82,115,301</b>	<b>(\$408,690)</b>

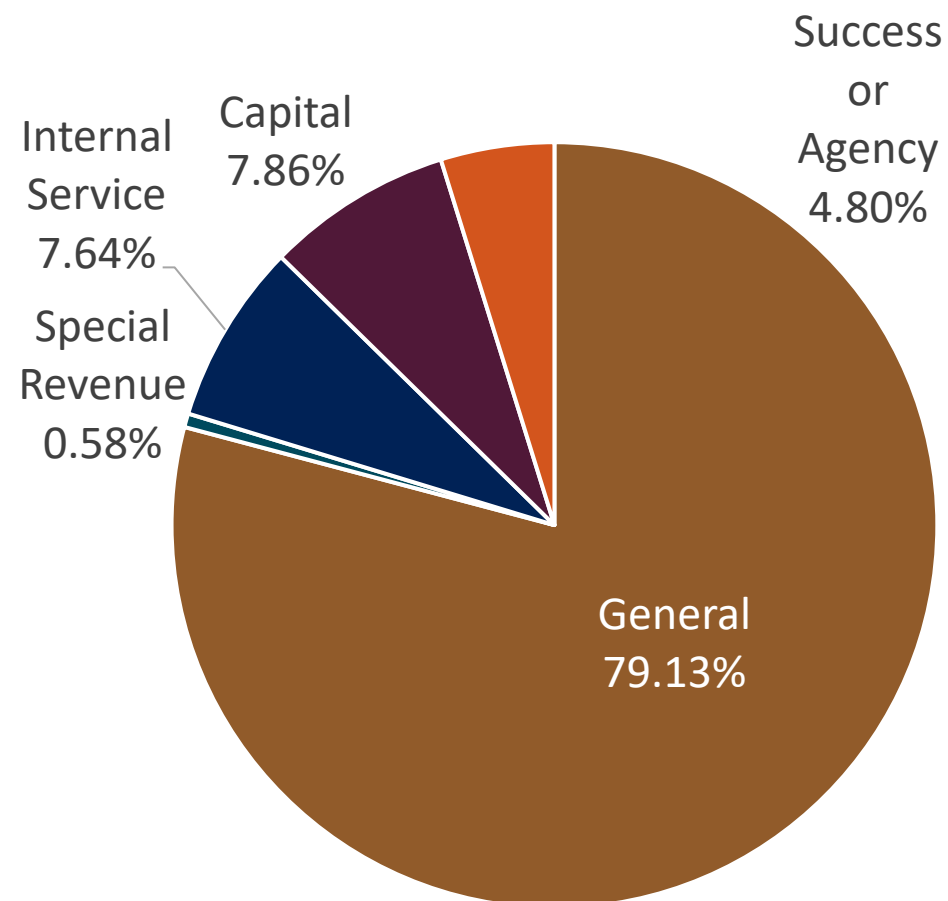
<sup>1</sup> Net difference for the General Fund include \$390,000 allocation to the restricted pension fund resulting in total difference of \$549,322. Net of this expense, the difference is \$159,322.

# FY 2026-27 Proposed Budget (pp. C-16 & C-18)

### Revenue by Fund

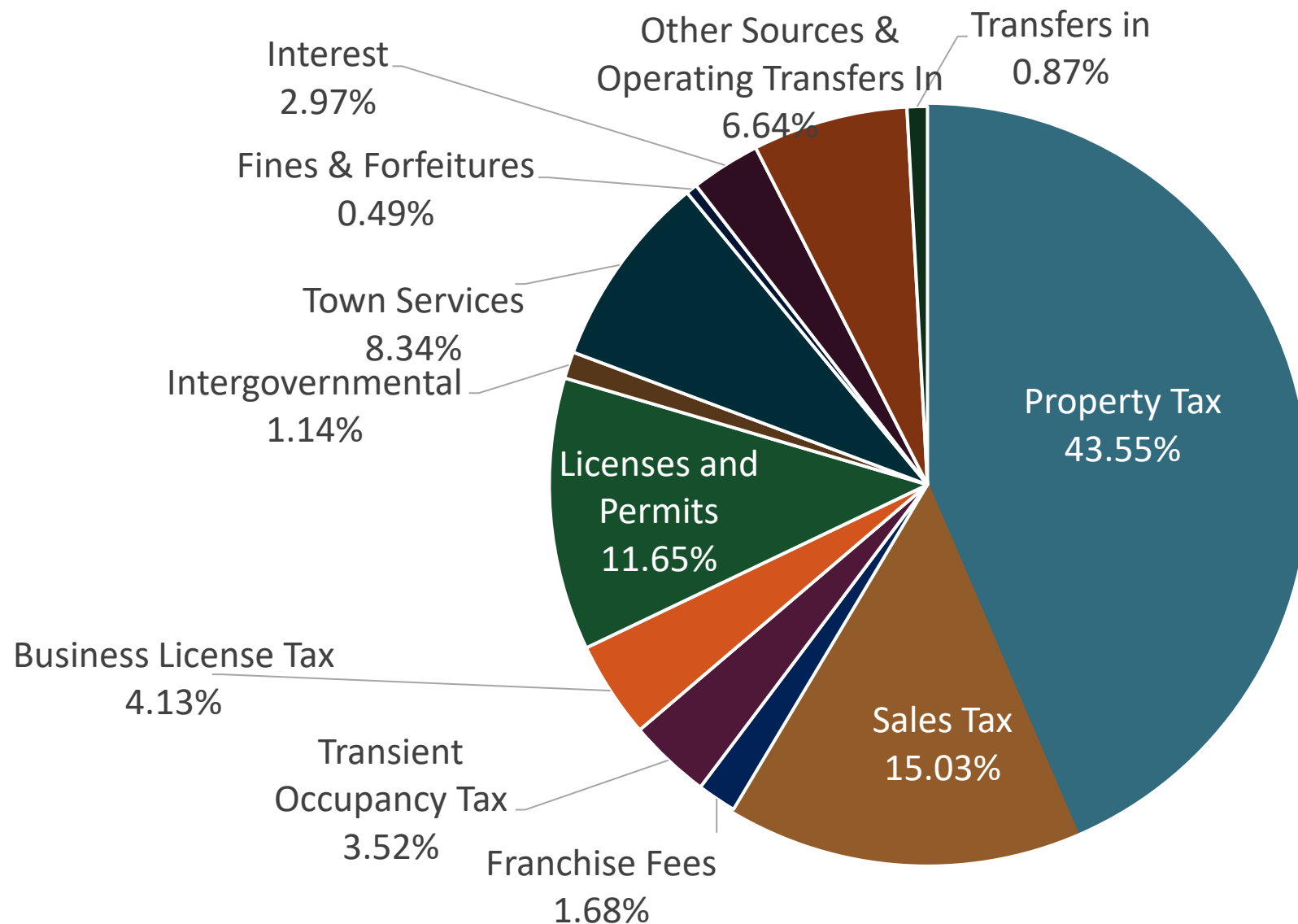


### Expenditures by Fund



General Fund FY 2026-27  
Proposed Budget - Revenues

# General Fund Revenues by Category (p. C-31)



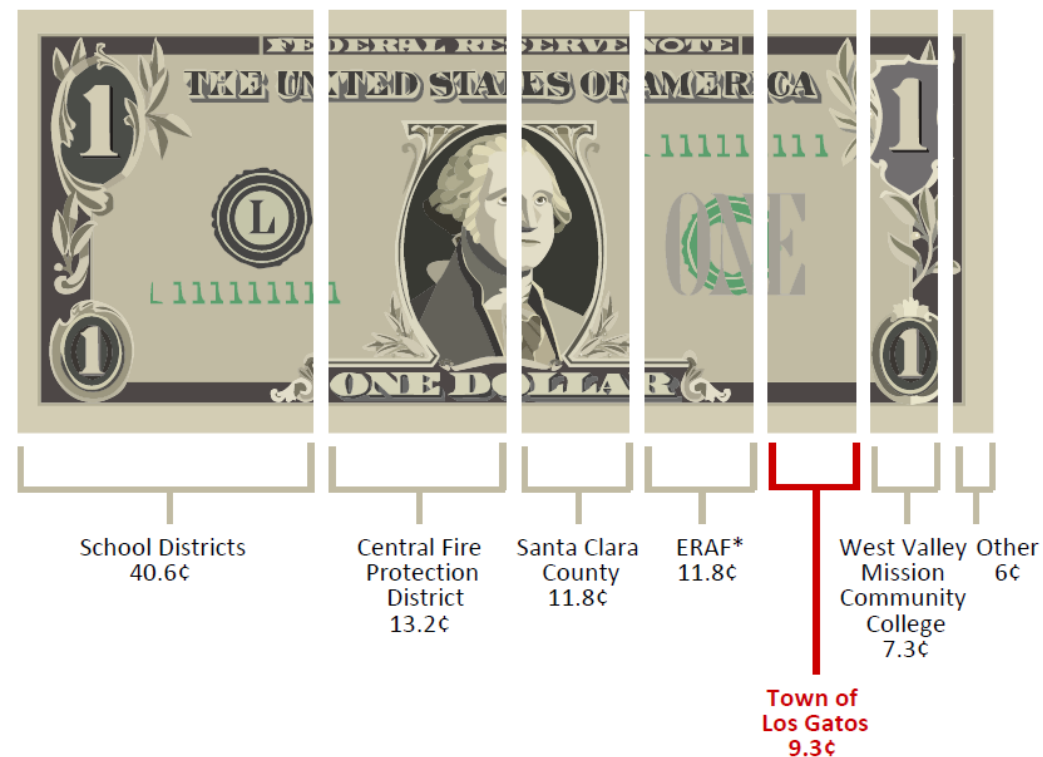
# General Fund Revenue by Category (p. C-31)



Category	FY 2025-26 Estimated	FY 2026-27 Proposed	Variance \$	% Variance
Property Tax	\$21,519,135	\$22,560,237	\$1,041,102	4.8%
VLF Backfill	5,406,000	5,664,604	258,604	4.8%
Sales Tax	9,175,517	9,738,517	563,000	6.1%
Franchise Tax	1,008,838	1,089,210	80,372	8.0%
Transient Occupancy Tax	2,255,805	2,278,360	22,555	1.0%
Business License Tax	2,601,500	2,679,550	78,050	3.0%
Licenses & Permits	7,014,459	7,549,926	535,467	7.6%
Intergovernmental	1,307,778	741,477	(566,301)	-43.3%
Town Services	6,947,848	5,405,946	(1,541,902)	-22.2%
Fines & Forfeitures	312,775	315,200	2,425	0.8%
Interest	1,913,261	1,926,877	13,616	0.7%
Other Sources	6,435,102	4,302,773	(2,138,854)	-33.1%
Operating Transfers In	582,029	562,411	(19,618)	-3.4%
<b>TOTAL</b>	<b>\$66,480,047</b>	<b>\$64,815,087</b>	<b>(1,664,960)</b>	<b>-2.5%</b>

# Property Tax (pp. C-32 to C-33)

- Calculated at 1% of assessed property value
- Max 2% California Consumer Price Index (CCPI) annually
- Change in ownership or improvements, and new construction assessed at full market value
- Town receives 9.3 cent of each property tax dollar collected

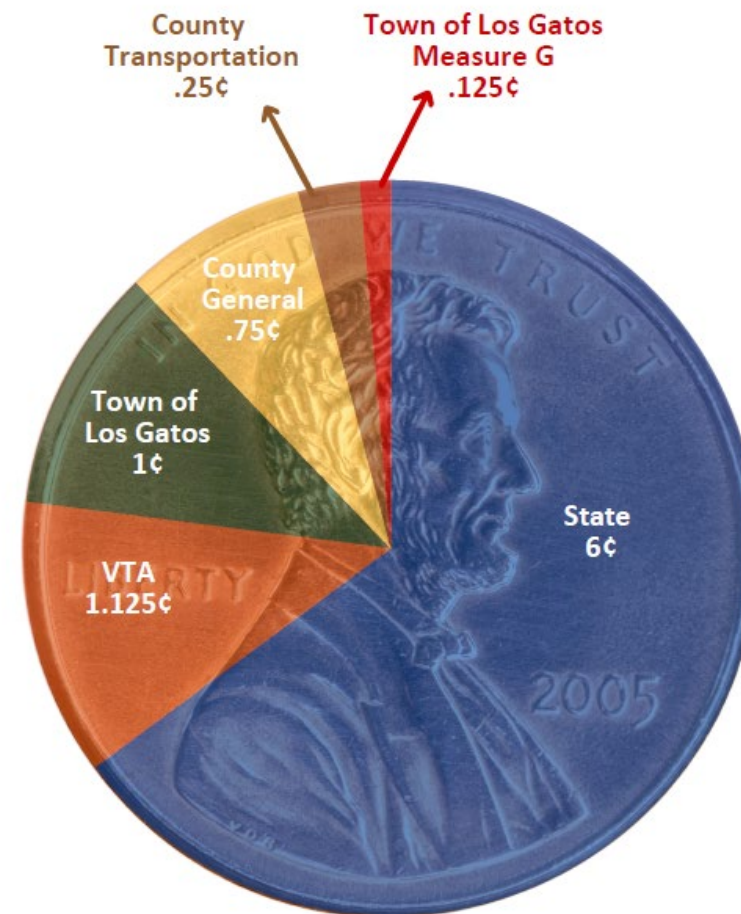


# Property Tax (pp. C-32 to C-33)

Category	FY 2025-26 Estimated	FY 2026-27 Proposed	Variance \$	Description
Property Tax	\$ 18,299,135	\$ 19,001,237		Based on County Assessor's Office Update
VLF in Lieu	5,406,000	5,664,604		
ERAF	3,220,000	3,559,000		
<b>TOTAL</b>	<b>\$26,925,135</b>	<b>\$28,224,821</b>	<b>\$1,299,706</b>	

# Sales Tax (p. C-34)

- Excise tax levied on
- retailers for selling tangible personal property
- Includes out-of-state purchases
- Town receives 1 cent of 9.3 cents collected in/for the town
- 2018 Measure G additional 0.125 cent in dedicated sales tax approved as a ballot initiative



# Sales Tax (p. C-34)

Category	FY 2025-26 Estimate Budget	FY 2026-27 Proposed	Variance \$	Variance
Sales and Use Tax	\$ 7,846,517	8,380,517	\$ 534,000	Updated Estimated from HDL, sales tax consultant
Measure G	1,329,000	1,358,000	29,000	
<b>TOTAL</b>	<b>\$ 9,175,517</b>	<b>\$9,738,517</b>	<b>\$ 563,000</b>	

## Licenses and Permits (p. C-37)

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- Licenses and permits include fees for reviewing building plans, building inspections, construction, tenant improvements, and commercial/residential installations for compliance with state and municipal building codes.

FY 2025-26 Estimate Budget	FY 2026-27 Proposed	Variance \$	Variance
\$7,014,459	\$ 7,549,926	\$ 535,467	Align with prior year trends

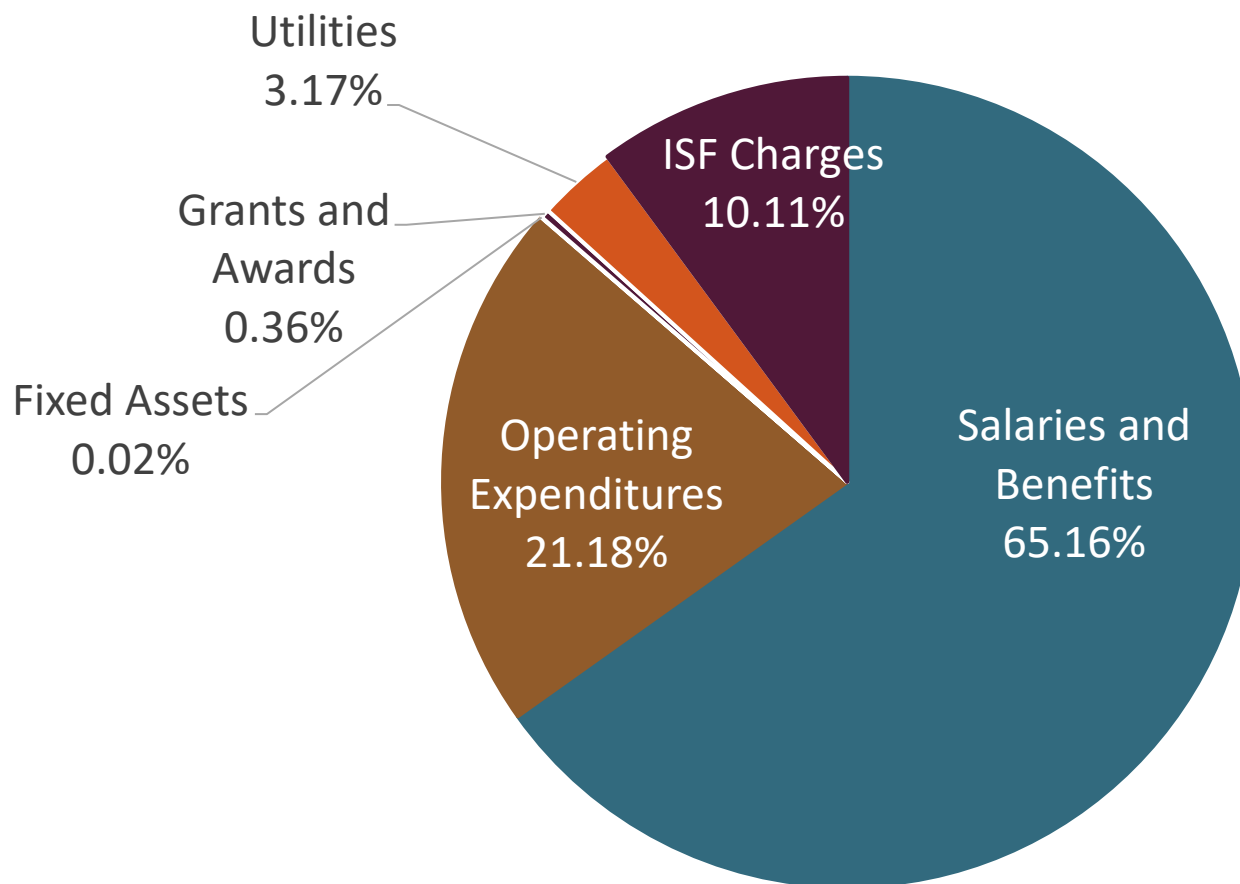
# Town Services (p. C-36)

- The Town attempts to recover the cost of the services, including planning, zoning, and engineering permit processing for new property development. Town Services or Charges for Services account for charges to users of Town services.

FY 2025-26 Estimate Budget	FY 2026-27 Proposed	Variance \$	Variance
\$ 6,947,848	\$ 5,405,946	\$ (1,541,902)	Update based on historical collections

General Fund FY 2026-27  
Proposed Budget - Expenditures

# General Fund Expenditures by Category<sup>1</sup> (p. C-47)



<sup>1</sup> Salaries and Benefits includes Retiree Medical Costs

# Expenditures by Category (p. C-47)

Category	FY 2025-26 Estimate	FY 2026-27 Proposed	\$ Variance	% Variance
Salaries	\$23,405,209	\$24,176,333	\$771,124	3.3%
Overtime	1,384,604	1,457,000	\$72,396	5.2%
CalPERS Benefits	8,790,965	10,410,788	\$1,619,823	18.4%
All Other Benefits	5,349,271	6,294,481	\$945,210	17.7%
OPEB Pay as you go	2,173,606	2,193,606	\$20,000	0.9%
<b>Total Salaries and Benefits</b>	<b>\$41,103,655</b>	<b>\$44,532,208</b>	<b>\$3,428,553</b>	<b>8.3%</b>
Operating Expenditures	11,569,730	10,273,206	(\$1,296,524)	-11.2%
Grants & Awards	339,820	321,950	(\$17,870)	-5.3%
Utilities	723,546	817,018	\$93,472	12.9%
Internal Service Charges	4,741,938	6,567,141	\$1,825,203	38.5%
Debt Service	2,057,884	2,057,884	\$0	0.0%
Pension Pre-Funding	690,000	390,000	(\$300,000)	-43.5%
Fixed Assets/Equip	191,868	15,000	(\$176,868)	-92.2%
<b>TOTAL EXPENDITURES</b>	<b>\$61,418,441</b>	<b>\$64,974,407</b>	<b>\$3,555,967</b>	<b>5.8%</b>

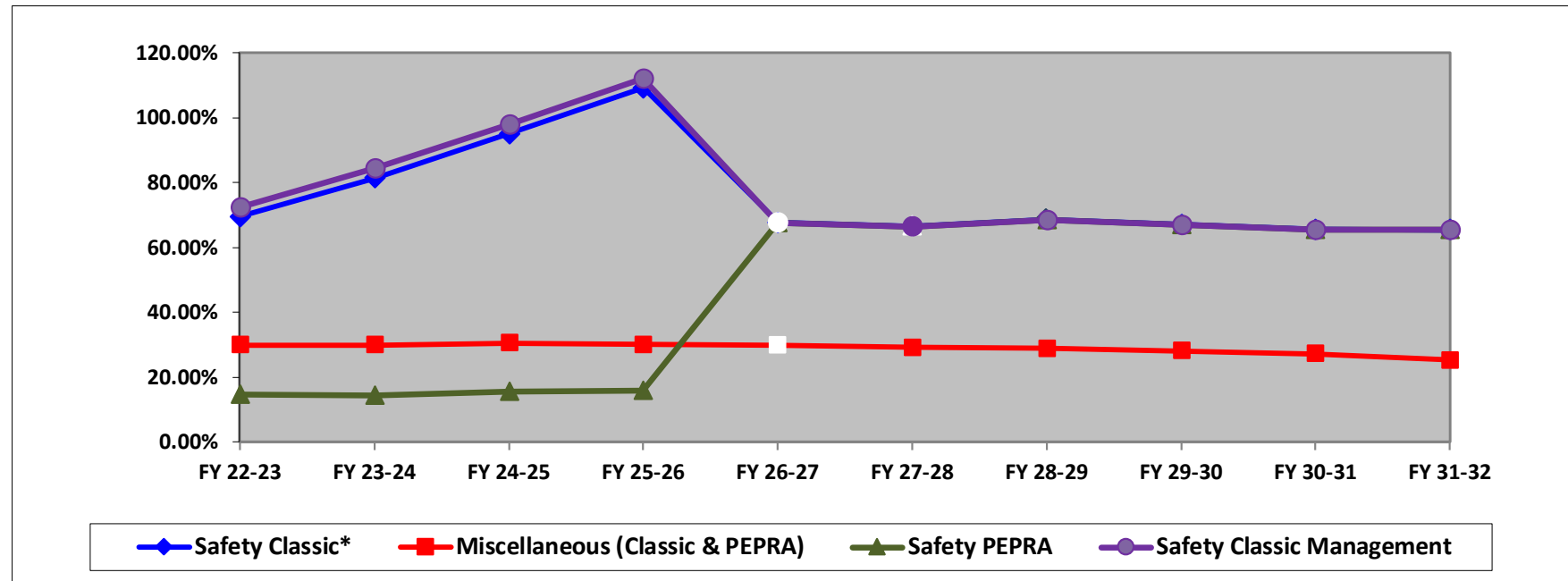
# Salaries and Benefits (pp. C-48 to C-52)

- Adds one Full-time benefitted position
- Adds .56 part time position hours
- Vacant positions budgeted mid range vs top step
- Assumes negotiated salary and benefit changes

Category	FY 2025-26 Estimate Budget	FY 2026-27 Proposed	Variance \$	Variance
Salary and Benefits	\$ 23,405,209	\$ 24,176,333 <sup>1</sup>	\$ 771,124	3.3%
Overtime	\$ 1,384,604	\$ 1,457,000	\$ 72,396	5.2%
CalPERS Benefits	\$ 8,790,965	\$ 10,410,788	\$ 1,619,823	18.4%
All Other Benefits	\$ 5,349,271	\$ 6,294,481	\$ 945,210	17.7%
OPEB Pay as you go	\$ 2,173,606	\$ 2,193,606	\$ 20,000	0.9%
<b>TOTAL</b>	<b>\$ 41,103,655</b>	<b>\$ 44,352,208</b>	<b>\$ 3,428,553</b>	<b>8.3%</b>

<sup>1</sup> Includes \$2,049,100 in salary savings

# Pension methodology change (p. C50-C51)



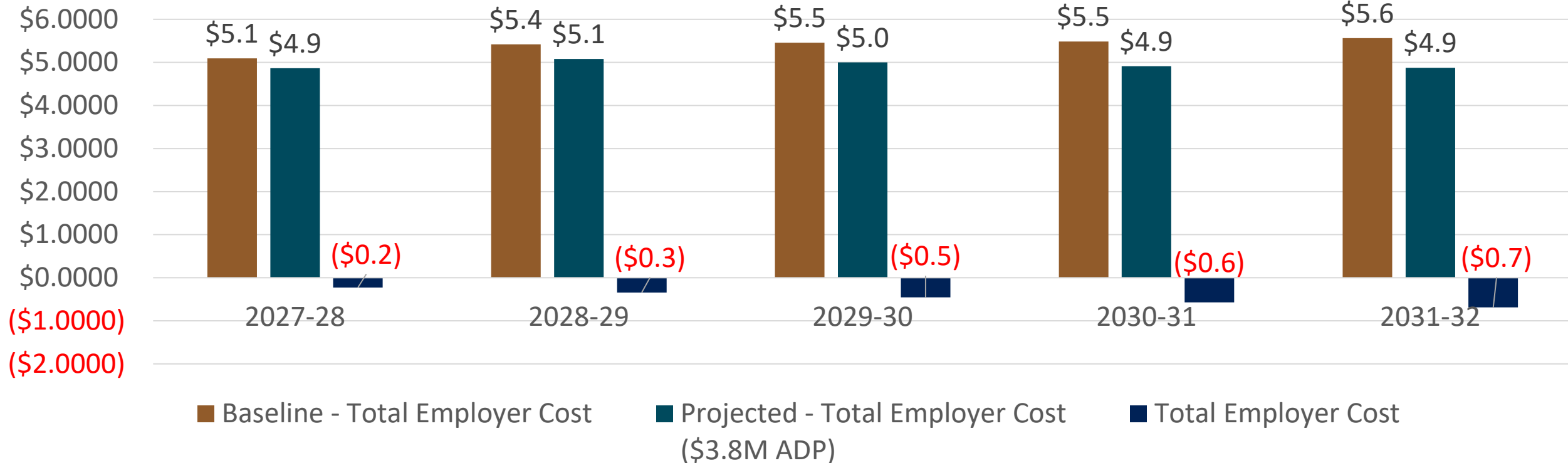
PERS Pension Plan	FY 22-23	FY 23-24	FY 24-25	FY 25-26	FY 26-27	FY 27-28	FY 28-29	FY 29-30	FY 30-31	FY 31-32
Safety Classic*	69.44%	81.30%	94.98%	109.09%	67.60%	66.50%	68.50%	67.00%	65.50%	65.40%
Safety Classic Management	72.44%	84.30%	97.98%	112.09%	67.60%	66.50%	68.50%	67.00%	65.50%	65.40%
Safety PEPR	14.62%	14.50%	15.56%	15.84%	67.60%	66.50%	68.50%	67.00%	65.50%	65.40%
Miscellaneous (Classic & PEPR)	29.92%	29.97%	30.62%	30.02%	29.80%	29.20%	28.90%	28.10%	27.30%	25.30%

\* Starting in FY 2026–27, the Town began applying blended employer contribution rates for Safety Classic and PEPR employees. The blended rate incorporates a 3 percent reduction to the Safety Classic employer contribution rate, reflecting the cost sharing agreement negotiated with the Town’s POA in FY 2019–20, under which Safety Classic employees contribute an additional 3 percent toward pension costs.

# 115 Trust balance to CalPERS (UAL) (p. C-51)

- Based on CalPERS Outlook Tool
- Applies balance of 115 trust (\$3.8M) as an Additional Discretionary Payment (ADP) to safety
- Assumes payment date of 1.1.27
- Applied to the longest amortization base, with a CalPERS assumed rate of return of 6.8 percent

Impact of ADP of full 115 Pension Trust Balance 1.1.27



# Recommended Use OPEB Trust

RESULTS

**10-Year Projection**

(Amounts in 000's)

Fiscal Year	Contributions					Payroll	Contrib. %	Funded % BOY
	Pay-Go Cash	Pay-Go Implicit Subsidy	PEMHCA Admin	Trust	Total = ADC			
2024/25	\$1,692	\$193	\$5	\$(311)	\$1,579	\$18,025	8.8%	79.0%
2025/26	1,821	221	6	(481)	1,567	18,521	8.5%	80.3%
2026/27	1,936	245	6	(558)	1,629	19,030	8.6%	79.3%
2027/28	2,033	253	7	(696)	1,597	19,553	8.2%	81.3%
2028/29	2,184	320	7	(939)	1,572	20,091	7.8%	83.1%
2029/30	2,259	337	8	(1,037)	1,567	20,643	7.6%	84.3%
2030/31	2,301	311	8	(1,058)	1,562	21,211	7.4%	85.5%
2031/32	2,437	395	8	(1,275)	1,565	21,794	7.2%	86.9%
2032/33	2,523	459	9	(1,418)	1,573	22,394	7.0%	88.2%
2033/34	2,577	475	9	(1,481)	1,580	23,010	6.9%	89.6%



# Operating Expenditures (p. C-53)

- This category consists of materials<sup>1</sup>, supplies, contract costs, and Measure G proceed costs.

FY 2025-26 Estimate Budget	FY 2026-27 Proposed	Variance \$	Variance
\$ 11,569,730	\$ 10,273,206	\$(1,296,524)	Aligned with prior year actuals

<sup>1</sup>This category also may contain the Town’s share of Retiree Medical depending on the table. This view does not. Note that the retiree medical costs are also shown in salary and benefits to provide a more holistic view of all salaries and benefits offered by the Town.

# Internal Services Charges (p.C-56)

- Internal Service Charges represent the service program costs charged back to the operational programs for Workers Compensation, General Liability Insurance, Information Technology, Vehicle Replacement, and Building Maintenance services.

FY 2025-26 Estimate Budget	FY 2026-27 Proposed	Variance \$	Variance
\$ 4,741,938	\$ 6,567,141	\$ 1,825,203	These costs increased to reflect higher IT fees as prior year IT costs had been subsidized with retained earnings in the IT Internal Service Fund

# FY 2026-27 Proposed Budget Alternative

# Alternative for Council Consideration (pp. C63-C64)

Recommended Alternative	General Fund	Vehicle Replacement Fund (ISF)	Facilities (ISF)
FY 2026-27 Estimated Change to Year End Fund Balance (Use of)	\$ (549,322)	\$ 1,842,644	\$ 34,969
Reduce Vehicle and Equipment ISF Charges in the General Fund	1,501,527	(1,501,527)	-
Transfer out from General Fund to Facilities ISF	(811,334)	-	811,334
Additional Budget for Facilities Projects	-	-	(335,083)
<b>Total Impact of ISF Charges Changes</b>	<b>\$ 140,872</b>	<b>\$ 341,117</b>	<b>\$ 511,220</b>
Additional Budget for 4 PPW Contracts	\$ (134,368)	\$ -	\$ -
<b>Alternative</b>	<b>\$6,503</b>	<b>\$ 341,117</b>	<b>\$ 511,220</b>
FY 2026-27 Estimate Change to Year End Fund Balance (Use of)			

A ( ) or use of fund balance means that these funds are estimated to use reserves to balance. A positive denotes adding to fund balance. Any additional revenues are shown as positive and additional expenses ( ) negatives.

# Facilities Projects (Attachment 3)

Location/Building	Project/System Type	Project Name	FY 26/27	FY 27/28	FY 28/29	FY 29/30	FY 30/31	TOTALS
Civic Center	Mechanical Systems	Replace police dispatch AHU	\$ 60,000					\$ 60,000
Civic Center	Mechanical Systems	Replace Building controls		\$ 225,000				\$ 225,000
Civic Center	Mechanical Systems	Replace unit 2 in Council Chamber IT room		\$ 15,000				\$ 15,000
Civic Center	Mechanical Systems	Insulate boiler room piping	\$ 7,500					\$ 7,500
Civic Center	Accessibility Issues	DAC Accessibility Compliance	\$ 109,871	\$ 109,871	\$ 109,871	\$ 109,871	\$ 109,871	\$ 549,355
Library	Electrical Systems	Test and Certify Main Electric Panel	\$ 50,000					\$ 50,000
Library	Electrical Systems	Replace PV Inverters	\$ 40,000					\$ 40,000
Library	Interiors	Replace floor coverings (carpet)		\$ 60,000			\$ 80,000	\$ 140,000
Library	Accessibility Issues	DAC Accessibility Compliance	\$ 19,059	\$ 19,059	\$ 19,059	\$ 19,059	\$ 19,059	\$ 95,295
<b>Annual Total 2022 Dollars<sup>2</sup></b>			<b>\$ 286,430</b>	<b>\$ 428,930</b>	<b>\$ 128,930</b>	<b>\$ 128,930</b>	<b>\$ 208,930</b>	<b>\$ 1,182,151</b>
<b>Annual Total Escalated to Fiscal Year Dollars at 4%</b>			<b>\$ 335,083</b>	<b>\$ 521,859</b>	<b>\$ 163,138</b>	<b>\$ 169,663</b>	<b>\$ 285,935</b>	<b>\$ 1,475,678</b>

Notes:

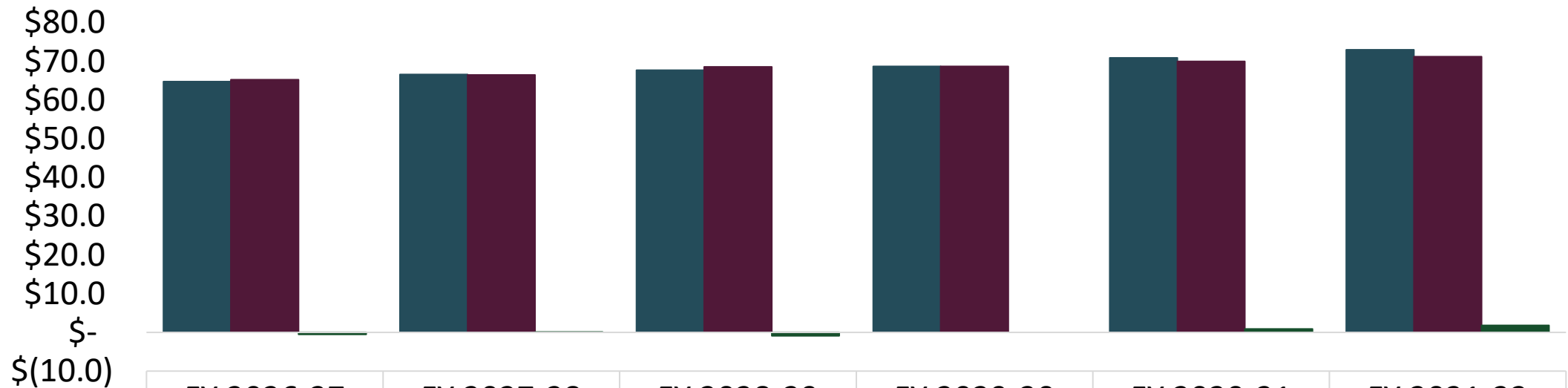
1. Projections are based on information developed by Facility Engineering Associates in Fiscal Year 2021/22, information developed by Disability Access Consultants in 2022 and staff recommendations
2. Annual totals are on 2022 dollars. 2024 escalation provided for discussion. Future development of this projection will escalate all costs to year of projected expense.

# General Fund 5-Year Forecast

# Revenues, Expenditures and Fund Balance (p. C-26)



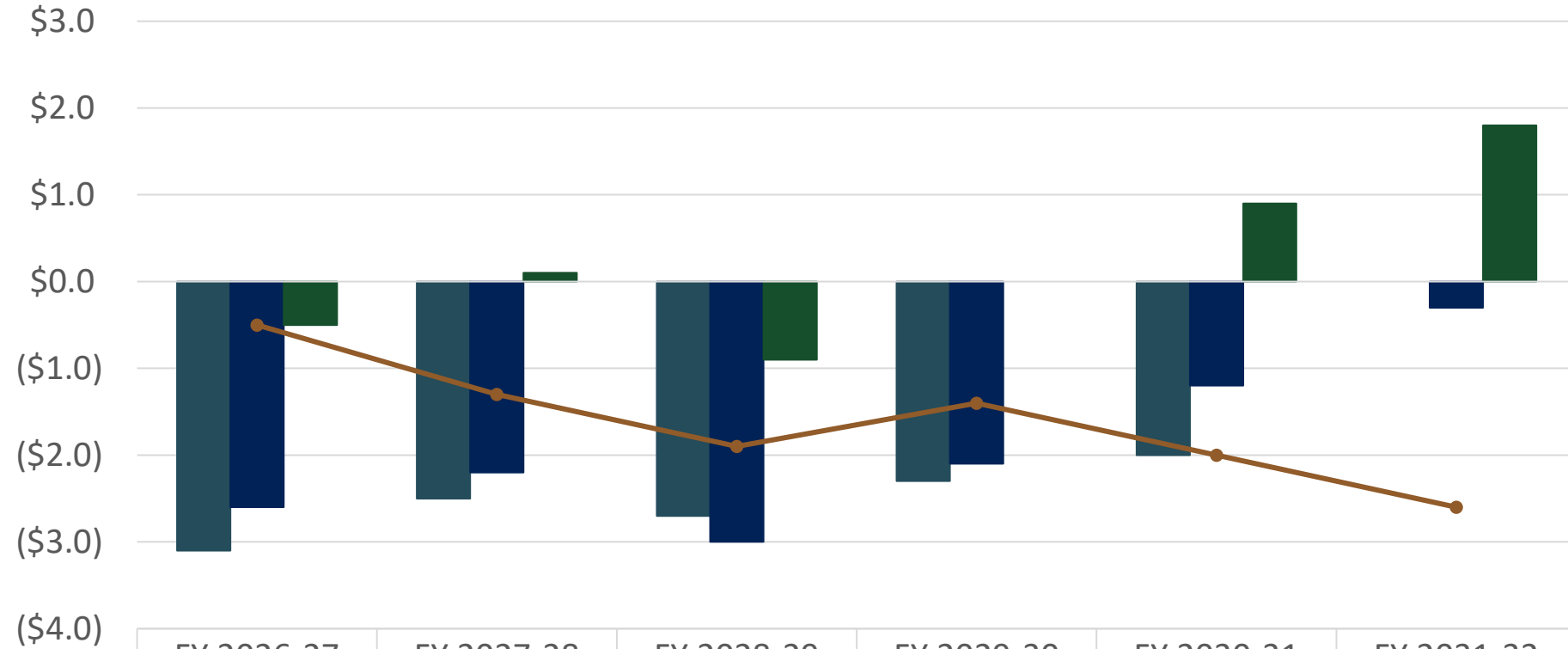
General Fund 5-Year Forecast (in millions)



	FY 2026-27 Proposed	FY 2027-28 Forecast	FY 2028-29 Forecast	FY 2029-30 Forecast	FY 2030-31 Forecast	FY 2031-32 Forecast
Revenues	\$64.8	\$66.6	\$67.7	\$68.7	\$70.9	\$73.0
Expenditures	\$65.3	\$66.5	\$68.6	\$68.7	\$70.0	\$71.2
Changes to Fund Balance	\$(0.5)	\$0.1	\$(0.9)	\$-	\$0.9	\$1.8

■ Revenues   ■ Expenditures   ■ Changes to Fund Balance

# Forecast Comparisons

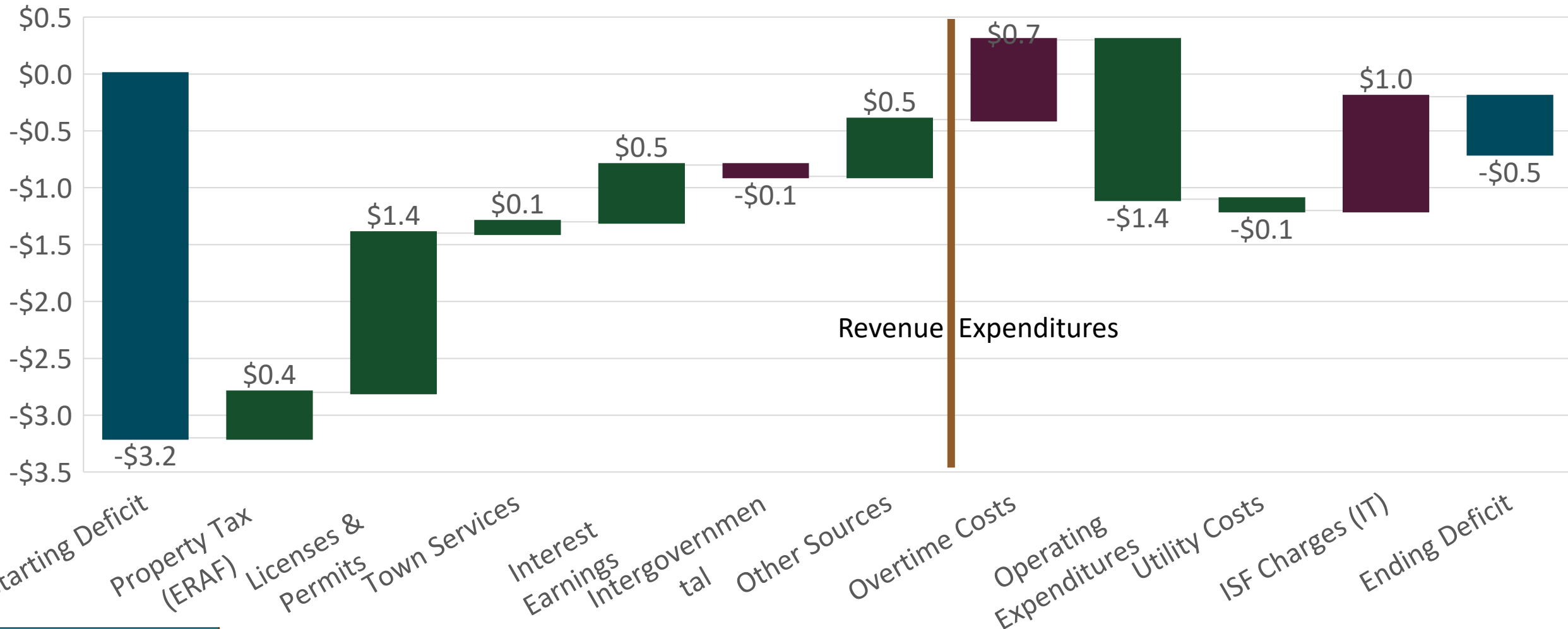


	FY 2026-27 Proposed	FY 2027-28 Forecast	FY 2028-29 Forecast	FY 2029-30 Forecast	FY 2030-31 Forecast	FY 2031-32 Forecast
FY 2025-26 Mid-Year Forecast	(\$3.1)	(\$2.5)	(\$2.7)	(\$2.3)	(\$2.0)	
Proposed Budget (No balancing strategies)	(\$2.6)	(\$2.2)	(\$3.0)	(\$2.1)	(\$1.2)	(\$0.3)
Proposed Budget	(\$0.5)	\$0.1	(\$0.9)	\$0.0	\$0.9	\$1.8
Raftelis Forecast	(\$0.5)	(\$1.3)	(\$1.9)	(\$1.4)	(\$2.0)	(\$2.6)

■ FY 2025-26 Mid-Year Forecast   
 ■ Proposed Budget (No balancing strategies)   
 ■ Proposed Budget   
 —●— Raftelis Forecast

# Reducing the FY 2026-27 Deficit (pp. A-2 and C-28)

Reducing the Projected General Fund Deficit



# Revenue Forecast (p. C-26)



Revenue Category	FY 2024-25 Adjusted Budget	FY 2024-25 Actuals	FY 2025-26 Adjusted Budget	FY 2025-26 Estimates	FY 2026-27 Proposed	FY 2027-28 Forecast	FY 2028-29 Forecast	FY 2029-30 Forecast	FY 2030-31 Forecast	FY 2031-32 Forecast
Property Tax	\$ 20.0	\$ 20.2	\$ 21.5	\$ 21.5	\$ 22.6	\$ 23.5	\$ 24.4	\$ 25.4	\$ 26.4	\$ 27.3
VLF Backfill Property Tax	5.1	5.1	5.4	5.4	5.7	6.0	6.3	6.6	6.9	7.2
Sales & Use Tax	6.5	7.0	7.9	7.9	8.4	8.6	8.9	9.2	9.4	9.7
Measure G District Sales Tax	1.3	1.3	1.3	1.3	1.3	1.4	1.4	1.4	1.5	1.5
Franchise Fees	1.0	1.1	1.0	1.0	1.1	1.1	1.1	1.1	1.2	1.2
Transient Occupancy Tax	2.3	2.4	2.3	2.3	2.3	2.3	2.3	2.3	2.4	2.4
Business License Tax	2.8	3.0	2.6	2.6	2.7	2.8	2.8	2.9	3.0	3.1
Licenses & Permits	6.2	6.7	7.0	7.0	7.5	7.1	7.2	7.4	7.5	7.6
Intergovernmental	1.2	1.3	1.5	1.3	0.7	0.8	0.8	0.8	0.8	0.9
Town Services	5.2	5.7	6.9	6.9	5.4	5.5	5.6	5.8	5.9	6.1
Fines & Forfeitures	0.3	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.4	0.4
Interest	1.4	3.1	1.9	1.9	1.9	2.0	2.0	2.1	2.2	2.3
Other Sources	4.2	3.6	7.2	7.0	4.3	4.6	4.0	2.8	2.7	2.7
Fund Transfers In	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
<b>TOTAL OPERATING REVENUES &amp;</b>	<b>\$ 58.1</b>	<b>\$ 61.5</b>	<b>\$ 67.4</b>	<b>\$ 67.0</b>	<b>\$ 64.8</b>	<b>\$ 66.6</b>	<b>\$ 67.7</b>	<b>\$ 68.7</b>	<b>\$ 70.9</b>	<b>\$ 73.0</b>
Use of Capital/Special Projects Reserve	\$ 3.7	\$ 1.1	\$ -		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Use of Measure G Sales Tax - Operating	0.6		-		-	-	-	-	-	-
Use of Pension/OPEB Reserve	-	0.3	-		-	-	-	-	-	-
Recovery	-	-	-		-	-	-	-	-	-
<b>TOTAL REVENUES, TRANSFERS, AND USE OF RESERVES*</b>	<b>\$ 62.4</b>	<b>\$ 62.9</b>	<b>\$ 67.4</b>	<b>\$ 67.0</b>	<b>\$ 64.8</b>	<b>\$ 66.6</b>	<b>\$ 67.7</b>	<b>\$ 68.7</b>	<b>\$ 70.9</b>	<b>\$ 73.0</b>

# Expenditure Forecast (p. C-26)

Expenditure Category	FY 2024-25 Adjusted Budget	FY 2024-25 Actuals	FY 2025-26 Adjusted Budget	FY 2025-26 Estimates	FY 2026-27 Proposed	FY 2027-28 Forecast	FY 2028-29 Forecast	FY 2029-30 Forecast	FY 2030-31 Forecast	FY 2031-32 Forecast
Salary	\$ 25.2	\$ 22.4	\$ 25.6	\$ 23.4	\$ 26.2	\$ 27.2	\$ 27.9	\$ 28.6	\$ 29.2	\$ 29.8
Overtime	0.6	1.3	0.7	1.4	1.5	1.5	1.5	1.5	1.6	1.6
CalPERS Benefits	8.8	8.3	9.9	8.8	10.4	10.4	10.7	10.7	10.7	10.5
All Other Benefits	5.6	4.9	6.3	5.3	6.3	6.3	6.5	6.7	6.9	7.1
4.6% Salary and Benefits Savings	(1.5)	-	(2.2)	-	(2.0)	(2.1)	(2.1)	(2.2)	(2.2)	(2.3)
OPEB Pay as You Go	2.0	1.9	2.2	2.2	2.2	2.3	2.5	2.5	2.6	2.6
Operating Expenditures	8.6	6.2	10.8	9.5	10.2	10.2	10.6	10.8	11.1	11.3
Grants & Awards	0.7	0.7	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Utilities	0.7	0.8	0.7	0.7	0.8	0.8	0.9	0.9	0.9	0.9
Internal Service Charges	4.4	4.2	4.9	4.7	6.6	6.8	7.0	7.2	7.4	7.6
Debt Service	2.1	2.1	2.1	2.1	2.1	2.1	2.1	0.8	0.8	0.8
<b>TOTAL OPERATING EXPENDITURES</b>	<b>\$ 57.2</b>	<b>\$ 52.7</b>	<b>\$ 61.3</b>	<b>58.5</b>	<b>\$ 64.5</b>	<b>\$ 65.7</b>	<b>\$ 67.8</b>	<b>\$ 67.9</b>	<b>\$ 69.2</b>	<b>\$ 70.4</b>
Pension	0.4	0.7	0.7	0.7	0.4	0.4	0.4	0.4	0.4	0.4
<b>TOTAL OPERATING &amp; DISCRETIONARY EXPENDITURES</b>	<b>\$ 57.6</b>	<b>\$ 53.4</b>	<b>\$ 62.0</b>	<b>\$ 59.2</b>	<b>\$ 64.9</b>	<b>\$ 66.1</b>	<b>\$ 68.2</b>	<b>\$ 68.3</b>	<b>\$ 69.6</b>	<b>\$ 70.8</b>
Capital Transfers Out to GFAR	\$ 1.1	\$ 1.1	\$ 0.3	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfer to General Liability	-	0.1	-	-	-	-	-	-	-	-
GASB 65	-	-	-	-	-	-	-	-	-	-
Fixed Assets/ Equipment	0.4	-	-	0.2	-	-	-	-	-	-
1/2 of Measure G Proceeds to Capital	0.6	0.6	-	-	-	-	-	-	-	-
Allocate to ERAF Risk Reserve	-	-	-	-	-	-	-	-	-	-
Allocate to GASB 31 Reserve	-	1.2	-	-	-	-	-	-	-	-
Allocate to Pension Trust	0.7	0.7	0.4	0.6	0.4	0.4	0.4	0.4	0.4	0.4
<b>TOTAL EXPENDITURES &amp; RESERVE</b>	<b>\$ 60.1</b>	<b>\$ 57.1</b>	<b>\$ 62.7</b>	<b>60.0</b>	<b>\$ 65.3</b>	<b>\$ 66.5</b>	<b>\$ 68.6</b>	<b>\$ 68.7</b>	<b>\$ 70.0</b>	<b>\$ 71.2</b>
<b>NET REVENUES , TRANSFERS IN, USE OF RESERVES LESS EXPENDITURES, TRANSFERS IN, AND RESERVE ALLOCATIONS</b>	<b>\$ 2.3</b>	<b>\$ 5.8</b>	<b>\$ 4.7</b>	<b>\$ 7.0</b>	<b>\$ (0.5)</b>	<b>\$ 0.1</b>	<b>\$ (0.9)</b>	<b>\$ -</b>	<b>\$ 0.9</b>	<b>\$ 1.8</b>

\* Due to rounding of individual categories total revenues, expenditures, and reserve allocations may include \$0.1 million.

FY 2025-26 Proposed  
Capital Improvement  
Program (CIP)

# Projects to Close 6/30/26

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- VMT Mitigation Program - Completed
- Measure B Education and Encouragement - Moved to operating funds
- Shannon Road Bicycle and Pedestrian Improvement - Completed
- Public Art Gateway Project - Completed
- Civic Center HR Offices - Completed
- Building Replacement at Corp Yard - Completed
- POB Space Study - Completed
- EOC Communications Upgrade - Completed
- IT Disaster Recovery Improvements - Completed
- Auto Gate Replacements - PPW and POB - Completed

# FY2026-27 – CIP Summary

Category	Funding Request	# of Projects	Estimated Carryforward	FY 2026-27 Proposed Budget	Total FY 2026-27
Street Improvements	New	5	-	725,000	725,000
	Carryforward + New	9	9,433,425	3,957,430	13,390,855
	Carryforward	7	7,049,581	-	7,049,581
<b>Total Street Projects</b>		<b>21</b>	<b>\$ 16,483,006</b>	<b>\$ 4,682,430</b>	<b>\$ 21,165,436</b>
Parks and Trails	Carryforward + New Funding Requests	1	539,699	120,000	659,699
	Carryforward	1	384,208	-	384,208
<b>Total Parks and Trails Projects</b>		<b>2</b>	<b>923,907</b>	<b>120,000</b>	<b>1,043,907</b>
Infrastructure	New	4	-	1,075,000	1,075,000
	Carryforward + New Funding Requests	1	67,870	20,000	87,870
	Carryforward	6	1,309,913	-	1,309,913
<b>Total Infrastructure Projects</b>		<b>11</b>	<b>1,377,783</b>	<b>1,095,000</b>	<b>3,547,783</b>
<b>TOTAL CIP PROJECTS</b>		<b>34</b>	<b>\$18,784,696</b>	<b>\$5,897,430</b>	<b>\$24,682,126</b>

# FY2026-27 – New Projects by Category

Project Name	One-time/ Ongoing	FY 2026-27 Proposed Budget
<b>Street Improvements</b>		
Impact Fee Study	One-Time	300,000
East Main Street Crosswalk Improvements	One-Time	75,000
Green Stormwater Infrastructure	Ongoing	100,000
Timber Bridge Inspection		50,000
Roadway Reconstruction Santa Cruz Avenue BHR to Hwy 9	One-Time	200,000
<b>TOTAL NEW STREET IMPROVEMENT PROJECTS</b>		<b>725,000</b>
<b>Infrastructure</b>		
Downtown Restroom Design	One-Time	100,000
41 Miles Avenue Emergency Management Improvements	One-Time	525,000
Library Lighting Controls Renovation	One-Time	200,000
Condition Assessment of Civic Center (New)	One-Time	250,000
<b>TOTAL NEW INFRASTRUCTURE PROJECTS</b>		<b>\$1,075,000</b>
	<b>TOTAL NEW PROJECTS</b>	<b>\$1,800,000</b>

# FY2026-27 – Carryforward + New Funding

Project Name	One-time/ Ongoing	Estimated Carryforward	FY 2026-27 Proposed Budget	Total FY 2026-27
<b>Street Improvements</b>				
Street Repair & Resurfacing	Ongoing	\$ 6,357,803	\$ 2,865,680	\$ 9,223,483
Rehab Crack and Seal	Ongoing	180,000	180,000	360,000
Annual Street Restriping	Ongoing	30,000	15,000	45,000
Roadside Fire Fuel Reduction	Ongoing	1,555,376	136,750	1,692,126
Unanticipated Repairs	Ongoing	422,860	100,000	522,860
Curb, Gutter Sidewalk Maintenance	Ongoing	378,007	500,000	878,007
Stormwater System – Pollution Prevention Compliance	Ongoing	43,481	30,000	73,481
709 University Avenue Drainage System Replacement	One-Time	275,635	10,000	285,635
Vasona Oaks Drainage Failure Repair	One-Time	190,263	120,000	310,263
<b>Total Streets Carryforward + New Funding</b>		<b>\$ 9,433,425</b>	<b>\$ 3,957,430</b>	<b>\$ 13,390,855</b>

# FY2026-27 – Carryforward + New Funding

Project Name	One-time/ Ongoing	Estimated Carryforward	FY 2026-27 Proposed Budget	Total FY 2026-27
<b>Parks and Trails</b>				
Parks Playground Fibar Project	Ongoing	\$ 41,564	\$ 20,000	\$ 61,564
Vegetation Management Town-wide	Ongoing	498,135	100,000	598,135
<b>Total Parks and Trails Carryforward + New Funding</b>		<b>\$ 539,699</b>	<b>\$ 120,000</b>	<b>\$ 659,699</b>
<b>Infrastructure</b>				
Annual ADA Compliance Work	Ongoing	67,870	20,000	87,870
<b>Total Infrastructure Carryforward + New Funding</b>		<b>\$ 67,870</b>	<b>\$ 20,000</b>	<b>\$ 87,870</b>
<b>TOTAL CIP CARRYFORWARD + NEW FUNDING</b>		<b>\$ 10,040,994</b>	<b>\$ 4,097,430</b>	<b>\$ 14,138,424</b>

# FY2026-27 – Carryforward

Project Name	One-time/ Ongoing	Estimated Carryforward	FY 2026-27 Proposed Budget	Total FY 2026-27
<b>Street Improvements</b>				
Downtown Parking Lots Seal Coat & Restriping	Ongoing	65,161	-	65,161
Highway 17 Bicycle & Pedestrian Bridge - Design	One-Time	3,290,173	-	3,290,173
Annual Storm Drain Improvement Project	Ongoing	179,862	-	179,862
Loma Street Drainage	One-Time	699,240	-	699,240
Blossom Hill Road – Union to Camden	One-Time	800,000	-	800,000
Storm Drainage Mapping	Ongoing	266,681	-	266,681
Shannon Road Repair	One-Time	1,748,464	-	1,748,464
<b>Total Streets Carryforward</b>		<b>\$ 7,049,581</b>	<b>\$ -</b>	<b>\$ 7,049,581</b>

# FY2026-27 – Carryforward

Project Name	One-time/ Ongoing	Estimated Carryforward	FY 2026-27 Proposed Budget	Total FY 2026-27
<b>Parks and Trails</b>				
Sport Court Resurfacing	One-Time	\$ 149,803	\$ -	\$ 149,803
Oak Meadow Bandstand Area Improvements	One-Time	234,405	-	234,405
<b>Total Parks and Trails Carryforward</b>		<b>\$ 384,208</b>	<b>\$ -</b>	<b>\$ 384,208</b>
<b>Infrastructure</b>				
Battery Power Supply Library	Ongoing	\$ 2,818	\$ -	\$ 2,818
Civic Center Plumbing Repair and HVAC Repairs	Ongoing	50,377	-	50,377
ARC Interim Community Center	One-Time	437,500	-	437,500
Fleet Service Outdoor Work Area (Design Phase)	One-Time	45,000	-	45,000
Enterprise Resource Planning (ERP) Upgrade	One-Time	376,877	-	376,877
IT Disaster Resiliency Project	One-Time	397,341	-	397,341
<b>Total Infrastructure Carryforward + New Funding</b>		<b>\$ 1,309,913</b>	<b>\$ -</b>	<b>\$ 1,309,913</b>
<b>TOTAL CIP CARRYFORWARD + NEW FUNDING</b>		<b>\$ 10,040,994</b>	<b>\$ -</b>	<b>\$ 10,040,994</b>

# Staffing, Issues and Challenges and Next Steps

# Staffing

Category	Position	Position Count
<b>FY 2025-26 Staffing</b>		<b>163.74</b>
Administration and Town Offices	Deputy Town Attorney	1.0
	Administrative Assistant	.46
Community Development	Senior Planner	(.25)
Parks and Public Works	Parks Services Aide	.46
	Maintenance Worker	(.11)
<b>TOTAL RECOMMENDED FY 2026-27 STAFFING</b>		<b>165.3</b>

# Issues and Challenges

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- Current High-Interest Rate Environment is a positive, but...
  - CalPERS
  - Investments
  - OPEB
- No Recession in forecast, but could impact:
  - Town Services
  - Licenses and Permits
  - Sales Tax

# Issues and Challenges

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- Sales Tax
  - New expected revenues not fully realized
- Transient Occupancy Tax
  - Full impact of hotel closure is still unknown
- Unfunded Capital Needs over \$300 million
- No Transfer to GFAR (\$1 million)
- Half of Measure G not going to GFAR (\$0.6 million)

# Next Steps

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- June 2<sup>nd</sup> Final Operating and Capital Budget Adoption to Town Council
- July 2026 Publication of the Adopted Operating and Capital Budgets

# Recommendations

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1. Conduct a Public Hearing on the Town of Los Gatos Proposed Operating and Capital Budget for Fiscal Year 2026-27 and on the Proposed Capital Improvement Program for FY 2026-27 – FY 2030-31.
2. Provide direction and recommendations on any changes for the final budget.
3. Provide direction on Finance Commission recommendations.
4. Approve the FY 2026-27 List of Potential Donations Consistent with the Town's Donation Policy.

# Questions

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