



**TOWN OF LOS GATOS  
COUNCIL MEETING AGENDA \* AMENDED  
DECEMBER 21, 2021  
TELECONFERENCE  
LOS GATOS, CA**

*Rob Rennie, Mayor  
Maria Ristow, Vice Mayor  
Mary Badame, Council Member  
Matthew Hudes, Council Member  
Marico Sayoc, Council Member*

**PARTICIPATION IN THE PUBLIC PROCESS**

**How to participate:** The Town of Los Gatos strongly encourages your active participation in the public process, which is the cornerstone of democracy. If you wish to speak to an item on the agenda, please follow the participation instructions on page 2 of this agenda. If you wish to speak to an item NOT on the agenda, you may do so during the “Verbal Communications” period, by following the participation instructions on page 2 of this agenda. The time allocated to speakers may change to better facilitate the Town Council meeting.

**Effective Proceedings:** The purpose of the Town Council meeting is to conduct the business of the community in an effective and efficient manner. For the benefit of the community, the Town of Los Gatos asks that you follow the Town’s meeting guidelines while attending Town Council meetings and treat everyone with respect and dignity. This is done by following meeting guidelines set forth in State law and in the Town Code. Disruptive conduct is not tolerated, including but not limited to: addressing the Town Council without first being recognized; interrupting speakers, Town Council or Town staff; continuing to speak after the allotted time has expired; failing to relinquish the podium when directed to do so; and repetitiously addressing the same subject. Disruption of the meeting may result in a violation of Penal Code 403.

**Deadlines for Public Comment and Presentations are as follows:**

- Persons wishing to make an audio/visual presentation on any agenda item must submit the presentation electronically, either in person or via email, to the Clerk’s Office no later than 3:00 p.m. on the day of the Council meeting.
- Persons wishing to submit written comments to be included in the materials provided to Town Council must provide the comments as follows:
  - For inclusion in the regular packet: by 11:00 a.m. the Thursday before the Council meeting
  - For inclusion in any Addendum: by 11:00 a.m. the Monday before the Council meeting
  - For inclusion in any Desk Item: by 11:00 a.m. on the day of the Council Meeting

***Town Council Meetings Broadcast Live on KCAT, Channel 15 (on Comcast) on the 1st and 3rd Tuesdays at 7:00 p.m.  
Rebroadcast of Town Council Meetings on the 2<sup>nd</sup> and 4<sup>th</sup> Mondays at 7:00 p.m.  
Live & Archived Council Meetings can be viewed by going to:  
[www.LosGatosCA.gov/TownYouTube](http://www.LosGatosCA.gov/TownYouTube)***

***IN COMPLIANCE WITH THE AMERICANS WITH DISABILITIES ACT, IF YOU NEED SPECIAL ASSISTANCE TO PARTICIPATE IN THIS MEETING, PLEASE CONTACT THE CLERK DEPARTMENT AT (408) 354-6834. NOTIFICATION 48 HOURS BEFORE THE MEETING WILL ENABLE THE TOWN TO MAKE REASONABLE ARRANGEMENTS TO ENSURE ACCESSIBILITY TO THIS MEETING [28 CFR §35.102-35.104]***

**TOWN OF LOS GATOS**  
**COUNCIL MEETING AGENDA \* AMENDED**  
**DECEMBER 21, 2021**  
**TELECONFERENCE**  
**7:00 PM**

**\*IMPORTANT NOTICE**

This meeting is being conducted utilizing teleconferencing and electronic means consistent with Government Code Section 54953, as Amended by Assembly Bill 361, in response to the state of emergency relating to COVID-19 and enabling teleconferencing accommodations by suspending or waiving specified provisions in the Ralph M. Brown Act (Government Code § 54950 et seq.). Consistent with AB 361 and Town of Los Gatos Resolution 2021-044, this meeting will not be physically open to the public and the Council will be teleconferencing from remote locations. Members of the public can only participate in the meeting by joining the Zoom webinar (log in information provided below).

**\*PARTICIPATION**

To provide oral comments in real-time during the meeting:

- **Zoom webinar:** Join from a PC, Mac, iPad, iPhone or Android device: Please click this URL to join.  
<https://us02web.zoom.us/j/89468766147?pwd=a2NNL0NmWEJVMdZUcmhYUEJQWWpZdz09>. Passcode: 163437. You can also type in 894 6876 6147 in the “Join a Meeting” page on the Zoom website at <https://zoom.us/join>.
- **Join by telephone:** Join by Telephone: Dial: USA 877 336 1839 US Toll-free or 636-651-0008 US Toll. Conference code: 969184

When the Mayor announces the item for which you wish to speak, click the “raise hand” feature in Zoom. If you are participating by phone on the Zoom app, press \*9 on your telephone keypad to raise your hand. If you are participating by calling in, press #2 on your telephone keypad to raise your hand.

When called to speak, you will be asked to provide your full name and your town/city of residence. This identifying information is optional and not a requirement for participation. Please limit your comments to three (3) minutes, or such other time as the Mayor may decide, consistent with the time limit for speakers at a Council meeting. If you wish to speak to an item or items on the Consent Calendar, please state which item number(s) you are commenting on at the beginning of your time.

If you are unable to participate in real-time, you may email to [PublicComment@losgatosca.gov](mailto:PublicComment@losgatosca.gov) the subject line “Public Comment Item #\_\_” (insert the item number relevant to your comment) or “Verbal Communications – Non-Agenda Item.” Comments received by 11:00 a.m. the day of the meeting will be reviewed and distributed before the meeting. All comments received will become part of the record.

## **RULES OF DECORUM AND CIVILITY**

To conduct the business of the community in an effective and efficient manner, please follow the meeting guidelines set forth in the Town Code and State law.

The Town does not tolerate disruptive conduct, which includes but is not limited to:

- addressing the town Council without first being recognized;
- interrupting speakers, Town Council, or Town staff;
- continuing to speak after the allotted time has expired;
- failing to relinquish the microphone when directed to do so;
- repetitiously addressing the same subject.

Town Policy does not allow speakers to cede their commenting time to another speaker.

Disruption of the meeting may result in a violation of Penal Code 403.

## **REMOTE LOCATION PARTICIPANTS**

The following Council Members are listed to permit them to appear electronically or telephonically at the Town Council meeting: *MAYOR ROB RENNIE, VICE MAYOR MARIA RISTOW, COUNCIL MEMBER MARY BADAME, COUNCIL MEMBER MATTHEW HUDES, and COUNCIL MEMBER MARICO SAYOC.* All votes during the teleconferencing session will be conducted by roll call vote.

## **MEETING CALL TO ORDER**

### **ROLL CALL**

**BOARD, COMMISSION, AND COMMITTEE APPOINTMENTS** (*Appoint applicants to the vacant positions on Town Boards, Commissions, and Committees.*)

- |   |                             |
|---|-----------------------------|
| - Arts and Culture Commission (ACC)                       | (4 vacancies, 5 applicants) |
| - Building Board of Appeals (BOA)                         | (2 vacancies, 0 applicants) |
| - Community Health and Senior Services Commission (CHSSC) | (4 vacancies, 2 applicants) |
| - Complete Streets and Transportation Commission (CSTC)   | (3 vacancies, 5 applicants) |
| - Finance Commission (FC)                                 | (1 vacancy, 3 applicants)   |
| - General Plan Committee (GPC)                            | (1 vacancy, 1 applicant)    |
| - Library Board (LIB)                                     | (2 vacancies, 5 applicants) |
| - Parks Commission (Parks)                                | (3 vacancies, 3 applicants) |
| - Personnel Board (Personnel)                             | (2 vacancies, 1 applicant)  |
| - Planning Commission (PC)                                | (2 vacancies, 3 applicants) |

## **COUNCIL / MANAGER MATTERS**

**CONSENT ITEMS** (*Items appearing on the Consent Items are considered routine Town business and may be approved by one motion. Any member of the Council may request to have an item removed from the Consent Items for comment and action. Members of the public may provide input on any or multiple Consent Item(s) when the Mayor asks for public comments on the Consent Items. If you wish to comment, please follow the Participation Instructions contained on Page 2 of this agenda. If an item is removed, the Mayor has the sole discretion to determine when the item will be heard.*)

1. Approve Draft Minutes of the December 2, 2021 Closed Session Town Council Meeting.
2. Approve Draft Minutes of the December 7, 2021 Town Council Study Session.
3. Approve Draft Minutes of the December 7, 2021 Town Council Meeting.
4. Adopt a Resolution Reaffirming Resolution 2021-044 Regarding Brown Act Compliance and Teleconferencing and Making Findings Pursuant to Government Code Section 54953, as Amended by Assembly Bill 361, During the COVID -19 Pandemic.
5. Authorize the Town Manager to Take All Necessary Steps and Execute Appropriate Documents to Participate in the Opioid Settlement Agreements with the Distributors and Janssen and Agree to the State Subdivision Agreements.
6. Adopt A Resolution Delegating Authority to the Town Manager to Settle Claims, Pending Actions and Workers' Compensation Claims Against the Town That Do Not Exceed Fifty Thousand Dollars (\$50,000).
7. Consider a Request for an Exception to the Height Pole and Netting Policy to Allow an Alternative to Standard Story Pole Installation to Illustrate and Provide Notice of the Proposed Project on Property Zoned R-1:8 Located at 445 Los Gatos Boulevard. APN 510-47-038. Property Owners/Applicants: Nam and Nikki Nguyen.
8. Adopt Council Committee Appointments Effective January 1, 2022.
9. Adopt a Resolution Making Determination and Approving the Reorganization of an Uninhabited Area Designated as El Gato Lane No. 5, Approximately 0.789 Acres on Property Pre-Zoned R-1:8. APN 523-22-010. Annexation Application AN21-003. Project Location: **15605 El Gato Lane**. Property Owner/Applicant: Natasha Malisic.
10. Receive the Town Finance Commission Recommendation and Authorize the Town Manager to Execute a Three-Year Agreement with Chavan & Associates, LLP to Provide Auditing Services for the Town of Los Gatos in Amount Not to Exceed \$117,000.
11. Fiscal Year 2021/22 Street Repair and Resurfacing Project (CIP Number 811-9901):
  - a. Approve the Proposed Street List; and
  - b. Authorize the Town Manager to Execute a Cost Share Agreement with the City of Campbell in an Amount Not to Exceed \$335,000.
12. Review the Local Roadway Safety Plan Progress Report.
13. Reaffirm Town Council Code of Conduct Policy.
14. Authorize the Town Manager to Execute an Agreement with The Advantage Group to Continue to Administer Retiree Health Contribution Reimbursements in an Amount Not to Exceed \$57,500.
15. Corporation Yard Building Replacement Project (CIP No. 821-2302):
  - a. Authorize the Town Manager to Approve the Project Plans and Specifications; and
  - b. Authorize Advertising the Project for Bid; and
  - c. Authorize the Town Manager to Award and Execute a Construction Agreement in an Amount not to Exceed \$763,776, Including Contingencies and change orders; and Authorize Staff to Execute Future Change Orders in an Amount Not to Exceed Fifteen Percent of the Contract Award Amount; and
  - d. Authorize the Town Manager to purchase a Prefabricated Steel Storage building from Empire Steel Buildings in an amount not to exceed \$103,939 for the Corp Yard; and
  - e. Authorize the Town Manager to Execute Third Amendment to Agreement for Consulting Services with Cuschieri Horton Architects to Extend the Agreement Expiration Date to 12/31/22; and

- f. Authorize an Expenditure Budget Adjustment to the Corporation Yard Building Replacement Project in the Amount of \$135,981 from Available General Fund Appropriated Fund Reserve.

**VERBAL COMMUNICATIONS** *(Members of the public are welcome to address the Town Council on any matter that is not listed on the agenda, consistent with the Participation Instructions contained on Page 2 of this agenda. To ensure all agenda items are heard and unless additional time is authorized by the Mayor, this portion of the agenda is limited to 30 minutes and no more than three (3) minutes per speaker. In the event additional speakers were not able to be heard during the initial Verbal Communications portion of the agenda, an additional Verbal Communications will be opened prior to adjournment.)*

**OTHER BUSINESS** *(Up to three minutes may be allotted to each speaker on any of the following items consistent with the Participation Instructions contained on Page 2 of this agenda.)*

16. Battery Power Supply – Library (Project 821-2505)

- a. Authorize the Town Manager to Execute an Agreement for Consultant Services with AMS Electric LLC, dba Prime Electric LLC for a Design-Build Project to Install a Battery Storage System to Provide Backup Power at the Library in an Amount Not to Exceed \$513,000; and
- b. Authorize Revenue and Expenditure Budget Adjustments in the Amount of \$300,000 to Recognize Receipt and Expenditure of the State Office of Emergency Services Community Power Resiliency Grant Funds (421-821-2505-43415 421-821-2505-824050); and
- c. Authorize Revenue and Expenditure Budget Adjustments in the Amount of \$213,000 to Recognize Receipt and Expenditure of the Silicon Valley Clean Energy Grant Funds (421-821-2505-43529 421-821-2505-82405).

17. Annual Comprehensive Financial Report (ACFR):

- a. Receive the Annual Comprehensive Financial Report (ACFR) for the Fiscal Year Ended June 30, 2021, and
- b. Adopt a Resolution Confirming June 30, 2021 Fund Balances in Accordance Fiscal Year 2020/21 Final Audit and Town Council General Fund Reserve Policy.

18. Adopt a Resolution for the California Public Employees’ Retirement System Retirement Plan to Waive the 180-Day Retiree Rehire Wait Period and to Appoint a Retiree as an Interim Town Attorney and Approve the Employment Agreement Between the Town of Los Gatos and the Interim Town Attorney.

19. Adopt a Resolution for the California Public Employees’ Retirement System Retirement Plan to Waive the 180-Day Retiree Rehire Wait Period and to Appoint a Retiree as an Interim Finance Director.

**PUBLIC HEARINGS** *(Applicants/Appellants and their representatives may be allotted up to a total of five minutes maximum for opening statements. Members of the public may be allotted up to three minutes to comment on any public hearing item. Applicants/Appellants and their representatives may be allotted up to a total of three minutes maximum for closing statements. Items requested/recommended for continuance are subject to Council’s consent at the meeting.)*

- [20.](#) Consider Adoption of a 45-Day Urgency Ordinance to Implement Senate Bill 9 to Allow for Two-Unit Housing Developments and Urban Lot Splits in All Single-Family Residential Zoning Districts.

**ADJOURNMENT** *(Council policy is to adjourn no later than midnight unless a majority of Council votes for an extension of time).*

*Writings related to an item on the Town Council meeting agenda distributed to members of the Council within 72 hours of the meeting are available for public inspection at the front desk of the Los Gatos Town Library, located at 100 Villa Avenue, and are also available for review on the official Town of Los Gatos website. Copies of desk items distributed to members of the Council at the meeting are available for review in the Town Council Chambers.*

*Note: The Town of Los Gatos has adopted the provisions of Code of Civil Procedure §1094.6; litigation challenging a decision of the Town Council must be brought within 90 days after the decision is announced unless a shorter time is required by State or Federal law.*



**TOWN OF LOS GATOS  
COUNCIL AGENDA REPORT**

MEETING DATE: 12/21/2021

ITEM NO: 1

---

**DRAFT  
Minutes of the Town Council Special Meeting - Closed Session  
Thursday, December 2, 2021**

The Town Council of the Town of Los Gatos conducted a special meeting in-person and utilizing teleconferencing and electronic means consistent with Government Code Section 54953, as amended by Assembly Bill 361 in response to the state of emergency relating to COVID-19 and enabling teleconferencing accommodations by suspending or waiving specified provisions in the Ralph M. Brown Act (Government Code § 65950 et seq.) and Town of Los Gatos Resolution 2021-044 on Thursday, December 2, 2021, at 4:00 p.m. to hold a Closed Session.

**MEETING CALLED TO ORDER AT 4:03 P.M.**

**ROLL CALL**

Present: Mayor Marico Sayoc, Vice Mayor Rob Rennie, Council Member Mary Badame, Council Member Matthew Hudes (participating remotely until 4:13 p.m.), Council Member Maria Ristow.

Absent: None

**VERBAL COMMUNICATIONS**

No one spoke.

**1. Public Employee Appointment, Employment, Evaluation of Performance, Discipline, and Dismissal**

[Government Code Section 54957(b)(1)]

Title: Town Attorney

Conference with Labor Negotiator

(Government Code Section 54957.6)

Town negotiator: Lisa Velasco, Human Resources Director

Unrepresented Employee: Town Attorney

**ADJOURNMENT**

Closed Session adjourned at 4:32 p.m.

Attest:

Submitted by:

---

Jenna De Long, Deputy Clerk

---

Laurel Prevetti, Town Manager



---

**DRAFT  
Minutes of the Special Town Council Meeting – Study Session  
December 7, 2021**

The Town Council of the Town of Los Gatos conducted a special meeting utilizing teleconference and electronic means consistent with Government Code Section 54953, as Amended by Assembly Bill 361, in response to the state of emergency relating to COVID-19 and enabling teleconferencing accommodations by suspending or waiving specified provisions in the Ralph M. Brown Act (Government Code § 54950 et seq.) and Town of Los Gatos Resolution 2021-044 on Tuesday, December 7, 2021, at 5:00 p.m. to hold a Study Session.

**MEETING CALLED TO ORDER AT 5:00 P.M.**

**ROLL CALL**

Present: Mayor Marico Sayoc, Vice Mayor Rob Rennie, Council Member Mary Badame, Council Member Matthew Hudes, Council Member Maria Ristow (all participating remotely).

Absent: None

**OTHER BUSINESS**

1. Discuss Housing Growth Options and Related Analyses for Planning Commission and Town Council Consideration of the Draft 2040 General Plan.

Jennifer Armer, Planning Manager, presented the staff report.

Council discussed the item.

**VERBAL COMMUNICATIONS**

Rob Moore

- Commented in support of the Draft 2040 General Plan in its current form and in support of a variety of options being presented to the Planning Commission.

Leonie

- Inquired if there was flexibility in the number of housing units; commented on concerns of traffic increased housing density will generate.

Davis Weissman

- Commented on the number of below market housing units being built in Los Gatos compared to other jurisdictions and suggested the Town consider partnering with a local non-profit housing organization to incentivize developers to build below market price housing.



PAGE 2 OF 2

SUBJECT: Draft Minutes of the Special Town Council Meeting Study Session of December 7, 2021

DATE: December 14, 2021

Verbal communications – continued

Jack Estill

- Inquired if the fiscal impacts of the proposals would be addressed and on infrastructure concerns if housing density were to increase.

Lynley Kerr Hogan

- Commented on the housing density transforming the Town and inquired why there is a plant based-eating element in the General Plan.

Ali Miano

- Encouraged the Council to try to incorporate affordable housing as much as possible.

Barbara Dodson

- Commented in opposition to the higher Regional Housing Needs Assessment (RHNA) numbers.

Lou Sterling

- Suggested modifying the format of the meeting to allow for a back-and-forth dialogue.

Kenneth Arendt

- Commented on the process to arrive at the proposed RHNA numbers and the thought process on how to plan for future growth.

## **ADJOURNMENT**

The meeting adjourned at 6:47 p.m.

Respectfully submitted:

---

Jenna De Long, Deputy Clerk



---

**DRAFT  
Minutes of the Town Council Meeting  
December 7, 2021**

The Town Council of the Town of Los Gatos conducted a regular meeting utilizing teleconference and electronic means consistent with Government Code Section 54953, as Amended by Assembly Bill 361, in response to the state of emergency relating to COVID-19 and enabling teleconferencing accommodations by suspending or waiving specified provisions in the Ralph M. Brown Act (Government Code § 54950 et seq.) and Town of Los Gatos Resolution 2021-044 on Tuesday, December 7, 2021, at 7:00 p.m.

**MEETING CALLED TO ORDER AT 7:05 P.M.**

**ROLL CALL**

Present: Mayor Marico Sayoc, Vice Mayor Rob Rennie, Council Member Mary Badame, Council Member Matthew Hudes, Council Member Maria Ristow (all participating remotely).

Absent: None

**CLOSED SESSION REPORT**

Robert Schultz, Town Attorney, stated Council met in closed session on December 2<sup>nd</sup> as duly noted on the agenda and that there is no reportable action.

**COUNCIL/TOWN MANAGER REPORTS**

**Council Matters**

- Vice Mayor Rennie stated he attended two Bay Area Air Quality Management District (BAAQMD) Board meetings, BAAQMD Mobile Source Committee; Silicon Valley Clean Energy Authority (SVCEA) Confab, Finance and Administrative Committee, Risk Oversight Committee; Community Health and Senior Services (CHSSC); Senior Services Committee with Council Member Hudes; Finance Committee meeting with Council Member Hudes; Seamless Transit Team meetings; Los Gatos Interfaith Service; City of Saratoga Reorganization; Houser's Winter Social Event; Silicon Valley Bike Coalition Open House; League of Women Voters Holiday Party; Chamber of Commerce Holiday Promenade; and volunteered with West Valley Community Services.
- Council Member Badame stated she met with Chamber of Commerce representatives; Los Robles Way applicant; and attended the Town Tree Lighting Ceremony and Holiday Promenade.
- Council Member Hudes stated he attended the Finance Commission special meeting; two meetings of the Senior Services Committee Workplan Subcommittee; Santa Clara County Emergency Operations Area Council meeting; Town Tree Lighting Ceremony; Chamber of Commerce Holiday Promenade; and Democracy Tent community meeting.

Council Matters – continued

- Council Member Ristow stated she attended the Los Gatos Interfaith Service; met with Terri Black representative and Los Robles Way applicants; attended the Council Policy Committee meeting with Mayor Sayoc; Democracy Tent community meeting; met with residents regarding the Draft 2040 General Plan; attended the City of Saratoga Reorganization; Town Tree Lighting Ceremony; Chamber of Commerce Holiday Promenade; Finance Commission and Parks Commission meetings as an observer.
- Mayor Sayoc stated she attended a Town Council Study Session; Cal Cities Retreat; and the Town Tree Lighting Ceremony.

**Manager Matters**

- Announced free Holiday Valet Parking will be offered every Friday and Saturday through December 25.
- Announced the Library will be open until 8 p.m. on December 13 and 14 to support students taking finals.
- Announced Town administrative offices will be closed beginning December 23 and will reopen January 3, 2022.
- Announced the Housing Element Advisory Board (HEAB) will meet virtually on December 16, at 7 p.m.
- Announced the pilot employee parking program registration will begin the week of December 13; encouraged all to refer to Town social media updates for more information.

**CONSENT ITEMS (TO BE ACTED UPON BY A SINGLE MOTION)**

1. Approve Minutes of the November 16 Town Council Meeting.
2. Adopt a Resolution Reaffirming Resolution 2021-044 Regarding Brown Act Compliance and Teleconferencing and Making Findings Pursuant to Government Code Section 54953, as Amended by Assembly Bill 361, During the COVID -19 Pandemic. **RESOLUTION 2021-054**
3. Approve an Amendment to the Classification Plan for the Temporary Unit to Provide a Salary Increase, Add the Classification of Project Manager, Align the Temporary Police Officer Classification Salary Step with the Top Step of the Police Officer Classification Represented by the Police Officers Association, and Comply with the California Minimum Wage Increase Effective January 1, 2022.
4. Adopt a Resolution to Set a Date for Consideration of the Reorganization of an Uninhabited Area Designated as El Gato Lane No. 5, Approximately 0.789 Acres on Property Pre-Zoned R-1:8. APN 523-22-010. Annexation Application AN21-003. Project Location: 15605 El Gato Lane. Property Owner/Applicant: Natasha Malisic. **RESOLUTION 2021-055**
5. Adoption of an Ordinance of the Town Council of the Town of Los Gatos, by Title Only, Amending Chapter 2 (Administration), Article V, Division 2 of the Town Code Regarding Purchasing. **ORDINANCE 2325**
6. Adopt a Resolution in Support of Seamless Transit Principles. **RESOLUTION 2021-056**

Consent Items – continued

7. Accept Fiscal Year (FY) 2020/21 Status Report on Receipt and Use of Development Impact Fees.
8. Adopt a Resolution Declaring Certain Hazardous Vegetation Growing in the Town of Los Gatos to be a Public Nuisance, Describing Properties Where Such Nuisance Exists, and Setting a Public Hearing Date of January 18, 2022 to Consider Objections for Proposed Abatement. **RESOLUTION 2021-057**
9. Roadside Fire Fuel Reduction (Project 812-0130) and Tree Maintenance:
  - a. Authorize the Town Manager to Negotiate and Execute Two Agreements for Wildfire Vegetation Management and Tree Maintenance with West Coast Arborists; and
  - b. Authorize a Revenue and Expenditure Budget Adjustments in the Amount of \$100,000 from Available Tree Replacement Deposit Account (5999-48621) for Supplemental Tree Maintenance Services to Operating Budget 5401-62364.

Opened public comment.

No one spoke.

Closed public comment.

**MOTION: Motion by Council Member Ristow to approve consent items 1-9. Seconded by Vice Mayor Rennie.**

**VOTE: Motion passed unanimously.**

**VERBAL COMMUNICATIONS**

Michael Burke

- Commented on excessive noise and lack of parking enforcement during the Holiday Promenade.

David Weissman

- Inquired if proposed code enforcement changes to further hillside tree protections can be expedited.

**OTHER BUSINESS**

10. Staff Recommends the Following Actions:

- a. Authorize the Town Manager to Execute Amendments to the Agreements with West Valley Community Services and Live Oak Senior Nutrition for Additional \$25,000 American Rescue Plan Act (ARPA) Grants for a total of \$50,000; and
- b. Authorize an Expenditure Budget Adjustment in the Amount of \$50,000 from Eligible ARPA Proceeds.

Other Business item #10 – continued

Arn Andrews, Assistant Town Manager, presented the staff report.

Opened public comment.

No one spoke.

Closed public comment.

Council discussed the item.

**MOTION: Motion by Council Member Hudes** to authorize the Town Manager to execute amendments to the agreements with West Valley Community Services and Live Oak Senior Nutrition for additional \$25,000 American Rescue Plan Act (ARPA) Grants for a total of \$50,000; and authorize an expenditure budget adjustment in the amount of \$50,000 from eligible ARPA proceeds. **Seconded by Vice Mayor Rennie.**

**VOTE: Motion passed unanimously.**

11. Approve Modifications to the Town Council Policy 2-11: Commission Appointments as Recommended by the Council Policy Committee.

Town Manager, Laurel Prevetti, presented the staff report.

Opened public comment.

Closed public comment.

Council discussed the item.

**MOTION: Motion by Council Member Badame** to approve modifications to the Town Council Policy 2-11: Commission Appointments as recommended by the Council Policy Committee. **Seconded by Vice Mayor Rennie.**

**VOTE: Motion passed 4/1; Council Member Hudes abstained.**

12. Approve the Recommendations of the Council Policy Committee to:

- a. Review and Adopt the Transportation Impact Policy;
- b. Authorize the Release of a Request for Proposals for the Preparation of a Study to Guide the Update of the Transportation Impact Fee Program; and
- c. Authorize the Town Manager to Negotiate and Execute a Consultant Agreement with the Highest Scored Proposer in an Amount Not to Exceed \$175,000.

Other Business item #12 – continued

Ying Smith, Transportation and Mobility Manager, presented the staff report.

Opened public comment.

Don Capobres, Harmonie Park Development North 40

- Inquired if certain sections of the policy could be clarified.

Closed public comment.

Council discussed the item.

**MOTION: Motion by Council Member Badame** to adopt the Transportation Impact Policy; authorize the release of a Request for Proposals for the preparation of a study to guide the update of the Transportation Impact Fee Program; and authorize the Town Manager to negotiate and execute a consultant agreement with the highest scored proposer in an amount not to exceed \$175,000. **Seconded by Council Member Hudes.**

**VOTE: Motion passed unanimously.**

Recess at 8:05 p.m.

Convened 8:13 p.m.

### **PUBLIC HEARINGS**

13. Consider an Appeal of a Planning Commission Decision Approving a Lot Line Adjustment Between Three Adjacent Lots on Properties Zoned R-1:20. Located at 17200 Los Robles Way. Subdivision Application M-20-012. APNS 532-36-075, -076, -077. Property Owners: Daran Goodsell, Trustree and Mark Von Kaenel. Applicant: Tony Jeans. Appellant: Alison and David Steer.

Ryan Safety, Associate Planner, presented the staff report.

Opened public comment.

Alison Steer, Appellant

- Commented on the reasons for the appeal.

Jerry Callaway

- Commented on concerns regarding fire hazard and stability of the hillside.

Public Hearing Item #13 – continued

Tony Jeans, Applicant

- Commented on the application.

Gdefeo

- Commented in support of the appellant.

Gary Gysin

- Commented in support of the appellant.

Terry Rinehart

- Commented in support of the appellant.

Nancy Neipp

- Commented in support of the appellant.

Closed public comment.

Council discussed the item.

**MOTION: Motion by Council Member Ristow** to uphold the decision of the Planning Commission and adopt a resolution (Attachment 6) denying the appeal and approving the application with the required findings (Attachment 6, Exhibit A), conditions of approval (Attachment 6, Exhibit B), and development plans (Attachment 1, Exhibit 13). **Seconded by Vice Mayor Rennie.**

**VOTE: Motion passed 3/2 Council Members Badame and Hudes voting no.**

## **ADJOURNMENT**

The meeting adjourned at 9:11 p.m.

Respectfully submitted:

---

Jenna De Long, Deputy Clerk



**TOWN OF LOS GATOS  
COUNCIL AGENDA REPORT**

MEETING DATE: 12/21/2021

ITEM NO: 4

---

DATE: December 15, 2021  
TO: Mayor and Town Council  
FROM: Laurel Prevetti, Town Manager  
SUBJECT: Adopt a Resolution Reaffirming Resolution 2021-044 Regarding Brown Act Compliance and Teleconferencing and Making Findings Pursuant to Government Code Section 54953, as Amended by Assembly Bill 361, During the COVID -19 Pandemic

**RECOMMENDATION:**

Adopt a Resolution reaffirming Resolution 2021-044 and making findings pursuant to Government Code Section 54953, as amended by Assembly Bill 361, and authorizing the continued use of virtual meetings due to health and safety concerns for the public.

**BACKGROUND:**

On March 17, 2020, Governor Newsom issued Executive Order N-29-20, which allowed for relaxed provisions of the Ralph M. Brown Act (Brown Act) that allowed legislative bodies to conduct meetings through teleconferencing without having to meet the strict compliance of the Brown Act. All provisions of Executive Order N-29-20 concerning the conduct of public meetings expired on September 30, 2021.

**DISCUSSION:**

AB 361 was signed into law by the Governor on September 16, 2021, and went into effect immediately upon signing. It amends the Brown Act to allow local legislative bodies to continue using teleconferencing and virtual meeting technology after the September 30, 2021, expiration of the current Brown Act exemptions as long as there is a "proclaimed state of emergency" by the Governor. This allowance also depends on State or local officials imposing or recommending measures that promote social distancing or a legislative body finding that meeting in person would present an imminent safety risk to attendees.

**PREPARED BY:** Shelley Neis  
Town Clerk

---

Reviewed by: Assistant Town Manager

---



PAGE 2 OF 2

SUBJECT: Adopt a Resolution Regarding Brown Act Compliance and Teleconferencing

DATE: December 15, 2021

DISCUSSION (Cont) :

AB 361 requires Public agencies to make findings by majority vote within 30 days of the first teleconferenced meeting under AB 361 and every 30 days thereafter that a state of emergency still exists and continues to directly impact the ability of the members to meet safely in person, or that officials continue to impose or recommend measures to promote social distancing.

Town Council adopted Resolution 2021-044 on October 5, 2021 regarding Brown Act compliance and teleconferencing pursuant to Government Code Section 54953, as amended by AB 361, on November 2, 2021 adopted Resolution 2021-046 reaffirming Resolution 2021-044, on November 16, 2021 adopted Resolution 2021-048 reaffirming Resolution 2021-044, and on December 7, 2021 adopted Resolution 2021-054 reaffirming Resolution 2021-044.

CONCLUSION:

Adopt a Resolution reaffirming Resolution 2021-044 making findings pursuant to Government Code Section 54953, as amended by Assembly Bill 361, and authorizing the continued use of virtual meetings. If adopted, virtual meetings may continue for all Town Boards, Commissions, and Committees.

COORDINATION:

This report was coordinated with the Town Attorney and Town Manager's office.

FISCAL IMPACT:

There will be no fiscal impact to the Town at this time.

ENVIRONMENTAL ASSESSMENT:

This is not a project defined under CEQA, and no further action is required.

Attachment:

1. Draft Resolution

**RESOLUTION 2021-**

**RESOLUTION OF THE TOWN COUNCIL OF THE TOWN OF LOS GATOS  
REAFFIRMING RESOLUTION 2021-044 REGARDING BROWN ACT COMPLIANCE AND  
TELECONFERENCING PURSUANT TO GOVERNMENT CODE SECTION 54953, AS AMENDED BY  
ASSEMBLY BILL 361, DURING THE COVID-19 PANDEMIC**

**WHEREAS**, on March 4, 2020, the Governor of the State of California declared a state of emergency to make additional resources available, formalize emergency actions already underway across multiple state agencies and departments, and help the state prepare for broader spread of COVID-19; and

**WHEREAS**, on March 12, 2020, the Town Manager of Los Gatos acting in the capacity of Town of Director of Emergency Services, issued a Proclamation of Local Emergency; and

**WHEREAS**, on March 17, 2020, Governor Newsom issued Executive Order N-29-20, which suspended and modified the teleconferencing requirements under the Brown Act (California Government Code Section 54950 et seq.) so that local legislative bodies can hold public meetings via teleconference (with audio or video communications, without a physical meeting location), as long as the meeting agenda identifies the teleconferencing procedures to be used; and

**WHEREAS**, on March 17, 2020, the Town Council of the Town of Los Gatos ratified the Proclamation of Local Emergency as set forth in Resolution 2020-008 and remains in full force and effect to date; and

**WHEREAS**, on June 4, 2021, the Governor clarified that the “reopening” of California on June 15, 2021 did not include any change to the proclaimed state of emergency or the powers exercised thereunder; and

**WHEREAS**, on June 11, 2021, the Governor issued Executive Order N-08-21, which extended the provision of N-29-20 concerning the conduct of public meetings through September 30, 2021, and the Governor subsequently signed legislation revising Brown Act requirements for teleconferenced public meetings (Assembly Bill 361, referred to hereinafter as “AB 361”); and

**WHEREAS**, on September 16, 2021 Governor Newsom signed AB 361, which added subsection (e) to Government Code section 54953 of the Brown Act, and makes provision for remote teleconferencing participation in meetings by members of a legislative body, without compliance with the requirements of Government Code section 54953(b)(3), subject to the existence of certain conditions; and

ATTACHMENT 1

**WHEREAS**, the Town Council of the Town of Los Gatos approved Resolution No. 2021-044 on October 5, 2021 declaring the need for the Town Council, Committees, and Commissions to continue to meet remotely in order to ensure the health and safety of the public; and

**WHEREAS**, the Town Council has considered all information related to this matter, including the associated staff report and other information relating to COVID-19 provided at prior public meetings of the Town Council; and

**WHEREAS**, the Town Council now desires to adopt a Resolution finding that the requisite conditions continue to exist for the legislative bodies of the Town of Los Gatos, as defined in the Brown Act, to conduct remote teleconference meetings without compliance with paragraph (3) of subdivision (b) of Government Code section 54953.

**NOW, THEREFORE, THE TOWN COUNCIL OF THE TOWN OF LOS GATOS DOES HEREBY RESOLVE:**

1. The Town Council hereby finds that the fact set forth in the above recitals and as contained in Resolution 2021-044 are true and correct, and establish the factual basis for the adoption of this Resolution;

2. There is an ongoing proclaimed state of emergency relating to the novel coronavirus causing the disease known as COVID-19 and as a result of that emergency, meeting in person would present imminent risks to the health or safety of attendees of in-person meetings of this legislative body and all Town advisory bodies within the meaning of California Government Code section 54953(e)(1).

3. Under the present circumstances, including the risks mentioned in the preceding paragraph, the Town Council determines that authorizing teleconferenced public meetings consistent with Assembly Bill 361 is necessary and appropriate.

4. Staff are directed to take all actions necessary to implement this Resolution for all Town meetings in accordance with the foregoing provisions and the requirements of Government Code section 54953, as amended by Assembly Bill 361, including but not limited to returning for ratification of this Resolution every 30 days after teleconferencing for the first time pursuant to Assembly Bill 361 for so long as either of the following circumstances exists: (a) the state of emergency continues to directly impact the ability of this legislative body to meet in person; and/or (b) state or local officials, including but not limited to the County Health Officer, continue to impose or recommend measures to promote social distancing.

**PASSED AND ADOPTED** at a regular meeting of the Town Council of the Town of Los Gatos, California, held on the 21<sup>st</sup> day of December 2021, by the following vote:

COUNCIL MEMBERS:

AYES:

NAYS:

ABSENT:

ABSTAIN:

SIGNED:

MAYOR OF THE TOWN OF LOS GATOS  
LOS GATOS, CALIFORNIA

DATE: \_\_\_\_\_

ATTEST:

TOWN CLERK OF THE TOWN OF LOS GATOS  
LOS GATOS, CALIFORNIA

DATE: \_\_\_\_\_



**TOWN OF LOS GATOS  
COUNCIL AGENDA REPORT**

MEETING DATE: 12/21/2021

ITEM NO: 5

---

DATE: December 14, 2021  
TO: Mayor and Town Council  
FROM: Robert Schultz, Town Attorney  
SUBJECT: Authorize the Town Manager to Take All Necessary Steps and Execute Appropriate Documents to Participate in the Opioid Settlement Agreements with the Distributors and Janssen and Agree to the State Subdivision Agreements

**RECOMMENDATION:**

Authorize the Town Manager to take all necessary steps and execute appropriate documents to participate in the opioid Settlement Agreements with the Distributors and Janssen and agree to the State Subdivision Agreements.

**BACKGROUND:**

There are two proposed nationwide Settlements Agreements<sup>1</sup> (Settlements) that would resolve opioid litigation against the three largest pharmaceutical distributors, McKesson, Cardinal Health and Amerisource Bergen (Distributors) and one manufacturer, Janssen Pharmaceuticals, Inc., and its parent company Johnson & Johnson (collectively, Janssen). California has joined both Settlements and expects to receive up to 9.92% of the national settlement funds.

The Proposed California State-Subdivision Agreements<sup>2</sup> provide the framework for how funds from the Settlements may be distributed, allocated, and spent in California. The amount that

---

<sup>1</sup> Distributors Settlement Agreement - <https://www.oag.ca.gov/system/files/media/final-distributor-settlement-agreement-10222021-exhibit-updates.pdf> Janssen Settlement Agreement <https://nationalopioidsettlement.com/wp-content/uploads/2021/09/Janssen-7-30-21-updated-20210920.pdf>

<sup>2</sup> California State Subdivision Agreement – Distributors <https://www.oag.ca.gov/sites/default/files/media/final-proposed-ca-state-subdivision-agreement-distributors-settlement.pdf> California State Subdivision Agreement – Janssen <https://www.oag.ca.gov/sites/default/files/media/final-proposed-ca-state-subdivision-agreement-janssen-settlement.pdf>

**PREPARED BY:** Robert Schultz  
Town Attorney

---

Reviewed by: Assistant Town Manager, and Finance Director

---

PAGE 2 OF 2

SUBJECT: National Opioid Litigation and Authorization to Participate in Settlement Agreements Arising from the Litigation

DATE: December 14, 2021

California receives will depend on how many states and eligible cities and counties join the Settlements. California may receive up to \$1.8 billion from the Distributors Settlement to be paid over 18 years and \$423 million from the Janssen Settlement to be paid over 9 years. The funds are divided in three funds: (1) the state fund 15%; (2) CA Subdivision Fund 15%; and (3) CA Abatement Accounts fund 70%.

DISCUSSION:

Each City/Town and County within California with a population greater than 10,000 is eligible to receive funds and must decide whether to participate in the Settlements. The more subdivisions that participate, the greater the amount of funds that will flow to California and participating subdivisions.

If the Town joins the Settlements, it can expect to receive its abatement percentage share, which is 0.013% of the CA Abatement Accounts Fund per Appendix 1 to the Proposed California State – Subdivision Agreement. It is staffs understanding that in the best-case scenario this may equate to a total of approximately \$198,630 for Los Gatos. This percentage is based on nationally available federal data on opioid use disorder, overdose deaths, and opioid shipments into California. If the Town opts into the Settlements, it must release its claims against the opioid distributors and manufacturers that are participating in the Settlements. The deadline to join the Settlements is January 2, 2022.

If the Town does not opt into the Settlements, the Town's share will go to the State, but the total amount the State receives may be reduced since it is based on participating cities and counties. By not opting in, the Town preserves the ability to litigate against the opioid distributors and manufacturers.

CONCLUSION:

Staff recommends that Council authorize the Town Manager to advance participation in the Settlement Agreements arising from the National Opioid Litigation.

FISCAL IMPACT:

Potential Revenues in the amount of \$198,630.

ENVIRONMENTAL ASSESSMENT:

This is not a project defined under CEQA, and no further action is required.



**TOWN OF LOS GATOS  
COUNCIL AGENDA REPORT**

MEETING DATE: 12/21/2021

ITEM NO: 6

---

DATE: December 14, 2021  
TO: Mayor and Town Council  
FROM: Robert Schultz, Town Attorney  
SUBJECT: Adopt A Resolution Delegating Authority to the Town Manager to Settle Claims, Pending Actions and Workers' Compensation Claims Against the Town That Do Not Exceed Fifty Thousand Dollars (\$50,000).

**RECOMMENDATION:**

It is recommended that Town Council adopt the attached Resolution (Attachment 1) delegating to the Town Manager authority to settle claims, pending actions and Workers' Compensation claims that do not exceed fifty thousand dollars (\$50,000).

**BACKGROUND:**

The Town is often called upon to consider settlement of claims or lawsuits. These claims and lawsuits may be for dangerous conditions of public property, workers' compensation matters, or other Town acts or omissions leading to potential or actual liability.

California Government Code Sections 935.4 and 949 permit the Town Council, by resolution, to delegate authority to Town staff in order to pay, compromise, or settle pending claims and actions against the Town. The current level of settlement authority delegated to the Town Manager with respect to claims, pending actions and workers' compensation claims is \$50,000.

On October 26, 2021, the Policy Committee considered this matter and directed staff to reaffirm and formalize the established practice that delegates to the Town Manager settlement authority up to \$50,000. In addition, the Policy Committee agreed that settlement authority with respect to workers' compensation claims is in addition to that awarded by the Workers' Compensation Appeals Board (WCAB).

**DISCUSSION:**

The attached Resolution reaffirms and formalizes the current practice that provides the Town Manager with settlement authority with respect to claims against the Town up to \$50,000.

**PREPARED BY:** Robert Schultz  
Town Attorney

---

Reviewed by: Assistant Town Manager and Finance Director

---

SUBJECT: Adopt A Resolution Delegating Authority to the Town Manager to Settle Claims and Pending Actions Against the Town That Do Not Exceed Fifty Thousand Dollars (\$50,000), Including Workers' Compensation Claims

DATE: December 14, 2021

DISCUSSION (continued):

Regarding workers' compensation claims, it is important to understand that such claims are delicate matters that involve investigation and verification by our Third-Party Administrator (TPA). It is rare, and not recommended, that the Town Council would take any action that differs from the findings of the TPA in relation to workers' compensation claims. While staff will always inform members of the Town Council about the appropriate elements of a workers' compensation claim, many of the details are confidential and protected information. In addition, workers' compensation claims can be resolved in three ways, all of which are legally binding. Two of the three forms of resolution leave the employer with no discretion regarding the payment amounts. A brief description of each of the three methods and the settlement process is included below.

*1. Stipulation with Request for Award*

A "Stipulation with Request for Award" (Stip) means that both parties agree there is no dispute as to the level of permanent disability (PD), which is determined by State law and is not negotiable. The Stipulations must be approved by a Workers' Compensation Appeals Board (WCAB) judge and payment by the employer is mandatory.

*2. Compromise and Release*

A "Compromise and Release" (C&R) is often used to settle disputed claims and to buy out future medical and indemnity exposure when advantageous to the Town. Disputes can exist on issues of compensability, the level of permanent disability, apportionment to prior injury or other employment, periods of temporary disability as well as medical treatment. Although a C&R is the only form of settlement in the workers' compensation venue in which the employer has some discretion regarding payment amounts, the amount of PD due to the worker is always determined by State law and is not a negotiable item.

*3. Findings and Award*

A "Findings and Award" (F&A) is a judgment issued by the Workers' Compensation Appeals Board (WCAB) Judge if the parties can't settle. Payment by the employer is mandatory and occurs until the award has been paid out. Discretion is limited to filing an appeal called a "Petition for Reconsideration" when one party disagrees with the F&A.



PAGE 3 OF 4

SUBJECT: Adopt A Resolution Delegating Authority to the Town Manager to Settle Claims and Pending Actions Against the Town That Do Not Exceed Fifty Thousand Dollars (\$50,000), Including Workers' Compensation Claims

DATE: December 14, 2021

DISCUSSION (continued):

Claims can only be settled after an impacted employee has reached maximum medical improvement (MMI). At that time, the employee's level of permanent disability (PD) is established by a doctor within the workers' compensation system. The level of PD, which is the amount of money due to the impacted employee for the permanent disability, is determined by a process known as rating. Rating is done by the State's Disability Evaluation Unit (DEU). The rates for permanent disability are determined by State law. Unlike a settlement in a personal injury claim or other lawsuit, PD amounts are not negotiable.

Unlike liability claims, the Labor Code and the State Division of Workers' Compensation have established the requirements for acceptance of claims as well as the provision of required benefits so that employers (e.g., the Town) cannot deny claims or fail to provide benefits for claims that meet the established criteria. Should the Town refuse to settle demands that are reasonable, sanctions could be assessed against the Town by the WCAB. In addition, timelines for the issuance of payments are strictly enforced and failure to meet the timelines results in financial penalties.

As a matter of practice, the Town Manager resolves workers' compensation claims by "Stipulation with Request for Award" (Stipulation), up to the Town's current self-insured retention (SIR), when the Stipulation is for mandatory permanent disability amounts that are undisputed, determined by State law and are not negotiable. In contrast, as a matter of practice, the Town Manager resolves workers' compensation claims up to \$50,000 by "Compromise and Release" (C&R) that are not mandated by the WCAB.

CONCLUSION:

The attached Resolution reaffirms and formalizes the current practice that provides the Town Manager with settlement authority with respect to claims against the Town up to \$50,000.

COORDINATION:

This report was coordinated with the Town Manager's Office.

FISCAL IMPACT:

There is not a fiscal impact associated with the policy.

PAGE 4 OF 4

SUBJECT: Adopt A Resolution Delegating Authority to the Town Manager to Settle Claims and Pending Actions Against the Town That Do Not Exceed Fifty Thousand Dollars (\$50,000), Including Workers' Compensation Claims

DATE: December 14, 2021

ENVIRONMENTAL ASSESSMENT:

This is not a project defined under CEQA, and no further action is required.

ATTACHMENT:

1. Resolution

**RESOLUTION 20 -xx**

**RESOLUTION OF THE TOWN COUNCIL OF THE TOWN OF LOS GATOS DELEGATING AUTHORITY TO THE TOWN MANAGER TO SETTLE CLAIMS, PENDING ACTIONS AND WORKERS' COMPENSATION CLAIMS AGAINST THE TOWN THAT DO NOT EXCEED FIFTY THOUSAND DOLLARS (\$50,000).**

**WHEREAS**, the California Tort Claims Act (California Government Code Section 900 et. seq.) (the Act) establishes general provisions regarding the processing of tort claims filed against cities, and authorizes the Town to adopt local procedures not in conflict with state law;

**WHEREAS**, California Government Code Section 935.4 permits the Town Council, by resolution, to authorize an employee of the Town to perform claims administration functions under the Act and to allow, compromise, or settle a pending tort claim against the Town in an amount not to exceed Fifty Thousand Dollars (\$50,000);

**WHEREAS**, California Government Code Section 949 further permits the Town Council to delegate its authority to compromise or settle all other pending actions against the Town, including lawsuits and workers' compensation claims;

**WHEREAS**, at its December 21, 2021 regular meeting the Town Council discussed the staff and Policy Committee recommendations and received public comment on the same.

**NOW, THEREFORE, BE IT RESOLVED**, by the Town Council of the Town of Los Gatos as follows:

**Section 1.** The Town Manager is authorized to allow, compromise, or settle any tort claims or other pending actions (not including workers' compensation claims) against the Town that do not exceed Fifty Thousand Dollars (\$50,000).

**Section 2.** The Town Manager is authorized to allow, compromise, or settle any workers' compensation claims against the Town by "Stipulation with Request for Award" (Stipulation), up to the Town's current self-insured retention (SIR), when the Stipulation is for mandatory permanent disability amounts that are undisputed, determined by State law and are not negotiable.

**Section 3.** The Town Manager is authorized to allow, compromise, or settle any workers' compensation claims against the Town that do not exceed Fifty Thousand Dollars

(\$50,000) by "Compromise and Release" that are not mandated by the Workers' Compensation Appeals Board (WCAB).

**Section 4.** This Resolution shall take effect immediately upon its adoption by the Town Council.

**PASSED AND ADOPTED** at a regular meeting of the Town Council of the Town of Los Gatos, California, held on the 21st day of December, 2021, by the following vote:

COUNCIL MEMBERS:

AYES:

NAYS:

ABSENT:

ABSTAIN:

SIGNED:

MAYOR OF THE TOWN OF LOS GATOS  
LOS GATOS, CALIFORNIA

DATE: \_\_\_\_\_

ATTEST:

TOWN CLERK OF THE TOWN OF LOS GATOS  
LOS GATOS, CALIFORNIA

DATE: \_\_\_\_\_



**TOWN OF LOS GATOS  
COUNCIL AGENDA REPORT**

MEETING DATE: 12/21/2021

ITEM NO: 7

---

DATE: December 14, 2021  
TO: Mayor and Town Council  
FROM: Laurel Prevetti, Town Manager  
SUBJECT: Consider a Request for an Exception to the Height Pole and Netting Policy to Allow an Alternative to Standard Story Pole Installation to Illustrate and Provide Notice of the Proposed Project on Property Zoned R-1:8 Located at 445 Los Gatos Boulevard. APN 510-47-038. Property Owners/Applicants: Nam and Nikki Nguyen.

**REMARKS:**

The applicant has withdrawn their request for an exception to the Height Pole and Netting Policy.

**PREPARED BY:** Sean Mullin, AICP  
Associate Planner

---

Reviewed by: Assistant Town Manager, Town Attorney, and Finance Director

---



**TOWN OF LOS GATOS  
COUNCIL AGENDA REPORT**

MEETING DATE: 12/21/2021

ITEM NO: 8

---

DATE: December 6, 2021  
TO: Mayor and Town Council  
FROM: Laurel Prevetti, Town Manager  
SUBJECT: Adopt Council Committee Appointments Effective January 1, 2022

**RECOMMENDATION:**

Adopt Council Committee Appointments effective January 1, 2022.

**REMARKS:**

*Recommended Appointments:*

The Mayor is recommending Council Members to Town Boards and Committees, and various regional Commissions, Boards and Committees as shown on the attached 2022 Council Committee Appointment Roster (Attachment 1).

*Role of Members and Alternates:*

The appointed Member is the primary attendee and voting participant for the Committee(s) to which they are appointed. If a Member cannot attend, the Alternate should attend on the Member's behalf as the Los Gatos representative and voting participant.

Alternates may attend a meeting as a member of the public in the audience when the Member is in attendance. In these circumstances, the Alternate may not vote or take other action that may affect the primary's effectiveness on the Committee.

**Attachments:**

1. 2022 Council Committee Appointment Roster

**PREPARED BY:** Janette Judd  
Executive Assistant to the Town Manager and Town Council

---

Reviewed by: Assistant Town Manager, Town Attorney, and Finance Director

---

**\*DRAFT\* 2022 COUNCIL COMMITTEE APPOINTMENTS**

*Rev.Dec.2021*

**Council Adoption December 21, 2021 - - Effective January 1, 2022**

<u>Name of Committee</u>	<u>Purpose</u>	<u>2022 Appointee</u>	<u>2022 Alternate</u>	<u>2022 Meeting Schedule</u>	<u>Location</u>	<u>Contact Person(s)</u>
<b>Conceptual Development Advisory Committee</b>	<i>The Conceptual Development Advisory Committee advises prospective applicants about their proposed projects' compliance with Town regulations prior to initiating the development review process. The Committee also identifies potential issues with proposals that should be addressed in the review process.</i>	Two Appointees:  Mary Badame and Maria Ristow	N.A.	Monthly 2nd Wed 4:30 p.m.	Town of Los Gatos Council Chambers, 110 East Main St., Los Gatos, CA 95030	Joel Paulson, Director of Community Development (408) 354-6879
<b>Council Policy Committee</b>	<i>The Town Council Policy Committee reviews and recommends changes to Town Council Policies, ordinances, and other documents.</i>	Two Appointees:  Mary Badame and Marico Sayoc	N.A.	(2020 & 2021 schedule: Monthly 4th Tuesday, 5:00 p.m.)  2022 Meeting Schedule TBD	Town of Los Gatos Council Chambers, 110 East Main St., Los Gatos, CA 95030	Laurel Prevetti, Town Manager (408) 354-6832

<u>Name of Committee</u>	<u>Purpose</u>	<u>2022 Appointee</u>	<u>2022 Alternate</u>	<u>2022 Meeting Schedule</u>	<u>Location</u>	<u>Contact Person(s)</u>
<b>Finance Commission</b>	<i>Established December 2020, the Finance Commission advises the Town Council on budgetary and fiscal matters.</i>  <i>Resident appointments scheduled for January 19, 2021.</i>	Two Appointees <i>(one of whom needs to be Mayor or Vice Mayor)</i> Rob Rennie and Matthew Hudes	N.A.	<i>2022 Schedule TBD</i>	Town of Los Gatos Council Chambers, 110 East Main St., Los Gatos, CA 95030	Arn Andrews, Assistant Town Manager (408) 354-6832
<b>General Plan Committee</b>	<i>The Town General Plan Committee is responsible for developing land use policy for the General Plan or any specific plan.</i>	Two Appointees: Maria Ristow and Marico Sayoc	N.A.	(Held/Cancelled as needed*) Monthly, 2nd & 4th Wednesdays, 5:30 p.m. <i>*GPC not necessary while regular GPAC meetings held</i>	Town of Los Gatos Council Chambers, 110 East Main St., Los Gatos, CA 95030	Joel Paulson, Director of Community Development (408) 354-6879



<u>Name of Committee</u>	<u>Purpose</u>	<u>2022 Appointee</u>	<u>2022 Alternate</u>	<u>2022 Meeting Schedule</u>	<u>Location</u>	<u>Contact Person(s)</u>
<b>General Plan Advisory Committee</b>	<i>Established in the Fall of 2018 to guide the preparation of the 2040 General Plan.</i>	(Same Appointees as GPC)  Maria Ristow and Marico Sayoc	N.A.	Monthly, 1st and 3rd Thursdays, 7:00 p.m.	Town of Los Gatos Council Chambers, 110 East Main St., Los Gatos, CA 95030	Joel Paulson, Director of Community Development (408) 354-6879
<b>Housing Element Advisory Board</b>	<i>Established 2021 to guide the preparation of the 2040 General Plan / Housing Element.</i>	(Same Appointees as GPC)  Maria Ristow and Marico Sayoc	N.A.		Town of Los Gatos Council Chambers, 110 East Main St., Los Gatos, CA 95030	Joel Paulson, Director of Community Development (408) 354-6879

<u>Name of Committee</u>	<u>Purpose</u>	<u>2022 Appointee</u>	<u>2022 Alternate</u>	<u>2022 Meeting Schedule</u>	<u>Location</u>	<u>Contact Person(s)</u>
<b>Senior Service Committee</b>	<i>Established 2021</i>	Two Appointees: Matthew Hudes and Rob Rennie	N.A.		Town of Los Gatos Council Chambers, 110 East Main St., Los Gatos, CA 95030	Arn Andrews, Assistant Town Manager (408) 354-6832
<b>Senior Service Committee: Sub-Committee "Communications and Community Engagement"</b>	<i>Established 2021</i>	One Appointee, appointed by the Senior Service Committee: Rob Rennie	N.A.		Town of Los Gatos Council Chambers, 110 East Main St., Los Gatos, CA 95030	Arn Andrews, Assistant Town Manager (408) 354-6832
<b>Senior Service Committee: Sub-Committee "Vision, Mission, and Workplan"</b>	<i>Established 2021</i>	One Appointee, appointed by the Senior Service Committee: Matthew Hudes	N.A.		Town of Los Gatos Council Chambers, 110 East Main St., Los Gatos, CA 95030	Arn Andrews, Assistant Town Manager (408) 354-6832

<u>Name of Committee</u>	<u>Purpose</u>	<u>2022 Appointee</u>	<u>2022 Alternate</u>	<u>2022 Meeting Schedule</u>	<u>Location</u>	<u>Contact Person(s)</u>
<b><u>OUTSIDE AGENCIES' COMMITTEES</u></b>						
<b>Association of Bay Area Governments (ABAG) General Assembly</b>	<i>The Association of Bay Area Governments (ABAG) General Assembly is a regional agency that represents 9 Bay Area Counties and all cities within those Counties. Membership is voluntary and the Town is a member. The ABAG General Assembly determines the fair share housing allocations to each city and county as required by the State and other matters.</i>	Matthew Hudes	Mary Badame	Generally meets twice annually (Spring TBD Fall TBD)  Special Meetings as needed.	Spring and Fall Locations TBD	Fred Castro fcastro@bayareametr o.gov (415) 820-7913  Town Staff Contact: Laurel Prevetti, Town Manager (408) 354-6832

<u>Name of Committee</u>	<u>Purpose</u>	<u>2022 Appointee</u>	<u>2022 Alternate</u>	<u>2022 Meeting Schedule</u>	<u>Location</u>	<u>Contact Person(s)</u>
<b>League of California Cities (Peninsula Division)</b>	<i>The League of California Cities is a State-wide organization that represents the member cities, holds conferences, provides training sessions, and lobbies the legislature. The League Peninsula Division is the regional division of the League of California Cities which discusses and addresses legislative issues from a regional perspective.</i>	Marico Sayoc	Matthew Hudes	Quarterly Meeting: January March May September  <i>Other:</i> April (Legislative Action Day & Reception)  June _____ Mayors and Council Members Executive Forum Location: Monterey  October _____ Annual Conference Location: TBD	TBD (Varies)	Seth Miller smiller@cacities.org (415) 595-8629  Town Staff Contact: Laurel Prevetti, Town Manager (408) 354-6832

<u>Name of Committee</u>	<u>Purpose</u>	<u>2022 Appointee</u>	<u>2022 Alternate</u>	<u>2022 Meeting Schedule</u>	<u>Location</u>	<u>Contact Person(s)</u>
<b>Santa Clara County Housing and Community Development Advisory Committee</b>	<i>The Committee is composed of City Council members of the eight participating non-entitlement cities and one member of the Board of Supervisors who is the chairperson. The Committee makes policy recommendations to the Board of Supervisors on the planning, monitoring, and evaluation of the HCD Program and the development of a comprehensive, coordinated housing and community development plan.</i>	Matthew Hudes	Maria Ristow	Scheduled as needed.  February March October	2310 N. 1st Street (at Charcot) Charcot Training Center, Suite 100 San Jose	Housing and Community Development Offices of Santa Clara County – Office of Affordable Housing 70 West Hedding Street, 7th Floor San Jose, CA 95110  Town Staff Contact: Laurel Prevetti, Town Manager (408) 354-6832

<u>Name of Committee</u>	<u>Purpose</u>	<u>2022 Appointee</u>	<u>2022 Alternate</u>	<u>2022 Meeting Schedule</u>	<u>Location</u>	<u>Contact Person(s)</u>
<b>Santa Clara County Cities Association - Board of Directors</b> <i>(For scheduling purposes, the SCCCA Board member has typically also been the SCCCA Selection Committee (and) Legislative Action Committee appointee (see next two pages))</i>	<i>The Santa Clara County Cities Association Board of Directors provides a unified voice for all member cities with respect to regional, state, and federal agency activities that impact local government. The Board advocates for member cities by monitoring and engaging in the regional, state, and federal legislation processes.</i>	Rob Rennie	Marico Sayoc	Monthly - 2nd Thursday 7:00-9:00 p.m.  January February March  April TBD (General Membership Meeting with City Managers)  May June July August September October November  December TBD (General Membership –	Sunnyvale City Hall - 456 Olive Avenue, Sunnyvale, CA	Andi Jordan Executive Director  Santa Clara County Cities Association 505 W. Olive Avenue, Suite 749 Sunnyvale, CA 94086 Executive_Director@citiesassociation.org (408) 730-7770  Town Staff Contact: Laurel Prevetti, Town Manager (408) 354-6832

<u>Name of Committee</u>	<u>Purpose</u>	<u>2022 Appointee</u>	<u>2022 Alternate</u>	<u>2022 Meeting Schedule</u>	<u>Location</u>	<u>Contact Person(s)</u>
<b>Santa Clara County Cities Association - City Selection Committee</b>	<p><i>The City Selection Committee makes appointments to LAFCO, MTC, and the Recycling and Waste Reduction Commission, and recommendations to the County Board of Supervisors for appointment to the Bay Area Quality Management District Board.</i></p> <p><i>Historically, the same appointee serves on the Cities Assoc. Board, as the meetings occur back-to-back.</i></p>	Marico Sayoc	Rob Rennie	<p><i>Meets as needed (2nd Thursday of each month <u>prior to</u> SCCCA Board Meeting – 6:00 or 6:15 p.m.)</i></p> <p><i>(See SCCCA Board of Directors meeting dates on page 6)</i></p>	Sunnyvale City Hall - West Conference Room 456 Olive Avenue - Sunnyvale, CA	<p>Andi Jordan Executive Director Santa Clara County Cities Association 505 W. Olive Avenue, Suite 749 Sunnyvale, CA 94086 Executive_Director@citiesassociation.org (408) 730-7770</p> <p>Town Staff Contact: Laurel Prevetti, Town Manager (408) 354-6832</p>

<u>Name of Committee</u>	<u>Purpose</u>	<u>2022 Appointee</u>	<u>2022 Alternate</u>	<u>2022 Meeting Schedule</u>	<u>Location</u>	<u>Contact Person(s)</u>
<b>Santa Clara County Cities Association - Legislative Action Committee</b>	<p><i>The Santa Clara County Cities Association Legislative Action Committee reviews the legislative priorities that the Board of Directors sets for the year. The Committee tracks State/Federal legislation related to those priorities and makes recommendations to the Board.</i></p> <p><i>Historically, the same appointee serves on the Cities Assoc. Board, as the meetings occur back-to-back.</i></p>	Rob Rennie	Marico Sayoc	<p><i>Meets as needed (2nd Thursday of each month <u>prior to SCCCA Board Meeting</u> (See SCCCA Board of Directors meeting dates on page 6)</i></p>	Sunnyvale City Hall - West Conference Room 456 Olive Avenue - Sunnyvale, CA	<p>Andi Jordan Executive Director Santa Clara County Cities Association 505 W. Olive Avenue, Suite 749 Sunnyvale, CA 94086 Executive_Director@citiesassociation.org (408) 730-7770</p> <p>Town Staff Contact: Laurel Prevetti, Town Manager (408) 354-6832</p>



<u>Name of Committee</u>	<u>Purpose</u>	<u>2022 Appointee</u>	<u>2022 Alternate</u>	<u>2022 Meeting Schedule</u>	<u>Location</u>	<u>Contact Person(s)</u>
<b>Santa Clara Valley Water District (Valley Water) Commission</b>	<i>The Commission serves in an advisory capacity to the Valley Water Board regarding water-related matters. The Valley Water is responsible for flood control, water supply, and other water-related infrastructure for the County of Santa Clara.</i>	Maria Ristow	Matthew Hudes	Quarterly 4th Wednesday 12:00 p.m. to 2:00 p.m.  January __ April __ July __ October __	Virtual meetings until further notice	Glenna Branbill Valley Water 5750 Almaden Expressway San Jose, CA 95118 GBrambill@valleywater.org (408) 630-2408  Town Staff Contact: Matt Morley, Director of Parks & Public Works (408) 399-5770

<u>Name of Committee</u>	<u>Purpose</u>	<u>2022 Appointee</u>	<u>2022 Alternate</u>	<u>2022 Meeting Schedule</u>	<u>Location</u>	<u>Contact Person(s)</u>
<b>Santa Clara Valley Transportation Authority (VTA) Policy Advisory Committee (PAC)</b>	<i>The VTA Policy Advisory Committee provides policy advice to the VTA Board. The VTA Board is comprised of elected officials from cities and the County.</i>	Rob Rennie	Maria Ristow	Monthly 2nd Thursday 4:00 p.m.  January 13 February 10 March 10 April 14 May 12 June 9 July 14 August 11 September 8 October 13 November 10 December 8	Santa Clara Valley Transportation Authority 3331 N. First, Building B - Room B-104 San Jose, CA 95134-1906	Michelle Garza Board Assistant Santa Clara Valley Transportation Authority (CMP) 3331 N. First Street San Jose, CA 95134 michelle.garza@vta.org (408) 546-7977  Town Staff Contact: Matt Morley, Director of Parks & Public Works (408) 399-5770

<u>Name of Committee</u>	<u>Purpose</u>	<u>2022 Appointee</u>	<u>2022 Alternate</u>	<u>2022 Meeting Schedule</u>	<u>Location</u>	<u>Contact Person(s)</u>
<b>Santa Clara Valley Transportation Authority (VTA) State Route 85 Corridor Policy Advisory Board (SR85 PAB)</b>	<i>Formed in 2015, the VTA State Route 85 Corridor Policy Advisory Board (SR85 PAB) studies the long-term transit and transportation plans to serve the SR 85 Corridor and advises the VTA Board of Directors on the scope, funding and construction of both near- and long-term transit and transportation improvement projects for this corridor.</i>	Maria Ristow	Rob Rennie	Quarterly, Mondays, 10:00 a.m. to 12:00 p.m.  April May September December	TBD	Michelle Garza Board Assistant Santa Clara Valley Transportation Authority (CMP) 3331 N. First Street San Jose, CA 95134 michelle.garza@vta.org (408) 546-7977  Town Staff Contact: Matt Morley, Director of Parks & Public Works (408) 399-5770

<u>Name of Committee</u>	<u>Purpose</u>	<u>2022 Appointee</u>	<u>2022 Alternate</u>	<u>2022 Meeting Schedule</u>	<u>Location</u>	<u>Contact Person(s)</u>
<b>Silicon Valley Clean Energy (SVCE)</b>	<i>Formed March 2016, the Silicon Valley Clean Energy is a local, public non-profit that will purchase cleaner energy on the open market for residents and businesses in participating communities. Decisions are made through the Board of Directors, which is composed of a representative from each member community. Participating jurisdictions include Campbell, Cupertino, Gilroy, Los Altos, Los Altos Hills, Los Gatos, Monte Sereno, Morgan Hill, Mountain View, Saratoga, Sunnyvale and the unincorporated parts of Santa Clara County.</i>	Rob Rennie	Marico Sayoc	Monthly 2nd Wednesday 7:00 p.m. <i>(or as needed)</i>	Cupertino Community Hall 10350 Torre Avenue, Cupertino, CA 95014	Andrea Pizano, Board Clerk/Executive Assistant 333 W. El Camino Real, Ste. 290 Sunnyvale, CA 94087 Andrea.Pizano@svcleanenergy.org (408) 721-5301x1005 or (844) 474-7823  Town Staff Contact: Laurel Prevetti, Town Manager (408) 354-6832 and Matt Morley, Director of Parks & Public Works (408) 399-5770

<u>Name of Committee</u>	<u>Purpose</u>	<u>2022 Appointee</u>	<u>2022 Alternate</u>	<u>2022 Meeting Schedule</u>	<u>Location</u>	<u>Contact Person(s)</u>
<b>Solid Waste Management Joint Powers Agency (JPA) Board of Directors</b>	<i>The Solid Waste Management Joint Powers Agency (JPA) Board of Directors reviews issues related to the solid waste management franchise, disposal, recycling, and yard waste agreement.</i>	Mary Badame	Maria Ristow	Quarterly 1st Thursday of the month 5:00 p.m.  February 3  May 5  September 1  November 3	Monte Sereno City Hall 18041 Saratoga- Los Gatos Road Monte Sereno	Marva M. Sheehan, CPA Vice President Hilton, Farnkopf & Hobson (HF&H) Consultants, LLC 201 North Civic Drive, Suite 230 Walnut Creek, CA 94596  Phone (925) 977-6961 Fax (925) 977-6955 Email: msheehan@hfh- consultants.com  Town Staff Contact: Matt Morley, Director of Parks & Public Works (408) 399-5770

<u>Name of Committee</u>	<u>Purpose</u>	<u>2022 Appointee</u>	<u>2022 Alternate</u>	<u>2022 Meeting Schedule</u>	<u>Location</u>	<u>Contact Person(s)</u>
<b>West Valley Clean Water Program Authority (WVCWPA)</b>	<p><i>The West Valley Clean Water Program Authority was formed in early 2018 to coordinate stormwater pollution abatement, control and management efforts to assist public and private entities in complying with stormwater National Pollutant Discharge Elimination System ("NPDES") permits and improving surface water quality and enhancing water supplies in California.</i></p> <p><i>Member Agencies: City of Campbell, Town of Los Gatos, City of Monte Sereno, City of Saratoga</i></p>	Mary Badame	Maria Ristow	<p>Quarterly meetings immediately preceding (4:00 p.m.) the Solid Waste Management JPA Board of Directors.</p> <p><i>2022 Meeting Schedule to be determined</i></p>	<p>Monte Sereno City Hall 18041 Saratoga-Los Gatos Road Monte Sereno</p>	<p>Scott Holt, Senior Associate, Hilton, Farnkopf &amp; Hobson (HF&amp;H) Consultants, LLC 201 North Civic Drive, Suite 230 Walnut Creek, CA 94596</p> <p>Phone (925) 977-6967 Fax (925) 977-6955 Email: sholt@hfh-consultants.com</p> <p>Town Staff Contact: Matt Morley, Director of Parks &amp; Public Works (408) 399-5770</p>

<u>Name of Committee</u>	<u>Purpose</u>	<u>2022 Appointee</u>	<u>2022 Alternate</u>	<u>2022 Meeting Schedule</u>	<u>Location</u>	<u>Contact Person(s)</u>
<b>West Valley Sanitation District Board of Directors</b>	<p><i>The West Valley Sanitation District Board of Directors oversees the treatment of sewage for the cities of Campbell, Cupertino, Los Gatos, Monte Sereno, and Saratoga.</i></p> <p>.....</p> <p>.....</p> <p><i>Board of Directors receive \$210 stipend per meeting.</i></p>	Maria Ristow	Mary Badame	<p>Monthly 2nd Wednesday (or 4th Wednesday if needed) 5:00 p.m.</p> <p>January 12 February 9 March 9 April 13 May 11 June 8 July 6 August 10 September 14 October 12 November 9 December 14</p>	<p>West Valley Sanitation District 100 E. Sunnyoaks Avenue Campbell, CA 95008</p>	<p>Lesha Luu West Valley Sanitation District 100 E. Sunnyoaks Avenue Campbell, CA 95008 lluu@westvalleysan.org (408) 378-2407</p> <p>Town Staff Contact: Matt Morley, Director of Parks &amp; Public Works (408) 399-5770</p>

## 2022 OTHER COUNCIL APPOINTMENTS

*(Non-Mayoral Appointments)*

<u>Name of Committee</u>	<u>Purpose</u>	<u>2022 Appointee</u>	<u>2022 Alternate</u>	<u>2022 Meeting Schedule</u>	<u>Location</u>	<u>Contact Person(s)</u>
<b>Bay Area Air Quality Management District (BAAQMD) Board of Directors</b>		<i>(Not a Town or Mayoral Appointment.)</i>  <i>Rob Rennie Appointed December 2020</i>		Monthly Board Meetings and Special Meetings/Closed Session as needed	TBD	Town Staff Contact: Laurel Prevetti, Town Manager (408) 354-6832
<b>Santa Clara County Emergency Operational Area Council (SCCEOAC)</b>	<i>The Santa Clara County Emergency Operational Area Council is intended to combine the region's emergency resources, replacing the former Santa Clara County Emergency Preparedness Council and the Santa Clara County Disaster Council. This group is intended to foster collaboration between the government, private entities and the community.</i>	<i>(Not a Town or Mayoral Appointment. Appointed by the South County / West Valley Cities)</i>  <i>Sept. 2021: Matthew Hudes appointed Primary Member, Rob Rennie appointed Alternate. Term through Sept. 2023</i>		As Needed	TBD	Town Staff Contact: Arn Andrews, Assistant Town Manager (408) 354-6832



<u>Name of Committee</u>	<u>Purpose</u>	<u>2022 Appointee</u>	<u>2022 Alternate</u>	<u>2022 Meeting Schedule</u>	<u>Location</u>	<u>Contact Person(s)</u>
<b>Santa Clara County Cities Association - Executive Board</b>		<i>(Not a Mayoral Appointment: Appointed by the Santa Clara County Cities Association Board)</i>  2022 TBD	<i>(Not a Town or Mayoral Appointee)</i>	2022 Schedule to be confirmed	Saratoga City Hall  13777 Fruitvale Avenue, Sunnyvale, CA 95070	Andi Jordan Executive Director  Santa Clara County Cities Association  Executive_Director@ citiesassociation.org (408) 730-7770  Town Staff Contact: Laurel Prevetti, Town Manager (408) 354-6832

<u>Name of Committee</u>	<u>Purpose</u>	<u>2022 Appointee</u>	<u>2022 Alternate</u>	<u>2022 Meeting Schedule</u>	<u>Location</u>	<u>Contact Person(s)</u>
<b>League of CA Cities / Peninsula Division - Executive Committee</b>		<i>(Not a Mayoral Appointment: Appointed by the Peninsula Division)</i>	<i>(Not a Town or Mayoral Appointee)</i>	Meeting and/or Calls:  <i>Monthly (or) Bi-monthly Dates and Times TBD</i>	Saratoga City Hall  13777 Fruitvale Avenue, Sunnyvale, CA 95070	Andi Jordan Executive Director  Santa Clara County Cities Association 505 W. Olive Avenue, Suite 749 Sunnyvale, CA 94086 Executive_Director@citiesassociation.org (408) 730-7770  Town Staff Contact: Laurel Prevetti, Town Manager (408) 354-6832

<u>Name of Committee</u>	<u>Purpose</u>	<u>2022 Appointee</u>	<u>2022 Alternate</u>	<u>2022 Meeting Schedule</u>	<u>Location</u>	<u>Contact Person(s)</u>
<b>Santa Clara Valley Transportation Authority (VTA) Board of Directors</b>	<i>The VTA Board is comprised of elected officials from each City and the County.</i>	Rob Rennie Appointed Alternate Board Member (Darcy Paul Appointed Representative) by WVMM vote November 25, 2020. Two-year term ends December 2022.  <i>Not a Mayoral Appointment. Appointed as a West Valley Cities rep / Cities Association of Santa Clara County, City Selection Committee.)</i>	<i>(Not a Town or Mayoral Appointee)  Board Member Appointees cannot serve on other VTA committees/com missions.</i>	Monthly 1st Thursday 5:30 p.m.*  Friday Workshop Meetings are scheduled as follows at 9:00 a.m.: January __ February __ April __ September __	Santa Clara County Board of Supervisors' Chambers, 70 W. Hedding St., San Jose	Michelle Garza Board Assistant Santa Clara Valley Transportation Authority (CMP) 3331 N. First Street San Jose, CA 95134 michelle.garza@vta.org (408) 546-7977  Town Staff Contact: Laurel Prevetti, Town Manager (408) 354-6832



**TOWN OF LOS GATOS  
COUNCIL AGENDA REPORT**

MEETING DATE: 12/21/2021

ITEM NO: 9

---

**DATE:** December 10, 2021  
**TO:** Mayor and Town Council  
**FROM:** Laurel Prevetti, Town Manager  
**SUBJECT:** Adopt a Resolution Making Determination and Approving the Reorganization of an Uninhabited Area Designated as El Gato Lane No. 5, Approximately 0.789 Acres on Property Pre-Zoned R-1:8. APN 523-22-010. Annexation Application AN21-003. Project Location: 15605 El Gato Lane. Property Owner/Applicant: Natasha Malisic.

**RECOMMENDATION:**

Adopt a resolution (Attachment 1) making determinations and approving the reorganization of an uninhabited area designated as El Gato Lane No. 5, approximately 0.789 acres, located at 15605 El Gato Lane (APN 523-22-010).

**BACKGROUND:**

The Town has an agreement with Santa Clara County that requires annexation of any property located within the Town's Urban Service Area boundary that is either contiguous to a Town boundary or within 300 feet of a Town maintained roadway if a use is proposed to intensify. The subject property is within 300 feet of a Town boundary. Annexation has been requested in conjunction with a proposal to demolish an existing single-family residence and construct a new single-family residence on the property. The total annexation area (0.789 acres) includes 0.602 acres of County street right-of-way.

Section 56757 of the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 gives cities in Santa Clara County the authority to annex territory without application to and hearing by the Santa Clara County Local Agency Formation Commission (LAFCO).

**PREPARED BY:** Ryan Safty  
Associate Planner

---

Reviewed by: Assistant Town Manager, Town Attorney, and Community Development Department Director

---

BACKGROUND (continued):

The Town is required to hold a protest proceeding even if the area proposed for annexation is uninhabited (less than twelve registered voters) and all property owners have consented to the annexation.

This annexation was introduced at the December 7, 2021 Town Council meeting and the protest proceedings are set for December 21, 2021.

DISCUSSION:

The Town has received a petition requesting annexation to the Town of Los Gatos from Natasha Malisic, owner of the property at 15605 El Gato Lane. The property is located on the west side of El Gato Lane in an unincorporated County pocket.

The property is in the Town's Urban Service Area, is within 300 feet of a Town boundary, and is pre-zoned R-1:8 (Single-Family Residential, 8,000 square foot minimum lot size). Annexation would allow Town services to be extended to the property and reduce an existing County pocket.

Because this is a 100 percent consent, uninhabited annexation (less than twelve registered voters), a public hearing is not required. Required notice of the annexation was provided to Santa Clara County Planning, County Lighting Service Area, and the County Library Service Area.

COORDINATION:

The preparation of this report was coordinated with the Santa Clara County Library District, Santa Clara County Lighting Service Area, County of Santa Clara Infrastructure Development Division, LAFCO, County of Santa Clara Assessor, County of Santa Clara Surveyor, and the County of Santa Clara Planning Division.

FISCAL IMPACT:

Once the annexation is certified by the State Board of Equalization, the Town will receive approximately 9.3 percent of the property taxes.

ENVIRONMENTAL ASSESSMENT:

The project is exempt pursuant to the California Environmental Quality Act Guidelines under Section 15061(b)(3): Review for Exemption, in that it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment. A Notice of Exemption will not be filed.

PAGE 3 OF 3

SUBJECT: El Gato Lane No. 5/AN21-003

DATE: November 23, 2021

Attachments:

1. Resolution (includes Exhibits A and B)
2. Location Map

***This Page  
Intentionally  
Left Blank***

Draft Resolution: subject to  
modification by Town Council  
based on  
deliberations and direction

**RESOLUTION 2021-**

**RESOLUTION OF THE TOWN COUNCIL  
OF THE TOWN OF LOS GATOS  
MAKING DETERMINATIONS AND APPROVING THE REORGANIZATION  
OF AN UNINHABITED TERRITORY DESIGNATED AS  
EL GATO LANE NO. 5**

**APN: 523-22-010  
APPROXIMATELY 0.789 ACRES  
ANNEXATION APPLICATION: AN21-003  
PROPERTY LOCATION: 15605 EL GATO LANE  
PROPERTY OWNER/APPLICANT: NATASHA MALISIC**

**WHEREAS**, the Town Council of the Town of Los Gatos has received a request for annexation of territory designated El Gato Lane No. 5 from Natasha Malisic; and

**WHEREAS**, the property, is approximately 0.789 acres and includes 0.602 acres of County street right-of-way located at 15605 El Gato Lane, APN: 523-22-010, is within 300 feet of a Town boundary and within the Town's Urban Service Area; and

**WHEREAS**, the following special districts would be affected by the proposal: Santa Clara County Lighting Service Area; and Santa Clara County Library Service Area; and

**WHEREAS**, the annexation would provide for use of Town services; and

**WHEREAS**, the Town Council enacted Ordinance 1267 in 1975 pre-zoning the subject territory with an R-1:8 (single-family residential, 8,000 square foot minimum lot size) zoning designation; and

**WHEREAS**, the Town of Los Gatos, as Lead Agency for environmental review for the reorganization, has determined annexation of the subject property is exempt from the California Environmental Quality Act guidelines, pursuant to Section 15061(b)(3); and

ATTACHMENT 1



**WHEREAS**, the County Surveyor of Santa Clara County has found the description and map (Exhibit A and B) to be in accordance with Government Code Section 56757, the boundaries to be definite and certain, and the proposal to be in compliance with LAFCO's road annexation policies; and

**WHEREAS**, as provided in Government Code Section 56757, the Town Council of the Town of Los Gatos shall be the conducting authority for a reorganization including an annexation to the Town; and

**WHEREAS**, the territory is uninhabited and all owners of land included in the proposal have consented to this annexation; and

**WHEREAS**, Government Code Section 56663(a) provides that if a petition for annexation is signed by all owners of land within the affected territory the Town Council may approve or disapprove the annexation without a public hearing.

**WHEREAS**, evidence was presented to the Town Council; and

**NOW, THEREFORE, BE IT RESOLVED**, that the Town Council of the Town of Los Gatos does as follows:

1. That it is the conducting authority pursuant to Section 56757 of the Government Code for the annexation of property designated as El Gato No. 5, more particularly described in Exhibits A and B;
2. That the following findings are made by the Town Council of the Town of Los Gatos:
  - a. Said territory is uninhabited and comprises approximately 0.789 acres;
  - b. The annexation is consistent with the orderly annexation of territory within the Town's Urban Service Area and is consistent with the Town policy of annexing when required by the Town's agreement with the County of Santa Clara;

- c. The project is exempt from the California Environmental Quality Act (CEQA) under Title 14 Code of Regulations, Chapter 3: Guidelines for the Implementation of CEQA Section 15061(b)(3): Review for Exemption;
  - d. The Town Council enacted Ordinance 1267 in 1975 pre-zoning the subject territory with an R-1:8 (Single-Family Residential, 8,000 square foot minimum lot size) zoning designation;
  - e. The territory is within the Town's Urban Service Area as adopted by the Local Agency Formation Commission of Santa Clara County;
  - f. The County Surveyor has determined the boundaries of the proposed annexation to be definite and certain, and in compliance with the Commission's road annexation policies. The County Surveyor has been reimbursed for the actual cost incurred by the County Surveyor in making this determination;
  - g. The proposed annexation will not create an area in which it would be difficult to provide municipal services;
  - h. The proposed annexation does not split lines of assessment or ownership;
  - i. The proposed annexation is consistent with the Town's General Plan;
  - j. The territory to be annexed is located within 300 feet of a Town boundary; and
  - k. The Town has complied with all conditions imposed by the Commission for inclusion of the territory in the Town's Urban Service Area.
3. That all owners of land within the affected territory have provided written consent to the reorganization and no subject agency has submitted written opposition to a waiver of protest proceedings;
  4. Pursuant to Section 56662(a) the Town waives protest proceedings;
  5. That upon completion of these reorganization proceedings the territory described in Exhibit A will be annexed to the Town of Los Gatos and will be detached from the Santa Clara County Library Service Area; and
  6. That upon completion of these reorganization proceedings the territory reorganized will be taxed on the regular County assessment roll, including taxes for existing bonded indebtedness.

**PASSED AND ADOPTED** at a regular meeting of the Town Council of the Town of Los

Gatos, California, held on the 21<sup>st</sup> day of December 2021, by the following vote:

COUNCIL MEMBERS:

AYES:

NAYS:

ABSENT:

ABSTAIN:

SIGNED:

MAYOR OF THE TOWN OF LOS GATOS  
LOS GATOS, CALIFORNIA

DATE: \_\_\_\_\_

ATTEST:

TOWN CLERK OF THE TOWN OF LOS GATOS  
LOS GATOS, CALIFORNIA

DATE: \_\_\_\_\_

EXHIBIT A

EL GATO LANE NO. 5

ANNEXATION TO THE TOWN OF LOS GATOS

GEOGRAPHIC DESCRIPTION

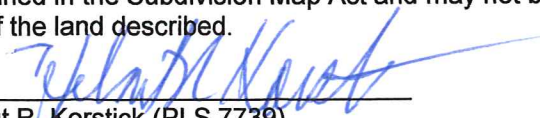
All that certain real property lying in the Rancho Rinconada De Los Gatos, County of Santa Clara, State of California, being more particularly described as follows:

**Beginning** at the southeast corner of Lot 57 of Tract 1168, Recorded March 2, 1954 in Book 48 of Maps at Page 13, in the Office of the County Recorder of said Santa Clara County, said **Point of Beginning** being on the southerly line of the El Gato Lane Number One Annexation per Ordinance No. 605 as passed and adopted August 14, 1961, said **Point of Beginning** also being North 77°33'45" East, 149.00 feet from the southwest corner of said Lot 57 and the southwest corner of said El Gato Lane Number One Annexation; thence

- 1) South along the westerly line of El Gato Lane as shown on said Map of Tract 1168 South 12°26'15" East, 382.20 feet to the northeast corner of Lot 49 of said Map of Tract 1168; thence
- 2) Along the northerly line of said Lot 49 South 77°33'45" West, 149.00 feet to the northwest corner of said lot 49; thence
- 3) Along the westerly line of said Lot 49 South 12°26'15" East, 54.60 feet to the southwest corner of said lot 49; thence
- 4) North 77°33'45" East, 209.00 feet to a Point on the East Line of El Gato Lane as shown on said Map of Tract 1168; thence
- 5) Along the easterly line of said El Gato Lane North 12°26'15" West, 330.10 feet to the southwest corner of Lot 3 of said Tract 1168, said southwest corner also being the southwest corner of El Gato Lane Annexation Number 2 per Resolution No. 2014-042 as passed and adopted June 2, 2014; thence
- 6) Along the westerly line of said Lot 3 and said El Gato Lane Annexation Number 2 North 12°26'15" West, 53.35 feet to the northwest corner of said Lot 3 and said El Gato Lane Annexation Number 2; thence
- 7) Along the easterly line of said El Gato Lane and the westerly line of Lot 2 as shown on the Map of said Tract 1168 North 12°26'15" West, 53.35 to the northwest corner of said Lot 2 and the southerly line of said El Gato Lane Number One Annexation; thence
- 8) Along said southerly line of El Gato Lane Number One Annexation South 77°33'45" West, 60.00 to the **Point of Beginning**.

Area of Proposed Annexation: 33,349 sq. ft. of land, more or less (0.789 acres)

For assessment purposes only. This description of land is not a legal property description as defined in the Subdivision Map Act and may not be used as a basis for an offer for the sale of the land described.

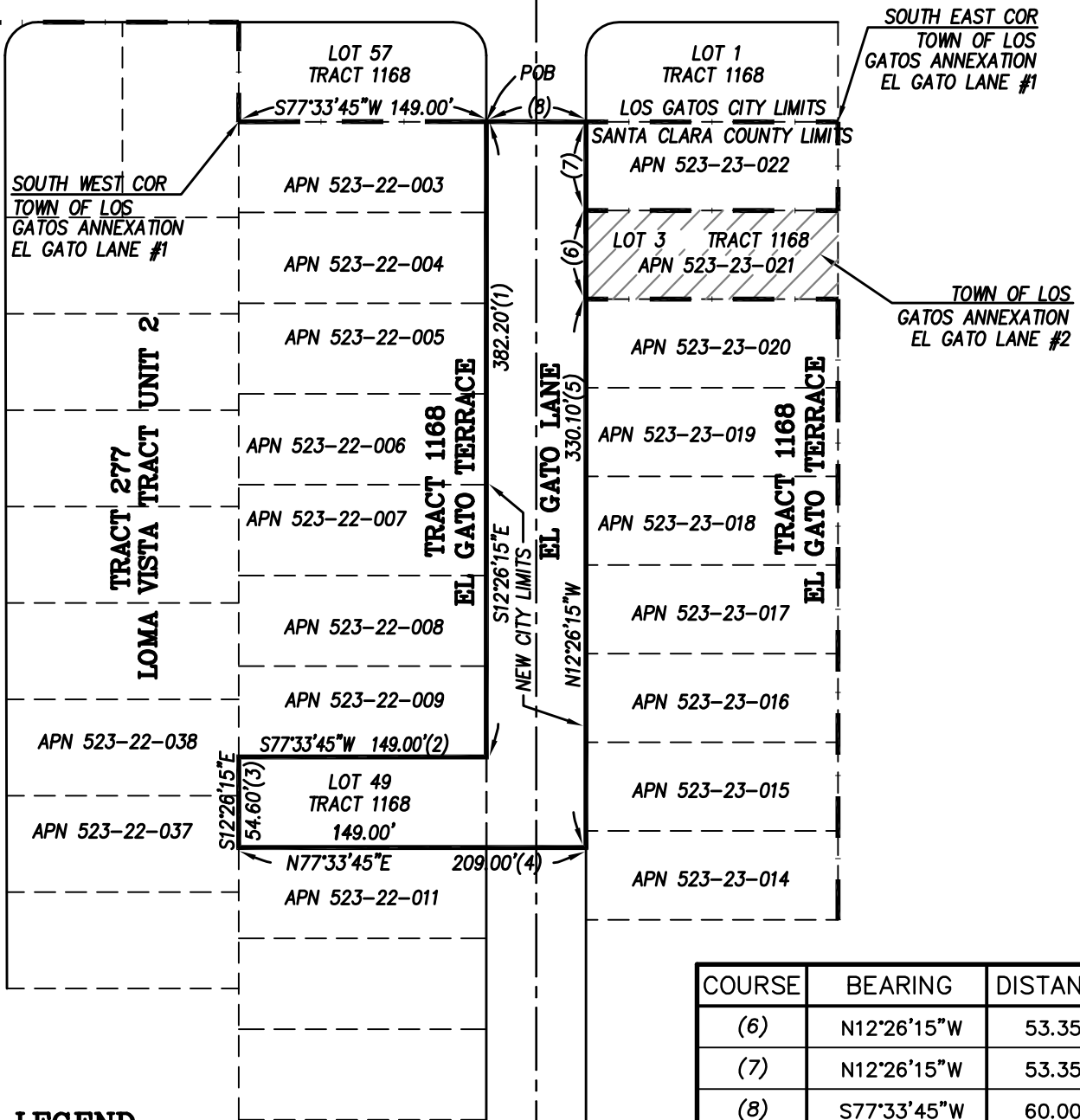
  
 \_\_\_\_\_  
 Helmut R. Korstick (PLS 7739)

          AUGUST 13, 2021           (Date)



EXHIBIT A

# LOS GATOS ALMADEN ROAD



SOUTH EAST COR  
TOWN OF LOS  
GATOS ANNEXATION  
EL GATO LANE #1

SOUTH WEST COR  
TOWN OF LOS  
GATOS ANNEXATION  
EL GATO LANE #1

TOWN OF LOS  
GATOS ANNEXATION  
EL GATO LANE #2

COURSE	BEARING	DISTANCE
(6)	N12°26'15"W	53.35'
(7)	N12°26'15"W	53.35'
(8)	S77°33'45"W	60.00'

### LEGEND

- (#) COURSE PER GEOGRAPHIC DESCRIPTION
- APN ASSESSOR'S PARCEL NUMBER
- POB POINT OF BEGINNING
- - - - - EXISTING LOT LINE
- - - - - EXISTING CENTERLINE
- — — — EXISTING TOWN BOUNDARY
- — — — PROPOSED TOWN BOUNDARY
- ////// TOWN OF LOS GATOS ANNEXATION EL GATO LANE #2



SCALE: 1"=100'



PREPARED BY:



46560 FREMONT BLVD, UNIT NO. 205  
FREMONT, CA 94538  
1st Page 61  
sterling@sterlingconsultants.com PHONE: 510.344.8956

## EXHIBIT B

PLAT TO ACCOMPANY GEOGRAPHIC DESCRIPTION  
EL GATO LANE NUMBER 5 ANNEXATION  
SANTA CLARA COUNTY RECORDS

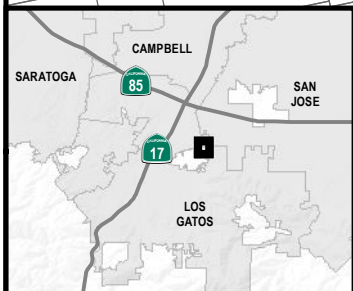
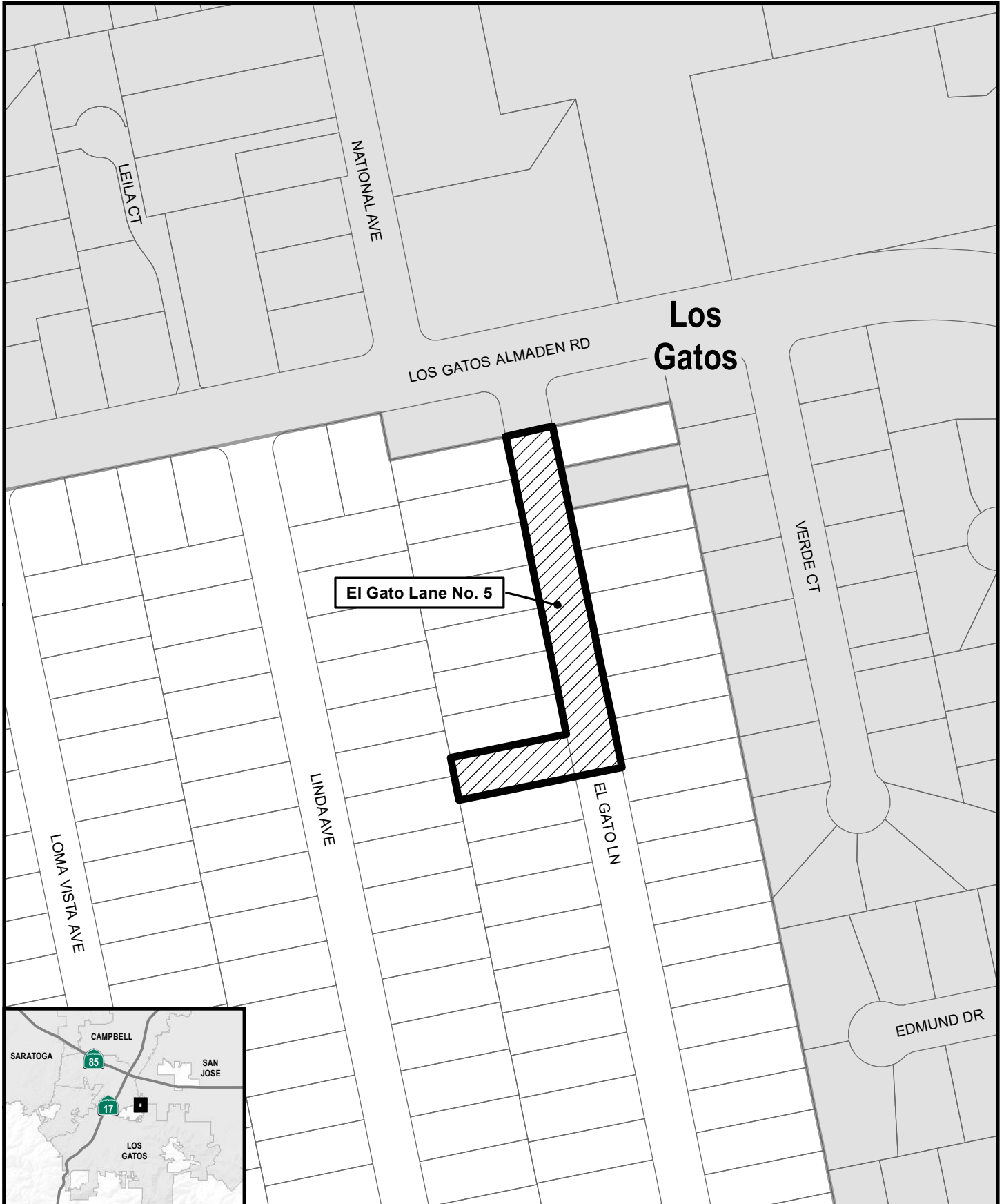
CITY OF LOS GATOS - PUBLIC WORKS DEPARTMENT  
41 MILES AVENUE, LOS GATOS, CA 95030. PH (408) 399-5770

SCALE: 1"=100'

DATE: AUGUST 13, 2021

PAGE: 1 of 1




DWG BY: DSK  
CHK: HRK

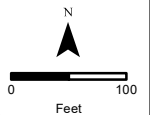


**County of Santa Clara**  
 Department of Planning and Development  
 County Government Center, East Wing  
 70 West Hedding St., 7th Floor  
 San Jose, California 95110

**EXHIBIT A**  
**Los Gatos - El Gato Lane No. 5**  
**0.789 acres +/-**

Prepared for the Office of the County Surveyor  
 October 27, 2021  
 August Hanks, County Surveyor

-  Area of Annexation
-  City Limits
-  Unincorporated Lands



***This Page  
Intentionally  
Left Blank***



**TOWN OF LOS GATOS  
COUNCIL AGENDA REPORT**

MEETING DATE: 12/21/2021

ITEM NO: 10

---

DATE: December 8, 2021  
TO: Mayor and Town Council  
FROM: Laurel Prevetti, Town Manager  
SUBJECT: Receive the Town Finance Commission Recommendation and Authorize the Town Manager to Execute a Three-Year Agreement with Chavan & Associates, LLP to Provide Auditing Services for the Town of Los Gatos in Amount Not to Exceed \$117,000

**RECOMMENDATION:**

Receive the Town Finance Commission recommendation and authorize the Town Manager to execute a three-year agreement with Chavan & Associates, LLP to provide auditing services for the Town of Los Gatos in Amount Not to Exceed \$117,000.

**BACKGROUND:**

The Finance Commission was presented the Auditor Contract on December 6, 2021. With the passage of Measure A, the Finance Commission has been tasked with several mandated duties as described in the provisions of the adopted Ordinance. Section 2.50.225. – Duties states that:

- (a) The Finance Commission shall:
- (9) Provide written comments and recommendations regarding the selection of auditors for the Comprehensive Annual Financial Report (now called the Annual Comprehensive Financial Report).

For the past five years, the Town’s annual audits were completed by Badawi and Associates. Consistent with Governmental Accounting Standards Board best practices and State law, it is the Town’s practice to solicit audit proposals every five years to ensure audit independence and competitive prices. If the Town is satisfied with the current audit firm’s work, then that firm may submit a proposal but must propose with an alternate audit engagement partner.

**PREPARED BY:** Stephen Conway  
Finance Director

---

Reviewed by: Assistant Town Manager, and Town Attorney

---



PAGE 2 OF 2

SUBJECT: Authorize the Town Manager to Execute an Agreement with Chavan & Associates, LLP to provide auditing services for the Town of Los Gatos

DATE: December 8, 2021

DISCUSSION:

The Town of Los Gatos sent Requests for Proposals (RFP) to qualified independent certified public accounting firms to audit its financial statement for three fiscal years, with an option to extend the agreement an additional two fiscal years with Town Council approval. The RFP was sent to thirty-four qualified firms known to provide local government auditing services. Six firms responded with proposals: Badawi & Associates, Chavan & Associates, Eadie & Payne, Edie Baily, Maze & Associates, and R.J. Ricciardi.

A selection panel consisting of one Finance Commissioner, the Finance Director, Assistant Town Manager, Finance and Budget Manager, and Finance Accountant reviewed and scored the six proposals. The firms were evaluated based on their technical expertise with local government audits, qualified personnel, and responsiveness to the RFP. These qualities were weighted at seventy percent and proposed fees weighted at thirty percent. The cost for audit services were submitted in sealed envelopes and not opened until after the proposals were scored based on technical expertise, local government experience, and responsiveness. Based on this analysis, three firms (Chavan & Associates, Edie Baily, and Maze & Associates) were selected to participate in an interview.

Based upon the proposals, interviews and reference checks, Town staff in consultation with the Finance Commission has selected the firm of Chavan & Associates. The managing partner is Mr. Sheldon Chavan, who began his career in public accounting over 20 years ago. He is a CPA licensed in California and a member of American Institute of Certified Public Accountants (AICPA), California Society of Certified Public Accountants (CalCPA), California Society of Municipal Finance Officers (CSMFO), Governmental Audit Quality Center (GAQC), and Government Finance Officers Association (GFOA). He has also been a member of the GFOA Special Review Committee, with responsibility for reviewing Annual Comprehensive Financial Reports (ACFR) for award of the Certificate of Excellence in Financial Reporting. The firm's current audit client list includes City of Oroville, City of Saratoga, and the City of Pacific Grove amongst a list of many other California cities that are audited by Chavan and Associates.

The firm will provide the following services for the Town:

- The annual audit of the basic financial statements in accordance with Governmental Accounting Standards and preparation of the Town's Annual Comprehensive Financial Report;
- A report communicating information related to the audit to those in charge of governance (Town Council) at the conclusion of the audit;
- A management letter containing any comments or recommendations resulting from the review of systems of internal controls in connection with the financial audit;
- A Single Audit for grant funding if required under the Title 2 U.S. Code of Federal Regulations;

PAGE 3 OF 2

SUBJECT: Authorize the Town Manager to Execute an Agreement with Chavan & Associates, LLP to provide auditing services for the Town of Los Gatos

DATE: December 8, 2021

DISCUSSION (cont'd):

- Measure G district sales tax audit;
- Pension trust audit; and
- Optional services including the preparation of the annual report of financial transactions to the State Controller.

CONCLUSION:

Receive the Town Finance Commission recommendation and authorize the Town Manager to execute a three-year agreement with Chavan & Associates, LLP to provide auditing services for the Town of Los Gatos in Amount Not to Exceed \$117,000.

FISCAL IMPACT:

Sufficient funds for auditing services are included in the Town's proposed FY 2021/22 Operating and Capital Budget.

ENVIRONMENTAL ASSESSMENT:

This is not a project defined under CEQA, and no further action is required.

Attachment:

1. Agreement to provide auditing and optional services with Chavan & Associates, LLP.

## AGREEMENT FOR CONSULTANT SERVICES

THIS AGREEMENT is made and entered into on \_\_\_\_\_ by and between TOWN OF LOS GATOS, a California municipal corporation, ("Town") and Chavan & Associates, LLP, ("Consultant"), whose address is 15105 Concord Circle, Suite 130, Morgan Hill CA 95037. This Agreement is made with reference to the following facts.

### I. RECITALS

- 1.1 The Town desire to engage Consultant to provide professional auditing services.
- 1.2 The Consultant represents and affirms that it is willing to perform the desired work pursuant to this Agreement.
- 1.3 Consultant warrants it possesses the distinct professional skills, qualifications, experience, and resources necessary to timely perform the services described in this Agreement. Consultant acknowledges Town has relied upon these warranties to retain Consultant.

### II. AGREEMENTS

- 2.1 Scope of Services. Consultant shall provide services as described in that certain proposal sent to the Town on October 8, 2021, which is hereby incorporated by reference and attached as Exhibit A.
- 2.2 Term and Time of Performance. This contract will remain in effect from \_\_\_\_\_ to \_\_\_\_\_.
- 2.3 Compliance with Laws. The Consultant shall comply with all applicable laws, codes, ordinances, and regulations of governing federal, state and local laws. Consultant represents and warrants to Town that it has all licenses, permits, qualifications and approvals of whatsoever nature which are legally required for Consultant to practice its profession. Consultant shall maintain a Town of Los Gatos business license pursuant to Chapter 14 of the Code of the Town of Los Gatos.
- 2.4 Sole Responsibility. Consultant shall be responsible for employing or engaging all persons necessary to perform the services under this Agreement.
- 2.5 Information/Report Handling. All documents furnished to Consultant by the Town and all reports and supportive data prepared by the Consultant under this Agreement are the Town's property and shall be delivered to the Town upon the completion of Consultant's services or at the Town's written request. All reports, information, data, and exhibits prepared or assembled by Consultant in connection with the performance of its services pursuant to this Agreement are confidential until released by the Town to the public, and

the Consultant shall not make any of these documents or information available to any individual or organization not employed by the Consultant or the Town without the written consent of the Town before such release. The Town acknowledges that the reports to be prepared by the Consultant pursuant to this Agreement are for the purpose of evaluating a defined project, and Town's use of the information contained in the reports prepared by the Consultant in connection with other projects shall be solely at Town's risk, unless Consultant expressly consents to such use in writing. Town further agrees that it will not appropriate any methodology or technique of Consultant which is and has been confirmed in writing by Consultant to be a trade secret of Consultant.

- 2.6 Compensation. Compensation for Consultant's professional services **shall not exceed \$117,000**, inclusive of all costs. Payment shall be based upon Town approval of each task.
- 2.7 Billing. Billing shall be monthly by invoice within thirty (30) days of the rendering of the service and shall be accompanied by a detailed explanation of the work performed by whom at what rate and on what date. Also, plans, specifications, documents or other pertinent materials shall be submitted for Town review, even if only in partial or draft form.

Payment shall be net thirty (30) days. All invoices and statements to the Town shall be addressed as follows:

Invoices:

Town of Los Gatos  
Attn: Accounts Payable  
P.O. Box 655  
Los Gatos, CA 95031-0655

- 2.8 Availability of Records. Consultant shall maintain the records supporting this billing for not less than three years following completion of the work under this Agreement. Consultant shall make these records available to authorized personnel of the Town at the Consultant's offices during business hours upon written request of the Town.
- 2.9 Assignability and Subcontracting. The services to be performed under this Agreement are unique and personal to the Consultant. No portion of these services shall be assigned or subcontracted without the written consent of the Town.
- 2.10 Independent Contractor. It is understood that the Consultant, in the performance of the work and services agreed to be performed, shall act as and be an independent contractor and not an agent or employee of the Town. As an independent contractor he/she shall not obtain any rights to retirement benefits or other benefits which accrue to Town employee(s). With prior written consent, the Consultant may perform some obligations under this Agreement by subcontracting, but may not delegate ultimate responsibility for performance or assign or transfer interests under this Agreement. Consultant agrees to testify in any litigation brought regarding the subject of the work to be performed under

this Agreement. Consultant shall be compensated for its costs and expenses in preparing for, traveling to, and testifying in such matters at its then current hourly rates of compensation, unless such litigation is brought by Consultant or is based on allegations of Consultant's negligent performance or wrongdoing.

- 2.11 Conflict of Interest. Consultant understands that its professional responsibilities are solely to the Town. The Consultant has and shall not obtain any holding or interest within the Town of Los Gatos. Consultant has no business holdings or agreements with any individual member of the Staff or management of the Town or its representatives nor shall it enter into any such holdings or agreements. In addition, Consultant warrants that it does not presently and shall not acquire any direct or indirect interest adverse to those of the Town in the subject of this Agreement, and it shall immediately disassociate itself from such an interest, should it discover it has done so and shall, at the Town's sole discretion, divest itself of such interest. Consultant shall not knowingly and shall take reasonable steps to ensure that it does not employ a person having such an interest in this performance of this Agreement. If after employment of a person, Consultant discovers it has employed a person with a direct or indirect interest that would conflict with its performance of this Agreement, Consultant shall promptly notify Town of this employment relationship, and shall, at the Town's sole discretion, sever any such employment relationship.
- 2.12 Equal Employment Opportunity. Consultant warrants that it is an equal opportunity employer and shall comply with applicable regulations governing equal employment opportunity. Neither Consultant nor its subcontractors do and neither shall discriminate against persons employed or seeking employment with them on the basis of age, sex, color, race, marital status, sexual orientation, ancestry, physical or mental disability, national origin, religion, or medical condition, unless based upon a bona fide occupational qualification pursuant to the California Fair Employment & Housing Act.

### III. INSURANCE AND INDEMNIFICATION

- 3.1 Minimum Scope of Insurance:
- i. Consultant agrees to have and maintain, for the duration of the contract, General Liability insurance policies insuring him/her and his/her firm to an amount not less than: one million dollars (\$1,000,000) combined single limit per occurrence for bodily injury, personal injury and property damage.
  - ii. Consultant agrees to have and maintain for the duration of the contract, an Automobile Liability insurance policy ensuring him/her and his/her staff to an amount not less than one million dollars (\$1,000,000) combined single limit per accident for bodily injury and property damage.
  - iii. Consultant shall provide to the Town all certificates of insurance, with original endorsements effecting coverage. Consultant agrees that all

certificates and endorsements are to be received and approved by the Town before work commences.

- iv. Consultant agrees to have and maintain, for the duration of the contract, professional liability insurance in amounts not less than \$1,000,000 which is sufficient to insure Consultant for professional errors or omissions in the performance of the particular scope of work under this agreement.

General Liability:

- i. The Town, its officers, officials, employees and volunteers are to be covered as insured as respects: liability arising out of activities performed by or on behalf of the Consultant; products and completed operations of Consultant, premises owned or used by the Consultant. This requirement does not apply to the professional liability insurance required for professional errors and omissions.
- ii. The Consultant's insurance coverage shall be primary insurance as respects the Town, its officers, officials, employees and volunteers. Any insurance or self-insurances maintained by the Town, its officers, officials, employees or volunteers shall be excess of the Consultant's insurance and shall not contribute with it.
- iii. Any failure to comply with reporting provisions of the policies shall not affect coverage provided to the Town, its officers, officials, employees or volunteers.
- iv. The Consultant's insurance shall apply separately to each insured against whom a claim is made or suit is brought, except with respect to the limits of the insurer's liability.

3.2 All Coverages. Each insurance policy required in this item shall be endorsed to state that coverage shall not be suspended, voided, cancelled, reduced in coverage or in limits except after thirty (30) days' prior written notice by certified mail, return receipt requested, has been given to the Town. Current certification of such insurance shall be kept on file at all times during the term of this agreement with the Town Clerk.

3.3 Workers' Compensation. In addition to these policies, Consultant shall have and maintain Workers' Compensation insurance as required by California law and shall provide evidence of such policy to the Town before beginning services under this Agreement. Further, Consultant shall ensure that all subcontractors employed by Consultant provide the required Workers' Compensation insurance for their respective employees.

3.4 Indemnification. The Consultant shall save, keep, hold harmless and indemnify and defend the Town its officers, agent, employees and volunteers from all damages, liabilities, penalties, costs, or expenses in law or equity that may at any time arise or be set up because of damages to property or personal injury received by reason of, or in the course of performing work which may be occasioned by a willful or negligent act or omissions of the Consultant, or any of the Consultant's officers, employees, or agents or any subconsultant.

#### IV. GENERAL TERMS

4.1 Waiver. No failure on the part of either party to exercise any right or remedy hereunder shall operate as a waiver of any other right or remedy that party may have hereunder, nor does waiver of a breach or default under this Agreement constitute a continuing waiver of a subsequent breach of the same or any other provision of this Agreement.

4.2 Governing Law. This Agreement, regardless of where executed, shall be governed by and construed to the laws of the State of California. Venue for any action regarding this Agreement shall be in the Superior Court of the County of Santa Clara.

4.3 Termination of Agreement. The Town and the Consultant shall have the right to terminate this agreement with or without cause by giving not less than fifteen days (15) written notice of termination. In the event of termination, the Consultant shall deliver to the Town all plans, files, documents, reports, performed to date by the Consultant. In the event of such termination, Town shall pay Consultant an amount that bears the same ratio to the maximum contract price as the work delivered to the Town bears to completed services contemplated under this Agreement, unless such termination is made for cause, in which event, compensation, if any, shall be adjusted in light of the particular facts and circumstances involved in such termination.

4.4 Amendment. No modification, waiver, mutual termination, or amendment of this Agreement is effective unless made in writing and signed by the Town and the Consultant.

4.5 Disputes. In any dispute over any aspect of this Agreement, the prevailing party shall be entitled to reasonable attorney's fees, including costs of appeal.

4.6 Notices. Any notice required to be given shall be deemed to be duly and properly given if mailed postage prepaid, and addressed to:

Town of Los Gatos  
Attn: Town Clerk  
110 E. Main Street  
Los Gatos, CA 95030

Chavan & Associates, LLP  
Attn: Sheldon Chavan  
15105 Concord Circle, Suite 130  
Morgan Hill, CA 95037

or personally delivered to Consultant to such address or such other address as Consultant designates in writing to Town.

- 4.7 Order of Precedence. In the event of any conflict, contradiction, or ambiguity between the terms and conditions of this Agreement in respect of the Products or Services and any attachments to this Agreement, then the terms and conditions of this Agreement shall prevail over attachments or other writings.
- 4.8 Entire Agreement. This Agreement, including all Exhibits, constitutes the complete and exclusive statement of the Agreement between the Town and Consultant. No terms, conditions, understandings or agreements purporting to modify or vary this Agreement, unless hereafter made in writing and signed by the party to be bound, shall be binding on either party.

IN WITNESS WHEREOF, the Town and Consultant have executed this Agreement.

Town of Los Gatos by:

Consultant, by:

\_\_\_\_\_  
Laurel Prevetti, Town Manager

Recommended by:

\_\_\_\_\_  
Stephen Conway, Finance Director

\_\_\_\_\_  
Chavan & Associates, LLP

Approved as to Form:

\_\_\_\_\_  
Robert Schultz, Town Attorney

Attest:

\_\_\_\_\_  
Shelley Neis, MMC, CPMC  
Town Clerk





**TOWN OF LOS GATOS  
COUNCIL AGENDA REPORT**

MEETING DATE: 12/21/2021

ITEM NO: 11

---

DATE: December 8, 2021  
TO: Mayor and Town Council  
FROM: Laurel Prevetti, Town Manager  
SUBJECT: Fiscal Year 2021/22 Street Repair and Resurfacing Project (CIP Number 811-9901):  
a. Approve the Proposed Street List; and  
b. Authorize the Town Manager to Execute a Cost Share Agreement with the City of Campbell in an Amount Not to Exceed \$335,000

**RECOMMENDATION:**

Fiscal Year (FY) 2021/22 Street Repair and Resurfacing Project (CIP No. 811-9901):  
a. Approve the proposed street list; and  
b. Authorize the Town Manager to execute a cost share agreement with the City of Campbell in an amount not to exceed \$335,000.

**BACKGROUND:**

The adopted FY 2021/22-2025/26 Capital Improvement Program (CIP) Budget designates FY 2021/22 funding sources for the Street Repair and Resurfacing Project (CIP Number 811-9901). Annually, the Town invests funds to improve roadway pavement conditions, safety, active transportation elements, and drivability of the Town streets. This ongoing annual street project is consistent with the Town's goals to improve public safety and the quality of the Town roadway infrastructure.

Every three years, the Town conducts a full pavement condition assessment of Town public streets through the Pavement Technical Assistance Program (PTAP) led by the Metropolitan Transportation Commission (MTC). The pavement distress survey data collected in the field is entered into the MTC's pavement maintenance application called *StreetSaver*, which tabulates

**PREPARED BY:** WooJae Kim  
Town Engineer

---

Reviewed by: Assistant Town Manager, Town Attorney, Finance Director, and Parks and Public Works Director

---

BACKGROUND (continued):

and stores the Pavement Condition Index (PCI) scores. PCI is a widely accepted industry measure to gauge the pavement condition of roadways. The index is calculated based on the age of the pavement and pavement distress data collected from the field. PCI's range from 0 to 100, with 0 representing a failed road and 100 representing a brand-new facility.

Street segments for the annual Street Repair and Resurfacing Project are identified and prioritized by pavement conditions, roadway types, traffic levels, and safety issues. With the PCI information in the *StreetSaver* database, staff uses the application to generate a preliminary list of street segments for the annual street project within the designated project budget. The application generated list requires validation by staff, field verifications, and adjustments to treatment types based upon actual field conditions. Further consideration is given to street segments close to proposed project locations to increase project efficiency and value.

The Town has focused its resources in balancing the work between arterials, collectors, and residential streets, applying asphalt overlays, rubber cape seal, or slurry seal as pavement rehabilitation and maintenance measures. Crack sealing and slurry seals are generally the first lines of defense against pavement deterioration by sealing cracks or pavement surfaces with asphalt emulsion to prevent and minimize water intrusions into roadway structural sections. A rubber cape seal is a rubber chip seal covered by a slurry seal and is an appropriate treatment for streets that are exhibiting distress cracking and/or have fallen out of the "good" condition category. Residential streets are typically treated with slurry seal or rubber cape seal as preventative measures. Asphalt overlay involves milling of a certain depth of existing asphalt to be over-laid with a new layer of asphalt. In the Town, asphalt overlays are primarily reserved for arterial or collector streets.

DISCUSSION:

In the *2020 Pavement Condition of Bay Area Jurisdictions* released in October 2021, MTC reported the 3-year moving average PCI for the Town as 69, which is considered to be in the "fair" condition range (60 to 69). A full pavement condition assessment was last conducted in August 2018 through the MTC PTAP program. A total of 108 miles of Town streets documented in *StreetSaver* at the time were inspected. At that time, County streets annexed by the Town in 2018 and 2019 were not captured in the Town's *StreetSaver* database system, and therefore not inspected.

Staff is currently working with MTC's PTAP consultant on the 2022 pavement conditions assessment to be completed by spring or summer 2022. MTC's consultant is updating the *StreetSaver* database to include the annexed streets for inspections. With the inclusion of annexed streets, the total length of Town streets should increase to around 113 miles. Staff will need to monitor how this inclusion will impact the average PCI score of the Town streets.

DISCUSSION (continued):

*Proposed Street List for the FY 2021/22 Street Repair and Resurfacing Project*

For the FY 2021/22 Street Repair and Resurfacing (Street) Project, the focus will be on preventive maintenance of collector and residential streets identified in the Proposed Street List (Attachment 1). The Street Project is anticipated to start in spring or summer 2022 with a construction duration of approximately five months. Once the streets are paved, Parks and Public Works Department sets a restriction for the next five years on future street work.

Should Council approve the Proposed Street List for the FY 2021/22 Street Project, staff would continue to check for project conflicts on the street segments with utility companies, neighboring agencies, and other programs; field confirm quantities of work needed; assess feasibility within the project budget; and prepare the Plans, Specifications, and Estimates (PS&E) for the construction documents for bid. If any conflicts or feasibility issues are determined on a street segment, further coordination may be necessary, or the street segment may be removed from the FY 2021/22 Proposed Street List and deferred to another fiscal year. Staff plans to return to Council by early 2022 with the Final Street List for the FY 2021/22 Street Project and construction documents for approval.

*ADA Deficiencies on Public Right of Way*

Title II of the Americans with Disability Act (ADA) obligates jurisdictions to upgrade non-conforming curb ramps and other pedestrian facilities when streets are resurfaced from one intersection to another. The United States Department of Justice has determined that surface treatments such as asphalt overlay and rubber cape seal trigger the requirement for ADA compliant curb ramps on associated streets. The accessibility issues on project street segments are normally addressed through the annual Curb, Gutter and Sidewalk Maintenance (CIP No. 411-9921) that occurs almost simultaneously with the annual Street Repair and Resurfacing Project.

Through the Town's ADA Transition Plan (CIP No. 812-0129) initiated in 2021, the Town's ADA consultant has identified accessibility deficiencies and barriers throughout the Town's public right of way, including along public streets, sidewalks, curb ramps, intersections, and crosswalks. Staff would need to investigate ways to address the ADA deficiencies identified on project street segments through the annual Curb, Gutter and Sidewalk Maintenance project. With an annual funding appropriation of \$300,000 plus any carry forwarded funds, the Curb, Gutter and Sidewalk Maintenance project normally does not have sufficient funds to support all of the ADA upgrades needed. Given the recent ADA review additional funds may need to be transferred from the annual Street Project to address the most severe ADA deficiencies on the Street List. Staff may request Council to consider an increase to the annual appropriation for the annual Curb, Gutter and Sidewalk Maintenance project for future years through the annual budget process in order to help further address the need.

DISCUSSION (continued):

*Cost share agreement with the City of Campbell*

In 2022, the City of Campbell is planning a street resurfacing project that includes streets which share boundaries with the Town. The following three streets were identified as sharing jurisdiction between the City of Campbell and Town, each jurisdiction owning half of the roadway:

- W. Parr Avenue – from Pollard Road to Capri Drive
- Capri Drive – from W. Parr Avenue to Division Street
- Division Street – from Capri Drive to Winchester Boulevard

The City of Campbell has offered to include the Town half of the streets in their resurfacing project in 2022 through a cost share agreement (Attachment 2). The Town has entered into such arrangements with Campbell and other bordering cities to work on streets/areas with overlapping jurisdictions. Through the cost share agreement, the Town would reimburse the City of Campbell for the resurfacing related work completed on the Town's right of way, not to exceed \$335,000. Resurfacing the full width of streets and performing concrete improvements in a cooperative manner with the City of Campbell is an economical approach to paving roads, and desirable to prevent the pavement from degrading at different rates.

CONCLUSION:

Approval of the Proposed Street List for the FY 2021/22 Street Repair and Resurfacing Project would allow staff to further analyze conflicts and feasibilities and prepare the construction documents by early 2022 for Council approval.

Staff is requesting the Town Council authorize the Town Manager to enter into a reimbursement cost share agreement with the City of Campbell in an amount not to exceed \$335,000 to be funded from the FY 2021/22 Street Repair and Resurfacing Project budget.

COORDINATION:

This project has been coordinated with the Finance Department and the Town Attorney.

FISCAL IMPACT:

The fiscal table below reflects the estimated project budget for the FY 2021/22 Street Repair and Resurfacing Project (CIP No. 811-9901). In the next Council report for the project in early 2022, staff would have the actual revenue and budget numbers finalized with any fund transfer need identified.

FISCAL IMPACT (continued):

<b>Street Repair &amp; Resurfacing</b>		
<b>CIP No. 811-9901</b>		
	<b>Budget</b>	<b>Costs</b>
GFAR	\$ 2,471,317	
Gas Tax	\$ 1,676,361	
<b>Total Budget</b>	<b>\$ 4,147,678</b>	
Cost Sharing Agreement with City of Campbell (approved with this report)		\$ 335,000
<b>Total Expenditures</b>		<b>\$ 335,000</b>
<b>Available Balance</b>		<b>\$ 3,812,678</b>

ENVIRONMENTAL ASSESSMENT:

Repair and maintenance of existing streets is defined under CEQA Section 15301(c) as Categorically Exempt. A Notice of Exemption is to be filed.

Attachment:

1. Proposed Street List for the FY 2021/22 Street Repair and Resurfacing Project
2. Cost Share Agreement with the City of Campbell

**TOWN OF LOS GATOS**  
**Proposed Street List for FY 2021/22 Street Repair and Resurfacing Project (CIP NO. 811-9901)**

12/14/2021

**Key:**  
 CS Crack seal  
 RC Rubber cape seal (chip seal with slurry seal)  
 S Slurry seal

**Note:**

The following project locations shall be considered for the FY 2021/22 Street Repair and Resurfacing project. Depending on the final design, cost estimates, and the budget available, some street segments may be deferred to the FY 2022/23 street project.

Street	From	To	Road Classification	Type of Treatment
ANDREWS ST	N SANTA CRUZ AV	TOWN LIMITS	Collector	RC or S
ASHLER AV	SAN BENITO AV	N. SANTA CRUZ AV	Residential	RC or S
BEAN AVE	MASSOL AV	END	Residential	RC or S
BELLA VISTA AV	CHARLES ST	NEW YORK AV	Residential	RC or S
CAMPANULA PL	CARLTON AV	END	Residential	RC or S
CARLTON AVE	LESTER LN	NATIONAL AV	Collector	RC or S
CHARLES ST	BELLA VISTA AV	LOS GATOS BLVD	Residential	RC or S
CLARA ST	LA RINCONADA DR	GOLF LINKS DR	Residential	RC or S
CLEARVIEW DR	LA RINCONADA DR	WIMBLEDON DR	Residential	RC or S
DOWNING OAK CT	UNION AV	END	Residential	RC or S
EASTVIEW DR	LA RINCONADA DR	CLEARVIEW DR	Residential	RC or S
ESCOBAR AV	CAMINO DEL CERRO	LG ALMADEN RD	Residential	RC or S
ESCOBAR CT	ESCOBAR AV	END	Residential	RC or S
FANCHER CT	SAN BENITO AV	END	Residential	RC or S
GATEWAY DR	LOS GATOS BLVD	CARLTON AV	Collector	RC or S
GOLF LINKS DR	CLARA ST	CLEARVIEW DR	Residential	RC or S
GRIFFITH PL	ROSE AV	END	Residential	RC or S
HANCOCK CT	EASTVIEW DR	END	Residential	RC or S
HAPPY ACRES RD	SHANNON RD	END (#333)	Residential	RC or S
HIGH ST	CYPRERSS WY	#17621	Residential	RC or S
JOHNSON AV	LOMA ALTA AV	NEW PAVEMEMT	Residential	RC or S
LA RINCONADA DR	WINCHESTER BLVD	NATALYE RD	Residential	RC or S
LA RINCONADA DR	NATALYE RD	CLEARVIEW DR	Residential	RC or S
LITTLEFIELD LN	ENGLEWOOD AV	END	Residential	RC or S
LOMA ALTA AV	LOS GATOS BLVD	CYPRERSS WY	Collector	RC or S
MARCHMONT DR	ENGLEWOOD AV	HILOW RD	Residential	RC or S
MARIPOSA AVE	N SANTA CRUZ AV	SAN BENITO AV	Collector	RC or S
MARIPOSA CT	SAN BENITO AV	END	Residential	RC or S
MILMAR WAY	CAMINO DEL CERRO	ESCOBAR AV	Residential	RC or S
MONTGOMERY ST	LG-SARATOGA RD (HWY-9)	ANDREWS ST	Residential	RC or S
MONTEREY AV	LG-SARATOGA RD (HWY-9)	THURSTON ST	Residential	RC or S
NALOR CT	CLEARVIEW DR	END	Residential	RC or S
NEW YORK AVE	PLEASANT ST	BELLA VISTA AV	Residential	RC or S
OAK RIDGE WY	BUENA VISTA AV	WILD WY	Residential	RC or S
OLIVE ST	SAN BENITO AV	N SANTA CRUZ AV	Residential	RC or S
POPPY LN	ROSE AV	END	Residential	RC or S
POTTER CT	FERRIS AV	END	Residential	RC or S
ROBERTS RD	N SANTA CRUZ AV	UNIVERSITY AV	Residential	RC or S
ROBERTS RD	UNIVERSITY AV	LEFT TURN BEND	Residential	RC or S
ROBERTS RD	LEFT TURN BEND	BLOSSOM HILL RD	Residential	RC or S
ROBIE LN	SHANNON RD	END	Residential	RC or S
ROSE AV	TOWN LIMITS AT #16055	END	Residential	RC or S
ROSE AV	#16017	#15940	Residential	RC or S
SAN BENITO AV	LG-SARATOGA RD (HWY-9)	THURSTON ST	Residential	RC or S
SAN BENITO AV	THURSTON ST	MARIPOSA AV	Residential	RC or S
SAN BENITO WY	BRUCE AV	END OF #17641	Residential	RC or S
SAN MATEO AV	SAN BENITO AV	N SANTA CRUZ AV	Residential	RC or S
SIMONS WY	BELLA VISTA AV	LOS GATOS BLVD	Residential	RC or S
THURSTON ST	SAN BENITO AV	N SANTA CRUZ AV	Residential	RC or S
TOPPING WY	ENGLEWOOD AV	HILOW RD	Residential	RC or S
TOURNEY RD	FOSTER RD	TOWN LIMIT	Residential	RC or S

Street	From	To	Road Classification	Type of Treatment
TOURNEY LP	SPRING ST	TOWN LIMIT	Residential	RC or S
VIA DE TESOROS	BICKNELL RD	END	Residential	RC or S
VILLA AV	LIBRARY	JACKSON ST	Residential	RC or S
WILD WY	WINCHESTER BLVD	END	Residential	RC or S
ASH CT	CHIPPENDALE CT	END	Residential	S or RC
CALLE EL PADRE	CALLE MARGUERITA	END	Residential	S or RC
CALLE ESTORIA	CALLE MARGUERITA	END	Residential	S or RC
CALLE LOLITA	CALLE MARGUERITA	END	Residential	S or RC
CALLE MARGUERITA	WEDGEWOOD AV	WEDGEWOOD AV	Residential	S or RC
CARLESTER DR	CARLTON AV	LESTER LN	Residential	S or RC
CARLTON AV	LOS GATOS-ALMADEN RD	LESTER LN	Collector	S or RC
CARLTON CT	CARLTON AV	END	Residential	S or RC
CARLTON WY	CARLTON AV	END	Residential	S or RC
CORINNE DR	SUNRAY DR	CHIRCO DR	Residential	S or RC
CHIPPENDALE CT	BICKNELL RD	END	Residential	S or RC
GREENDALE DR	LONGRIDGE RD	LG ALMADEN RD	Residential	S or RC
HILOW RD	SHANNON RD	CARDINAL LN	Residential	S or RC
HOLLYCREST DR	LONGRIDGE RD	LG ALMADEN RD	Residential	S or RC
MATTSON AV	NEWVILLE DR	ROXBURY LN	Residential	S or RC
NEWVILLE DR	MORE AV	WEDGEWOOD AV	Residential	S or RC
PLEASANT ST	E. MAIN ST	NEW YORK AV	Residential	S or RC
SCARSBOROUGH WY	MONTCLAIR RD	CHIPPENDALE CT	Residential	S or RC
SHIRE CT	MONTCLAIR RD	END	Residential	S or RC
SUMMIT WY	WILD WY	WILD WY	Residential	S or RC
ADRIAN PL	WESTCHESTER DR	END	Residential	CS
AURORA LN	LOS GATOS- ALMADEN RD	END	Residential	CS
BARBARA DR	HERSHNER DR	HOWES DR	Residential	CS
BLOSSOM GLEN WY	CAMINO DEL CERRO	CRAIG WY	Residential	CS
BLOSSOM GLEN WY	CRAIG WY	CITY LIMITS	Residential	CS
BLOSSOM HILL RD	GREENRIDGE TERR.	CITY LIMITS	Residential	CS
BLOSSOM HILL RD	GREENRIDGE TERR.	UNION AV	Residential	CS
BROCASTLE WY	NEWELL AV	END	Residential	CS
BRIARWOOD WY	CAMBRIAN VIEW WY	ANNE WY	Residential	CS
CENTRAL AV	OAK HILL WY	CENTRAL CT	Residential	CS
CENTRAL AV	OAK HILL WY	END OF CURB AND GUTTER	Residential	CS
CENTRAL CT	END	GROVE ST	Residential	CS
CRAIG WY	BLOSSOM GLEN WY	END	Residential	CS
DOVER ST	WESTCHESTER DR	BLOSSOM GLEN WY	Residential	CS
E. MAIN ST	HIGHWAY 17 OVERPASS	LOS GATOS BLVD	Arterial	CS
ELENA WY	NEWELL AV	END	Residential	CS
FARM HILL WY	GARDEN HILL DR	END	Residential	CS
FOSTER RD	RIGHT TURN BEND(BGNNG OF CRB	END	Residential	CS
GARDEN HILL DR	LARK AV	GARDEN HILL DR	Residential	CS
GARDEN HILL DR	FARM HILL WY	IVY HILL	Residential	CS
GARDEN HILL DR	IVY HILL	LEFT TURN BEND	Residential	CS
GARDEN HILL DR	LEFT TURN BEND	COUNTY PARK GATE	Residential	CS
GREEN HILL WY	GARDEN HILL DR	END	Residential	CS
GROVE ST	CENTRAL CT	OAK HILL WY	Residential	CS
HERSHNER CT	HOWES DR	END	Residential	CS
HERSHNER WY	HERSHNER DR	END	Residential	CS
HOLLY HILL WY	GARDEN HILL DR	END	Residential	CS
HOWES CT	HOWES DR	END	Residential	CS
HIGH SCHOOL CT	CHURCH ST	END	Residential	CS
IVY HILL WY	GARDEN HILL DR	END	Residential	CS
JO DR	CARLTON AV	END	Residential	CS
JOHNSON AV	LOS GATOS BL(ONE WAY ENTRANCE	FOSTER RD	Residential	CS
JOHNSON AV	FOSTER RD	SPRING ST	Residential	CS
KENNEDY RD	S. KENNEDY RD	TERESITA WY	Residential	CS
KENSINGTON WY	CAMBRIAN VIEW WY	ANNE WY	Residential	CS
KENSINGTON WY	ANNE WY	PAV'T CHANGE @ CITY LIMIT	Residential	CS
KINGSTON HILL WY	GARDEN HILL DR	END	Residential	CS

Street	From	To	Road Classification	Type of Treatment
LESTER LN	LOS GATOS- ALMADEN RD	CARLESTER DR	Collector	CS
LOMA VISTA CT	LOS GATOS- ALMADEN RD	END	Residential	CS
LONGRIDGE RD	HOLLYCREST DR	LESTER LN	Residential	CS
LOS GATOS BL	HWY 9	CALDWELL AV	Arterial	CS
LOS GATOS BL	CALDWELL AV	NINO WY	Arterial	CS
LOS GATOS BL	NINO WY	MITCHELL AV	Arterial	CS
LOS GATOS BL	MITCHELL AV	BLOSSOM HILL RD	Arterial	CS
LOS GATOS BL	BLOSSOM HILL RD	FRANK AV	Arterial	CS
LOS GATOS BL	FRANK AV	CHIRCO DR	Arterial	CS
LOS GATOS BL	CHIRCO DR	GATEWAY DR	Arterial	CS
LOS GATOS BL	GATEWAY DR	LARK AV	Arterial	CS
LYNN AV	UNION AV	PINEHURST AV	Residential	CS
MARICOPA DR	LONGRIDGE RD	END	Residential	CS
NEWELL CT	NEWELL AV	END	Residential	CS
NEWELL AV	NEWELL CT	ELENA WY	Residential	CS
NEWELL AV	ELENA WY	WINCHESTER BL	Residential	CS
NOB HILL WY	GARDEN HILL DR	END	Residential	CS
OAK RD	WIDTH CHANGE	836 FT N/O WIDTH CHANGE	Residential	CS
OAK HILL WY	JACKSON ST	CENTRAL AV	Residential	CS
PINEHURST AV	LOS GATOS- ALMADEN RD	LYNN AV	Residential	CS
PINEHURST AV	LYNN AV	BLOSSOM VALLEY WY	Residential	CS
ROSS CREEK CT	LOS GATOS- ALMADEN RD	END	Residential	CS
SHARON CT	BLOSSOM GLEN WY	END	Residential	CS
TEAKWOOD CT	CASTLEWOOD DR	END	Residential	CS
THOMAS DR	HOWES DR	UNION AV	Residential	CS
VERDE CT	LOS GATOS- ALMADEN RD	END	Residential	CS
VISTA DEL MONTE	KENNEDY RD	HARDING AV	Residential	CS
VISTA DEL MONTE	HARDING AV	VISTA DE SIERRA	Residential	CS
VISTA DEL MONTE	VISTA DE SIERRA	SPRECKLES AV	Residential	CS
WESTCHESTER DR	CAMINO DEL CERRO	BLOSSOM VALLEY DR	Collector	CS



**AGREEMENT  
BETWEEN  
THE CITY OF CAMPBELL  
AND  
THE TOWN OF LOS GATOS  
FOR THE STREET RESURFACING AND COST SHARING ON  
THE FOLLOWING DUAL JURISDICTION STREET SECTIONS:  
W. PARR AVENUE (FROM POLLARD ROAD TO CAPRI DRIVE),  
CAPRI DRIVE (FROM W. PARR AVENUE TO DIVISION STREET), AND  
DIVISION STREET (FROM CAPRI DRIVE TO WINCHESTER BOULEVARD)**

This Agreement (herein “Agreement”) is made and entered into this \_\_\_ day of \_\_\_\_\_, 2021, (herein the “Effective Date”) by and between the City of Campbell, a California municipal corporation (herein “CAMPBELL”), and the Town of Los Gatos, a California municipal corporation (herein “LOS GATOS”). CAMPBELL and LOS GATOS may be referred to herein individually as a “Party” or collectively as the “Parties”.

**RECITALS**

**WHEREAS:**

- A. CAMPBELL’S Pavement Management Program determines which streets are to be included in CAMPBELL’S Annual Street Maintenance projects. In 2021, the Pavement Management Program identified several street sections in need of preventive pavement maintenance work; and
- B. The following three streets were identified as sharing dual jurisdiction between CAMPBELL and LOS GATOS:
  - W. Parr Avenue – from Pollard Road to Capri Drive,
  - Capri Drive – from W. Parr Avenue to Division Street, and
  - Division Street – from Capri Drive to Winchester Boulevardherein and thereafter referred to as “PROJECT”; and
- C. CAMPBELL approached LOS GATOS to contemplate the resurfacing of said shared roadway sections; and
- D. LOS GATOS agreed to pay for work pursuant to this Agreement as both Parties agreed that the Dual Jurisdictional streets are in need of rehabilitation given its current pavement condition; and
- E. The scope of work and locations of work for PROJECT, Exhibit “A”, is attached hereto and incorporated by reference; and

- F. The cost estimate for PROJECT, Exhibit “B”, prepared by CAMPBELL and accepted by LOS GATOS, is the most current cost estimate (which is subject to change) is attached hereto and incorporated by reference; and
- G. The contractor (herein “CONTRACTOR”) that submits the lowest responsive and responsible bid in compliance with all the requirements prescribed in the Contract Documents and is awarded the contract will perform and construct the PROJECT; and
- H. LOS GATOS has committed up to THREE-HUNDRED THIRTY-FIVE THOUSAND DOLLARS (\$335,000) for the PROJECT and CAMPBELL has agreed to undertake the design, environmental review, permitting and construction of the PROJECT, subject to the terms and conditions of this Agreement; and
- I. LOS GATOS has agreed to authorize CAMPBELL access to those portions of the Dual Jurisdiction street sections owned and maintained by LOS GATOS for purposes of design, environmental review, permitting and construction of the PROJECT, upon the terms and conditions set forth herein; and
- J. CAMPBELL and LOS GATOS mutually desire to set forth the terms and conditions of the design and construction of PROJECT, and its cost, to be accomplished within the scope of this Agreement; and
- K. It is in the public interest for CAMPBELL and LOS GATOS to complete PROJECT in a cooperative and economical manner by constructing the portion of PROJECT within CAMPBELL and the portion of PROJECT within LOS GATOS at the same time under a single construction contract as further described in and subject to the terms and conditions of this Agreement.

NOW THEREFORE, in consideration of the above referenced recitals and the following mutual covenants, agreements and obligations of the Parties, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, CAMPBELL and LOS GATOS agree as follows:

## **AGREEMENT PROVISIONS**

### **1. RIGHT TO ACCESS:**

LOS GATOS hereby authorizes CAMPBELL and its consultants, engineers, contractors (including but not limited to the Contractor), subcontractors, employees, representatives, and agents to enter upon the Dual Jurisdiction Section and other property owned and maintained by LOS GATOS and described in the Construction Documents as part of the Annual Street Maintenance Project 22-BB: Collector & Residential Street Resurfacing Program (herein “Project 22-BB”), for the purposes and upon the terms and conditions described in this Agreement.

**2. PROJECT DESCRIPTION:**

The locations of work for the PROJECT are: W. Parr Avenue (from Pollard Road to Capri Drive), Capri Drive (from W. Parr Avenue to Division Street), and Division Street (from Capri Drive to Winchester Boulevard). These streets were identified as needing preventive maintenance work given their current condition. Based on the pavement management system database maintained by CAMPBELL, the average pavement condition index of W. Parr Avenue is 49, Capri Drive is 55, and Division Street is 42 as of September 2021.

The City limit between CAMPBELL and LOS GATOS along W. Parr Avenue (from Pollard Road to Capri Drive), Capri Drive (from W. Parr Avenue to Division Street), and Division Street (from Capri Drive to Winchester Boulevard) is approximately in the center of the street, and CAMPBELL and LOS GATOS each maintains its respective half of the street within its jurisdiction.

CAMPBELL is planning to resurface the portions of W. Parr Avenue (from Pollard Road to Capri Drive), Capri Drive (from W. Parr Avenue to Division Street), and Division Street (from Capri Drive to Winchester Boulevard) within its jurisdiction via a construction contractor procured through CAMPBELL's public works bidding.

It is within the public's interest to also resurface the portions of the street within LOS GATOS' jurisdiction so that the street is completely resurfaced within these limits. CAMPBELL is including those portions of W. Parr Avenue (from Pollard Road to Capri Drive), Capri Drive (from W. Parr Avenue to Division Street), and Division Street (from Capri Drive to Winchester Boulevard) that lie within LOS GATOS in its public works construction contract with the understanding that LOS GATOS will pay for the resurfacing work in LOS GATOS' jurisdiction under this Agreement.

The project will resurface approximately 2676 linear feet of pavement along W. Parr Avenue (from Pollard Road to Capri Drive), 310 linear feet of pavement along Capri Drive (from W. Parr Avenue to Division Street) and resurface approximately 500 linear feet of pavement along Division Street (from Capri Drive to Winchester Boulevard).

Therefore, CAMPBELL and LOS GATOS will each be responsible for 50% of project construction costs related to the roadway resurfacing (ie. traffic control, surface treatment, pavement striping and utility adjustments to grade that lie on top of the jurisdictional boundary line). Moreover, CAMPBELL and LOS GATOS will be 100% responsible for construction costs related to all work within its own jurisdiction (digouts, concrete improvements, and utility adjustments).

The scope of work for Project 22-BB and PROJECT is identified in Exhibit "A", and the cost estimate in Exhibit "B". Both Exhibits are attached to and incorporated into this Agreement by reference.

**3. PROJECT COST:**

As used in this Agreement, the term PROJECT cost(s) is defined to mean the actual amount paid to the Contractor for the PROJECT, under Project 22-BB, plus ten percent (10%) for CAMPBELL'S engineering, construction management and other administrative services and a ten percent (10%) construction contingency.

**4. EXPRESS CONDITIONS PRECEDENT:**

The following are express conditions precedent to CAMPBELL's obligations to construct the PROJECT under this Agreement:

- A. The bids received by CAMPBELL for Project 22-BB (which includes, but is not limited to, the PROJECT) must be within CAMPBELL's approved budget; and
- B. The contract for Project 22-BB must be awarded to a contractor and the contract (which includes and incorporated the Contract Documents) must be duly executed by CAMPBELL and such CONTRACTOR. CAMPBELL reserves the right to reject any or all bids.

**5. CAMPBELL'S OBLIGATIONS:**

CAMPBELL agrees as follows:

- A. To act as the lead agency to administer the design and construction of the PROJECT. Administration shall include preparation of specifications, contract documents and cost estimate; notification of local business; coordination with various agencies; preparation of all necessary environmental documents; obtaining permits; obtaining bids; awarding the construction agreement; administering the construction agreement; providing materials control and inspection services; and making progress payments to the Contractor.
- B. To provide LOS GATOS with a copy of the final Project 22-BB specifications and Contract Documents for the PROJECT.
- C. To pay for 50% of the Construction Cost which is considered to be CAMPBELL's share of the PROJECT. The Construction Cost is defined as the actual amount paid to the construction contractor under the construction agreement administered by CAMPBELL for the work described in this Agreement ("Construction Cost"). CAMPBELL shall pay the construction contractor for the full amount of the Construction Cost under CAMPBELL's construction agreement with the construction contractor, and then be reimbursed by LOS GATOS for LOS GATOS' share of the PROJECT.
- D. Any changes to the scope of work proposed by CAMPBELL or LOS GATOS that may increase the Construction Cost and each Party's share beyond the amounts set forth in

this Agreement shall be agreed in writing by both CAMPBELL or LOS GATOS prior to CAMPBELL authorizing its construction contractor to perform the work.

- E. CAMPBELL will not authorize its construction CONTRACTOR to perform work which would result in any additional cost above and beyond the amounts as set forth in this Agreement without prior agreement and written approval from LOS GATOS.
- F. To cause the CONTRACTOR to provide a warranty period of at least one (1) year from the date of Final Completion consistent with CAMPBELL'S public works construction Contract Documents.
- G. To require the CONTRACTOR to carry adequate insurance, including commercial general liability insurance with contractual liability coverage, automobile liability insurance (any auto), and workers compensation and employer's liability insurance, in accordance with applicable law and the Contract Documents.
- H. To cooperate with LOS GATOS should LOS GATOS raise any issues concerning CONTRACTOR'S work on the PROJECT in LOS GATOS' jurisdiction that requires correction prior to acceptance or within the applicable warranty or guarantee period.
- I. CAMPBELL shall keep LOS GATOS apprised of current construction schedule, status, delays, and any disputes affecting the PROJECT.
- J. The designated project manager for CAMPBELL for the duration of the PROJECT is Fredrick Ho (phone number: 408-866-2156; email: [fredh@campbellca.gov](mailto:fredh@campbellca.gov)). CAMPBELL's project manager shall have all the necessary authority to review, approve, and accept technical and professional work within the scope of the Agreement and shall serve as the principal point of contact with LOS GATOS. LOS GATOS may request documentation of such costs and may review the original invoices and weight certificates or request copies of same, which shall be provided within a reasonable time.

**6. LOS GATOS' OBLIGATION:**

LOS GATOS agrees as follows:

- A. To pay for 50% of the actual street resurfacing construction cost, which includes traffic control, rubber cape seal treatment, striping and any utilities adjustments that fall on the Dual Jurisdictional boundary line, and 100% of the cost for tree trimming, tree removal, stump grinding, root removal, digouts, concrete improvements, and utility adjustments that are solely in LOS GATOS' jurisdiction, plus an additional 10% to pay for Project Delivery, which is considered to be LOS GATOS' share of the project, up to a maximum amount of **THREE-HUNDRED THIRTY-FIVE THOUSAND DOLLARS** (\$335,000). This maximum amount is set as approximately 10% above LOS GATOS' share of the project cost based upon the engineer's estimate. Project Delivery, considered as 10% of the Construction Cost for the purposes of this Agreement, is defined as

engineering, construction management, and associated management and administrative services provided by CAMPBELL as lead agency for the PROJECT (“Project Delivery”). LOS GATOS agrees to provide CAMPBELL the design/layout for the removal and replacement of the commercial driveway at Villa Vasona Apartments (626 West Parr Avenue), obtain the necessary Right of Entry (permission from the property owner) to enter their private property to construct the new driveway improvements and utility coordination/assistance needed to adjust the PGE vault and pull-boxes located within the layout of the new driveway. Parties understand that the costs contemplated under this agreement are based upon engineer’s estimates and prior to public works bidding for PROJECT, as set forth in Exhibit “B”. The engineer’s estimate, as set forth in Exhibit “B”, includes a 10% construction contingency which is consistent with CAMPBELL’s practice for award of public works construction contracts in which the construction contract is awarded to the lowest responsive and responsible bidder along with a 10% construction contingency as an allowance for potential contract change orders. Should actual costs based upon CAMPBELL’s construction contractor’s public works bid cause LOS GATOS’ share to exceed the above maximum amount, Parties shall confer, and any agreement to increase the above maximum amount shall be documented in writing by a written amendment to this Agreement.

- B. Any changes to the scope of work proposed by CAMPBELL or LOS GATOS that may increase the Construction Cost and each Party’s share beyond the above maximum amount shall be agreed in writing by both CAMPBELL and LOS GATOS prior to CAMPBELL authorizing its CONTRACTOR to perform the work, and shall be documented by a written amendment to this Agreement.
- C. To pay its share of the PROJECT cost within forty-five (45) business days of receiving and approving the final detailed invoice from CAMPBELL, provided that the following conditions are met:
  - 1. The PROJECT has been completed and LOS GATOS has approved the portion of the work in its jurisdiction. Acceptance by LOS GATOS shall be made in writing to CAMPBELL; and
  - 2. The final detailed invoice sets forth the cost of construction of all PROJECT work based on the actual contract unit prices paid and negotiated change order(s), if any; and
  - 3. CAMPBELL shall invoice LOS GATOS only one (1) time which shall occur after PROJECT construction has been completed and LOS GATOS has approved the portion of work in its jurisdiction, and this invoice shall be considered as the final detailed invoice for the PROJECT.

LOS GATOS may request documentation of its share of the PROJECT Cost and may review the original invoices and weight certificates or request copies of same, which shall be supplied to LOS GATOS within a reasonable time. In the event LOS GATOS objects to any of the PROJECT

Costs set forth in the detailed invoice, LOS GATOS must notify CAMPBELL in writing no later than seven (7) business days after LOS GATOS receives the invoice. Such written notice must state the basis for LOS GATOS' objection. Pending resolution of any such objection, LOS GATOS shall timely pay to CAMPBELL all undisputed amounts.

- D. The designated project manager for LOS GATOS for the duration of the PROJECT is \_\_\_\_\_ (phone number: \_\_\_\_\_).  
LOS GATOS' project manager shall have all the necessary authority to direct technical and professional work within the scope of the Agreement and shall serve as the principal point of contact with CAMPBELL.

**7. CHANGES AND CLAIMS:**

- A. Any changes to and/or claims on the PROJECT work shall be processed in accordance with the change order, extra work, and claims provisions of the Contract Documents, including, but not limited to SP Section 7 "Claims", SJSS Section 4-1.03 "Changes", SJSS Section 4-1.07 "Differing Site Conditions", and SJSS Section 9-1.04 "Notice of Potential Claim", and CSS Section 9-1.07B "Final Payment and Claims". LOS GATOS shall be responsible for the costs of any changes, extra work and/or claims relating to the portions of the PROJECT located within the jurisdiction of LOS GATOS (including, the portions of the Dual Jurisdiction Section owned by LOS GATOS that is included in the PROJECT). CAMPBELL shall be responsible for the costs of any changes, extra work and/or claims relating to the portions of the PROJECT located within the jurisdiction of CAMPBELL (including, the portions of the Dual Jurisdiction Section owned by CAMPBELL that are included in the PROJECT).
- B. CAMPBELL will provide LOS GATOS with reasonable notice of any changes to the scope of work of the PROJECT that are beyond the PROJECT description identified in this Agreement and that may increase LOS GATOS' share of the PROJECT Cost. The Parties will cooperate in good faith to approve or reject any such changes and develop and agree upon a funding plan for any approved changes.
- C. LOS GATOS has committed the amount of up to THREE-HUNDRED THIRTY-FIVE THOUSAND DOLLARS (\$335,000) to CAMPBELL for the PROJECT consistent with this Agreement. The Parties mutually agree to cooperate in good faith to seek additional funding or to revise the scope of the PROJECT if the estimated PROJECT Cost becomes more costly than the funding committed by the Parties for their respective portions of the PROJECT.

**8. TERM OF AGREEMENT:**

- A. Unless otherwise modified by a written amendment to this Agreement, the term of this Agreement shall be two (2) years from the Effective Date or until the PROJECT acceptance by both Parties and final payments of all outstanding balances, whichever is sooner.

**9. OWNERSHIP AND MAINTENANCE:**

- A. Upon completion of all work under this Agreement, ownership and title to all materials, equipment and appurtenances installed as a part of the PROJECT within the City limits of CAMPBELL will automatically be vested in CAMPBELL, and all materials, equipment and appurtenances installed as a part of the PROJECT within the City limits of LOS GATOS will be vested in LOS GATOS, and no further agreement will be necessary to transfer ownership. The ownership of each Party's utility and storm drain facilities within the project area that existed prior to PROJECT shall remain unchanged.
- B. This Agreement does not change any authority or responsibility between CAMPBELL and LOS GATOS with regard to maintenance, operation or further repair of streets and property within their respective jurisdictional limits.

**10. CONTRACTOR SHALL BE AN INDEPENDENT CONTRACTOR:**

Any contractor(s) hired by either Party to perform the work included in the PROJECT shall not be an agent or employee of either Party and will perform such work as independent contractor. All persons employed by or contracted with such contractor(s) to furnish labor and/or materials in connection with the work in the PROJECT shall not be employees of either Party in any respect.

**11. TERMINATION:**

Once CAMPBELL has awarded the construction contract for the PROJECT, the Agreement can be terminated only upon the mutual written consent and terms acceptable to both Parties.

**12. NO PLEDGING OF EITHER PARTIES CREDIT:**

Under no circumstances shall either CAMPBELL or LOS GATOS have authority or power to pledge the credit of the other public entity or incur obligation in the name of the other public entity.

**13. NO THIRD-PARTY BENEFICIARY:**

This Agreement shall not be construed or deemed to be an agreement for the benefit of any third party or parties and no third party or parties shall have any claim or right of action hereunder for any cause whatsoever.

**14. AMENDMENTS:**

This Agreement may only be amended or modified in writing, signed by a duly authorized representative of each of the Parties. Neither Party may assign this Agreement unless this Agreement is amended in writing in accordance with this Section.

**15. NOTICES:**



As used in this Agreement, notice includes but is not limited to the communication of notice, request, demand, approval, statement, report, acceptance, consent, and waiver. Whenever, under the terms of this Agreement, it becomes necessary, appropriate, or desirable for a Party to give notice to the other Party, said notice shall be in writing and shall be considered given when personally delivered or given or mailed by commercial overnight courier service or by registered or certified United States mail return receipt requested, with first class postage prepaid, addressed as follows:

To CAMPBELL: Fredrick Ho  
Public Works Department  
City of Campbell  
70 N 1<sup>st</sup> Street  
Campbell, CA 95008

To LOS GATOS: WooJae Kim  
Public Works Department  
Town of Los Gatos  
41 Miles Avenue  
Los Gatos, CA 95030

Any Party may, by notice given at any time or from time to time, require subsequent notices to be given to another individual person, whether a party or an officer or representative, or to a different address, or both.

**16. SEVERABILITY CLAUSE:**

In case any one or more of the provisions contained herein shall, for any reason, be held invalid, illegal, or unenforceable in any respect, it shall not affect the validity of the other provisions which shall remain in full force and effect.

**17. ENCROACHMENT PERMITS:**

Both Parties to this Agreement will cooperate and /or provide access to its consultants, engineers and contractors for the PROJECT in the jurisdictional boundaries of each Party. CONTRACTOR shall obtain street opening permit from LOS GATOS and LOS GATOS shall provide such a permit at no cost. CAMPBELL shall include LOS GATOS in all construction meetings as appropriate including the preconstruction meeting with the Contractor and/or subcontractors.

**18. HOLD HARMLESS/INDEMNIFICATION:**

Neither of the respective Parties, employees, officers, agents and assigns shall be responsible for any damage or liability occurring by reason of anything done or omitted to be done by the other party in connection with the PROJECT.

It is understood and agreed that pursuant to California Government Code Section 895.4, the respective Parties shall fully indemnify and hold the other harmless from any liability imposed for injury (as defined in Government Code Section 810.8) by reason of anything done or omitted to be done by CAMPBELL or LOS GATOS in connection with any work, authority or jurisdiction delegated to the respective Party under this Agreement. This provision to hold harmless and indemnify shall apply to any activities, error or omission of the respective Party and/or the Party's officers, employees, agents, consultants or contractor or any person or entity acting or omitting to act for or on behalf of said CAMPBELL or LOS GATOS or such person or entities as are specifically authorized and empowered by the respective Party to act for the Party.

**19. CAPTIONS:**

The captions of the various sections, paragraphs and subparagraphs of this Agreement are for convenience only and shall not be considered nor referred to for resolving questions of interpretation of this Agreement.

**20. STATUTES AND LAW GOVERNING CONTRACT:**

This Agreement shall be governed and construed in accordance with the statutes and laws of the State of California. Any action or proceeding arising out of or relating to the Agreement shall be brought in a state or federal court situated in the County of Santa Clara, State of California.

**21. WAIVER:**

The Parties' waiver of any term, condition or covenant, or breach of any term, condition or covenant shall not be construed as a waiver of any other term, condition or covenant or breach of any other term, condition or covenant. No covenant, term, or condition of this Agreement may be waived except by written consent of the Party against whom the waiver is claimed and the waiver of any term, covenant or condition of this Agreement shall not be deemed a waiver of any subsequent breach of the same or any other term, covenant or condition of this Agreement.

**22. RELATIONSHIP:**

This Agreement between CAMPBELL and LOS GATOS does not create any relationship of co-partner, joint venture, principal and agent or employer and employee.

**23. CONSTRUCTION:**

Each Party acknowledges that it has reviewed this Agreement and that the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement.

**24. ENTIRE AGREEMENT:**

This Agreement and Contract Documents contains the entire agreement between CAMPBELL and LOS GATOS regarding the PROJECT. Any prior agreements, promises, negotiations, or representations not expressly set forth in this Agreement are of no force or effect.

**25. OTHER AGREEMENTS:**

This Agreement shall not prevent either Party from entering into similar agreements with others. The Parties acknowledge and accept the terms and conditions of this Agreement as evidenced by the following signatures of their duly authorized representatives. It is the intent of the Parties that this Agreement shall become operative on the Effective Date.

**26. COUNTERPARTS, ELECTRONIC SIGNATURES:**

This Agreement may be executed in any number of counterparts and by each party in separate counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which taken together shall constitute one and the same instrument. Electronic signatures (signatures scanned and transmitted by e-mail) may be used in place of original signatures on this Agreement or any document delivered pursuant hereto. The Parties intend to be bound by the electronic signatures on the scanned/e-mailed document, are aware that the other Party will rely on such signatures, and hereby waive any defenses to the enforcement of the terms of this Agreement based on the form of signature.

[SIGNATURES ON FOLLOWING PAGE]



## EXHIBIT "A": SCOPE OF WORK & LOCATION MAP

The work to be performed under this Agreement consists of street resurfacing 2676 linear feet of pavement along W. Parr Avenue (from Pollard Road to Capri Drive), 310 linear feet of pavement along Capri Drive (from W. Parr Avenue to Division Street) and resurface approximately 500 linear feet of pavement along Division Street (from Capri Drive to Winchester Boulevard). The street resurfacing treatment is a rubber cape seal.

Ancillary work required to perform the street resurfacing includes the following: traffic control; installation of concrete improvements such as accessibility ramps, the removal and replacement of sidewalk, driveway, curb and gutter; repairing isolated pavement failure areas (ie. digouts); removal of existing striping, pavement markers and markings; weed abatement; adjustment of utility appurtenances such as manholes, valve boxes, and survey monument boxes; installation of permanent striping, pavement markers and markings; public notification; utility coordination; and all other incidentals necessary to complete the work.

The city limits between CAMPBELL and LOS GATOS along W. Parr Avenue (from Pollard Road to Capri Drive), Capri Drive (from W. Parr Avenue to Division Street), and Division Street (from Capri Drive to Winchester Boulevard) are approximately in the center of the street. For the purposes of this Agreement, 50% of the PROJECT is considered to be within CAMPBELL, and 50% of the PROJECT is considered to be within LOS GATOS.

CAMPBELL will construct 4 ADA compliant accessibility ramps; remove and replace approximately 114 linear feet of curb and gutter; stump grind and remove associated tree roots in the park-strip; plant one new 24" box tree; remove and replace the existing driveway at Villa Vasona Apartments; and relocate 1 street name sign post for LOS GATOS. All of the aforementioned work is 100% within LOS GATOS' jurisdiction and LOS GATOS agrees to pay 100% of the construction cost plus project delivery on these work items (10% of construction costs).

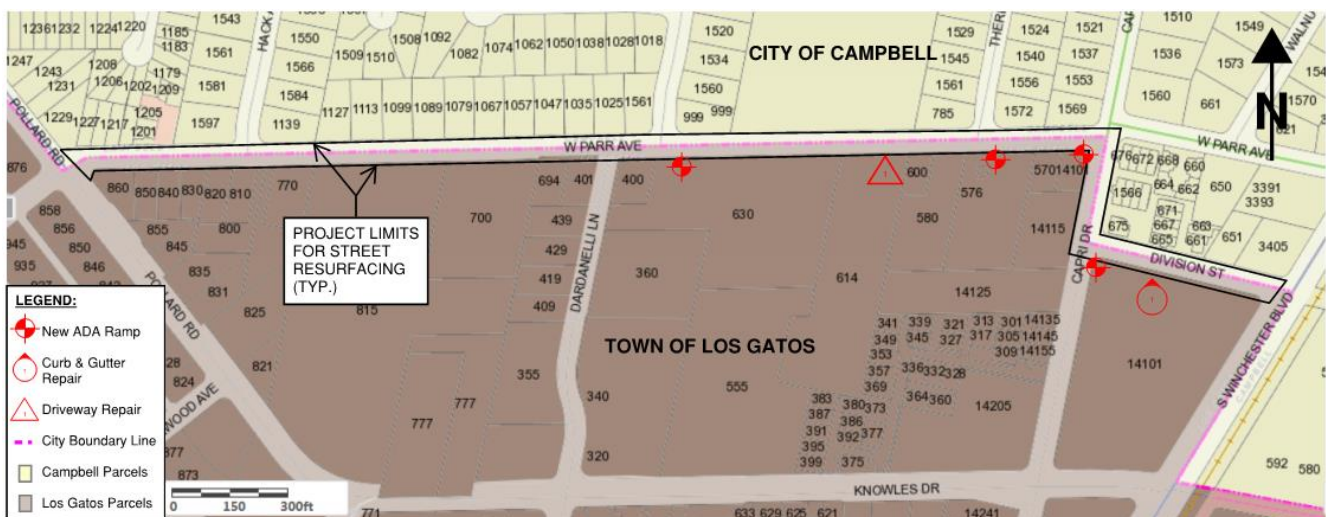


Figure 1: Location Map

**EXHIBIT "B"**  
**COST ESTIMATE**

BASE BID ITEMS:			ENGINEER'S ESTIMATE	
DESCRIPTION	UNIT	TOTAL EST. QUANTITY	UNIT PRICE	AMOUNT
Traffic Control and Public Safety	LS	1.00	\$ 25,000.00	\$ 25,000.00
Tree Trimming and Landscape Obstruction Removal Allowance	ALLOW	1.00	\$ 3,000.00	\$ 3,000.00
Remove and Replace Curb and Gutter	LF	114.00	\$ 120.75	\$ 13,765.50
Remove and Replace Driveway	SF	473.00	\$ 32.05	\$ 15,159.65
Install Case C Ramp	EA	4.00	\$ 7,140.00	\$ 28,560.00
Tree Removal & Stump Grinding	EA	1.00	\$ 3,360.00	\$ 3,360.00
2" AC Pavement Restoration Adjacent to Concrete Improvements (Type A 1/2" Max. Medium HMAC)	SF	718.00	\$ 15.50	\$ 11,129.00
4" Depth Digouts	SF	8,715.00	\$ 6.00	\$ 52,290.00
Removal of Existing Striping, Pavement Markers & Markings	LS	1.00	\$ 5,000.00	\$ 5,000.00
Rubber Chip Seal / SAMI	SY	6,748.50	\$ 6.30	\$ 42,515.55
Type II Polymer Modified Slurry Seal	SY	6,748.50	\$ 2.75	\$ 18,558.38
Detail 2 Striping	LF	496.00	\$ 0.75	\$ 372.00
Detail 22 Striping	LF	503.50	\$ 1.75	\$ 881.13
Detail 27 Striping	LF	80.00	\$ 1.50	\$ 120.00
12" Yellow Stripe - THERMO	LF	196.50	\$ 5.00	\$ 982.50
12" White Line - THERMO	LF	128.50	\$ 5.00	\$ 642.50
"STOP" Legend - THERMO	EA	3.00	\$ 136.50	\$ 409.50
Shared Roadway Bicycle Marking / Sharrow - THERMO	EA	13.00	\$ 100.00	\$ 1,300.00
Blue Fire Hydrant Marker	EA	3.00	\$ 20.50	\$ 61.50
Relocate Ex. Sign w/ New Post	EA	1.00	\$ 341.25	\$ 341.25
Adjust STORM DRAIN MANHOLE to Grade	EA	12.00	\$ 1,260.00	\$ 15,120.00
24" Box Tree w/ Mulch	EA	1.00	\$ 1,000.00	\$ 1,000.00
<b>BASE BID TOTAL:</b>				<b>\$ 239,568.45</b>
<b>ADDITIVE ALTERNATE BID SCHEDULE "A"</b>				
DESCRIPTION	UNIT	TOTAL EST. QUANTITY	UNIT PRICE	AMOUNT
Adjust WVSD SSMH to Grade	EA	8.00	\$ 1,522.50	\$ 12,180.00
<b>ADDITIVE ALTERNATE SCHEDULE "A" - WEST VALLEY SANITATION DIST. SUBTOTAL:</b>				<b>\$ 12,180.00</b>
<b>ADDITIVE ALTERNATE BID SCHEDULE "B"</b>				
Adjust SJWC WV to Grade	EA	2.00	\$ 882.00	\$ 1,764.00
<b>ADDITIVE ALTERNATE BID SCHEDULE "B" - SAN JOSE WATER COMPANY SUBTOTAL:</b>				<b>\$ 1,764.00</b>

Construction Contract (BASE BID + ADD ALTS)	\$ 253,512.45
20% Construction Contingency	\$ 50,702.49
Est. Construction Contract	\$ 304,214.94
10% Project Delivery	\$ 30,421.49
<b>ESTIMATED TOTAL PROJECT COST:</b>	<b>\$ 334,636.43</b>
<b>ROUND UP:</b>	<b>\$ 335,000.00</b>



**TOWN OF LOS GATOS  
COUNCIL AGENDA REPORT**

MEETING DATE: 12/21/2021

ITEM NO: 12

---

DATE: December 16, 2021  
TO: Mayor and Town Council  
FROM: Laurel Prevetti, Town Manager  
SUBJECT: Review the Local Roadway Safety Plan Progress Report

**RECOMMENDATION:**

Review the Local Roadway Safety Plan (LRSP) progress report.

**BACKGROUND:**

The Town received a Highway Safety Improvement Program (HSIP) grant in an amount of \$72,000 from Caltrans in 2019 to prepare a Local Roadway Safety Plan (LRSP). Preparing an LRSP provides an opportunity to address unique roadway safety needs in Los Gatos while contributing to the success of the State's Strategic Highway Safety Plan.

The LRSP is included in the Town's adopted Fiscal Year (FY) 2020/21-2024/25 Capital Improvement Program (CIP). At the October 6, 2020 meeting, the Town Council approved a Request for Proposals and authorized the Town Manager to negotiate and execute a Consultant Agreement with highest scored proposer. Fehr & Peers was selected as the consultant to assist the Town in preparing the LRSP in an amount not to exceed \$80,000.

The LRSP will help establish a framework and process for identifying, analyzing, and prioritizing roadway safety improvements on local and rural streets. The LRSP will result in a toolbox of countermeasures to address the safety patterns as well as proposed projects to improve safety at key locations. Completing the LRSP will allow the Town to be eligible for applying and receiving additional HSIP funds in future years.

**DISCUSSION:**

The Town began the LRSP process in January 2021. To date, the project team, made up of Town staff and Fehr & Peers staff, has completed several major tasks, as summarized below.

**PREPARED BY:** Ying Smith  
Transportation and Mobility Manager

---

Reviewed by: Assistant Town Manager, Town Attorney, and Parks and Public Works Director

---

DISCUSSION (continued):

1. Vision Statement

“The Town is fully committed to ending traffic-related deaths and injuries on Town streets. By taking a systemic safety approach, the Town will utilize targeted enforcement, improved street design, and public collaboration to achieve meaningful results in preventing traffic collisions.”

2. Existing Conditions and Safety Data Analysis: The latest available five-year collision data was analyzed and compared with contextual and roadway data. The project team also interviewed the Police Department and other stakeholders.

3. Collision Profiles: The project team identified the top ten profiles, which represent the collision characteristics and contextual factors associated with notable collision types occurring in Los Gatos based on the analysis of collision history.

4. Community Engagement: The project team provides updates and shares reports on the project webpage, regularly presents at the Complete Streets and Transportation Commission (CSTC) meetings, held a Safety Partners meeting, engaged the public at the Farmers’ Market pop up event, and conducted a community survey.

5. Priority Emphasis Areas: These emphasis areas were selected based on the safety data analysis, collision profile development, stakeholder input and evaluated with the Town’s CIP projects.

- Blossom Hill Rd and Vasona Park Road
- Tait Avenue: between Main Street and Los Gatos - Saratoga Road
- S. Santa Cruz Avenue: between Main Street and Los Gatos - Saratoga Road
- N. Santa Cruz Avenue: between Blossom Hill Road and Thurston Street
- Los Gatos Boulevard: between Bennett Way to Garden Lane

The Local Roadway Safety Plan Progress Report (Attachment 1) was prepared in a presentation format to provide a high-level summary of the above completed tasks. The following remaining tasks will be completed in early 2022:

6. Walk Audit: The project team plans to discuss the draft countermeasures in the Priority Emphasis Areas with the Safety Partners.

7. Countermeasures: The project team will identify a toolkit of the most useful countermeasures for identified emphasis areas and select the most effective candidates for specific priority locations.



PAGE 3 OF 3

SUBJECT: Local Roadway Safety Plan Progress Report

DATE: December 16, 2021

DISCUSSION (continued):

8. Final Report: The technical data, detailed analysis, and recommendations will be included in the Final Report. Staff plans to present the Final Report for the Town Council's consideration in March 2022.

Starting in 2022, a complete LRSP will be required for an agency to be eligible to apply for funding in the HSIP program. The Town's LRSP will be completed in time for the Town to be eligible for the next cycle in spring 2022.

CONCLUSION:

Staff recommends the Town Council review the Local Roadway Safety Plan Progress Report and provide feedback.

COORDINATION:

The CSTC has received regular updates on the project progress and provided input.

ENVIRONMENTAL ASSESSMENT:

This is not a project defined under CEQA, and no further action is required.

Attachment:

1. Local Roadway Safety Plan Progress Report



# Town of Los Gatos Local Roadway Safety Plan Progress Report

*December 2021*

ATTACHMENT 1



# Progress Report Outline

1. Vision Statement
2. Existing Conditions and Safety Data Analysis
3. Collision Profiles
4. Community Engagement
5. Priority Emphasis Areas



# Why is an LRSP Important?

- An LRSP provides a framework for organizing stakeholders to **identify, analyze, and prioritize** roadway safety improvements on local and rural roads.
- Implementing a Local Roadway Safety Plan will be **required** for agencies to apply for Caltrans Highway Safety Improvement Program (HSIP) Cycle 11 funds, to be released in Spring 2022.
- Employing a systemic analysis allows the Town to leverage a proactive safety approach that focuses on **evaluating an entire roadway network** using a defined set of criteria reliant upon context rather than raw number of crashes alone.
- This LRSP aspires toward **zero fatalities and severe injuries** with a Safe System approach, focusing on safe vehicles, speeds, road users, road design, and post-crash care.





# What Is an LRSP?

■ LRSP components required by Caltrans  
■ Potential enhancements



Strategic Planning  
Vision Statement  
and Goals



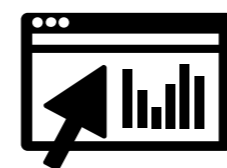
Partnerships  
Develop internal  
partnerships



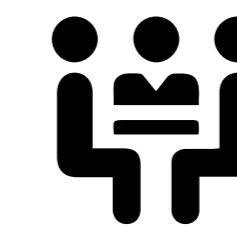
Public Outreach  
Plan process includes public  
outreach



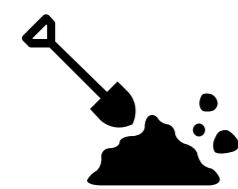
Discussion of Existing  
Efforts



Systemic and Data-Driven  
Analysis



Strategies for Education,  
Enforcement, and  
Emergency Services



Strategies for  
Evaluation and  
Implementation



High-Injury Network  
(HIN) Identification



Project Prioritization or  
Location-Specific  
Engineering  
Recommendations



# 1. Vision Statement

“

The Town is fully committed to ending traffic-related deaths and injuries on Town streets. By taking a systemic safety approach, the Town will utilize targeted enforcement, improved street design, and public collaboration to achieve meaningful results in preventing traffic collisions.

”



# Existing Efforts and Data: Los Gatos Plans

- **2020 Bicycle & Pedestrian Master Plan** was created to provide information on pedestrian and bicycle infrastructure projects. The 2020 update focuses on improving walking and bicycle safety and accessibility.
- **2020 General Plan** identifies concerns in transportation infrastructure and circulation and outlines goals and plans of actions to address these concerns.
- **2016 Traffic Around School Study** was implemented to help make walking and bicycling the preferred mode of travel to school.
- **Connect Los Gatos Community Engagement Plan** outlines resources that will be used to engage with the community to communicate about active transportation projects.
- **2020 Community Survey** was created to engage with the community and raise awareness of the Connect Los Gatos Plan.
- **2018 Student Travel Study** was designed to better understand student's and parent's opinions of what improvements would be beneficial to the students who walk or bike to school.





# Existing Efforts and Data: Police Department Input

- **Feedback on Key Collision Locations**

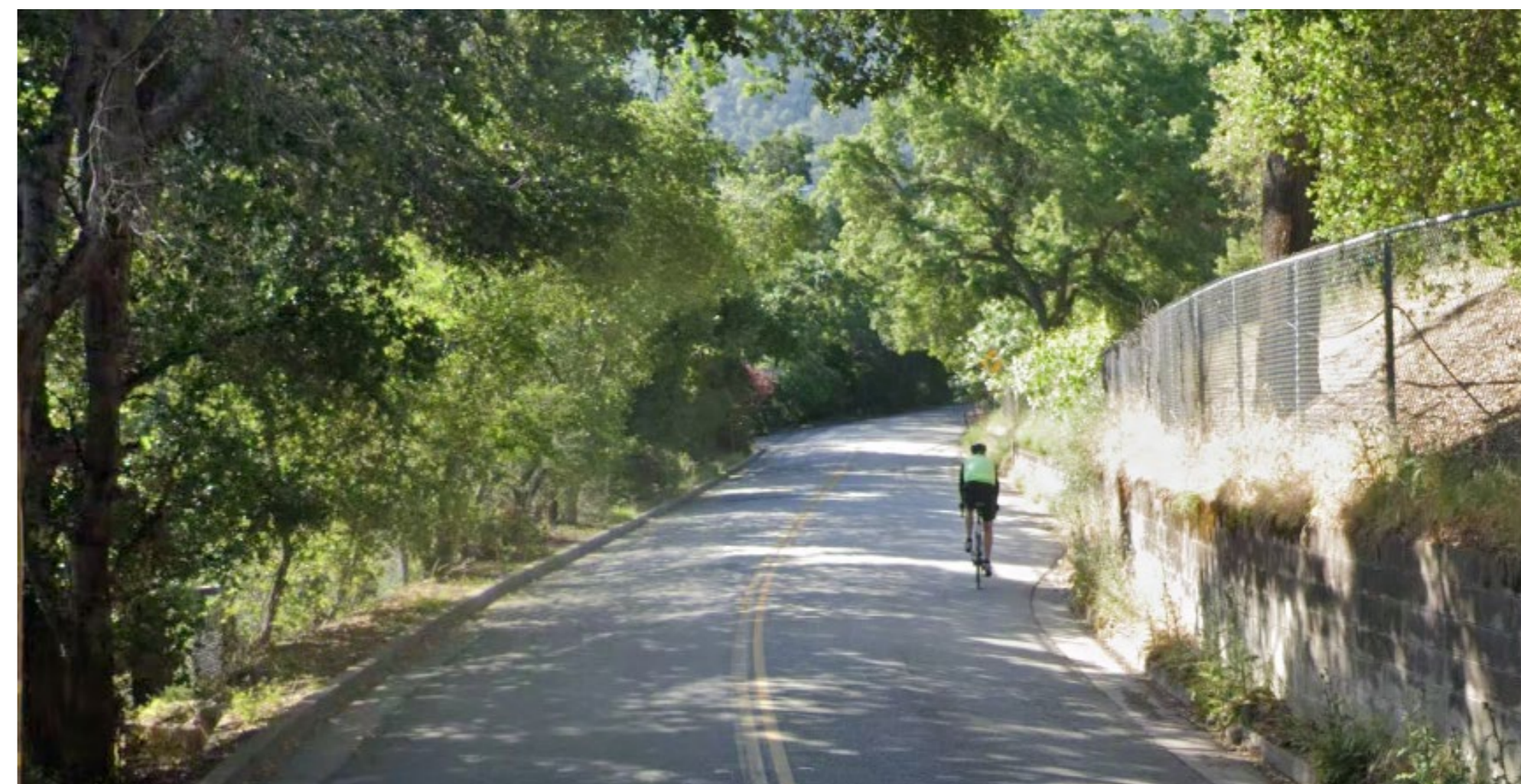
- Focused on major corridors, particularly Highway 9 (Los Gatos Saratoga Road) at busier cross streets
- Turns along Los Gatos Boulevard and Winchester Boulevard
- School crossing locations

- **Common Collision Factors**

- Left turns, speeding, ROW violations
- Distractions

- **Unreported Collision Occurrences**

- Bicyclist crashes not involving vehicles
- Crashes occurring in rural/mountain areas







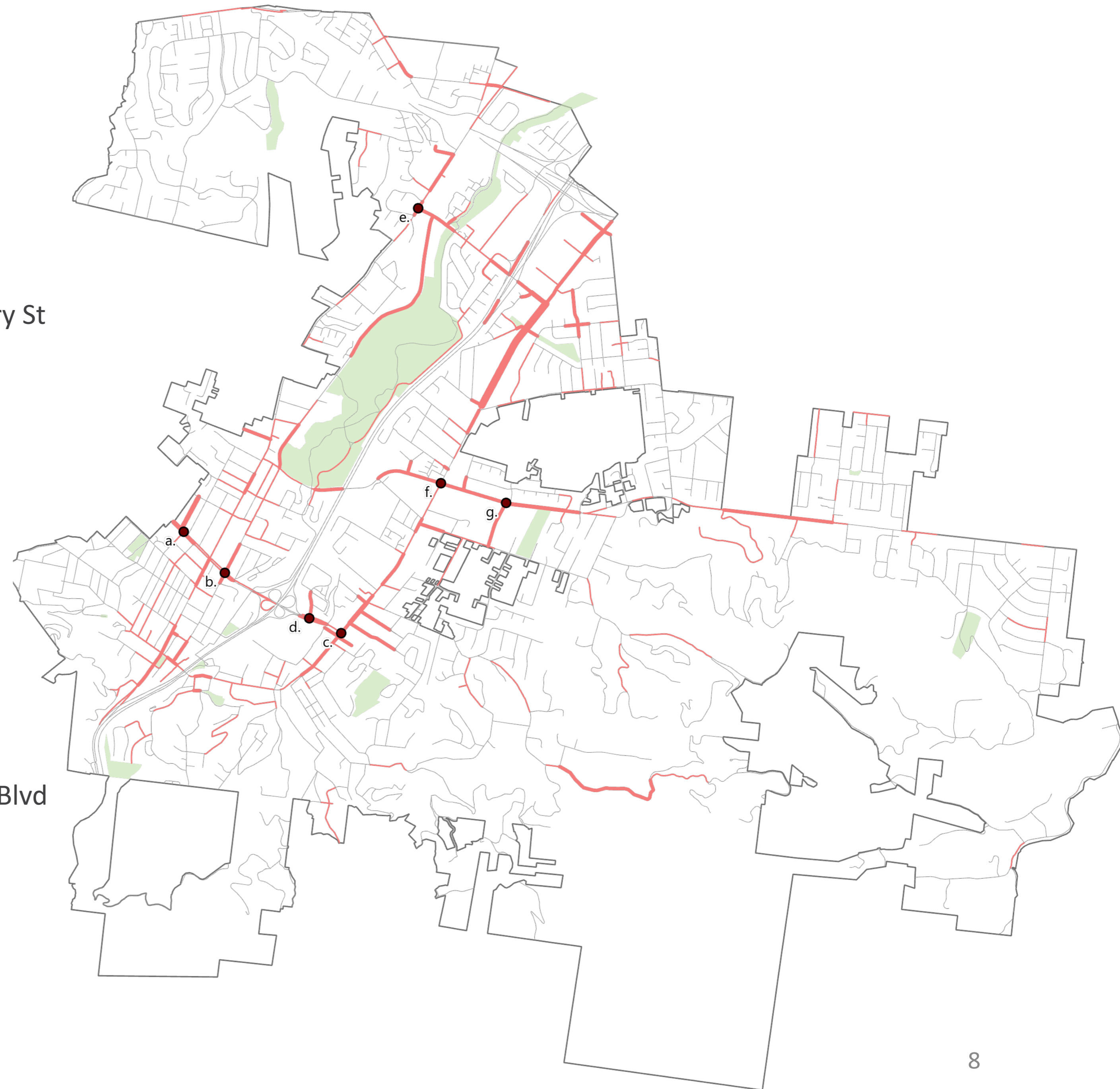
# Top Collision Locations

## Key Collision Locations

- a. Los Gatos Saratoga Rd and Massol Ave/Montgomery St
- b. Los Gatos Saratoga Rd and University Ave
- c. Los Gatos Saratoga Rd and Los Gatos Blvd
- d. Los Gatos Saratoga Rd and Alberto Way
- e. Winchester Blvd and Lark Ave
- f. Los Gatos Blvd and Blossom Hill Rd
- g. Blossom Hill Rd and Cherry Blossom Lane

## Key Collision Corridors

- Los Gatos Blvd: SR-85 to Simons Way
- Los Gatos Saratoga Rd: Montgomery St to Los Gatos Blvd
- Blossom Hill Rd: Roberts Rd to Hillbrook Dr
- Santa Cruz Ave: Blossom Hill Rd to Wood Rd
- University Ave: Vasona Oaks Dr to Lark Ave
- Lark Ave: Winchester Blvd to Los Gatos Blvd





# Injury Collisions Data Source

Analysis Period: 2015-2019

Coverage: Local Public Streets (excluding SR-17 & SR-85 freeways)

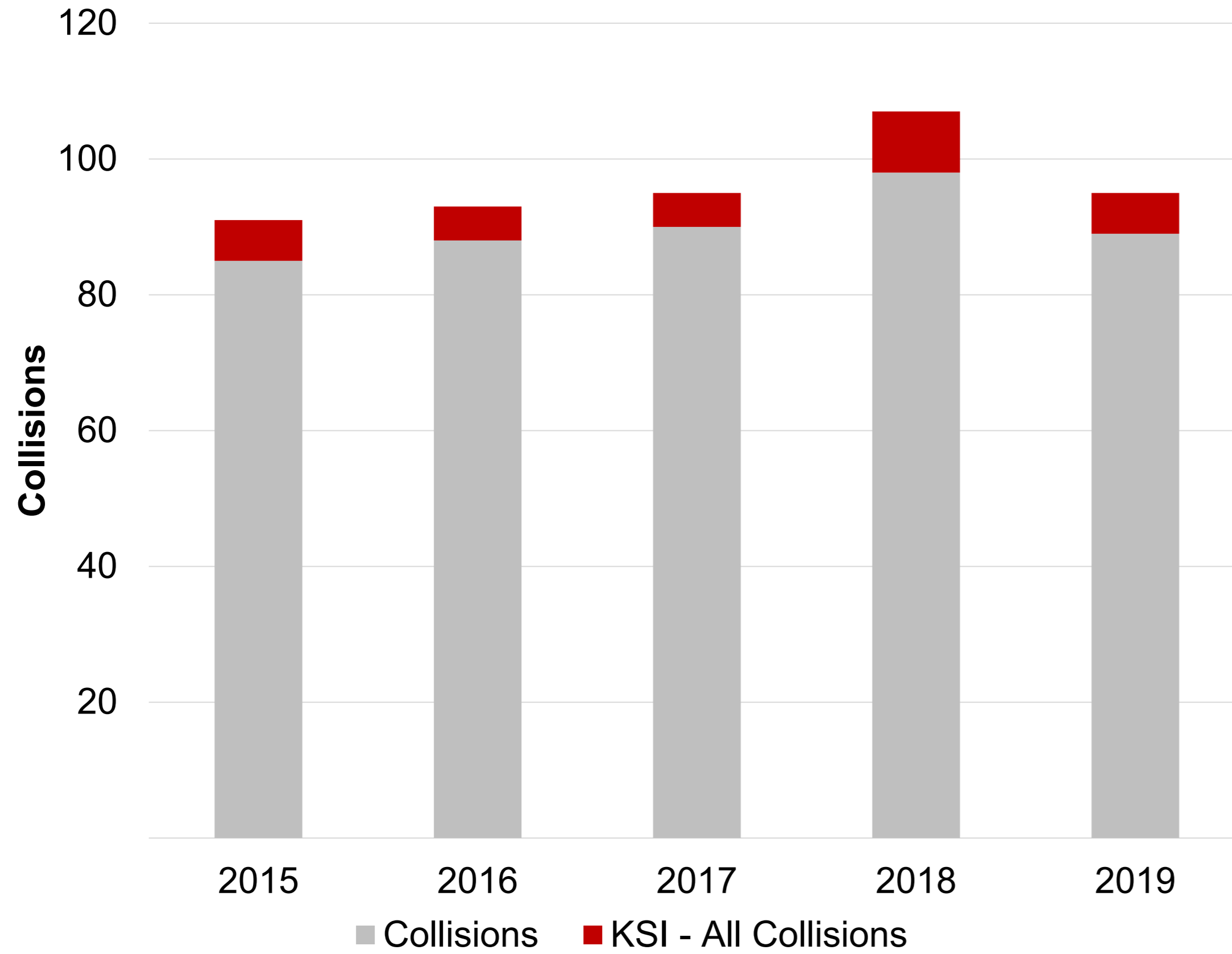
Data Source: Injury Collisions Reported to Los Gatos Monte Sereno Police Department, Accessed via Transportation Injury Mapping System (TIMS)



■ Collisions ■ KSI - All Collisions  
KSI: Killed or Severe Injured



# Injury Collisions by Year

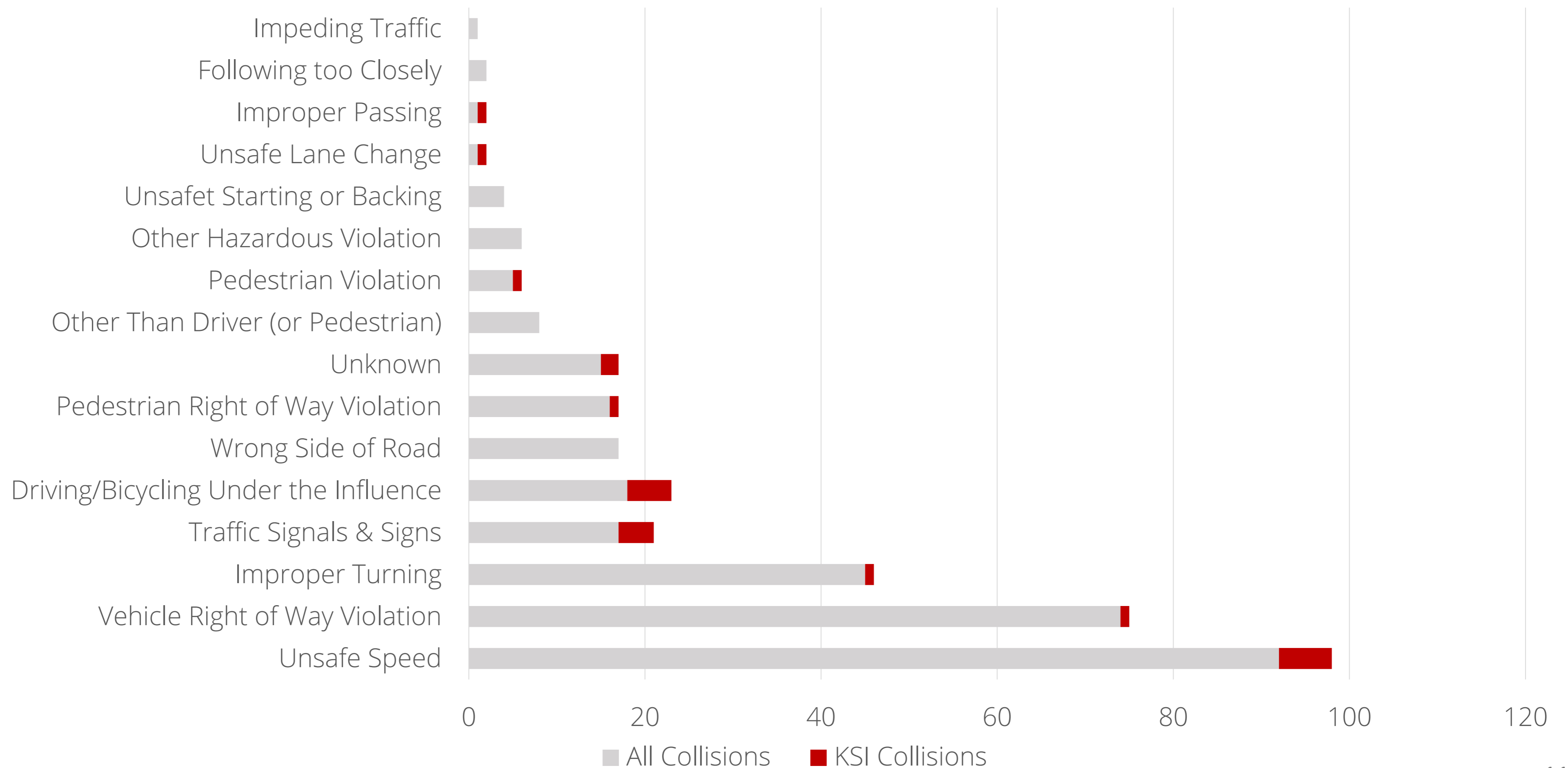


KSI: Killed or Severe Injured



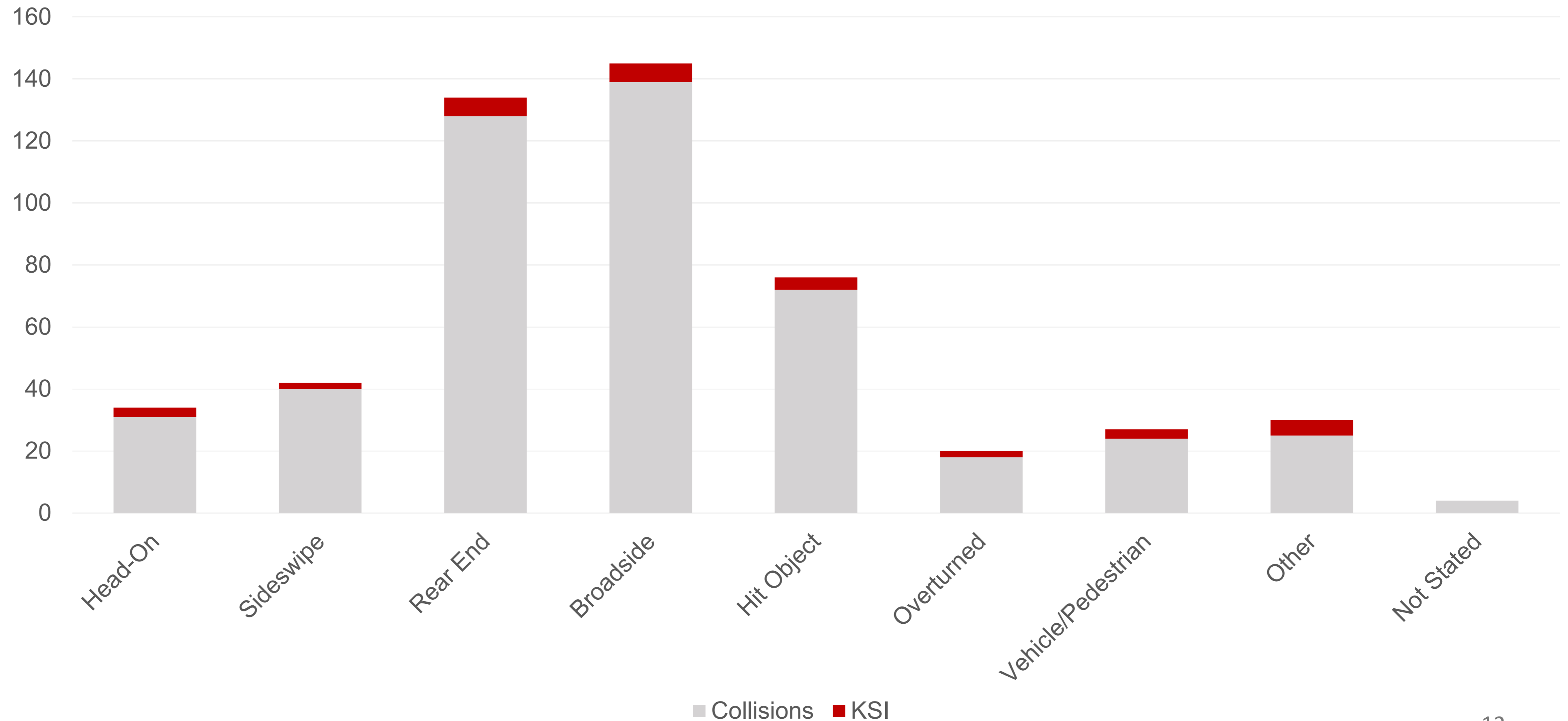


# Injury Collisions by Primary Collision Factor



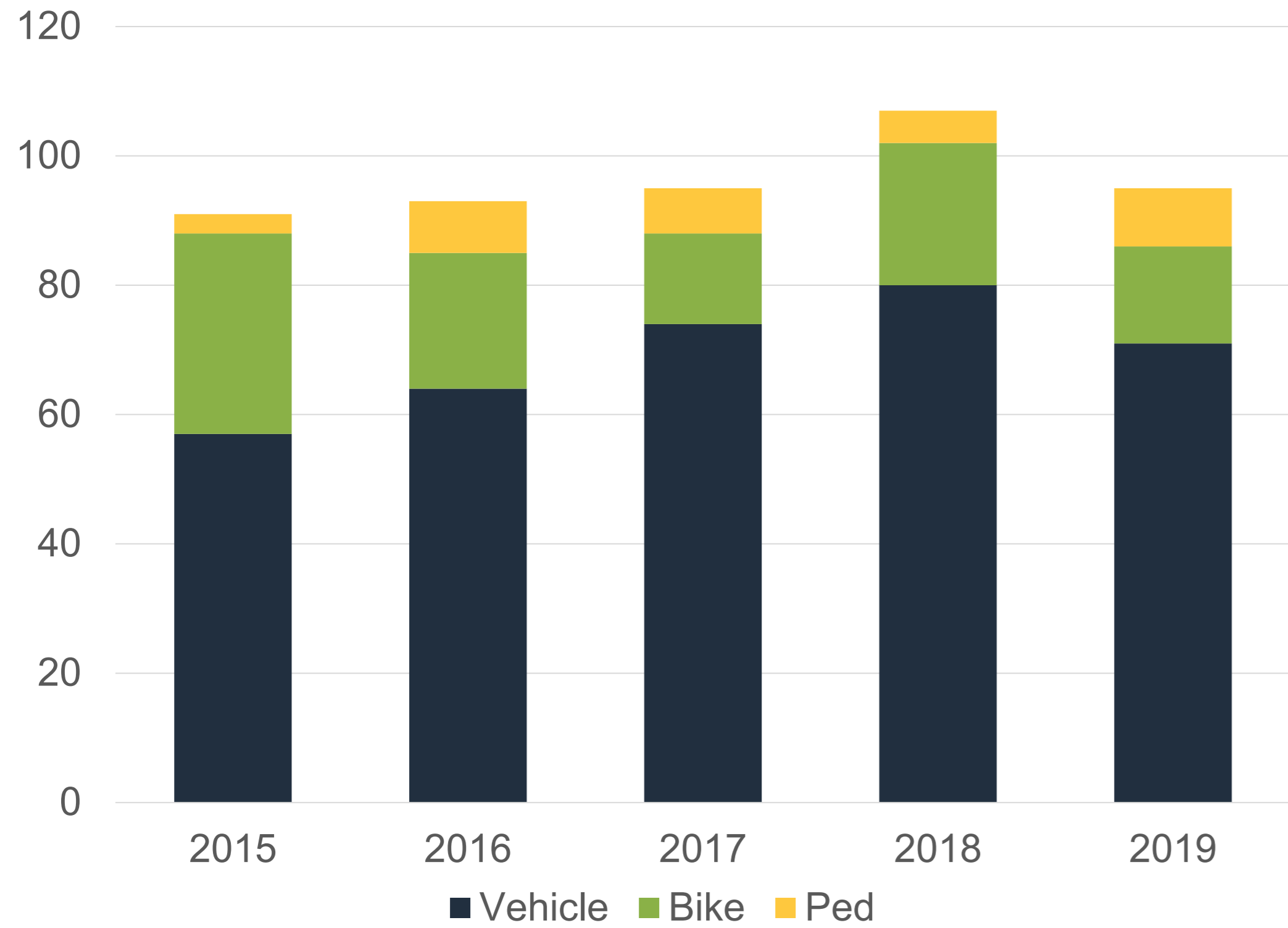


# Injury Collisions by Collision Type



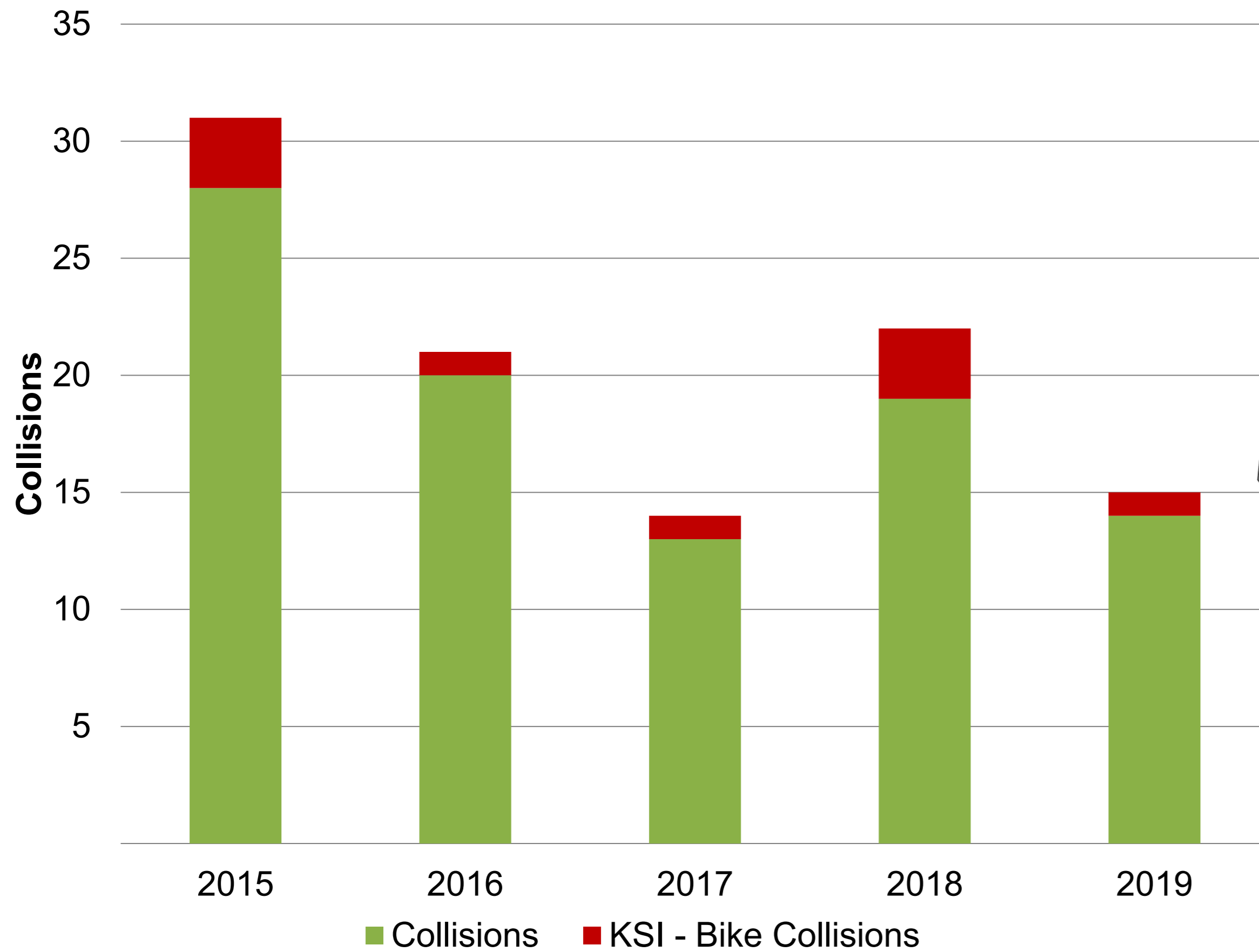


# Injury Collisions by Involvement



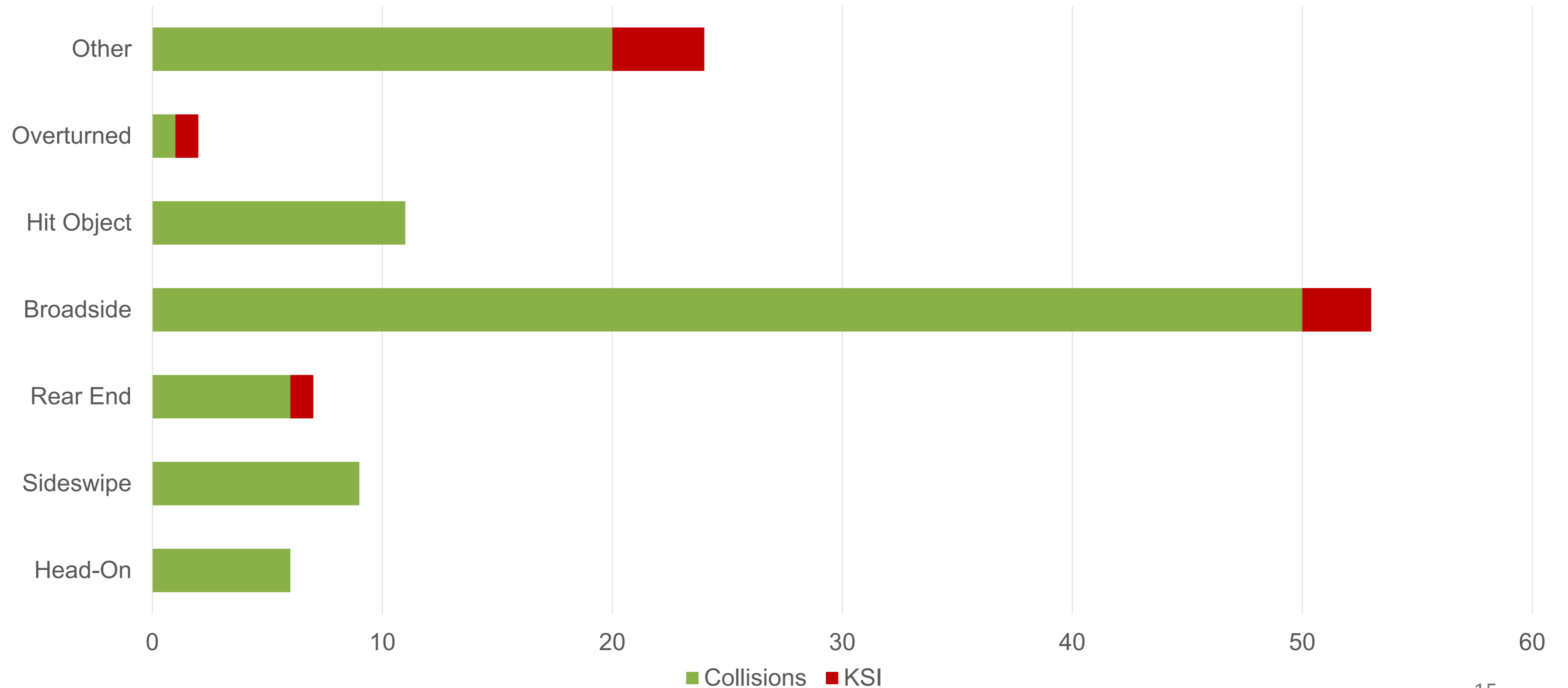


# Bicycle Involved Injury Collisions





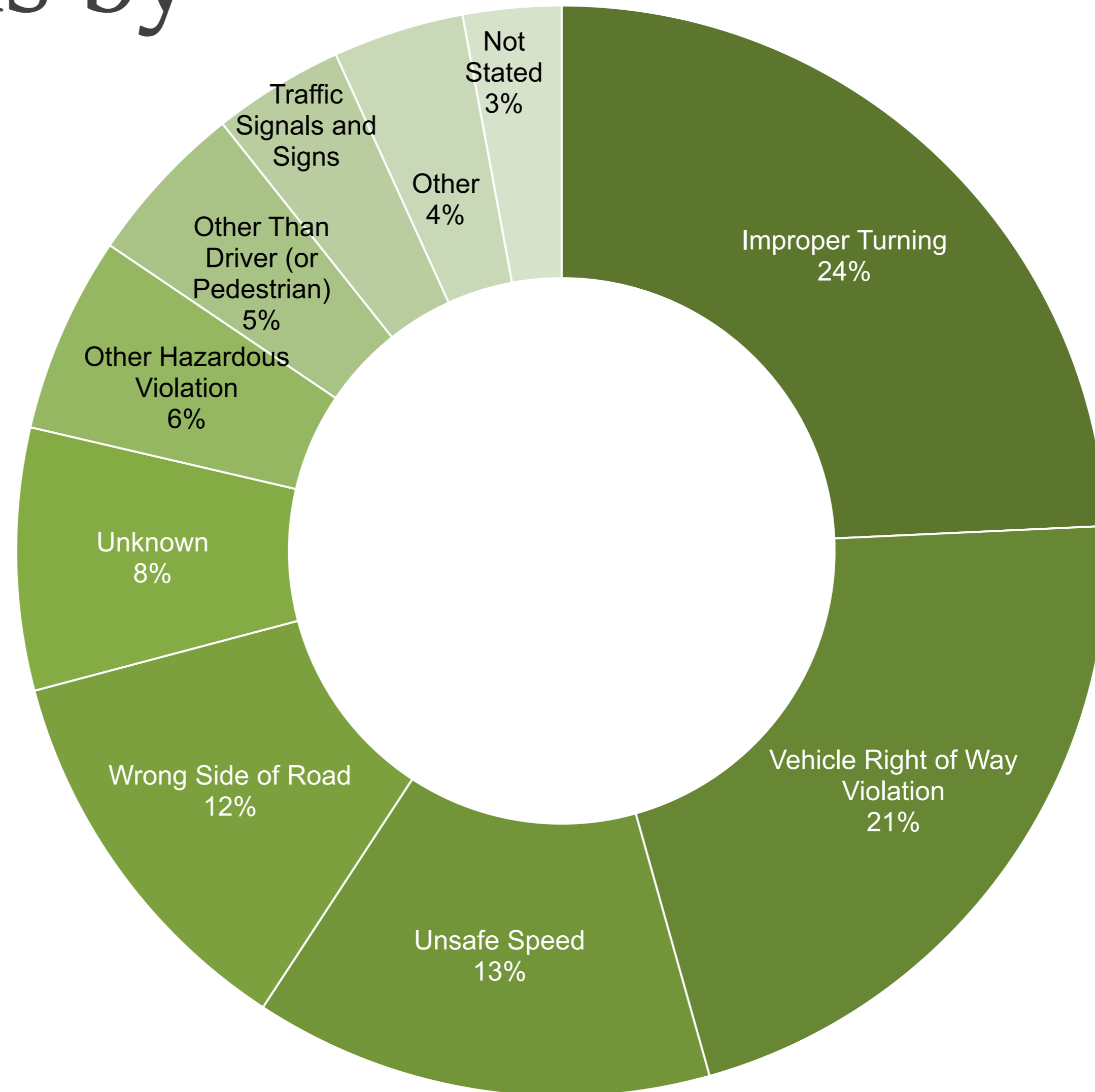
# Bicycle Involved Injury Collisions by Collision Type





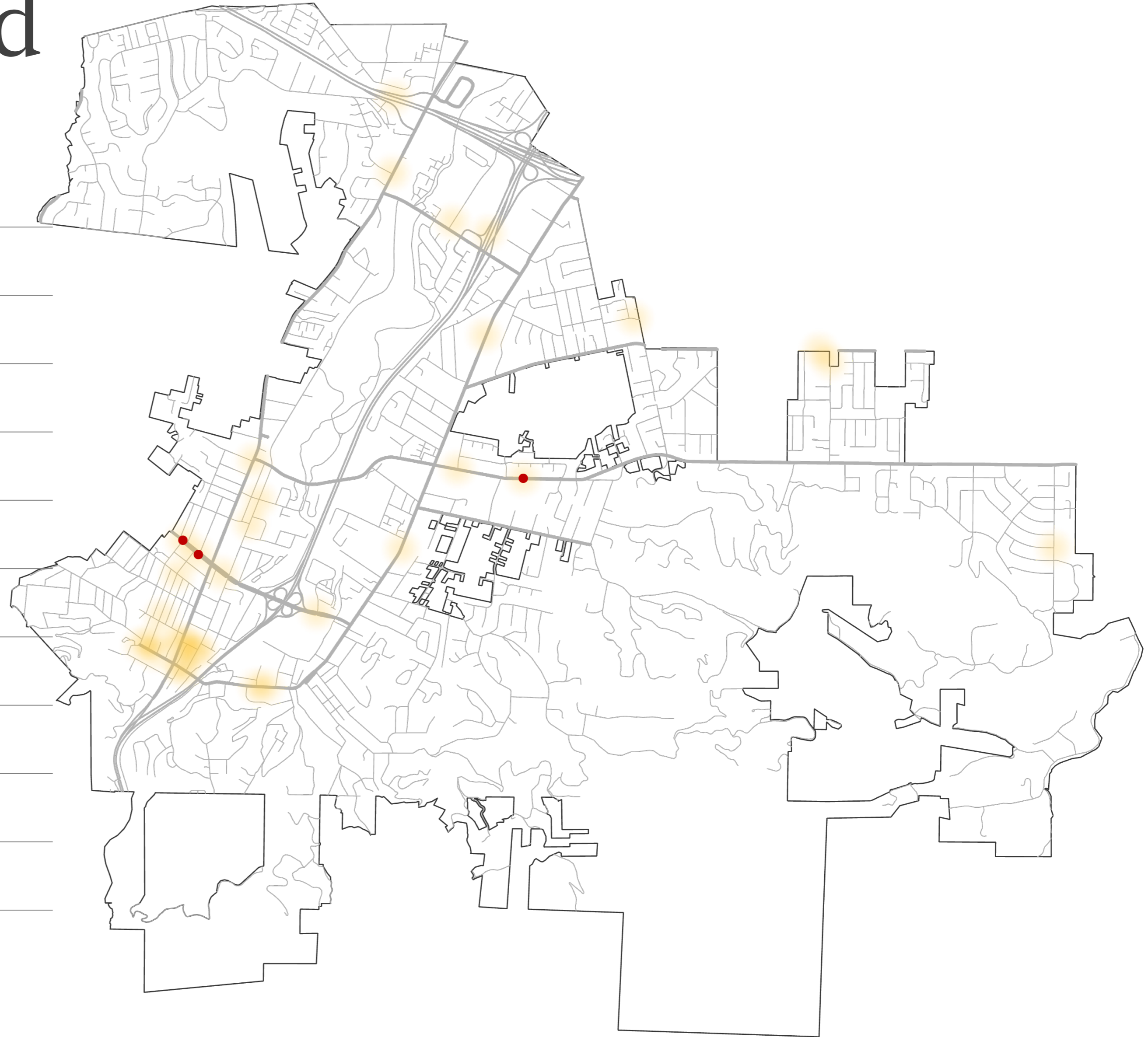
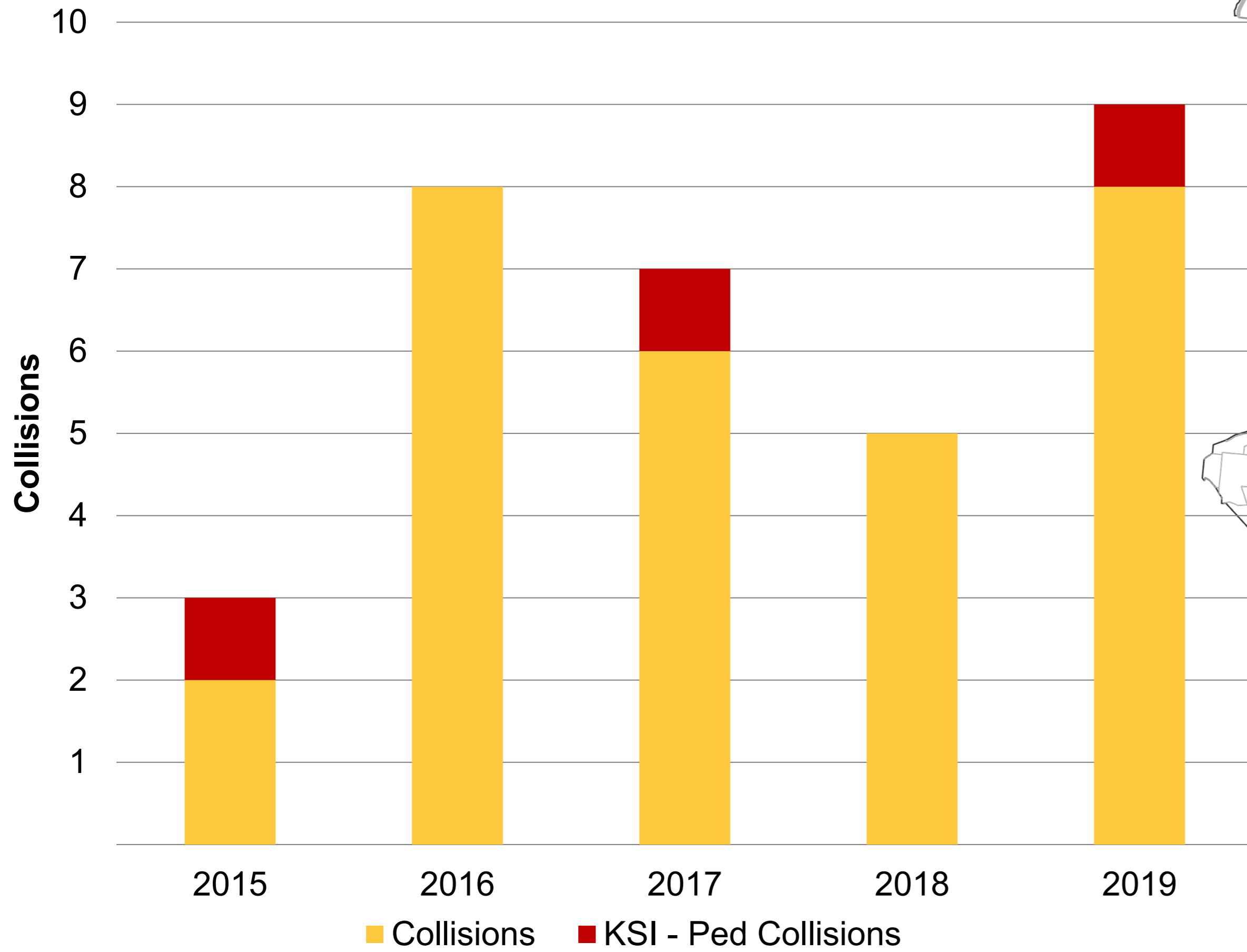


# Bicycle Involved Injury Collisions by Collision Type



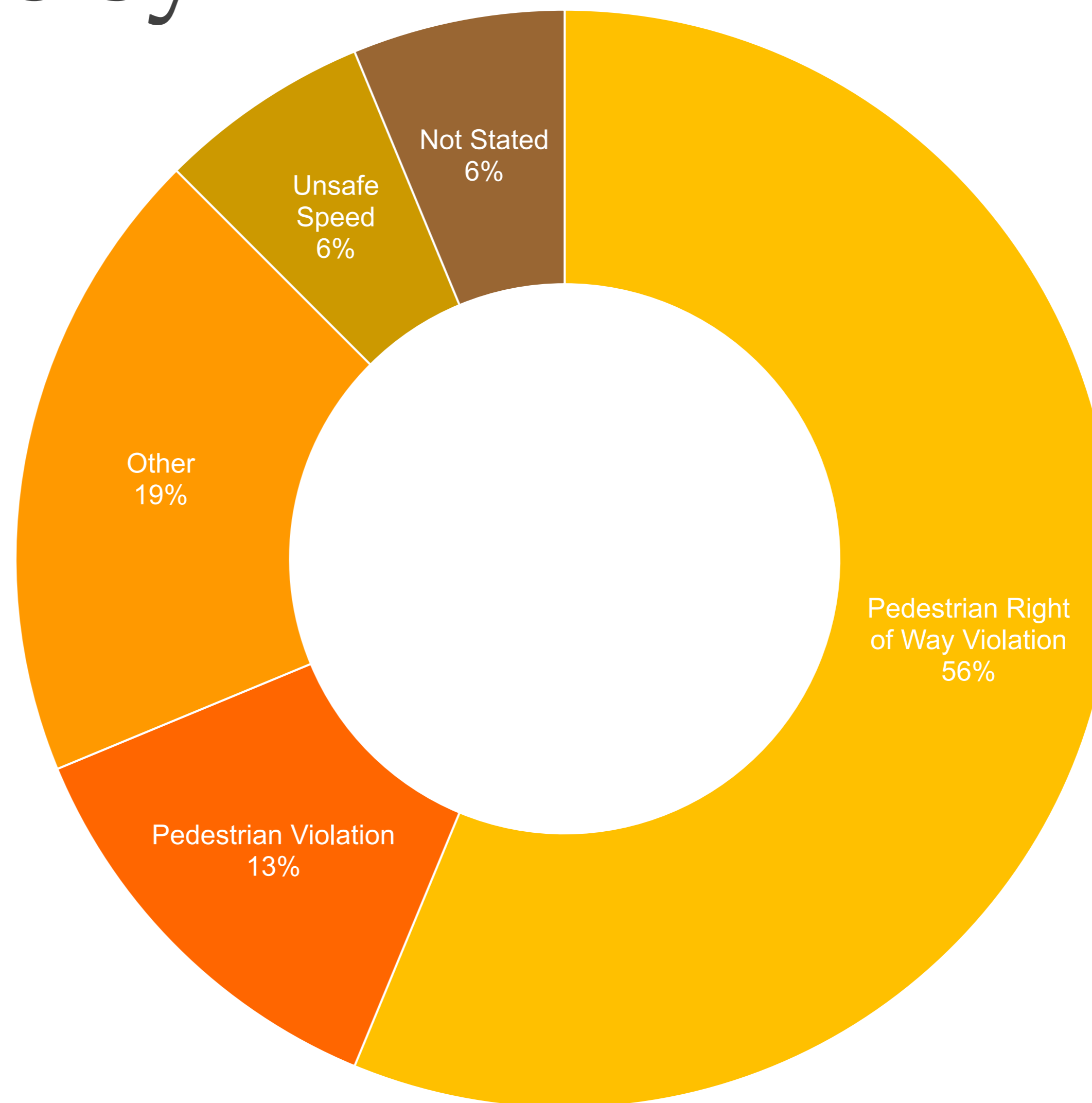


# Pedestrian Involved Injury Collisions



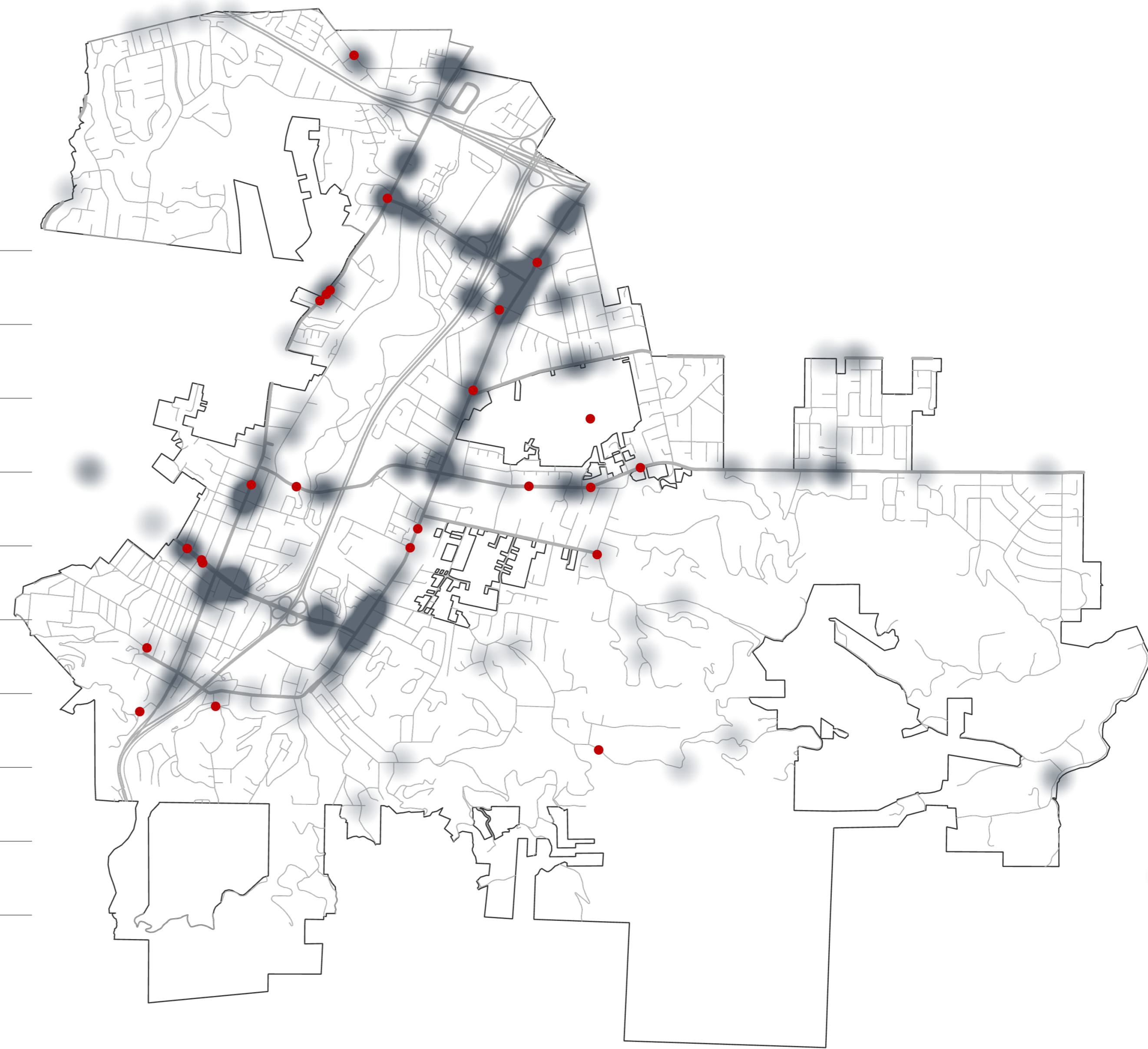
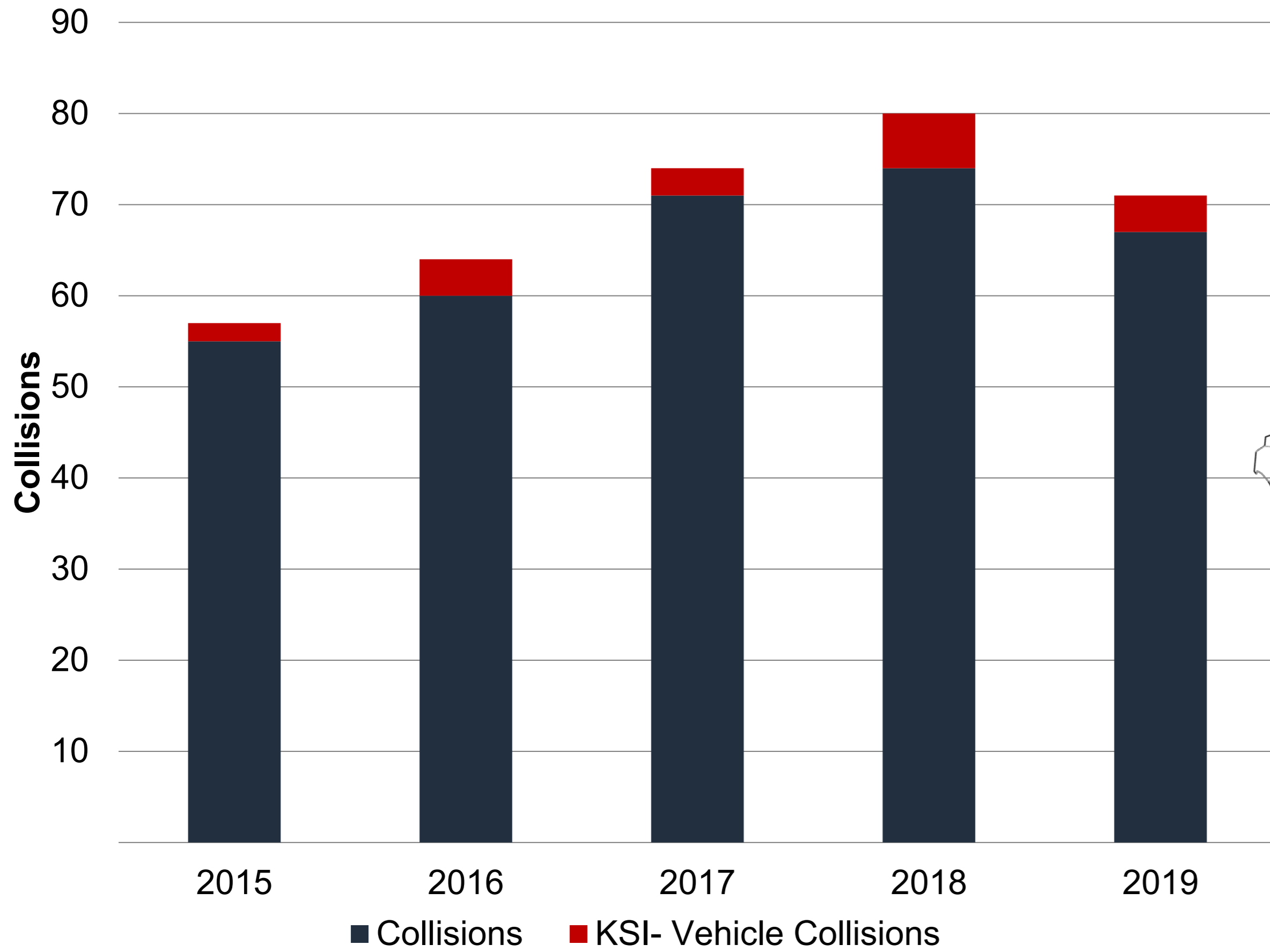


# Pedestrian Involved Injury Collisions by Collision Type



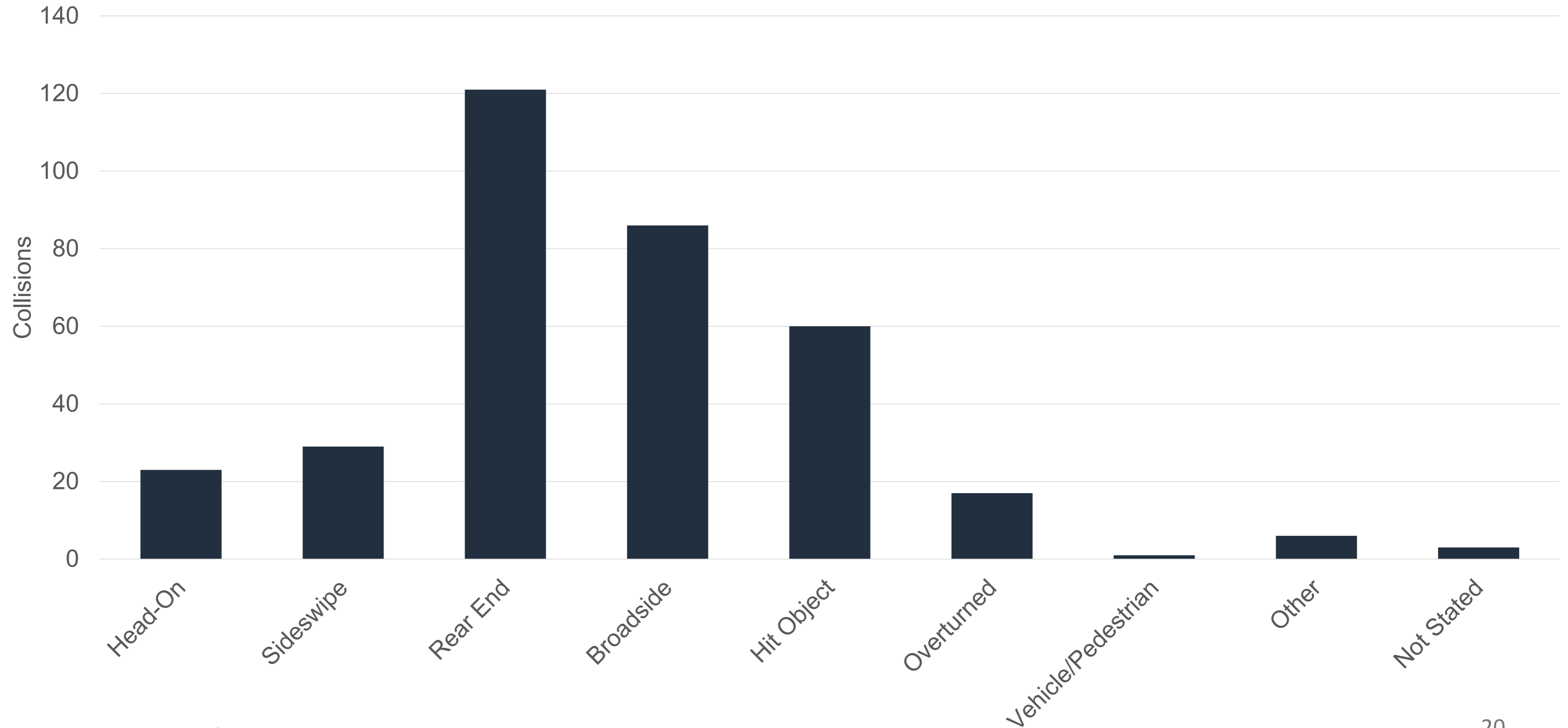


# Vehicle-Vehicle Injury Collisions



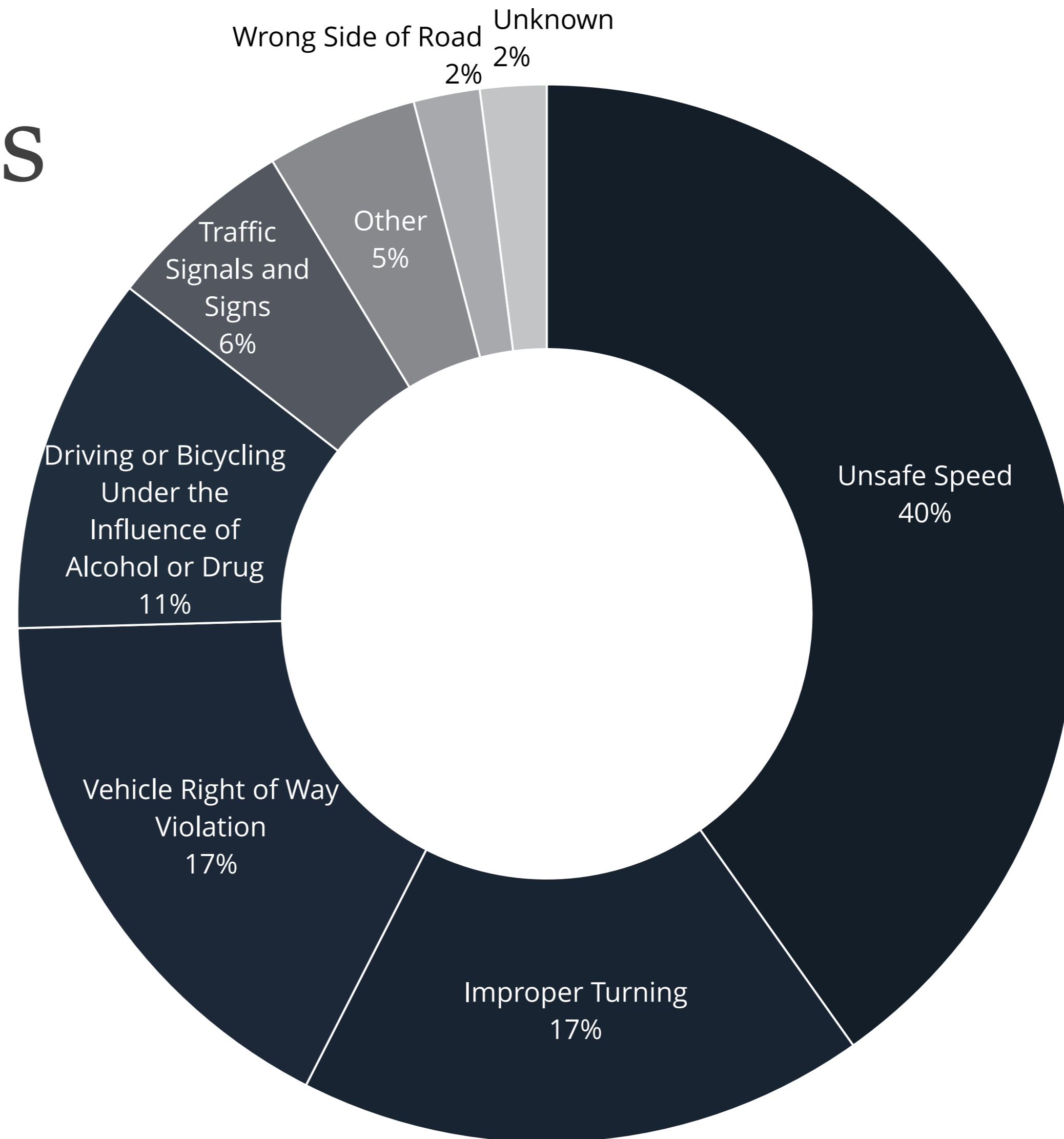


# Primary Vehicle-Vehicle Injury Collision Factors





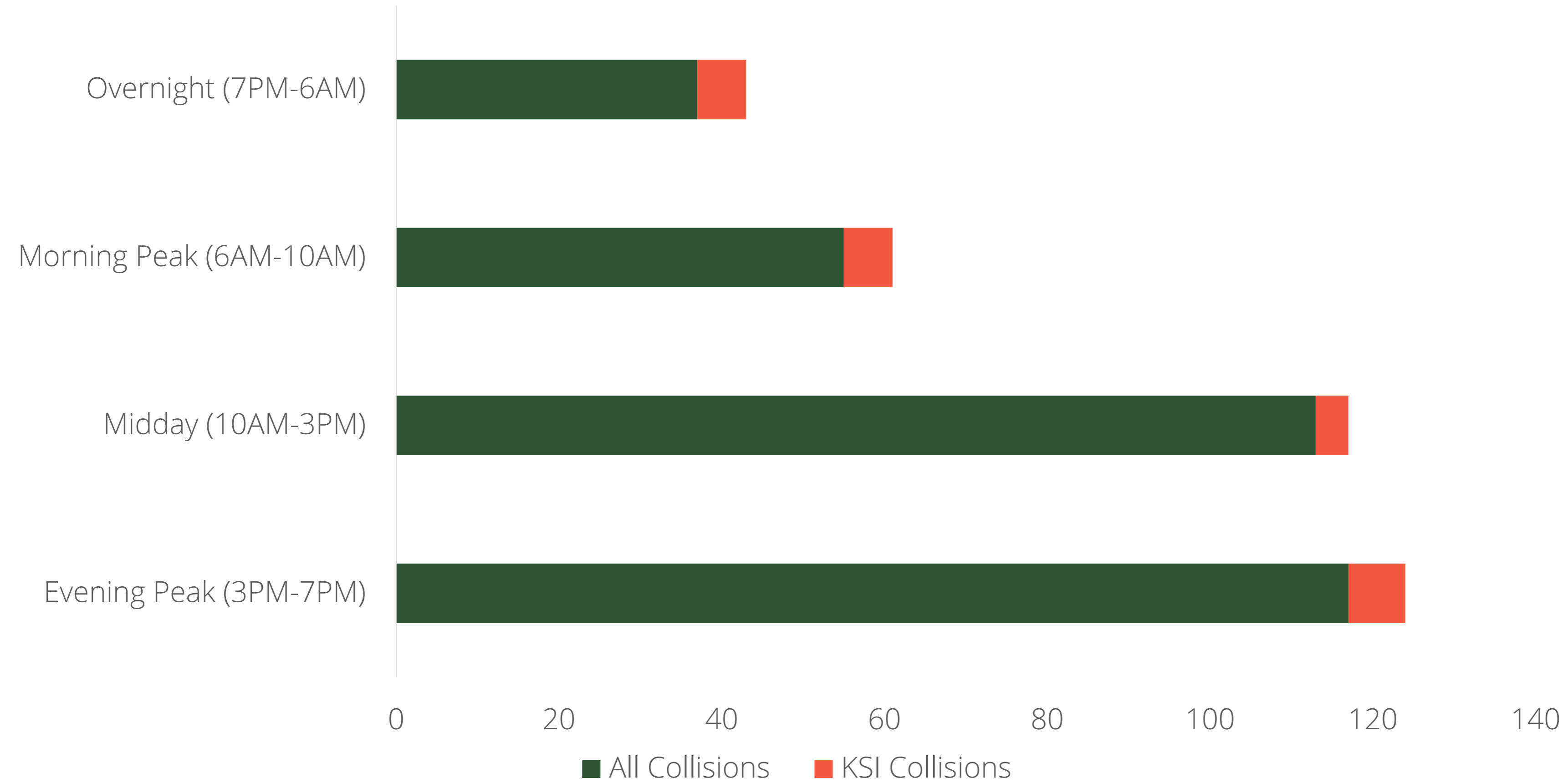
# Primary Vehicle-Vehicle Injury Collision Factors





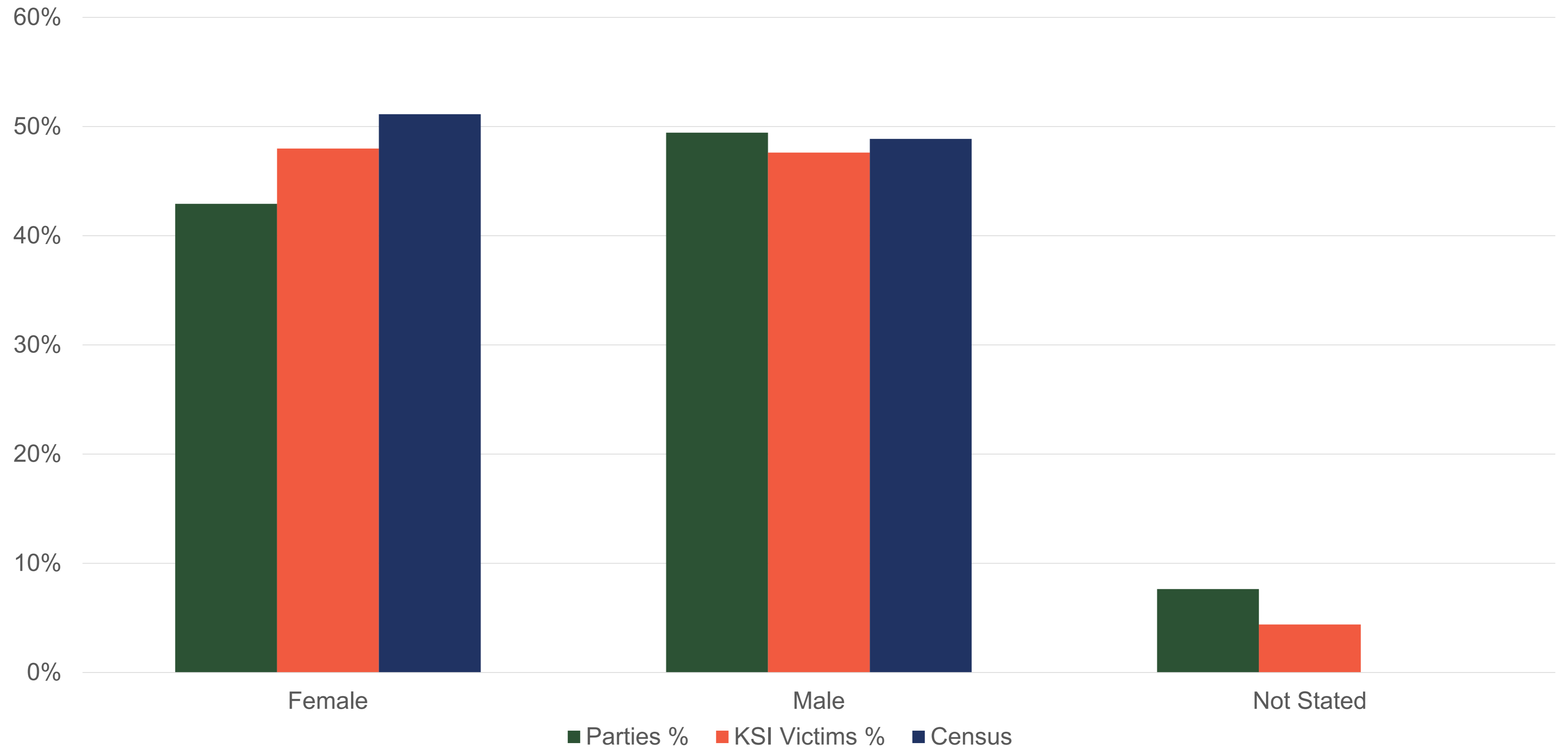
# Time of Day

Injury Collisions





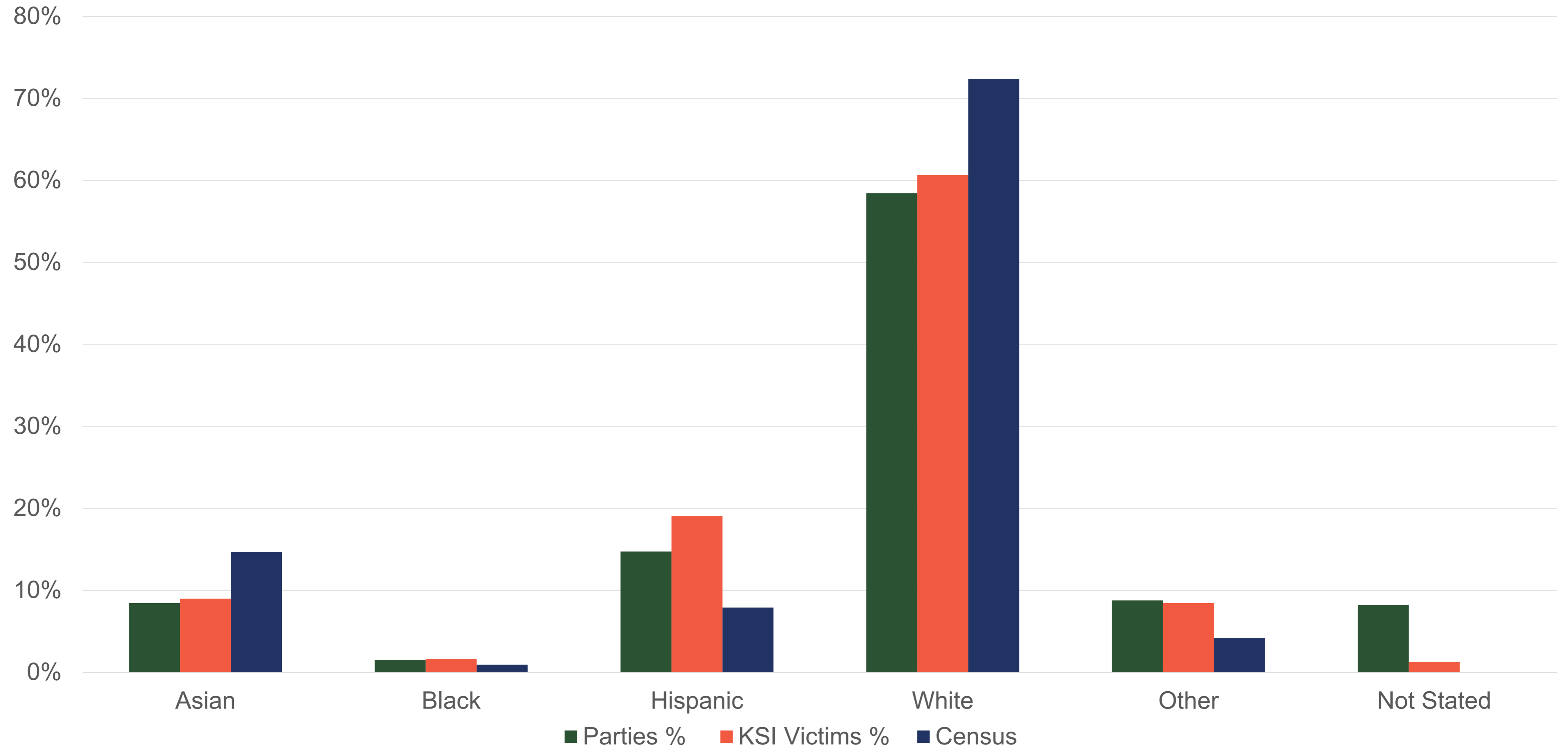
# Demographics: Gender





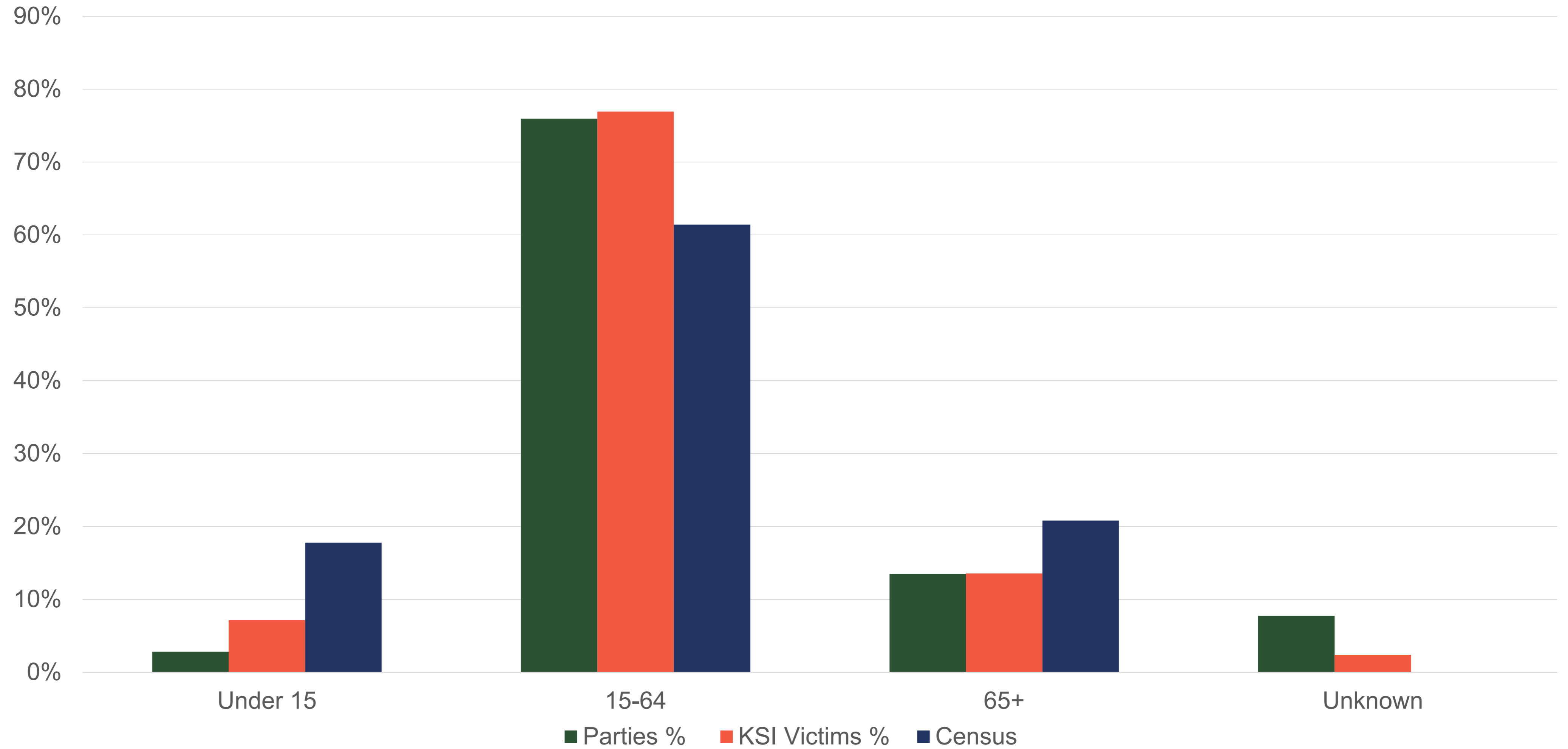


# Demographics: Race





# Demographics: Age





# Existing Conditions Summary

- Completion of an LRSP ensures the Town continues to **MEET ELIGIBILITY REQUIREMENT** to apply for and receive HSIP funds
- During the analysis period **2015-2019**, there have been a total of **481 INJURY COLLISIONS** in Los Gatos
  - Of these, 135 injury collisions (28%) involved a **BICYCLIST** or **PEDESTRIAN**
  - A total of **31 COLLISIONS** resulted in a **FATALITY** or **SEVERE INJURY**
- The top **PRIMARY COLLISION FACTORS** include:
  - Unsafe Speed
  - Vehicle Right of Way Violations
  - Improper Turning
- The top **PRIMARY COLLISION TYPES** are:
  - Rear End
  - Broadside





# What is a Collision Profile?

- Collision profiles describe the **collision characteristics** and **contextual factors** associated with notable collision types occurring in Los Gatos based on the analysis of collision history
- Identifying profiles is part of a systemic process to proactively identify locations which have similar contexts but may have experienced fewer collisions to date
- Individual collisions may fall under multiple collision profiles (i.e., a collision may be both a speed related conflict and involve driving under the influence)



# Preliminary Los Gatos Collision Profiles

1. Age 60+ Collisions
2. Unmarked Pedestrian Crossing
3. Failure to Yield to Pedestrians in Crosswalk
4. Walking or Bicycling on a Major Roadway
5. Bicycle Collisions at Stop Signs
6. Midblock Bicycle Collisions
7. Speed Related Conflict
8. Broadside Collisions at Unsignalized Intersections
9. Red Light Violation
10. Driving Under the Influence



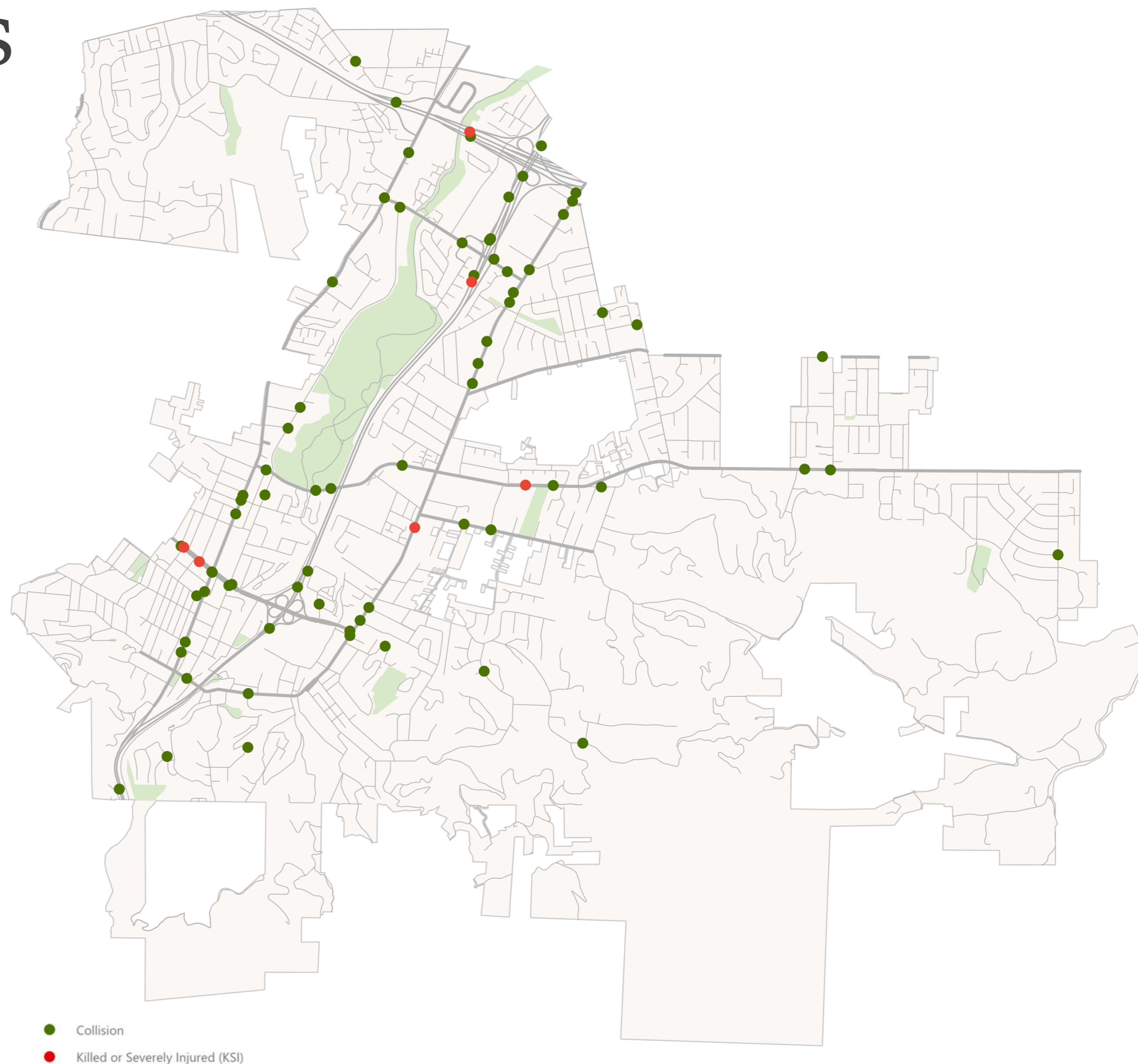
# Age 60+ Collisions

Description: Collisions involving people age 60 or older

Factors: Pedestrians, bicyclists and/or vehicles involved parties, involved party age 60+

Number of Collisions: 82 Injury (21%), 6 KSI (20%)

Potential Countermeasures: Curb Extensions, Extended Pedestrian Crossing Time, Raised Crosswalks, Speed Tables, Pedestrian Refuge Island and Median, Signing and Striping Improvements, Enhanced Bicycle Facility, New Sidewalk, Retro Reflective Backplates for Signals, Daylighting Intersections





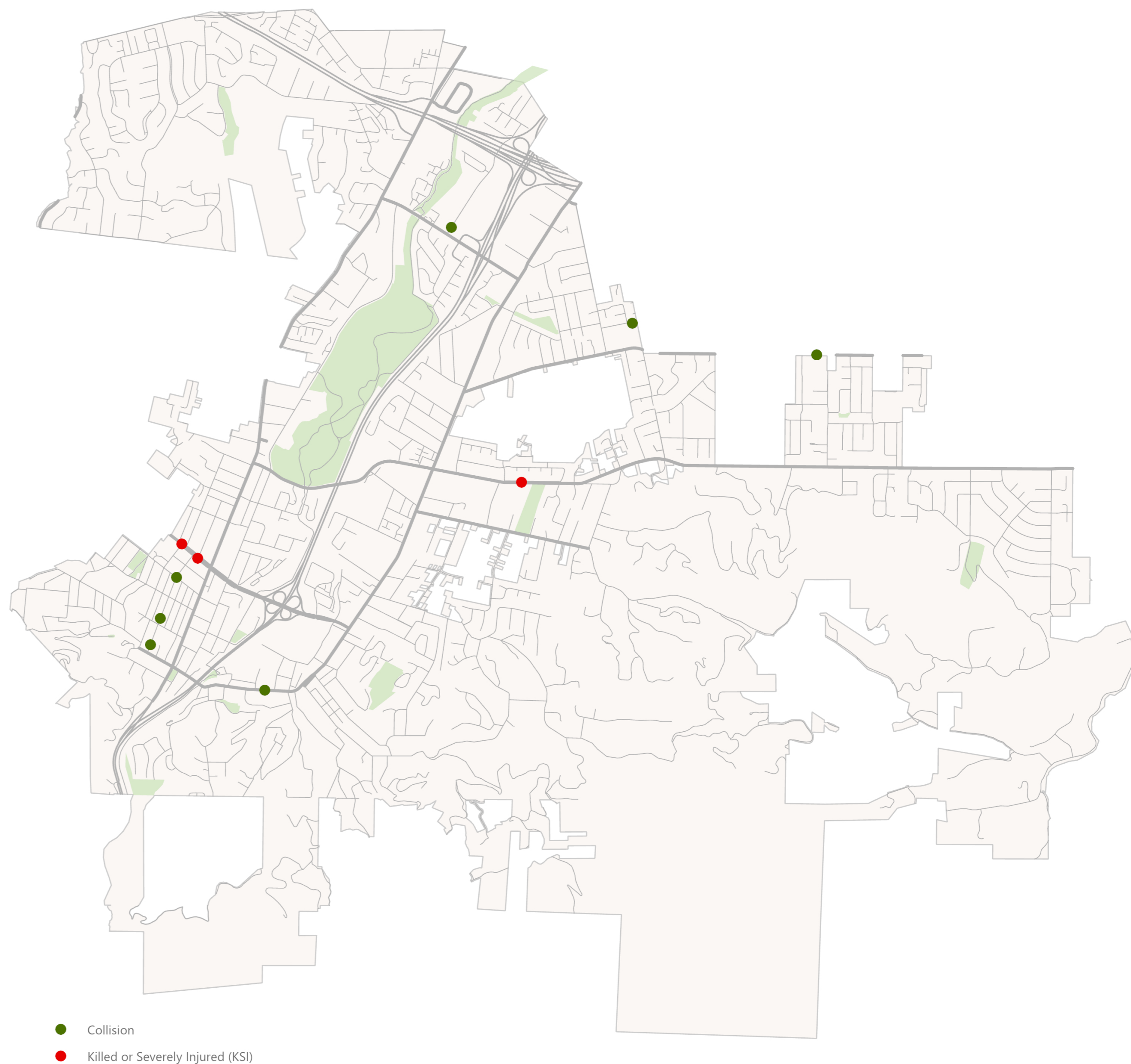
# Unmarked Pedestrian Crossing

Description: Pedestrians who are crossing outside of crosswalks involved in collisions

Factors: Pedestrians and vehicles both involved parties, location has unmarked crosswalk

Number of Collisions: 10 Injury (3%), 3 KSI (10%)

Potential Countermeasures: Curb Extensions, Pedestrian Refuge Island and Median, Flashing Beacons, High Visibility Crosswalk





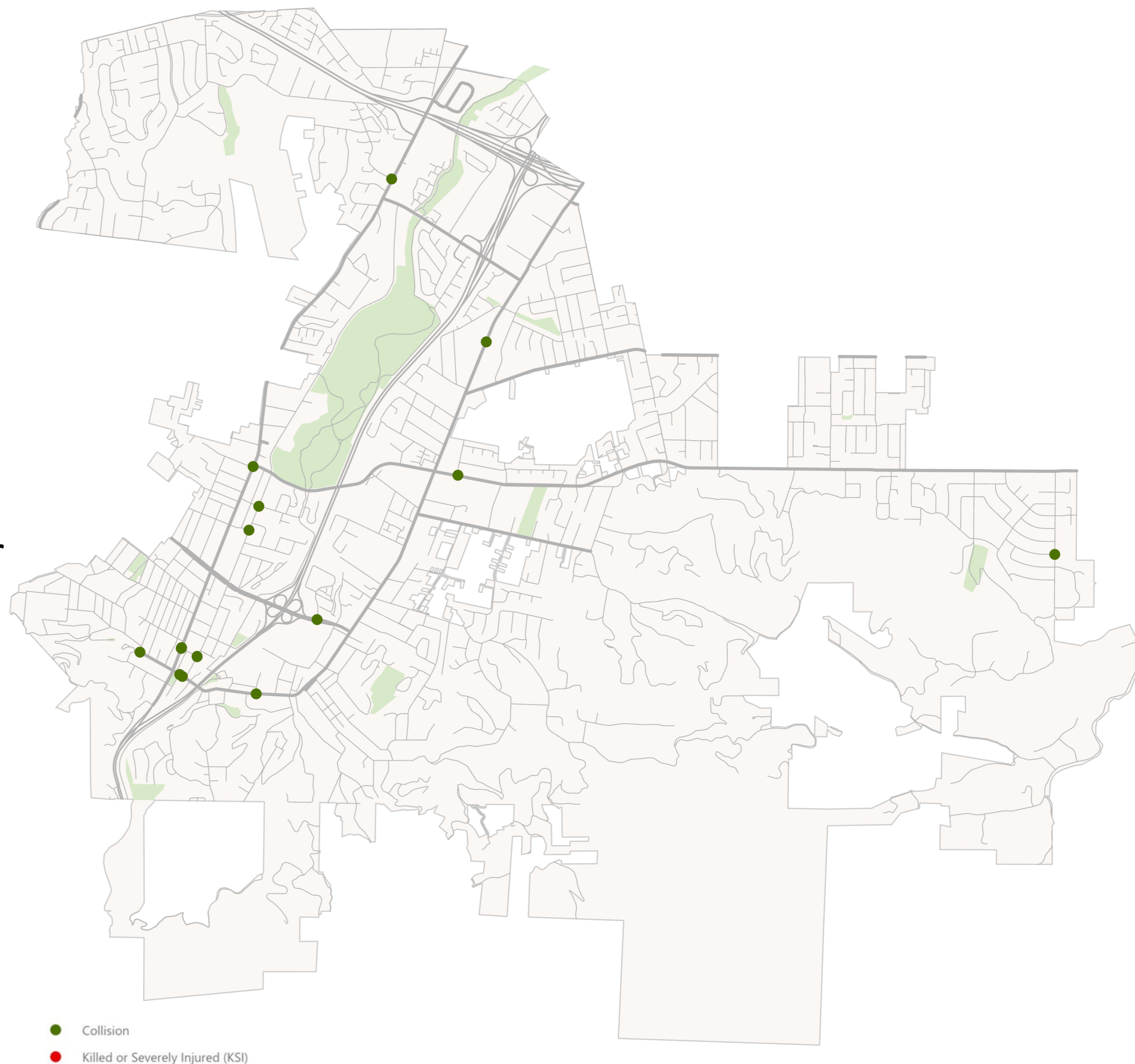
# Failure to Yield to Pedestrians in Crosswalk

Description: Pedestrians who are crossing at crosswalks involved in collisions

Factors: Pedestrians and vehicles both involved parties, location has marked crosswalk (midblock or at intersection, signalized or unsignalized)

Number of Collisions: 16 Injury (4%)

Potential Countermeasures: Curb Extensions, Pedestrian Refuge Island and Median, Flashing Beacons, Leading Pedestrian Interval, High Visibility Crosswalk







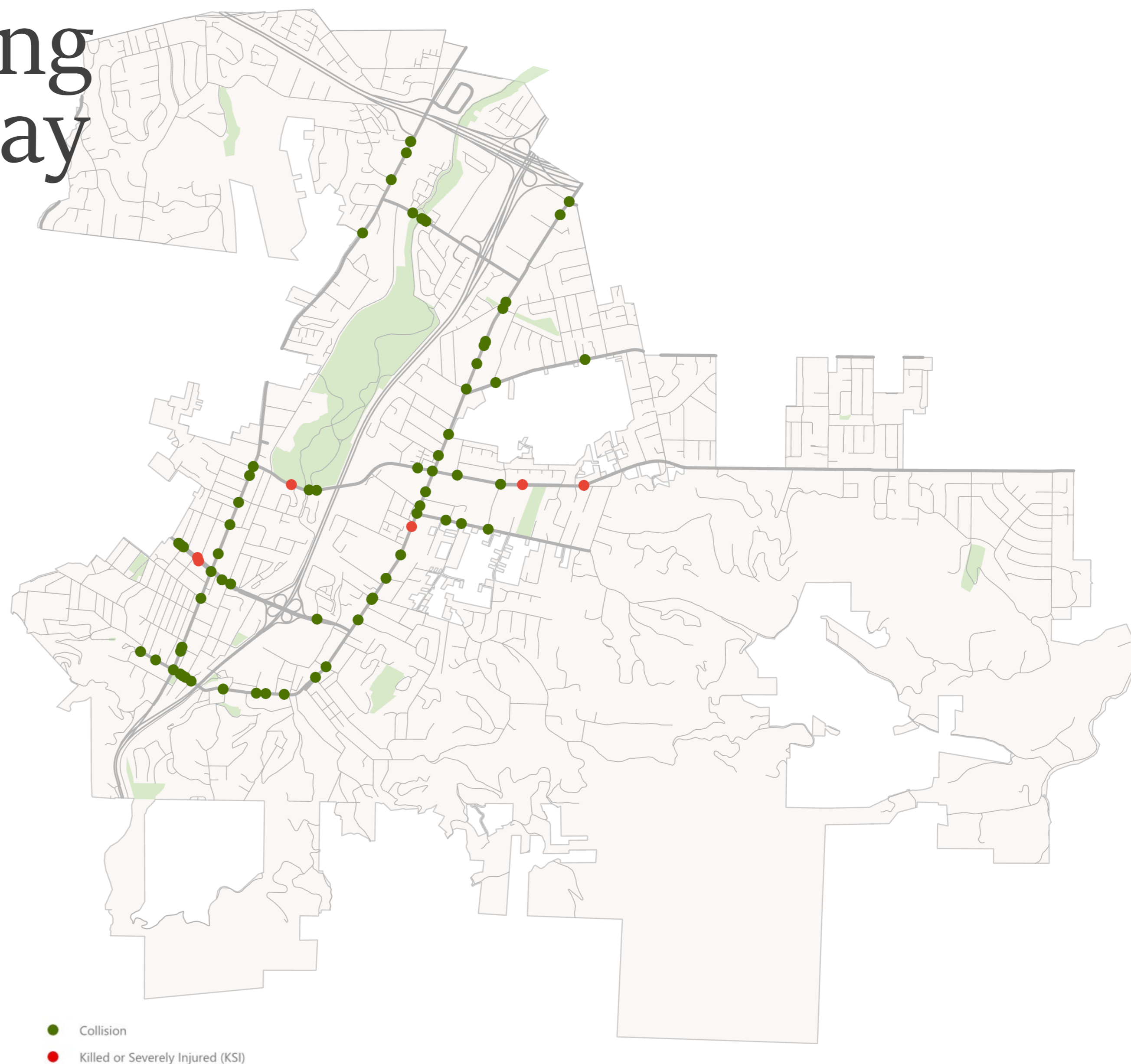
# Walking or Bicycling on a Major Roadway

Description: Pedestrians or bicyclists involved in collisions along arterials such as Los Gatos Boulevard, Santa Cruz Avenue, and Blossom Hill Road

Factors: Pedestrians and/or bicyclists involved parties, location is classified as arterial

Number of Collisions: 87 Injury (22%), 7 KSI (23%)

Potential Countermeasures: Enhanced Bicycle Facility, New Sidewalk, Roadway and Intersection Safety Lighting, Pedestrian Signal Improvements, Pedestrian Refuge Island and Median





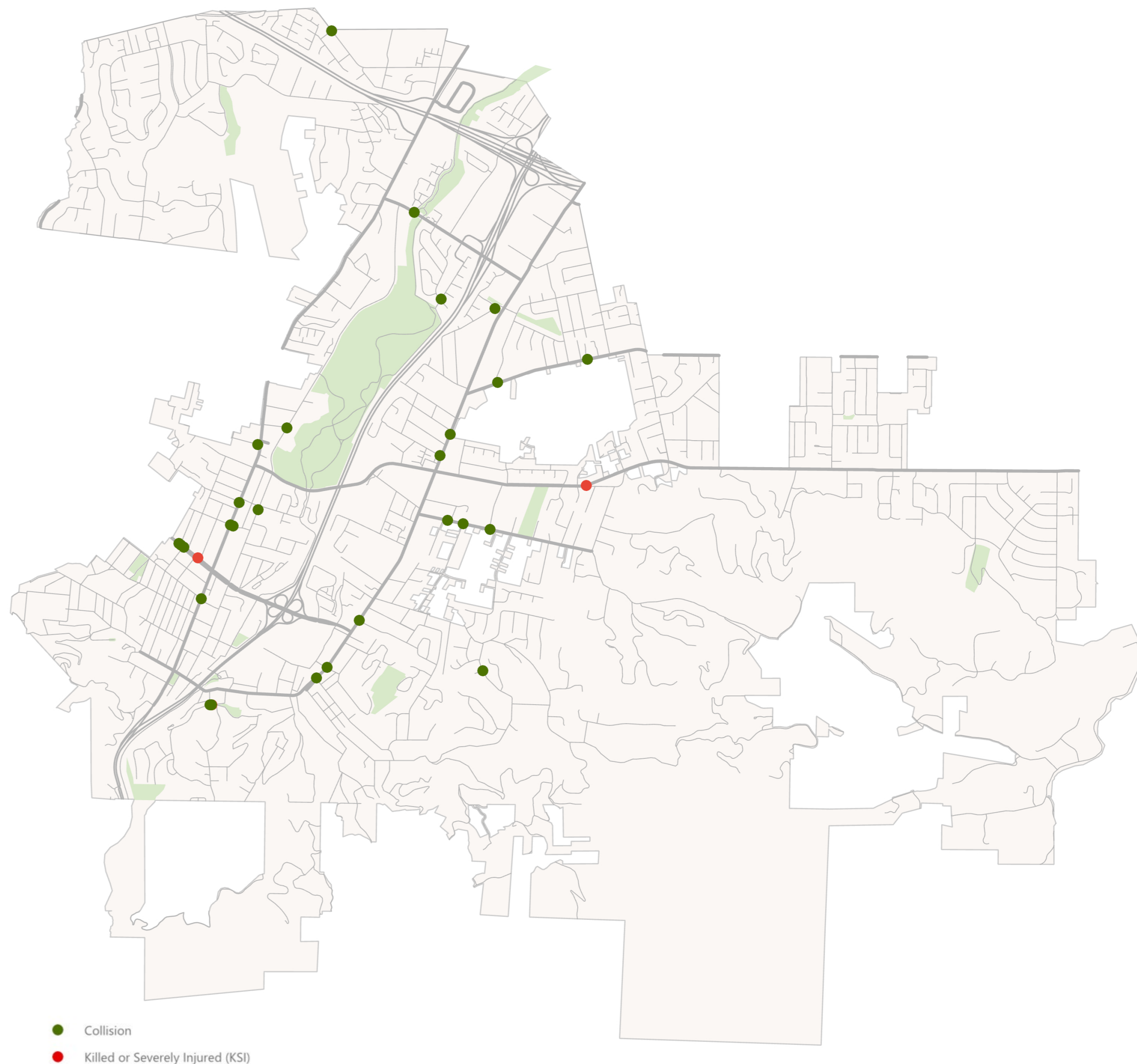
# Bicycle Collisions at Stop Signs

Description: Cyclists at stop signs who are involved in collisions with vehicles

Factors: Bicyclists and vehicles both involved parties, location is unsignalized intersection with stop control

Number of Collisions: 38 Injury (10%), 3 KSI (10%)

Potential Countermeasures: Enhanced Bicycle Facility, Curb Extensions, Signing and Striping Improvements, Parking Restrictions





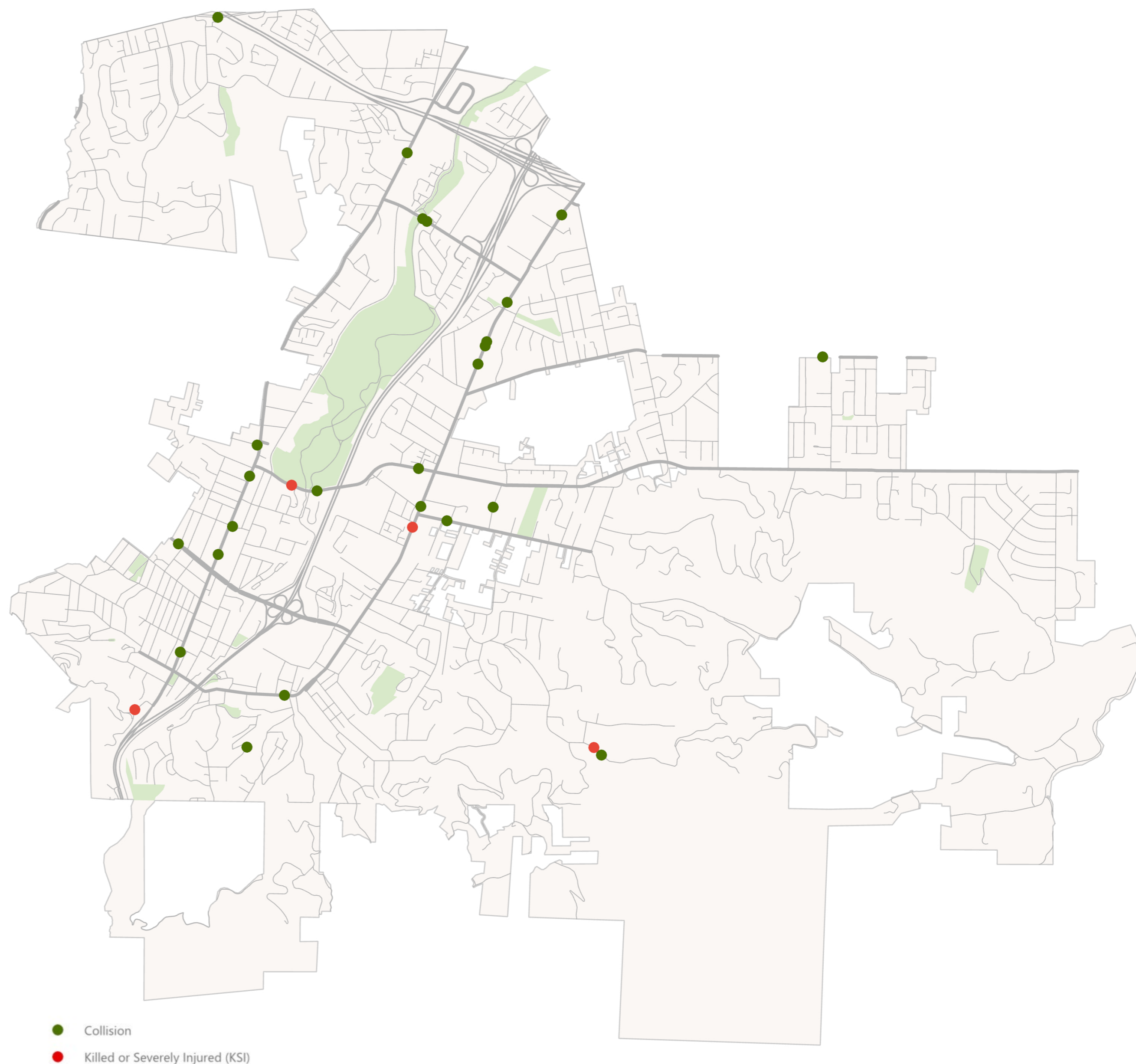
# Midblock Bicycle Collisions

Description: Cyclists who are involved in collisions with vehicles away from an intersection

Factors: Bicyclists and vehicles involved parties, location is not intersection

Number of Collisions: 31 Injury (8%), 4 KSI (13%)

Potential Countermeasures: Enhanced Bicycle Facility, Roadway and Intersection Safety Lighting, Pedestrian Crossing Enhancements





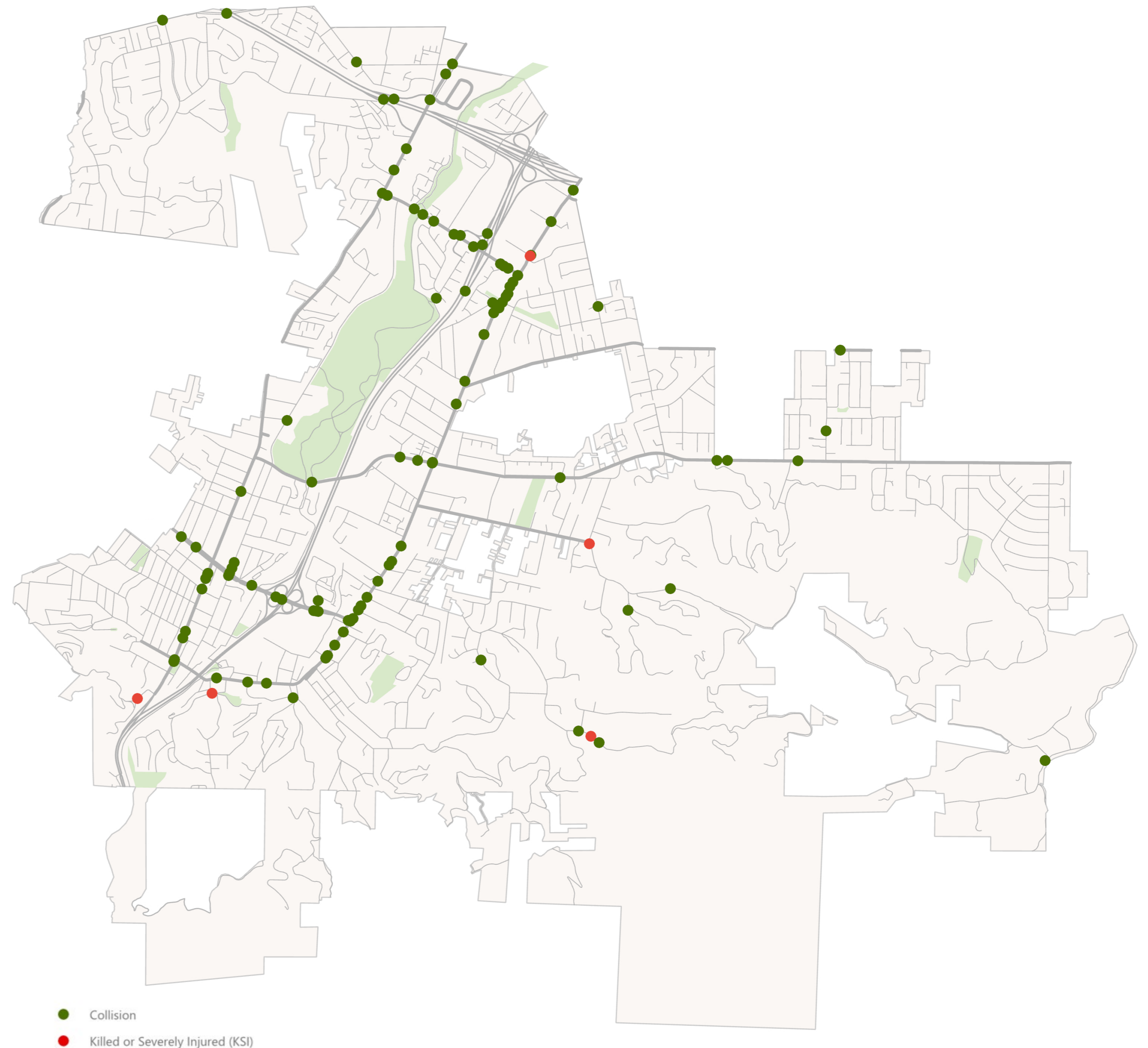
# Speed Related Conflict

Description: Vehicles involved in collisions where speed is identified as a contributing factor

Factors: Unsafe speed identified

Number of Collisions: 116 Injury (30%); 5 KSI (16%)

Potential Countermeasures: Vehicle Speed Feedback Sign, Traffic Calming (Speed Humps or Raised Crosswalks), Protected Bikeway, Lane Reduction or Narrowing





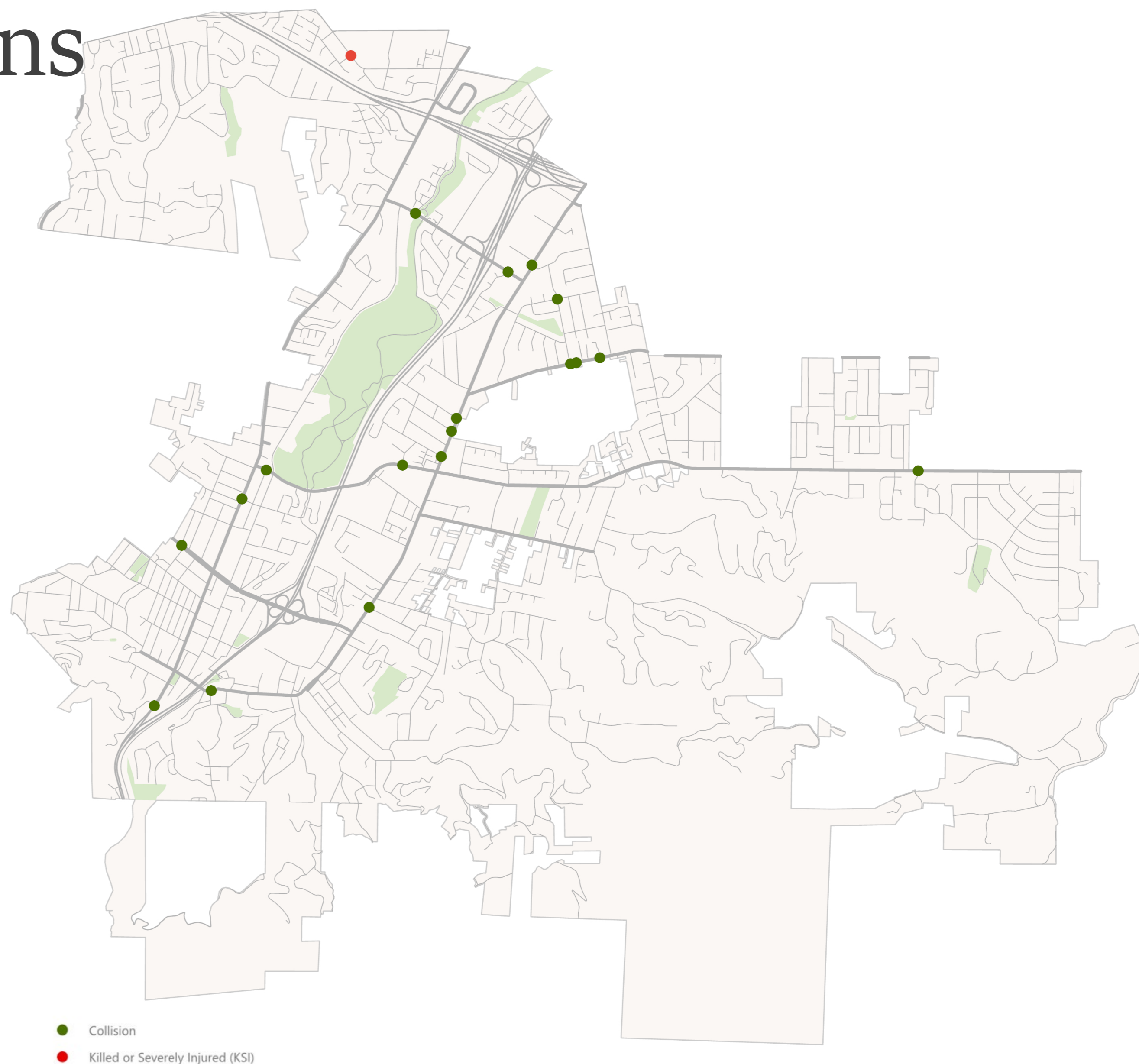
# Broadside Collisions at Unsignalized Intersections

Description: Vehicle colliding with the side of another vehicle at unsignalized intersection

Factors: Vehicles are the involved party, collision type is broadside, location is unsignalized intersection

Number of Collisions: 22 Injury (6%); 1 KSI (3%)

Potential Countermeasures: Signing and Striping Improvements, Parking Restrictions, Turn Restrictions/Medians, Lane Reduction, Modified Intersection Control (All-way Stop or Signalization)





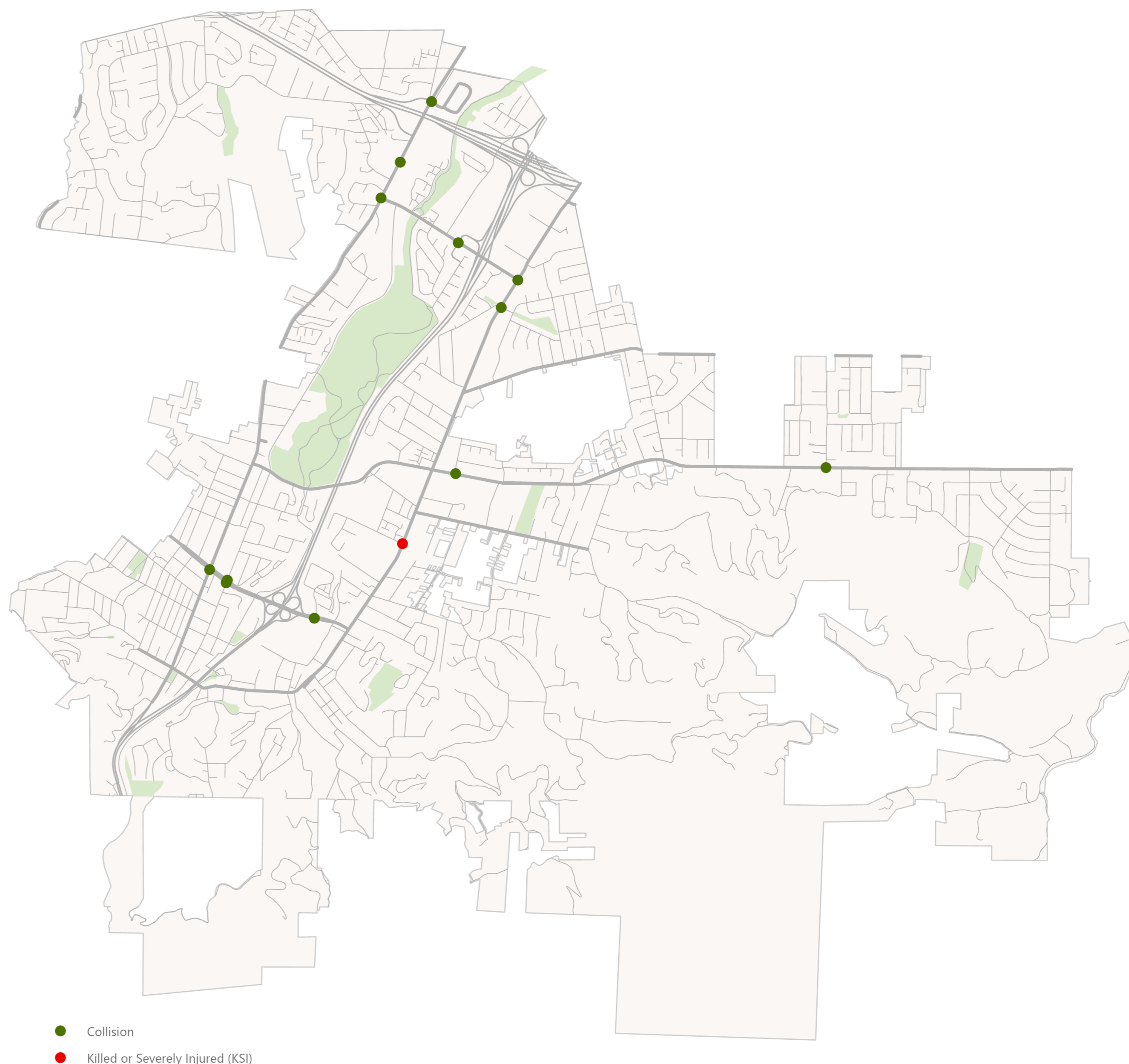
# Red Light Violation

Description: Vehicles running red lights at signalized intersections

Factors: Vehicle is involved party, location is signalized intersection, violation is traffic signals and signs violation

Number of Collisions: 17 Injury (4%), 1 KSI (3%)

Potential Countermeasures: Advance Dilemma-zone Detection, Signal Timing and Phasing Improvements, Signal Equipment Upgrades, Education & Compliance



● Collision  
● Killed or Severely Injured (KSI)



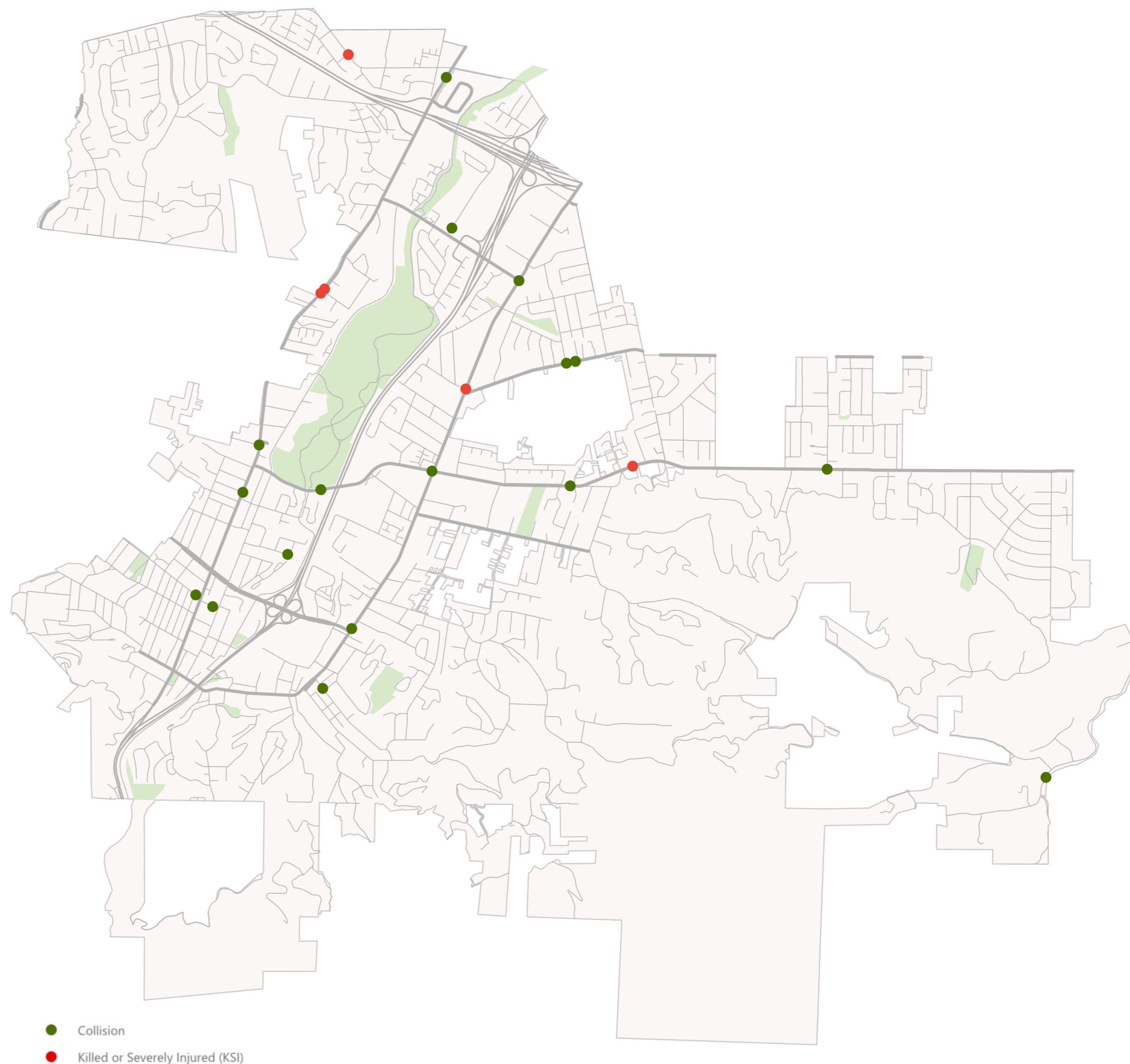
# Driving Under The Influence

Description: Drivers driving under the influence of alcohol or drugs

Factors: Vehicle is involved party, at least one party was under influence of drugs or alcohol

Number of Collisions: 25 Injury (6%), 5 KSI (16%)

Potential Countermeasures: Education, Enforcement, Vehicle Speed Feedback Sign, Traffic Calming (Speed Hump or Raised Crosswalk)



● Collision  
● Killed or Severely Injured (KSI)



# LRSP Community Engagement

- **Project Webpage**

updates and reports

- **Complete Streets and Transportation Commission**

regular update and input

- **Farmers' Market Pop Up Event**

- **Community Survey**

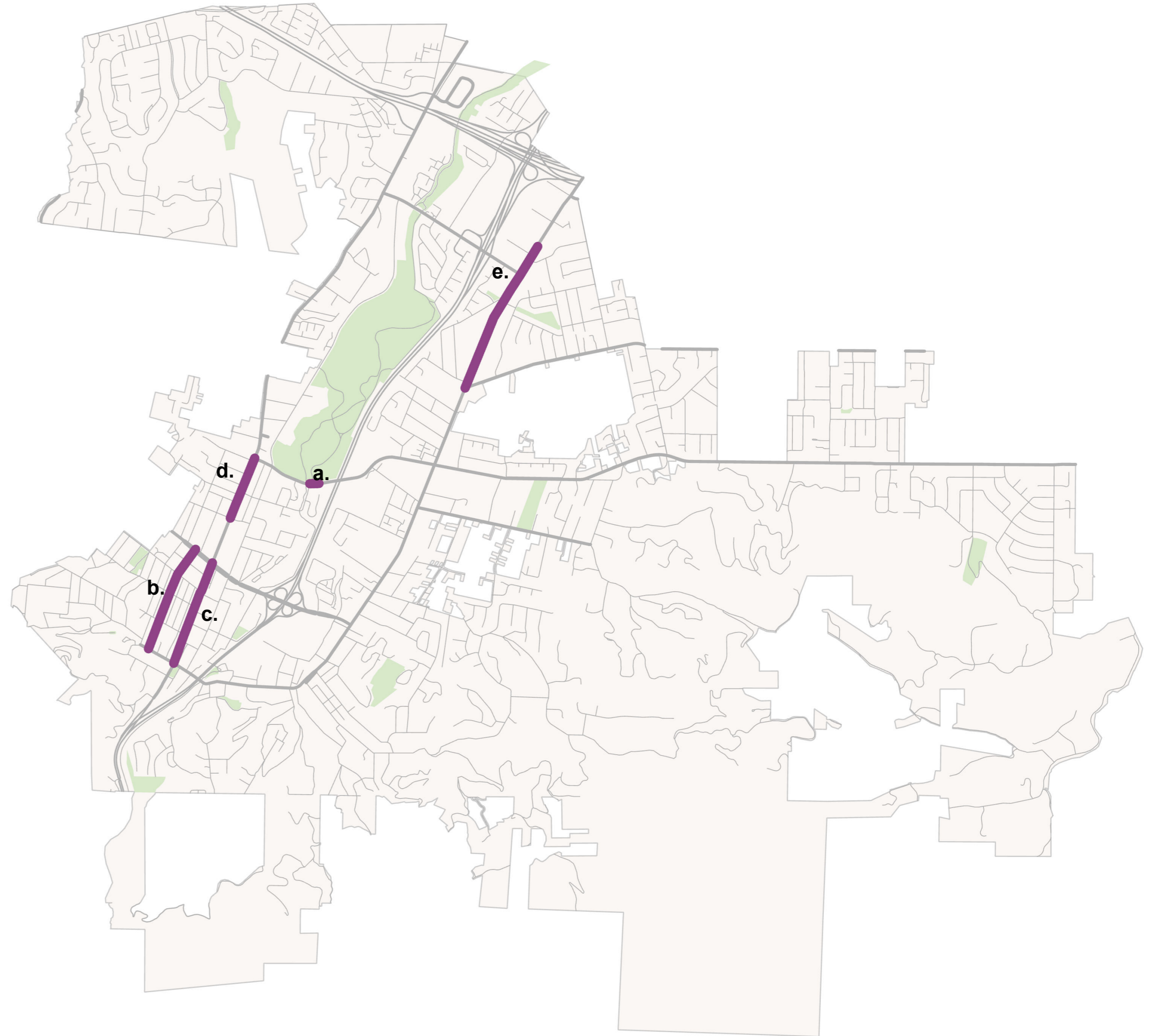
safety concerns and locations





# Draft Priority Emphasis Areas

- a. Blossom Hill Rd and Vasona Park Rd
- b. Tait Ave: W Main St and Los Gatos Saratoga Rd
- c. Santa Cruz Ave: W Main St and Los Gatos Saratoga Rd
- d. N Santa Cruz Ave: Blossom Hill Rd and Thurston St
- e. Los Gatos Blvd: Bennett Way to Garden Ln





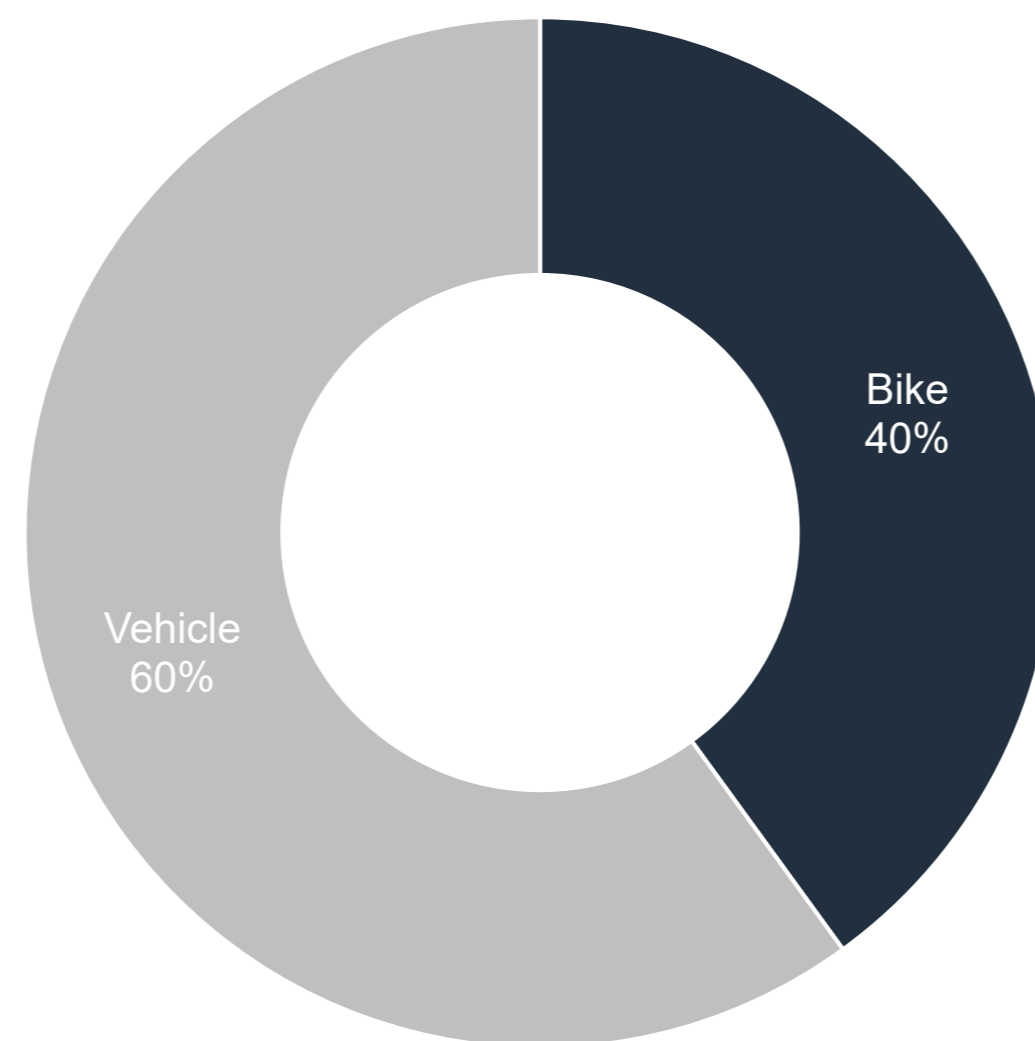
# Blossom Hill Rd and Vasona Park Rd

Total Injury Collisions **5**  
KSI Collisions **0**

KSI: Killed or Severe Injured

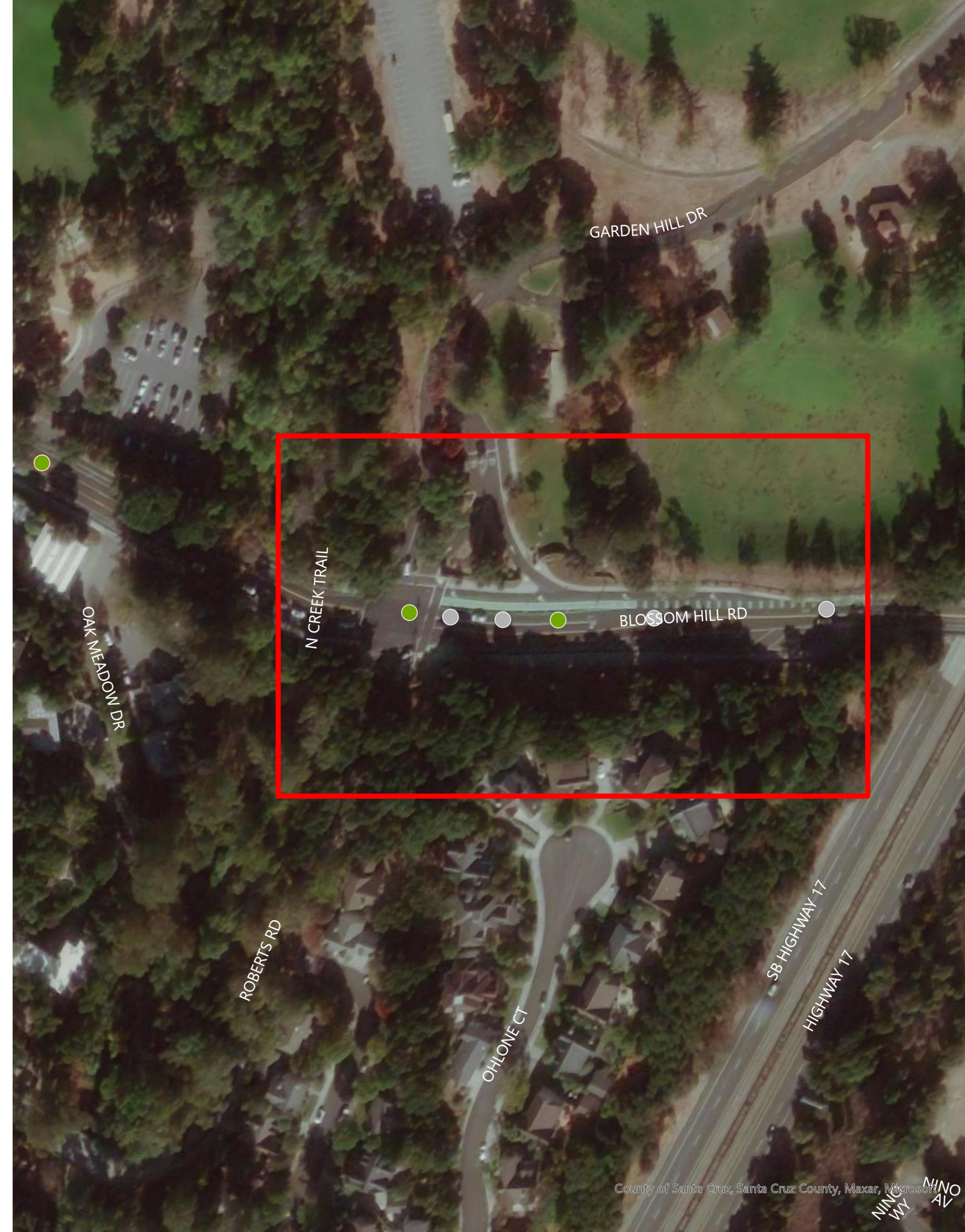
## Top Injury Collision Factors

- Unsafe Speed
- DUI



## Collision Profiles

- Age 60+ Collisions
- Walking or Bicycling on a Major Roadway
- Midblock Bicycle Collisions
- Speed Related Conflict
- Driving Under the Influence



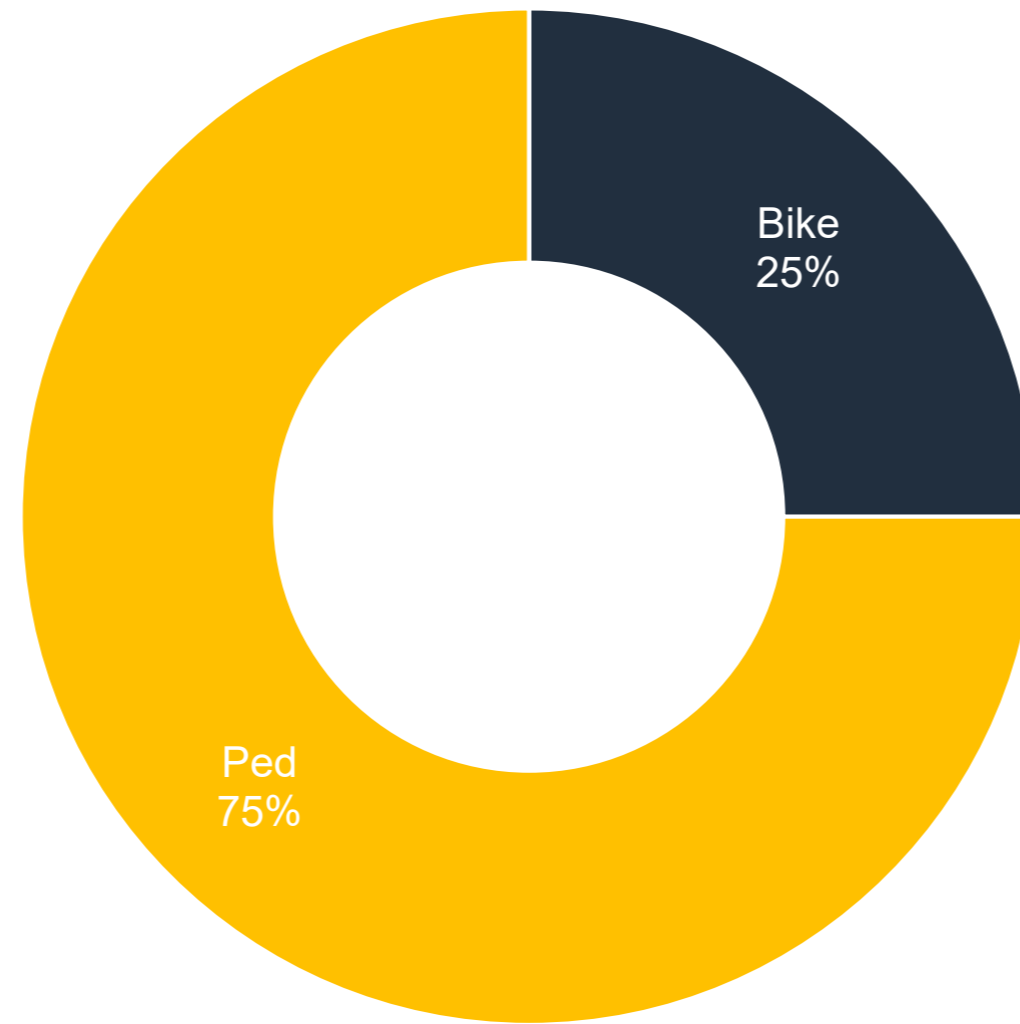


# Tait Ave: W Main St to Los Gatos Saratoga Rd

Total Injury Collisions **4**  
KSI Collisions **1**

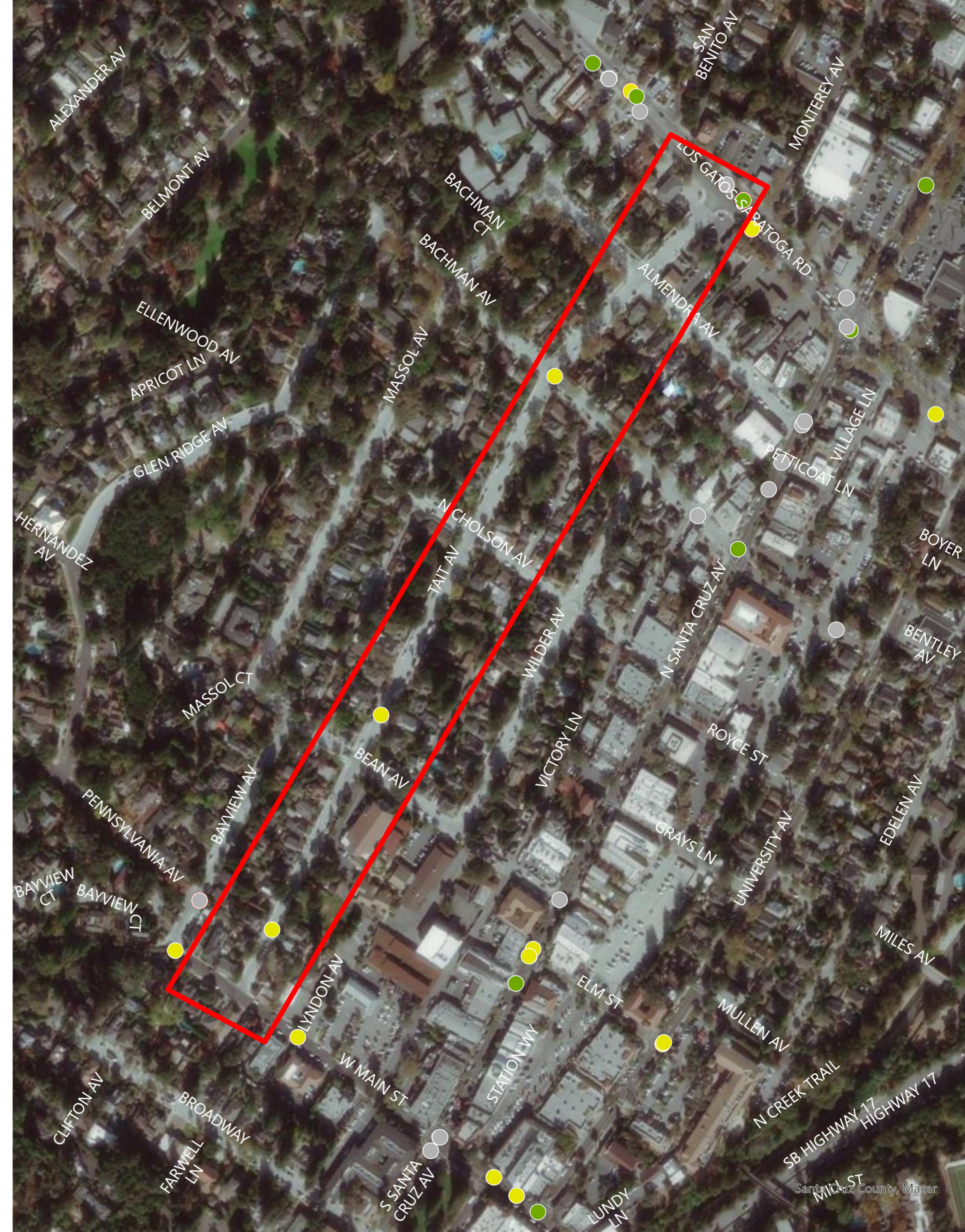
## Top Injury Collision Factors

- Unsafe Speed
- Left Turn Violation
- Pedestrian crossing outside of crosswalk



## Collision Profiles

- Age 60+ Collisions
- Unmarked Pedestrian Crossing
- Bicycle Collisions at Stop Signs





# N Santa Cruz Ave: Main St to Los Gatos Saratoga Rd

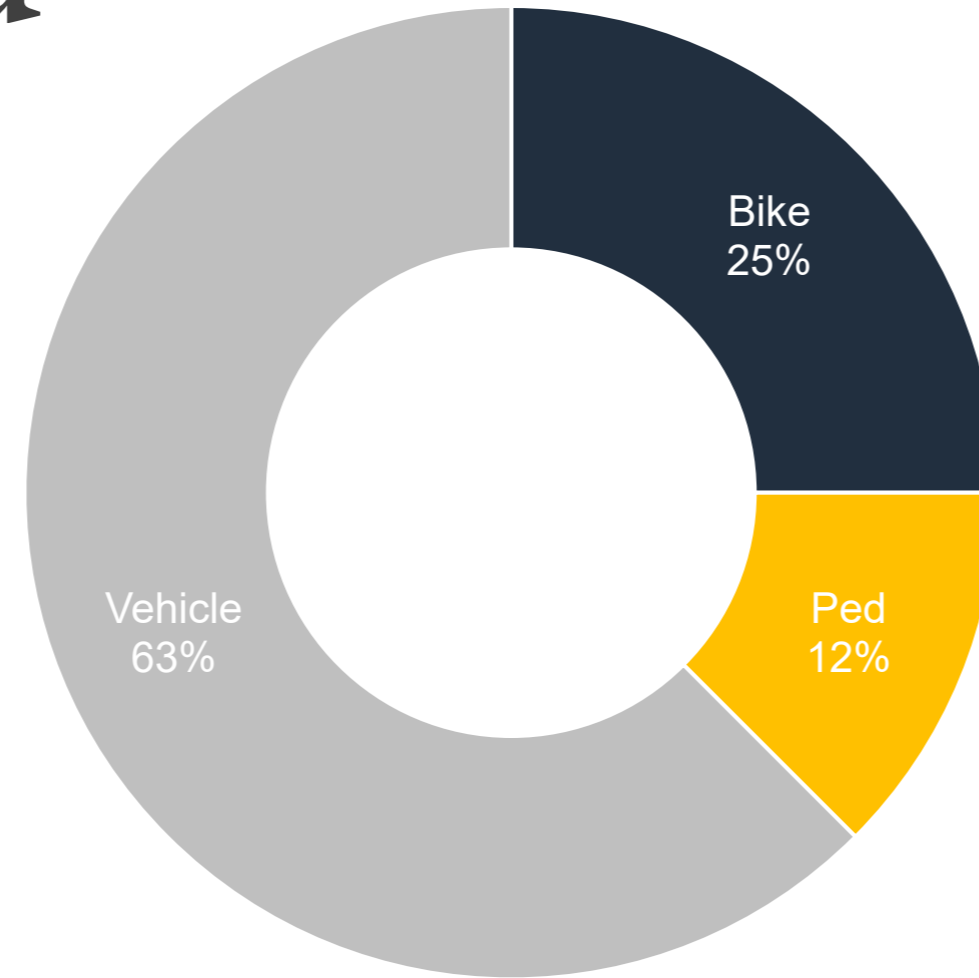
Total Injury Collisions **16**  
KSI Collisions **0**

## Top Injury Collision Factors

- Unsafe Speed
- Driver not yielding at crosswalk
- Failure to signal

## Collision Profiles

- Age 60+ Collisions
- Failure to Yield to Pedestrians in Crosswalk
- Walking or Bicycling on a Major Roadway
- Bicycle Collisions at Stop Signs
- Midblock Bicycle Collisions
- Speed Related Conflict
- Red Light Violation



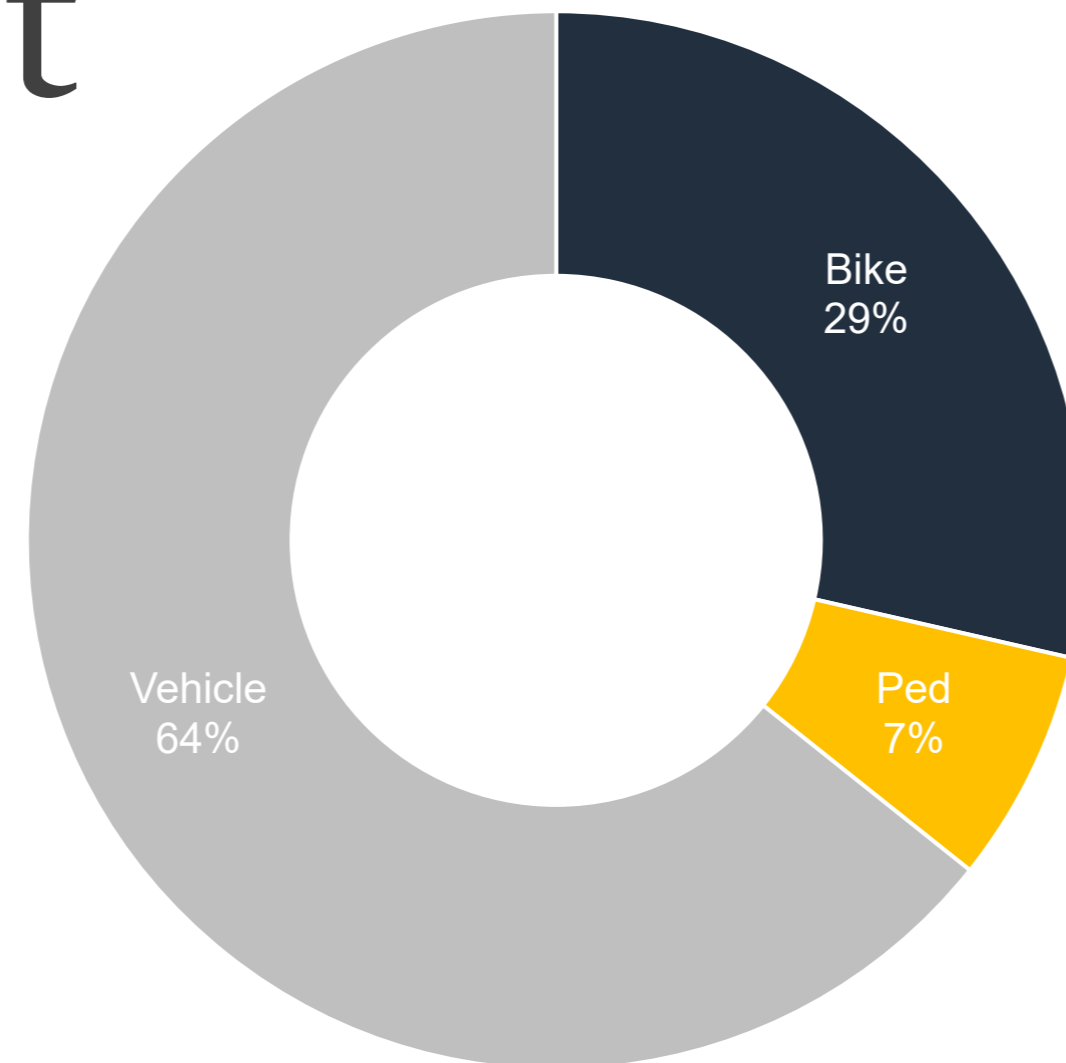


# N Santa Cruz Ave: Blossom Hill Rd to Andrews St

Total Injury Collisions **13**  
KSI Collisions **1**

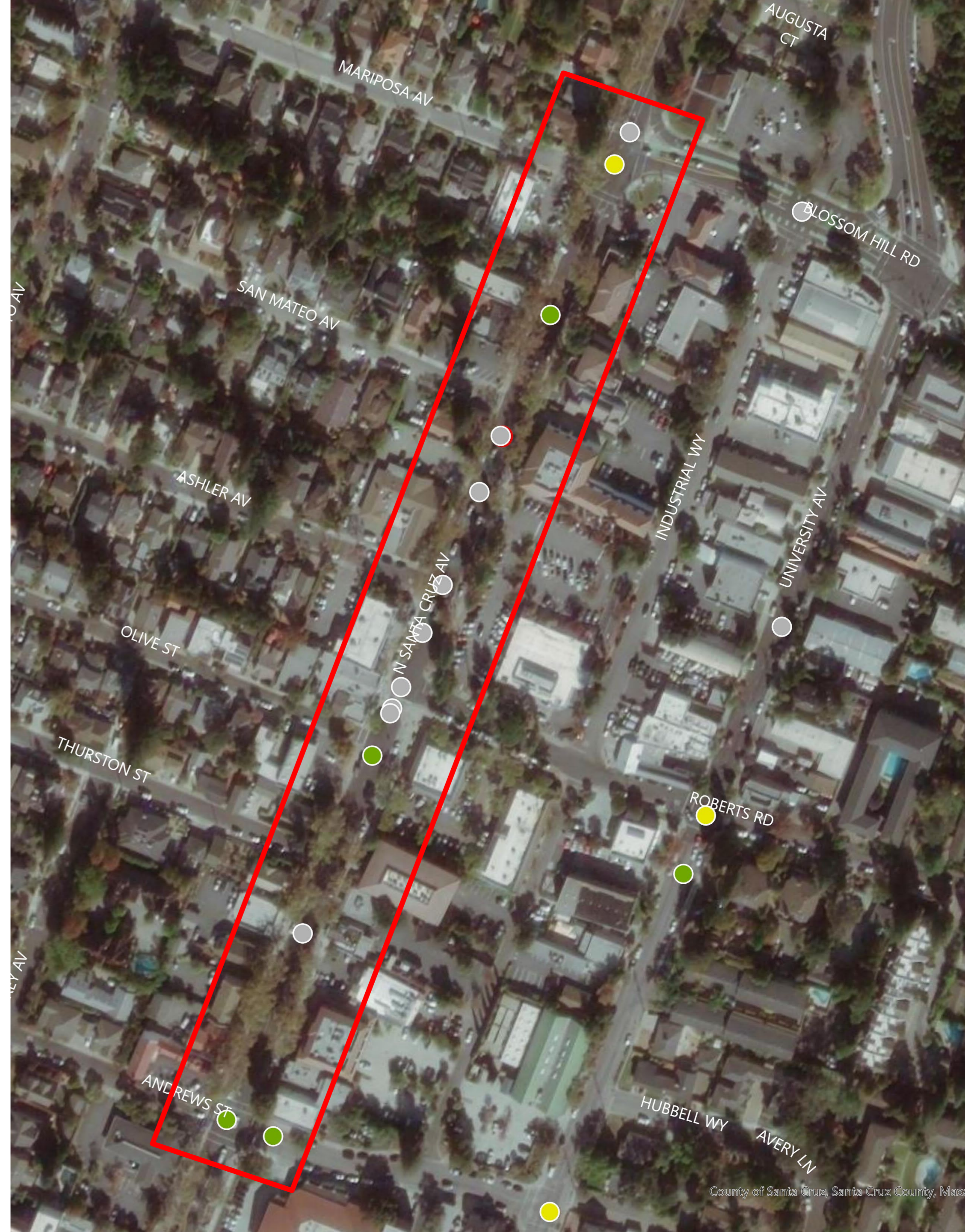
## Top Injury Collision Factors

- Rear End
- Failure to Yield
- Left Turn Violation



## Collision Profiles

- Age 60+ Collisions
- Failure to Yield to Pedestrians in Crosswalk
- Walking or Bicycling on a Major Roadway
- Bicycle Collisions at Stop Signs
- Midblock Bicycle Collisions
- Speed Related Conflict
- Broadside Collisions at Unsignalized Intersections
- Driving Under the Influence





# Los Gatos Blvd: Bennett Way to Los Gatos Almaden Rd

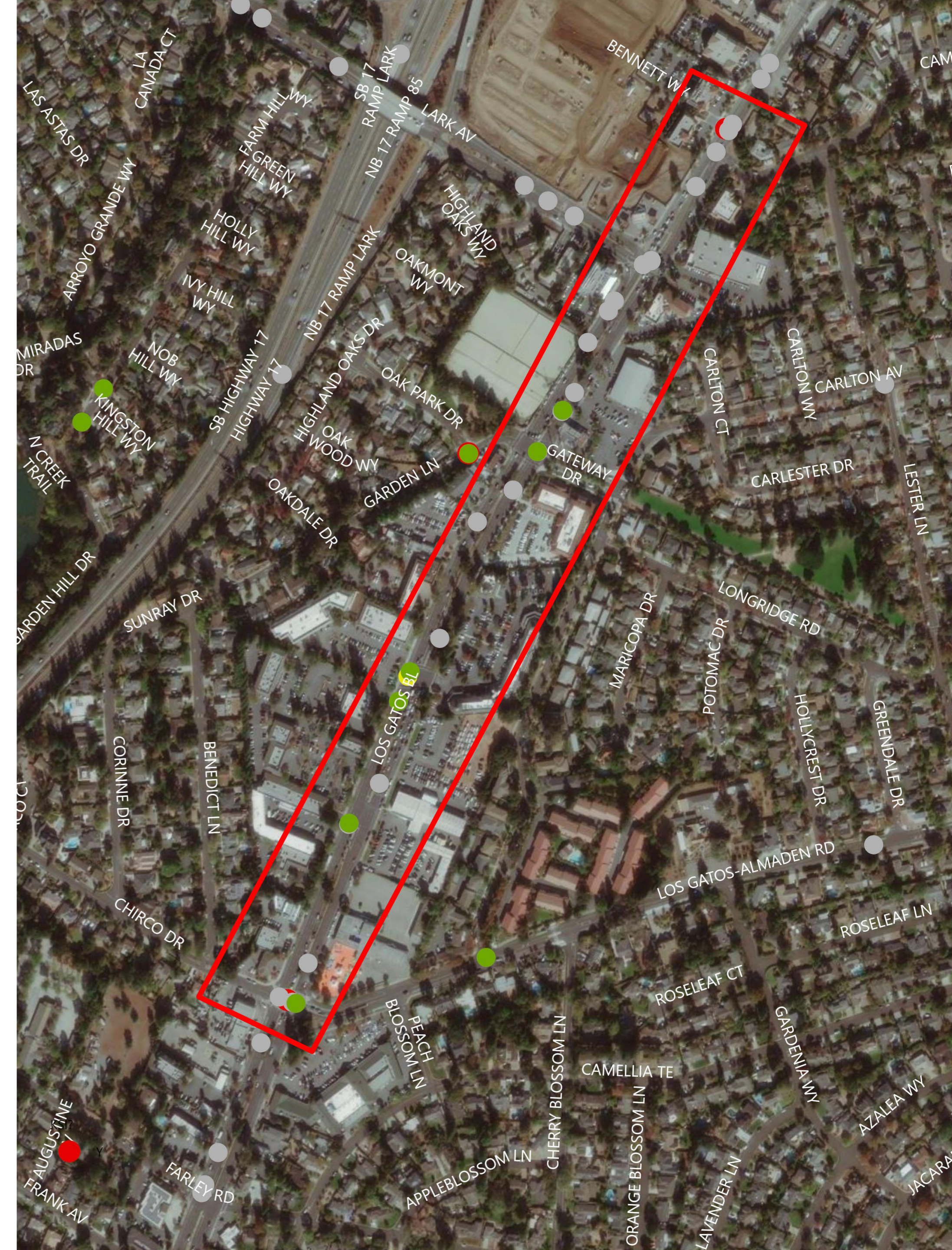
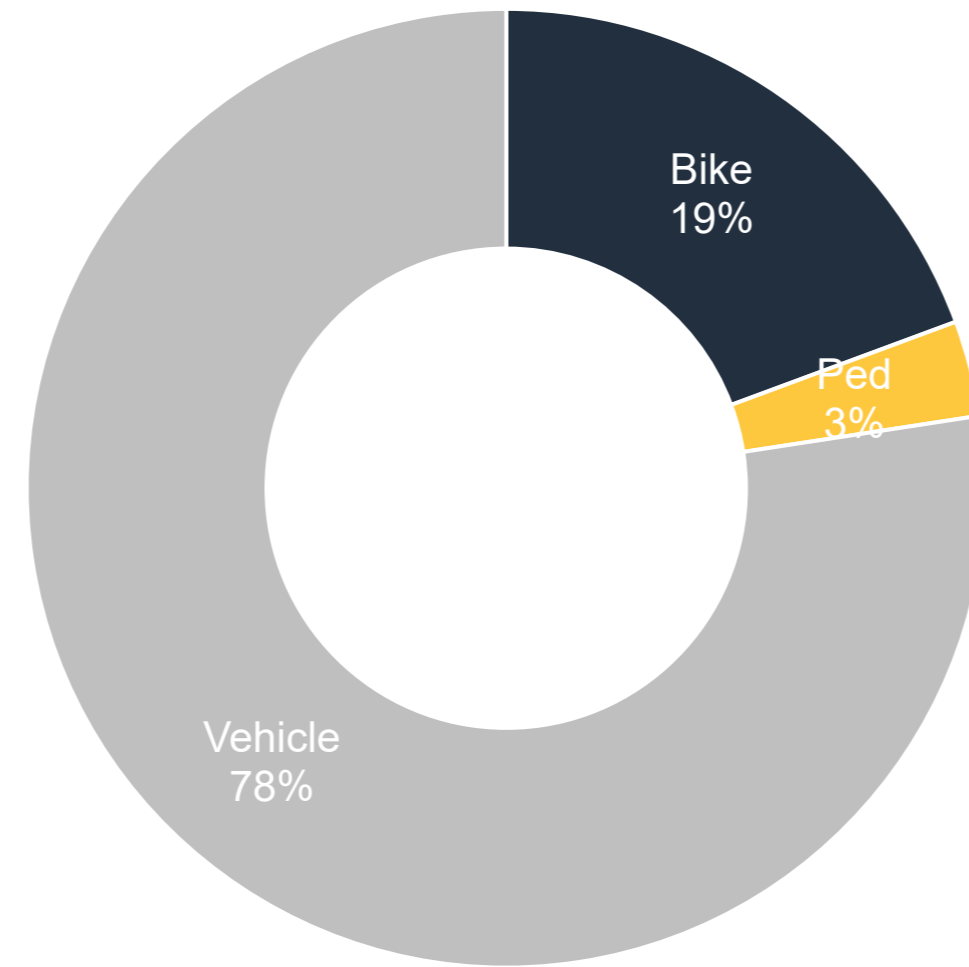
Total Injury Collisions **31**  
KSI Collisions **2**

## Top Injury Collision Factors

- Unsafe Speed
- Failure to yield
- Rear End
- Broadside

## Collision Profiles

- Age 60+ Collisions
- Walking or Bicycling on a Major Roadway
- Midblock Bicycle Collisions
- Speed Related Conflict
- Broadside Collisions at Unsignalized Intersections
- Red Light Violation
- Driving Under the Influence





# Other Emphasis Areas Considered

## Intersection Emphasis Areas

a. Los Gatos Saratoga Rd and Montgomery St: *Massol intersection*

*improvements completed*

b. Los Gatos Saratoga Rd and University Ave: *Caltrans intersection*

c. & d. Winchester Blvd/Lark Ave and Winchester Blvd Wimbledon:

*Intersection improvements completed. Continue to monitor.*

e. Los Gatos Blvd and Blossom Hill Rd: *Incorporate in future LGB*

*Complete Streets project.*

## Segment Emphasis Areas

g. Los Gatos Saratoga Rd: Los Gatos Blvd and HWY 17 off ramp:

*Design for interchange rebuild is underway.*

h. Blossom Hill Rd: Los Gatos Blvd and Winterbrook Rd: *BHR Traffic*

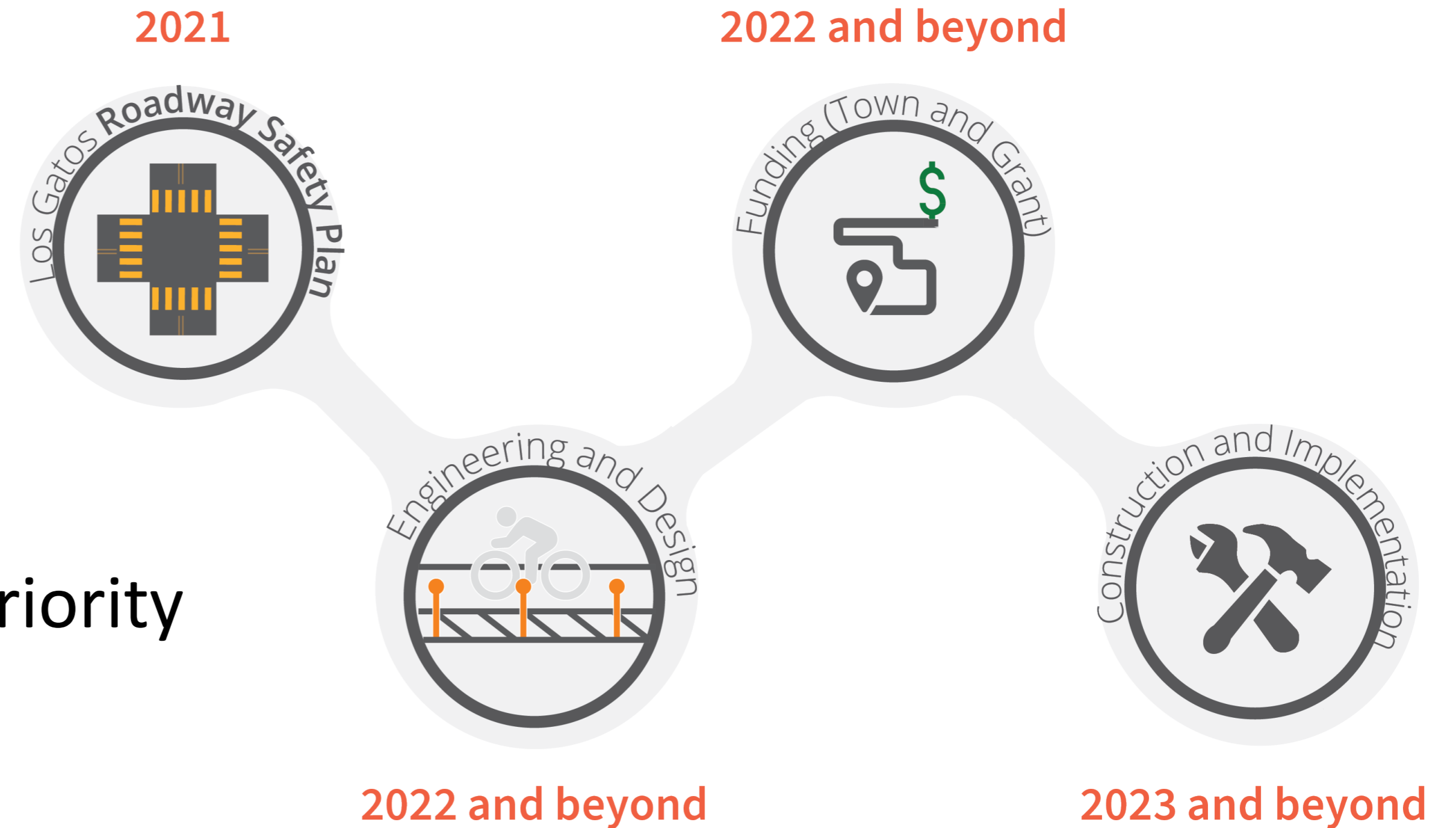
*Calming design work to begin in 2022*





# Next Steps

- Continue Community Engagement
- Identify suitable countermeasures for Priority Emphasis Areas
- Conduct walk audits to discuss countermeasures
- Complete LRSP report documentation
- Beyond the LRSP: engineering and design, project funding, construction







**TOWN OF LOS GATOS  
COUNCIL AGENDA REPORT**

MEETING DATE: 12/21/2021

ITEM NO: 13

---

DATE: December 15, 2021  
TO: Mayor and Town Council  
FROM: Laurel Prevetti, Town Manager  
SUBJECT: Reaffirm Town Council Code of Conduct Policy

**RECOMMENDATION:**

Reaffirm Town Council Code of Conduct Policy.

**REMARKS:**

The Council Code of Conduct Policy (Attachment 1) provides guidelines and procedures related to the Town Council's relations and communications with each other, Boards and Commissions, the public, the media, and Town staff. In addition, the Policy describes appropriate Council roles and behaviors before, during, and outside of Council meetings, including the specific duties of the Mayor and Vice Mayor. The Policy was last updated December 2019.

Every year, the Council considers and reaffirms the Town Council Code of Conduct Policy. This action provides important visibility to this Policy and reinforces the Town's commitment to conduct its business with civility and respect of all participants.

**FISCAL IMPACT:**

There is no fiscal impact associated with this item.

**ENVIRONMENTAL ASSESSMENT:**

This action is not a project defined under CEQA, and no further action is required.

**Attachment:**

1. Town Council Code of Conduct Policy

**PREPARED BY:** Janette Judd  
Executive Assistant to the Town Manager and Town Council

---

Reviewed by: Assistant Town Manager and Town Attorney

---



**TITLE:** Town Council Code of Conduct

**POLICY NUMBER:** 2-04

**EFFECTIVE DATE:** 5/3/2004

**PAGES:** 8

**ENABLING ACTIONS:** 2004-059; 2006-111

**REVISED DATES:** 12/17/2012; 3/3/2015;  
12/17/2019

**APPROVED:**

**I. Preamble**

The legal responsibilities of the Los Gatos Town Council are set forth by applicable state and federal laws. In addition, the Town Council has adopted regulations, including this Code of Conduct Policy, that hold Council Members to standards of conduct above and beyond what is required by law. This Policy is written with the assumption that Council Members, through training, are aware of their legal and ethical responsibilities as elected officials.

**II. Form of Government**

The Town of Los Gatos operates under a Council-Manager form of government as prescribed by Town Code, Section 2.30.305. Accordingly, members of the Council are elected at-large, provide legislative direction, set Town policy, and ultimately answer to the public. The Town Manager serves as the Town's chief administrative officer and is responsible for directing the day-to-day operations of the Town and implementing policy direction.

**III. Town Council Roles and Responsibilities**

The role of the Town Council is to act as a legislative and quasi-judicial body. Through its legislative and policy authority, the Council is responsible for assessing and achieving the community's desire for its present and future and for establishing policy direction to achieve its desired outcomes. All members of the Town Council, including those who serve as Mayor and Vice Mayor, have equal votes.

Members of the Town Council fulfill their role and responsibilities through the relationships they have with each other and the public. Town Council Members should approach their work, each other, and the public in a manner that reflects ethical behavior, honesty and integrity. The commitment of Town Council Members to their work is characterized by open constructive communication, innovation, and creative problem solving.

**IV. Mayoral and Vice Mayoral Selection Process**

Per Town Municipal Code, Section 2.20.035, the selection of the Mayor and Vice Mayor occurs annually at a special meeting in December by majority vote of the Town Council. The Mayor and Vice Mayor serve at the pleasure of the Town Council and may be replaced by a majority vote of the Council.

**V. Mayoral and Vice Mayoral Roles, Responsibilities, Relationships**

The following outlines some of the key roles, responsibilities, and relationships as they relate to the positions of Mayor and Vice Mayor:

**Mayor**

- A. The Mayor is the presiding officer of the Town Council. In this capacity, the Mayor is responsible for developing Council agendas in cooperation with the Town Manager and leading Council meetings.
- B. The Mayor recommends various standing committee appointments to the Council for approval.<sup>1</sup> This will be done at a Council meeting in December of each year. When making committee recommendations, the Mayor should attempt to balance shared responsibilities and opportunities among Council Members. The Mayor may also appoint citizens to committees not established by Town ordinance or resolution as s/he deems appropriate.
- C. The title of Mayor carries with it the responsibility of communicating with the Town Council, Town Manager, and members of the public. In this capacity, the Mayor serves as the Town “spokesperson” representing the Council in official and ceremonial occasions.
- D. As the official Town spokesperson, the Mayor performs special duties consistent with the Mayoral office, including, but not limited to: signing of documents on behalf of the Town, issuing proclamations, serving as the official voting delegate for various municipal advocacy groups, and delivering the State of the Town Address at his or her discretion.<sup>2</sup> The Town Council will determine any additional authority or duties that the Mayor shall perform.
- E. Special duties consistent with the Mayoral office may be delegated to the Vice Mayor or any other member of the Town Council.
- F. In the event that one or more members of a Town Board, Commission, or Committee acts in a manner contrary to approved Board/Commission policies and procedures, the Mayor may counsel those members about the rules set forth in the Town Commissioner Handbook.<sup>3</sup>

<sup>1</sup> Council Agenda Format and Rules Policy

<sup>2</sup> Council Commendation and Proclamation Policy

<sup>3</sup> Resolution 1999-167

Vice Mayor

- A. In the Mayor’s absence, the Vice Mayor shall perform the formal duties of the Mayor.<sup>4</sup>
- B. When the Vice Mayor performs the duties of the Mayor in his/her absence, the Vice Mayor also carries the responsibility of communicating with the Town Manager, Town Council, and members of the public.

**VI. Council Conduct in Public Meetings**

To ensure the highest standards of respect and integrity during public meetings, Council Members should:

- A. *Use formal titles.* The Council should refer to one another formally during Council meetings such as Mayor, Vice Mayor or Council Member or Mr., Mrs., or Ms., followed by the individual’s last name.
- B. *Practice civility and decorum in discussions and debate.* Difficult questions, tough challenges to a particular point of view, and criticism of ideas and information are legitimate elements of free democracy in action. During public discussions, Council Members should be respectful of others and diverse opinions and allow for the debate of issues.
- C. *Honor the role of the presiding officer in maintaining order and equity.* Respect the Mayor/Chair's efforts to focus discussion on current agenda items.
- D. *Council decisions should be reserved until all applicable information has been presented.*
- E. *Conduct during public hearings.* During public testimony, Council Members should refrain from engaging the speaker in dialogue. For purposes of clarification, Council Members may ask the speaker questions. Council comment and discussion should commence upon the conclusion of all public testimony

**VII. Legal Requirements**

The Town Council operates under a series of laws that regulate its operations as well as the conduct of its members. The Town Attorney serves as the Town’s legal officer and is available to advise the Council on these matters.

A. Training

Biannual training in the following areas shall be provided by staff to Council Members:

- 1. The Ralph M. Brown Act
- 2. Town / CA State Law on Conflict of Interest (AB 1234)
- 3. Government Section 1090
- 4. Incompatible Offices
- 5. The Fair Political Practices Commission Forms
- 6. Bias
- 7. Town / CA State Law on Harassment (SB 1343)

---

<sup>4</sup> Council Agenda Format and Rules Policy

**B. Procurement**

Unless authorized by the Town Council, Council Members shall not become involved in administrative processes for acquiring goods and services.

**C. Land Use Applications**

The merits of an application shall only be evaluated on information included in the public record. Council Members shall disclose ex parte communication and any information obtained outside of the public record that may influence his/her decision on a matter pending before the Town Council. Council disclosure shall occur after the Public Hearing section of the agenda, and before Council deliberations.

**D. Code of Conduct Policy**

Newly elected Council Members are strongly encouraged to sign a statement affirming they have read and understand the Town of Los Gatos Council Code of Conduct Policy.

**E. Non-Profit Organizations**

Council Members may not sit on boards of directors of non-profit organizations which receive funding or in-kind contributions from the Town, unless the role serves a legitimate Town purpose, such as the League of California Cities, and the participation is approved by the full Council.

**VIII. Council Participation in Boards, Commissions and Committees, and Reporting Requirements**

There are several committees that Town Council Members have been appointed to or have an interest in, including but not limited to: Town Council standing and ad hoc committees, Town boards and commissions, regional boards and commissions, and community-generated committees.

Primary Council representatives should update the Council about board, commission, and committee activities. When serving as the primary Council representative on any board, commission, or committee, Council Members should periodically provide updated reports to the Council during the "Council Matters" opportunity on the Council meeting agenda.

Recommended actions by Council Committees should be reported to the Council. When serving on a Council Committee, whether standing or ad hoc, all work undertaken by the Committee must be directed by the Council, and all recommended actions of a Council Committee shall be reported to the Council.

**IX. Council Relationship with Town Staff**

The Town Council has adopted a Council-Manager form of government. The Town Manager's powers and duties are outlined in the Town Code, Section 2.30.295.

<b>TITLE:</b> Town Council Code of Conduct	<b>PAGE:</b> 5 of 8	<b>POLICY NUMBER:</b> 2-04
--	------------------------	-------------------------------

Council Conduct and Communication with Town Staff

To enhance its working relationship with staff, Council should be mindful of the support and resources needed to accomplish Council goals. When communicating and working with staff, Council should follow these guidelines:

- A. *Council Members should treat staff as professionals.* Clear, honest communication that respects the abilities, experience, and dignity of each individual is expected. As with Council colleagues, practice civility and decorum in all interactions with Town staff.
- B. *Council Members should direct questions about policy, budget, or professional opinion to the Town Manager, Town Attorney or Department Directors.* Council Members can direct questions and inquiries to any staff for information that is readily available to the general public or easily retrievable by staff.
- C. *The Town Manager and staff are responsible for implementing Town policy and/or Council action.* The processing of Council policy and decisions takes place with the Town Manager and staff. Council should not direct policy/program administrative functions and implementation; rather it should provide policy guidance to the Town Manager.
- D. *Council Members should attempt to communicate questions, corrections, and/or clarifications about reports requiring official action to staff prior to Council meetings.* Early feedback will enable staff to address Council questions and incorporate minor corrections or changes to a Council report, resulting in a more efficient Council meeting discussion; however, this does not preclude Council Members from asking questions at Council Meetings.
- E. *Council Members should not direct the Town Manager to initiate any action, change a course of action, or prepare any report without the approval of Council.* The Town Manager's responsibility is to advise on resources available and required for a particular course of action as it relates to the direction of the majority of the Council.
- F. *Council Members should not attend department staff meetings unless requested by the Town Manager.*
- G. *All Council Members should have the same information with which to make decisions.* Information requested by one Council Member will be shared with all members of the Council.
- H. *Concerns related to the behavior or work of a Town employee should be directed to the Town Manager.* Council Members should not reprimand employees.
- I. *Per California Government Code, Sections 3201-3209, Council Members should not solicit financial contributions from Town staff or use promises or threats regarding future employment.* Although Town staff may, as private citizens with constitutional rights, support political candidates, such activities cannot take place during work hours, at the workplace, or in uniform.

**X. Council Communication with the Public and other Council Members**

The Public has a reasonable expectation that it may engage its Council Members on matters of community concern. In response, Council Members may express a preliminary opinion on issues or projects raised. Any such preliminary statement shall not constitute a prejudgment or create a presumption of bias on any issue or a project. In addition, Council Members may from

time to time express opinions regarding broad policy matters which may be in conflict with currently adopted Council policies. Such statements are permissible if clearly characterized as personal opinion or policy change objectives.

## **XI. Enforcement**

### **A. Purpose**

The Council Code of Conduct Policy establishes guiding principles for appropriate conduct and behavior and sets forth the expectations of Council Members. The purpose of the policy language is to establish a process and procedure that:

1. Allows the public, Town Council, and Town employees to report Code of Conduct policy violations or other misconduct.
2. Provides guidelines to evaluate Code of Conduct policy violations or other misconduct and implement appropriate disciplinary action when necessary.

### **B. Procedures**

#### 1. Reporting of Complaints

The following section outlines the process for reporting Council Member Code of Conduct Policy violations or other misconduct:

- a. Complaints made by members of the public, the Town Manager, and Town Attorney should be reported to the Mayor. If a complaint involves the Mayor, it should be reported to the Vice Mayor.
- b. Complaints made by Council Members should be reported to the Town Manager or Town Attorney to adhere to Brown Act requirements.
- c. Complaints made by Town employees should be reported to the Town Manager, who will direct them to the Mayor or Vice Mayor.

#### 2. Evaluation of Complaints Alleging Violations

Upon report of a written complaint, the Town Manager and Town Attorney will join the Mayor or Vice Mayor as an evaluation committee to determine the validity of the complaint and, if appropriate, an initial course of action as discussed below. If the Town Manager or Town Attorney is the complainant, the longest serving uninvolved Council Member will replace the Town Manager or Town Attorney on the evaluation committee.

Within seventy-two (72) hours of receipt of the complaint by the Mayor or Vice Mayor, the Council Member in question shall be notified of the reported complaint by the Mayor or his/her designee. The notification shall include a copy of the written complaint and supporting documentation, if any, the identity of the complainant and nature of the complaint.

### 3. Unsubstantiated or Minor Violations

If the majority of the Committee agrees that the reported violation is without substance, no further action will be taken. If the reported violation is deemed valid but minor in nature, the Mayor or Vice Mayor shall counsel and, if appropriate, admonish the Council Member privately to resolve the matter. Admonishment is considered to be a reproof or warning directed to a Council Member about a particular type of behavior that violates Town policy.

### 4. Allegations of Major Violations

If the reported violation is considered to be serious in nature, the matter shall be referred to outside legal counsel selected by the Committee for the purpose of conducting an initial interview with the subject Council Member. The outside counsel shall report his/her initial findings back to the Committee.

If the Committee then determines that an investigation is warranted, the Committee shall direct the outside legal counsel to conduct an investigation. The investigation process would include, but is not limited to, the ascertainment of facts relevant to the complaint through interviews and the examination of any documented materials.

### 5. Report of Findings

At the conclusion of the investigation, outside legal counsel shall report back to the Committee in writing. The report shall either (1) recommend that the Council Member be exonerated based on a finding that the investigation did not reveal evidence of a serious violation of the Code of Conduct, or (2) recommend disciplinary proceedings based on findings that one or more provisions of the Code of Conduct or other Town policies have been violated. In the latter event, the report shall specify the provisions violated along with the facts and evidence supporting each finding.

The Committee shall review the report and its recommendations. If the consensus of the Committee is to accept the report and recommendations, the Committee shall implement the recommendations. Where the recommendation is exoneration, no further action shall be taken. Where the recommendation is to initiate disciplinary proceedings, the matter shall be referred to the Council. Where there is no consensus of the Committee regarding the recommendations, the matter shall be referred to the Council.

The subject Council Member shall be notified in writing of the Committee's decision within 72 hours. Where the decision is to refer the matter to the Council, a copy of the full report, including documents relied on by the investigator shall be provided with the notification, and a copy of both shall be provided to the whole Council.



## 6. Proceedings

Investigative findings and recommended proceedings and disciplinary action that are brought forward to Council as a result of a significant policy violation shall be considered at a public hearing. The public hearing should be set far enough in advance to allow the Council Member in question reasonable sufficient time to prepare a response.

Investigative findings shall be presented to the Town Council at a public hearing. The rules of evidence do not apply to the public hearing. It shall not be conducted as an adversarial proceeding.

## C. **Disciplinary Action**

### 1. Considerations in Determining Disciplinary Action

Disciplinary action may be imposed by Council upon Council Members who have violated the Council Code of Conduct Policy. Disciplinary action or sanctions are considered when a serious violation of Town policy has occurred by a Council Member. In determining the type of sanction imposed, the following factors may be considered:

- a. Nature of the violation
- b. Prior violations by the same individual
- c. Other factors which bear upon the seriousness of the violation

### 2. Types of Sanctions

At the discretion of the Council, sanctions may be imposed for violating the Code of Conduct or engaging in other misconduct. These actions may be applied individually or in combination. They include, but are not limited to:

- a. *Public Admonishment* – A reproof or warning directed to a Council Member about a particular type of behavior that violates Town policy.
- b. *Revocation of Special Privileges* – A revocation of a Council Member's Council Committee assignments, including standing and ad hoc committees, regional boards and commissions, and community-generated board/committee appointments. Other revocations may include temporary suspension of official travel, conference participation, and ceremonial titles.
- c. *Censure* – A formal statement or resolution by the Council officially reprimanding a Council Member.

APPROVED AS TO FORM:



Robert Schultz, Town Attorney



**TOWN OF LOS GATOS  
COUNCIL AGENDA REPORT**

MEETING DATE: 12/21/2021

ITEM NO: 13

ADDENDUM

---

DATE: December 20, 2021  
TO: Mayor and Town Council  
FROM: Laurel Prevetti, Town Manager  
SUBJECT: Reaffirm Town Council Code of Conduct Policy

**REMARKS:**

Attachment 2 contains the most current version of the Town Council Code of Conduct Policy that was adopted by the Town Council on November 2, 2021.

**Attachment previously received with the Staff Report:**

1. Town Council Code of Conduct Policy

**Attachment received with this Addendum:**





2. Current Town Council Code of Conduct Policy

**PREPARED BY:** Shelley Neis  
Town Clerk

---

Reviewed by: Assistant Town Manager and Town Attorney

---

					
<b>TITLE:</b> Town Council Code of Conduct			<b>POLICY NUMBER:</b> 2-04		
<b>EFFECTIVE DATE:</b> 5/3/2004			<b>PAGES:</b> 8		
<b>ENABLING ACTIONS:</b> 2004-059; 2006-111; 2021-047		<b>REVISED DATES:</b> 12/17/2012; 3/3/2015; 12/17/2019; 11/2/2021			
<b>APPROVED:</b>		<small>DocuSigned by:</small>  <small>17D41F4DB5F744F...</small>			

### I. Preamble

The legal responsibilities of the Los Gatos Town Council are set forth by applicable state and federal laws. In addition, the Town Council has adopted regulations, including this Code of Conduct Policy, that hold Council Members to standards of conduct above and beyond what is required by law. This Policy is written with the assumption that Council Members, through training, are aware of their legal and ethical responsibilities as elected officials. These expectations of conduct also apply to all members of the Town's Boards, Committees, and Commissions.

### II. Form of Government

The Town of Los Gatos operates under a Council-Manager form of government as prescribed by Town Code, Section 2.30.305. Accordingly, members of the Council are elected at-large, provide legislative direction, set Town policy, and ultimately answer to the public. The Town Manager serves as the Town's chief administrative officer and is responsible for directing the day-to-day operations of the Town and implementing policy direction.

### III. Town Council Roles and Responsibilities

The role of the Town Council is to act as a legislative and quasi-judicial body. Through its legislative and policy authority, the Council is responsible for assessing and achieving the community's desire for its present and future and for establishing policy direction to achieve its desired outcomes. All members of the Town Council, including those who serve as Mayor and Vice Mayor, have equal votes.

Members of the Town Council fulfill their role and responsibilities through the relationships they have with each other and the public. Town Council Members should approach their work, each other, and the public in a manner that reflects ethical behavior, honesty and integrity. The commitment of Town Council Members to their work is characterized by open constructive communication, innovation, and creative problem solving.

<b>TITLE:</b> Town Council Code of Conduct	<b>PAGE:</b> 2 of 9	<b>POLICY NUMBER:</b> 2-04
--	------------------------	-------------------------------

#### **IV. Mayoral and Vice Mayoral Selection Process**

Per Town Municipal Code, Section 2.20.035, the selection of the Mayor and Vice Mayor occurs annually at a special meeting in December by majority vote of the Town Council. The Mayor and Vice Mayor serve at the pleasure of the Town Council and may be replaced by a majority vote of the Council.

#### **V. Mayoral and Vice Mayoral Roles, Responsibilities, Relationships**

The following outlines some of the key roles, responsibilities, and relationships as they relate to the positions of Mayor and Vice Mayor:

##### Mayor

- A. The Mayor is the presiding officer of the Town Council. In this capacity, the Mayor is responsible for developing Council agendas in cooperation with the Town Manager and leading Council meetings.
- B. The Mayor recommends various standing committee appointments to the Council for approval.<sup>1</sup> This will be done at a Council meeting in December of each year. When making committee recommendations, the Mayor should attempt to balance shared responsibilities and opportunities among Council Members. The Mayor may also appoint citizens to committees not established by Town ordinance or resolution as s/he deems appropriate.
- C. The title of Mayor carries with it the responsibility of communicating with the Town Council, Town Manager, and members of the public. In this capacity, the Mayor serves as the Town “spokesperson” representing the Council in official and ceremonial occasions.
- D. As the official Town spokesperson, the Mayor performs special duties consistent with the Mayoral office, including, but not limited to: signing of documents on behalf of the Town, issuing proclamations, serving as the official voting delegate for various municipal advocacy groups, and delivering the State of the Town Address at his or her discretion.<sup>2</sup> The Town Council will determine any additional authority or duties that the Mayor shall perform.
- E. Special duties consistent with the Mayoral office may be delegated to the Vice Mayor or any other member of the Town Council.
- F. In the event that one or more members of a Town Board, Commission, or Committee acts in a manner contrary to approved Board/Commission policies and procedures, the Mayor may counsel those members about the rules set forth in the Town Commissioner Handbook.<sup>3</sup>

<sup>1</sup> Council Agenda Format and Rules Policy

<sup>2</sup> Council Commendation and Proclamation Policy

<sup>3</sup> Resolution 1999-167

<b>TITLE:</b> Town Council Code of Conduct	<b>PAGE:</b> 3 of 9	<b>POLICY NUMBER:</b> 2-04
--	------------------------	-------------------------------

### Vice Mayor

- A. In the Mayor's absence, the Vice Mayor shall perform the formal duties of the Mayor.<sup>4</sup>
- B. When the Vice Mayor performs the duties of the Mayor in his/her absence, the Vice Mayor also carries the responsibility of communicating with the Town Manager, Town Council, and members of the public.

### **VI. Council Conduct in Public Meetings**

To ensure the highest standards of respect and integrity during public meetings, Council Members should:

- A. *Use formal titles.* The Council should refer to one another formally during Council meetings such as Mayor, Vice Mayor or Council Member or Mr., Mrs., or Ms., followed by the individual's last name.
- B. *Practice civility and decorum in discussions and debate.* Difficult questions, tough challenges to a particular point of view, and criticism of ideas and information are legitimate elements of free democracy in action. During public discussions, Council Members should be respectful of others and diverse opinions and allow for the debate of issues.
- C. *Honor the role of the presiding officer in maintaining order and equity.* Respect the Mayor/Chair's efforts to focus discussion on current agenda items.
- D. *Council decisions should be reserved until all applicable information has been presented.*
- E. *Conduct during public hearings.* During public testimony, Council Members should refrain from engaging the speaker in dialogue. Speakers at public meetings will be asked to provide their full name and to state whether they are a resident of the Town of Los Gatos. This information is optional but not required. For purposes of clarification, Council Members may ask the speaker questions. Council comment and discussion should commence upon the conclusion of all public testimony

### **VII. Maintaining Civility at Council Meetings**

The public is welcome to participate at Town Council meetings and the Mayor should remind the public of the Town's expectations for civility in order for the business of the Town to be completed efficiently and effectively. These expectations include and are not limited to:

- A. For the benefit of the entire community, the Town of Los Gatos asks that all speakers follow the Town's meeting guidelines by treating everyone with respect and dignity. This is done by following meeting guidelines set forth in State law, in the Town Code, and on the cover sheet of the Council agenda.
- B. The Town embraces diversity and strongly condemns hate speech and offensive, hateful language or racial intolerance of any kind at Council Meetings.
- C. Town Council and staff are well aware of the public's right to disagree with their professional opinion on various Town issues. However, anti-social behavior, slander, hatred,

---

<sup>4</sup> Council Agenda Format and Rules Policy

<b>TITLE:</b> Town Council Code of Conduct	<b>PAGE:</b> 4 of 9	<b>POLICY NUMBER:</b> 2-04
--	------------------------	-------------------------------

and bigotry statements are completely unacceptable and will not be tolerated in any way, shape or form at Town Council meetings.

- D. All public comments at the Town Council meeting must pertain to items within the subject matter jurisdiction of the Town and shall not contain slanderous statements, hatred, and bigotry against non-public officials.
- E. The Town will go through the following steps if a disturbance results from a member of the public not following these rules:
1. If participating remotely, Town staff may mute the individual with an explanation for the record of why muting occurred consistent with this Policy.
  2. If participating in-person, the Mayor may call a recess for violation of this Policy, resulting in the immediate cessation of the audio and video recording and the Council exiting the Chamber. Staff will determine if the individual should be removed or if all members of the public should leave depending on the extent of the disturbance. In the event that all public members exit, only the press would be allowed back in the meeting. Once the individual(s) leave, the Council would return to the Chamber and the Mayor would resume the meeting.
  3. Persons disrupting a Council meeting may be cited for violation of the California Penal Code Section 403.

### **VIII. Legal Requirements**

The Town Council operates under a series of laws that regulate its operations as well as the conduct of its members. The Town Attorney serves as the Town's legal officer and is available to advise the Council on these matters.

#### **A. Training**

Biannual training in the following areas shall be provided by staff to Council Members:

1. The Ralph M. Brown Act
2. Town / CA State Law on Conflict of Interest (AB 1234)
3. Government Section 1090
4. Incompatible Offices
5. The Fair Political Practices Commission Forms
6. Bias
7. Town / CA State Law on Harassment (SB 1343)

#### **B. Procurement**

Unless authorized by the Town Council, Council Members shall not become involved in administrative processes for acquiring goods and services.

#### **C. Land Use Applications**

The merits of an application shall only be evaluated on information included in the public record. Council Members shall disclose ex parte communication and any information obtained outside of the public record that may influence his/her decision on a matter pending before the

<b>TITLE:</b> Town Council Code of Conduct	<b>PAGE:</b> 5 of 9	<b>POLICY NUMBER:</b> 2-04
--	------------------------	-------------------------------

Town Council. Council disclosure shall occur after the Public Hearing section of the agenda, and before Council deliberations.

**D. Code of Conduct Policy**

Newly elected Council Members are strongly encouraged to sign a statement affirming they have read and understand the Town of Los Gatos Council Code of Conduct Policy.

**E. Non-Profit Organizations**

Council Members may not sit on boards of directors of non-profit organizations which receive funding or in-kind contributions from the Town, unless the role serves a legitimate Town purpose, such as the League of California Cities, and the participation is approved by the full Council.

**IX. Council Participation in Boards, Commissions and Committees, and Reporting Requirements**

There are several committees that Town Council Members have been appointed to or have an interest in, including but not limited to: Town Council standing and ad hoc committees, Town boards and commissions, regional boards and commissions, and community-generated committees.

Primary Council representatives should update the Council about board, commission, and committee activities. When serving as the primary Council representative on any board, commission, or committee, Council Members should periodically provide updated reports to the Council during the "Council Matters" opportunity on the Council meeting agenda.

Recommended actions by Council Committees should be reported to the Council. When serving on a Council Committee, whether standing or ad hoc, all work undertaken by the Committee must be directed by the Council, and all recommended actions of a Council Committee shall be reported to the Council.

**X. Council Relationship with Town Staff**

The Town Council has adopted a Council-Manager form of government. The Town Manager's powers and duties are outlined in the Town Code, Section 2.30.295.

Council Conduct and Communication with Town Staff

To enhance its working relationship with staff, Council should be mindful of the support and resources needed to accomplish Council goals. When communicating and working with staff, Council should follow these guidelines:

- A. *Council Members should treat staff as professionals.* Clear, honest communication that respects the abilities, experience, and dignity of each individual is expected. As with Council colleagues, practice civility and decorum in all interactions with Town staff.

<b>TITLE:</b> Town Council Code of Conduct	<b>PAGE:</b> 6 of 9	<b>POLICY NUMBER:</b> 2-04
--	------------------------	-------------------------------

- B. *Council Members should direct questions about policy, budget, or professional opinion to the Town Manager, Town Attorney or Department Directors. Council Members can direct questions and inquiries to any staff for information that is readily available to the general public or easily retrievable by staff.*
- C. *The Town Manager and staff are responsible for implementing Town policy and/or Council action. The processing of Council policy and decisions takes place with the Town Manager and staff. Council should not direct policy/program administrative functions and implementation; rather it should provide policy guidance to the Town Manager.*
- D. *Council Members should attempt to communicate questions, corrections, and/or clarifications about reports requiring official action to staff prior to Council meetings. Early feedback will enable staff to address Council questions and incorporate minor corrections or changes to a Council report, resulting in a more efficient Council meeting discussion; however, this does not preclude Council Members from asking questions at Council Meetings.*
- E. *Council Members should not direct the Town Manager to initiate any action, change a course of action, or prepare any report without the approval of Council. The Town Manager's responsibility is to advise on resources available and required for a particular course of action as it relates to the direction of the majority of the Council.*
- F. *Council Members should not attend department staff meetings unless requested by the Town Manager.*
- G. *All Council Members should have the same information with which to make decisions. Information requested by one Council Member will be shared with all members of the Council.*
- H. *Concerns related to the behavior or work of a Town employee should be directed to the Town Manager. Council Members should not reprimand employees.*
- I. *Per California Government Code, Sections 3201-3209, Council Members should not solicit financial contributions from Town staff or use promises or threats regarding future employment. Although Town staff may, as private citizens with constitutional rights, support political candidates, such activities cannot take place during work hours, at the workplace, or in uniform.*

#### **XI. Council Communication with the Public and other Council Members**

The Public has a reasonable expectation that it may engage its Council Members on matters of community concern. In response, Council Members may express a preliminary opinion on issues or projects raised. Any such preliminary statement shall not constitute a prejudgment or create a presumption of bias on any issue or a project. In addition, Council Members may from time to time express opinions regarding broad policy matters which may be in conflict with currently adopted Council policies. Such statements are permissible if clearly characterized as personal opinion or policy change objectives.



<b>TITLE:</b> Town Council Code of Conduct	<b>PAGE:</b> 7 of 9	<b>POLICY NUMBER:</b> 2-04
--	------------------------	-------------------------------

## **XII. Enforcement**

### **A. Purpose**

The Council Code of Conduct Policy establishes guiding principles for appropriate conduct and behavior and sets forth the expectations of Council Members. The purpose of the policy language is to establish a process and procedure that:

1. Allows the public, Town Council, and Town employees to report Code of Conduct policy violations or other misconduct.
2. Provides guidelines to evaluate Code of Conduct policy violations or other misconduct and implement appropriate disciplinary action when necessary.

### **B. Procedures**

#### **1. Reporting of Complaints**

The following section outlines the process for reporting Council Member Code of Conduct Policy violations or other misconduct:

- a. Complaints made by members of the public, the Town Manager, and Town Attorney should be reported to the Mayor. If a complaint involves the Mayor, it should be reported to the Vice Mayor.
- b. Complaints made by Council Members should be reported to the Town Manager or Town Attorney to adhere to Brown Act requirements.
- c. Complaints made by Town employees should be reported to the Town Manager, who will direct them to the Mayor or Vice Mayor.

#### **2. Evaluation of Complaints Alleging Violations**

Upon report of a written complaint, the Town Manager and Town Attorney will join the Mayor or Vice Mayor as an evaluation committee to determine the validity of the complaint and, if appropriate, an initial course of action as discussed below. If the Town Manager or Town Attorney is the complainant, the longest serving uninvolved Council Member will replace the Town Manager or Town Attorney on the evaluation committee.

Within seventy-two (72) hours of receipt of the complaint by the Mayor or Vice Mayor, the Council Member in question shall be notified of the reported complaint by the Mayor or his/her designee. The notification shall include a copy of the written complaint and supporting documentation, if any, the identity of the complainant and nature of the complaint.

#### **3. Unsubstantiated or Minor Violations**

If the majority of the Committee agrees that the reported violation is without substance, no further action will be taken. If the reported violation is deemed valid but minor in nature, the Mayor or Vice Mayor shall counsel and, if appropriate, admonish the Council Member privately to resolve the matter. Admonishment is considered to be a reproof or warning directed to a Council Member about a particular type of behavior that violates Town policy.

<b>TITLE:</b> Town Council Code of Conduct	<b>PAGE:</b> 8 of 9	<b>POLICY NUMBER:</b> 2-04
--	------------------------	-------------------------------

#### 4. Allegations of Major Violations

If the reported violation is considered to be serious in nature, the matter shall be referred to outside legal counsel selected by the Committee for the purpose of conducting an initial interview with the subject Council Member. The outside counsel shall report his/her initial findings back to the Committee.

If the Committee then determines that an investigation is warranted, the Committee shall direct the outside legal counsel to conduct an investigation. The investigation process would include, but is not limited to, the ascertainment of facts relevant to the complaint through interviews and the examination of any documented materials.

#### 5. Report of Findings

At the conclusion of the investigation, outside legal counsel shall report back to the Committee in writing. The report shall either (1) recommend that the Council Member be exonerated based on a finding that the investigation did not reveal evidence of a serious violation of the Code of Conduct, or (2) recommend disciplinary proceedings based on findings that one or more provisions of the Code of Conduct or other Town policies have been violated. In the latter event, the report shall specify the provisions violated along with the facts and evidence supporting each finding.

The Committee shall review the report and its recommendations. If the consensus of the Committee is to accept the report and recommendations, the Committee shall implement the recommendations. Where the recommendation is exoneration, no further action shall be taken. Where the recommendation is to initiate disciplinary proceedings, the matter shall be referred to the Council. Where there is no consensus of the Committee regarding the recommendations, the matter shall be referred to the Council.

The subject Council Member shall be notified in writing of the Committee's decision within 72 hours. Where the decision is to refer the matter to the Council, a copy of the full report, including documents relied on by the investigator shall be provided with the notification, and a copy of both shall be provided to the whole Council.

#### 6. Proceedings

Investigative findings and recommended proceedings and disciplinary action that are brought forward to Council as a result of a significant policy violation shall be considered at a public hearing. The public hearing should be set far enough in advance to allow the Council Member in question reasonable sufficient time to prepare a response.

Investigative findings shall be presented to the Town Council at a public hearing. The rules of evidence do not apply to the public hearing. It shall not be conducted as an adversarial proceeding.

<b>TITLE:</b> Town Council Code of Conduct	<b>PAGE:</b> 9 of 9	<b>POLICY NUMBER:</b> 2-04
--	------------------------	-------------------------------

### C. Disciplinary Action

#### 1. Considerations in Determining Disciplinary Action

Disciplinary action may be imposed by Council upon Council Members who have violated the Council Code of Conduct Policy. Disciplinary action or sanctions are considered when a serious violation of Town policy has occurred by a Council Member. In determining the type of sanction imposed, the following factors may be considered:

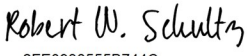
- a. Nature of the violation
- b. Prior violations by the same individual
- c. Other factors which bear upon the seriousness of the violation

#### 2. Types of Sanctions

At the discretion of the Council, sanctions may be imposed for violating the Code of Conduct or engaging in other misconduct. These actions may be applied individually or in combination. They include, but are not limited to:

- a. *Public Admonishment* – A reproof or warning directed to a Council Member about a particular type of behavior that violates Town policy.
- b. *Revocation of Special Privileges* – A revocation of a Council Member’s Council Committee assignments, including standing and ad hoc committees, regional boards and commissions, and community-generated board/committee appointments. Other revocations may include temporary suspension of official travel, conference participation, and ceremonial titles.
- c. *Censure* – A formal statement or resolution by the Council officially reprimanding a Council Member.

APPROVED AS TO FORM:

DocuSigned by:  
  
2FE0998555B744C...

Robert Schultz, Town Attorney



**TOWN OF LOS GATOS  
COUNCIL AGENDA REPORT**

MEETING DATE: 12/21/2021

ITEM NO: 14

---

DATE: December 15, 2021  
TO: Mayor and Town Council  
FROM: Laurel Prevetti, Town Manager  
SUBJECT: Authorize the Town Manager to Execute an Agreement with The Advantage Group to Continue to Administer Retiree Health Contribution Reimbursements in an Amount Not to Exceed \$57,500

**RECOMMENDATION:**

Authorize the Town Manager to execute an agreement with The Advantage Group (Attachment 1) to continue to administer retiree health contribution reimbursements in an amount not to exceed \$57,500.

**BACKGROUND:**

The Town has an existing agreement with the California Public Employees' Retirement System (CalPERS) to provide its health program to active Town employees and retired annuitants. The Town provides a retiree health contribution allowance benefit to employees that were hired before varying dates in 2018 and retire from the Town after completing five (5) years of continuous Town service.

**DISCUSSION:**

After an employee retires, they are eligible to continue participation in a CalPERS health plan. The associated cost of the health plan premium to cover the retiree and eligible dependent(s), if any, is deducted from the retiree's monthly retirement earnings check. Based upon prior agreements with retirees, the Town provides a retiree health contribution allowance toward the cost of the health plan premium. Under the terms of a prior agreement with The Advantage Group (TAG), the Town has used TAG to reimburse retirees up to the retiree health contribution allowance amount. The reimbursement is administered monthly from TAG directly to Town retirees by check or direct deposit.

**PREPARED BY:** Lisa Velasco  
Human Resources Director

---

Reviewed by: Assistant Town Manager, Town Attorney, and Finance Director

---

PAGE 2 OF 2

SUBJECT: Authorize the Town Manager to Execute an Agreement with TAG

DATE: December 15, 2021

DISCUSSION (continued):

TAG also resolves issues directly with the retirees related to lost checks, questions regarding reimbursement amounts, or misdirected funds. Currently, there are 144 retirees that receive a monthly reimbursement amount. The prior agreement needs to be renewed and staff is recommending that the Town continue to use the services of TAG as a third-party administrator to reimburse retirees for the eligible amount toward the cost of CalPERS health plan premiums.

CONCLUSION:

Staff recommends that the Town Manager is authorized to execute an agreement with TAG to continue providing monthly retiree health contribution reimbursements. TAG has provided reliable, accurate, and customer friendly service to Town retirees. Using a third-party administrator also provides supplemental support for Town staff resources.

FISCAL IMPACT:

The annual cost based on the number of Town retirees is \$11,500. The total cost over the five (5) years of the agreement is \$57,500. The annual amount is included in the FY 2021/22 Operating Budget and will be included in future fiscal year budgets.

ENVIRONMENTAL ASSESSMENT:

This is not a project defined under CEQA, and no further action is required.

Attachment:

1. The Advantage Group Administration Agreement



## Administration Agreement

---

### **PARTIES TO THIS AGREEMENT**

The Employer, Town of Los Gatos, has established certain employee benefit programs appropriately offered under IRS Code Section 105 Health Reimbursement Arrangements, Section 125 Cafeteria Plans and/or IRS Code Section 132 Qualified Transportation Plans. The employer has requested The Advantage Group (TAG), a Third Party Administrator (TPA), to act as its agent for the payment of certain benefits and to furnish certain administrative services for Flexible Spending Account (FSA), Commuter Plans and/or Health Reimbursement Arrangement (HRA), collectively referred to as the "Program"). TPA shall provide such services as agent of the employer and agent of the program.

### **SECTION ONE**

#### **SCOPE OF UNDERTAKING**

Employer has sole and final authority to control and manage the operation of the program. TPA is an independent contractor with respect to the services being performed hereunder. TPA does not assume any responsibility for the general policy design of the program, the adequacy of its funding, or any act or omission or breach of duty by employer. TPA generally provides reimbursement services only and does not assume any financial risk or obligation with respect to claims for benefits payable by employer under the program.

#### **THIRD PARTY ADMINISTRATOR (TPA) RESPONSIBILITIES:**

1. Benefits Payment – TPA shall, as agent of employer, operate under the express terms of this agreement and the program. TPA shall initially determine if persons covered by the program are entitled to benefits under the program and shall pay program benefits in its usual and customary manner to participants. TPA shall have no duty or obligation with respect to claims incurred prior to the effective date and/or program administration services arising prior to the effective date. Employer agrees that TPA has no responsibility or obligation with respect to prior reimbursement requests or prior administration.
2. Claims Adjudication & Appeal – TPA shall process all claims in an appropriate manner and adjudicate all claims. TPA shall refer to employer for final determination in the event of an appealed claim after rejection by TPA.
3. Record keeping – TPA shall maintain, for the duration of this agreement, the usual and customary books, records, and documents that relate to the program and its participants. These books, records, and documents, including electronic records, are the property of employer, and employer has the right of continuing access to them during normal business hours at TPA's offices with reasonable prior notice. If this agreement terminates, TPA may deliver, or at employer's request, will deliver all such books, records, and documents to employer subject to TPA's right to retain copies of any records it deems appropriate. Employer shall be required to pay TPA reasonable charges for transportation or duplication of such records.
4. Reporting – TPA shall make available to employer a master report showing the payment history and status of participant claims and the amounts and transactions of participant accounts. Upon request, TPA shall also make such information available to participants showing their individual account history.
5. Plan Documents – If employer requests, TPA shall furnish to employer plan documents to be reviewed by employer for creation of customized documentation for the program, including board resolutions, summary plan descriptions (SPDs), plan documents, and plan amendments (if any).
6. Employee Enrollment Assistance – TPA will provide employee brochures and enrollment forms for all eligible employees. Enrollment packets including claim forms and instructions for filing are provided for all enrolled participants in a reimbursement plan.
7. Participant Assistance - Participants have daytime access to customer service support through a toll-free telephone number. Employee account balance information is included on claim reimbursement check stubs and provided 60 days prior to plan year-end or at request of Participant.

---

**Confidential Information:** This information has been provided exclusively for authorized personnel of plan sponsor, consulting agency or late partner firm. Any unauthorized distribution or reproduction of this material is strictly prohibited.

8. Annual Plan Compliance - TPA will perform appropriate discrimination testing at the beginning of a plan year and two additional times during the year at employer's request. A completed IRS Form 5500 will be provided, as needed, along with information for W-2 Wage and Tax Statements that are based on information provided by employer and from account-specific data relating to the employer's plan. However, TPA shall not be responsible for the accuracy of any information provided by the employer in preparation of the annual Form 5500 nor shall TPA be responsible for determining the level of compliance required by the employer's plan.

9. Unpaid Benefit Funds - In compliance with employer's plan document and any applicable state or federal law requirements, any unclaimed fund amounts remaining unpaid more than 160 days after the close of the plan year and any applicable grace and appeal periods in which the claim is incurred, are forfeited and returned to the employer, minus any necessary fees and expenses that are owing to TPA, pursuant to this Agreement

10. Compliance with Privacy Rules Under HIPAA – TPA recognizes that it is considered a “Business Associate” with regard to employer's Health FSA for purposes of the privacy rules under HIPAA. TPA may use and disclose any PHI on behalf of employer for the proper management and administration of TPA. Notwithstanding the foregoing, such use and disclosure of PHI may not violate the privacy rules of HIPAA. At termination of this Agreement, TPA agrees to return or destroy all PHI received by TPA under this Agreement, or, to the extent that it is not feasible, to continue to limit the further uses and disclosures of that information as provided by this section.

**EMPLOYER RESPONSIBILITIES:**

1. General Compliance - Employer has the sole authority and responsibility for the program and its operation. Employer gives TPA the authority to act on behalf of employer in connection with the program. All final determinations as to a participant's entitlement to program benefits are to be made by employer. Employer is considered the plan administrator and named fiduciary of the program benefits for purposes of ERISA. The employer remains responsible for all plan activities, including general compliance with ERISA, HIPAA, the Internal Revenue Code, COBRA, and other applicable laws or regulations.

2. Funding of Benefits – Funding for any payment on behalf of the participants under the program is the sole responsibility of employer, and employer agrees to accept liability for, and provide sufficient funds to satisfy all payments to Participants under the program including claims for reimbursement for covered expenses, where such expenses are incurred and the claim is presented for payment during the term of this agreement.

3. Information to TPA - Employer shall furnish the information requested by TPA as determined necessary to perform TPA's functions.

4. Eligibility Changes - Employer shall notify TPA of changes in employee eligibility (e.g., addition, termination, change in family status, etc.) in the prescribed manner via fax or email. Late notification of plan eligibility may result in an erroneous payment to an employee. In this event, the risk of loss will be the burden of the employer.

4. Discriminatory Plans – Employer shall initiate any corrective action required in the event the plan(s) becomes discriminatory.

5. Ownership of Account Assets - All amounts deposited by the employer for the plan remain the employer's assets and shall remain available for the employer's general use or removal. TPA, or its representatives, shall only be responsible for administering the employer's funds in accordance with the terms of this agreement. Amounts deposited by employer shall only be disbursed by TPA, if it is an allowable expense as determined by the employer or as otherwise required by a court of appropriate jurisdiction.

6. Employee Fraud - In the event of employee fraud against the plan, it is the employer's responsibility to make the plan whole and pursue appropriate remedies from the employee.

7. HIPAA Compliance – Employer is required to provide to TPA notice of its privacy practices and authorizations of a participant to use or disclose Protected Health Information (PHI). TPA is considered a “Business Associate” under HIPAA with regard to employer's Health FSA and is agreeing to numerous technical requirements for “Business Associates” under HIPAA. Employer shall notify TPA of any restriction to the use or disclosure of PHI that employer has agreed to in accordance with the privacy rules under HIPAA.

## **SECTION TWO**

### **EFFECTIVE DATE AND TERM**

The effective date of this Agreement is February 1, 2021. The initial term shall be a twelve (12) month period commencing on the effective date. Thereafter, this agreement will renew automatically for successive periods of twelve (12) months unless services are terminated in accordance with the provisions set forth in this agreement.

### **TERM OF CONTRACT**

1. Automatic - This Agreement shall automatically terminate as of the earliest of the following events: (a) the effective date of any legislation which makes the program and/or this agreement illegal; (b) the date employer becomes insolvent, bankrupt, or subject to liquidation, receivership, or conservatorship; (c) the termination date of the program, subject to any agreement between employer and TPA regarding payment of benefits after the program is terminated.

2. Optional – This agreement may be terminated as of the earliest of the following: (a) by TPA upon the failure of employer to pay any charges within 15 business days after they are due and payable; (b) by TPA upon failure of employer to perform its obligations in accordance with this Agreement; (c) by employer upon the failure of TPA to perform its obligations in accordance with this Agreement; (d) by either employer or TPA, as of the end of the term of this agreement, by giving the other party thirty (30) days written notice; (e) Any other date that is mutually agreed upon in writing between TPA and employer provided at least thirty (30) days notice of intent to terminate and otherwise not renew this agreement is given by either party.

3. Limited Continuation After Termination – If the program is terminated, employer and TPA may mutually agree in writing that this Agreement shall continue for the purpose of payment of any Program benefit, expense, or claims incurred prior to the date of program termination. In addition, if this agreement is terminated while the program continues in effect, employer and TPA may mutually agree in writing that this agreement shall continue for the purpose of payment of any claims for which request for reimbursements have been received by TPA before the date of such termination. If this agreement is continued in accordance with this subsection (3), employer shall pay the monthly service charges incurred during the period that this agreement is so continued and a final termination fee equal to the final month's service charge and any applicable fees incurred for services rendered by TPA to satisfy plan closure.

4. Survival of Certain Provisions – Termination of this agreement shall not terminate the rights or obligations of either party arising out of a period prior to such termination. The indemnity, confidentiality, and privacy provisions of this agreement shall survive its termination.

### **CONTRACT AS INCLUDING ENTIRE AGREEMENT**

This Agreement, and its attachments, constitutes the entire agreement between TAG and employer and supersedes all prior agreements and representations between the parties. No modification or amendment shall be valid unless agreed to in writing by both parties. This agreement shall be construed, enforced, and governed by the laws of the State of California to the extent they are not inconsistent with or preempted by ERISA, the Internal Revenue Code, or any other applicable federal law.

### **FEE SCHEDULE**

Employer agrees to pay TAG for administration services pursuant to this agreement according to the fee schedule specified herein; a plan administration fee of \$50.00 per month, which includes the preparation of required plan documents, summary plan descriptions (SPD) and plan compliance services; Renewal fee of \$100.00 per year. Additional testing requests made by plan sponsor may incur additional fees; participant account processing fees are \$6.00 per month, per active account; participant SmartCard debit cards are \$0.00 per participant, per month, and are subject to the terms and conditions of the members card services agreement; the TAG Benefit Center mobile app and online account services are included; applicable carryover and/or grace period administration is \$6.00 per participant, per year; runout period administration is included. EDI connection services from approved providers are \$0.00 per feed. Fees are subject to periodic adjustments; a notice of any applicable fee adjustments will be provided no less than thirty (30) days prior to effective date. Additional administration functions or account services performed by TAG outside of the ordinary scope of services outlined in this agreement may incur additional fees; a fee schedule for such services will be provided in advance of services being performed.

---

**Confidential Information:** This information has been provided exclusively for authorized personnel of plan sponsor, consulting agency or state partner firm. Any unauthorized distribution or reproduction of this material is strictly prohibited.



**THIRD PARTY ARRANGEMENTS**

Plan sponsor may designate a third party agency to assume payment of monthly administration fees on behalf of the plan sponsor. All payment terms made between plan sponsor and designated third party are made exclusive to this agreement. In the event of non-payment by plan sponsor's designated third party, any current and past due administration fees are the responsibility of the plan sponsor.

This Agreement, including the Attachments, is accepted and agreed to by the parties as of this date. This contract made between The Advantage Group (TAG) and Town of Los Gatos, whose business address is herein referred to as "Employer":

**Employer:**

Name: Laurel Prevetti

Title: Town Manager

Company: Town of Los Gatos

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

**The Advantage Group:**

Name: Chase Skousen

Title: Controller

Company: The Advantage Group

Signature:  \_\_\_\_\_

Date: November 18, 2021

**APPROVED AS TO FORM:**

\_\_\_\_\_

Robert Schultz  
Town Attorney

**ATTEST:**

\_\_\_\_\_

Shelley Neis, MMC, CPMC  
Town Clerk

---

**ADMINISTRATIVE SERVICES AGREEMENT  
ATTACHMENT B**

**Compliance With Privacy Rules Under HIPAA**

Capitalized terms used in this section shall have the same meaning as defined in 45 C.F.R. §§ 160.103 and 164.501. Upon HIPAA's applicability date with regard to employer's plan, the following provision will apply:

**General Responsibilities as a "Business Associate":**

1. TPA agrees not to use or further disclose PHI other than as permitted or required by this Agreement or as required by law.
2. TPA agrees to use appropriate safeguards to prevent use or disclosure of PHI other than as provided for by this Agreement.
3. TPA agrees to mitigate, to the extent practicable, any harmful effect that is known to TPA of a use or disclosure of PHI by TPA in violation of the terms of this Agreement.
4. TPA agrees to report to Employer any use or disclosure of PHI not provided for by this Agreement.
5. TPA agrees to ensure that any agent, including a subcontractor, to whom it provides PHI received from, or created or received by TPA on behalf of Employer agrees to the same restrictions and conditions that apply throughout this Agreement to TPA with respect to such information.
6. TPA agrees to provide access, at the request of Employer, and in the time and manner designated by Employer, to PHI in a Designated Record Set, to Employer or, as directed by Employer, to an Individual in order to meet the requirements of 45 C.F.R. §164.524.
7. TPA agrees to make any amendment(s) to PHI in a Designated Record Set that Employer directs or agrees to pursuant to 45 C.F.R. §164.526 at the request of Employer or an Individual, and in the time and manner designated by Employer.
8. TPA agrees to make internal practices, books, and records relating to the use and disclosure of PHI received from, or created or received by TPA on behalf of Employer available to Employer, or at the request of Employer, to the Secretary, in the time and manner designated by Employer or the Secretary, for purposes of the Secretary determining Employer's compliance with the privacy rules under HIPAA.
9. TPA agrees to document such disclosures of PHI and information related to such disclosures as would be required for Employer to respond to a request by an Individual for an accounting of disclosures of PHI in accordance with 45 C.F.R. §164.528.
10. TPA agrees to provide to Employer or an Individual, in the time and manner designated by Employer, information collected in accordance with Section 3.11 (a)(9) to permit Employer to respond to a request by an Individual for an accounting of disclosures of PHI in accordance with 45 C.F.R. §164.528.
11. In the event that TPA conducts Standard Transactions with or on behalf of the Health FSA/ HRA, TPA will comply with the requirements in 45 C.F.R. Part 162 by October 2003. TPA will require any subcontractor or agent involved with the conduct of such Standard Transactions to comply with each applicable requirement of 45 C.F.R. Part 162.
12. TPA will comply with any applicable provisions of the HIPAA Security Standard Requirements (as set forth in 45 C.F.R. Parts 160, 162, and 164) as of the applicable regulatory compliance date and will ensure that any agents or subcontractors that assist TPA agree in writing to comply with the HIPAA Security Standard Requirements. If the Security Standard Requirements require the Health FSA/ HRA to include additional specific contractual provisions in this Agreement, the TPA agrees to renegotiate this provision in good faith prior to such compliance date.

**Permitted Uses and Disclosure by TPA.** TPA may use and disclose any PHI on behalf of, or to provide services to Employer, as specified in this agreement; for the proper management and administration of TPA; to carry out the legal responsibilities of TPA; and to provide data aggregation services to Employer. Notwithstanding the foregoing, such use and disclosure of PHI may not violate the privacy rules of HIPAA.

**Amendment to Comply with Privacy Rules.** TPA agrees to amend this Section as is necessary from time to time to comply with the requirements of the privacy rules under HIPAA.

**Termination of Agreement.** TPA agrees to termination of the Agreement by Employer if the terms of this Section are violated. In addition, at termination of this Agreement, TPA agrees to return or destroy all PHI received by TPA under this Agreement or, to the extent that it is not feasible, to continue to limit the further uses and disclosures of that information as provided by this Section.



**TOWN OF LOS GATOS  
COUNCIL AGENDA REPORT**

MEETING DATE: 12/21/2021

ITEM NO: 15

---

DATE: December 16, 2021

TO: Mayor and Town Council

FROM: Laurel Prevetti, Town Manager

SUBJECT: Corporation Yard Building Replacement Project (CIP No. 821-2302):

- a. Authorize the Town Manager to Approve the Project Plans and Specifications; and
- b. Authorize Advertising the Project for Bid; and
- c. Authorize the Town Manager to Award and Execute a Construction Agreement in an Amount not to Exceed \$763,776, Including Contingencies and change orders; and Authorize Staff to Execute Future Change Orders in an Amount Not to Exceed Fifteen Percent of the Contract Award Amount; and
- d. Authorize the Town Manager to purchase a Prefabricated Steel Storage building from Empire Steel Buildings in an amount not to exceed \$103,939 for the Corp Yard; and
- e. Authorize the Town Manager to Execute Third Amendment to Agreement for Consulting Services with Cuschieri Horton Architects to Extend the Agreement Expiration Date to 12/31/22; and
- f. Authorize an Expenditure Budget Adjustment to the Corporation Yard Building Replacement Project in the Amount of \$135,981 from Available General Fund Appropriated Fund Reserve.

**RECOMMENDATION:**

Staff recommends that the Town Council take the following actions related to Corporation Yard Building Replacement Project (CIP No. 821-2302):

- a. Authorize the Town Manager to approve the Project Plans and Specifications; and
- b. Authorize advertising the project for bid; and

**PREPARED BY:** Matt Morley  
Parks and Public Works Director

---

Reviewed by: Assistant Town Manager, Town Attorney, Finance Director, and Parks and Public Works Director

---

RECOMMENDATION (continued):

- c. Authorize the Town Manager to award and execute a Construction Agreement (Attachment 1) in an amount not to Exceed \$763,776, Including Contingencies and change orders; and authorize staff to execute future change orders in an amount not to exceed fifteen percent of the contract award amount; and
- d. Authorize the Town Manager to purchase a prefabricated steel storage building (Attachment 2) from Empire Steel Buildings in an amount not to exceed \$103,939 for the Corp Yard; and
- e. Authorize the Town Manager to execute Third Amendment to the Agreement for Consulting Services (Attachment 3) with Cuschieri Horton Architects to extend the agreement expiration date; and
- f. Authorize an expenditure budget adjustment to the Corporation Yard Building Replacement Project in the amount of \$135,981 from available General Fund Appropriated Fund Reserve.

BACKGROUND:

The Town's adopted Fiscal Year (FY) 2018/19 Capital Improvement Program Budget designates funding for Town projects, including Project 821-2302, Building Replacement at the Corporation Yard. This is the second phase in a two phased project in which phase one resulted in the conversion of warehouse space to office space and phase two involves replacing an old portable building, that has been used as staff space and police evidence storage, with a steel storage building.

On October 2, 2018, the Town Council authorized the Town Manager to execute an agreement with Cuschieri Horton Architects for the Design of Corporation Yard Building Replacement and Engineering Tenant Improvement project.

On August 18, 2020, the Town Council authorized the Town Manager to execute a construction contract with DesignTek Consulting Group, LLC. for the construction of phase one of the project which included tenant improvements of engineering staff offices and conversion of warehouse space into staff office space. The phase one construction work has been completed. The maintenance staff has relocated to the new offices and Police evidence has been moved to a temporary trailer in preparation for phase two of the project.

DISCUSSION:

The scope of work for phase two of the project includes demolition of the portable building, installation of water service for fire sprinklers, site work, construction of a concrete foundation for the steel building, and purchase and installation of a steel storage building.

DISCUSSION (continued):

This project has encountered several unexpected additional costs resulting from testing for hazardous material and resultant abatement in both phases, sewer line re-routing required during the first phase, the addition of a fire sprinkler system including design and installation of a new water line, and steel cost escalation for the prefabricated steel building. The pandemic has also caused labor shortages and increases in labor costs. This results in higher bid prices, further adding to the project cost.

Some of the increase in cost will be offset by purchasing a prefabricated steel building directly from the manufacturer, saving the Town contractor markup costs.

The construction work on phase two is expected to start in March 2022 and take approximately six months to complete. Cuschieri Horton Architects' services will be required through project completion. The extension of the project term will not impact the compensation for the architectural services.

The project plans and specifications are available for review on the Parks and Public Works Capital Improvement Program webpage at [www.losgatosca.gov/108/Capital-Improvement-Program](http://www.losgatosca.gov/108/Capital-Improvement-Program).

CONCLUSION:

Approval of the recommendations allows the project to move forward for purchase of steel building, bidding and award for construction, and budget adjustment due to unexpected additional costs. Construction will be awarded by formal bid to the lowest responsible bidder. The recommended actions would allow for a fifteen percent contingency above the low bid price. Should the lowest bid exceed the authorized not to exceed amount of \$763,776, staff would return to Council for further direction.

COORDINATION:

The design of this project has been coordinated with Community Development Department and County Fire through the building permit process.

SUBJECT: Corporation Yard Building Replacement Project

DATE: December 16, 2021

FISCAL IMPACT:

Based on the estimated cost of construction to complete this project, additional funds of \$135,981 will be required. The budget adjustment allows for funding to be in place as required to bid the project. Should favorable bids be received, excess funds would be returned to General Fund Appropriated Reserve (GFAR).

The below table summarizes the anticipated project expenditures. There are sufficient funds available in the GFAR for the additional expenses.

<b>Building Replacement at Corporation Yard Project 821-2302</b>		
	<b>Budget</b>	<b>Costs</b>
Original Budget - GFAR	\$1,915,800	
Approved with this Staff Report	\$135,981	
<b>Total Budget</b>	<b>\$2,051,781</b>	
Phase 1 Construction (Including Contingencies)		\$696,447
Consultation Services (Expense + Encumbrance)		\$263,984
Phase 1 Solutions Office Interiors		\$108,000
Phase 2 Construction (Approved with this Report)		\$763,776
Phase 2 Pre-construction costs		\$15,000
Phase 2 Prefabricated Steel Building Purchase (Approved with this Report)		\$103,939
Other Construction		\$73,664
Modular Unit Rental		\$10,637
Construction Inspection		\$7,443
Equipment Acquisition/Installation		\$6,055
Blueprint/Copy/Postage		\$1,772
Advertising		\$1,064
<b>Total Expenditures</b>		<b>\$2,051,781</b>
<b>Remaining Budget</b>		<b>\$ -</b>

ENVIRONMENTAL ASSESSMENT:

This is a project as defined under CEQA but is Categorically Exempt (Section 15301 a and d). A Notice of Exemption will not be filed.

Attachments:

1. Construction Agreement
2. Proposal for Prefabricated Steel Building
3. Third Amendment Including Prior Agreements with Cuschieri Horton

## **CONSTRUCTION AGREEMENT**

This Agreement is dated for identification this \_\_\_\_ day of \_\_\_\_\_, 2022, and is made by and between the TOWN OF LOS GATOS, a California municipal corporation, whose address is 110 East Main Street, Los Gatos, California 95030 (hereinafter "TOWN"), and (CONTRACTOR NAME), whose address is (CONTRACTOR ADDRESS) (hereinafter "CONTRACTOR").

NOW, THEREFORE, the parties agree:

### **ARTICLE I: WORK TO BE DONE AND DOCUMENTS FORMING THE CONTRACT.**

That for and in consideration of the payments and agreements hereinafter mentioned, to be made and performed by the said TOWN, and under the conditions expressed in the two bonds hereunto annexed, the said CONTRACTOR agrees with the said TOWN, at his own proper cost and expense, to do all the work and furnish all the materials and equipment necessary to construct and complete, in accordance with the plans and specifications hereinafter mentioned, in a good, workmanlike and substantial manner, under the supervision of the Town Engineer, or his, of the TOWN OF LOS GATOS, California, all the works and improvements described, mentioned and set forth in those plans and specifications on file in the Office of the Parks and Public Works of said TOWN, entitled:

"Plans and Specifications for  
Project # 821-2302 Corp Yard Building Replacement"

which said plans and specifications and all the documents therein contained, including the TOWN OF LOS GATOS's Standard Provisions, are hereby specially referred to and by such reference made part of this contract.

### **ARTICLE II: CONTRACTOR'S ACCEPTANCE**

CONTRACTOR agrees to receive and accept the prices shown on Exhibit "A," which is attached hereto and incorporated by reference herewith, as full compensation for furnishing all materials and equipment and for doing all the work described in the contract documents; also for all loss or damage as provided in the contract documents in the prosecution of the work until its acceptance by the Town Council of the TOWN OF LOS GATOS, and for well and faithfully completing the work, and the whole thereof, in the manner and according to the contract documents, plans and specifications, and the requirements of the Town Engineer.

### **ARTICLE III: ACCEPTANCE BY TOWN**

The said TOWN hereby promises and agrees with the said CONTRACTOR to employ, and does hereby employ the said CONTRACTOR to provide the materials and to do the work according

to the terms and conditions herein contained and referred to, for the prices aforesaid, and hereby contracts to pay the same at the time, in the manner and upon the conditions above set forth; and the said parties for themselves their heirs, executors, administrators, successors and assigns, do hereby agree to the full performance of the covenants herein contained.

#### **ARTICLE IV: COMPLETION OF AGREEMENT**

Reference is made to Part I – Page 9 of the TOWN's Project Specifications Notice to Contractors which are hereby made a part of this contract. Inasmuch as the work called for under this contract concerns a needed public improvement, the time of performance and completion of this work is of the essence of this contract. It is expressly understood and agreed by the parties hereto that all the work called for under this contract, in all its parts and requirements, shall be completed ninety (90) working days from Notice to Proceed.

#### **ARTICLE V: HOURS OF LABOR**

The CONTRACTOR shall forfeit, as a penalty, to the TOWN, Twenty-Five Dollars (\$25) for each workman employed in the execution of the contract by him or by any subcontractor for each calendar day during which any workman is required or permitted to labor more than eight (8) hours in violation of the provisions of Sections 1810-1815 inclusive of the Labor Code and all amendments thereto.

#### **ARTICLE VI: APPRENTICES**

Attention is directed to the provisions in Sections 1777.5, 1777.6 and 1777.7 of the Labor Code governing the employment of apprentices by the CONTRACTOR or any subcontractor under him. CONTRACTOR and any of his subcontractors shall comply with the requirements of said sections of the Labor Code; CONTRACTOR shall have full responsibility for compliance with the said sections regardless of any other contractual or employment relationships alleged to exist.

Information relative to apprenticeship standards and other requirements may be obtained from the Director of Industrial Relations ex officio the Administrator of Apprenticeship, San Francisco, California or from the Division of Apprenticeship Standards at its branch offices.

#### **ARTICLE VII: NONDISCRIMINATION**

The CONTRACTOR sub recipient or subcontractor shall not discriminate on the basis of race, color, national origin or sex in the performance of this contract. CONTRACTOR shall carry out applicable requirements of 49 CFR Part 26 in the award and administration of DOT-assisted contracts.

Failure by CONTRACTOR to carry out these requirements is a material breach of this contract, which may result in the termination of this contract or such other remedy as recipient deems appropriate.



## **ARTICLE VIII: INDEPENDENT CONTRACTOR**

It is agreed that CONTRACTOR is an independent contractor, and all persons working for or under the direction of CONTRACTOR are CONTRACTOR's agents, servants and employees, and said persons shall not be deemed agents, servants or employees of TOWN.

## **ARTICLE IX: OWNERSHIP OF DATA AND DOCUMENTS**

CONTRACTOR agrees that all records, specifications, data, maps, designs, graphics, writings, recordings and other tangible materials regardless of form or format, including, without limitation, electronically transmitted documents and ACAD files, and other collateral materials collected, compiled, drafted, prepared, produced and/or generated in the performance of this Agreement shall be the property of TOWN. CONTRACTOR shall regularly provide such documents to TOWN upon TOWN's request. In the event that this Agreement is terminated prior to completion of the scope of work, CONTRACTOR shall provide all such data and documents to TOWN forthwith.

## **ARTICLE X: INSURANCE**

a. Commercial General Liability/Automobile Liability Insurance:

CONTRACTOR shall obtain and maintain Commercial General Liability insurance and Automobile Liability insurance in the amount of One Million Dollars (\$1,000,000) per occurrence. If a general aggregate limit is used, either the general aggregate limit shall apply separately to this contract or the general aggregate limit shall be twice the required occurrence limit. CONTRACTOR's insurance coverage shall be written on an occurrence basis.

b. Workers' Compensation Insurance:

CONTRACTOR shall obtain and maintain statutory Workers' Compensation insurance and Employer's Liability insurance in the amount of One Million Dollars (\$1,000,000) per accident.

CONTRACTOR is familiar with the Workers' Compensation laws of California (generally contained in Section 3700 of the Labor Code), including those provisions which provide for specific exemptions from the requirement that all employers must carry Workers' Compensation insurance, and CONTRACTOR maintains they are exempted under the law from the requirement to maintain Workers' Compensation insurance coverage.

In addition, during the term of any work for TOWN under said agreement: (1) CONTRACTOR will not employ any person in any manner so as to become subject to the Workers' Compensation laws of California, or (2) should CONTRACTOR become subject to the

Workers' Compensation provisions of Section 3700 of the Labor Code for any reason, CONTRACTOR shall forthwith comply with those provisions and send evidence of financial compliance to TOWN.

c. Acceptability of Insurers: Insurance is to be placed with insurers with a current *Best Rating* of A:VII unless otherwise acceptable to TOWN.

d. Verification of Coverage: Insurance, deductibles or self-insurance retentions shall be subject to TOWN's approval. Original Certificates of Insurance with endorsements shall be received and approved by TOWN before work commences, and insurance must be in effect for the duration of the contract. The absence of insurance or a reduction of stated limits shall cause all work on the project to cease. Any delays shall not increase costs to TOWN or increase the duration of the project.

e. Other Insurance Provisions:

(1) The TOWN OF LOS GATOS, its officers, officials, employees and volunteers are to be covered as additional insured by Endorsement CG 20 10 11 85 or other endorsement approved by Town Attorney for Commercial General and Automobile Liability coverage.

(2) For any claims related to this project, CONTRACTOR's insurance coverage shall be primary and any insurance or self-insurance maintained by TOWN, its officers, officials, employees and volunteers shall not contribute to it.

(3) Each insurance policy required shall be endorsed that a thirty (30) day notice be given to TOWN in the event of cancellation or modification to the stipulated insurance coverage.

(4) In the event CONTRACTOR employs subcontractors as part of the work covered by this Agreement, it shall be the responsibility of CONTRACTOR to ensure that all subcontractors comply with the same insurance requirements that are stated in this Agreement.

(5) Approval of the insurance by TOWN or acceptance of the Certificate of Insurance by TOWN shall not relieve or decrease the extent to which CONTRACTOR may be held responsible for payment of damages resulting from CONTRACTOR's services or operation pursuant to this Agreement, nor shall it be deemed a waiver of TOWN's rights to insurance coverage hereunder.

(6) If, for any reason, CONTRACTOR fails to maintain insurance coverage that is required pursuant to this contract, the same shall be deemed a material breach of contract. TOWN, at its sole option, may terminate this contract and obtain damages from CONTRACTOR resulting from said breach. Alternately, TOWN may purchase such required insurance coverage, and without further notice to CONTRACTOR, TOWN may deduct from sums due to CONTRACTOR any premium costs advanced by TOWN for such insurance.

## **ARTICLE XI: HOLD HARMLESS**

CONTRACTOR hereby agrees to and shall hold TOWN, its elective and appointive boards, commissions, officers, agents, registered volunteers, and employees harmless from any liability for damage or claims for damage for personal injury, including death, as well as from claims for property damage and any other claims of any sort whatsoever, including, but not limited to, any liabilities, claims, losses, or expenses in any manner caused by, arising out of, or in connection with, either directly or indirectly, the construction or installation of the work, the guarding of the work, the use of improper materials in construction of the work, or the negligent, willful, or intentional acts or omissions by CONTRACTOR or CONTRACTOR's subcontractors, agents, or employee operations under this Agreement, whether such operations by CONTRACTOR or by any of CONTRACTOR's subcontractors, or by any one or more persons directly or indirectly employed by, or acting as agent for CONTRACTOR or any of CONTRACTOR's subcontractors during the progress of the work or at any time before its completion and final acceptance, excepting suits and actions brought by the CONTRACTOR for default of this Agreement or arising from the sole active negligence or willful misconduct of the TOWN. The Town Council may retain so much of the money due to the CONTRACTOR as shall be reasonably necessary to protect the TOWN, until disposition has been made of such suits or claims for damages as aforesaid.

CONTRACTOR agrees to and shall pay TOWN's cost of defense (or, at the sole option of the TOWN, CONTRACTOR shall defend with counsel approved by the TOWN Attorney) and indemnify TOWN and its elective and appointive boards, commissions, officers, agents, and employees from any suits or actions at law or in equity arising out of the execution, adoption or implementation of this Agreement (exclusive of any such actions brought by CONTRACTOR), such indemnification to include all costs of defense, judgments, and any awards of attorneys' fees.

Should any accident or incident causing death, personal injury or property damage occur between the date CONTRACTOR is notified that its General Liability and/or Workers Compensation Insurance is canceled and the effective date of such cancellation, CONTRACTOR's obligation to indemnify, defend and save harmless the TOWN, as provided for hereinabove, shall in no manner be affected by the fact that the TOWN had not received the notice of cancellation prior to the date of such accident or incident.

## **ARTICLE XII: BONDING REQUIREMENT**

CONTRACTOR agrees to post a Faithful Performance Bond and a payment bond for Labor and Materials, or other guarantees, in the required amounts upon bond forms provided by the TOWN, guarantying the performance of the terms of this Agreement. Surety issuing bonds for CONTRACTOR shall be approved by the U.S. Department of Treasury's Financial Management Service and shall be listed on the most current Treasury Circular 570 as contained in the Federal Register.

Contractor agrees to allow five percent of the faithful performance bond to remain in effect for a period of two years following Town Council project acceptance as guarantee for any needed repair or replacement caused by defective materials and workmanship.

#### **ARTICLE XIII: MAINTENANCE AND GUARANTY**

CONTRACTOR shall promptly repair, replace, restore, or rebuild, as the TOWN may determine, any finished product in which defects of materials or workmanship may appear or to which damage may occur because of such defects, during a two (2) year period subsequent to the date of final acceptance.

This article does not in any way limit the guaranty on any items for which a longer guaranty is specified or on any items which a manufacturer gives a guaranty for a longer period, nor does it limit the other remedies of the TOWN in respect to a latent defect, fraud or implied warranties. CONTRACTOR shall furnish the TOWN all appropriate guaranties or warranty certificates upon completion of the project.

#### **ARTICLE XIV: SHORING FOR TRENCHES**

If the contract specifies an expenditure of Twenty-Five Thousand Dollars (\$25,000) or greater for trenching, and if the depth of the trench is five feet (5') or more, then Section 6705 of the Labor Code shall also be applicable.

#### **ARTICLE XV: APPLICABLE LAWS AND ATTORNEY'S FEES**

This Agreement shall be construed and enforced pursuant to the laws of the State of California. Should any legal action be brought by a party for breach of this Agreement or to enforce any provision herein, the prevailing party of such action shall be entitled to reasonable attorneys' fees, court costs, and such other costs as may be fixed by the court. Reasonable attorneys' fees of the TOWN Attorney's Office, if private counsel is not used, shall be based on comparable fees of private attorneys practicing in Santa Clara County.

#### **ARTICLE XVI: LIQUIDATED DAMAGES**

It is mutually agreed by CONTRACTOR and TOWN that in the event that completion of the construction by CONTRACTOR under this Agreement is delayed beyond DATE, TOWN will suffer damages and will incur other costs and expenses of a nature and amount which is difficult or impractical to determine. The Parties agree that by way of ascertaining and fixing the amount of damages, costs and expenses, and not by way of penalty, CONTRACTOR shall pay to TOWN the sum of TBD (\$XX) per day in liquidated damages for each and every calendar day such delay in completion of the services under this Agreement continues beyond DATE. In the event that the

liquidated damages are not paid, CONTRACTOR agrees that TOWN may deduct the amount of unpaid damages from any money due or that may become due to CONTRACTOR under this Agreement.

#### **ARTICLE XVII: INTERPRETATION OF CONTRACT**

It is further expressly agreed by and between the parties hereto that should there be any conflict between the terms of this instrument and the bid or proposal of said CONTRACTOR, then this instrument shall control and nothing herein shall be considered as an acceptance of the said terms of said proposal conflicting herewith.

#### **ARTICLE XVIII: AMENDMENTS AND CHANGE ORDERS**

This Agreement may be amended from time to time as necessary by formal and written amendment or authorized change order executed by the Town Manager or designee and principal acting on behalf of the CONTRACTOR.

#### **ARTICLE XIX: DBE RESPONSIBILITIES**

For projects that are State or Federal funding; With respect to Disadvantaged Business Enterprises, CONTRACTOR shall do the following:

(1) Pay each subcontractor under this prime contract for satisfactory performance of its contract no later than ten (10) days from the receipt of each payment the prime contractor receives from TOWN. Any delay or postponement of payment from the above-referenced time frame may occur only for good cause following written approval of TOWN. This clause applies to both DBE and non-DBE subcontractors.

(2) Release all retainage owed to a subcontractor for satisfactory completion of the accepted work within thirty (30) days after TOWN's payment to CONTRACTOR. Any delay or postponement of payment from the above-referenced time frame may occur only for good cause following written approval of TOWN. This clause applies to both DBE and non-DBE subcontractors.

#### **ARTICLE XX: PREVAILING WAGES**

Prevailing Wage. This project is subject to the requirements of Section 1720 et seq. of the California Labor Code requiring the payment of prevailing wages, the training of apprentices and compliance with other applicable requirements. Contractors and all subcontractors who perform work on the project are required to comply with these requirements. Prevailing wages apply to all projects over \$1,000 which are defined as a "public work" by the State of California. This includes: construction, demolition, repair, alteration, maintenance and the installation of photovoltaic systems under a Power Purchase Agreement when certain conditions are met under Labor Code Section 1720.6. This include service and warranty work on public buildings and structures.

1. The applicable California prevailing wage rate can be found at [www.dir.ca.gov](http://www.dir.ca.gov) and are on file with the Town of Los Gatos Parks and Public Works Department, which shall be available to any interested party upon request. The contractor is also required to have a copy of the applicable wage determination posted and/or available at each jobsite.
2. Specifically, contractors are reminded of the need for compliance with Labor Code Section 1774-1775 (the payment of prevailing wages and documentation of such), Section 1776 (the keeping and submission of accurate certified payrolls) and 1777.5 in the employment of apprentices on public works projects. Further, overtime, weekend and holiday pay, and shift pay must be paid pursuant to applicable Labor Code section.
3. The public entity for which work is being performed or the California Department of Industrial Relations may impose penalties upon contractors and subcontractors for failure to comply with prevailing wage requirements. These penalties are up to \$200 per day per worker for each wage violations identified; \$100 per day per worker for failure to provide the required paperwork and documentation requested within a 10-day window; and \$25 per day per worker for any overtime violation.
4. As a condition to receiving progress payments, final payment and payment of retention on any and all projects on which the payment of prevailing wages is required, the contractor agrees to present to the TOWN, along with its request for payment, all applicable and necessary certified payrolls (for itself and all applicable subcontractors) for the time period covering such payment request. The term "certified payroll" shall include all required documentation to comply with the mandates set forth in Labor Code Section 1720 et seq, as well as any additional documentation requested by the Agency or its designee including, but not limited to: certified payroll, fringe benefit statements and backup documentation such as monthly benefit statements, employee timecards, copies of wage statements and cancelled checks, proof of training contributions (CAC2 if applicable), and apprenticeship forms such as DAS-140 and DAS-142.
5. In addition to submitting the certified payrolls and related documentation to the TOWN, the contractor and all subcontractors shall be required to submit certified payroll and related documents electronically to the California Department of Industrial Relations. Failure to submit payrolls to the DIR when mandated by the project parameters shall also result in the withholding of progress, retention and final payment.
6. No contractor or subcontractor may be listed on a bid proposal for a public works project unless registered with the Department of Industrial Relations pursuant to Labor Code section 1725.5 [with limited exceptions from this requirement for bid purposes only under Labor Code section 1771.1(a)].

7. No contractor or subcontractor may be awarded a contract for public work on a public works project, unless registered with the Department of Industrial Relations pursuant to Labor Code section 1725.5. Contractors MUST be a registered “public works contractor” with the DIR AT THE TIME OF BID. Where the prime contract is less than \$15,000 for maintenance work or less than \$25,000 for construction alternation, demolition or repair work, registration is not required.
8. Should any contractor or subcontractors not be a registered public works contractor and perform work on the project, Contractor agrees to fully indemnify the TOWN for any fines assessed by the California Department of Industrial Relations against the TOWN for such violation, including all staff costs and attorney’s fee relating to such fine.
9. The TOWN shall withhold any portion of a payment; including the entire payment amount, until certified payroll forms and related documentation are properly submitted, reviewed and found to be in full compliance. In the event that certified payroll forms do not comply with the requirements of Labor Code Section 1720 et seq., the TOWN may continue to hold sufficient funds to cover estimated wages and penalties under the contract.

**ARTICLE XXI: ENTIRE AGREEMENT**

This Agreement contains the entire understanding between the parties with respect to the subject matter herein. There are no representations, agreements or understandings (whether oral or written) between or among the parties relating to the subject matter of this Agreement which are not fully expressed herein.

**ARTICLE XXII: PUBLIC RECORDS**

The parties recognize and acknowledge that TOWN is subject to the California Public Records Act, California Government Code Section 6250 and following. Public records are subject to disclosure.

**ARTICLE XXIII: NOTICES**

Any notice required to be given to CONTRACTOR shall be deemed to be duly and properly given if mailed to CONTRACTOR, postage prepaid, addressed to:

CONTRACTOR NAME  
ADDRESS  
CITY, STATE ZIP

or personally delivered to CONTRACTOR at such address or at such other addresses as CONTRACTOR may designate in writing to TOWN.

Any notice required to be given TOWN shall be deemed to be duly and properly given if mailed to TOWN, postage prepaid, addressed to:

WooJae Kim  
Town Engineer  
TOWN OF LOS GATOS  
41 Miles Avenue  
Los Gatos, California 95030

or personally delivered to TOWN at such address or at such other addresses as TOWN may designate in writing to CONTRACTOR.

**ARTICLE XXIV: SECTION 7106 FORM**

Attached to the Agreement is a fully executed and sworn non-collusion affidavit as required by Section 7106 of the California Public Contracts Code. Said affidavit is incorporated herein by this reference.



IN WITNESS WHEREOF, the parties to these presents have hereunto set their hands the year and date first written above.

APPROVED AS TO CONTENT:

"TOWN":  
TOWN OF LOS GATOS

\_\_\_\_\_  
Matt Morley  
Director of Parks and Public Works

By: \_\_\_\_\_  
Laurel Prevetti  
Town Manager

APPROVED AS TO FORM:

\_\_\_\_\_  
Robert Schultz  
Town Attorney

Attest: \_\_\_\_\_  
Shelley Neis MMC, CPMC, Town Clerk

CONTRACTOR:

Name: \_\_\_\_\_

By: \_\_\_\_\_

Address: \_\_\_\_\_

Title: \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

By: \_\_\_\_\_

Tax ID No. or SSAN:  
\_\_\_\_\_

Title: \_\_\_\_\_

**CONTRACTOR'S BOND FOR LABOR AND MATERIAL**

KNOW ALL MEN BY THESE PRESENTS:

That \_\_\_\_\_, as Principal, and

\_\_\_\_\_ incorporated under the laws of the State of \_\_\_\_\_ and authorized to execute bonds and undertakings as Surety, are held and firmly bound unto any and all materialmen, persons, companies or corporations furnishing materials, provisions, provender or other supplies used in, upon, for or about the performance of the work contracted to be executed or performed under the contract hereinafter mentioned, and all persons, companies or corporations renting implements or machinery, or hiring crews, for or contributing to said work to be done, and all persons who perform work or labor upon the same, and all persons who supply both work and materials, and whose claim has not been paid by the contractor, company, or corporations in the just and full sum of \_\_\_\_\_ Dollars (\$ \_\_\_\_\_), for the payment whereof, well and truly to be made, said Principal and Surety bind themselves, their administrators, successors and assigns, jointly and severally firmly by these presents.

The condition of the foregoing obligation is such that; WHEREAS, the above-bounden Principal has entered into a certain contract attached hereto and incorporated herein by reference as though fully set forth, with the TOWN OF LOS GATOS, to do and perform the following work; to wit:

Project # 821-2302 Corp Yard Building Replacement

as required by the plans and specifications, pursuant to the award made to said contractor by the Council of the TOWN OF LOS GATOS, on \_\_\_\_\_ 2022, as will more fully appear by reference to the minutes of said Council of said TOWN of said date.

NOW, THEREFORE, if the above-bounden Principal, contractor, person, company, or corporation, or his agent, or the subcontractors, fails to pay for any materials, provisions, provender, or other supplies, or crews used in, upon, for, or about the performance of the work contracted to be done, or for any work or labor done thereon of any kind, or for amounts due under the Unemployment Insurance Act with respect to such work or labor, or for any amount required to be deducted, withheld, and paid over to Franchise Tax Board, from the wages of employees of the contractor or subcontractor, pursuant to Section 18806 of the Revenue and Tax Code, then the Surety of this bond will also pay the same in an amount not exceeding the sum specified in the bond; and also, in case suit is brought upon this bond, a reasonable attorney's fee, which shall be awarded by the court to the prevailing party in said suit, said attorney's fee to be taxed as costs in said suit and to be included in the judgment therein rendered.

The surety hereby stipulates and agrees that no change, extension of time, alteration or addition to the terms of the agreement or to the work to be performed thereunder or to the specifications accompanying the same shall in any way affect its obligation on this bond and it does hereby waive notice of any such change, extension of time, alteration or addition to the terms of the agreement or to the work or to the specifications.

This bond is executed and filed to comply with the provisions of Sections 3247, *et seq.*, of the Civil Code.

Signed and sealed this \_\_\_\_\_ day of \_\_\_\_\_, 2022.

BY: \_\_\_\_\_

BY: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

CONTRACTOR

SURETY (Address and Phone No.)

(CORPORATE SEAL)

(SURETY SEAL)

The amount of the within obligation is hereby fixed by the TOWN Council in the sum of (CONTRACT AMOUNT) Dollars (\$XXXXX), that sum being one hundred percent (100%) of the contract price, is by said TOWN Council deemed adequate, and is the sum fixed by it for that purpose and the TOWN Manager is hereby authorized to approve said bond.

APPROVED AS TO FORM:

\_\_\_\_\_  
Robert Schultz, Town Attorney

\_\_\_\_\_  
Laurel Prevetti, Town Manager

ATTEST:

\_\_\_\_\_  
Shelley Neis, MMC, CPMC, Town Clerk



**CONTRACTOR'S BOND FOR FAITHFUL PERFORMANCE**

KNOW ALL MEN BY THESE PRESENTS:

That \_\_\_\_\_, as Principal, and \_\_\_\_\_, incorporated under the laws of the State of \_\_\_\_\_, and authorized to execute bonds and undertakings as Surety, are held firmly bound unto the TOWN OF LOS GATOS, a municipal corporation of the State of California, in the sum of \_\_\_\_\_ Dollars (\$ \_\_\_\_\_), for payment whereof, well and truly to be made, said Principal and Surety bind themselves, their administrators, successors and assigns, jointly and severally, firmly by these presents.

The condition of the foregoing obligation is such that: WHEREAS, the above-bounden Principal has entered into a certain contract attached hereto and incorporated herein by reference as though fully set forth, with the TOWN OF LOS GATOS, to do and perform the following work; to wit:

Project # 821-2302 Corp Yard Building Replacement

as required by the plans and specifications, pursuant to the award made to said contractor by the Council of the TOWN OF LOS GATOS, on \_\_\_\_\_, 2022, as will more fully appear by reference to the minutes of said Council of said date.

The surety hereby stipulates and agrees that no change, extension of time, alteration or addition to the terms of the agreement or to the work to be performed thereunder or to the specifications accompanying the same shall in any way affect its obligation on this bond and it does hereby waive notice of any such change, extension of time, alteration or addition to the terms of the agreement or to the work or to the specifications.

NOW, THEREFORE, if the above-bounden Principal shall well and truly perform the work contracted to be performed under said contract, then this obligation shall be void; otherwise, to remain in full force and effect.

Signed and sealed this \_\_\_\_\_ day of \_\_\_\_\_, 2022.

BY: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

CONTRACTOR

(CORPORATE SEAL)

BY: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

SURETY (Address and Phone No.)

(SURETY SEAL)

The amount of the within obligation is hereby fixed by the TOWN Council in the sum of (CONTRACT AMOUNT) Dollars (\$XXXXX), that sum being one hundred percent (100%) of the contract price, is by said TOWN Council deemed sufficient and adequate, and is the sum fixed by it for that purpose.

APPROVED AS TO FORM:

\_\_\_\_\_  
Robert Schultz, Town Attorney

\_\_\_\_\_  
Laurel Prevetti, Town Manager

ATTEST:

\_\_\_\_\_  
Shelley Neis, MMC, CPMC, Town Clerk





**800.905.3443**

5230 Carroll Canyon Road Suite 300  
San Diego CA 92121

# Invoice

Date	Invoice #
12/13/2021	

Bill To
Kinjal Buch - Town of Los Gatos 1475 South Bascom Avenue #204 Campbell, CA 95008

Ship To
Kinjal Buch 41 Miles Avenue Los Gatos, CA 95030

P.O. Number	Terms	REP	Ship	Project
	COD	BM	TBD	17B23289

Quantity	Item	Description	Price Each	Amount
	Building Freight	60' x 80' x 14'	Incl.	\$ 37,988.00
	Doors Insulation			\$ 3,398.00
	Change Order			\$ 1,500.00
	Change Order			\$ 4,445.00
	Updated to Current Steel Market Prices			\$ 60,696.00
			Subtotal	\$ 108,027.00
	Sales Tax	9.125%		\$ 9,857.47
	Deposit	Received Thank You		\$ (8,000.00)
		Received Thank You		\$ (1,500.00)
		Received Thank You		\$ (4,445.00)
<b>BALANCE DUE COD VIA CASHIERS CHECK</b>				
<i>Thank you for your business.</i>			<b>Total</b>	<b>\$ 103,939.47</b>

# EMPIRE STEEL BUILDINGS

5230 Carroll Canyon Road, #300 ❖ San Diego, CA 92121  
800-905-3443 Fax 858-362-0470

## CHANGE ORDE FOR PRODUCTION

Date: 12/8/2021

Order #: 17-B-23289

Buyer: Kinjal Buch

Address: 41 Miles Ave

Company: Town Of Los Gatos

City, State, Zip: Los Gatos CA 95030

Phone: 408-399-5756

Fax: \_\_\_\_\_

Approximate Delivery: ASAP

IN ACCORDANCE WITH YOUR REQUEST, WE ARE PROCEEDING WITH THE FOLLOWING CHANGE TO THE REFERENCED ORDER:

**RELEASE FOR PRODUCTION & SHIP. EMPIRE PLANS/DRAWINGS ARE APPROVED & ACCEPTED.**

NOTE: Acceptance of approval drawings or verifications drawings, whether "as submitted" or "as noted" indicates that the manufacturer has correctly interpreted the contract requirements and constitutes agreement that the building as drawn, or drawn with indicated changes, represents totality of the materials to be supplied by the manufacturer. Accepted drawings govern in the event of any conflict with other drawings, plans, specifications, or reviewing stamps of other parties.

Roof - Polar White  
Walls - Desert Sand  
Trim - Rustic Red  
Roll Up Doors - Rustic Red  
Walk Door - Bronze

2. Update to Current Market Steel Prices - add \$56,998.00 Due now at Fabrication and will show paid on Final Invoice
3. Update to Current Insulation Prices add \$3698 for a total of \$6998

Customer requests approximate ship date of \_\_\_\_\_ TBD

Failure to take delivery once the building has been put into production will result in holding and storage fees. These fees will be added to your COD amount. Site access needed for 40'+ trailer and sleeper cab. Please notify of any site restrictions. Redelivery fees may apply for restricted site access. Customer supplied forklift. Payment due prior to unloading.

The total price of this change order is **\$60,696.00** and will be added to any remaining balance on your purchase order.

Any items not specifically stated on this change order are excluded in their entirety.

FINAL STEEL PRICE SUBJECT TO FURTHER INCREASE UNTIL DELIVERY DUE TO VOLATILE MARKET

ANY APPLICABLE SALES TAX REQUIRED BY YOUR STATE WILL BE ADDED PRIOR TO DELIVERY. ALL OTHER TERMS AND CONDITIONS EXCEPT THOSE NOTED ABOVE REMAIN THE SAME. THIS AUTHORIZED WORK CHANGE ORDER AND ALL WORK AFFECTED HEREBY, IS SUBJECT TO ALL CONTRACT STIPULATIONS AND COVENANTS. PARTIAL SHIPMENTS MUST BE ACCEPTED OR ADDITIONAL CHARGES APPLY.

SIGNATURE BELOW APPROVES EMPIRE PLANS AND CONSTITUTES TOTALITY OF PROJECT SUPPLIED  
PLEASE SIGN AND FAX TO THE ACCOUNTING DEPT: FAX: 858-362-0470

Contract accepted by purchaser

Contract accepted and entered:

X  
\_\_\_\_\_  
Purchaser Date

X Billy Marks 12/8/2021  
\_\_\_\_\_  
Empire Steel Buildings Date

### THIRD AMENDMENT TO AGREEMENT FOR CONSULTANT SERVICES

This THIRD AMENDMENT TO AGREEMENT FOR CONSULTANT SERVICES is dated for identification this 21ST day of December 2021 and amends that certain AGREEMENT FOR CONSULTANT SERVICES dated October 3, 2018, FIRST AMENDMENT TO AGREEMENT dated March 3, 2021, and SECOND AMENDMENT TO AGREEMENT dated November 2, 2021 made by and between the **TOWN OF LOS GATOS**, ("Town,") and **Cuschieri Horton Architects** ("Consultant").

#### RECITALS

- A. Town and Consultant entered into an Agreement for Consultant Services on October 3, 2018 ("Agreement"), a First Amendment on March 3, 2021 ("Agreement"), and Second Amendment on November 2, 2021 ("Agreement"), copies of which are attached hereto and incorporated by reference as Attachment 1 to this Amendment.
- B. Town desires to extend the term of the Agreement.

#### AMENDMENT

1. Section 2.2 Term and time of Performance is amended to read:

This Contract will remain in effect through December 31, 2022.

2. All other terms and conditions of the Agreement remain in full force and effect.

IN WITNESS WHEREOF, the Town and Consultant have executed this Amendment.

Town of Los Gatos by:

Consultant by:

\_\_\_\_\_  
Laurel Prevetti  
Town Manager

\_\_\_\_\_  
Name/Title

Recommended by:

\_\_\_\_\_  
Matt Morley  
Director of Parks and Public Works

Approved as to Form:

\_\_\_\_\_  
Robert Schultz, Town Attorney

Attest:

\_\_\_\_\_  
Shelley Neis, MMC, CPMC, Town Clerk

## SECOND AMENDMENT TO AGREEMENT FOR CONSULTANT SERVICES

This SECOND AMENDMENT TO AGREEMENT FOR CONSULTANT SERVICES is dated for identification this 2<sup>nd</sup> day of November 2021 and amends that certain AGREEMENT FOR CONSULTANT SERVICES dated October 3, 2018, and FIRST AMENDMENT TO AGREEMENT dated March 3, 2021 made by and between the **TOWN OF LOS GATOS**, ("Town,") and **Cuschieri Horton Architects** ("Consultant").

### RECITALS

- A. Town and Consultant entered into an Agreement for Consultant Services on October 3, 2018 ("Agreement"), a copy of which is attached hereto and incorporated by reference as Attachment 1 to this Amendment.
- B. Town and Consultant entered into First Amendment to the Agreement for Consultant Services on March 3, 2021 ("Agreement"), a copy of which is attached hereto and incorporated by reference as Attachment 2 to this Amendment.
- C. Town desires to make second amendment the Agreement to add to the scope of services and provide additional compensation for additional architectural and engineering design services to support building replacement at Parks and Public Works Corp Yard.

### AMENDMENT

1. Section 2.1 Scope of Services is amended to read:

Consultant shall provide services as described in that certain Cost Proposal sent to the Town on October 14, 2021, which is hereby incorporated by referenced and attached as Exhibit C.

2. Section 2.6 Compensation is amended to read:

Additional compensation for Consultant's professional services shall be \$53,100, for a total agreement not to exceed \$218,450.

3. All other terms and conditions of the Agreement remain in full force and effect.

IN WITNESS WHEREOF, the Town and Consultant have executed this Amendment.

Town of Los Gatos by:

Consultant by:

DocuSigned by:  
Laurel Prevetti 11/29/2021  
853FEEA2EB39470...  
Laurel Prevetti  
Town Manager

DocuSigned by:  
Daniel Cuschieri 11/22/2021  
A90D10B2B193487...  
Daniel Cuschieri, Principal Architect  
Name/Title

Recommended by:

DocuSigned by:  
Matt Morley 11/22/2021  
BBA053B0D8F4484...  
Matt Morley  
Director of Parks and Public Works

Approved as to Form:

DocuSigned by:  
Robert W. Schultz 11/26/2021  
2FE0938555B744C...  
Robert Schultz, Town Attorney

Attest:

DocuSigned by:  
Shelley Neis 11/29/2021  
B9666F65B1F34F6...  
Shelley Neis, MMC, CPMC, Town Clerk

14 October 2021  
CHA# 1826.05

Matt Morley  
Director  
Parks and Public Works Department  
Town of Los Gatos  
41 Miles Avenue, Los Gatos, CA 95030

Project / Location:  
TLG – Engineering TI and Storage Building  
41 Miles Avenue, Los Gatos, CA 95030

**RE: Additional Services #5 Fee Proposal for Additional Construction Administration Services for the Storage Building**

Dear Matt,

Please find enclosed Cuschieri Horton Architects (CHA) request for approval of additional Architectural and Engineering services for the above noted project. This proposal represents an additional scope of work for an additional (4) month Construction Administration services in connection to the proposed Storage Building, which was not covered within our original project proposal #201832, dated 06/01/18, nor any prior additional design service proposals.

**SCOPE OF WORK:**

This added scope of work includes:

- Extended Construction Administration Services for four (4) months for the Storage Building construction.

Therefore, this fully executed agreement will constitute approval for A/E services expended as noted above, as well as incorporation into the overall permitted project set during CA phase of work.

**ASSUMPTIONS:**

- AOR efforts in assisting the contractor in evaluating and ensuring compliance with the contract documents, coordinate and inspect contractor's work. Coordination with the Design team, Contractor and the Owner in reviewing submittals and responding to RFIs. Attend weekly construction meetings.
- Change in Scope, increase in Schedule, &/or any unforeseen conditions may result in add services.
- All prior assumptions and scope noted within original and prior approved proposal(s) remain applicable for this additional service proposal unless otherwise updated or noted above.
- See attached Consulting Engineer's proposal for their respective Assumptions.

**EXCLUSIONS (can be provided as an additional service & billed at current SOC, if needed):**

- Preparation of documentation beyond those described above and within this proposal.
- Additional revisions during CA period.
- All prior exclusions and scope noted within original approved proposal remain applicable for this additional service proposal unless otherwise updated or noted above.
- See attached Consulting Engineer's proposal for their respective Exclusions.

**EXHIBIT C**

**PROFESSIONAL FEES:**

<b>Town of Los Gatos Engineering Building TI and Storage Building</b> Additional Services #5		<b>Fees</b>
---	--	-------------

(4) Month Extended Construction Administration Services

CHA – Cuschieri Horton Architects	Construction Administration Services	\$ 21,500
BASE Design	Structural Construction Administration Services	\$ 1,200
Sandis	Civil Construction Administration	\$ 3,000
ACIES Engineering	MEP Construction Administration Services	\$ 3,000

**(Add Services): \$ 28,700**

We propose the following CHA Staff and SOC rates for this project:

Project Manager– Dan Cuschieri, Architect, (Hourly rate: \$170/hr.)

Senior Designer – Ray Bolisay (Hourly rate: \$150/hr.)

Job Captain – Sanobar Girap (Hourly rate: \$135/hr.)

CAD drafter (Hourly rate: \$115/hr.)

Reimbursable Charges: Computed at cost + 10%.

**AGREEMENT FOR SERVICES:**

Above noted services will be provided in accordance with the standard AIA agreement, to be provided by CHA. If the TLG has their own agreement, please provide to CHA for review and execution. CHA will proceed with these services following distribution, review and our receipt of TLG signed approval followed by an executed Agreement between CHA and TLG, issued for these services. Services outside this proposed scope of work will be billed hourly per CHA and CHA's engineering consultant's current schedule of charges, following Owner approval of such additional work.

**Thank you for your consideration and approval of this additional work. Please call with any questions.**

Sincerely



Dan Cuschieri, AIA, Principal

By signing below, you have acknowledged acceptance of the terms, fees, & conditions of this proposal letter, and authorize Cuschieri Horton Architects to proceed with the proposed services, included with any amendment to the fully executed prime agreement.  
(Please email signed/executed color copy to CHA)

\_\_\_\_\_  
Signature of Owner representative (s)

\_\_\_\_\_  
Date

\_\_\_\_\_  
Full Name of Owner representative(s)

Cc: Tony Cuschieri (CHA), Kristi Pearce-Percy (CHA), Jeannette Keplinger (CHA)



September 15, 2021

Dan Cuschieri  
Cuschieri Horton Architects  
20 S. Santa Cruz Avenue  
Suite 108  
Los Gatos, CA  
95030

RE: TLG Storage Building  
Construction Administration Schedule  
Cuschieri Horton Architects Project No. 1826  
BASE Design Project No. 18174, Add Service #2

Dear Mr. Cuschieri,

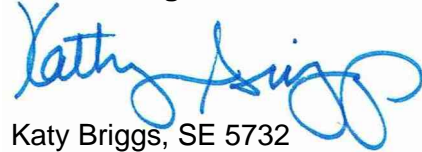
Per emails from Ray Bolisay of your office sent September 14, 2021, the construction phase of the Storage Building will be extended by four months. This extended construction schedule will require additional time for construction administration.

BASE Design proposes to provide the scope of services described above for the new storage building construction at an hourly rate of \$150, not to exceed of **\$1,200 (One Thousand and Two Hundred Dollars)**.

We hope that this add service proposal is acceptable to you. If the fees and terms provided herein are acceptable, this letter can serve as our agreement and our authorization to proceed.

Sincerely,

**BASE Design**



Katy Briggs, SE 5732  
Principal

**ACCEPTED BY:**

**Cuschieri Horton Architects**

BY: \_\_\_\_\_

DATE: \_\_\_\_\_

September 16, 2021  
Project No. 218290

Dan Cuschieri  
Cuschieri Horton Architects  
1475 S. Bascom Avenue, Suite 204  
Campbell, CA 95008  
T: 408.371.8200  
E: dan@charch.com

RE: **LOS GATOS ENGINEERING BUILDING TI**  
**ASR #2 - STORAGE BUILDING RELOCATION**  
**LOS GATOS, CA**

ASR #3 - Extended 4-Month  
Construction Administration

Dear Dan,

This letter is our amendment to the original proposal dated May 23, 2018 for the above referenced project. The following scope of work is included in this amendment, per the email received on 09/14/21 from Ray Bolisay, Cuschieri Horton Architects:

1. **Extended 4-month construction administration.**
  - ~~1. Adjust storage building an additional five (5) feet from property line.~~
  - ~~2. Adjust all grading and utility improvements with respect to building relocation.~~
  - ~~3. Revise civil plan set to architectural team for town submittal.~~
  - ~~4. Respond to one (1) round of town review comments.~~
- ~~• Construction Documents - \$7,000~~
  - **Construction Administration - \$3,000**

These services will be provided for the sum of ~~\$10,000 (Ten Thousand Dollars)~~ and will be performed under the terms and conditions of our original contract. Please return one signed copy of this letter to our Campbell office as your authorization to proceed.

Regards,

**SANDIS**



Chad Browning, PE, LEED AP, QSD/P  
Associate Principal



Steve Yazalina  
Project Manager

Approved

**CUSCHIERI HORTON ARCHITECTS**

By: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**AUTHORIZATION FOR REQUESTED ADDITIONAL SERVICES**

**CLIENT:** **Cuschieri Horton Architects**      **DATE:** 09-15-2021  
 20 S. Santa Cruz Ave, Suite 108  
 Los Gatos, CA 95030  
 Tel: (408) 371-8200 x1121

**AUTHORIZED REPRESENTATIVE:** Ray Bolisay *rbolisay@charch.com*

**PROJECT:** **Los Gatos Engineering TI**  
**41 Miles Avenue**  
**Los Gatos, CA 95030**

**PROJECT NUMBER:** 180541.03

**DESCRIPTION OF  
 ADDITIONAL  
 SERVICES:**

Additional MEP Engineering and Design assistance to provide Construction Administration support services (4 months) for the Storage building.

**ADDITIONAL  
 SERVICE FEE:**

**Time and Material But Not To Exceed \$3,000.00**

**REIMBURSABLE EXPENSES** shall refer to those out-of-pocket costs, expenses, fees, or charges which ACIES incurs on the CLIENT's behalf. "Reimbursable Expenses" include but are not limited to:

- Production of drawings, calculations, etc.
- Travel expenses
- Shipping and postage
- All fees paid to local agencies or government offices on behalf of the CLIENT or the project.

Prevailing in-house reimbursable expense rates are as follows:

<b>Item</b>	<b>Price</b>
Reimbursement - Bond 11 x 17	\$0.75
Reimbursement - Bond 17 x 22	\$1.00
Reimbursement - Bond 18 x 24	\$1.00
Reimbursement - Bond 22 x 34	\$1.50
Reimbursement - Bond 24 x 22	\$1.00
Reimbursement - Bond 30 x 42	\$2.75
Reimbursement - Bond 36 x 24	\$2.50
Reimbursement - Bond 36 x 48	\$4.00
Reimbursement - Vellums	\$10.00
Reimbursement - Mileage	\$0.58/mile
Reimbursement - Acies Messenger	\$25.00
Reimbursement - Drawings Delivery	Varies
Reimbursement - Copies	\$0.10/sheet

**PREVAILING HOURLY BILLING RATES:**

Principal	\$230.00/hr
Associate	\$190.00/hr
Project Director	\$175.00/hr
Project Manager	\$150.00/hr
Project Engineer	\$130.00/hr
Designer	\$115.00/hr
REVIT / CAD Operator	\$120.00/hr
Administrator	\$85.00/hr

All terms and conditions from original proposal dated 06-19-2018 apply to this additional service agreement. Reimbursable expenses such as drawing reproduction, copying, fax, travel expenses, long distance telephone and toll calls, shipping, postage & etc will be charged at 1.1 times their cost to Acies.

**EXECUTION:** *In witness whereof, the parties hereto have accepted, made and executed this Agreement upon the terms, conditions and provisions above stated, the day and year first above written.*

**SUBMITTED BY:**  
**ACIES ENGINEERING**



---

**SRDJAN REBRACA, PE**  
**PRINCIPAL**  
**DATE: SEPTEMBER 15, 2021**

**APPROVED BY:**

---

**PRINT:**  
**DATE:**

14 October 2021  
CHA# 1826.06

Matt Morley  
Director  
Parks and Public Works Department  
Town of Los Gatos  
41 Miles Avenue, Los Gatos, CA 95030

Project / Location:  
TLG – Engineering TI and Storage Building  
41 Miles Avenue, Los Gatos, CA 95030

**RE: Additional Services #6 Rev01 Fee Proposal for Additional Design Services to Relocate the Storage Building**

Dear Matt,

Please find enclosed Cuschieri Horton Architects (CHA) request for approval of additional Architectural and Engineering services for the above noted project. This proposal represents an additional scope of work for relocation of the Storage building, which was not covered within our original project proposal #201832, dated 06/01/18, nor any prior additional design service proposals.

**SCOPE OF WORK:**

This added scope of work includes:

- Relocate the proposed Storage building 10 feet away from the north property line.
- Rearrange HVAC unit for the Storage building due to the relocation of the building.
- Adjust grades, elevations, and utility improvements with respect to the relocation of the Storage building.
- Redesign parking and ramps in front of the relocated Storage building.

Therefore, this fully executed agreement will constitute approval for A/E services expended as noted above, as well as incorporation into the overall permitted project set during CA phase of work.

**ASSUMPTIONS:**

- AOR efforts in coordination and preparation of the revised drawings and resubmission to the Town of Los Gatos Building Department.
- Change in Scope, increase in Schedule, &/or any unforeseen conditions may result in add services.
- All prior assumptions and scope noted within original and prior approved proposal(s) remain applicable for this additional service proposal unless otherwise updated or noted above.
- See attached Consulting Engineer's proposal for their respective Assumptions.

**EXCLUSIONS (can be provided as an additional service & billed at current SOC, if needed):**

- Preparation of documentation beyond those described above and within this proposal.
- Additional revisions during CA period.
- All prior exclusions and scope noted within original approved proposal remain applicable for this additional service proposal unless otherwise updated or noted above.
- See attached Consulting Engineer's proposal for their respective Exclusions.

**PROFESSIONAL FEES:**

Town of Los Gatos Engineering Building TI and Storage Building Additional Services #6		Fees
--	--	------

Relocation of Storage Building

CHA – Cuschieri Horton Architects	Architectural Design Fee	\$ 11,900
Sandis	Civil Design Fee	\$ 7,000
ACIES Engineering	MEP Design Fee	\$ 5,500

**(Add Services): \$ 24,400**

We propose the following CHA Staff and SOC rates for this project:

Project Manager– Dan Cuschieri, Architect, (Hourly rate: \$170/hr.)  
 Senior Designer – Ray Bolisay (Hourly rate: \$150/hr.)  
 Job Captain – Sanobar Girap (Hourly rate: \$135/hr.)  
 CAD drafter (Hourly rate: \$115/hr.)  
 Reimbursable Charges: Computed at cost + 10%.

**AGREEMENT FOR SERVICES:**

Above noted services will be provided in accordance with the standard AIA agreement, to be provided by CHA. If the TLG has their own agreement, please provide to CHA for review and execution. CHA will proceed with these services following distribution, review and our receipt of TLG signed approval followed by an executed Agreement between CHA and TLG, issued for these services. Services outside this proposed scope of work will be billed hourly per CHA and CHA's engineering consultant's current schedule of charges, following Owner approval of such additional work.

**Thank you for your consideration and approval of this additional work. Please call with any questions.**

Sincerely



Dan Cuschieri, AIA, Principal

By signing below, you have acknowledged acceptance of the terms, fees, & conditions of this proposal letter, and authorize Cuschieri Horton Architects to proceed with the proposed services, included with any amendment to the fully executed prime agreement.  
 (Please email signed/executed color copy to CHA)

\_\_\_\_\_  
Signature of Owner representative (s)

\_\_\_\_\_  
Date

\_\_\_\_\_  
Full Name of Owner representative(s)

Cc: Tony Cuschieri (CHA), Kristi Pearce-Percy (CHA), Jeannette Keplinger (CHA)

September 16, 2021  
Project No. 218290

Dan Cuschieri  
Cuschieri Horton Architects  
1475 S. Bascom Avenue, Suite 204  
Campbell, CA 95008  
T: 408.371.8200  
E: dan@charch.com

**RE: LOS GATOS ENGINEERING BUILDING TI  
ASR #2 – STORAGE BUILDING RELOCATION  
LOS GATOS, CA**

Dear Dan,

This letter is our amendment to the original proposal dated May 23, 2018 for the above referenced project. The following scope of work is included in this amendment, per the email received on 09/14/21 from Ray Bolisay, Cuschieri Horton Architects:

1. Adjust storage building an additional five (5) feet from property line.
  2. Adjust all grading and utility improvements with respect to building relocation.
  3. Revise civil plan set to architectural team for town submittal.
  4. Respond to one (1) round of town review comments.
- **Construction Documents – \$7,000**
  - ~~Construction Administration \$7,000~~

These services will be provided for the sum of ~~\$10,000 (Ten Thousand Dollars)~~ and will be performed under the terms and conditions of our original contract. Please return one signed copy of this letter to our Campbell office as your authorization to proceed.

Regards,

**SANDIS**



Chad Browning, PE, LEED AP, QSD/P  
Associate Principal



Steve Yazalina  
Project Manager

Approved

**CUSCHIERI HORTON ARCHITECTS**

By: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**AUTHORIZATION FOR REQUESTED ADDITIONAL SERVICES**

**CLIENT:** **Cuschieri Horton Architects**      **DATE:** Revised 10-12-2021  
 20 S. Santa Cruz Ave, Suite 108  
 Los Gatos, CA 95030  
 Tel: (408) 371-8200 x1121

---

**AUTHORIZED REPRESENTATIVE:** Ray Bolisay      rbolisay@charch.com

**PROJECT:**      **Los Gatos Engineering TI**  
**41 Miles Avenue**  
**Los Gatos, CA 95030**

---

**PROJECT NUMBER:**      180541.05

**DESCRIPTION OF ADDITIONAL SERVICES:**

Additional MEP Engineering and Design assistance for a proposed revision on the location of the Town of Los Gatos storage building. The scope of work includes:

- *Move Storage Building away from the northwest property line by 10'-0" per "Additonal Scope - Storage Building Relocation.pdf" sketch.*
- *Relocate HVAC unit and reconfigure ductwork going inside the building.*
- *Ramp and parking areas in front of the storage building shall also move to the proposed location.*

**ADDITIONAL SERVICE FEE:**

**\$5,500**

**REIMBURSABLE EXPENSES** shall refer to those out-of-pocket costs, expenses, fees, or charges which ACIES incurs on the CLIENT's behalf. "Reimbursable Expenses" include but are not limited to:

- Production of drawings, calculations, etc.
- Travel expenses
- Shipping and postage
- All fees paid to local agencies or government offices on behalf of the CLIENT or the project.

Prevailing in-house reimbursable expense rates are as follows:



Item	Price
Reimbursement - Bond 11 x 17	\$0.75
Reimbursement - Bond 17 x 22	\$1.00
Reimbursement - Bond 18 x 24	\$1.00
Reimbursement - Bond 22 x 34	\$1.50
Reimbursement - Bond 24 x 22	\$1.00
Reimbursement - Bond 30 x 42	\$2.75
Reimbursement - Bond 36 x 24	\$2.50
Reimbursement - Bond 36 x 48	\$4.00
Reimbursement - Vellums	\$10.00
Reimbursement - Mileage	\$0.58/mile
Reimbursement - Acies Messenger	\$25.00
Reimbursement - Drawings Delivery	Varies
Reimbursement - Copies	\$0.10/sheet

**PREVAILING HOURLY BILLING RATES:**

Principal	\$230.00/hr
Associate	\$190.00/hr
Project Director	\$175.00/hr
Project Manager	\$150.00/hr
Project Engineer	\$130.00/hr
Designer	\$115.00/hr
REVIT / CAD Operator	\$120.00/hr
Administrator	\$85.00/hr

All terms and conditions from original proposal dated 06-19-2018 apply to this additional service agreement. Reimbursable expenses such as drawing reproduction, copying, fax, travel expenses, long distance telephone and toll calls, shipping, postage & etc will be charged at 1.1 times their cost to Acies.

**EXECUTION:** *In witness whereof, the parties hereto have accepted, made and executed this Agreement upon the terms, conditions and provisions above stated, the day and year first above written.*

**SUBMITTED BY:**  
ACIES ENGINEERING



\_\_\_\_\_  
TOMISLAV GAJIC, PE  
\_\_\_\_\_  
PRINCIPAL  
\_\_\_\_\_  
DATE: REVISED OCTOBER 12, 2021

**APPROVED BY:**

\_\_\_\_\_  
**PRINT:**  
\_\_\_\_\_  
**DATE:**  
\_\_\_\_\_

## FIRST AMENDMENT TO AGREEMENT FOR CONSULTANT SERVICES

This FIRST AMENDMENT TO AGREEMENT FOR CONSULTANT SERVICES is dated for identification this 2<sup>nd</sup> day of March 2021 and amends that certain AGREEMENT FOR CONSULTANT SERVICES dated October 3, 2018, made by and between the **TOWN OF LOS GATOS**, ("Town,") and **Cuschieri Horton Architects** ("Consultant").

### RECITALS

- A. Town and Consultant entered into an Agreement for Consultant Services on October 3, 2018 ("Agreement"), a copy of which is attached hereto and incorporated by reference as Attachment 1 to this Amendment.
- B. Town desires to amend the Agreement to add to the scope of services and provide additional compensation for Design Services and Fire Water Underground Design Services to support tenant improvements (TI) at the Town's Engineering Building.

### AMENDMENT

1. Section 2.1 Scope of Services is amended to read:

Consultant shall provide services as described in that certain Cost Proposal sent to the Town on October 10, 2020, which is hereby incorporated by referenced and attached as Exhibit B.

2. Section 2.6 Compensation is amended to read:

Additional compensation for Consultant's professional services shall be \$16,350, for a total agreement not to exceed \$165,350.

3. All other terms and conditions of the Agreement remain in full force and effect.

IN WITNESS WHEREOF, the Town and Consultant have executed this Amendment.

Town of Los Gatos by:

Consultant by:

DocuSigned by:  
*Laurel Prevetti* 3/11/2021  
859FEEA2ED39470...  
Laurel Prevetti  
Town Manager

DocuSigned by:  
*Dan Cuschieri* 3/10/2021  
A90DT0B2B193487...  
Dan Cuschieri, AIA, Principal Architect  
Name/Title

Recommended by:

DocuSigned by:  
*Matt Morley* 3/10/2021  
BBA0B3B0D8F4484...  
Matt Morley  
Director of Parks and Public Works

Approved as to Form:

DocuSigned by:  
*Robert W. Schultz* 3/11/2021  
2FE0938556B744C...  
Robert Schultz, Town Attorney

Attest:

DocuSigned by:  
*Shelley Neis* 3/11/2021  
B0666F66B4F34F6...  
Shelley Neis, MMC, CPMC, Town Clerk



10 October 2020  
CHA Add Service 1 - Proposal

10 October 2020  
CHA# 1826.01

Matt Morley  
Director  
Parks and Public Works Department  
Town of Los Gatos  
41 Miles Avenue, Los Gatos, CA 95030

Project / Location:  
TLG – Engineering Building TI & Storage Building  
41 Miles Avenue, Los Gatos, CA 95030

**RE: Additional Services #1 Fee Proposal for Additional Design Services for Fire Water Underground Design Submittal to Connect to the Proposed Storage Building.**

Dear Matt,

Please find enclosed Cuschieri Horton Architects (CHA) request for approval of additional Architectural and Engineering services for the above noted project. This proposal represents an additional scope of work for Fire Water underground work connection to the proposed Storage Building, which was not covered within our original project proposal #201832, dated 06/01/18, nor any prior additional design service proposals, and a result of the Santa Clara County Fire Department Review comments and requirements.

**SCOPE OF WORK:**

This added scope of work includes:

- Provide plans for a new fire water connection to the proposed Storage Building.
- Provide supplemental topographic survey of the area showing existing water features (hydrants and valves), locations of utility vaults, manholes, catch basins and invert information of storm and sanitary sewers, underground utility lines such as gas, water, electric, and any onsite utilities.
- Address 2<sup>nd</sup> review comments relating to the fire water connection to the proposed Storage Building (Civil comments only).

This will require modifications and additional drawings to be issued for the Town of Los Gatos Building Dept for review and approval.

Therefore, this fully executed agreement will constitute approval for A/E services expended as noted above, as well as incorporation into the overall permitted project set during CA phase of work.

**ASSUMPTIONS:**

- AOR efforts in the coordination and preparation of the Fire Water underground drawing revisions for the proposed Storage Building to be submitted to the Town of Los Gatos Building Department review and approval.
- Change in Scope, increase in Schedule, &/or any unforeseen conditions may result in add services.
- All prior assumptions and scope noted within original and prior approved proposal(s) remain applicable for this additional service proposal unless otherwise updated or noted above.
- See attached Consulting Engineer's proposal for their respective Assumptions.

**EXCLUSIONS (can be provided as an additional service & billed at current SOC, if needed):**

Preparation of documentation beyond those described above and within this proposal.



10 October 2020  
CHA Add Service 1 - Proposal

- Additional revisions during CA period.
- All prior exclusions and scope noted within original approved proposal remain applicable for this additional service proposal unless otherwise updated or noted above.
- See attached Consulting Engineer's proposal for their respective Exclusions.

**PROFESSIONAL FEES:**

Town of Los Gatos Engineering Building TI and Storage Building Additional Services #1		Fees
<u>Fire Alarm/Fire Sprinkler/Fire Water Underground Submittal</u>		
CHA – Cuschieri Horton Architects	Architectural Design Services	\$ 8,500
Sandis	Fire Water Underground Design Services	<u>\$ 7,850</u>
	<b>(Add Services):</b>	<b>\$16,350</b>

We propose the following CHA Staff and SOC rates for this project:

Project Manager– Dan Cuschieri, Architect, (Hourly rate: \$170/hr.)

Senior Designer – Ray Bolisay (Hourly rate: \$150/hr.)

Job Captain – Sanobar Girap (Hourly rate: \$135/hr.)

CAD drafter (Hourly rate: \$115/hr.)

Reimbursable Charges: Computed at cost + 10%.

**AGREEMENT FOR SERVICES:**

Above noted services will be provided in accordance with the standard AIA agreement, to be provided by CHA. If the TLG has their own agreement, please provide to CHA for review and execution. CHA will proceed with these services following distribution, review and our receipt of TLG signed approval followed by an executed Agreement between CHA and TLG, issued for these services. Services outside this proposed scope of work will be billed hourly per CHA and CHA's engineering consultant's current schedule of charges, following Owner approval of such additional work.

**Thank you for your consideration and approval of this additional work. Please call with any questions.**

Sincerely

Dan Cuschieri, AIA, Principal

By signing below, you have acknowledged acceptance of the terms, fees, & conditions of this proposal letter, and authorize Cuschieri Horton Architects to proceed with the proposed services, included with any amendment to the fully executed prime agreement.  
(Please email signed/executed color copy to CHA)

\_\_\_\_\_  
Signature of Owner representative (s)

\_\_\_\_\_  
Date

\_\_\_\_\_  
Full Name of Owner representative(s)

Cc: Tony Cuschieri (CHA), Kristi Pearce-Percy (CHA), Jeannette Keplinger (CHA)

**SANDIS**CIVIL ENGINEERS  
SURVEYORS  
PLANNERSAugust 12, 2020  
Project No. 218290Dan Cuschieri  
Cuschieri Horton Architects  
1475 S. Bascom Avenue, Suite 204  
Campbell, CA 95008  
T: 408.371.8200  
E: dan@charch.com**RE: LOS GATOS ENGINEERING BUILDING TI  
ASR #1 – SURVEYING & ENGINEERING SERVICES  
LOS GATOS, CA**

Dear Dan,

This letter is our amendment to the original proposal dated May 23, 2018, for the above referenced project. The following scope of work is included in this amendment:

**SUPPLEMENTAL TOPOGRAPHIC SURVEY****\$3,600**

- Perform a supplemental topographic survey of the area per the attached Exhibit A.
- Provide field and office work to produce a supplemental topographic survey at a scale of 1" = 20'. This survey will show the location of the underground utility locating paint marks. The location of utility vaults, manholes, catch basins and invert information of storm and sanitary sewers will be shown based upon a field survey. The location of underground utility lines such as gas, water, electric, and any onsite utilities will be shown based upon available agency records and mechanical detection of existing utilities.
- Existing water features (hydrants and valves) in the area of the proposed POC will also be documented.
- Mechanical locating services will be provided for detectable utilities using standard locating methods as listed in the California Government Code section 4216 through 4216.9. Depths and sizes of conduits will not be provided unless specifically requested in advance. Empty conduits, irrigation lines, hose bibs and abandoned utilities will also not be located unless specifically requested in advance. A reasonable effort will be made to locate existing subsurface utilities but individual field conditions will dictate the thoroughness of our survey. Only actual excavation will reveal the locations of such utilities.
- We reserve the right to utilize aerial survey techniques if deemed appropriate for scope and site features. Aerial survey will be supplemented with conventional survey for utility information and survey under trees or areas not visible from above. Aerial spot elevations for aerial survey will be shown to an accuracy of  $\pm 0.1$  (one tenth) of a foot.

**ENGINEERING SERVICES****\$4,250**

- Provide a utility plan for a new fire water connection to the proposed structure.
- Submit to San Jose Water for review and approval.
- Coordinate with the subconsultants.
- Respond to two (2) rounds of review comments.



August 12, 2020  
Project No. 218290  
Dan Cuschieri  
Cuschieri Horton Architects  
Page 2

These services will be provided for the amounts listed above and will be performed under the terms and conditions of our original contract.

Please return one signed copy of this letter to our Campbell office as your authorization to proceed.

Regards

Approved

**SANDIS**

**CUSCHIERI HORTON ARCHITECTS**

Stephen Yazalina  
Project Manager

By: \_\_\_\_\_

Title: \_\_\_\_\_

Chad Browning, PE, LEED AP, QSD/P  
Associate Principal

Date: \_\_\_\_\_

Attachments: Exhibit A

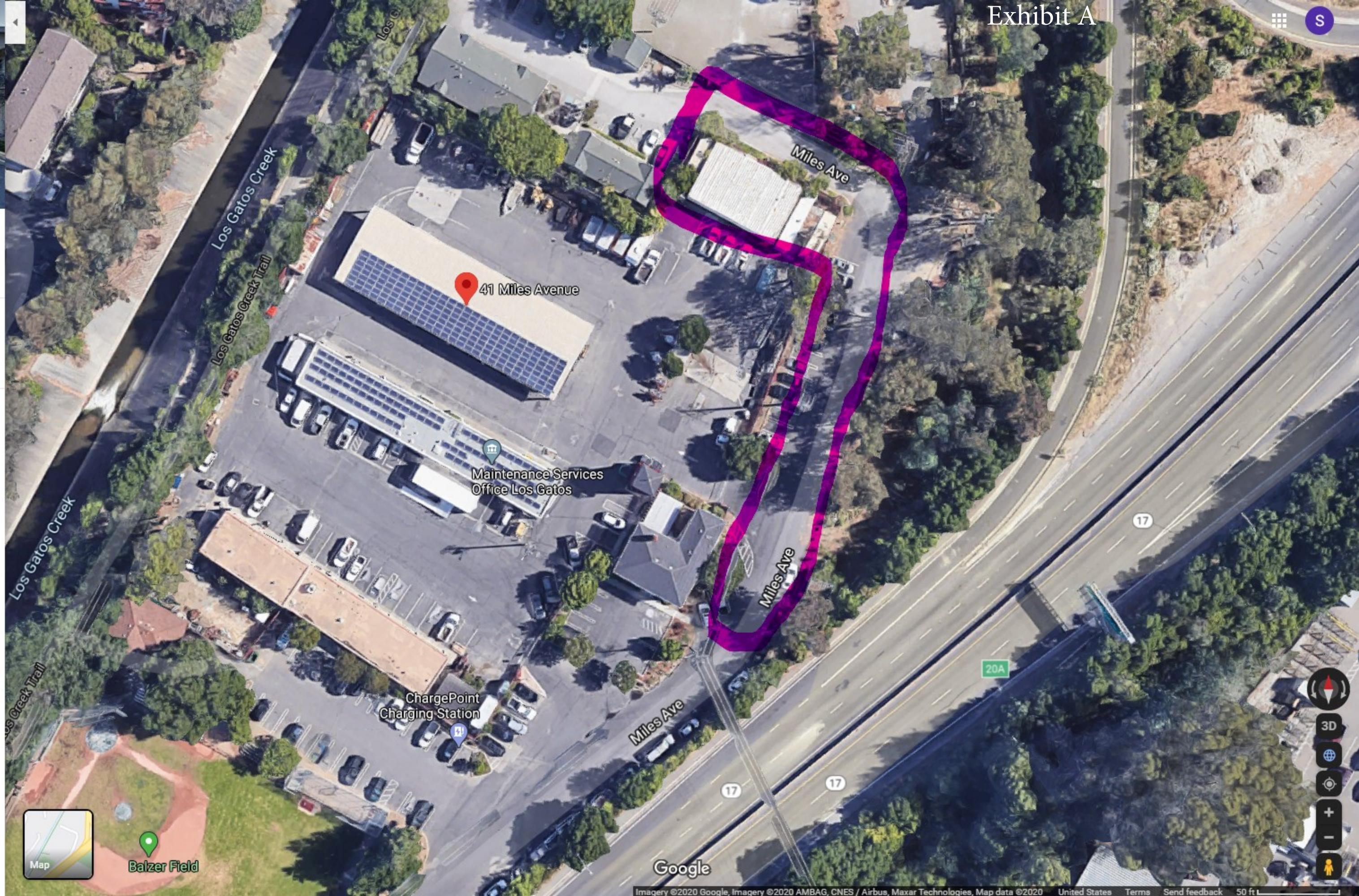


41 Miles Ave  
Los Gatos, CA 95030  
Building

- Directions
- Save
- Nearby
- Send to your phone
- Share

- Suggest an edit on 41 Miles Ave
- Add a missing place
- Add your business
- Add a label

Photos





**AGREEMENT FOR CONSULTANT SERVICES**

THIS AGREEMENT is made and entered into on October 3, 2018 by and between TOWN OF LOS GATOS, a California municipal corporation, ("Town") Cuschieri Horton Architects, ("Consultant"), whose address is 1475 S. Bascom Avenue, Suite 204, Campbell, CA 95008. This Agreement is made with reference to the following facts.

**I. RECITALS**

- 1.1 The Town desire to engage Consultant to provide design services to support tenant improvements (TI) at the Town's Engineering Building, including new construction evidence storage.
- 1.2 The Consultant represents and affirms that it is willing to perform the desired work pursuant to this Agreement.
- 1.3 Consultant warrants it possesses the distinct professional skills, qualifications, experience, and resources necessary to timely perform the services described in this Agreement. Consultant acknowledges Town has relied upon these warranties to retain Consultant.

**II. AGREEMENTS**

- 2.1 Scope of Services. Consultant shall provide services as described in that certain Cost Proposal sent to the Town on June 1, 2018, which is hereby incorporated by reference and attached as Exhibit A.
- 2.2 Term and Time of Performance. This contract will remain in effect from October 3, 2018 to December 31, 2021.
- 2.3 Compliance with Laws. The Consultant shall comply with all applicable laws, codes, ordinances, and regulations of governing federal, state and local laws. Consultant represents and warrants to Town that it has all licenses, permits, qualifications and approvals of whatsoever nature which are legally required for Consultant to practice its profession. Consultant shall maintain a Town of Los Gatos business license pursuant to Chapter 14 of the Code of the Town of Los Gatos.
- 2.4 Sole Responsibility. Consultant shall be responsible for employing or engaging all persons necessary to perform the services under this Agreement.
- 2.5 Information/Report Handling. All documents furnished to Consultant by the Town and all reports and supportive data prepared by the Consultant under this Agreement are the Town's property and shall be delivered to the Town upon the completion of Consultant's services or at the Town's written request. All reports, information, data, and exhibits

prepared or assembled by Consultant in connection with the performance of its services pursuant to this Agreement are confidential until released by the Town to the public, and the Consultant shall not make any of these documents or information available to any individual or organization not employed by the Consultant or the Town without the written consent of the Town before such release. The Town acknowledges that the reports to be prepared by the Consultant pursuant to this Agreement are for the purpose of evaluating a defined project, and Town's use of the information contained in the reports prepared by the Consultant in connection with other projects shall be solely at Town's risk, unless Consultant expressly consents to such use in writing. Town further agrees that it will not appropriate any methodology or technique of Consultant which is and has been confirmed in writing by Consultant to be a trade secret of Consultant.

- 2.6 **Compensation.** Compensation for Consultant's professional services shall not exceed **\$149,000**, inclusive of all costs. Payment shall be based upon Town approval of each task.
- 2.7 **Billing.** Billing shall be monthly by invoice within thirty (30) days of the rendering of the service and shall be accompanied by a detailed explanation of the work performed by whom at what rate and on what date. Also, plans, specifications, documents or other pertinent materials shall be submitted for Town review, even if only in partial or draft form.

Payment shall be net thirty (30) days. All invoices and statements to the Town shall be addressed as follows:

Invoices:  
Town of Los Gatos  
Attn: Accounts Payable  
P.O. Box 655  
Los Gatos, CA 95031-0655

- 2.8 **Availability of Records.** Consultant shall maintain the records supporting this billing for not less than three years following completion of the work under this Agreement. Consultant shall make these records available to authorized personnel of the Town at the Consultant's offices during business hours upon written request of the Town.
- 2.9 **Assignability and Subcontracting.** The services to be performed under this Agreement are unique and personal to the Consultant. No portion of these services shall be assigned or subcontracted without the written consent of the Town.
- 2.10 **Independent Contractor.** It is understood that the Consultant, in the performance of the work and services agreed to be performed, shall act as and be an independent contractor and not an agent or employee of the Town. As an independent contractor he/she shall not obtain any rights to retirement benefits or other benefits which accrue to Town employee(s). With prior written consent, the Consultant may perform some obligations

under this Agreement by subcontracting but may not delegate ultimate responsibility for performance or assign or transfer interests under this Agreement. Consultant agrees to testify in any litigation brought regarding the subject of the work to be performed under this Agreement. Consultant shall be compensated for its costs and expenses in preparing for, traveling to, and testifying in such matters at its then current hourly rates of compensation, unless such litigation is brought by Consultant or is based on allegations of Consultant's negligent performance or wrongdoing.

- 2.11 **Conflict of Interest.** Consultant understands that its professional responsibilities are solely to the Town. The Consultant has and shall not obtain any holding or interest within the Town of Los Gatos. Consultant has no business holdings or agreements with any individual member of the Staff or management of the Town or its representatives nor shall it enter into any such holdings or agreements. In addition, Consultant warrants that it does not presently and shall not acquire any direct or indirect interest adverse to those of the Town in the subject of this Agreement, and it shall immediately disassociate itself from such an interest, should it discover it has done so and shall, at the Town's sole discretion, divest itself of such interest. Consultant shall not knowingly and shall take reasonable steps to ensure that it does not employ a person having such an interest in this performance of this Agreement. If after employment of a person, Consultant discovers it has employed a person with a direct or indirect interest that would conflict with its performance of this Agreement, Consultant shall promptly notify Town of this employment relationship, and shall, at the Town's sole discretion, sever any such employment relationship.
- 2.12 **Equal Employment Opportunity.** Consultant warrants that it is an equal opportunity employer and shall comply with applicable regulations governing equal employment opportunity. Neither Consultant nor its subcontractors do and neither shall discriminate against persons employed or seeking employment with them on the basis of age, sex, color, race, marital status, sexual orientation, ancestry, physical or mental disability, national origin, religion, or medical condition, unless based upon a bona fide occupational qualification pursuant to the California Fair Employment & Housing Act.

### **III. INSURANCE AND INDEMNIFICATION**

#### **3.1 Minimum Scope of Insurance:**

- i. Consultant agrees to have and maintain, for the duration of the contract, General Liability insurance policies insuring him/her and his/her firm to an amount not less than: one million dollars (\$1,000,000) combined single limit per occurrence for bodily injury, personal injury and property damage.
- ii. Consultant agrees to have and maintain for the duration of the contract, an Automobile Liability insurance policy ensuring him/her and his/her staff to an amount not less than one million dollars (\$1,000,000) combined single limit per accident for bodily injury and property damage.

- iii. Consultant shall provide to the Town all certificates of insurance, with original endorsements effecting coverage. Consultant agrees that all certificates and endorsements are to be received and approved by the Town before work commences.
- iv. Consultant agrees to have and maintain, for the duration of the contract, professional liability insurance in amounts not less than \$1,000,000 which is sufficient to insure Consultant for professional errors or omissions in the performance of the particular scope of work under this agreement.

**General Liability:**

- i. The Town, its officers, officials, employees and volunteers are to be covered as insured as respects: liability arising out of activities performed by or on behalf of the Consultant; products and completed operations of Consultant, premises owned or used by the Consultant. This requirement does not apply to the professional liability insurance required for professional errors and omissions.
- ii. The Consultant's insurance coverage shall be primary insurance as respects the Town, its officers, officials, employees and volunteers. Any insurance or self-insurances maintained by the Town, its officers, officials, employees or volunteers shall be excess of the Consultant's insurance and shall not contribute with it.
- iii. Any failure to comply with reporting provisions of the policies shall not affect coverage provided to the Town, its officers, officials, employees or volunteers.
- iv. The Consultant's insurance shall apply separately to each insured against whom a claim is made or suit is brought, except with respect to the limits of the insurer's liability.

3.2 **All Coverages.** Each insurance policy required in this item shall be endorsed to state that coverage shall not be suspended, voided, cancelled, reduced in coverage or in limits except after thirty (30) days' prior written notice by certified mail, return receipt requested, has been given to the Town. Current certification of such insurance shall be kept on file at all times during the term of this agreement with the Town Clerk.

3.3 **Workers' Compensation.** In addition to these policies, Consultant shall have and maintain Workers' Compensation insurance as required by California law and shall provide evidence of such policy to the Town before beginning services under this Agreement. Further, Consultant shall ensure that all subcontractors employed by Consultant provide the required Workers' Compensation insurance for their respective employees.

3.4 Indemnification. The Consultant shall save, keep, hold harmless and indemnify and defend the Town its officers, agent, employees and volunteers from all damages, liabilities, penalties, costs, or expenses in law or equity that may at any time arise or be set up because of damages to property or personal injury received by reason of, or in the course of performing work which may be occasioned by a willful or negligent act or omissions of the Consultant, or any of the Consultant's officers, employees, or agents or any subconsultant.

#### IV. GENERAL TERMS

- 4.1 Waiver. No failure on the part of either party to exercise any right or remedy hereunder shall operate as a waiver of any other right or remedy that party may have hereunder, nor does waiver of a breach or default under this Agreement constitute a continuing waiver of a subsequent breach of the same or any other provision of this Agreement.
- 4.2 Governing Law. This Agreement, regardless of where executed, shall be governed by and construed to the laws of the State of California. Venue for any action regarding this Agreement shall be in the Superior Court of the County of Santa Clara.
- 4.3 Termination of Agreement. The Town and the Consultant shall have the right to terminate this agreement with or without cause by giving not less than fifteen days (15) written notice of termination. In the event of termination, the Consultant shall deliver to the Town all plans, files, documents, reports, performed to date by the Consultant. In the event of such termination, Town shall pay Consultant an amount that bears the same ratio to the maximum contract price as the work delivered to the Town bears to completed services contemplated under this Agreement, unless such termination is made for cause, in which event, compensation, if any, shall be adjusted in light of the particular facts and circumstances involved in such termination.
- 4.4 Amendment. No modification, waiver, mutual termination, or amendment of this Agreement is effective unless made in writing and signed by the Town and the Consultant.
- 4.5 Disputes. In any dispute over any aspect of this Agreement, the prevailing party shall be entitled to reasonable attorney's fees, including costs of appeal.
- 4.6 Notices. Any notice required to be given shall be deemed to be duly and properly given if mailed postage prepaid, and addressed to:

Town of Los Gatos  
Attn: Town Clerk  
110 E. Main Street  
Los Gatos, CA 95030

Cuschieri Horton Architects  
1475 S. Bascom Avenue, Suite 104  
Campbell, CA 95008

or personally delivered to Consultant to such address or such other address as Consultant designates in writing to Town.

4.7 Order of Precedence. In the event of any conflict, contradiction, or ambiguity between the terms and conditions of this Agreement in respect of the Products or Services and any attachments to this Agreement, then the terms and conditions of this Agreement shall prevail over attachments or other writings.

4.8 Entire Agreement. This Agreement, including all Exhibits, constitutes the complete and exclusive statement of the Agreement between the Town and Consultant. No terms, conditions, understandings or agreements purporting to modify or vary this Agreement, unless hereafter made in writing and signed by the party to be bound, shall be binding on either party.

IN WITNESS WHEREOF, the Town and Consultant have executed this Agreement.


Town of Los Gatos by:

  
\_\_\_\_\_  
Laurel Prevetti, Town Manager

Consultant, by:

  
\_\_\_\_\_  
Daniel Cuschieri, AIA  
Cuschieri Horton Architects

Recommended by:

  
\_\_\_\_\_  
Matt Morley, Director of Parks and Public Works

Principal / Architect  
\_\_\_\_\_  
Title

Approved as to Form:

  
\_\_\_\_\_  
Robert Schultz, Town Attorney

**Cost Proposal Format**

Consultant shall provide a detailed itemized schedule of rates and fees which includes all billing amounts and costs for each Task as follows:

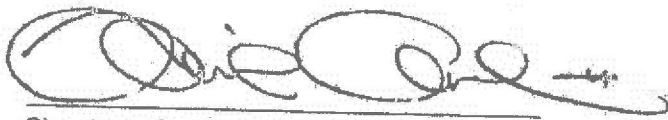
Basic Services:

Compensation shall be on a time and materials basis in proportion to services rendered and shall be billed monthly as percentages of completion for each Task as follows:

Task 1: Design Project Management and Coordination .....	\$	<u>6,780</u>
Task 2: Data Collection and Review (35%) .....	\$	<u>35,935</u>
Task 3: Construction Documents: 70% & 100%		
A. 70% Complete Plans .....	\$	<u>46,532</u>
B. 100% Complete Plans .....	\$	<u>23,208</u>
Task 4: Construction Management and Other Services (as needed)	\$5,000	
Task 5: Construction Administration (as needed) .....	\$	<u>30,540</u>
Task 6: Record Drawings and Project Close-Out .....	\$	<u>6,720</u>
<b>TOTAL (Not-To-Exceed) .....</b>	<b>\$</b>	<b><u>154,715</u></b>

Consultant Rate Schedule\*:

\* Attach Consultant rate schedule



Signature of CHA Representative

DAN CUSCHIERI, AIA, Principal

Typed name & Title

*Request for Proposal  
Design Professional Services for Engineering Building Tenant Improvement*



CHA # 201832 / 06-01-18  
TLG Engineering Building Tenant Improvements  
COST PROPOSAL SUPPLEMENT - CHA Design Team

1 June 2018

**Town of Los Gatos (TLG - Owner)**

**Parks and Public Works Department (41 Miles Avenue, Los Gatos, CA 95030)**

**Attention: Lisa Petersen, Assistant Director / Town Engineer**

**Cc: Brett Stoltenwerk, Project Manager**

**Re: COST PROPOSAL SUPPLEMENT - Professional Services Fee Proposal for A/E Design Services (Tasks 1 thru 6)**  
**Town of Los Gatos Engineering Building Tenant Improvement**  
Project Location: 41 Miles Avenue, Los Gatos, CA 95030

Dear Lisa,

We at Cuschieri Horton Architects (CHA) would like to thank you & the Town of Los Gatos for this great opportunity to provide our Architectural and Consultant Engineering services Cost proposal for the above noted project & as a supplement to Attachment D - Cost Proposal Format. We include herewith our understanding of the scope of services & key staff assigned for this project, including our design services fees for your review and approval. If each building (engineering + storage) project was to be separate due to budgetary constraints, this can be discussed during the interview process regarding fee & schedule impacts.

Following recent communication via telephone & email communication with additional scoping at the project site walk with Kinjal Buch, we have developed the following scope of services & fees for your review.

**SCOPE OF SERVICES:** The scope of services follow the scope and requirements set forth within the Town of Los Gatos (TLG) issued RFP and plan attachments received on 05/03/18 & Addendums. This RFP for design services to support tenant improvements (TI) at the TLG's Engineering Building, including new construction work for the replacement of a small portable building that currently houses TLG field crew & TLG Police evidence storage, both located at the TLG's service yard at 41 Miles Avenue, Los Gatos, CA. The existing Engineering building is currently separated into two areas; One area contains the existing engineering department office cubicles, one unisex bathroom, plan/file storage area, conference room, entry counter, etc.. The second area contains an equipment storage area. Proposed design services are to complete the TI of the building which would include relocating the existing engineering area to a new office area in the converted equipment/material storage location & changing the existing engineering area into an office for Town maintenance staff. At the location of the old portable building, the scope proposes a new basic steel storage building approximately 90 ft. long by 60 ft. wide by 20 ft. high (5400 sf +/-) with a recommended pre-fabricated structure on a concrete slab. This new building will be sectioned off into two areas with no toilets or staff work areas; One area will be for general TLG storage to accommodate a fork lift, tall racking storage, & HVAC unconditioned. The second area will be for TLG police evidence storage that meets Police Dept. evidence storage specifications and is approximately 2,000 sf & HVAC conditioned. Attachment E & F, included with the original RFP, show the locations of these structures and the existing engineering building layout. Per our completed RFP submittal package, our design team will prepare the appropriate design documents to facilitate the RFP scope of work as noted above and within the RFP's identified (6) Tasks as follows (please note that the tasks are noted differently between RFP pages 7 thru 9 Task summary and "Attachment D", so we are following "Attachment D," noting (6) tasks, which now incorporate CA services:

**Task 1:** Design Project Management and Coordination

**Task 2:** Data Collection and Review (35% plan / documentation submission milestone)

**Task 3:** Construction Documents (at 70% and 100% plan submission milestones)

**Task 4:** Construction Management and Other Services (as needed - allowance)

**Task 5:** Construction Administration (as needed - allowance)

**Task 6:** Record Drawings and Project Close-out





## SUMMARY OF EACH "TASK" BASIC SERVICES FOR CHA:

### **TASK 1 - DESIGN PROJECT MANAGEMENT AND COORDINATION:**

- 1.0** General Items (relating to this Task):
- SCHEDULE - Estimated Task completion time frame: Up to (2) weeks
  - Engineering Consultants' Scope: See also the attached/included CHA's Engineering Consultants fee proposals for their scope/fees for this Task.
- 1.1** Coordinate with the TLG throughout the duration of this project design Task.
- 1.2** Manage Design Team and overall project design activities consistent with the direction from the TLG in order to meet the project schedule and budget.
- 1.3** Prepare a work plan phase schedule in MS Project format showing significant milestones for the project.
- 1.4** Update the schedule monthly and notify TLG if there are delays in any phase of the project. If needed, prepare the schedule in subsequent phases of the project or provide information to TLG substantiating a time extension. Estimated to be (1) permit document package covering up to (3) construction phases.
- 1.5** Prepare for and attend in-person project meetings with the TLG to discuss project progress, decisions and direction, and to coordinate activities, as required. The meetings shall include the following for this Task:
- Up to (1) Kick-off Meeting (on-site)
  - Up to (2) Project Status Meetings with TLG via conference calls.
- 1.6** Be available to Town staff for consultation by phone, or email to discuss project activities and schedules, or as required through the duration of this project Task.
- 1.7** Deliverables:
- Monthly progress schedule in MS Project format (electronic file).
  - Monthly progress reports and invoices (electronic file). Invoices will indicate, but not be limited to, the following:
    1. Invoice Number
    2. Complete Title of Project
    3. Period for work performed
    4. Listed Tasks per the Contract/Agreement
    5. Hours and percentage of Work Performed to Date of Invoice
    6. Balance of Account from Previous Invoices

### **TASK 2 - DATA COLLECTION AND REVIEW:**

- 2.0** General Items (relating to this Task):
- SCHEDULE - Estimated Task completion time frame: Up to (4) weeks
  - Engineering Consultants' Scope: See also the attached/included CHA's Engineering Consultants fee proposals for their scope/fees for this Task
  - Allow up to (1) revision to plans per TLG comments following 35% review.
- 2.1** Review as-built documents (Hard Copy and Softcopy of PDF + AutoCAD files) and any other project information available for the Project site, provided by TLG at start of this Task. Assume existing as-built AutoCAD editable softcopy files and Hardcopy plans of project areas available for CHA use and review.
- 2.2** Coordinate development and collection of data.
- 2.3** Verify existing conditions and current code / zoning requirements (per 2.4 site visit).
- 2.4** Up to (1) site visit to view and inspect site conditions and existing facilities with TLG provided as-builts.
- 2.5** Perform necessary site analysis in order to identify opportunities and constraints.
- 2.6** Up to (3) meetings with TLG staff to obtain additional info & input, as well as misc. review as needed.
- 2.7** (Civil Engineer) Locate and verify depths of utilities including Ground Penetrating Radar (GPR), and potholing as needed (Civil Engineer services only per their proposal and within their identified area(s) of work, if identified and applicable to their scope/services).



- 2.8 SCHEMATIC DESIGN** - Prepare and submit, for TLG's review and approval, Schematic Design documents at thirty-five percent (35%) plan submittal. The submittal shall consist of the following plans: Site Plan, Demo and Proposed Floor Plan, some Elevations, Roof Plan), a general narrative description of basic components, and other documents necessary to illustrate the scale and relationship of Project components and provide a preliminary cost estimate.

**TASK 3 - CONSTRUCTION DOCUMENTS (at 70% and 100%):**

**3.0 General Items (relating to this Task):**

- **SCHEDULE** - Estimated Task completion time frames: Up to (8) weeks to complete and issue 100% Construction Document package for TLG expedited review with up to an additional \*(4) weeks for TLG Review and Permit issuance. \* Note: Review schedule has assumed an expedited review per addendum 1 response and considering TLG's involvement starting from Task 1 up to the end of Task 3.
- **Engineering Consultants' Scope:** See also the attached/included CHA's Engineering Consultants fee proposals for their scope/fees for this Task
- Based on the approved Schematic Design documents and any adjustments authorized or directed by TLG staff, Design team shall develop and refine the design, and prepare construction documents to fix and describe the size and character of the Project
- Allow up to (1) revision to plans per TLG comments following 70% review.

**3.1 Prepare 70% and 100% complete construction documents and supporting information, which may include but is not limited to:**

a) Plans with details of major design components such as:

- Architectural drawings and details (Title Sheet, Site Plan Demo/Proposed Floor Plans, Ceiling Plan, Roof Plan, Elevations, Details, sheet specs, FF&E Plans with the assistance of TLG hired FF&E vendor if applicable)
- Mechanical, electrical and plumbing drawings (See MEP Engineer proposal)
- Civil Drawings (see Civil Engineer proposal)
- Structural Drawings (See Structural Engineer fee proposal)
- Fire Alarm and Fire Sprinkler design consultant hired by TLG, possibly a deferred approval)
- Furniture, Fixtures, and Equipment (FF&E) Plans coordinated with TLG Furniture vendor & TLG Security / IT consultants and or TLG staff.

b) Draft technical specifications with TLG's input (Sheet Specs)

c) Estimate of probable construction cost

**3.2 Submit for TLG 70% plan review.**

**3.3 Meet with TLG staff as needed to review TLG comments on 70% submittal, and gain concurrence as to how the documents will be revised as appropriate to incorporate TLG comments.**

**3.4 Deliverables (70% and 100%):**

1. Complete Plans conforming to TLG Standard Drawings format [five (5) sets of D size (24"x36") and two (2) sets of B-size (11"x17") hard copies]. Electronic copies of plans shall also be made available to TLG in PDF format.
2. Draft Technical Specifications (70%) and Final (100%) [five (5) sets]. Specifications shall be prepared in MS Word and PDF formats.
3. 70% and 100% Estimates of Construction costs. Estimates shall be prepared in MS Excel and PDF formats. (Cost Estimator allowance provided in fee summary, if needed)
4. Miscellaneous Project information as requested.

**3.5 Submit for TLG issuance of 100% permit plan set (no fee by TLG) to the TLG Building Department. Plans shall reflect compliance with all applicable codes and requirements. All changes from the Building Department permit plan review shall be reflected in 100% Construction Documents and will be used for bidding purposes.**



**TASK 4 - CONSTRUCTION MANAGEMENT AND OTHER SERVICES ("as needed" – ALLOWANCE):**

**4.0** General Items (relating to this Task):

- SCHEDULE - Estimated Task time frame TBD.
- Engineering Consultants' Scope: See also the attached/included CHA's Engineering Consultants fee proposals for their scope/fees for this Task. If any or referencing hourly per Schedule of Charges (SOC).
- Assisting the TLG in providing information beyond standard support of developed design documents on an as needed basis, and billed on an hourly basis up to \$5,000 of work per SOC. See Cost Proposal Format "Attachment D" and fee breakdowns below, which note A/E team combined use of \$5,000.
- This Task is separated in the fee matrix as an allowance since it is noted in the proposal, "as needed."

**4.1** Assist TLG with preparing exhibits for addenda as necessary

**4.2** Preparation of design details to respond to unforeseen field conditions

**4.3** Submittal Reviews

**4.4** RFI responses outside of standard support needed for clarification of the permitted design documents

**4.5** Other services as identified by the TLG

**TASK 5 - CONSTRUCTION ADMINISTRATION ("as needed" – ALLOWANCE):**

**5.0** General Items (relating to this Task):

- SCHEDULE - Estimated Task time to be up to (9) months. This estimate to be developed further through each prior Task completion for final scope of work and following contractor bid and schedule.
- Engineering Consultants' Scope: See also the attached/included CHA's Engineering Consultants fee proposals for their scope/fees for this Task, if any or referencing hourly per Schedule of Charges (SOC).
- This Task is separated in the fee matrix as an allowance since it is noted in the proposal, "as needed."
- This Task is noted differently between RFP pages 7 thru 9 Task summary and "Attachment D", so we are following "Attachment D," noting (6) tasks, which incorporate CA services
- SITE VISITS – Up to (9) site visits, up to (1) hour each and once a month, to observe ongoing work.
- Assume weekly OAC meeting conference calls with TLG, up to a maximum duration of 30 minutes each.
- Address RFI's and review Submittals (request submittal log at construction kick-off)
- Communication with TLG or Contractor's Fire Alarm and Fire Sprinkler design-build efforts, as needed.
- PHASING – This Task will likely have construction and occupancy in multiple phases through (1) permit document package.
  - 1) **Phase 1** – Complete Demo of the existing engineering building storage area and construct a new interior office space, infilling the roll up doors with storefronts to move-in the adjacent office TLG engineering staff occupants. TLG will be responsible for a temporary storage location for all the displaced FF&E and such to be removed prior to start of demolition.
  - 2) **Phase 2** – Demo adjacent existing engineering staff office space where occupants were moved from and construct a new interior office space to house the TLG Maintenance Staff that are being moved out of the existing portable building to be demolished. Retain existing public entry.
  - 3) **Phase 3** – Demo existing portable building and remove existing shipping containers. Construct a new basic steel storage building, approximately 90 ft long by 60 ft wide by 20 ft high (5400 sf +/-) (Pre-fab if cost effective) on slab on grade and re-attach displaced antenna. Once complete, this new building will house the Police Department evidence storage as well as a separate storage area to support the displaced TLG maintenance storage items and misc general storage needs. TLG will be responsible for temporary storage of any equipment, materials, furniture, police evidence, etc....that will need to be removed prior to demolition.



CHA # 201822 / 06-01-18  
 TLG Engineering Building Tenant Improvements  
 COST PROPOSAL SUPPLEMENT – CHA Design Team

#### **TASK 6 - RECORD DRAWINGS AND PROJECT CLOSEOUT:**

##### **6.0 General Items (relating to this Task):**

- Schedule - Estimated Task time frame up to (2) weeks.
- Engineering Consultants' Scope: See also the attached/included CHA's Engineering Consultants fee proposals for their scope/fees for this Task.

**6.1** At completion of Project and with no reimburseable compensation, provide TLG with one set of Record Drawings (24" x 36") that reflect the changes to the work during construction based upon any issued ASI's or other documents issued by the Architect/Engineers and upon marked up prints, drawings, and other data furnished by the Contractor and TLG in a timely and legible manner. Any additional sheets added to the plans shall be properly numbered, properly referenced on other affected drawings and included in the drawing index. Also provide TLG with a complete hard copy set of Record Drawings and one soft copy in AutoCAD and PDF formats. CHA and Consulting engineers, at our own expense, may prepare and retain a copy of each drawing for our permanent file.

##### **6.2 Deliverables:**

- Submit a punchlist during final the site visit to submit to Contractor and TLG to correct or accept.
- Record Drawings in PDF format and AutoCAD format sent through downloadable link / media.
- Record Drawings (24" x 36") produced on good quality bond (minimum 20-lb weight paper).

#### **ASSUMPTIONS:**

- This proposal and attached consulting engineer proposals cover Task 1, 2, 3, and 6 services. Task 4 and 5 services are noted separately in this proposal as fee allowances since the RFP references these Tasks to be delivered "as needed."
- Project Scope developed from TLG RFP, plans & addendum 1 + 2 responses from the TLG, phone & email responses, as well as a scoping site visit, & as identified above & within this proposal.
- Existing dry utilities can be used to support the new steel building and existing power at the project sites will be able to support all existing and proposed project needs. Proposed equipment supporting infrastructure & distribution systems are assumed to have adequate capacity to support scope of work outlined within this proposal. Existing building structure will be adequate to support project scope components/equipment proposed loads with no additional required strengthening of existing building structure.
- Accessible compliance will be addressed only within areas of work. It is assumed existing adjacent site and existing adjacent buildings and spaces are compliant or will not need to be upgraded or meet current accessible compliance and not need to meet current accessible and life-safety egress code compliance, under the current California Building Code and with any current local Regulatory Agencies' code/requirements, and Federal ADA regulations.
- The TLG noted in addendum 1 that they will assist CHA in preparation and documentation for permit issuance through an expedited review or OTC review / approval.
- Change in scope, changes in assumed schedule (noted above), and/or any unforeseen conditions may result in an add service. Reimbursables have not been included & value can be discussed.
- See included Engineer proposals for their noted assumptions

#### **EXCLUSIONS (can be provided as an additional service and billed to current Schedule of Charges (SOC))**

- All engineering & other consultant services other than noted in this proposal & not noted within fee table below.
- Changes to TLG RFP scope (Exhibit A), including any changes to FC/Owner provided supplemental documentation (Exhibit B and other email noted information).
- Revisions to CHA's design resulting in changes by Owner, Owner's vendor(s), and/or Contractor after 100% plan completion. Additional round(s) of comments/revisions following completion of first round of revisions for 35% and 70% plan issuance.



CHA # 201832 / 06-01-18  
 TLG Engineering Building Tenant Improvements  
 COST PROPOSAL SUPPLEMENT - CHA Design Team

- Toilet Rooms in new building. HVAC Conditioned space for new building engineering storage space.
- PV/Solar design or EV charging stations
- ADA/accessibility upgrades outside project area.
- BIM/REVIT, 3D presentation & Modelling
- Services: Testing/Inspection, Commissioning, Vibration/Acoustic, Value Engineering, LEED Certification, IT/AV/Security Systems and Design, Move-in/Support, asbestos/hazmat assessment and abatement, Furniture Design, Fire Sprinkler and Fire Alarm design, signage, Panel reads, CASP & Accessibility/ADA compliance & other interpretation services.
- Changes to Design and Construction Documents after TLG initial review approval or to Town Permit Documents unless otherwise noted.
- Any required plan and documentation submittals to/for and coordination with regulatory agencies other than Town of Los Gatos.
- All regulatory/jurisdictional processing & permit fees, testing/inspection fees & other services.
- See included Engineer proposals for their noted exclusions.

**FEES AND ALLOWANCES (SECTION A + B): CHA and Consulting Engineer fees for proposal noted services:**

**A) Fees (NTE) for Professional Services (per RFP and as referenced in Attachment D)**

Task(s) not noted in this "Section A" are either not applicable or noted as part of "Section B" allowance:

Discipline / Firm	TASK	\$ Amount
<b>ARCHITECTURAL</b> ..... Cuschieri Horton Architects (CHA)	TASK 1	4,980
	TASK 2	18,750
	TASK 3a	30,100
	TASK 3b	14,210
	TASK 6	3,750
	<b>SUBTOTAL</b>	<b>71,790</b>
<b>CIVIL</b> ..... Sandis	TASK 2	14,175
	TASK 3a	8,232
	TASK 3b	5,488
	TASK 6	1,000
	<b>SUBTOTAL</b>	<b>28,895</b>
<b>STRUCTURAL</b> ..... Base Design	TASK 2	510
	TASK 3a	1,700
	TASK 3b	510
	TASK 6	170
	<b>SUBTOTAL</b>	<b>2,890</b>
<b>MEP</b> ..... <b>ACIES ENGINEERING</b>	TASK 1	1,800
	TASK 2	2,500
	TASK 3a	6,500
	TASK 3b	3,000
	TASK 6	1,800
	<b>SUBTOTAL</b>	<b>15,600</b>
<b>TOTAL (A)</b>		<b>119,175</b>



CHA 4 201832 / 06 01 18  
 TLG Engineering Building Tenant Improvements  
 COST PROPOSAL SUPPLEMENT - CHA Design Team

**B) Fee Allowances - ("as needed" per RFP)**

Task 4 & 5 allowances (not included in "Section A" fees)

Discipline / Firm	TASK	\$ Amount
<b>ARCHITECTURAL</b> ..... Cuschieri Horton Architects (CHA)	TASK 4	*5,000
	TASK 5	<u>21,600</u>
	<b>SUBTOTAL</b>	<b>26,600</b>
<b>CIVIL</b> ..... Sandis	TASK 4	*hourly(+)
	TASK 5	<u>3,430</u>
	<b>SUBTOTAL</b>	<b>3,430+</b>
<b>STRUCTURAL</b> ..... Base Design	TASK 4	*hourly(+)
	TASK 5	<u>510</u>
	<b>SUBTOTAL</b>	<b>510+</b>
<b>MEP</b> ..... ACIES Engineering	TASK 4	*hourly(+)
	TASK 5	<u>5,000</u>
	<b>SUBTOTAL</b>	<b>5,000+</b>
<b>TOTAL (B)</b>		<b>35,540</b>

**Reimbursables**..... ALL TASKS ---  
 (not included in Attachment D -  
 sum to be discussed, if allowed)

**We propose the following CHA key staff for this project (with the following 2018 billing rates):**

- Project Manager - Dan Cuschieri, AIA, Architect (Hourly rate: \$170/hr.)
- Senior Designer - Ray Bollsay (Hourly rate: \$150/hr)
- Job Captain/Designer - Sanobar Girap or Other (Hourly rate: \$135/hr.)
- CAD Drafter - Other (Hourly rate: \$115/hr.)

**AGREEMENT FOR SERVICES:**

Above noted services will be provided in accordance with the standard AIA agreement, to be provided by CHA. If the TLG has their own agreement, please provide to CHA for review and execution. CHA will proceed with these services following distribution, review and our receipt of TLG signed approval (next page) followed by an executed Agreement between CHA and TLG, issued for these services. Services outside this proposed scope of work will be billed hourly per CHA and CHA's engineering consultant's current schedule of charges, following Owner approval of such additional work. We will provide CHA's latest Certificate of Insurance (COI) and tax paperwork (W-9) upon TLG's request.

**Thank you again for this opportunity to propose our services for this project and we look forward to the opportunity for an interview as well as potentially being awarded the project to work with the TLG staff. If you have any questions or comments, please feel free to contact me directly.**

Sincerely,  
 Dan Cuschieri, AIA, Principal (408-375-2365 cell)  
 Cuschieri Horton Architects



CHA # 201832 / 06-01-18  
TLG Engineering Building Tenant Improvements  
COST PROPOSAL SUPPLEMENT - CHA Design Team

By signing below, you have acknowledged acceptance of the terms, fees, and conditions of this proposal letter, and authorize Cuschieri Horton Architects to proceed with the proposed services following an executed agreement  
(Please email signed/executed color copy to CHA)

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature of Town of Los Gatos Representative (s)

\_\_\_\_\_

\_\_\_\_\_  
Full Name of Town of Los Gatos Representative(s)

CC: Tony Cuschieri (CHA), Kristi Pearce-Percy (CHA).

**CHA SCHEDULE OF CHARGES (SOC)**

Effective: January 01, 2018

**CHA PERSONNEL/ STAFF RATES:**

(Per Hour)

Project Director .....	\$ 190
Project Manager .....	\$ 170
Project Architect / Senior Designer .....	\$ 150
Job Captain / Designer .....	\$ 135
CAD Drafter .....	\$ 115

**EXPERT WITNESS TESTIMONY:** Charged at a minimum of 8 hours at \$500.00/hour.

**ADDITIONAL INFORMATION:** In the absence of specific arrangements to the contrary, monthly statements will be submitted for services completed in the previous month. Payments are required to be made promptly. Unpaid accounts exceeding 30 days after the original invoice, without prior approval, will be charged a 1.5% per month, late payment service charge.

Personnel Charges and Rates noted above are subject to change annually.



**Revised May 23, 2018**

May 22, 2018

Project No. 218290

Dan Cuschieri  
Cuschieri Horton Architects  
1475 S. Bascom Avenue Suite 204  
Campbell, California 95008  
T: 408.371.8200 x115  
E: dan@charch.com

**RE: LOS GATOS ENGINEERING BUILDING TI  
LOS GATOS, CA**

Dear Dan,

We are pleased to submit our revised proposal to provide surveying and engineering services for the above referenced project. Our proposal is based your email and attachments of March 19, 2018 and our follow up email correspondence.

**PROJECT UNDERSTANDING:** Civil engineering services to support tenant improvements in one building and replacement of a separate storage building. Efficient and cost conscience design that aids in overall project cost controls as well as maximizing the budget effectiveness. Where possible, offer enhancements as an option for the client to review.

We propose to provide the following scope of services:

### **SURVEYING SERVICES**

#### **TOPOGRAPHIC SURVEY – TASK 2**

**\$6,340**

- See attached Exhibit "A" for the approximate Limit of Work.
- Provide field and office work to produce a survey at a scale of 1" = 20'. This survey will show planimetric and elevation data for pavement, parking area, building corners, sidewalk, ramps, building points of ingress/egress and visible utility information within the project area. Mechanical utility location is not included in this proposal but can be provided for an additional fee.
- Spot elevations collected by ground surveys, including finish floor elevations, will be shown to an accuracy of 0.01' (one hundredth) of a foot.

### **ENGINEERING SERVICES**

#### **SCHEMATIC DESIGN - TASK 2**

**\$7,835**

- Attend one (1) design meeting to discuss site/civil related issues. All other project coordination is assumed to be done via phone and email or other web-based project coordination platforms.
- Prepare civil related schematic design documents for CHA limited to:
  - Demolition plan
  - Grading and utility plan
  - Schematic cost estimate

1700 S. Winchester Boulevard | Campbell, CA 95008 | P. 408.636.0900 | [www.sandis.net](http://www.sandis.net)





**Revised May 31, 2018**

May 22, 2018

Dan Cuschieri

Cuschieri Horton Architects

Project No. 218290

Page 2

- Attend one (1) coordination meeting with each of the following agencies to coordinate design expectations, particulars of the design or non-standard concepts being proposed:
  - Town of Los Gatos
- Issue schematic civil plans to Cuschieri Horton in electronic format for internal review

**CONSTRUCTION DOCUMENTS**

**TASK 3A: \$8,232**

**TASK 3B: \$5,488**

- Attend one (1) design meeting to discuss site/civil related issues. All other project coordination is assumed to be done via phone and email.
- Prepare civil related construction documents for CHA limited to:
  - Civil cover sheet and notes
  - Topographic survey
  - Grading, drainage and Utility plan
  - Construction details
  - Technical specifications (may be sheet specifications)
  - Site work cost estimate
- Coordinate our work with the architect and other design team consultants.
- Attend one (1) coordination meeting with Town of Los Gatos to coordinate design expectations, particulars of the design or non-standard concepts being proposed.
- Issue construction document civil documents to Cuschieri Horton in electronic format, assumes that submittals will be issued in no more than two (2) submittals; 50% and 100% for permit review/approval.
- It is assumed that construction documents will be done as one (1) package or phase. Separate packages, submittals or phases will be done as additional service.

**PERMIT**

**TASK 5: \$3,430**

**TASK 6: \$1,000**

- Submit plans to Town of Los Gatos for permit.

**ADDITIONAL SERVICES (not included in proposal, but can be provided upon request)**

The additional services/design items that we think are possible for this project include project phasing, landscape enhancements, site planning (site vehicular circulation), and master planning of storm water management and pollution controls. While some of these items may be beyond the scope and budget for this project, this project affords the opportunity to discuss and conceptualize betterments for the future.



**Revised May 31, 2018**

May 22, 2018

Dan Cuschieri

Cuschieri Horton Architects

Project No. 218290

Page 3

### **SCOPE OF WORK ASSUMPTIONS**

- It is assumed that the project will be designed in no more than two (2) phase.
- It is assumed that the following will be designed and detailed by other consultants unless specifically listed in the above proposal: site lighting, telecom, electric, gas, structural design of retaining walls, irrigation design, landscape, and design for subdrains or for drainage in areas below, inside or on top of any existing or proposed structures.
- We assume that our plans will be constructed in accordance with industry standards, utilizing a licensed land surveyor for construction layout and staking.
- The scope of work does not include the design of any offsite improvements, or capacity studies for utilities or street work other than what is specifically stated in the above and in the Project RFP.
- Our work will be performed using AutoCAD Version 2017, MS Office 365, and Blue Beam Revu 2016.
- The above services will be provided under the assumption that boundary corners or other suitable horizontal control has been established for this project and is available for our use.

### **TERMS AND CONDITIONS**

- Our services will be provided in a manner consistent with the degree and skill ordinarily exercised by a member of the civil engineering and survey profession practicing in the State of California.
- All reports, plans, specifications, field data, notes and other documents (either electronic or hardcopy) prepared by our office as instruments of service shall remain the property of SANDIS.
- The client acknowledges the instruments of service of SANDIS shall become the property of the client when the documents are complete and when compensation for services is paid in full. The client is prohibited from making any alterations to the instruments of service without the written consent of SANDIS.
- Neither SANDIS nor the client shall be liable to the other for consequential damages incurred due to the fault of the other party, regardless of the nature of this fault or whether it was committed by the client, SANDIS, their employees, agents, subconsultants or vendors.
- The scope of work included in the proposal is limited to the specific scope included and specified only. Any exclusions listed are for clarity only and do not represent a complete list of exclusions to the scope. Any additional scope proposed or done other than that listed in the proposal as included shall be done as an additional service.
- Agency review and recordation fees will not be paid by SANDIS and are not included in this proposal.



**Revised May 31, 2018**  
May 22, 2018  
Dan Cuschieri  
Cuschieri Horton Architects  
Project No. 218290  
Page 4

- This proposal is firm for thirty (30) days from the date of this letter.

Our services will be provided for the amounts listed above and will be performed under the master services agreement provided by CHA. Should a master services agreement not be provided, SANDIS will provide the provisions of the agreement for professional surveying and engineering services.

Pursuant to state law, no work can proceed on this project without written acceptance. Please return one signed copy of this proposal and one signed copy of the master services agreement to our office as our authorization to proceed.

Regards,

Approved

**SANDIS**

**CUSCHIERI HORTON ARCHITECTS**

Jeffrey M. Setera, P.E.  
Vice President

By: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Attachments: Exhibit "A" Survey Limits  
Standard Hourly Rates



Revised March, 2018

**SANDIS STANDARD HOURLY CHARGE RATES**

Enforced: September 1, 2017 through August 31, 2018

**ENGINEERING SERVICES / QSD & QSP SERVICES** **Hourly Rate**

Project Specialist/Clerical		\$90.00
Computer/Field/Engineer Technician	Level I	\$95.00
	Level II	\$105.00
	Level III	\$110.00
Sr. Engineer Technician		\$130.00
Design Engineer	Level I	\$100.00
	Level II	\$110.00
	Level III	\$115.00
Project Engineer/Traffic Engineer	Level I	\$120.00
	Level II	\$135.00
	Level III	\$150.00
Engineering Project Manager Level 1		\$175.00
Engineering Project Manager Level 2		\$200.00
Associate Principal/Senior Project Manager/Senior Traffic Engineer		\$225.00
Principal		\$350.00
Forensic Review/Analysis/Claim Support		\$250.00

**SURVEYING SERVICES / HIGH DEFINITION SCANNING/ 3-D MODELING SERVICES**

Computer/Surveying/Scanning Technician	Level I	\$95.00
	Level II	\$105.00
	Level III/Steel Draft Person	\$110.00
Project Surveyor/Scanning Specialist	Level I	\$120.00
	Level II	\$135.00
	Level III/Steel Draft Person	\$150.00
Steel Office Support (LSIT)		\$175.00
Survey Manager Level 1 / Steel Office Support (PLS)		\$175.00
Survey Project Manager Level 2		\$200.00
Senior Field Survey Supervisor/AISC, Steel Supervisor		\$225.00
Senior Survey Manager		\$225.00
1-Person Survey Crew		\$215.00
2-Person Survey Crew		\$295.00
2-Person Survey Crew for Structural Steel Surveys		\$295.00
2-Person Survey Crew with Apprentice		\$355.00
3-Person Survey Crew		\$370.00

**REIMBURSABLE COSTS:** Printing, monuments, materials, outside services and consultants, courier/delivery services, express/overnight mail, travel/per diem, agency fees advanced, etc., at cost plus 10%.

**OVERTIME:** All overtime charges are invoiced on the basis of one and one-half times the above rates. Double time invoiced at two times above rates.

**ESCALATION:** Escalation for future years shall be at a minimum of 3.5% increase per year.

Sandis at its sole discretion may utilize its subsidiaries (BSI) to perform the services presented in this proposal. Bryant Survey Inc.



Via Email:

May 23, 2018

Dan Cuschieri  
Cuschieri Horton Architects  
1475 S. Bascom Avenue, Suite 204  
Campbell, CA  
95008

RE: Town of Los Gatos Engineering Building Tenant Improvement  
BASE Design Project No. P18174

Dear Mr. Cuschieri,

BASE Design (Structural Consultant) is pleased to submit this proposal to you (the Client) to provide structural engineering services for the Town of Los Gatos Engineering Building Tenant Improvement project in Los Gatos, CA. Our scope of services is based on your email sent May 21, 2018 and the attachments within.

## **I. DESCRIPTION OF THE PROJECT**

The Town of Los Gatos is planning a tenant improvement of their existing engineering building located at their service yard at 41 Miles Avenue in Los Gatos, CA. The existing engineering building is a single-story concrete block wall with a wood-framed roof. Currently, one portion of it has been built out while the other portion is used as storage. The tenant improvements will involve converting the existing storage area into office space and converting the office space currently used by the engineering staff into office space used by the maintenance staff.

As part of these tenant improvements, an existing portable building located in the service yard will be demolished. In its place, a new, prefabricated steel building will be erected, and it will house general storage (items currently stored in the engineering building will be relocated here) and police evidence storage.

## **II. SCOPE OF SERVICES**

Our structural consulting services will consist of the following.

- A. Visit the site to observe the existing engineering building and review any available as-built drawings of the existing engineering building.
- B. Prepare structural drawings as required for the tenant improvement of the engineering building.
- C. Prepare structural drawings for the foundations supporting the prefabricated steel building housing general storage and police evidence storage.
- D. Prepare structural calculations for the tenant improvement of the engineering building as required.

RE: Town of Los Gatos Engineering Building Tenant Improvement

May 23, 2018

- E. Prepare structural calculations for the foundations supporting the prefabricated steel building.
- F. Provide mark ups of structural details provided on the architectural and MEP drawings for the tenant improvements of the engineering building and for the prefabricated steel building.
- G. Assist in responding to structural plan check comments.
- H. Provide support during construction of the work as required, including one site visit.

**III. FEES**

- A. We propose to provide the scope of services described above at the hourly rates listed below, not to exceed **\$3,400 (Three Thousand Four Hundred Dollars)**.

<u>Position</u>	<u>Hourly Rate</u>
Principal	\$140
Staff Engineer	\$110
Drafter/BIM Modeler	\$60

- A. BASE Design invoices will be as set forth below:

Data Collection and Review	15%	\$510
70% Construction Documents	50%	\$1,700
100% Construction Documents	15%	\$510
Construction Administration	15%	\$510
Record Drawings and Project Close Out	5%	\$170

- B. Payment
  - 1. BASE Design will bill on a monthly basis for services rendered.
  - 2. Payments will be due from the Client to BASE Design within 30 days of the invoice date.

**IV. CLIENT RESPONSIBILITY**

The Client will:

- A. Provide BASE Design with structural drawings and calculations for the prefabricated steel structure.
- B. Provide BASE Design with cutsheets for new equipment and non-structural components (such as racks, partitions, etc.) requiring seismic anchorage.
- C. Provide BASE Design with available as-built drawings for the existing engineering department building.
- D. Provide BASE Design with architectural and MEP drawings for the project.

RE: Town of Los Gatos Engineering Building Tenant Improvement

May 23, 2018

- E. Provide access to the Project. Any site visits will be coordinated with you and/or the property owner.

It is understood that BASE Design has the right to rely on the accuracy and completeness of data and information furnished to BASE Design.

## V. ASSUMPTIONS AND LIMITATIONS

- A. The temporary excavation systems and any other temporary system required for construction, including but not limited to shoring and underpinning, are not included in BASE Design's scope of services.
- B. It is assumed that a geotechnical report will not be provided for this project. The new foundations will be designed using allowable bearing pressures provided in the 2016 California Building Code.
- C. Testing and special inspections required during the construction of the project are not included in BASE Design's scope of services. It is assumed that a third-party testing and inspection agency will be retained by the owner.
- D. It is assumed that the tenant improvements of the existing engineering building will not trigger a seismic upgrade of this building. Local strengthening to support new loads imposed on the existing structure by the tenant improvement modifications will be included in our design.

## VI. TERMS AND CONDITIONS

The following Standard Terms and Conditions apply:

- A. The services provided by BASE Design will be in accordance with the standards of professional skill and care ordinarily exercised by other design firms performing the same services, in the same locale, acting under similar circumstances and conditions ("Standard of Care"). Notwithstanding anything in this Agreement to the contrary and subject to below paragraphs, BASE Design shall only be liable to pay damages to Client arising out of or in connection with the Services or this Agreement, to the extent that such damages are caused by, and are in proportion to, the negligence of, or breach of the Standard of Care by BASE Design. If BASE Design is considered to be liable jointly with any third parties, the portion of damages payable by BASE Design shall be limited to the portion of liability which is attributable to BASE Design's breach of the Standard of Care on a comparative fault basis. Client acknowledges that BASE Design's services will be rendered without any warranty, express or implied and all such warranties are expressly waived by Client. Nothing contained in this Agreement shall create a contractual relationship with or a cause of action in favor of a third party, including any contractor, subcontractor, vendor, or material supplier, against either the Client or BASE Design.
- B. BASE Design shall not be responsible for and shall not have control or charge of construction methods, means, sequences, techniques, or procedures, for safety precautions in connection with work or activities at the project (job) site, for the acts or omissions of any contractor, subcontractors or any other

RE: Town of Los Gatos Engineering Building Tenant Improvement

May 23, 2018

persons performing any work or undertaking any activities at the project site, or for the failure of any of them to carry out any work or perform their activities in accordance with their contractual obligations, including, but not limited to, the requirements of any drawings or other documents prepared by BASE Design.

- C. BASE Design shall have no responsibility for the presence, discovery, handling, removal or disposal of or exposure of persons to hazardous materials in any form in connection with the Project or related to "Scope of Services".
- D. It is expressly understood and agreed that, to the fullest extent permitted by law and not withstanding any other provision of this Agreement, the aggregate total of BASE Design's liability (and the liability of its owners, directors, officers and employees, if any such liability otherwise exists) arising from any and all claims, suits, demands, damages, losses, judgments, payments, awards, and expenses relating to the Project, Services and/or this Agreement shall be limited to and in no event exceed three times the fee actually received by BASE Design for Services rendered on the project.
- E. Site visits for any purpose or the observation by BASE Design of any contractor's work are included in BASE Design's Scope of Services as described in the proposal unless specifically directed by the client not to be included. It is clearly understood and agreed that the purpose of such observations is to become generally familiar with the progress and quality of the construction work designed by BASE Design or described in the drawings, specifications or other documents specifically identified in the Proposal. BASE Design shall not be required to make exhaustive or continuous on-site inspections to check the quality or quantity of such construction work.

Thank you for considering BASE Design to be your Structural Consultant and for giving us the opportunity to submit this proposal. We look forward to working on this project with you. If the above is acceptable to you, please sign and return this agreement.

Very truly yours,

**BASE Design:**



Katy Briggs, SE 5732  
Principal

**ACCEPTED BY:**

**Dan Cuschieri**  
**Cuschieri Horton Architects**

BY:

DATE:





## AUTHORIZATION FOR ENGINEERING SERVICES

**CLIENT:** Cuschieri Horton Architects      **DATE:** 05-23-2018  
 1475 S. Bascom Ave., Suite 204  
 Campbell, CA 95008  
 Tel: (408) 371-8200 x115

---

**AUTHORIZED REPRESENTATIVE:** Dan Cuschieri      *dcuschieri@charch.com*

---

**PROJECT:** Los Gatos Engineering TI  
 41 Miles Avenue  
 Los Gatos, CA 95030

---

**PROJECT NUMBER:** 180541

---

**DESCRIPTION OF SERVICES:**

Mechanical, Electrical and Plumbing Engineering and Design assistance as it relates to the tenant improvements of the Town's Engineering Building and replacement of a small portable building that currently houses field crew and Police Evidence storage, both located at the Town's service yard in Los Gatos, CA. Currently the building is separated into two areas – one area contains the existing engineering department office cubicles, one unisex bathroom, plan/file storage area, conference room and entry counter. The second area contains an equipment storage area. The scope of work for the tenant improvement is to include relocating the existing engineering area to a new office area in the converted equipment/material storage location and changing the existing engineering area into an office for Town maintenance staff. At the location of the old portable building, the Town will place a new basic steel storage building. This building will be sectioned off into two areas. One area will be for general storage and the second area will be for police evidence storage that meets Police Department evidence storage specification.

Engineering Building TI:

- Staff Cubicles (size and layouts based on manufacturer specific dimensions)
- Hard wall offices and conference rooms
- Plan room, plotting, and document storage
- Reception
- Traffic signal control room
- Restroom facilities
- Privacy room
- Kitchenette
- Custodial storage
- Noise absorption materials
- HVAC and Plumbing upgrades to support TI work
- Interior finishes including t-bar ceiling, lighting, wall, and flooring
- Electrical distribution from the existing 225amp service (if needed service upgrade for the building is included)
- IT distribution (substructures only, no low voltage system design is included)
- Replacement of existing roll up doors with glazing system

**ENGINEERING SERVICE FEE:**

<i>Phase</i>	<i>Fee</i>
Task 1: Design Project Management and Coordination	\$1,800
Task 2: Data Collection and Review (35%)	\$2,500
Task 3A: 70% Construction Documents	\$6,500
Task 3B: 100% Construction Documents	\$3,000
Task 4: Construction Management and Other Services (as needed)	Hourly
Task 5: Construction Administration (as needed)	\$5,000
Task 6: Record Drawings and Project Close-Out	\$1,800
<b>TOTAL (Not-To-Exceed)</b>	<b>\$20,600</b>

**SCOPE OF ADDITIONAL SERVICES:**

Work performed beyond basic scope and involving rework or redesign beyond date of project submission for permit will be considered additional service. This includes but is not limited to changes to permit set prior to bid.

Additional services will not be performed unless requested by the Architect or Owner. Fees will be based upon billing rates in effect at the time services are performed.

Items considered Additional Services include:

- Contractor re-engineering
- Electrical service upgrade except for engineering building
- Design coordination meetings
- Electrical Short Circuit Current study
- Arc Flash Evaluation study
- Time-Current Coordination study performed using SKM software
- Acoustical engineering
- Structural engineering
- Kitchen design and food equipment selection
- All work associated with hazardous materials handling and abatement Management
- Revisions to Construction Documents: Preparation of revised Construction Documents due to revisions either generated by an architectural design change or unforeseen conditions, which could not have been reasonably discovered during the field survey or the preparation of Construction Documents.
- Energy Simulations: Computerized energy usage simulations required for energy compliance by performance approach, in evaluating cost of operating systems, or in the selection and comparison of two or more systems types.
- Evaluating Substitutions: Providing services in connection with

evaluating substitutions proposed by the Contractor(s) and making subsequent revisions to drawings, specifications and other documentation resulting there from.

- **Construction Change Orders:** Preparing and reviewing Change Orders for the Owner's approval and execution in accordance with the Contract Documents.
- **Attend Hearings:** At Owner's request, ACIES Engineering shall attend such federal, state, district and local hearings and meetings as necessary to assist Owner to obtain required permits, licenses and approvals.
- **Field Evaluation Services:** Prior to the commencement of design efforts, ACIES Engineering may be required to provide an evaluation of the potential Project site. Such evaluation shall identify base building systems that may affect the future design potential of the site. Items of review would typically include, but not be limited to, heating, ventilating, and air conditioning systems, electrical service, plumbing and waste systems, fire sprinkler mains, base building equipment and mains and any other existing conditions which would require relocation to accommodate the architectural design. ACIES Engineering will provide CAD documentation on block out floor plan of existing conditions and clearances, including photo references of existing conditions and areas of concern, bound and identified to match the field survey block out. ACIES Engineering will summarize findings and provide recommendations as to future potential of the space and all areas of concern that should be addressed prior to accepting location in a report, which shall be complete such that any engineer providing design services will require no additional site information.
- **Expert Witness:** Preparing to serve or serving as an expert witness in connection with any arbitration proceeding or legal proceeding, unless ACIES Engineering is legally required to attend such arbitration proceeding or legal proceeding.
- **Life safety system design services.** Design of smoke evacuation systems, interlock with Landlord's system if applicable.
- **Demolition Drawings.** No drawings will be provided for use in demolishing existing systems within or outside of the tenant space
- **Redesign due to lack of information in the survey report or incorrect information in the survey report regardless of when the report is received.**
- **Issuing more than one set of drawings for permit, other than responses to building department comments.**

**REIMBURSABLE EXPENSES** shall refer to those out-of-pocket costs, expenses, fees, or charges which ACIES incurs on the CLIENT's behalf. "Reimbursable Expenses" include but are not limited to:

- Production of drawings, calculations, etc.
- Travel expenses
- Shipping and postage
- All fees paid to local agencies or government offices on behalf of the CLIENT or the project.

Prevailing in-house reimbursable expense rates are as follows:

LOS GATOS ENGINEERING TI

PAGE 4  
180541

Item	Price
Reimbursement - Bond 11 x 17	\$0.75
Reimbursement - Bond 17 x 22	\$1.00
Reimbursement - Bond 18 x 24	\$1.00
Reimbursement - Bond 22 x 34	\$1.50
Reimbursement - Bond 24 x 22	\$1.00
Reimbursement - Bond 30 x 42	\$2.75
Reimbursement - Bond 36 x 24	\$2.50
Reimbursement - Bond 36 x 48	\$4.00
Reimbursement - Vellums	\$10.00
Reimbursement - Mileage	\$0.55/mile
Reimbursement - Acies Messenger	\$25.00
Reimbursement - Drawings Delivery	Varies
Reimbursement - Copies	\$0.10/sheet

**PREVAILING HOURLY BILLING RATES:**

Principal	\$230.00/hr
Associate	\$190.00/hr
Project Director	\$175.00/hr
Project Manager	\$150.00/hr
Project Engineer	\$130.00/hr
Designer	\$115.00/hr
REVIT / CAD Operator	\$120.00/hr
Administrator	\$85.00/hr

**BILLING:** ACIES shall submit invoices on a monthly basis, on or about the 25<sup>th</sup> of each month, for services performed to date based on the percent completed of the services indicated in this Agreement. A final invoice shall be issued when ACIES has completed the services under this Agreement. The net invoice amount shall be due and payable within thirty (30) calendar days of the invoice date. Past due accounts will be subject to a late payment charge of 18% APR compounded daily. Payment thereafter shall first be applied to accrued interest and then to the unpaid principal amount. Payment of invoices is in no case subject to unilateral discounting or setoffs by CLIENT. No deductions shall be made from ACIES' compensation because of penalty, liquidated damages, or other sums withheld from payments to contractors.

**LATE PAYMENTS:** If undisputed invoiced amounts are unpaid after eighty (80) calendar days of the date of invoice, ACIES may at any time, without waiving any other claim against CLIENT and without thereby incurring any liability to CLIENT, suspend or terminate this Agreement, as provided in the "Dispute Resolution," "Project Suspension," "Attorneys' Fees" and "Termination" sections of this Agreement. If suspended, services shall remain suspended until all outstanding invoices have been paid in full by CLIENT.

**DISPUTED AMOUNTS:** If the CLIENT objects to any portion of an invoice, CLIENT shall notify ACIES of the dispute in writing, including the reason for the dispute, within fourteen (14) calendar days of the invoice date, and pay when due that portion of the invoice, if any, which is not in dispute.

**PERFORMANCE OF SERVICES:** ACIES hereby agrees to provide such services as are described in this Agreement in accordance with generally accepted Professional practices and standards for the locality in which the services are provided and for the intended use of the project at the time such services are performed. ACIES makes no other warranty, either expressed or implied.

**CLIENT RESPONSIBILITIES:** CLIENT shall provide complete, accurate, and timely information regarding its requirements for the project and shall designate by name a "Project Representative" authorized to act on its behalf. CLIENT shall examine documents or other instruments of service submitted by ACIES in a timely fashion and shall render any decisions necessary promptly in order to avoid unreasonable delay.

**GOOD FAITH:** In all matters pertaining to this Agreement, the parties shall deal with each other in fairness and good faith.

**LIABILITY:** ACIES has errors and omissions insurance coverage of \$1,000,000. ACIES shall only be responsible for the cost of change orders due to their negligent acts, errors, or omissions where the services performed are not in accordance with generally accepted professional practices and if they are not discovered in a timely manner during construction. Any value received by Owner for such change orders shall be deducted from any liability costs to ACIES and ACIES shall be given the opportunity to negotiate with the job contractors and/or other contractors of ACIES choice on any items that will result in liability cost to ACIES prior to the work proceeding. ACIES shall not be responsible for any costs that result from concealed conditions or any other conditions that are beyond their control or that they would not reasonably be expected to have considered as part of a normal design process. Any charges assessed to ACIES shall be reduced by the difference between fixed fee and the actual amount previously paid to ACIES. The total liability shall be limited to the amount of fee actually paid.

**INDEMNIFICATION:** CLIENT shall, to the fullest extent permitted by law, indemnify and hold harmless ACIES, its officers, directors, employees, agents, and consultants from all damage, liability and cost, including reasonable attorney's fees and defense costs, arising out of or in any way connected with the performance by any of the parties above named of the services under this Agreement, excepting only those damages, liabilities or costs attributed to the sole negligence or willful misconduct of ACIES.

**CERTIFICATIONS, GUARANTEES, AND WARRANTIES:** ACIES shall not be required to execute any document that would result in certifying, guaranteeing or warranting the existence of conditions whose existence ACIES cannot ascertain.

**HAZARDOUS MATERIALS:** ACIES shall have no responsibility for the discovery, presence, handling, removal and disposal of or exposure of persons to hazardous materials in any form at the project site, including but not limited to asbestos, asbestos products, polychlorinated biphenyl (PCB) or other toxic substances.

**DISPUTE RESOLUTION:** All claims, disputes and other matters in question between the parties to this Agreement, arising out of, or relating to, the Agreement or the breach thereof, shall be submitted to mediation under the auspices of a mutually agreed upon mediation service, experienced in the resolution of construction disputes, prior to initiation of any lawsuit or other litigation unless the parties mutually agree otherwise. The cost of said mediation shall be split equally between the parties. This agreement to mediate and any agreement to mediate with any additional person or persons duly consented to be the parties to this Agreement shall be specifically enforceable under the prevailing law of the jurisdiction in which this Agreement was signed.

**ATTORNEYS' FEES:** In any action to enforce this Agreement or arising from or related to this Agreement, except for mediation as provided elsewhere in this Section, the prevailing party shall be entitled to reasonable attorney's fees and costs.

**PROJECT SUSPENSION:** If the project is suspended for more than thirty (30) calendar days or abandoned in whole or in part, CLIENT shall pay ACIES for all services rendered to the date of project suspension, as well as all reimbursable expenses, including but not limited to reimbursable termination expenses resulting from such suspension or abandonment. If the project is resumed after being suspended, ACIES' compensation shall be subject to renegotiation.

**TERMINATION:** This Agreement may be terminated by either party upon seven (7) days written notice in the event of substantial failure of the other party to perform in accordance with the terms of this Agreement. In the event of termination, CLIENT shall pay ACIES for all services rendered to the date of termination, as well as all reimbursable expenses, including but not limited to reimbursable termination expenses.

LOS GATOS ENGINEERING TI

PAGE 6  
180641

**OWNERSHIP OF DOCUMENTS:** Drawings, specifications, and any other instruments of service provided by ACIES shall remain the property of ACIES and shall not be used by CLIENT on any other project or for completion of this project by others without ACIES' prior written authorization.

**ACCESS TO SITE:** Unless otherwise stated, ACIES will have access to the site for any and all activities necessary for the performance of the services. ACIES will take precautions to minimize damage due to these activities; however, CLIENT hereby agrees that ACIES shall not be liable for any resulting damage nor for the cost of restoration of any resulting damage.

**ENTIRE AGREEMENT:** This Agreement constitutes the entire and only Agreement between the parties and all other prior negotiations, representations, agreements, and understandings are superseded hereby. No agreements altering or supplementing the terms hereof may be made except by a written document signed by both parties.

**HEADINGS** and captions are for reference only.

**SUCCESSORS AND ASSIGNS:** This Agreement shall be binding upon and inure to the benefit of the heirs and successors of each of the parties. Neither CLIENT nor ACIES shall assign or transfer its interests in this Agreement without the prior written consent of the other.

**WAIVER:** Failure of a party to enforce a right under this Agreement will not act as a waiver of that right or the ability to later assert that right relative to the particular situation involved.

**SEVERABILITY:** In the event any provisions of this Agreement shall be held to be valid or unenforceable, all remaining provisions shall be valid and binding upon the parties.

**CONSTRUCTION AND VENUE:** This Agreement will be construed and enforced in accordance with the laws of the United States of America and of the state of California. Any action arising out of or related to this Agreement shall be brought in state or federal court, as appropriate, in Santa Clara County, California.

**UNCONTROLLED CONDITIONS:** Neither party shall hold the other responsible for damages or delay in performance caused by natural disasters, strikes, lockouts, accidents or other events or conditions beyond the other party's control.

**EXECUTION:** *In witness whereof, the parties hereto have accepted, made and executed this Agreement upon the terms, conditions and provisions above stated, the day and year first above written.*

**SUBMITTED BY:**  
ACIES ENGINEERING



\_\_\_\_\_  
TOMISLAV GAJIC, PE  
PRINCIPAL  
DATE: MAY 23, 2018

**APPROVED BY:**

\_\_\_\_\_  
PRINT:  
DATE:



**TOWN OF LOS GATOS  
COUNCIL AGENDA REPORT**

MEETING DATE: 12/21/2021

ITEM NO: 16

---

DATE: December 16, 2021

TO: Mayor and Town Council

FROM: Laurel Prevetti, Town Manager

SUBJECT: Battery Power Supply – Library (Project 821-2505)

- a. Authorize the Town Manager to Execute an Agreement for Consultant Services with AMS Electric LLC, dba Prime Electric LLC for a Design-Build Project to Install a Battery Storage System to Provide Backup Power at the Library in an Amount Not to Exceed \$513,000; and
- b. Authorize Revenue and Expenditure Budget Adjustments in the Amount of \$300,000 to Recognize Receipt and Expenditure of the State Office of Emergency Services Community Power Resiliency Grant Funds (421-821-2505-43415 421-821-2505-824050); and
- c. Authorize Revenue and Expenditure Budget Adjustments in the Amount of \$213,000 to Recognize Receipt and Expenditure of the Silicon Valley Clean Energy Grant Funds (421-821-2505-43529 421-821-2505-82405)

**RECOMMENDATION:**

Staff recommends that the Town Council take the following actions:

- a. Authorize the Town Manager to execute an Agreement for Consultant Services (Attachment 1) with AMS Electric LLC, dba Prime Electric LLC for a design-build project for installation of a battery storage system to provide backup power at the Library in an amount not to exceed \$513,000; and
- b. Authorize revenue and expenditure budget adjustments in the amount of \$300,000 to recognize receipt and expenditure of the State Office of Emergency Services (OES) Community Power Resiliency Grant funds (421-821-2505-43415 421-821-2505-82405); and
- c. Authorize revenue and expenditure budget adjustments in the amount of \$215,000 to recognize receipt and expenditure of the Silicon Valley Clean Energy Grant funds (421-821-2505-43529 421-821-2505-82405).

**PREPARED BY:** Dan Keller  
Environmental and Facilities Manager

---

Reviewed by: Assistant Town Manager, Town Attorney, Finance Director, and Director of Parks and Public Works

---

PAGE 2 OF 3

SUBJECT: Authorize the Town Manager to Execute an Agreement for Consultant Services with AMS Electric LLC, dba Prime Electric LLC for a Design-Build Project to Install a Battery Storage System to Provide Backup Power at the Library During Outages

DATE: December 16, 2021

BACKGROUND:

The Library is an ideal facility for a Community Resource Center during power outages. The concept of installing a battery back-up system that would provide power to parts of the building during a power outage is a good candidate for a clean energy project and has made the Town of Los Gatos eligible for grant funding from two sources.

- California Office of Emergency Services (Cal OES) Community Power Resiliency Program
- Silicon Valley Clean Energy Resiliency

In addition, based on CA Government code 4217 public agencies can select a qualified contractor to design and deliver energy projects if the cost of the project is less than the anticipated energy savings. The contractor provided a proposal that will follow the parameters of these requirements.

DISCUSSION:

A Request for Proposals was circulated, and three contractors responded with two contractors ultimately submitting proposals. The successful proposal (Exhibits A and B) includes an evaluation of the existing solar photovoltaic (PV) system at the Library, followed by a design and development of plans and installation of a battery storage system to provide electrical power back-up for the library and patrons during power outages. A goal of this proposal is to stay within the parameters of California Government Code 4217.

This battery system will recharge through interconnectivity with the existing solar PV system at the library. The system size will be defined through the design process but is anticipated to provide sufficient power for select electrical sources. The system will be modular such that additional supply could be added through future projects.

CONCLUSION:

Approval of the recommended actions will allow the Town to take advantage of available grant funding and move forward with this project.

FISCAL IMPACT:

The Town of Los Gatos applied for and received a grant in the amount of \$300,000 from Cal OES Community Power Resiliency Program for the planning and implementation of clean energy



SUBJECT: Authorize the Town Manager to Execute an Agreement for Consultant Services with AMS Electric LLC, dba Prime Electric LLC for a Design-Build Project to Install a Battery Storage System to Provide Backup Power at the Library During Outages

DATE: December 16, 2021

FISCAL IMPACT (continued):

projects. Additionally, in 2022, the Town of Los Gatos will receive a Silicon Valley Clean Energy Resiliency Grant in the amount of \$213,000. These grants will be applied to this project and will not require additional Town funding. Revenue and expenditure budget adjustments will be established to reflect the \$513,000 as a grant funded project.

<b>Battery Power Supply - Library CIP No. 821-2505</b>		
	<b>Budget</b>	<b>Costs</b>
GFAR	\$30,000	
State OES Community Power Resiliency Grant	\$300,000	
Silicon Valley Clean Eneergy Grant*	\$213,000	
<b>Total Budget</b>	<b>\$543,000</b>	
*Anticipated in 2022		
Agreement for Consultant Services with AMS Electric LLC, dba Prime Electric LLC		\$513,000
<b>Total Costs</b>		<b>\$513,000</b>
<b>Remaining Balance</b>		<b>\$30,000</b>

ENVIRONMENTAL ASSESSMENT:

This is not a project defined under CEQA, and no further action is required.

Attachments:

1. Agreement for Consultant Services
2. Exhibit A – Request for Proposal
3. Exhibit B – Request for Proposal

## **AGREEMENT FOR CONSULTANT SERVICES**

THIS AGREEMENT is made and entered into on this 7<sup>th</sup> day of December 2021 by and between TOWN OF LOS GATOS, a California municipal corporation, ("Town") and AMS Electric LLC dba Prime Electric LLC, whose address is 1941 Ringwood Ave. Suite 140, San Jose, CA, 95131. This Agreement is made with reference to the following facts.

### **I. RECITALS**

- 1.1 The Town desires to engage Consultant to provide Design-Build services for development of plans and construct a Battery Electrical storage system at the Library.
- 1.2 The Consultant represents and affirms that it is willing to perform the desired work pursuant to this Agreement.
- 1.3 Consultant warrants it possesses the distinct professional skills, qualifications, experience, and resources necessary to timely perform the services described in this Agreement. Consultant acknowledges Town has relied upon these warranties to retain Consultant.

### **II. AGREEMENTS**

- 2.1 Scope of Services. Consultant shall provide services as described in that certain Proposal sent to the Town on December 1, 2021, which is hereby incorporated by reference and attached as Exhibit A and B.
- 2.2 Term and Time of Performance. This contract will remain in effect from date of execution to June 30, 2023.
- 2.3 Compliance with Laws. The Consultant shall comply with all applicable laws, codes, ordinances, and regulations of governing federal, state and local laws. Consultant represents and warrants to Town that it has all licenses, permits, qualifications and approvals of whatsoever nature which are legally required for Consultant to practice its profession. Consultant shall maintain a Town of Los Gatos business license pursuant to Chapter 14 of the Code of the Town of Los Gatos.
- 2.4 Sole Responsibility. Consultant shall be responsible for employing or engaging all persons necessary to perform the services under this Agreement.
- 2.5 Information/Report Handling. All documents furnished to Consultant by the Town and all reports and supportive data prepared by the Consultant under this Agreement are the Town's property and shall be delivered to the Town upon the completion of Consultant's services or at the Town's written request. All reports, information, data, and exhibits prepared or assembled by Consultant in connection with the performance of its services pursuant to this Agreement are confidential until released by the Town to the public, and

the Consultant shall not make any of the these documents or information available to any individual or organization not employed by the Consultant or the Town without the written consent of the Town before such release. The Town acknowledges that the reports to be prepared by the Consultant pursuant to this Agreement are for the purpose of evaluating a defined project, and Town's use of the information contained in the reports prepared by the Consultant in connection with other projects shall be solely at Town's risk, unless Consultant expressly consents to such use in writing. Town further agrees that it will not appropriate any methodology or technique of Consultant which is and has been confirmed in writing by Consultant to be a trade secret of Consultant.

- 2.6 Compensation. Compensation for Consultant's professional services **shall not exceed \$513,000**, inclusive of all costs. Payment shall be based upon Town approval of each task.
- 2.7 Billing. Billing shall be monthly by invoice within thirty (30) days of the rendering of the service and shall be accompanied by a detailed explanation of the work performed by whom at what rate and on what date. Also, plans, specifications, documents or other pertinent materials shall be submitted for Town review, even if only in partial or draft form.

Payment shall be net thirty (30) days. All invoices and statements to the Town shall be addressed as follows:

Invoices:  
Town of Los Gatos  
Attn: Accounts Payable  
P.O. Box 655  
Los Gatos, CA 95031-0655

- 2.8 Availability of Records. Consultant shall maintain the records supporting this billing for not less than three years following completion of the work under this Agreement. Consultant shall make these records available to authorized personnel of the Town at the Consultant's offices during business hours upon written request of the Town.
- 2.9 Assignability and Subcontracting. The services to be performed under this Agreement are unique and personal to the Consultant. No portion of these services shall be assigned or subcontracted without the written consent of the Town.
- 2.10 Independent Contractor. It is understood that the Consultant, in the performance of the work and services agreed to be performed, shall act as and be an independent contractor and not an agent or employee of the Town. As an independent contractor he/she shall not obtain any rights to retirement benefits or other benefits which accrue to Town employee(s). With prior written consent, the Consultant may perform some obligations under this Agreement by subcontracting but may not delegate ultimate responsibility for performance or assign or transfer interests under this Agreement. Consultant agrees to testify in any litigation brought regarding the subject of the work to be performed under

this Agreement. Consultant shall be compensated for its costs and expenses in preparing for, traveling to, and testifying in such matters at its then current hourly rates of compensation, unless such litigation is brought by Consultant or is based on allegations of Consultant's negligent performance or wrongdoing.

- 2.11 Conflict of Interest. Consultant understands that its professional responsibilities are solely to the Town. The Consultant has and shall not obtain any holding or interest within the Town of Los Gatos. Consultant has no business holdings or agreements with any individual member of the Staff or management of the Town or its representatives nor shall it enter into any such holdings or agreements. In addition, Consultant warrants that it does not presently and shall not acquire any direct or indirect interest adverse to those of the Town in the subject of this Agreement, and it shall immediately disassociate itself from such an interest, should it discover it has done so and shall, at the Town's sole discretion, divest itself of such interest. Consultant shall not knowingly and shall take reasonable steps to ensure that it does not employ a person having such an interest in this performance of this Agreement. If after employment of a person, Consultant discovers it has employed a person with a direct or indirect interest that would conflict with its performance of this Agreement, Consultant shall promptly notify Town of this employment relationship, and shall, at the Town's sole discretion, sever any such employment relationship.
- 2.12 Equal Employment Opportunity. Consultant warrants that it is an equal opportunity employer and shall comply with applicable regulations governing equal employment opportunity. Neither Consultant nor its subcontractors do and neither shall discriminate against persons employed or seeking employment with them on the basis of age, sex, color, race, marital status, sexual orientation, ancestry, physical or mental disability, national origin, religion, or medical condition, unless based upon a bona fide occupational qualification pursuant to the California Fair Employment & Housing Act.

### III. INSURANCE AND INDEMNIFICATION

- 3.1 Minimum Scope of Insurance:
- i. Consultant agrees to have and maintain, for the duration of the contract, General Liability insurance policies insuring him/her and his/her firm to an amount not less than: one million dollars (\$1,000,000) combined single limit per occurrence for bodily injury, personal injury and property damage.
  - ii. Consultant agrees to have and maintain for the duration of the contract, an Automobile Liability insurance policy ensuring him/her and his/her staff to an amount not less than one million dollars (\$1,000,000) combined single limit per accident for bodily injury and property damage.
  - iii. Consultant shall provide to the Town all certificates of insurance, with original endorsements effecting coverage. Consultant agrees that all

certificates and endorsements are to be received and approved by the Town before work commences.

- iv. Consultant agrees to have and maintain, for the duration of the contract, professional liability insurance in amounts not less than \$1,000,000 which is sufficient to insure Consultant for professional errors or omissions in the performance of the particular scope of work under this agreement.

General Liability:

- i. The Town, its officers, officials, employees and volunteers are to be covered as insured as respects: liability arising out of activities performed by or on behalf of the Consultant; products and completed operations of Consultant, premises owned or used by the Consultant. This requirement does not apply to the professional liability insurance required for professional errors and omissions.
- ii. The Consultant's insurance coverage shall be primary insurance as respects the Town, its officers, officials, employees and volunteers. Any insurance or self-insurances maintained by the Town, its officers, officials, employees or volunteers shall be excess of the Consultant's insurance and shall not contribute with it.
- iii. Any failure to comply with reporting provisions of the policies shall not affect coverage provided to the Town, its officers, officials, employees or volunteers.
- iv. The Consultant's insurance shall apply separately to each insured against whom a claim is made or suit is brought, except with respect to the limits of the insurer's liability.

3.2 All Coverages. Each insurance policy required in this item shall be endorsed to state that coverage shall not be suspended, voided, cancelled, reduced in coverage or in limits except after thirty (30) days' prior written notice by certified mail, return receipt requested, has been given to the Town. Current certification of such insurance shall be kept on file at all times during the term of this agreement with the Town Clerk.

3.3 Workers' Compensation. In addition to these policies, Consultant shall have and maintain Workers' Compensation insurance as required by California law and shall provide evidence of such policy to the Town before beginning services under this Agreement. Further, Consultant shall ensure that all subcontractors employed by Consultant provide the required Workers' Compensation insurance for their respective employees.

3.4 Indemnification. The Consultant shall save, keep, hold harmless and indemnify and defend the Town its officers, agent, employees and volunteers from all damages, liabilities,

penalties, costs, or expenses in law or equity that may at any time arise or be set up because of damages to property or personal injury received by reason of, or in the course of performing work which may be occasioned by a willful or negligent act or omissions of the Consultant, or any of the Consultant's officers, employees, or agents or any subconsultant.

#### IV. GENERAL TERMS

- 4.1 Waiver. No failure on the part of either party to exercise any right or remedy hereunder shall operate as a waiver of any other right or remedy that party may have hereunder, nor does waiver of a breach or default under this Agreement constitute a continuing waiver of a subsequent breach of the same or any other provision of this Agreement.
- 4.2 Governing Law. This Agreement, regardless of where executed, shall be governed by and construed to the laws of the State of California. Venue for any action regarding this Agreement shall be in the Superior Court of the County of Santa Clara.
- 4.3 Termination of Agreement. The Town and the Consultant shall have the right to terminate this agreement with or without cause by giving not less than fifteen days (15) written notice of termination. In the event of termination, the Consultant shall deliver to the Town all plans, files, documents, reports, performed to date by the Consultant. In the event of such termination, Town shall pay Consultant an amount that bears the same ratio to the maximum contract price as the work delivered to the Town bears to completed services contemplated under this Agreement, unless such termination is made for cause, in which event, compensation, if any, shall be adjusted in light of the particular facts and circumstances involved in such termination.
- 4.4 Prevailing Wages. This project is subject to the requirements of Section 1720 et seq. of the California Labor Code requiring the payment of prevailing wages, the training of apprentices and compliance with other applicable requirements. Contractors and all subcontractors who perform work on the project are required to comply with these requirements. Prevailing wages apply to all projects over \$1,000 which are defined as a "public work" by the State of California. This includes: construction, demolition, repair, alteration, maintenance and the installation of photovoltaic systems under a Power Purchase Agreement when certain conditions are met under Labor Code Section 1720.6. This include service and warranty work on public buildings and structures.
- 4.4.1 The applicable California prevailing wage rate can be found at [www.dir.ca.gov](http://www.dir.ca.gov) and are on file with the Town of Los Gatos Parks and Public Works Department, which shall be available to any interested party upon request. The contractor is also required to have a copy of the applicable wage determination posted and/or available at each jobsite.
- 4.4.2 Specifically, contractors are reminded of the need for compliance with Labor Code Section 1774-1775 (the payment of prevailing wages and documentation

of such), Section 1776 (the keeping and submission of accurate certified payrolls) and 1777.5 in the employment of apprentices on public works projects. Further, overtime, weekend and holiday pay, and shift pay must be paid pursuant to applicable Labor Code section.

- 4.4.3 The public entity for which work is being performed or the California Department of Industrial Relations may impose penalties upon contractors and subcontractors for failure to comply with prevailing wage requirements. These penalties are up to \$200 per day per worker for each wage violations identified; \$100 per day per worker for failure to provide the required paperwork and documentation requested within a 10-day window; and \$25 per day per worker for any overtime violation.
- 4.4.4 As a condition to receiving progress payments, final payment and payment of retention on any and all projects on which the payment of prevailing wages is required, the contractor agrees to present to the TOWN, along with its request for payment, all applicable and necessary certified payrolls (for itself and all applicable subcontractors) for the time period covering such payment request. The term “certified payroll” shall include all required documentation to comply with the mandates set forth in Labor Code Section 1720 et seq, as well as any additional documentation requested by the Agency or its designee including, but not limited to: certified payroll, fringe benefit statements and backup documentation such as monthly benefit statements, employee timecards, copies of wage statements and cancelled checks, proof of training contributions (CAC2 if applicable), and apprenticeship forms such as DAS-140 and DAS-142.
- 4.4.5 In addition to submitting the certified payrolls and related documentation to the TOWN, the contractor and all subcontractors shall be required to submit certified payroll and related documents electronically to the California Department of Industrial Relations. Failure to submit payrolls to the DIR when mandated by the project parameters shall also result in the withholding of progress, retention and final payment.
- 4.4.6 No contractor or subcontractor may be listed on a bid proposal for a public works project unless registered with the Department of Industrial Relations pursuant to Labor Code section 1725.5 [with limited exceptions from this requirement for bid purposes only under Labor Code section 1771.1(a)].
- 4.4.7 No contractor or subcontractor may be awarded a contract for public work on a public works project, unless registered with the Department of Industrial Relations pursuant to Labor Code section 1725.5. Contractors MUST be a registered “public works contractor” with the DIR AT THE TIME OF BID. Where the prime contract is less than \$15,000 for maintenance work or less than \$25,000 for construction alternation, demolition or repair work, registration is not required.
- 4.4.8 Should any contractor or subcontractors not be a registered public works contractor and perform work on the project, Contractor agrees to fully indemnify the TOWN for any fines assessed by the California Department of

Industrial Relations against the TOWN for such violation, including all staff costs and attorney's fee relating to such fine.

4.4.9 The TOWN shall withhold any portion of a payment; including the entire payment amount, until certified payroll forms and related documentation are properly submitted, reviewed and found to be in full compliance. In the event that certified payroll forms do not comply with the requirements of Labor Code Section 1720 et seq., the TOWN may continue to hold sufficient funds to cover estimated wages and penalties under the contract.

4.5 Amendment. No modification, waiver, mutual termination, or amendment of this Agreement is effective unless made in writing and signed by the Town and the Consultant.

4.6 Disputes. In any dispute over any aspect of this Agreement, the prevailing party shall be entitled to reasonable attorney's fees, including costs of appeal.

4.7 Notices. Any notice required to be given shall be deemed to be duly and properly given if mailed postage prepaid, and addressed to:

Town of Los Gatos  
Attn: Town Clerk  
110 E. Main Street  
Los Gatos, CA 95030

AMS Electric LLC dba Prime Electric LLC  
1941 Ringwood Ave.  
San Jose, CA, 95131

or personally delivered to Consultant to such address or such other address as Consultant designates in writing to Town.

4.8 Order of Precedence. In the event of any conflict, contradiction, or ambiguity between the terms and conditions of this Agreement in respect of the Products or Services and any attachments to this Agreement, then the terms and conditions of this Agreement shall prevail over attachments or other writings.

4.9 Entire Agreement. This Agreement, including all Exhibits, constitutes the complete and exclusive statement of the Agreement between the Town and Consultant. No terms, conditions, understandings or agreements purporting to modify or vary this Agreement, unless hereafter made in writing and signed by the party to be bound, shall be binding on either party.



IN WITNESS WHEREOF, the Town and Consultant have executed this Agreement.

Town of Los Gatos by:

AMS Electric LLC dba Prime Electric LLC, by:

\_\_\_\_\_  
Laurel Prevetti, Town Manager

\_\_\_\_\_

Recommended by:

\_\_\_\_\_  
**Matt Morley**  
Director of Parks and Public Works

\_\_\_\_\_  
Printed Name and Title

Approved as to Form:

\_\_\_\_\_  
Robert Schultz, Town Attorney

Attest:

\_\_\_\_\_  
Shelley Neis, MMC, CPMC, Town Clerk



OCTOBER 22, 2021

# Town of Los Gatos Battery Energy Storage System

ELECTRICAL RFP



**PRIME**  
ELECTRIC

Page 258

EXHIBIT A



# Letter of Interest

October 22, 2021

Town of Los Gatos

41 Miles Avenue  
Los Gatos, CA 95030  
ATTN: Matt Morley

RE: Town of Los Gatos Battery Energy Storage System  
Request for Proposal: Electrical

Dear Matt:

PRIME Electric is pleased to submit our Electrical Proposal for the Town of Los Gatos Battery Energy Storage System project. Our project experience with Design-Build and preconstruction services will bring tremendous value to the Town of Los Gatos team.

Our recent project experience (demonstrated herein) shows our ability to successfully turn over this project. We are comfortable with the Design-Build delivery model for this project and have selected a team that best fits the needs of the Town of Los Gatos Battery Energy Storage System project.

We understand that this project will be highly collaborative. PRIME will bring our lean and innovative practices, lessons learned from successes and challenges in the marketplace, and our strong and collaborative field team consisting of wireman and supervisors.

Additionally, the identified RFP project fundamentals are also core principles at PRIME:

- Proactive approach to preconstruction cost control and project planning
- Willingness to listen and provide project and design advice to the team
- Proven ability to deliver based on project needs
- Customer service focus
- Commitment to safety and quality control
- Commitment to planning and using Lean Planning principles (i.e. Pull Planning)

We are excited about the opportunity to work on this project; the outlined delivery model encompasses all of our best attributes. Performance based criteria and accountability metrics are welcomed by PRIME.

We are committed to adding value to this project. In order to accomplish this, PRIME will be a proactive team member that brings ideas to the table and focuses on solutions rather than problems. PRIME has the organizational depth and resources to assure total control and optimization of cost, quality, and schedule to positively impact the project.

Our project team will assist in developing the best overall solutions for the benefit of the entire project, not just our trade. We believe that the success of the project is best measured as a whole rather than by individual disciplines.

We look forward to demonstrating our ability to accomplish these goals. Thank you for the opportunity to provide this proposal response. We look forward to any questions or feedback.

Best Regards,

  
Jonathan Graves  
PROJECT EXECUTIVE



# Meet Your Team

---



**Danny Thomas**  
CHIEF OPERATING OFFICER



**Mike Sanjurjo**  
EXECUTIVE DIRECTOR  
OF SALES



**Brandon Elliott**  
GROUP EXECUTIVE



**Jonathan Graves**  
PROJECT EXECUTIVE



**Anthony Pinon**  
SERVICE & SPECIAL  
PROJECTS MANAGER



10/22/2021

Town of Los Gatos  
Parks and Public Works  
41 Miles Avenue  
Los Gatos, CA 95030

Attention: Matt Morley

Reference: Town of Los Gatos – Energy System  
Prime Reference #: 21-228

Dear Matt,

Prime Electric is pleased to present this proposal for the electrical work required for the Project Town of Los Gatos – Energy System. This proposal is based on the provided drawings dated 3/15/10 and the scope discussed and detailed below.

Scope of work:

1. Provide Design Engineering and drawings for permitting.
2. Provide excavation and patch back for all underground requirements.
3. Install 125-kilowatt ELM Microgrid Battery Storage System.
  - a. See attached for cutsheet and details.
4. Provide start up, commissioning, and training for new Microgrid Battery Storage system.

Clarifications:

- A. All work shall be completed during normal business hours (7:00am to 4:00pm).
- B. All work shall be installed in compliance with the applicable specifications and all applicable codes.
- C. We have based our proposal on having unrestricted access to all work areas.
- D. We have assumed that the electrical panels have the space and capacity to accommodate the electrical requirements for this installation.

\* **NOTE:** Commodities such as wire and conduit cost can fluctuate daily, and equipment pricing generally adjusts quarterly. Significant price increases will result in a request for adjustment of contract price
- E. We have not included the following:
  1. Overtime.
  2. Cut, patch and paint of existing finishes.
  3. Replacement of ceiling tiles.
  4. Provisions for and installation of temporary power and lighting.

5. Provisions for and installation of access panels.
6. Provision for a performance and payment bond.

**The total cost to complete this work is \$498,470.00**

Thank you for allowing Prime Electric to present this proposal for your review and consideration. This proposal is valid for sixty (60) days. Should you have any questions and/or comments, please feel free to contact me at (925) 961-1600.

Sincerely,

*Jonathan Graves*

Jonathan Graves  
Project Executive  
Prime Electric

Approval Signature: \_\_\_\_\_ Date: \_\_\_\_\_

---

## Prime Electric - Town of Los Gatos

- Battery Energy Storage System Bid Submittal -

SITE: 100 Villa Ave, Los Gatos, CA 95030

---

### 125 kW / 330 kWh ELM BATTERY ENERGY STORAGE SYSTEM

---

#### BATTERY ENERGY STORAGE SYSTEM (BESS)

---

Solar Technologies will design and furnish a 125-kilowatt ELM Microgrid Battery Storage system to provide 100% backup power during grid outage. The ELM Microgrid ESS has been engineered to form a microgrid, and can perform demand response, Time of Use, and self-consumption. The microgrid system integrates an EPC bi-directional inverter (PCS), Kore's UL 9540a lithium-ion battery, ELM Fieldsight energy management software and an energy meter which measures your facility's energy consumption and deploys energy as needed. All of these components are bundled in a pre-engineered NEMA 3R enclosure which includes thermal management.

The system will be designed with a charging or discharging power of 125 KW and an energy storage capacity of 330 kWh. The energy storage capacity is capable of future expansion up to 440 kWh.

The system will include a free standing NEMA 3R battery cabinet inclusive of battery modules, battery racks, integral controls, and fire suppression system. During times the grid is functioning, the system will provide self-consumption, energy arbitrage and demand charge management peak shaving functionality.

Solar Technologies will design, engineer, permit and provide a battery energy storage system described below. ELM will provide battery system commissioning assistance.

- **ELM Microgrid Battery Storage 125 kW / 330 kWh**
- Systems contain the following:
  - 3x 110kWh Kore battery racks and BPU pre-installed
  - Kore BMS
  - EPC 125 kW PCS
  - ELM Microgrid controller
  - ELM Microgrid Switchgear package

- Internal A/C bus for solar, generator, & microgrid loads
- 5 Year ELM Monitoring
- 5 Years OEM Warranty
- 24 Volt DC power supply and UPS
- HVAC/heater (thermal management of batteries)
- NEMA 3R main enclosure
- Junction panel with termination blocks
- Wattnode energy meter
- ELM will provide Annual Report on System Functionality

## SYSTEM OPERATION

---

ELM's Energy storage system can be used in 4 key storage applications for commercial battery systems:

**Forms a Microgrid:** The system will form a microgrid either for the lifetime of the system or intermittently upon grid failure. Included in the standard microgrid system is a battery, inverter, internal UPS used for system controls, wiring box, grid relay and contactor.

**Demand Response:** Energy Storage system is used to offset a facilities demand charges by reducing the demand to the local utility by deploying energy from the battery during preset peak demand times

**Time of Use Shifting (TOU):** This system will store less expensive off-peak energy into the battery and then deploys that energy from the battery during more expensive peak rate times.

**Self-Consumption:** In markets that do not allow net metering your battery system can store excess PV generation thus preventing the system from back-feeding PV power to the grid.

### **System Overview & Functionality:**

This system will have full Microgrid functionality as well as additional functionality that may be used to add capabilities and decrease electricity costs. Depending on how much electricity is being used, the system will provide power for at least 2 hours and could run infinitely with solar input. An onsite generator could also be used for onsite power. The preferred scenario would be that the generator would only need to be used in rare circumstances during times of especially low solar production (e.g. a large winter storm in January) Below is a typical system of operations.

### **Sequence of Operations**

The two main operational modes are Island (backup) and Grid Tied.

#### **1.1 Island Mode (SO02/SO03)**

In this mode, the Microgrid will operate as an island isolated from the utility grid. The goal in this mode is to maximize the use of available battery and PV and minimize the use of the generator. In this mode, there are two operational modes and three sub modes:



- Genset ON (SOO2): When the combined maximum output of the PV array and battery (a minimum SOC threshold for the battery has been reached) is insufficient to support the loads, the site controller should turn ON the genset incorporating a seamless transition. While the genset is ON, the storage inverter will be utilized to support the load and charge the battery in current source mode. The generator will be operating in a constant power mode while charging the batteries with excess power generation. PV will be utilized if available.
- Genset OFF (SOO3): While there is sufficient PV generation and battery capacity available, the generator will remain off and the storage inverter will form the grid and act as the Microgrid master. The PV inverters will sense the AC voltage on their terminals and follow the storage inverter.

### **1.2 Grid Tied Mode (SOO6/SOO5)**

In this mode, the Microgrid will operate in parallel with the utility grid. The goal is to maximize the local consumption of the PV generation and battery while keeping the batteries charged to prepare for an outage. If there is sufficient PV generation, the solar array will power the loads on site. If the load is fully met, PV will prioritize charging the battery bank until the battery state-of-charge (SOC) reaches 100%. If the PV generation exceeds the amount of power the battery can absorb (either due to high SOC or charge power limitations), the Microgrid can either export excess PV generation to the utility grid if allowed or curtail excess PV to prevent from exporting PV power to the grid. The microgrid will never export any battery power to the grid.

- Peak Shaving (SOO6): The Microgrid can be enabled to use PV and the battery up to a specific SOC threshold (configurable) to minimize grid import power by setting a load threshold the user wants to keep the grid power below.
- Demand Response (SOO6): The Microgrid can be enabled to use PV and the battery up to a specific SOC threshold (configurable) to minimize grid import power only during certain times by setting a load threshold the user wants to keep the grid power below.

We will provide equipment cutsheets, shop drawings, factory test reports, wiring diagrams, commissioning reports, as-builts and O&M Data as specified.

## PROPOSAL ASSUMPTIONS, CLARIFICATIONS AND EXCLUSIONS

---

- Building permit fee and PG&E interconnection applications are excluded, to be passed through at direct cost without markup; we will request an estimate from AHJ prior to execution of contracts.
- ~~New concrete pad with steel bollards for protection of energy storage enclosure to be provided by others.~~ Included.
- Site preparation, including grading, soil stabilization, removal of landscaping and final grading is excluded and to be performed by others if needed.
- Microgrid control system programming & commissioning is excluded.
- Microgrid metering, relays, critical load panels and other related infrastructure and labor is excluded.
- Proposal assumes the existing Solar PV source circuit can be re-routed to energy storage system bussing.
- Proposal assumes as-built plan sets, C-ALTA, Geotechnical and Title Reports provided by Customer are sufficient for system engineering and permitting approval requirements. Additional studies or engineering reports will be charged in addition to proposal if required.
- ~~On-site construction and labor services are excluded from our quote, prevailing wages would not apply.~~
- Repairs or upgrades to the property not described within this Proposal which are otherwise required or discovered during the project. This can include existing electrical equipment, structural improvements, roof system repairs, etc.
- Utility company interconnection requirements such as NGOM meters or upgrades to Utility company infrastructure or mitigation work required through the utility interconnection application are excluded.
- Any extraordinary engineering, approvals, discretionary reviews, special certification or testing would be charged in addition to this Proposal.
- Costs incurred because of property access restrictions during normal working hours or Buyer's non-standard work hour requirements are excluded.
- Painting or any other "decorative work" on the System is excluded.
- Bid, Price or Performance Bonding is excluded.
- Fire safety and sprinkler systems are excluded.
- Security personnel excluded, securing equipment is the responsibility of Customer upon delivery and installation.
- Repair of damaged underground utilities, power, plumbing or irrigation lines if not provided with plans specifying their location is excluded.
- Remobilization after start of construction is excluded.
- Any work not originally included within this Agreement or specified as an inclusion within this Addendum A will be charged in addition to this Agreement at a labor rate of \$205 per hour and costs plus 15%.

**\*Price is good for 30 days\***

## SOLAR TECHNOLOGIES CORPORATE QUALIFICATIONS

---

STE Electric DBA Solar Technologies was founded in 1998. We are a privately held, full design/build, C-10/C-46 licensed contractor with 85+ employees and offices in San Ramon, Campbell and Santa Cruz, California. We focus on grid-tied, behind-the-meter PV solar, energy storage and EV charging station projects for commercial, municipal, non-profit and residential customers.

Over the past 20+ years we have established ourselves as one of the most accomplished and skilled solar design and installation companies in the business by providing customers with the best equipment, people and service at a competitive price. We are ranked among the top 25 commercial solar developers in California and were recognized in 2019 as SunPower's National Dealer of the Year and three times as SunPower Regional Commercial Dealer of the Year.

### CALIFORNIA STATE LICENSE BOARD:

License #:	932914
License Type:	C-10 Electrical / C-46 Solar
Expiration:	05/31/2023
DIR Public Works Registration #:	PW-LR-1000460402

### INSURANCE:

Broker Name:	Wise Insurance Agency, Inc.
Broker Contact:	415.258.9912
Certificate of Insurance:	Provided Upon Request
Commercial GL:	\$1,000,000 per occurrence, \$2,000,000 general aggregate covering bodily injury, property damage liability, operations and contractual liability.
Commercial Auto:	\$1,000,000 per occurrence covering bodily injury and property damage liability.
Umbrella/Excess Liability:	\$4,000,000 per occurrence and \$4,000,000 general aggregate in excess liability coverage provided by GL and Auto.
Workers Compensation:	\$1,000,000 for bodily injury as required by law.





The ELM Microgrid Turnkey Package is shipped as a self-contained unit and can be installed outdoors or indoors.



## MICROGRID 125kW PACKAGE

### Turnkey Solution

- Factory Assembled*
- Pre-Engineered*
- Pre-Wired*
- Pre-Installed Safety Labels*
- Pre-Tested*

### Managed Assets

- Solar Generation*
- Distributed Battery Storage*
- Diesel, Propane & Nat Gas Generators*
- CHP Systems*
- Grid Power*

### Communications & Control

- 4G LTE Cellular*
- Ethernet and Wifi*
- Building Management*
- Generator Start and Stop*
- Optimal Power Forecasting*
- Power Reliability Alerts*
- Isochronous Generation Control*

### The Switch Advantage

- Turnkey Solution*
- Indoor and Outdoor Enclosure Options*
- Climate Control*
- Fire Suppression Options*
- Microgrid Installation and O&M Guides*

## Electrical Specifications

AC Voltage	480 VAC
AC Input/Output Current	150 A
Max AC Output ( <i>discharge</i> )	125kW
Max AC Input ( <i>charge</i> )	125kW
Battery Capacity Range	110kWh – 910kWh
AC Frequency ( <i>field settable</i> )	60 Hz
Max AC Overcurrent Protection	180 A
Peak Efficiency	98.5%
Power Factor	0 -1.0 Leading or Lagging

## Equipment Specifications

External Dimensions ( <i>L x W x H</i> )	60" x 36" x 104"
Weight	6100 lbs. (220kWh)
Lifting Provisions	Fork Lift Slots
Paint Tested	1000 Salt Hour Spray
Fire Suppression Options	Hybrid - 3M Novec
Temperature Range	-20°C to 50°C

## Transfer to and from Islanded Mode

**Upon detecting a grid disturbance, the system disconnects the Microgrid from the grid and seamlessly transitions critical/resiliency loads to Microgrid Islanded mode.**

**While in Microgrid Islanded mode, the system manages solar, wind and generator assets in order to efficiently support the resiliency loads.**

## Control Software

ELM Autonomous Microgrid Site Control System
Access & Alerts on Desktop & Mobile 24/7
Asset Monitoring System Level & Individual
Individual Microgrid Component Pages
Local HMI IP 65 Touchscreen
Communications: WiFi, Ethernet, Cellular

## Functionality

Islanded MicroGrid	Off-Grid Applications
Grid Tied MicroGrid	AI Machine Learning Demand Charge Mgmt. Peak Shaving Self-Consumption Demand Response
Distributed Generation	Time of Use Operation

## Key System Components

NEMA 3R Enclosure
Bi Directional Storage Inverter
DC Disconnect - (Battery)
AC Disconnect ( <i>Inverter</i> )
Climate Controls

## Certifications

Batteries	UL 1973, UL 9540A
Inverter	UL 1741 SA, IEEE 1547
System	UL 9540

**For higher power or storage requirements multiple systems can be paralleled and additional energy storage containers can be added. Please contact Switch Storage for more details.**





12/1/2021

Town of Los Gatos  
Parks and Public Works  
41 Miles Avenue  
Los Gatos, CA 95030

Attention: Matt Morley

Reference: Town of Los Gatos – Energy System  
Prime Reference #: 21-228 Precon

Dear Matt,

Prime Electric is pleased to present this proposal for the electrical work required for the Project Town of Los Gatos – Energy System. This proposal is based on previous conversations with the objective to make sure system is working properly. Preconstruction investigation for final installation of battery backup and solar functionality.

Scope of work:

1. Investigate solar installation previously done by Fresco Solar for functionality and connectivity.
  - a. Visual inspection of each panel and its subassemblies, cabling, wiring harnesses, contacts, and major components.
  - b. Check for corrosion on all terminals and cables.
  - c. Verify line voltage.
  - d. Check invertors are connected correctly and reading accurately.
2. Provide report with findings from solar system and recommendations for better efficiency of system or maintenance required.
3. Preconstruction investigation for final battery backup system.

Clarifications:

- A. All work shall be completed during normal business hours (7:00am to 4:00pm).
- B. All work shall be installed in compliance with the applicable specifications and all applicable codes.
- C. We have based our proposal on having unrestricted access to all work areas.

- D. We have assumed that the electrical panels have the space and capacity to accommodate the electrical requirements for this installation.
- E. We have not included the following:
  - 1. Overtime.
  - 2. Cut, patch and paint of existing finishes.
  - 3. Replacement of ceiling tiles.
  - 4. Provisions for and installation of temporary power and lighting.
  - 5. Provisions for and installation of access panels.
  - 6. Provision for a performance and payment bond.

**The total cost to complete this work is \$9,419.00**

Thank you for allowing Prime Electric to present this proposal for your review and consideration. This proposal is valid for sixty (60) days. Should you have any questions and/or comments, please feel free to contact me at (925) 961-1600.

Sincerely,

*Jonathan Graves*

Jonathan Graves  
Project Executive  
Prime Electric

Approval Signature: \_\_\_\_\_ Date: \_\_\_\_\_



**TOWN OF LOS GATOS  
COUNCIL AGENDA REPORT**

MEETING DATE: 12/21/2021

ITEM NO: 17

---

DATE: December 14, 2021  
TO: Mayor and Town Council  
FROM: Laurel Prevetti, Town Manager  
SUBJECT: Annual Comprehensive Financial Report (ACFR):  
a. Receive the Annual Comprehensive Financial Report (ACFR) for the Fiscal Year Ended June 30, 2021, and  
b. Adopt a Resolution Confirming June 30, 2021 Fund Balances in Accordance Fiscal Year 2020/21 Final Audit and Town Council General Fund Reserve Policy

**RECOMMENDATION:**

Annual Comprehensive Financial Report (ACFR):

- a. Receive the Annual Comprehensive Financial Report (ACFR) for the Fiscal Year Ended June 30, 2021 (Attachment 1) as recommended by the Finance Commission, and
- b. Adopt a Resolution Confirming June 30, 2021 Fund Balances in Accordance with Fiscal Year (Attachment 2)

**BACKGROUND:**

The Town contracts with an independent certified public accountant to examine the books, records, inventories, and reports of all officers and employees who receive, handle, or disburse public funds each fiscal year (FY). The FY 2020/21 audit was performed by Badawi & Associates, an experienced firm specializing in audit services for California public agencies. The firm also compiled the Draft ACFR for the Town of Los Gatos.

The information contained in the ACFR provides detailed financial information which the Los Gatos community and others can use to better understand the fiscal standing of the Town. In addition, the financial information contained in the document is one element that the credit rating agencies review annually to affix a credit rating for the Town's outstanding debt obligations. In 2021, Moody's rating service affirmed the Town's general credit rating of Aaa, the highest rating possible.

**PREPARED BY:** Stephen Conway  
Finance Director

---

Reviewed by: Assistant Town Manager and Town Attorney

---



BACKGROUND (continued):

With the passage of Measure A, the Finance Commission has been tasked with several mandated duties as described in the provisions of the adopted Ordinance. Section 2.50.225. – Duties states that:

(a) The Finance Commission shall:

(3) Review the Town Manager's draft Annual Comprehensive Financial Report (ACFR) for the preceding fiscal year and provide written comments and recommendations to the Town Manager.

(A) The Town Manager shall respond in writing to the Finance Commission providing his or her rationale for accepting or rejecting each of the Finance Commission's comments and recommendations prior to presenting the ACFR to the Town Council for formal consideration.

(B) The Town Manager may not present the ACFR to the Town Council for formal consideration unless or until he or she considers and responds in writing to all of the Finance Commission's comments and recommendations.

DISCUSSION:

On November 8, 2021, the Commission provided feedback on elements of the Management Discussion & Analysis (MD&A) that should be addressed for the FY 2020/21 ACFR. Of note, the Commission requested a third year of data where appropriate for comparison given the unique nature of reporting during the pandemic. Other areas identified were acknowledgment of American Rescue Plan Act (ARPA) funds, additional pension obligation reporting, and reporting expenditures as a percentage of taxable revenues along with total revenues.

On December 6, 2021, the Commission received the Fiscal Year 2020/21 Draft Annual Comprehensive Financial Report (ACFR) for the Commission's consideration per Measure A. The draft presented at the meeting included the initial feedback from the November 8, 2021 meeting. During the meeting the Commission provided initial feedback on the Fiscal Year 2020/21 Draft Annual Comprehensive Financial Report (ACFR). Of note, the Commission requested enhanced language specifying the nonrecurring nature of CARES Act and ARPA revenues and nonrecurring ADP expenses. In addition, the Commission requested enhanced language identifying the amount of CARES Act and ARPA funding recognized and expensed during the period. Commissioners also requested clarifying language regarding fee-based revenues, corrections to the extension period of CARES Act funding, and the addition of a new Note 15 summarizing and expanding on both federal programs.

DISCUSSION (continued):

On December 13, 2021, the Commission further reviewed the Fiscal Year 2020/21 Draft Annual Comprehensive Financial Report (ACFR) including all the recommendations received from the Commission prior to the December 13<sup>th</sup> meeting. At the conclusion of the December 13<sup>th</sup> meeting the Commission provided final recommendations which included changing Governmental Activities Expense Discussion in the MD&A to eliminate duplicate factors and adding clarifying language on the definition of business type activities.

The Finance Commission unanimously recommended to Town Council consideration to receive the Town of Los Gatos Annual Comprehensive Financial Report for the Year Ended June 30, 2021 with all the recommended changes.

In addition to the review and input provided by the Commission staff also provided continuous review and updates to the Fiscal Year 2020/21 Draft Annual Comprehensive Financial Report (ACFR) accordingly.

The redline version of the attached ACFR represents the culmination of recommended enhancements and changes based on Finance Commission comments, continued staff analysis, and continued auditor review while maintaining appropriate ACFR presentation based on governmental accounting and municipal standards.

Highlights of the draft audited financial results include:

Independent Auditor's Report

The auditor has given the Town's financial statements a "clean" audit opinion for the year ended June 30, 2021 giving reasonable assurance that the financial statements are "free of material misstatement." (Attachment 3)

Management's Discussion and Analysis (MD&A)

The MD&A section of the report summaries for the Town on an entity-wide basis and fund type basis. Information is provided in this section with a year-to-year view, explaining how fund balances have changed between fiscal years ending June 30, 2019, June 30, 2020, and June 30, 2021. Information is also presented on the adopted General Fund budget to actuals and any significant budget adjustments made during FY 2020/21.

Statement of Net Position

The Statement of Net Position serves as a useful indicator of a government's financial position. The Town had net assets of \$113.5 million at fiscal year-end as compared to \$114.8 million the prior year, an overall decrease of \$1.3 million over the prior fiscal year.

DISCUSSION (continued):

The largest portion of the net assets, \$111.4 million, represents the Town's investment in its capital assets and infrastructure. Restricted assets of \$8.4 million are resources that are subject to external restrictions on how they may be used. As of June 30, 2021, unrestricted net position reports a deficit of approximately \$4.7 million. The unrestricted net position reported the prior year was a deficit of approximately \$4.0 million. The deficit in unrestricted net position is primarily due to the Town's outstanding long term pension and Other Post Employment Benefit (OPEB) liabilities.

Basic Financial Statements

This section contains basic financial statements, including the "entity-wide" Statement of Net Position and Statement of Activities, financial statements for the fund types including Governmental Funds (such as the General Fund), Proprietary Funds, and the Private Purpose Trust Funds (Redevelopment Successor Agency). The footnotes section provides details on significant items such as the Town's cash and investments (Note 2), its long term obligations (Certificates of Participation) related to bonded debt (Note 6), the net pension liability for both the Town's miscellaneous and safety pension plans (Note 9), and a discussion of the Town's other post-employment benefit plan (Note 10).

Required Supplementary Information

The Schedules of Pension Plan Contributions are provided in this section.

Supplementary Information

This section provides budget to actual information for "non-major" funds which represent less than 10% of the Town's total assets/liabilities/revenues or expenditures.

Statistical Section

This section presents demographic statistics and ten-year historical financial data for the Town, including information on assessed valuations, fund balances, debt, property tax rates, personnel (full-time equivalent) history, principle employers, and other financial and demographic disclosures.

CONCLUSION:

As noted in the auditor's opinion, the ACFR fairly presents the fiscal year ending June 30, 2021 financial activity for the Town of Los Gatos.

FISCAL IMPACT:

There is no fiscal impact associated with this item.

PAGE 5 OF 5

SUBJECT: Annual Comprehensive Financial Report for the Fiscal Year Ended June  
30, 2021

DATE: December 14, 2021

Attachments:

1. Draft Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2021.
2. Fund Balance Resolution Establishing June 30, 2021 Fund Balances
3. Independent Auditor Presentation to the Council Finance Committee



# TOWN OF LOS GATOS

CALIFORNIA



## Annual Comprehensive Financial Report

Fiscal Year 2020/21

Draft  
12/16/2021

**Cover Photos: Constantino, Evie Julian**

**TOWN OF LOS GATOS  
CALIFORNIA**

**ANNUAL COMPREHENSIVE  
FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED  
JUNE 30, 2021**

Draft  
12/16/2021

PREPARED BY THE  
OFFICE OF THE TOWN MANAGER

Draft  
12/16/2021



## TOWN HISTORY

The name Los Gatos comes from “El Rancho de Los Gatos.” A ranch established in 1839 by a Mexican land grant and so named because of the large number of mountain lions in the area. In 1854, James Alexander Forbes purchased some of this land and built a flour mill. In 1860, the first hotel was opened to provide a stage stop on the toll road which had been built between San Jose and Santa Cruz.

Wheat production gave way to orchards, and rapid growth ensued when the railroad reached Los Gatos in 1878. The residential subdivisions of Broadway, Bayview, Fairview, and Almond Grove were built in the 1880’s. By 1887, the population had grown to 1,500 and Los Gatos voted to incorporate.

Fruit industries faded slowly during the Depression and World War II, but the postwar period brought an influx of people and associated residential and commercial development. Highway 17 was constructed through the center of Town. Growth levelled off in the early 1970’s, leaving Los Gatos with its small-town atmosphere and pedestrian-oriented downtown.

Because of its distance from other centers of population, Los Gatos developed as a complete community including residential, business and industrial elements. Preserving Los Gatos as a complete and well balanced community has been and remains a prominent goal of the community. From the first 100-acre Town site in 1890 with a population of 1,652, Los Gatos grew slowly so that by 1963 the area was 6.3 square miles, with a population of 11,750. Today Los Gatos covers between 14 and 15 square miles and has a population of 30,836. This growth over the last 80 years resulted in a community with vibrant business districts, well maintained neighborhoods, and lovely parks and open spaces.

As it exists now, the Town’s boundaries encompass a wide variety of terrain, ranging from level land to steep and densely wooded hillsides. The sharp visual contrasts among these features and charming architecture create a picturesque setting of the Town. In the midst of the growth of Silicon Valley, Los Gatos attracts people with a preference for the Town’s distinctive, high quality natural and urban environment.

Draft  
12/16/2021

TOWN OF LOS GATOS, CALIFORNIA

ANNUAL COMPREHENSIVE FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

TABLE OF CONTENTS

**INTRODUCTORY SECTION:**

Letter of Transmittal..... 1  
Organizational Chart..... 7  
Principal Officers..... 8  
GFOA Award ..... 9

**FINANCIAL SECTION:**

**Independent Auditor’s Report** ..... 13  
**Management’s Discussion and Analysis**..... 18

**Basic Financial Statements:**

Government-Wide Financial Statements:  
Statement of Net Position ..... 40  
Statement of Activities..... 41  
Fund Financial Statements:  
Governmental Funds:  
Balance Sheet ..... 46  
Reconciliation of the Governmental Funds Balance Sheet to the  
Statement of Net Position ..... 45  
Statement of Revenues, Expenditures and Changes in Fund Balances..... 46  
Reconciliation of Governmental Funds Statement of Revenues, Expenditures,  
and Changes in Fund Balances to the Statement of Activities ..... 47  
Statement of Revenue, Expenditures and Changes in Fund Balances –  
Budget and Actual (GAAP) General Fund ..... 48  
Proprietary Funds – Internal Service Funds:  
Statement of Net Position..... 50  
Statement of Revenue, Expenses and Changes in Net Position..... 51  
Statement of Cash Flows..... 52  
Fiduciary Funds:  
Statement of Fiduciary Net Position ..... 54  
Statement of Changes in Fiduciary Net Position ..... 55  
Notes to the Basic Financial Statements..... 58

**Required Supplementary Information:**

Schedule of Proportionate Share of Net Pension Liability:  
CalPERS Misc. Agent-Multiple Employer Plan ..... 98  
CalPERS Safety Cost-Sharing Plan..... 100  
Schedule of Pension Plans Contributions  
Miscellaneous Agent Multiple-Employer Plan ..... 101  
Safety Cost-Sharing Plan..... 102  
Actuarial Methods and Assumptions used for Pension Actuarially  
Determined Contributions..... 103  
Schedule of Changes in Net OPEB Liability and Related Ratios ..... 104  
Schedule of Employer Contributions ..... 104  
Actuarial Methods and Assumptions used for 2019/20 OPEB Actuarially  
Determined Contribution ..... 105

**TOWN OF LOS GATOS, CALIFORNIA**  
**ANNUAL COMPREHENSIVE FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

**TABLE OF CONTENTS**

---

**SUPPLEMENTARY INFORMATION:**

**Major Governmental Fund Schedules (other than the General Fund):**

Schedule of Revenue, Expenditures and Changes in Fund Balance – Budget and Actual (GAAP) Appropriated Reserves Fund .....	109
--	-----

**Nonmajor Governmental Funds:**

Combining Balance Sheets .....	110
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances.....	112
Budgeted Nonmajor Funds Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (GAAP).....	114

**Internal Service Funds:**

Combining Statement of Net Position .....	119
Combining Statement of Revenue, Expenses and Changes in Net Position .....	120
Combining Statement of Cash Flows .....	121

**STATISTICAL SECTION:**

Net Position by Component .....	127
Changes in Net Position .....	128
Fund Balances, Governmental Funds.....	130
Changes in Fund Balances, Governmental Funds .....	132
Assessed Value and Estimated Actual Value of Taxable Property .....	134
Direct and Overlapping Property Tax Rates .....	135
Principal Property Tax Payers .....	136
Property Tax Levies and Collections.....	138
Ratios of Outstanding Debt by Type .....	139
Direct and Overlapping Governmental Activities Debt.....	140
Legal Debt Margin .....	142
Demographic and Economic Statistics .....	144
Principal Employers.....	145
Full-time Equivalent Town Government Employees by Function/Program .....	147
Operating Indicators by Function/Program .....	148
Capital Assets Statistics by Function/Program.....	150

Draft  
12/16/2021

**INTRODUCTORY SECTION**

Draft  
12/16/2021

This page intentionally left blank



## TOWN OF LOS GATOS

OFFICE OF THE TOWN MANAGER

(408) 354-6832

FAX: (408) 399-5786

December xx, 2021

Honorable Mayor and Town Council,

I am pleased to submit the Town's Annual Comprehensive Financial Report (ACFR) for the fiscal year ending June 30, 2021. In coordination with the Town Manager's Office, this report was prepared by the Finance Department, which assumes responsibility for the accuracy of the data, the completeness and fairness of the presentation, and all disclosures. The information in this report presents the reader with a comprehensive view of the Town's financial position and the results of its operations for the fiscal year ending June 30, 2021, along with additional disclosures and financial information designed to enable the reader to gain an understanding of the Town's financial activities.

This report was prepared as prescribed in Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* (GASB 34). This GASB Statement requires management to provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of a Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the Independent Auditor's Report.

This Annual Comprehensive Financial Report is organized into three sections:

- I. The Introductory Section includes the table of contents, letter of transmittal, listing of elected officials, Town administrative personnel, and an organization chart delineating organizational structure.
- II. The Financial Section includes the Independent Auditor's opinion, the MD&A, the basic financial statements, notes to the financial statements, combining statements of non-major funds, and required supplemental information.
- III. The Statistical Section includes both financial and non-financial data about the Town.

The Annual Comprehensive Financial Report is prepared in accordance with Generally Accepted Accounting Principles (GAAP) promulgated by the Governmental Accounting

Standards Board (GASB) and includes the audit report of Badawi & Associates, the Town's independent certified public accountants.

This Annual Comprehensive Financial Report will be submitted to the Government Finance Officers Association for consideration of its Achievement of Excellence Award in financial reporting certification. This award is granted only to entities whose reports meet the highest standards of municipal financial reporting.

### **THE REPORTING ENTITY AND ITS SERVICES**

Los Gatos is a general law Town, incorporated under the legal framework of California in 1887. The Town is located in the foothills and level terrain of southwestern Santa Clara Valley, referred to internationally as "Silicon Valley." From the first 100-acre Town site and an 1890 population of 1,652, Los Gatos grew slowly so that by 1963 the area was 6.3 square miles with a population of 11,750. Today Los Gatos covers approximately 15 square miles with a population of 30,863. The growth over the last 80 years resulted in a community with vibrant business districts, well maintained neighborhoods, and lovely parks and open spaces. Preserving the unique charm of Los Gatos as a complete and well-balanced community while meeting its economic and housing needs, has been, and remains a key goal for the Town.

The Town maintains a Council-Manager form of government which combines the strong political leadership of elected officials with the strong managerial experience of an appointed Town Manager. Five Council members are elected at large for staggered four-year terms to govern the Town. The Mayor and Vice-Mayor are appointed by the Council from its own ranks and serve for one-year terms. The Town Manager and Town Attorney are appointed and supervised directly by the Council. The Town Manager oversees all municipal services such as Public Safety, Parks and Public Works, Community Development, Library, and Town Administration including Human Resources, Information Technology, and Finance.

### **ECONOMIC CONDITIONS AND OUTLOOK**

While the National Bureau of Economic Research (NBER) declared April 2020 as the official end of the nation's recession, the Town and communities across America continue to grapple with the fiscal disruptions caused by the COVID-19 pandemic. Even with the recession officially being the shortest on record, the Town's economically sensitive Transient Occupancy Tax (TOT) revenue remains near historic lows while Sales Tax receipts indicate modest improvement from the depths of the pandemic. Conversely, the Town's Property Tax revenues remained relatively strong as inventories of available homes remained low and demand was high with millennials transitioning from renting to homeownership, and remote work became more of a permanent fixture.

General Fund revenues (not including transfer-ins) increased 0.1% from the prior year. Property tax revenues remain the largest and most consistent source of support for



General Fund operations, comprising approximately 47% of General Fund revenues in FY 2020/21. For FY 2020/21 property tax receipts of \$19.9 million were \$1.5 million higher than the prior year's collection, reflecting the continued desirability of the Town, its environment, culture, and educational opportunities.

The Town also relies heavily on sales tax revenues to support General Fund operations, comprising approximately 18.6% of General Fund revenues in FY 2020/21. For FY 2020/21 sales tax receipts of \$7.5 million were \$0.4 million higher than the prior year's collection. Sales tax revenues increased as the worst of the unprecedented disruption to business activity and public health restrictions waned. The Town's 1/8 cent District Sales Tax continued to perform well as the District Tax captured a larger share of the increase in online sales.

~~Due to the unprecedented economic dislocations associated with the pandemic the Federal government initiated two federal relief programs designed to provide direct funding to states and cities. The first program, the Coronavirus Aid, Relief, and Economic Security (CARES) Act established a \$150 billion Coronavirus Relief Fund. Federal law specifies that these funds may only be used for unbudgeted costs incurred between March 1, 2020 and December 31, 2020. Control Section 11.90 of the 2021 Budget Act extended the expenditures deadline for cities, counties and community colleges to September 1, 2021. The Budget Act authorized the California Department of Finance to allocate \$1,289,065,000 to address the public health and public safety impacts of COVID-19, including homelessness. Cities will receive \$500,000,000 for similar purposes. Pursuant to the provisions of Control Section 11.90, cities with populations between 300,000 and 500,000 were allocated \$225 million and cities with populations less than 300,000 were allocated \$275 million. Allocations Generally for cities were derived using the proportional share of the State population. of the city was used to determine their share of the allocation. The Town of Los Gatos nonrecurring allocation of \$388,181 was received in July 2020. On March 11, 2021, the second program, the American Rescue Plan Act (ARPA) was signed into law by President Biden. The \$1.9 trillion package (the Act) provides financial aid to families, governments, businesses, schools, non-profits and others impacted by the COVID-19 public health crisis. The Act will allocate \$7,229,744 to the Town over a two year period. The first tranche nonrecurring payment of \$3,614,872 was received on July 13, 2021. The replacement of lost revenue is an eligible ARPA use, and initial budgetary estimates required approximately \$1.4 million in ARPA funding to close anticipated revenue shortfalls. With actual revenues performing better in several areas and expenditure savings being better than projected, ARPA funding was not required under the revenue loss eligible use. For more information regarding the two federal programs please refer to Note 15.~~

The Town continues to adjust and prepare for pension employer costs to continue to be a primary expense in conjunction with salaries. The Town's pension plans over the past several decades, like all other CalPERS participants, have experienced unfavorable investment returns, changes in actuarial assumptions, and demographic changes which have outweighed any positive plan experiences. The outcome of these unfavorable

economic and demographic results is unfunded pension and Other Post-Employment Benefits (OPEB) obligations for the Town. According to the 2020 actuarial valuations, the unfunded actuarial liability for pensions was \$61.8 million and \$8.7 million for OPEB as of June 30, 2019.

To address the escalation in pension costs, current and previous Councils have allocated additional discretionary pension funding totaling \$10.4 million. These additional discretionary payments will ultimately yield an approximate \$12.7 million in pension contribution savings. In addition to the management of the Town's pension obligations, prior Councils have worked to curb cost escalation in Other Post-Employment Benefits (OPEB). In 2009, the Town initiated prefunding of the retiree healthcare benefit and has since established approximately \$26.2 million in OPEB assets from zero in 2009.

Despite these efforts, in the past five years the Net Pension Obligation reported in the Town's ACFR's has increased 73.8% from \$33.4 million as of the June 30, 2016 ACFR to the current Net Pension Obligation of \$58.02 million as of June 30, 2021.

Readers are cautioned that in considering the amount of the pension and OPEB liabilities, and other actuarial data as reported by CalPERS and the Town's actuary, this is "forward looking" information. Such "forward looking" information reflects the judgment of the Board of Administration of CalPERS, its actuaries, and the Town's actuary as to the amount of assets which the pension and OPEB plans will be required to accumulate to fund future benefits. These judgments are based upon a variety of assumptions, one or more of which may prove to be inaccurate or that may change with the future experience of the pension and OPEB plans. The actuarial methods and assumptions could be changed by CalPERS and the Town's actuary at any time based on their professional judgement. Such changes could cause the Town's obligations to the pension and OPEB plans to be higher or lower in any particular year. This sensitivity to changes in actuarial assumptions is especially evident in changes to the Discount Rate as illustrated in Note 9 and changes to Healthcare Trend and Discount rates as illustrated in Note 10.

For detailed information about the Town employees' retirement plan please refer to Note 9 of the Notes to Basic Financial Statements Section. For detailed information about the Town OPEB obligations please refer to Note 10 of the Notes to Basic Financial Statements Section. In addition, the Town provides extensive information on pension and OPEB information on the Town's website.

Despite revenue constraints and increasing costs associated with unfunded federal and state mandates, the Town has managed to maintain high service levels through increased efficiency and prudent fiscal management as evidenced by General Fund's resilience through the unprecedented events of FY 2020/21. The Town continues its outreach to the community, the League of California Cities, and local legislators to prevent and limit any future revenue losses and mandated cost increases.

### **MAJOR CAPITAL PROJECT INITIATIVES**

Major capital asset and infrastructure initiatives were once again a priority for the fiscal year. Approximately \$4.3 million in Town infrastructure and other capital asset improvements were invested in FY 2020/21, including \$0.5 million in street projects Town-wide to improve the pavement condition. Other investments included \$0.8 million in equipment purchases, \$0.9 million in traffic signal improvements, \$0.9 million in building improvements, and \$0.2 million in pathways and trails and \$0.2 million in guardrail replacement.

Additional infrastructure improvements are scheduled in accordance with the Town's approved Capital Improvement Plan, and will continue into future years. All of these improvements are funded either through grants, or via revenues accumulated from prior year budget savings and/or excess revenues per Town Council Policy.

### **ACCOUNTING SYSTEM AND BUDGETARY CONTROL**

The effectiveness of internal controls is a primary consideration in the development and evaluation of the Town's accounting system. Internal accounting controls are designed to provide reasonable but not absolute assurance regarding:

- 1) safeguarding of assets against loss from unauthorized loss or disposition,
- 2) accuracy and reliability of accounting data, and
- 3) adherence to managerial policy.

The concept of reasonable assurance recognizes that the cost of internal controls should not outweigh the benefits, and that management must make estimates and judgments in evaluating these costs and benefits.

All governmental fund types use the modified accrual basis of accounting. This means that revenues are recorded when measurable and available rather than when received. Measurable means the amount can be determined and available means the cash is received within sixty days after the end of the fiscal year. Expenditures are recorded when the liability is incurred, rather than when paid. An exception to this rule is principal and interest on general long-term debt, which is not recognized by debt service funds until it is due.

Proprietary (internal service) funds are accounted for using the accrual basis of accounting, similar to that used by corporations. Proprietary fund revenues are recognized when they are earned rather than when the cash is received, even if the cash is not available and proprietary fund expenses are recognized when they are incurred. With the implementation of GASB 34, the Town prepares its Basic Financial Statements on the accrual basis.

Internal accounting procedures have been developed to provide reasonable assurance regarding the safeguarding of assets and the reliability of financial records for preparing financial statements and maintaining asset accountability.

An annual operating budget, five-year budget forecast, and five-year capital improvement plan is adopted by the Town Council consistent with generally accepted accounting principles. All budget adjustments and transfers between funds must be approved by the Town Council during the fiscal year. The Town Manager is authorized to transfer unencumbered appropriations within a budget category, within a fund. Appropriations are valid for each fiscal year and lapse at year-end.

### **AWARDS**

The Town's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2020 was awarded a Certificate of Achievement for Excellence in Financial Reporting by the national Government Finance Officers Association. This is the 26<sup>th</sup> consecutive year that the Town has received the award. This prestigious award recognizes the report's conformance with strict accounting and reporting standards established by the Government Accounting Standards Board and government finance organizations. This award is annual in nature and valid for one year only. This year's report will be submitted for award consideration by this organization, as we believe it continues to meet these standards.

### **INDEPENDENT AUDIT**

State law requires an annual audit of the Town's accounts by independent certified public accountants. The accounting firm of Badawi & Associates performs this function for the Town of Los Gatos, and their report is included in the financial section of the ACFR.

### **ACKNOWLEDGEMENTS**

The preparation of this Annual Comprehensive Financial Report, as presented herein, is the result of the combined efforts and dedicated services of the excellent staff of the Department of Finance. Special thanks to Gitta Ungvari, Finance and Budget Manager; Mark Gaeta, Accountant; Melissa Ynegas, Finance Analyst; Diane Howard, Finance Analyst; and Maurice De Castro, Accountant and Finance Analyst; and Arn Andrews Assistant Town Manager for their efforts in preparing this report. The Town's Finance Commission is also recognized for its contributions to strengthening the ACFR through its review, discussion, and comments.

Respectfully submitted,

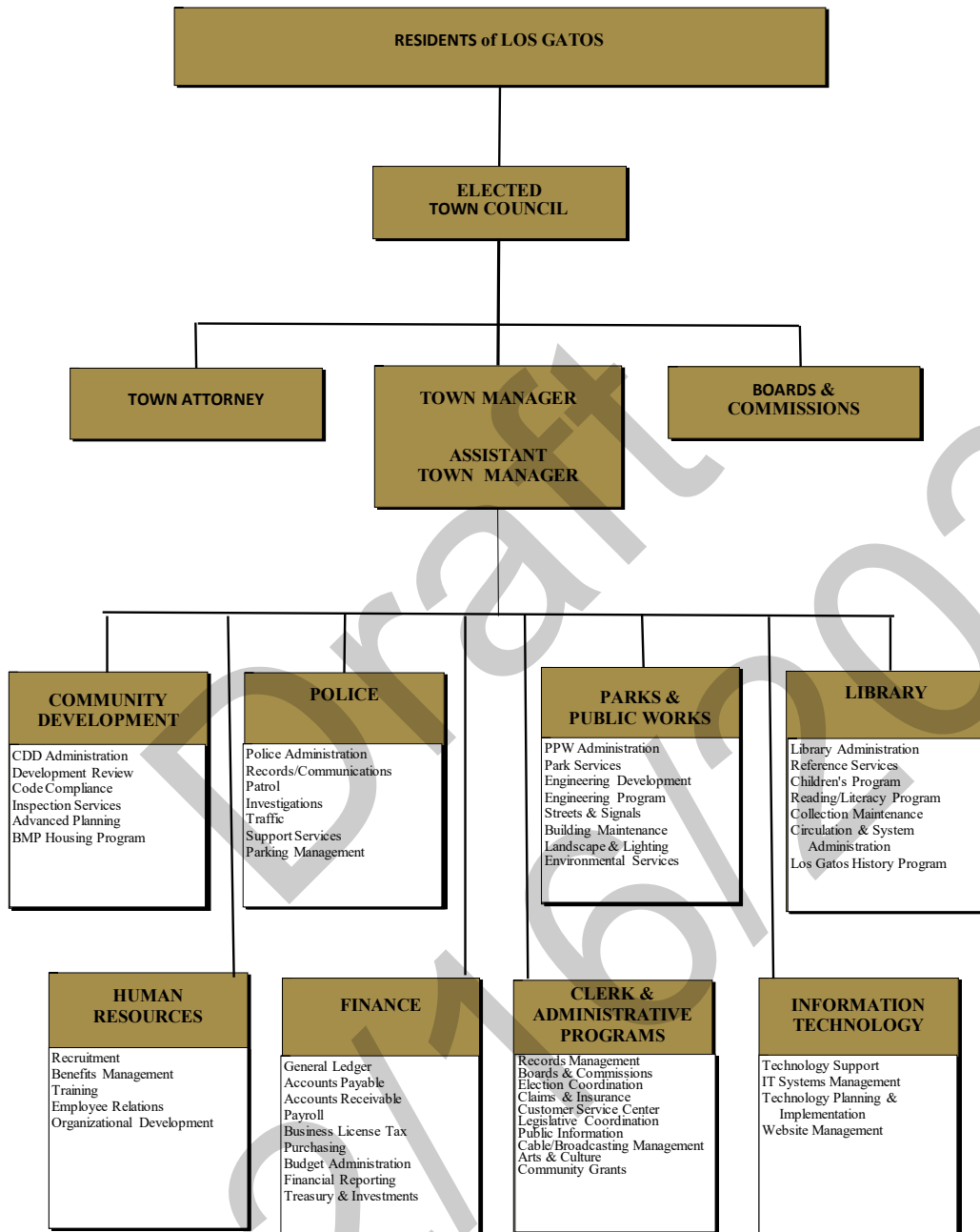
---

Laurel Prevetti  
Town Manager

---

Stephen D. Conway  
Director of Finance

# TOWN OF LOS GATOS ORGANIZATIONAL CHART FY 2020/21



**TOWN OF LOS GATOS  
PRINCIPAL OFFICERS  
AS OF JUNE 30, 2021**

**TOWN COUNCIL**

Mayor  
Vice Mayor  
Council Member  
Council Member  
Council Member

Marico Sayoc  
Rob Rennie  
Mary Badame  
Matthew Hudes  
Maria Ristow

**COUNCIL APPOINTEES**

Town Manager  
Town Attorney

Laurel Prevetti  
Robert Schultz

**APPOINTED OFFICIALS**

Assistant Town Manager  
Chief of Police  
Community Development Director  
Parks and Public Works Director  
Library Director  
Finance Director  
Human Resources Director

Arn Andrews  
Peter Decena  
Joel Paulson  
Matt Morley  
Ryan Baker  
Stephen Conway  
Lisa Velasco



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**Town of Los Gatos  
California**

For its Comprehensive Annual  
Financial Report  
For the Fiscal Year Ended

June 30, 2020

*Christopher P. Morill*

Executive Director/CEO

Draft  
12/16/2021

This page intentionally left blank



Draft  
12/16/2021

**FINANCIAL SECTION**

Draft  
12/16/2021

This page intentionally left blank

## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the Town Council of the  
Town of Los Gatos  
Los Gatos, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information and the budgetary comparison for the General Fund of the Town of Los Gatos, California, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension-related schedules and OPEB-related schedules on pages 18-36, 48, and 98-105 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Los Gatos, California's basic financial statements. The introductory section, major funds (other than General fund and Special revenue funds) budgetary schedules, combining and individual nonmajor fund financial statements, nonmajor fund budgetary schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The major funds (other than General fund and Special revenue funds) budgetary schedules, combining and individual nonmajor fund financial statements, and nonmajor fund budgetary schedules, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

To the Honorable Mayor and Members of the Town Council  
of the Town of Los Gatos  
Los Gatos, California  
Page 3

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December xx, 2021 on our consideration of the Town’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town’s internal control over financial reporting and compliance.

Badawi & Associates, CPAs  
Berkeley, California  
December xx, 2021

Draft  
12/16/2021

Draft  
12/16/2021

This page intentionally left blank

Draft  
12/16/2021

**Management's Discussion and Analysis**

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Town of Los Gatos's Annual Comprehensive Financial Report (ACFR) presents management's discussion and analysis of the Town's financial performance during the fiscal year that ended on June 30, 2021. This analysis should be read in conjunction with the Transmittal Letter at the front of this report and the accompanying Basic Financial Statements.

### FINANCIAL HIGHLIGHTS

- Town assets exceeded liabilities at the close of FY 2020/21 by \$113,518,100 (total net position).
- The Town's total net position decreased by \$1,332,931 during the fiscal year largely as a result of an approximate \$1.2 million dollar increase in non-capitalized capital outlay expenses from the prior year. Non-capitalized project expense reduces net position as they are not added back to total assets as new infrastructure capital investments. Major non-capitalized expense projects included approximately \$650K in direct economic assistance provided through the Town's Economic Recovery project. Other significant non-capitalized projects included approximately \$500K in expenses for wildfire protection through the Roadside Fuel Reduction project and approximately \$200K for the Vegetation Management project. One other significant expense was approximately \$105K to prepare a Town Storm Water Master Plan. Depreciation expense allocated to all Town Departments increased by approximately \$700K from the prior year reflecting the significant additional investments made in the Town's infrastructure through FY 2019/20.
- Total pension expense calculated for the Town's miscellaneous and safety plans decreased approximately \$1.0 million or 10.7% from the prior fiscal year primarily reflecting the impact of the Town's approximate \$4.8 million **nonrecurring** additional discretionary payment (ADP) made to pay down the Town's unfunded liability in FY 2019/20. Fiscal year 2020/21 was the first year to see the benefits of this ADP as the ADP did not appear as Town assets until they were included as part of the June 30, 2020 "measurement date" pension expense calculation. Pension expense growth related to the Town's pension plans has averaged approximately 20.0% annually since FY 2014/15. More discussion on the Town's unfunded pension liabilities can be found in Note 9.
- Reported unrestricted net position is negative (\$4,735,103) compared to negative (\$3,967,178) the prior year. The \$767K additional decrease in unrestricted net position resulted largely from the use of approximately \$2.4 million in unrestricted cash balances for non-capitalized project costs offset by revenue gains from amounts received the prior fiscal year in large revenue sources such as property tax and sales tax offset by declines in investment earnings from amounts earned the prior year. Unrestricted net position represents all resources not included as net investment in capital or restricted assets.
- Despite the ongoing economic impacts resulting from the nationwide pandemic, the Town's economically sensitive major revenues of property tax and sales tax were able to record gains from amounts reported the prior fiscal year. Property taxes collected increased \$1.5 million



from the prior year while sales taxes increased a modest \$0.4 million from amounts collected the prior year.

- The economic impacts related to pandemic travel restrictions began in March 2020 and continued into FY 2020/21. These impacts are primarily evidenced by Transient Occupancy Tax (TOT) revenue declines of approximately \$820K relative to the amounts collected in prior years.
- Total expenses as reported in the Statement of Activities increased \$2.6 million from the prior year. The increase was driven by a combination of factors detailed under the Government Activities Expenditures Discussion. Contributing factors to the total fiscal year increase included the cost of the aforementioned non-capitalized project expenses which exceeded the prior year's expenses by approximately \$1.2 million, \$700K increased depreciation expense on the Town's infrastructure investment and the FY 2020/21 approximate \$602K cost of a 1% negotiated cost of living adjustment (COLA) and 2% one-time bonus and related benefit increases offered to all Town employees during the fiscal year.
- The cost of all governmental activities this year was \$50.6 million. However, as shown in the Statement of Activities, the amount of taxpayer supported governmental activities was \$35.1 million. Taxpayers who directly benefited from the programs paid Charges for services were \$11.48 million, and other governments and organizations subsidized certain programs with operating grants and contributions of \$3.32-9 million and capital grants and contributions of \$0.8 million. Overall, the Town's governmental program revenues were \$15.5 million. The Town paid for the remaining "public benefit" portion of governmental activities with \$33.2 million in taxes and general revenues including interest and miscellaneous revenues. This \$35.1 million in net cost of governmental activities is an approximate 5.7% increase from the prior fiscal year, resulting largely from one-time "non-capitalized" expense growth for economic recovery efforts and wildfire protection and the cost of negotiated salary and related benefit increases offered to all Town bargaining units during the fiscal year and lower amounts of vacant positions primarily in the parks and public works function.
- At the end of FY 2020/21, General Fund balance was \$23,914,618 compared to \$29,335,497 in the prior year. The ending fund balance of \$23,914,618 represents approximately 51.3% of General Fund expenditures for the current fiscal year excluding transfers-out to the Town's capital projects funds and internal service funds. The \$5.4 million reduction in General Fund ending fund balances was primarily from:
  - Non-recurring payments of \$5.6 million of General Fund restricted cash balances for an \$3.6 million additional discretionary payment (ADP) made to CalPERS in July 2020 and another \$2.0 million ADP made in April 2021. The ADPs to CalPERS were used to pay down a portion of the Town's actuarially determined unfunded pension liability beyond the mandated annual payments.

- Additionally, the General Fund transferred approximately \$3.4 million to the Town's capital projects fund to provide resources for Town infrastructure improvements.
  - This reduction of General Fund balance was partially offset by an approximate \$1.1 million excess operating revenues above operating expenditures (excluding the **nonrecurring** \$5.6 million ADP payment and the \$3.4 million transfers out to other funds expenditures for Town capital projects).
- Fund balances for all governmental funds at year end were \$47,837,752 a decrease of approximately \$2.7 million or (5.3%) from the prior year. Governmental fund balances decreased primarily due to:
    - \$5.6 million **nonrecurring** ADP payment made to CalPERS in FY 2020/21 from the General fund.
    - \$5.7 million of capital outlay expenditures made from the Town's capital projects funds.
    - These uses were partially offset by an approximate \$1.1 million excess operating revenues above operating expenditures (excluding the **nonrecurring** \$5.6 million ADP payment and the \$3.4 million transfers out to other funds expenditures for Town capital projects).
  - At fiscal year end, the Town's General Fund restricted cash assets reported a zero balance as the entire amount that remained in its recently established Town's IRS Section 115 Pension Trust was used for payment of the ADP to CalPERS made in April 2021.
  - The Town received \$388,181 from the Coronavirus Aid, Relief, and Economic Security (CARES) Act which **was utilized for fully expended on assistance to** small businesses to boost economic recovery, supporting non-profit organizations with direct grants and rent forgiveness, and obtaining equipment to provide municipal services consistent with Public Health Orders. **The entire amount of the \$388,181 was recognized as revenue in FY 2020/21 and categorized as Operating Grants and Contributions in the Statement of Activities Schedule, and Intergovernmental Revenues in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance Schedule.**
  - The Town received the first tranche payment of \$3,614,872 from the American Rescue Plan Act (ARPA) grant on July 13, 2021. The replacement of lost revenue is an eligible ARPA use, and initial budgetary estimates **estimated programmed** approximately \$1.4 million in ARPA **funding** to close anticipated revenue shortfalls. **ARPA funding for budget shortfalls was not required under the revenue loss eligible use requirements** since actual revenues performed better in several areas and expenditure savings were higher than projected.
  - **However, For FY 2020/21 \$200K of ARPA proceeds** was recognized as ~~FY 2020/21~~ revenue to reimburse the Town for qualifying expenditures under the provisions of the Act including boosting economic recovery and providing rent forgiveness and direct grants to non-profit organizations. **The \$200K was categorized as Operating Grants and Contributions in the Statement of Activities Schedule, and Intergovernmental Revenues in the Governmental**

Funds Statement of Revenues, Expenditures, and Changes in Fund Balance Schedule. The remainder of ARPA proceeds will be recognized as revenues in the current and future fiscal years with eligible expenses. The proceeds not spent remain in the Town deposit account.

- The Town's total capital assets decreased by \$1,805,289 to \$109,894,936 net of depreciation due to smaller infrastructure expenditures and further reduced by the annual total equipment, buildings and infrastructure depreciation expense.

## OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the ACFR contains the following information: Independent Auditor's Report, Management's Discussion and Analysis (this section), the Basic Financial Statements, and the Required Supplementary Information. The ACFR also includes a Supplementary Information section, which presents combining and budgetary schedules for individual non-major funds. The Basic Financial Statements are comprised of three components: 1) Government-Wide Financial Statements, 2) Fund Financial Statements, and 3) Notes to the Financial Statements. The Management's Discussion and Analysis is intended to be an introduction to the Basic Financial Statements.

### Government-Wide Financial Statements

The Government-Wide Financial Statements present the financial picture of the Town from an economic resources measurement focus using the accrual basis of accounting. An economic resources measurement focus is when a body of financial statements report all inflows, outflows, and balances affecting or reflecting an entity's net position.

The Statement of Net Position presents information on all of the Town's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The Statement of Activities presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this Statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the Government-Wide Financial Statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activity*). The governmental activities of the Town include public safety, parks and public works, community development, library, community services, debt service, and general government. Governmental activities typically include financial data for all governmental funds. Internal service funds are typically incorporated into governmental activities as well. Business-type activities typically include financial data for all enterprise funds.

The Town has no enterprise funds and therefore reports no business type activities. The Town has no business type activities for accounting purposes.

## Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the Town are segregated into three categories: governmental funds, proprietary funds, and fiduciary funds.

*Governmental funds* – The Town’s basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using the modified accrual basis of accounting, which measures cash and other financial assets that can readily be converted to cash. The Governmental Fund Statements provide a detailed short-term view of the Town’s general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town’s operations. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

*Proprietary funds* – The Town maintains one type of proprietary fund: Internal Service Funds. Proprietary funds are reported using the accrual basis of accounting. Internal Service Funds are an accounting tool used to accumulate and allocate costs internally among the Town’s various functions. The Town uses Internal Service Funds to account for its fleet of vehicles, computer equipment, risk management activities, and other items. Internal Service Funds help smooth the variability of certain expenses and insulate the Town from large unanticipated costs. The Internal Service Funds are included within governmental activities in the Government-Wide Financial Statements.

*Fiduciary funds* – Fiduciary funds are used to account for resources held for the benefit of parties outside the Town. Fiduciary funds are not reflected in the Government-Wide Financial Statements because the resources of those funds are not available to support the Town’s own programs.

Included in fiduciary funds is the Redevelopment Successor Agency private-purpose Trust Fund created upon the dissolution of the former Redevelopment Agency (RDA) in 2012. The Trust Fund was created to hold the assets of the former Redevelopment Agency until they are transferred for governmental purposes to other entities or distributed to the underlying taxing jurisdictions in Santa Clara County after the payment of enforceable obligations. Additional information on the dissolution of the RDA and this fiduciary fund can be found in Note 12 in the notes to basic financial statements.

## Notes to Basic Financial Statements

The notes provide additional information to facilitate a full understanding of the data provided in the Government-Wide and Fund Financial Statements. The Notes to the Basic Financial Statements can be found on pages 58-120 of this report.

### ANALYSIS OF GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Government-Wide Financial Statements provide long-term and short-term information about the Town's overall financial condition. This analysis addresses the financial statements of the Town as a whole, utilizing data from throughout the ACFR to describe the changes between 2020 and 2021. Given the unique nature of COVID pandemic economic impacts during the reporting period, 2019 data has also been provided to provide additional context.

#### Net Position Discussion

As shown below, the Town's combined net position for the year ended June 30, 2021 was \$113.52 million, reflecting a decrease of approximately \$1.33 million to the prior years' net position of \$114.85 million. In general, net position can serve as an important indicator of whether the Town's overall financial condition is improving or deteriorating over time.

<b>Town of Los Gatos</b>			
<b>Net Position</b>			
<b>Governmental Activities</b>			
<b>For the Year Ended June 30, 2021</b>			
	2021	2020	2019
Current and other Assets	\$ 72,065,091	\$ 75,995,161	\$ 79,464,869
Capital Assets	111,416,264	111,700,225	107,542,588
Total Assets	<u>\$ 183,481,355</u>	<u>\$ 187,695,386</u>	<u>\$ 187,007,457</u>
Deferred Outflows - Pension/OPEB	19,746,595	17,441,310	13,521,349
Current Liabilities	16,334,887	18,093,199	17,002,972
Long-Term Liabilities Outstanding	71,339,626	69,465,025	66,521,231
Total Liabilities	<u>\$ 87,674,513</u>	<u>\$ 87,558,224</u>	<u>\$ 83,524,203</u>
Deferred Inflows - Pension/OPEB	2,335,387	2,727,441	2,185,494
Net Position			
Net Investment in Capital Assets	109,894,936	111,700,225	107,542,588
Restricted	8,358,267	7,117,984	11,918,688
Unrestricted	<u>(4,735,103)</u>	<u>(3,967,178)</u>	<u>(4,642,167)</u>
Total Net Position	<u>\$ 113,518,100</u>	<u>\$ 114,851,031</u>	<u>\$ 114,819,109</u>

Current and other assets decreased \$3.9 million from the prior year, primarily due to an approximate \$4.9 million decrease in cash/restricted cash and investments. The \$4.9 million

decrease is primarily related to the **nonrecurring** \$3.6 million additional discretionary payment (ADP) made in July 2020 and the \$2.0 million ADP made in April 2021 paid by the Town to CalPERS to reduce the Town's actuarial unfunded pension liability beyond the mandated annual payments.

Capital assets remained relatively stable at \$111.4 million for the year reflecting current year's capital asset additions less the annual depreciation expense. Capital infrastructure activity slowed from the prior year but some infrastructure work was accomplished including:

- Approximately \$537K in street repair and resurfacing and curb and gutter work Town-wide,
- Approximately \$894K of work completed on the Town's corporation yard building replacement project,
- \$389K in communications and emergency dispatch equipment,
- \$863K investment in Town traffic signals and intersection improvements.

Deferred Outflows increase of \$2.3 million was primarily due to the **nonrecurring** additional discretionary payment made in July 2020 and April 2021 made to reduce the Town's unfunded pension liability. Current liabilities increased \$1.8 million from the prior year primarily due to decreases in accounts payable (\$1.2M), deposits payable (\$510K), and unearned revenue (\$403K), offset by an increase in claims payable (\$448K).

Long-term liabilities increased \$1.9 million. The increase is primarily due to the \$1.56 million low interest PG&E on-bill financing loan used for Town facility energy efficiency project upgrades. There was an additional increase of \$792K for net pension liabilities and \$157K for compensated absences increase from the prior year. These increases were offset by a \$631K reduction in net other post-employment benefits (OPEB) liabilities due to the continued additional discretionary funding of the unfunded OPEB liability. See Note 9 and Note 10 of Notes to the Financial Statements for more information on Town's pension and other post-retirement benefit plans.

Deferred Inflows decreased by \$500K resulting primarily from the difference between projected and actual earnings on investments, pension inflows decreased \$664K which were offset by \$173K increase in OPEB plan inflows.

The largest segment of the Town's net position, representing \$109.9 million of net position, reflects the net investment in capital assets (e.g., land, buildings, infrastructure, and equipment) less accumulated depreciation and related outstanding debt used to acquire those assets. The Town uses these capital assets to provide infrastructure and services to our residents. Therefore, they do not represent a liquid financial resource to the Town and consequently are not readily available for funding current obligations.

Restricted net position totaled approximately \$8.4 million representing approximately \$7.8 million for capital projects and maintenance and \$553K placed in a special revenue trust fund for library services.

As of June 30, 2021, unrestricted net position reports an approximate \$767K decrease from a deficit of approximately (\$3.97 million) the prior year to an ending deficit balance of

approximately (\$4.74 million). The deficit in governmental unrestricted net position is primarily due to the Town's outstanding long term pension and OPEB liabilities. It is not uncommon for governments with these types of long term liabilities to report a deficit in unrestricted net position. A deficit in unrestricted net position is not the only measure to assess the Town's fiscal health, other factors can also be important to consider such as an expanding and growing property tax base and the condition of the Town's infrastructure including streets, parklands, civic center and library, police operations building, neighborhood center, corporation yard and other improvements.

## Governmental Activities

Governmental activities are generally financed through taxes, intergovernmental revenues, and other non-exchange revenues. The Statement of Activities is intended to illustrate how the cost of governmental activities is financed and determine the annual change in net position.

<b>Town of Los Gatos</b>			
<b>Statement of Activities</b>			
<b>For the Year Ended June 30, 2021</b>			
	<u>2021</u>	<u>2020</u>	<u>2019</u>
<b>Revenues:</b>			
Program revenues:			
Charges for Services	\$ 11,353,932	\$ 10,288,351	\$ 11,350,345
Operating Grants and Contributions	3,287,564	3,854,188	2,175,277
Capital Grants and Contributions	846,345	850,113	146,792
General Revenues:			
Property Taxes	19,878,835	18,330,426	17,321,347
Sales Taxes	7,933,604	7,531,425	8,158,152
Franchise Taxes	2,499,463	2,495,792	2,475,916
Other Taxes	1,126,887	1,911,774	2,726,743
Motor Vehicle in Lieu	23,058	24,526	14,689
Investment Earnings	227,136	2,428,470	1,809,128
Miscellaneous	1,528,039	323,940	2,407,840
Total Revenues	<u>48,704,863</u>	<u>48,039,005</u>	<u>48,586,229</u>
<b>Expenses:</b>			
Police Department	19,808,230	20,446,188	16,635,726
Parks and Public Works	13,141,034	11,803,005	10,627,716
General Government	7,452,136	7,405,368	8,163,991
Community Development	6,481,075	5,001,958	5,064,637
Library Services	3,496,153	3,347,523	3,059,294
Sanitation	185,981	3,041	684,673
Total Expenses	<u>50,564,609</u>	<u>48,007,083</u>	<u>44,236,037</u>
Change in Net Position	<u>(1,859,746)</u>	<u>31,922</u>	<u>4,350,192</u>
Net Position, beginning	115,377,846	114,819,109	110,468,917
Net Position, Ending	<u>\$ 113,518,100</u>	<u>\$ 114,851,031</u>	<u>\$ 114,819,109</u>

## Governmental Activities Revenue Discussion

The Statement of Activities shown above details how the \$48.7 million in Governmental Activities revenue was derived. As categorized in the Statement of Activities as program revenues, approximately \$11.3 million or 23.3% of the revenues were recorded from fees paid by residents who directly benefited from the program or service as a charge for service. Another \$4.1 million or 8.5% of the revenues were sourced from operating/capital grants and contributions. Operating Grants and Contributions include approximately \$600k in nonrecurring Federal CARES Act (\$388k) and ARPA (\$200k) funds. The remaining \$33.2 million or 68.2% represents general revenues of the Town, including taxes, intergovernmental revenues, and other miscellaneous revenues.

Program revenues increased by approximately \$495K from the prior year. This is largely due to an increase in revenues from charges for services of \$1.06 million offset by decreases of approximately \$567K in operating grant revenues and contributions.

The Town's General Revenues related to Governmental Activities increased by approximately \$171K from the prior year. The increase is attributable to a combination of approximately \$1.5 million increase in property taxes, a \$402K increase in sales tax, and a \$1.2 million gain on sale of property. The increases were offset by nearly \$2.2 million reduction in investment earnings from the prior year as result of lower market values above purchase cost on the Town's investment portfolio and declines of approximately \$820K in transient occupancy tax receipts due to the pandemic and its related effects on business travel and tourism.

Property tax is the largest individual revenue source for the Town and collections finished the year \$1.5 million higher than the previous year. This increase was mostly due to an increase of \$600K in secured taxes received as a rebate of excess property taxes collected and available from the State of California's Educational Revenue Augmentation Fund (ERAF), \$430K increase in property transfer tax as well as continued strong demand for residential Town property. In addition, the approval of the annexations of County pockets with tax revenues accruing to the Town effective FY 2019/20 and new developments helped to drive property values higher. It's important to note that assessed valuations for FY 2020/21 were established on the tax roll in January 2020 and collected in FY 2020/21.

At \$7.9 million, sales taxes represent the second largest individual revenue source for the Town. Sales taxes increased \$402K from the previous year largely due to the gradual recovery from the economic impacts related to COVID-19 which began with the March 2020 shelter-in-place public health orders. The increase was aided by the receipt of online purchase revenues which accrue to a new additional 1/8 cent District Sales Tax approved by the Los Gatos voters in the fall of 2018 which became effective fully in FY 2019/20.

Franchise taxes, the Town's third largest revenue source, finished the year at \$2.5 million, reflecting only a very small increase of \$4K from the previous fiscal year.

Investment earnings decreased \$2.2 million from the prior year. The primary factor responsible for this decline was the lower total market value above historical investment cost than the prior



year. These non-cash or paper gains/losses are recognized as investment income/loss as a result of the “mark to market value” procedure required by GASB 31.

Miscellaneous other revenues increased by approximately \$1.2 million from the prior year. The increase is due to a gain on sale of property on gain of the 14850 Winchester Boulevard land sale finalized in July 2020.

### Governmental Activities Expenses Discussion

The Town provides residents and visitors with an array of high quality services. General government strategic support is comprised of six departments (Town Council, Town Clerk, Town Manager, Town Attorney, Human Resources, Information Technology, and Finance) which provide services in information technology, executive management, economic vitality, legal, records management, risk management, human resources, finance, and accounting. The Town’s Police Department (public safety) provides general law enforcement, crime prevention, dispatch, and responses to emergency and non-emergency calls for services. Parks and Public Works provides engineering, construction, and maintenance of public streets, street lighting, Town owned buildings, parks, and related infrastructure; as well as traffic engineering and engineering evaluation of private development proposals. Community Development provides planning and zoning services; and building plan check and inspection; and code enforcement services. The Library Department provides library, local history, and cultural services to the community.

Total expenses increased \$2.6 million from the prior year. ~~The \$2.4 million of the total~~ increase was driven largely by the combination of the following factors:

- Community Development expenses increased by ~~\$1.8~~ \$1.5 million for the year chiefly due to increased development and building inspection activity. Other costs incurred this fiscal year included Departmental support toward economic recovery in the form of absorbing and mitigating certain development fees, ~~and \$0.6 million in non-capitalized parklet expenses~~. There were also cost increases from negotiated salary increases and related benefits and increased required employer pension contributions and lower position vacancies than in prior years.
- Parks and Public Works expenses grew by approximately \$1.3 million from the prior year resulting largely from the “one-time non-capitalized” expense of ~~\$1.2~~ \$0.6 million for the ~~economic recovery and~~ wildfire protection efforts. There were also increased costs for infrastructure depreciation related to new significant additions to the Town’s infrastructure in prior years and increases related to negotiated salary and related benefits offered to all Town employees during the fiscal year. In addition, Parks and Public Works experienced lower amounts of vacant positions relative to the rest of the organization.
- \$700K in increased depreciation expense on the Town’s infrastructure investments.
- 602K in negotiated salary increases and subsequent benefit increases. All sworn, non-sworn and management employees received a 1% across the board salary increase and a “one-time” non-pensionable bonus of 2% that did not raise the employee’s base salary.
- Library expenses increased approximately \$149K from the prior year primarily from negotiated salary increases and related benefits and increased required employer pension contributions.

- General Government expenses ~~decreased~~ increased \$319K \$47K from the prior year.
- Pension expense calculated under accounting standards and allocated for the current fiscal year of \$9.8 million was approximately \$1.0 million lower than the \$10.8 million allocated pension expense in the prior fiscal year.
- Public safety expenses decreased approximately \$637K from the prior fiscal year. The decrease resulted mostly from higher position vacancies throughout the fiscal year compared to the prior year. These savings were partially offset by the cost of negotiated salary increases and related benefits including increased pension contribution rates for both safety and miscellaneous safety employee classifications.
- ~~Non-capitalized project expenses which exceeded the prior years expenses by approximately \$1.2 million.~~
- Expenses for urban runoff decreased approximately \$182K from the prior year. In the prior fiscal year, the Town received program management fees from the West Valley Sanitation District and expensed those fees for program management. Effective fiscal year 2019/20, the West Valley Clean Water Authority receives its funding through property tax bill assessments and related expenses are paid through the Authority.

## FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

### Governmental Funds

Recognizing the financial resources measurement focus, the Town's Governmental Funds provide information on near-term inflows and outflows, and balances of spendable resources. This information is useful in assessing the Town's financing requirements and may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Unlike the Statement of Activities which does not include transfers, the Governmental Funds Balance Sheet does include transfers in and out.

**Fund Balance** – As discussed below, the Town's Governmental Funds Balance Sheet reports the following fund balances.

**Restricted Fund Balance** – The Town has \$8.4 million in fund balance classified as restricted to indicate that it has an externally imposed restriction on how the money may be spent. Of the \$8.4 million restricted fund balance, \$7.6 million is restricted for capital projects, \$0.6 million for library trusts and \$0.2 million for maintenance and repairs.

**Committed Fund Balance** – The Town has \$11.2 million in fund balance classified as committed to indicate that the Town Council previously committed how the money will be spent. Of the \$11.2 million \$10.9 million is for budget stabilization and catastrophe response.

**Assigned Fund Balance** – The Town has \$27.9 million in fund balance which is not restricted or committed and is classified as assigned to indicate the Town Council's intent to be used for specific purposes. The largest assignments of fund balance are the Reserve for Capital/Special projects with a balance of approximately \$7 million and the Appropriated Reserves of \$13.3 million which are the primary funding sources for the Town's five year capital improvement plan and special projects as budgeted by the Town.

Additional information on the Town's Fund Balance can be found in Note (8) of the Notes to the Financial Statements.

Major Governmental Funds results for the year included the following:

<b>TOWN OF LOS GATOS</b>			
<b>TOTAL GOVERNMENTAL FUNDS REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES</b>			
<b>FOR THE YEAR ENDED JUNE 30, 2021</b>			
<b>REVENUES</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Property Taxes	\$ 19,917,428	\$ 18,368,466	\$ 17,359,435
Sales Taxes	7,933,604	7,531,425	8,158,152
Other Taxes	1,126,887	1,911,774	2,726,742
Licenses & Permits	5,212,831	4,818,671	5,173,876
Intergovernmental	3,746,587	4,292,453	2,310,655
Charges for Services	6,035,659	5,309,470	5,584,504
Fines and Forfeitures	103,468	271,117	510,266
Franchise Fees	2,499,463	2,495,792	2,475,916
Interest	227,940	2,428,453	1,809,164
Use of Property	40,372	31,039	32,960
Other	423,115	376,922	579,755
<b>Total Revenues</b>	<b>\$ 47,267,354</b>	<b>\$ 47,835,582</b>	<b>\$ 46,721,425</b>
<b>EXPENDITURES</b>			
Current:			
Public Safety	\$ 16,570,836	\$ 15,793,815	\$ 14,945,407
General Government	14,040,134	13,024,146	8,004,254
Parks and Public Works	8,229,944	8,168,599	7,962,135
Community Development	5,195,302	4,473,790	4,577,495
Library Services	2,847,988	2,700,802	2,493,617
Sanitation and Other	166,173	162,837	628,240
Capital Outlay	5,746,447	7,861,972	7,888,914
<b>Total Expenditures</b>	<b>\$ 52,796,824</b>	<b>\$ 52,185,961</b>	<b>\$ 46,500,062</b>
Excess Revenues over Expenditures	\$ (5,529,470)	\$ (4,350,379)	\$ 221,363
Proceeds from sales of assets	1,201,369	1,566	1,912,316
Proceeds from issuance of debt	1,560,336		
Transfers in	4,053,535	8,935,260	4,264,131
Transfers out	(3,940,015)	(8,628,719)	(3,323,756)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 2,875,225</b>	<b>\$ 308,107</b>	<b>\$ 2,852,691</b>
Net Changes in Fund Balances	(2,654,245)	(4,042,272)	3,074,054
Beginning/Ending Fund Balances As Restate	50491997	54,007,454	50,560,772
<b>Ending Fund Balances</b>	<b>\$ 47,837,752</b>	<b>\$ 49,965,182</b>	<b>\$ 53,634,826</b>

Overall, Total Governmental Funds revenues finished \$0.6 million or 1.2% lower than the prior year, while total expenditures finished \$0.6 million or 1.2% higher than the prior year. The approximate \$1.2 million decline in total governmental fund balance is the net result of the \$1.2 million decrease in Governmental Funds income before transfers and other financing sources and

uses and the approximately \$2.8 million increase from proceeds of sale of land (\$1.2 million) and proceeds from the issuance of debt (\$1.6 million PG&E Energy Efficiency Loan) and lower amounts of General Fund capital and special projects reserve dollars transferred to the Town's General Fund Allocated Reserve (GFAR) Capital Projects fund than the prior fiscal year.

General Fund revenues totaled \$42.8 million or nearly 90% of the total \$47.3 million in Total Governmental Fund revenues. Total General Fund operating revenues decreased by \$568K, resulting from the net effect of:

- \$1.5 million increase in property tax collections
- \$402K increase in sales tax
- \$394K increase in licenses and permits
- \$726K increase in charges for services
- \$2.2 million decrease in investment income
- \$167K decrease in fines and forfeitures
- \$564K decrease in intergovernmental revenues for the year
- \$784K decreases in other taxes (e.g., TOT)

The declines in revenues from the prior year were impacted by the COVID-19 pandemic and its Public Health restrictions which began in March 2020 and continued to impact the Town in FY 2020/21. **It should be noted that Intergovernmental revenue includes approximately \$600k in nonrecurring Federal CARES Act (\$388k) and ARPA (\$200k) funds.**

General Fund expenditures represent approximately \$46.2 million of the Total Governmental Fund expenditures of \$52.8 million compared to \$44.3 million of total Governmental Funds expenditures of \$52.2 million in the prior year. The increase in governmental funds expenditures was led by an approximate \$1.0 million increase in general governmental and an \$777K increase in public safety expenditures from the prior year.

The increase in general governmental expenditures was largely attributable to the total of \$5.6 million **in nonrecurring** ADP payments made in the FY that were approximately \$800K higher than the amounts paid in the prior fiscal. These payments were used to pay down an additional portion of the Town's actuarial unfunded pension liability beyond mandated annual payments.

Increases in public safety expenditures from the prior year of approximately \$777K were due primarily to mandated pension contribution rate increases by CalPERS and by increases in negotiated salary from the prior year. Additionally, salary and benefit cost increases resulting from labor negotiations and mandated increases in employer pension contribution rates were also a contributing factor to increases to all Town Departments and services.

GFAR capital projects fund balances increased \$1.2 million from the prior year reflecting \$3.2 million of capital outlay expenditures above operating revenues, offset by \$1.5 million proceeds from the PG&E on-bill financing loan and net transfers into the GFAR fund of approximately \$3.0 million. Gas Tax fund balances increased approximately \$1.1 million reflecting gas tax revenues of \$1.2 million exceeding capital outlay expenditures and transfers out of \$100K for the fiscal year.

## Proprietary Funds

The Town's Proprietary Funds (Internal Service Funds) presented in the Fund Financial Statements section basically provide the same type of information in the Government-Wide Financial Statements and include individual segment information.

Total net position in the Internal Service Funds decreased \$100K in the current year due primarily to expense over revenues for workers compensation and general liability costs including administration, insurance premiums, and claims expense.

## GENERAL FUND BUDGETARY HIGHLIGHTS

### Changes to the Original Budget

Comparing the FY 2020/21 original budget (i.e., the adopted budget) General Fund expenditures of \$46,908,324 (excluding budgeted transfers-out and debt payments that are reimbursed) to the final adjusted budget of \$47,741,860 indicates a net increase of approximately \$0.8 million. Additions to the original expenditure budget included adjustments approved by Town Council throughout the fiscal year.

Original Budget GF Expenditures	+	=
	Misc. Adjustments & Mid-Year Adjustments	Final Budget
\$46,908,324	\$833,536	\$47,741,860

The increase in General Fund appropriations occurred primarily from the following selected budget adjustments made during the fiscal year.

- Use of \$708,807 of Pension/OPEB Reserve and Restricted Pension Trust to make **nonrecurring** additional discretionary payments (ADPs) to CalPERS
- \$88,185 expenditure budget increase utilizing SB 2 Planning Grant received by the Town for the review of housing development applications, and to identify amendments to the Town Code necessary to add the objective standards and findings to Chapter 29 of the Town Code (Zoning Regulations).
- \$9,729 increase expenditures for electronic collections to utilize Library Grant received by the Town.
- \$100,000 expenditure budget adjustment to Traffic Program Safety Supplies to provide funding toward technology that will assist Patrol Officers in property crime prevention.
- \$55,000 expenditure budget adjustment to provide funding to the Chamber of Commerce for Destination Marketing from American Rescue Plan Act (ARPA) proceeds.
- \$48,325 expenditure budget adjustment to provide funding for Engineering General Plan update work that carried forward from FY 2019/20 into FY 2020/21 from available General Plan Update deposits.

- \$35,222 budget expenditure increase for the purchase and maintenance of Police Vehicle Mobile Audio and Video with License Plate Reader from available Equipment Replacement Fund balance.
- \$31,959 increase to salary and benefits for the Town Manager and the Town Attorney.
- \$9,729 increase expenditures for additional downtown street lighting repairs.
- \$129,000 expenditure budget decrease for the Parking Management Program since the COVID-19 pandemic has significantly impacted the visitation and parking patterns to parking enforcement areas.
- \$129,000 expenditure budget decrease for the Holiday Valet Parking Program since the Town did not implement the annual Holiday Valet Parking Program to reduce potential health impacts.
- \$87,786 expenditure budget decrease for Crossing Guard Services reflecting Santa Clara County Health Orders requiring remote learning instruction at all schools, thus reducing Crossing Guard service delivery needs.
- \$19,708 budget decrease for recognizing ARPA proceeds for 50% subsidizing permit expenses for parklets.

#### **Variance with the Final General Fund Budget**

The General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual (GAAP) for Fiscal Year Ended June 30, 2021 reports an approximate overall favorable variance with the final budget of approximately \$1.0 million. This favorable variance was created largely by the net effect of the following factors:

- Actual revenues ended the fiscal year at \$100K below final budgeted revenues. The negative \$0.1 million variances represent a combined effect of \$3.2 million favorable variances of the economic sensitive revenues from budget, an unfavorable variance of \$0.5 million in investment earnings for year, an unfavorable \$32K variance in Franchise fees collected, and to the fact that staff budgeted the \$2.8 million anticipated American Recovery Plan (ARPA) proceeds in the General Fund, however after further Treasury guidance the ARPA proceeds are accounted in a Special Revenue Fund.
- The Town economically sensitive revenues started to show increases after the negative impact related to the COVID-19 pandemic and its related restrictions. The following economically sensitive revenues experienced increases:
  - A favorable variance of \$1.1 million in property tax collections
  - A favorable variance of \$0.8 million in charges for services
  - A favorable variance of \$600K in sales tax collections
  - A favorable variance of \$337K in Transient Occupancy Tax collections
  - A favorable variance of \$86K in Business License Tax collections
  - A favorable variance of \$174K in licenses and permits
  - A favorable variance of \$8K in fines and forfeitures

Significant factors affecting actual expenditures include:

- Public safety expenditures had a favorable variance of approximately \$900K . \$614K in savings is reflective of limited term vacancies in Police Officer and Dispatcher positions, savings of \$300K due to savings on vehicle maintenance expenses, decreased service cost of crossing guards and parking violation services, decreased travel activity due to the Shelter in Place order, and other miscellaneous operational savings.
- Community Development expenditures reflected a \$600K favorable variance explained largely by staff vacancies with salary and benefit savings of approximately \$220K due to the partial year vacancies of the Planning Manager and temporary Assistant Planner positions, decreased temporary Code compliance service delivery, and the General Plan Update expenditures being approximately \$306K lower than budgeted because the budget reflected the entire contract amount which has not been fully executed through the end of the fiscal year.
- Administrative Services reflected a favorable balance of approximately \$327K in large measure due to savings in salary and benefits due to partial year vacancies in the Emergency Manager position, decreased workload for the Special Event Coordinator position, savings in special events cost due to cancellation of events, and decreased travel activity due to the Shelter in Place order, and other miscellaneous operational savings.
- Library services reflected a favorable variance of \$128K due mainly to salary and benefit savings from partial staff vacancies in the Librarian, and Library Specialist position and other temporary vacancies.
- Town Attorney reflected a favorable balance of approximately \$121K in large measure due to savings in salary and benefits due to partial year vacancies of the Legal Administrative position and saving on legal services.
- Town Council reflected a favorable balance of approximately \$50K due to temporary salary savings, and decreased travel activity due to the Shelter in Place order, and other miscellaneous operational savings.
- Parks and Public Works reflects a favorable variance of approximately \$30K reflecting miscellaneous savings.

## **CAPITAL ASSETS**

As of June 30, 2021, the Town's investment in capital assets for its governmental activity is recorded at \$111,416,265 (net of accumulated depreciation). The investment in capital assets includes land, buildings and improvements, infrastructure, construction in progress, machinery and equipment. Capital assets decreased \$300K net of depreciation expense totaling approximately \$4.7 million for the year.

During FY 2020/21, the Town’s approximate \$4.3 million investment in capitalized assets for the current year represented approximately 2.4% of total assets for governmental activities. Major capital asset events during the current fiscal year include the following:

- \$500K in street repair and resurfacing and curb and gutter work Town-wide;
- \$800K in equipment purchases, including \$400K in construction in progress for public safety communications/dispatch equipment, vehicle fleet replacements, and \$100K in IT server fire suppression and disaster recovery equipment;
- \$900K in traffic signal and intersection improvements;
- \$900K expended on the Town’s corporation yard building replacement;
- \$200K in construction in progress for pathways and trails; and
- \$200K in guardrail replacement efforts.

**Capital Assets  
Town of Los Gatos  
For the Year Ended June 30, 2021**

	Governmental Activities
Infrastructure	\$ 60,505,727
Buildings	22,891,327
Land	20,254,949
Equipment	2,312,214
Construction in Progress	5,452,048
	\$ 111,416,265

Additional information on the Town’s capital assets is found in Note 5 of this financial report.

**ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES**

A product of an ongoing examination of how the Town provides cost-effective services, the Town’s budget emphasizes outcomes or results for the community and allows for longer-term financial planning decisions.

During the development and adoption of the Town’s FY 2021/22 budget, the Town Council and management considered the following factors:

- The FY 2021/22 Budget reflect maintaining high service levels with little to no increases in the employee headcount. The budget identified contingencies should revenues come in below projected amounts. The Town is carefully monitoring its revenues sources and will identify any modification at the mid-year budget discussion.
- Several Strategic Priorities are not one-time projects, but rather are ongoing commitments due to their critical significance to ensure the Town’s fiscal and infrastructure stability and the safety and quality of life for Los Gatos residents, businesses, and visitors. These commitments include continuing to address the Town’s unfunded pension and other post-employment benefits (OPEB) obligations; developing Measure B transportation projects so



the Town is positioned to receive its fair share of the funds; and fostering emergency preparedness and community wildfire resilience.

- In terms of capital projects, the Town Council affirmed its interest in investing in bicycle and pedestrian improvements and implementing elements of the Comprehensive Parking Study. In addition to capital projects, the Council identified new policy priorities which include engaging our senior community and implementing diversity, equity, and inclusion efforts.
- Other Strategic Priorities should position the Town well for its future. The Council is interested in exploring new revenue opportunities. The Council continues the General Plan Update to engage the community in land use planning and policies to guide development for the next couple of decades and address environmental sustainability and climate resiliency. Other Priorities included continuing to enhance economic and community vitality. As the Town continues to emerge from the economic upheaval of pandemic, the significance of enhancing economic and community vitality are paramount.
- Specific trends affecting the fund balance forecast include:
  - General property tax collections represent approximately 33.6% (not including the State's property tax "backfill" shifts) of the Town's General Fund revenues. Property tax collections are expected to increase 13.9% in FY 2021/22 from the prior year's tax collections. This increase is primarily due to the additional tax collection from the first phase of North 40 residential sales and continued strong property assessment values through the Town. This forecast is based on data from the Santa Clara County Tax Assessor's Office. The Town closely monitor its actual collection and other legislative changes regarding property tax.
  - The Town anticipates an increase in general sales tax for FY 2021/22. Sales tax estimates of \$8.1 million for FY 2021/22 were budgeted reflecting a 6.7% increase from the prior year's adjusted sales tax budget.
  - The Town's investment portfolio experienced a decrease in its overall weighted average annual yield, reducing from 1.86% as of June 30, 2020 to 1.37% as of June 30, 2021. Prevailing interest rates at the end of fiscal year were at historic lows due to economic impacts of the COVID-19 pandemic and Federal Reserve actions.
  - Transient Occupancy Tax (TOT) is expected to increase by 30% from FY 2020/21 adjusted budget. During FY 2020/21 TOT has experienced the most significant percentage decline relative to the adopted budget and Town Council approved a 69% decrease to the budget. In addition to the initial Shelter-in-Place (SIP) restrictions instituted on March 17, 2020, on November 28, 2020, Santa Clara County issued new mandatory directives which included that hotels and other lodging facilities would be open only for essential travel and for use to facilitate isolation or quarantine. Unlike sales tax forecasts which predict an acceleration of revenues tied to pent up consumer demand, the Town's TOT revenue has historically been primarily driven by business travel. Given the uncertainty around physical business travel resuming at prior levels, as opposed to a continuation of remote

work and online meeting forums, staff is recommending modest growth for base case development of the FY 2021/22 budget.

- The Town's pension plans over the past several decades, like all other CalPERS participants, have experienced unfavorable investment returns, changes in actuarial assumptions, and demographic shifts which have outweighed any positive plan experiences. To address this unfunded status, the Town took proactive steps including initiating the prefunding of OPEB obligations, budgeting and programming additional discretionary pension payments to accelerate reduction of unfunded liabilities, and recently partnering with the Town's employee groups to eliminate the existing retiree healthcare benefit for new employees. Even with these proactive steps, the Town continues to be impacted by the continuing rising cost of pension related benefits. Over the next five fiscal years, the Town's five-year forecast includes increasing pension costs due to further changes in actuarial assumptions or lowering the discount rate. The Town's net pension liability is \$29.3 million for the safety cost sharing plan and \$32.5 million for the miscellaneous plan based upon data from CalPERS as of 6/30/2020.
- To illustrate the sensitivity of the net pension liability to changes in the discount rate, CalPERS estimates that a 1 % reduction in the discount rate from 7.0% to 6.0% would increase the total net pension liability for both Miscellaneous and Safety by \$28.1 million. Conversely, an increase in the discount rate from 7.0% to 8.0% would decrease the total net pension liability for both Miscellaneous and Safety by \$23.1 million.
- In addition, CalPERS provides a hypothetical termination liability estimate of the plans should the contract with CalPERS be terminated. The plan liability on a termination basis is calculated differently from the plans' ongoing funding liability. Since no future employer contributions would be made in the hypothetical termination, benefit payments are secured by risk-free assets. For the Miscellaneous plan, a 2.5% termination return rate results in a \$117.4 million termination liability. For the Safety plan, a 2.5% termination return rate results in a \$112.2 million termination liability.
- For detailed information about the Town employees' retirement plan please refer to Note 9 of the Notes to Basic Financial Statements Section.

### **Requests for Information**

This financial report is designed to provide residents, taxpayers, customers, investors, and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the money it receives. Questions about this report or requests for any additional information, should be directed to Stephen Conway, Director of Finance, at 110 East Main Street, Los Gatos, California, 95030; email at [sconway@losgatosca.gov](mailto:sconway@losgatosca.gov); or phone at (408) 354-6828.

Draft  
12/16/2021

**Basic Financial Statements**

Draft  
12/16/2021

This page intentionally left blank

**TOWN OF LOS GATOS, CALIFORNIA**

**ANNUAL COMPREHENSIVE FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

**GOVERNMENT WIDE FINANCIAL STATEMENTS  
STATEMENT OF NET POSITION AND STATEMENT OF ACTIVITIES**

---

The Statement of Net Position, Statement of Activities, fund financial statements and the notes to financial statements comprise the Basic Financial Statements of the Town.

The purpose of the Statement of Net Position and the Statement of Activities is to summarize the entire financial activities and financial position of the Town. They are prepared on the same basis of accounting (accrual) used by most businesses, which means they include all the Town's assets and liabilities, as well as its revenues and expenses. The effect is the entire Town's transactions are accounted for, regardless of when cash changes hands, and all material internal transactions between funds have been eliminated.

The Statement of Net Position reports the Town's total assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term debt, and presents similar information to the old balance sheet format while focusing on the composition of the Town's net position (assets minus liabilities). The Statement of Net Position summarizes the financial position of the Town's governmental activities in a single column.

The Town's governmental activities include the activities of the General Fund, Special Revenue Funds, Capital Projects Funds and Debt Service Funds. These funds are serviced by the Town's Internal Service Funds; therefore internal service activities are consolidated with governmental activities after eliminating inter-fund transactions and balances.

The Statement of Activities reports increases and decreases in the Town's net position and is prepared on the full accrual basis of accounting, which means it includes all the Town's revenues and expenses regardless of when cash changed hands. This differs from the "modified accrual" basis of accounting used in the fund financial statements, which reflect only current assets, current liabilities, available revenues and measurable expenditures.

The format of the Statement of Activities presents the Town's expenses before revenues and by program. Program revenues (revenues generated directly by specific programs) are deducted from program expenses to arrive at the net expense of each governmental program, which is offset by general revenues as listed before the change in net position. From these components, the change in net position is computed and reconciled to the Statement of Net Position.

Both of these statements include the financial activities of the Town.

**TOWN OF LOS GATOS  
STATEMENT OF NET POSITION  
JUNE 30, 2021**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and investments	\$ 66,528,737
Restricted cash and investments	85,724
Receivables:	
Accounts	1,939,600
Interest	244,671
Intergovernmental	3,104,661
Materials, supplies and deposits	123,946
Long term notes receivables	237,752
Long-term prepaid pension obligations	
Capital Assets:	
Nondepreciable	25,706,997
Depreciable, net of accumulated depreciation	85,709,267
Total Assets	183,681,355
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension contributions subsequent to measurement date	12,014,444
Pension related amounts	5,253,582
OPEB contributions subsequent to measurement date	2,096,847
OPEB related amounts	381,722
Total Deferred Outflows of Resources	19,746,595
<b>LIABILITIES</b>	
Accounts payable	2,476,829
Accrued payroll and benefits	1,662,094
Due to other governments	41,291
Unearned Revenue	4,231,781
Deposits	6,226,770
Claims payable	1,696,072
Long-term liabilities:	
Due within one year:	
Loans payable	156,034
Compensated absences	370,921
Due in more than one year:	
Loans payable	1,365,294
Net OPEB liability	8,495,214
Net pension liabilities	58,023,249
Compensated absences	2,928,914
Total Liabilities	87,674,463
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension related amounts	1,433,785
OPEB related amounts	801,602
Total Deferred Inflows of Resources	2,235,387
<b>NET POSITION</b>	
Net investment in capital assets	109,894,936
Restricted for:	
Capital projects	7,544,097
Library	552,877
Lighting and landscape repairs and maintenance	172,356
Total Restricted Net Position	8,269,330
Unrestricted	(4,646,166)
Total Net Position	\$ 113,518,100

**TOWN OF LOS GATOS  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
General government	\$ 7,452,136	\$ 1,505,899	\$ 388,181	\$ 2,365	\$ (5,555,691)
Public safety	19,808,230	1,275,731	1,073,971	-	(17,458,528)
Parks and public works	13,141,034	4,209,048	1,547,102	843,980	(6,540,904)
Community development	6,481,075	4,063,776	223,129	-	(2,194,170)
Library services	3,496,153	-	55,181	-	(3,440,972)
Sanitation	185,981	299,478	-	-	113,497
<b>Total Governmental Activities</b>	<b>\$ 50,564,609</b>	<b>\$ 11,353,932</b>	<b>\$ 3,287,564</b>	<b>\$ 846,345</b>	<b>(35,076,768)</b>
<b>General revenues:</b>					
Taxes:					
Property taxes					19,878,835
Sales taxes					7,933,604
Franchise taxes					2,499,463
Other taxes					1,126,887
Motor vehicle in lieu					23,058
Investment earnings					227,136
Miscellaneous					1,528,039
Total general revenues					33,217,022
Change in Net Position					(1,859,746)
Net Position - Beginning, as restated					115,377,846
Net Position - Ending					\$ 113,518,100

Draft  
12/16/2021

This page intentionally left blank



**TOWN OF LOS GATOS**  
**ANNUAL COMPREHENSIVE FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2021**  
**FUND FINANCIAL STATEMENTS &**  
**MAJOR GOVERNMENTAL FUNDS**

---

***Fund Financial Statements***

The Fund Financial Statements only present major funds individually while nonmajor funds are combined in a single column. Major funds are generally defined as having significant activities or balances in the current year.

***Major Governmental Funds:***

The Town determined that the following funds were major funds for the year ended June 30, 2021. Individual non-major funds can be found in the supplemental section.

**General Fund** is the general operating fund of the Town and is used to account for all financial resources except those required to be accounted for in another fund.

**Appropriated Reserves Fund** is used to account for resources provided for capital projects not fully funded from other sources.

Draft  
12/16/2021

**TOWN OF LOS GATOS  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2021**

	General	Appropriated Reserves	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash & Investments	\$ 30,102,793	\$ 18,477,294	\$ 8,586,389	\$ 57,166,476
Receivables:				
Accounts	1,159,677	691,115	57,904	1,908,696
Interest	244,672	-	-	244,672
Intergovernmental	2,739,088	-	365,573	3,104,661
Other assets	123,946	-	-	123,946
Due from other funds	79,177	121,256	-	200,433
Long term notes	159,000	-	78,752	237,752
<b>Total Assets</b>	<b>\$ 34,608,353</b>	<b>\$ 19,289,665</b>	<b>\$ 9,088,618</b>	<b>\$ 62,986,636</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 1,053,910	\$ 1,239,614	\$ 10,833	\$ 2,304,357
Accrued payroll and benefits	1,657,348	-	4,747	1,662,095
Due to other governments	41,159	-	50	41,209
Unearned revenue	1,714,548	2,452,438	64,855	4,231,841
Deposits	6,226,770	-	-	6,226,770
Due to Other Funds	-	-	200,911	200,911
<b>Total Liabilities</b>	<b>10,693,735</b>	<b>3,692,052</b>	<b>281,396</b>	<b>14,667,183</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue	-	481,701	-	481,701
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>481,701</b>	<b>-</b>	<b>481,701</b>
<b>FUND BALANCE</b>				
Nonspendable	159,000	-	-	159,000
Restricted for:				
Capital Outlay	-	-	7,544,097	7,544,097
Library	-	-	552,877	552,877
Repairs and Maintenance	-	-	172,356	172,356
VTA	-	293,323	-	293,323
Committed to:				
Budget Stabilization and Catastrophic	10,920,970	-	-	10,920,970
Pension/OPEB	300,000	-	-	300,000
Assigned to:				
Open Space	410,000	152,000	-	562,000
Parking	-	1,460,210	-	1,460,210
Sustainability	140,553	-	-	140,553
Capital/Special Projects	6,965,355	13,160,379	-	20,125,734
Comcast PEG	-	50,000	-	50,000
Sale of Property	1,200,000	-	-	1,200,000
Market Fluctuations	438,333	-	-	438,333
Compensated Absences	1,649,917	-	-	1,649,917
Measure G 2018 District Sales Tax	1,730,490	-	-	1,730,490
Special Revenue Funds	-	-	537,892	537,892
<b>Total Fund Balances</b>	<b>23,914,618</b>	<b>15,115,912</b>	<b>8,807,222</b>	<b>47,837,752</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 34,608,353</b>	<b>\$ 19,289,665</b>	<b>\$ 9,088,618</b>	<b>\$ 62,986,636</b>

**TOWN OF LOS GATOS**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO**  
**THE GOVERNMENT-WIDE STATEMENT OF NET POSITION-GOVERNMENTAL ACTIVITIES**  
**JUNE 30, 2021**

<b>Fund Balance - Total Governmental Funds</b>		\$ 47,837,752
Amounts reported for Governmental Activities in the Statement of Net Position are different from those reported in the Governmental Funds because of the following:		
<b>CAPITAL ASSETS</b>		
Capital assets used in the Governmental Activities are not financial resources and, therefore, are not reported in the Governmental Funds.		111,416,264
<b>ALLOCATION OF INTERNAL SERVICE FUND NET POSITION</b>		
Internal service funds are used by management to charge the cost of management of certain activities such as insurance, central services and maintenance to individual governmental funds. The net current assets of the internal service funds are therefore included as Governmental Activities in the Statement of Net Position.		7,610,801
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Revenues from grants that are funded in this fiscal year that will not be collected for several months after the Town's fiscal year end are not considered available and are classified as deferred inflows of resources in the governmental funds.		481,701
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Contributions subsequent to the measurement date and certain other expenses will not be included in the calculation of the Town's net pension liability and expenses for the plan year included in this report and have been deferred and reported as deferred outflows of resources.		17,268,026
<b>DEFERRED INFLOWS OF RESOURCES</b>		
In the Government-Wide financial statements certain pension amounts are deferred and amortized over a period of time, however, in the governmental funds no transactions are recorded.		(1,433,785)
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Contributions subsequent to the measurement date and certain other expenses will not be included in the calculation of the Town's net OPEB liability or expenses for the plan year included in this report and have been deferred and reported as deferred outflows of resources.		2,478,569
<b>DEFERRED INFLOWS OF RESOURCES</b>		
In the Government-Wide financial statements certain OPEB amounts are deferred and amortized over a period of time, however, in the governmental funds no transactions are recorded.		(801,602)
<b>LONG-TERM LIABILITIES</b>		
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the Governmental Funds.		
Loans payable	\$ (1,521,328)	
Net Pension Liability	(58,023,249)	
Net OPEB Liability	(8,495,214)	
Compensated absences	(3,299,835)	(71,339,626)
<b>Net Position - Governmental Activities</b>		<b>\$ 113,518,100</b>

**TOWN OF LOS GATOS  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	General	Appropriated Reserves	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Property Taxes	\$ 19,878,835	\$ -	\$ 38,593	\$ 19,917,428
Sales Taxes	7,933,604	-	-	7,933,604
Other Taxes	1,059,741	-	67,146	1,126,887
Licenses & Permits	4,386,654	473,427	352,750	5,212,831
Intergovernmental	1,573,697	630,035	1,542,855	3,746,587
Charges for Services	4,835,962	1,199,697	-	6,035,659
Fines and Forfeitures	103,467	-	1	103,468
Franchise Fees	2,499,463	-	-	2,499,463
Interest	96,061	35,312	96,567	227,940
Use of Property	36,372	4,000	-	40,372
Other	335,905	48,818	38,392	423,115
<b>Total Revenues</b>	<b>42,739,761</b>	<b>2,391,289</b>	<b>2,136,304</b>	<b>47,267,354</b>
<b>EXPENDITURES</b>				
Current:				
General Government	14,040,134	-	-	14,040,134
Public Safety	16,570,836	-	-	16,570,836
Parks and Public Works	8,175,987	-	53,957	8,229,944
Community Development	4,994,391	-	200,911	5,195,302
Library Services	2,828,873	-	19,115	2,847,988
Sanitation and Other	-	-	166,173	166,173
Capital Outlay	2,365	5,675,604	68,478	5,746,447
<b>Total Expenditures</b>	<b>46,612,586</b>	<b>5,675,604</b>	<b>508,634</b>	<b>52,796,824</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(3,872,825)</b>	<b>(3,284,315)</b>	<b>1,627,670</b>	<b>(5,529,470)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sales of assets	1,201,369	-	-	1,201,369
Proceeds from issuance of debt	-	1,560,336	-	1,560,336
Transfers in	652,056	3,401,479	-	4,053,535
Transfers (out)	(3,401,479)	(427,616)	(110,920)	(3,940,015)
<b>Total Other Financing Sources (Uses)</b>	<b>(1,548,054)</b>	<b>4,534,199</b>	<b>(110,920)</b>	<b>2,875,225</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>(5,420,879)</b>	<b>1,249,884</b>	<b>1,516,750</b>	<b>(2,654,245)</b>
<b>BEGINNING FUND BALANCES, AS RESTATED</b>	<b>29,335,497</b>	<b>13,866,028</b>	<b>7,290,472</b>	<b>50,491,997</b>
<b>ENDING FUND BALANCES</b>	<b>\$ 23,914,618</b>	<b>\$ 15,115,912</b>	<b>\$ 8,807,222</b>	<b>\$ 47,837,752</b>

**TOWN OF LOS GATOS**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES TO**  
**THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

**NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS** \$ (2,654,245)

Amounts reported for Governmental Activities in the Statement of Activities are different because of the following:

**CAPITAL ASSET TRANSACTIONS**

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.

Expenditures for capital assets (additions)	\$ 4,347,099	
Proceeds from sale of assets	(1,201,369)	
Gain on sale of assets	1,161,508	
Current Year Depreciation	<u>(4,591,199)</u>	(283,961)

**LONG-TERM DEBT PROCEEDS AND PAYMENTS**

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. (1,560,336)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

Loan payable 39,008

**UNAVAILABLE REVENUES**

Revenues from grants that are funded in this fiscal year that will not be collected for several months after the Town's fiscal year end are not considered available and are classified as deferred inflows of resources in the governmental funds. 276,001

**OPEB PLAN CONTRIBUTIONS AND EXPENSE**

In governmental funds, actual contributions to OPEB plans are reported as expenditures in the year incurred. However, in the Government-Wide Statement of Activities, only the current year OPEB expense as noted in the plans' valuation reports is reported as an expense, as adjusted for deferred inflows and outflows of resources. 428,728

**PENSION PLAN CONTRIBUTIONS AND EXPENSE**

In governmental funds, actual contributions to pension plans are reported as expenditures in the year incurred. However, in the Government-Wide Statement of Activities, only the current year pension expense as noted in the plans' valuation reports is reported as an expense, as adjusted for deferred inflows and outflows of resources. 2,207,470

**ALLOCATION ON INTERNAL SERVICE FUND ACTIVITY**

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net expense of the internal service fund is reported with governmental activities. (120,279)

**COMPENSATED ABSENCES EXPENSE**

In governmental funds, compensated absences such as vacations and sick leave are expenditures when taken. However, in the Government-Wide Statement of Activities, the current year change in the compensated absences liability is reported. (192,132)

**CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES** \$ (1,859,746)

**TOWN OF LOS GATOS  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL (GAAP)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>REVENUES</b>				
Property Taxes	\$ 18,652,039	\$ 18,705,325	\$ 19,878,835	\$ 1,173,510
Sales Taxes	7,987,247	7,301,869	7,933,604	631,735
Other Taxes	2,294,671	714,723	1,059,741	345,018
Franchise Fees	2,532,289	2,532,289	2,499,463	(32,826)
Licenses & Permits	4,296,898	4,211,898	4,386,654	174,756
Intergovernmental	970,885	4,342,588	1,573,697	(2,768,891)
Charges for Services	4,178,212	4,014,619	4,835,962	821,343
Fines and Forfeitures	434,950	94,950	103,467	8,517
Interest	626,409	626,409	96,061	(530,348)
Use of Property	35,793	35,793	36,372	579
Other	253,351	253,351	335,905	82,554
Total Revenues	<u>42,262,744</u>	<u>42,833,814</u>	<u>42,739,761</u>	<u>(94,053)</u>
<b>EXPENDITURES</b>				
Current:				
General Government:				
Town Council	243,486	243,486	192,280	51,206
Town Attorney	645,303	658,831	537,296	121,535
Administrative Services	4,974,616	4,995,847	4,667,995	327,852
Non-Departmental	6,841,510	7,602,517	8,642,563	(1,040,046)
Total General Government	<u>12,704,915</u>	<u>13,500,681</u>	<u>14,040,134</u>	<u>(539,453)</u>
Public Safety	17,587,825	17,487,761	16,570,836	916,925
Community Development	5,517,030	5,589,807	4,994,391	595,416
Parks & Public Works	8,152,045	8,206,080	8,175,987	30,093
Library Services	2,946,509	2,957,531	2,828,873	128,658
Capital Outlay	-	-	2,365	(2,365)
Total Expenditures	<u>46,908,324</u>	<u>47,741,860</u>	<u>46,612,586</u>	<u>1,129,274</u>
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES</b>	<u>(4,645,580)</u>	<u>(4,908,046)</u>	<u>(3,872,825)</u>	<u>1,035,221</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of assets	1,000	1,201,000	1,201,369	369
Transfers In	616,834	652,056	652,056	-
Transfers Out	(3,401,479)	(3,401,479)	(3,401,479)	-
Total Other Financing Sources (Uses)	<u>(2,784,645)</u>	<u>(2,749,423)</u>	<u>(1,548,054)</u>	<u>369</u>
<b>NET CHANGES IN FUND BALANCES</b>	<u>\$ (7,430,225)</u>	<u>\$ (7,657,469)</u>	<u>(5,420,879)</u>	<u>\$ 1,035,590</u>
<b>BEGINNING FUND BALANCE</b>			<u>29,335,497</u>	
<b>ENDING FUND BALANCE</b>			<u>\$ 23,914,618</u>	

**TOWN OF LOS GATOS, CALIFORNIA**

**ANNUAL COMPREHENSIVE FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

**PROPRIETARY FUNDS – INTERNAL SERVICE FUNDS**

---

Internal service funds account for Town operations financed and operated in a manner similar to a private business enterprise. The intent of the Town is that the cost of providing goods and services to other Town funds be financed through user charges to those funds.

The concept of major funds does not extend to internal service funds because they are used for internal activities only. In the Government-Wide Statement of Activities, the net revenues and expenses of the internal service funds are allocated to the Town Departments or programs that generated them, thus eliminating internal service funds.

Draft  
12/16/2021

**TOWN OF LOS GATOS  
 PROPRIETARY FUNDS  
 STATEMENT OF NET POSITION  
 JUNE 30, 2021**

	<u>Governmental Activities Internal Service Funds</u>
<b>ASSETS</b>	
Cash & investments	\$ 9,362,261
Restricted cash & investments	85,724
Accounts receivable	30,964
Due from other funds	<u>478</u>
Total Assets	<u>9,479,427</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts payable	172,471
Due to other governments	<u>83</u>
Total current liabilities	<u>172,554</u>
Noncurrent liabilities:	
Claims payable	<u>1,696,072</u>
Total noncurrent liabilities	<u>1,696,072</u>
Total Liabilities	<u>1,868,626</u>
Restricted for workers compensation claims	85,724
Unrestricted	<u>7,525,077</u>
Total Net Position	<u>\$ 7,610,801</u>

Draft  
12/16/2021



**TOWN OF LOS GATOS  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUE, EXPENSES  
 AND CHANGES IN NET POSITION  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	<u>Governmental Activities Internal Service Funds</u>
<b>OPERATING REVENUES</b>	
Charges for services	\$ 3,382,212
Interest	5
Use of money and property	232,474
Other local taxes	67,146
Intergovernmental	0
Other	421,650
	<hr/>
Total Operating Revenues	4,103,487
	<hr/>
<b>OPERATING EXPENSES</b>	
Insurance expenses	1,169,839
Services and Supplies	2,940,407
	<hr/>
Total Operating Expenses	4,110,246
	<hr/>
Operating Expense	(6,759)
Transfers in (Note 4)	33,000
Transfers out (Note 4)	(146,520)
	<hr/>
Net transfers	(113,520)
	<hr/>
Change in Net Position	(120,279)
	<hr/>
<b>BEGINNING NET POSITION</b>	7,731,080
	<hr/>
<b>ENDING NET POSITION</b>	\$ 7,610,801
	<hr/> <hr/>

Draft 12/16/2021

**TOWN OF LOS GATOS  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	<u>Governmental Activities Internal Service Funds</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 4,101,076
Payments to suppliers	(3,016,880)
Claims paid	(722,178)
	362,018
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfers In/(Out)	(113,520)
	(113,520)
Net Increase(Decrease) in Cash and Investments	248,498
Cash and investments - beginning of year	9,199,965
Cash and investments - end of year	\$ 9,448,463
<b>FINANCIAL STATEMENT PRESENTATION</b>	
Cash & investments	\$ 9,362,261
Restricted cash & investments	85,724
Total	\$ 9,447,985
Reconciliation of Operating Income to Cash Flows from Operating Activities:	
Operating Income	\$ (6,759)
Change in assets and liabilities:	
Receivables, net	(2,411)
Accounts payable	(76,556)
Claims payable	447,661
Due to other government	83
	83
Cash Flows From Operating Activities	\$ 362,018

**TOWN OF LOS GATOS, CALIFORNIA**

**ANNUAL COMPREHENSIVE FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

**FIDUCIARY FUNDS**

---

Trust funds are used to account for assets held by the Town as a trustee agent for individuals, private organizations and other governments. The financial activities of these funds are excluded from the government-wide financial statements, but are presented in separate Fiduciary Fund financial statements.

**RDA Successor Agency Private Purpose Trust Fund** was established to account for the assets and liabilities transferred from the dissolution of the Town's former Redevelopment Agency and the continuing operations related to existing Redevelopment Agency obligations.

Draft  
12/16/2021

**TOWN OF LOS GATOS  
FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2021**

	<b>RDA Successor Agency</b>
<b>ASSETS</b>	
Cash and investments (Note 2)	\$ 1,863,433
Restricted cash and investments (Note 2)	1,984,487
Loans receivable (Note 3)	598,754
Capital assets (Note 5):	
Nondepreciable	5,257,422
Depreciable, net of accumulated depreciation	1,322,008
Total Assets	11,026,104
<b>LIABILITIES</b>	
Accounts payable	63
Interest payable	263,355
Long-term debt (Note 6):	
Due within one year	1,300,000
Due in more than one year	13,123,890
Total Liabilities	14,687,308
<b>NET POSITION</b>	
Held in trust	(3,661,204)
Total Net Position	\$ (3,661,204)

Draft 12/16/2021

**TOWN OF LOS GATOS  
FIDUCIARY FUNDS  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	<b>RDA Successor Agency</b>
<b>ADDITIONS</b>	
Property taxes	\$ 1,946,787
Investment earnings	28,297
Total Additions	1,975,084
<b>DEDUCTIONS</b>	
Program expenses of former RDA	5,399
Interest and fiscal agency expenses of RDA	598,804
Depreciation expense	101,693
Total Deductions	705,896
<b>CHANGE IN NET POSITION</b>	1,269,188
<b>NET POSITION - BEGINNING OF YEAR, AS RESTATED</b>	(4,930,392)
<b>NET POSITION - END OF YEAR</b>	\$ (3,661,204)

Draft 12/16/2021

Draft  
12/16/2021

This page intentionally left blank

Draft  
12/16/2021

**Notes to Basic Financial Statements**

**TOWN OF LOS GATOS, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Financial Reporting Entity**

The Town of Los Gatos (the "Town") operates under a Council-Manager form of government and provides the following services: public safety (including police and emergency management), parks and public works, community development, library, public improvements, planning and zoning, and general administration services. Redevelopment services were provided primarily through the Redevelopment Agency of the Town which was dissolved on February 1, 2012.

The Town is largely a residential community located in the foothills of the Santa Cruz Mountains and was incorporated as a municipal corporation in 1887. The Town's population as of January 1, 2021 was 30,836.

As required by generally accepted accounting principles, these financial statements present the Town as the Primary Government and any component units for which the Town is considered financially accountable.

**B. Description of Blended Component Units**

The Town did not report any component units as a part of the primary government because the Town Council was not the governing body of any entities and no separate entity provided services solely to the Town.

**C. Description of Joint Ventures and Public Entity Risk Pool**

As described in Note 11, the Town participates in two joint ventures and public entity risk pool activities through formally organized separate legal entities. The financial activities of the Pooled Liability Assurance Network Joint Powers Authority (PLAN JPA) and the Local Agency Workers' Compensation Excess Joint Powers Authority (LAWCX) are not included in the accompanying basic financial statements as these boards are separate from and independent of the Town administration.

**D. Basis of Presentation**

The Town's Basic Financial Statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Government Accounting Standards Board ("GASB") is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the U.S.A.

The accompanying financial statements are presented on the basis set forth in Government Accounting Standards Board Statements No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, No. 36, *Recipient Reporting for Certain Non-exchange Revenues, an Amendment of GASB Statement No. 33*, No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments; Omnibus*, and No. 38, *Certain Financial Statement Note Disclosures*.

These Statements require that the financial statements described below be presented.



**TOWN OF LOS GATOS, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Government-wide Statements:** The Statement of Net Position and the Statement of Activities display information about the primary government (the Town). These statements include the financial activities of the overall Town government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. However, interfund services provided and used are not eliminated in the process of consolidation. These statements present *governmental activities* of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meet the operational needs of a particular program and (c) fees, grants and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**Fund Financial Statements:** The fund financial statements provide information about the Town's funds, including fiduciary funds and blended component units. Separate statements for each fund category—*governmental, proprietary and fiduciary*—are presented. The emphasis of fund financial statements is on major individual governmental funds, each of which is displayed in a separate column. All remaining governmental funds are aggregated funds and reported as non-major funds.

Internal service funds of the Town (which provide services primarily to other funds of the Town) are presented, in summary form, as part of the proprietary fund financial statements. Since the principal users of the internal services are the Town's governmental activities, financial activities of the internal service funds are presented in the governmental activities column when presented at the government-wide level. The costs of these services are allocated to the appropriate function/program in the Statement of Activities.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

**E. Major Funds**

GASB defines major funds and requires that the Town's major governmental funds be identified and presented separately in the fund financial statements. All other funds, called non-major funds, are combined and reported in a single column, regardless of their fund-type.

Major funds are defined as funds that have assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues or expenditures/expenses equal to ten percent of their fund-type total and five percent of the grand total. The General Fund is always a major fund. The Town may also select other funds it believes should be presented as major funds.

**TOWN OF LOS GATOS, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

The Town reported the following major governmental funds in the accompanying financial statements:

**General Fund** is the general operating fund of the Town and is used to account for all financial resources except those required to be accounted for in another fund.

**Appropriated Reserves Fund** is used to account for resources provided for capital projects not fully funded from other sources.

The Town also reports the following fund types:

**Internal Service Funds** are used to account for services, which are provided to other departments on a cost-reimbursement basis. Those services include workers compensation, self-insurance, facilities maintenance, information technology, and equipment replacement.

**Fiduciary Funds** include Private-Purpose Trust Funds used to account for assets held by the Town as an agent for individuals, private organizations, and other governments. The financial activities of this fund are excluded from the government-wide financial statement but are presented in a separate Fiduciary Fund financial statement.

The Town reported the following Fiduciary Fund in the accompanying financial statements:

**RDA Successor Agency Private Purpose Trust Fund** accounts for the assets, liabilities and operations transferred from the dissolution of the Town's Redevelopment Agency in 2012, which includes the following:

- Certificates of Participation issued to finance several capital improvement projects throughout the Town.
- Redevelopment projects and related property tax revenue.
- Affordable Housing Set-Aside Program obligations.
- Repayment of obligations incurred by the Town's Redevelopment Agency prior to its dissolution.

**F. Basis of Accounting**

The government-wide, proprietary and fiduciary fund financial statements are reported using the *economic resources measurement focus* and the full *accrual basis* of accounting. Revenues are recorded when *earned* and expenses are recorded at the time liabilities are *incurred*, regardless of when the related cash flows take place.

**TOWN OF LOS GATOS, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

Governmental funds are reported using the *current financial resources* measurement focus and the *modified accrual* basis of accounting. Under this method, revenues are recognized when *measurable* and *available*. The Town considers property tax revenues reported in the governmental funds to be available if the revenues are collected or are reasonably expected to be collected within sixty days after year-end. For revenues other than property taxes, the Town generally applies the sixty-day period rule but would make exceptions considering the *measurable* and *available* criteria. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which is recognized upon becoming due and payable; and except for claims, judgments and compensated absences, which are recognized when estimable and probable. Governmental capital asset acquisitions are reported as *expenditures* in governmental funds. Proceeds of governmental long-term debt and acquisitions under capital leases are reported as *other financing sources*.

Those revenues susceptible to accrual are property and sales taxes, certain intergovernmental revenues, and interest revenue. Fines, forfeitures, licenses and permits, and charges for services are not susceptible to accrual because they are not measurable until received in cash.

Non-exchange transactions, in which the Town gives or receives value without directly, receiving or giving equal value in exchange, include taxes, grants, entitlements, and donations. On the accrual basis, revenue from taxes is recognized in the fiscal year for which the taxes are levied or assessed. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The Town may fund programs with a combination of cost-reimbursement grants, categorical block grants and/or general revenues. Thus, both restricted and unrestricted net position may be available to finance program expenditures. The Town's policy is to first apply restricted grant resources to such programs followed by general revenues as necessary.

Certain indirect costs are included in program expenses reported for individual functions and activities.

The Town applies all applicable GASB pronouncements for certain accounting and financial reporting guidance including those applicable to accounting and reporting for proprietary operations. In December of 2010, GASB issued *GASBS No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement incorporates pronouncements issued on or before November 30, 1989 into GASB authoritative literature. This includes pronouncements by the Financial Accounting Standards Board (FASB), Accounting Principles Board Opinions (APB), and the Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure, unless those pronouncements conflict with or contradict with GASB pronouncements.

**TOWN OF LOS GATOS, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Pension** - For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Town's California Public Employees' Retirement System (CalPERS) plans (the Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Measurement Period	July 1, 2019 to June 30, 2020

**Other Postemployment Benefits (OPEB)**

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Town's plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Measurement Period	July 1, 2019 to June 30, 2020

**Cash and Cash Equivalents** - The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State of California statutes and the Town's investment policy authorize the Town to invest in obligations of the U.S. Treasury, its agencies and instrumentalities, collateralized, non-negotiable certificates of deposits, commercial paper rated A-1/P-1, medium-term corporate notes rated A or its equivalent or better by Moody's or Standard & Poor's, asset backed corporate notes, bankers' acceptances, mutual funds, and the State Treasurer's investment pool (Local Agency Investment Fund).

The Town does not enter into repurchase or reverse repurchase agreements.

**Investments** - Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

**TOWN OF LOS GATOS, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. In determining this amount, three valuation techniques are available:

- **Market approach** - This approach uses prices generated for identical or similar assets or liabilities. The most common example is an investment in a public security traded in an active exchange such as the NYSE.
- **Cost approach** - This technique determines the amount required to replace the current asset. This approach may be ideal for valuing donations of capital assets or historical treasures.
- **Income approach** - This approach converts future amounts (such as cash flows) into a current discounted amount.

Each of these valuation techniques requires inputs to calculate a fair value. Observable inputs have been maximized in fair value measures, and unobservable inputs have been minimized.

**Materials, Supplies and Deposits** - These assets are held for consumption and are stated at cost using the first-in, first-out method. The costs are recorded as expenditures at the time the item is consumed.

**Interfund Receivables and Payables** - Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/advances from other funds". All other outstanding balances between funds are reported as "due to/from other funds".

**Advances** - Advances between funds are offset by a nonspendable fund balance in applicable Town funds to indicate the extent to which they are not available for appropriation and are not expendable available financial resources.

**Capital Assets** - Capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their acquisition value on the date contributed. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value. Capital assets, including infrastructure, are recorded if acquisition or construction costs exceed \$10,000.

As required by GASB, the Town depreciates capital assets with limited useful lives over their estimated useful lives. The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of the cost of capital assets. The Town depreciates using the straight line method which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated.

**TOWN OF LOS GATOS, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

The Town has assigned the useful lives listed below to capital assets:

Buildings	25-40 years
Improvements	25-40 years
Machinery and equipment	2-20 years
Furniture and fixtures	5-12 years
Software	5-7 years
Infrastructure	20-40 years

Major capital outlay for capital assets and improvements are capitalized as projects are constructed.

Capital assets may be acquired using federal and state grants, contributions from developers, and contributions or grants from other governments. GASB 34 requires that these contributed assets be accounted for as revenue at the time they are contributed.

**Deferred Compensation Plan** - The Town established a deferred compensation plan created in accordance with California Government Code Section 53212 and Internal Revenue Code Section 457. The plan, available to all Town employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Deferred compensation plans are not reported as part of the Town's assets or liabilities, as the deferred compensation plan trustees hold those funds in trust on behalf of employees until the employees are eligible to receive the benefits.

**Compensated Absences** - Accumulated Vacation, Sick Pay and Other Employee Benefits are accrued as earned. Upon termination, employees are paid for all unused vacation at their current hourly rates. Sick leave earned is cashed out based on the following schedule for employees with at least 150 hours accrued and up to a maximum amount as specified under labor contract provisions:

For employees under contract 1-59 months	25.0%
For employees under contract 60-119 months	37.5%
For employees under contract 120 months or more	50.0%

The Town's liability for compensated absences is determined annually. For all governmental funds, amounts expected to be paid out of current financial resources are recorded as liabilities of each fund; the long-term portion is recorded in the Statement of Net Position. The changes of the compensated absences were as follows:

Beginning Balance	\$ 3,107,703
Addition	1,557,810
Payments	<u>(1,365,678)</u>
Ending Balance	<u>\$ 3,299,835</u>
Compensated Absences Current Portion	<u>\$ 370,921</u>

Compensated absences are liquidated by the fund that has recorded the liability. The long-term portion of governmental activities compensated absences is liquidated primarily by the General fund. Only compensated absences liabilities related to retirements as of the end of the fiscal year are reported in the fund financial statements.

**TOWN OF LOS GATOS, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Unearned Revenue** - Unearned revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as unearned revenue. In the governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have been recorded as deferred inflows from unavailable revenue.

**Long-Term Liabilities** - In the government-wide financial statements and private-purpose trust funds long-term debt and other long-term obligations are reported as liabilities in the applicable statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Deferred Outflows/Deferred Inflows of Resources** - Deferred outflows of resources is a consumption of net position by the Town that is applicable to a future reporting period, for example, contributions to pension and OPEB plans that are after the actuarial measurement date.

Deferred inflows of resources is an acquisition of net position by the Town that is applicable to a future reporting period, for example, unavailable revenue.

**Net Position** - In the government-wide financial statements, net position is classified in the following categories:

**Net Investment in Capital Assets** - This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets. In addition, deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also are included in the net investment in capital assets component of net position.

**Restricted Net Position** - This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

**Unrestricted Net Position** - This amount is all net position that does not meet the definition of "net investment in capital assets" or "restricted net position."

**Fund Balances** - The Town does not have a policy identifying a minimum unassigned fund balance. Because amounts in the nonspendable, restricted, committed, and assigned categories are subject to varying constraints on their use, the remaining fund balances are otherwise unassigned.

**TOWN OF LOS GATOS, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

In accordance with Government Accounting Standards Board 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the Town classifies governmental fund balances as follows:

**Non-spendable** includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

**Restricted** includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

**Committed** includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through Council Resolution which is a formal action of the highest level of decision making authority and does not lapse at year-end. Committed fund balances are imposed by the Town Council.

**Assigned** includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Town Manager or the Finance Director.

**Unassigned** includes fund balances within the funds which have not been classified within the above mentioned categories. The general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than the general fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

The Town uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the Town would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

**Use of Estimates** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent asset and liabilities at the dates of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting periods. Actual results could differ from those estimates.

**Subsequent Events** - Management has considered subsequent events through **December xx, 2021**, the date which the financial statements were available to be issued. The financial statements include all events or transactions, including estimates, required to be recognized in accordance with generally accepted accounting principles. Management has determined that there are no non-recognized subsequent events that require additional disclosure.



**TOWN OF LOS GATOS, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Property Tax Levy, Collection and Maximum Rates** - State of California Constitution Article XIII A provides that the combined maximum property tax rate on any given property may not exceed 1% of its assessed value unless an additional amount for general obligation debt has been approved by voters. Assessed value is calculated at 100% of market value as defined by Article XIII A and may be adjusted by no more than 2% per year unless the property is sold, transferred, or substantially improved. The State Legislature has determined the method of distribution of receipts from a 1% tax levy among the counties, cities, school districts and other districts.

The County of Santa Clara assesses properties, bills and collects property taxes on the following schedule:

	<u>Secured</u>	<u>Unsecured</u>
Valuation/lien dates	January 1	January 1
Levy dates	January 1	January 1
Due dates (delinquent as of)	50% on November 1 (December 10) 50% on February 1 (April 10)	March 1 (August 31)

The term "unsecured" refers to taxes on personal property other than land and buildings. These taxes are secured by liens on the property being taxed. Property taxes levied are recorded as revenue and receivables when they are collected during the fiscal year of levy or within 60 days of year-end.

**Budgets and Budgetary Accounting** - The Town follows the procedures below when establishing the budgetary data reflected in the financial statements:

1. The Town Manager submits to the Town Council a proposed operating and capital improvement budget for the fiscal year commencing the following July 1. The budgets include the proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through adoption of Town resolution by Council.
4. The Town Manager is authorized to implement the programs as approved in the adopted budget. Within a specific fund, the Town Manager may transfer appropriations between categories, departments, projects and programs as needed to implement the adopted budget, whereas the Town Council must authorize budget increases and decreases, and transfers between funds.
5. Budgets are adopted on a basis consistent with generally accepted accounting principles except for proprietary funds which budget for capital outlays but not depreciation. Budgets were adopted for the General Fund, Special Revenue Funds, Internal Service Funds and Capital Projects Funds.
6. Budgeted amounts are as originally adopted or as amended by Town Council. Individual budget adjustments or amendments were not material in relation to original appropriations, except for an increase in non-departmental expenditures related to a discretionary lump-sum payment to CalPERS for the pension liability.

**Excess of Expenditures over Appropriations** - There were no significant expenditures in excess of budget during the year ended June 30, 2021.

**TOWN OF LOS GATOS, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Encumbrances** - Under encumbrance accounting, purchase orders, contract and other commitments for expenditures are recorded in order to reserve that portion of the applicable appropriation. Encumbrance accounting is employed as an extension of formal budgetary integration in all funds. Encumbrances outstanding at year-end are reported as restrictions, commitments or assignments of fund balances since they do not constitute expenditures or liabilities; unexpended and unencumbered appropriations lapse at year end in all funds. Encumbered appropriations are carried forward to the following year.

**Reclassifications** - Certain accounts in the prior-year financial statements have been reclassified for the presentation in the current-year financial statements.

**G. Accounting and Reporting Changes**

The Town adopted new accounting standards in order to conform to the following Governmental Accounting Standards Board Statements:

- GASB Statement No. 90, *Majority Equity Interests* – The primary objectives of this Statement are to improve the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of this statement did not apply to the Town for the current fiscal year.
- GASB Statement No. 93, *Interbank offered rates (except LIBOR removal and lease modifications)* – The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an interbank offered rate. The requirements of this statement did not apply to the Town for the current fiscal year.
- GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans* – The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this statement did not apply to the Town for the current fiscal year.
- GASB Statement No. 98, *The Annual Comprehensive Financial Report* – The objective of this Statement is to address references in authoritative literature to the term comprehensive annual financial report. The Town implemented this statement by referring to the report as an Annual Comprehensive Financial Report and using the ACFR acronym.

**TOWN OF LOS GATOS, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

---

**NOTE 2 - CASH AND INVESTMENTS**

The Town pools cash from all sources and all funds except Restricted Cash and Restricted Investments so that it can be invested at the maximum yield, consistent with the primary objectives of safety and liquidity, while ensuring existing funds have cash available for expenditures.

**Cash and Investments Defined** - The Town includes only cash deposits in banks as cash. Investments in LAIF and government securities mutual funds are next in the order of liquidity, since they may be withdrawn without penalty. U.S. Treasuries, U.S. Agencies and Certificates of Deposit are the Town's least liquid investments, since they must be held to maturity.

**Cash Deposits with Banks and Custodial Credit Risk** - California Law requires banks and savings and loan institutions to pledge government securities with a fair value of 110% of the Town's cash on deposit, first trust deed mortgage notes with a value of 150% of the deposit, or letters of credit issued by the Federal Home Loan Bank of San Francisco with a value of 100% of the deposit as collateral. Under California Law this collateral is held in the Town's name and places the Town ahead of general creditors of the institution. The Town's cash deposits are collateralized under this law.

The bank balance of the Town's cash deposits was \$12,455,161 and the carrying amount was \$12,308,688 as of June 30, 2021. The bank balance and the carrying amount differed due to deposits in transit and outstanding checks.

**Investments** - The Town and its fiscal agent invest in individual investments and in investment pools. Individual investments are evidenced by specific identifiable pieces of paper called "securities instruments," or by an electronic entry registering the owner in the records of the institution issuing the security, called the book entry system. In order to maximize security, the Town employs the Trust department of a bank as the custodian of all its investments, regardless of their form.

**Fair Value Measurements** - GASB 72 established a hierarchy of inputs to the valuation techniques above. This hierarchy has three levels:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities.
- Level 2 inputs are quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable
- Level 3 inputs are unobservable inputs, such as a property valuation or an appraisal.

**TOWN OF LOS GATOS, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

---

**NOTE 2 - CASH AND INVESTMENTS, CONTINUED**

**Local Agency Investment Fund (LAIF)** - The Town invests in the California State Treasurer's Local Agency Investment Fund. LAIF, established in 1977, is regulated by California Government Code Section 16429 and is under the day-to-day administration of the State Treasurer. As of June 30, 2021, the Town had approximately \$11.9 million in LAIF and used a fair value factor of 1.00008297 to calculate the fair value of the investments in LAIF. Of that amount, 97.69% is invested in non-derivative financial products and 2.31% in structured notes and asset-backed securities. These investments are described as follows:

1. Structured Notes are debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.
2. Asset-Backed Securities, the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as Collateralized Mortgage Obligations) or credit card receivables.

**Risk Disclosures**

*Interest Rate Risk* is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to the changes in market interest rates. One of the ways that the Town manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. Information about the sensitivity of the fair values of the Town's investments to market interest rate fluctuations is provided in the summary of cash and investments table on the following page that shows the distribution of the Town's investments by maturity.

*Credit Risk* is the risk of loss due to the failure of the security issuer. This risk is measured by the assignment of a rating by a nationally recognized statistical rating organization. The summary of cash and investments table on the following page shows the minimum rating under the actual rating of the Town's investments at year end.

*Custodial Credit Risk* is the risk that in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Town's money market fund and investment in LAIF are not categorized as to custodial credit risk. Its U.S. Government Agency Securities investment is held by a third-party financial institution under the third party's trust department's name and thus not exposed to custodial credit risk.

*Concentration of Credit Risk* is the risk that the Town's investments are exposed because the types of investments have been too limited. The Town's Policy states that, with the exception of US Treasury securities and LAIF, no more than 50% of the Town's total investment portfolio will be invested in one single security type or with a single financial institution. The Town was in compliance with this policy as of June 30, 2021.

**TOWN OF LOS GATOS, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 2 - CASH AND INVESTMENTS, CONTINUED**

**Risk Disclosures, Continued**

The following table summarizes the Town's policy related to maturities and concentration of investments:

<u>Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Portfolio Percentage</u>
US Treasury Obligations	5 years	None
US Agency Obligations	5 years	None
Bankers Acceptances	180 days	30%
Commercial Paper	270 days	25%
Medium Term Notes	5 years	30%
Collateralized CD's	5 years	30%
CA LAIF	N/A	\$65 million
Money Market Funds	N/A	20%

The following is a summary of the Town's Cash and Investments (stated at fair value) as of June 30, 2021:

<u>Investment Type/Cash Deposit</u>	<u>Available for Operations</u>	<u>Restricted</u>	<u>Total</u>	<u>Concentration of Credit Risk</u>	<u>Minimum Rating</u>	<u>Input level</u>	<u>Time to Mature (Years)</u>	<u>Weighted Average Maturity</u>
US Treasury Securities	\$ 7,892,169	\$ -	\$ 7,892,169	13.58%	n/a	2	1-4	1.87 years
US Instrumentality Security	22,313,521	-	22,313,521	38.38%	n/a	2	0-4	1.80 years
Corporate Securities	15,742,984	-	15,742,984	27.08%	A3	2	0-4	1.95 years
Market Mutual funds	305,797	-	305,797	0.53%	Not Rated	2	n/a	n/a
LAIF	11,879,232	-	11,879,232	20.43%	Not Rated	n/a	n/a	n/a
<b>Total investments</b>	<b>58,133,703</b>	<b>-</b>	<b>58,133,703</b>	<b>100.00%</b>				
Cash Deposit with Banks	10,238,478	\$ 2,070,211	12,308,689					
Money Market Accounts	17,389	-	17,389					
Cash on hand at Town	2,600	-	2,600					
<b>Town Cash and Investments</b>	<b>\$68,392,170</b>	<b>\$ 2,070,211</b>	<b>\$70,462,381</b>					

Cash and investments are classified in the financial statements as shown below, based on whether or not their use is restricted by Town debt or Agency agreements.

	<u>Total Town</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and Investments available for operations	\$ 66,528,737	\$ 1,863,433	\$ 68,392,170
Restricted cash and investments	85,724	1,984,487	2,070,211
<b>Total cash and investments</b>	<b>\$ 66,614,461</b>	<b>\$ 3,847,920</b>	<b>\$ 70,462,381</b>

**TOWN OF LOS GATOS, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 3 - LONG-TERM NOTES RECEIVABLE**

The Town had the following long-term notes receivable as of June 30, 2021:

Description	Interest Rate	Maturity	Balance
<b>General Fund:</b>			
Rehab Loan to Charities	Various	Various	\$ 159,000
Total General Fund			<u>159,000</u>
<b>Community Development Block Grant Fund (CDBG):</b>			
Housing Conservation Loans	0-5%	Various	78,752
Total CDBG			<u>78,752</u>
Total Long Term Notes Receivable - Government-Wide Statement of Net Position			<u>237,752</u>
<b>Successor Agency Affordable Housing</b>			
Project Match	Various	Various	598,754
Total Long Term Notes Receivable			<u>\$ 836,506</u>

**Active Home Loans and Housing Conservation Loans** - The Town used CDBG Funds (funded through federal grants) to assist low and moderate income homeowners to improve their homes and to fund low income housing rental properties acquisition and rehabilitation. These loans are secured by deeds of trust.

**Project Match** - The Successor Agency has a loan agreement with Project Match, a nonprofit benefit corporation, to acquire and rehabilitate four- or five-bedroom single-family homes. The property is to provide affordable housing rental to very low income senior households. The loan receivable is evidenced by a promissory note and secured by a deed of trust. From inception of the loan through June 30, 2021, no interest or principal payments have been made.

**NOTE 4 - INTERFUND TRANSACTIONS**

**Interfund Receivables and Payables** - Amounts due to or due from other funds reflect interfund balances for services rendered or short-term loans expected to be repaid in the next fiscal year. Advances to or from other funds are long-term loans between funds that are to be repaid in their entirety over several years.

**Transfers** - With Council approval resources may be transferred from one fund to another. Transfers pay for capital projects or capital outlays, lease or debt service payments, operating expenses and low and moderate-income housing projects. Transfers between funds during the fiscal year ended June 30, 2021 were as follows:

	Transfer In	Transfer Out
General Fund	\$ 652,056	\$ 3,401,479
Appropriated Reserve Fund	3,401,479	427,616
Non-major Gov't Funds	-	110,920
Internal Service Funds	33,000	146,520
Total Transfers	<u>\$ 4,086,535</u>	<u>\$ 4,086,535</u>

**TOWN OF LOS GATOS, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 5 - CAPITAL ASSETS**

Changes in the Town's capital assets during the fiscal year are shown as follows:

	<u>Balance at</u> <u>June 30, 2020</u>	<u>Adjustments</u> <u>and Additions</u>	<u>Transfers and</u> <u>Retirements</u>	<u>Balance at</u> <u>June 30, 2021</u>
Capital Assets not being Depreciated				
Land	\$ 20,294,810	\$ -	\$ (39,861)	\$ 20,254,949
Construction in Progress	<u>2,044,143</u>	<u>3,551,118</u>	<u>(143,213)</u>	<u>5,452,048</u>
Total Capital Assets not being Depreciated	<u>22,338,953</u>	<u>3,551,118</u>	<u>(183,074)</u>	<u>25,706,997</u>
Capital Assets being Depreciated				
Buildings and Improvements	31,895,114	140,627	115,271	32,151,012
Equipment & Vehicle	11,736,395	248,302	-	11,984,697
Infrastructure - All Other	26,197,569	137,056	27,942	26,362,567
Infrastructure - Streets	<u>77,718,360</u>	<u>269,996</u>	<u>-</u>	<u>77,988,356</u>
Total Capital Assets being Depreciated	<u>147,547,438</u>	<u>795,981</u>	<u>143,213</u>	<u>148,486,632</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	8,553,904	705,782	-	9,259,686
Equipment & Vehicle	9,053,697	618,786	-	9,672,483
Infrastructure - All Other	7,207,051	806,154	-	8,013,205
Infrastructure - Streets	<u>33,371,514</u>	<u>2,460,477</u>	<u>-</u>	<u>35,831,991</u>
Total accumulated depreciation	<u>58,186,166</u>	<u>4,591,199</u>	<u>-</u>	<u>62,777,365</u>
Net Capital Assets being Depreciated	<u>89,361,272</u>	<u>(3,795,218)</u>	<u>143,213</u>	<u>85,709,267</u>
<b>Governmental Activity Capital Assets, Net</b>	<u>\$ 111,700,225</u>	<u>\$ (244,100)</u>	<u>\$ (39,861)</u>	<u>\$ 111,416,264</u>

Depreciation expense is charged to functions and programs based on their usage of the related assets. The amount allocated to each function or program is as follows:

<u>Governmental Activities</u>	<u>Depreciation</u> <u>Expense</u>
General Government	\$ 250,446
Community Services	52,599
Public Safety	444,262
Parks & Public Works	3,466,420
Library	377,217
Sanitation	<u>255</u>
Total Governmental Activities	<u>\$ 4,591,199</u>

**TOWN OF LOS GATOS, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 5 - CAPITAL ASSETS, CONTINUED**

Changes in the RDA Successor Agency trust fund capital assets during the fiscal year are shown as follows:

	Balance at June 30, 2020	Adjustments and Additions	Transfers and Retirements	Balance at June 30, 2021
Capital Assets not being Depreciated				
Land	\$ 5,257,422	\$ -	\$ -	\$ 5,257,422
Total Capital Assets not being Depreciated	5,257,422	-	-	5,257,422
Capital Assets being Depreciated				
Buildings and Improvements	4,067,708	-	-	4,067,708
Total Capital Assets being Depreciated	4,067,708	-	-	4,067,708
Less Accumulated Depreciation for:				
Buildings and Improvements	2,644,007	101,693	-	2,745,700
Total accumulated depreciation	2,644,007	101,693	-	2,745,700
Net Capital Assets being Depreciated	1,423,701	(101,693)	-	1,322,008
<b>Successor Agency Capital Assets, Net</b>	<b>\$ 6,681,123</b>	<b>\$ (101,693)</b>	<b>\$ -</b>	<b>\$ 6,579,430</b>

**NOTE 6 - LONG-TERM OBLIGATIONS**

The Town generally incurs long-term debt to finance projects or purchase assets, which will have useful lives equal to or greater than the related debt. Below is a summary of Town indebtedness:

Long Term Debt	Beginning Balance	Addition	Deletion	Ending Balance	Due Within One Year	Due in More Than One Year
Direct Borrowings	\$ -	\$ 1,560,336	\$ 39,008	\$ 1,521,328	\$ 156,034	\$ 1,365,294
Total Long-Term Debt	\$ -	\$ 1,560,336	\$ 39,008	\$ 1,521,328	\$ 156,034	\$ 1,365,294



**TOWN OF LOS GATOS, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 6 - LONG-TERM OBLIGATIONS, CONTINUED**

On August 7, 2020, the Town entered into an agreement with PG&E for a loan in the amount of \$1,560,336 for costs related to various energy upgrades the Town performed during the fiscal years ended June 30, 2019 and June 30, 2020. The loan is to be repaid over the course of 12 years with an interest rate of 0% and a monthly amount of \$13,003 billed through the Town's energy bill. Future debt service requirements for the PG&E loan are as follows:

Fiscal Year Ended June 30,	Principal	Total
2022	156,034	156,034
2023	156,034	156,034
2024	156,034	156,034
2025	156,034	156,034
2026	156,034	156,034
2027-2031	741,158	741,158
Total Debt Service	<u>\$ 1,521,328</u>	<u>\$ 1,521,328</u>

As of February 1, 2012, the Town transferred long-term debt issued by the Redevelopment Agency to the Successor Agency trust as a part of the RDA dissolution. The following summarizes the changes in long-term debt in the Successor Agency trust fund during the fiscal year ended June 30, 2021:

Long Term Debt	Interest Rate	Maturity Date	Original Issue	Beginning Balance	Deletion	Ending Balance	Due Within One Year	Due in More Than One Year
2002 COP	2.5 -5%	8/1/2031	\$ 10,725,000	\$ 6,065,000	\$ 385,000	\$ 5,680,000	\$ 400,000	\$ 5,280,000
2010 COP	2.5 - 4.25%	8/1/2028	15,675,000	9,270,000	865,000	8,405,000	900,000	7,505,000
Subtotal COP			26,400,000	15,335,000	1,250,000	14,085,000	1,300,000	12,785,000
Premiums			735,095	376,545	37,655	338,890		338,890
Total Long-Term Debt			<u>\$ 27,135,095</u>	<u>\$ 15,711,545</u>	<u>\$ 1,287,655</u>	<u>\$ 14,423,890</u>	<u>\$ 1,300,000</u>	<u>\$ 13,123,890</u>

**2002 Certificates of Participation (2002 COPs)** - On July 18, 2002, the Town and the Los Gatos Redevelopment Agency issued \$10,725,000 in 2002 COPs, Series A, to finance the acquisition, construction, rehabilitation, equipping and improvement of several capital improvement projects. The Town had pledged lease payments of real property and facilities comprised of the Parks and Public Works Service Center and Baseball Field, as well as Parking Lot No. 1, 2, and 3, as collateral for the repayment of the Certificates. Principal payments are due annually on August 1st, with interest payments due semi-annually on February 1st and August 1st.

**2010 Certificates of Participation (2010 COPs)** - On June 1, 2010, \$15,675,000 of 2010 COPs were issued to finance the acquisition, construction, and improvement of a library on the Town's Civic Center campus, to be owned and operated by the Town. Principal payments are due annually on August 1, with interest payments due semi-annually on February 1 and August 1.

To assist the Town in paying the cost of acquisition and construction of various projects, the Town and its Redevelopment Agency entered into lease and reimbursement agreements in 2002 and 2010. Under the agreements, the Agency will use available net tax increment revenues resulting from the projects' effect on land values to repay the Town for all lease payments made by the Town to the Agency under the lease agreements for the projects. Net tax increment revenues are all taxes allocated to and paid into the Successor Agency private-  
 use trust fund.

**TOWN OF LOS GATOS, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

---

**NOTE 6 - LONG-TERM OBLIGATIONS, CONTINUED**

Future debt service requirements of the 2002 and 2010 Certificates of Participation are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2022	1,300,000	599,850	1,899,850
2023	1,355,000	538,713	1,893,713
2024	1,415,000	479,550	1,894,550
2025	1,485,000	417,300	1,902,300
2026	1,550,000	351,850	1,901,850
2027-2031	6,330,000	753,600	7,083,600
2032	650,000	16,250	666,250
Total COP Debt Service	<u>\$ 14,085,000</u>	<u>\$ 3,157,113</u>	<u>\$ 17,242,113</u>

The Successor Agency must maintain a required amount of cash and investments with the trustee under the terms of the COPs' debt agreements. These funds are pledged as reserves to be used if the Successor Agency fails to meet its obligations under the debt agreements and totaled \$1,984,487 as of June 30, 2021. The California Government Code requires these funds to be invested in accordance with Town ordinances, bond indentures or State statutes. All these funds have been invested as permitted under the Code.

**NOTE 7 - SPECIAL ASSESSMENT DISTRICT DEBT WITHOUT COMMITMENT**

Special assessment districts are established in various parts of the Town to provide improvements to properties located in those districts. Properties are assessed for the cost of the improvements. These assessments are payable over the term of the debt issued to finance the improvements and are used to pay debt service on debt issued to fund the improvements.

The Town is acting only as an agent and has no legal liability with respect to the payment of any indebtedness of the Downtown Parking Assessment District. There was no non-obligated debt outstanding as of June 30, 2021.

**NOTE 8 - FUND BALANCES**

Fund balance for governmental funds is reported in classifications (nonspendable, restricted, committed, assigned, and unassigned) that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

**TOWN OF LOS GATOS, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 8 - FUND BALANCES, CONTINUED**

As of June 30, 2021, fund balances were classified as follows:

	Beginning Balance	Adjustments	Adjusted Beginning Balance	Additions	Deletions	Ending Balance
<b>Nonspendable</b>	-	159,000	159,000	-	-	159,000
<b>Restricted for:</b>						
Capital Outlay	\$ 6,257,756	\$ -	\$ 6,257,756	\$ 1,286,341	\$ -	\$ 7,544,097
Pension	669,978	-	669,978	-	(669,978)	-
Library	-	526,815	526,815	45,177	(19,115)	552,877
Repairs and Maintenance	190,250	-	190,250	-	(17,894)	172,356
VTA	-	-	-	293,323	-	293,323
				<b>Total Restricted</b>		<b>8,562,653</b>
<b>Committed to:</b>						
Budget Stabilization	5,427,603	-	5,427,603	32,882	-	5,460,485
Catastrophic	5,427,603	-	5,427,603	32,882	-	5,460,485
Pension/OPEB Reserve	4,532,500	-	4,532,500	300,000	(4,532,500)	300,000
				<b>Total Committed</b>		<b>11,220,970</b>
<b>Assigned to:</b>						
Open Space	410,000	-	410,000	152,000	-	562,000
Parking	1,460,210	-	1,460,210	-	-	1,460,210
Sustainability	140,553	-	140,553	-	-	140,553
Capital/Special Projects	8,787,958	(159,000)	8,628,958	-	(1,663,603)	6,965,355
Comcast PEG	50,000	-	50,000	-	-	50,000
Market Fluctuations	1,218,732	-	1,218,732	438,333	(1,218,732)	438,333
Sale of Property	-	-	-	1,200,000	-	1,200,000
Compensated Absences	1,539,408	-	1,539,408	110,509	-	1,649,917
Capital Projects	12,266,881	-	12,266,881	893,498	-	13,160,379
Measure G 2018 District Sales Tax						
Operational	1,181,162	-	1,181,162	-	(590,581)	590,581
Capital	-	-	-	1,139,909	-	1,139,909
Special Revenue Funds	404,588	-	404,588	299,477	(166,173)	537,892
				<b>Total Assigned</b>		<b>27,895,129</b>
Total Fund Balance - All Governmental Funds	<u>\$49,965,182</u>	<u>\$ 526,815</u>	<u>\$50,491,997</u>	<u>\$ 6,224,331</u>	<u>\$(8,878,576)</u>	<u>\$47,837,752</u>

**Restricted**

*Capital Outlay* funded from storm drain fees, construction taxes and debt proceeds are legally restricted for major capital projects.

*Library* reflects fund balance from donations and bequests held in trust for the benefit of the Town's library.

*Repairs and Maintenance* reflects legally restricted balances for repairs and maintenance of lighting and landscape property and open space property that are financed with special tax assessments on the benefiting property.

VTA are funds provided by the Valley Transportation Authority's Measure B restricted for the pavement/crack seal rehabilitation project

**TOWN OF LOS GATOS, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

---

**NOTE 8 - FUND BALANCES, CONTINUED**

**Committed**

**Stabilization Arrangements**

The Town Council has established by resolution the budget stabilization arrangement and the catastrophe arrangement. The total balances in these arrangements are to be maintained at 25% of annual General Fund ongoing, operating expenditures, excluding one-time expenditures, divided equally between both arrangements. When either arrangement is used, Town Council will develop a 1 to 5 year reserve replenishment plan to meet the minimum threshold of 25% of General Fund ongoing, operating expenditures, excluding one-time expenditures. The arrangements can be used when:

- Unforeseen emergencies, such as a disaster or catastrophic event occur
- Significant decrease in property or sales tax, or other economically sensitive revenues
- Loss of businesses considered to be significant sales tax generators
- Reductions in revenue due to actions by the state /federal government
- Workflow /technical system improvements to reduce ongoing, personnel costs and enhance customer service
- One -time maintenance of service levels due to significant economic /budget constraints
- One -time transitional costs associated with organizational restructuring to secure long-term personnel cost savings.

Should any of the events listed above occur that require the expenditure of Town resources beyond those provided for in the annual budget, the Town Manager or designee shall have authority to approve catastrophic or budget stabilization arrangement appropriations. The Town Manager or designee shall then present to the Town Council a budget amendment confirming the nature of the event and authorizing the appropriation of reserve funds.

*Pension/OPEB Reserve* committed fund balance will be used to fund net pension liabilities for the Town's Miscellaneous and Safety pension plans administered by CALPERS. In the fiscal year ending June 30, 2018 the Town approved an update to its General Fund reserve policy providing to the extent possible that additional annual deposits be calculated and placed into this reserve with the goal of moving the payment of the unfunded pension liability from a 29-year to a 20-year amortization period.

**Assigned**

*Open Space* assigned fund balance will be used to make selective open space acquisitions.

*Parking* assigned fund balance will be used to mitigate parking issues within the Town.

*Sustainability* assigned fund balance will be used to fund ongoing sustainability initiatives and programs.

*Capital/Special Projects* assigned fund balance will be used for the acquisition and construction of capital facilities as well as special projects or activities as directed by the Town Council.

*Comcast PEG* assigned fund balance will be used to fund capital improvements linked to the televising of council and planning commission meetings.

**TOWN OF LOS GATOS, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 8 - FUND BALANCES, CONTINUED**

*Market Fluctuations* assigned fund balance is used to represent fund balance amounts for unrealized investment gains that have been recorded as investment income in the financial statements in accordance with the requirements of GASB 31.

*Sale of Property* is intended to be spent on capital projects

*Compensated Absences* assigned fund balance will be used for vacation and sick-pay benefits owed to employees as of June 30, 2021 that were not an obligation of the General Fund because of their long-term nature.

*Measure G 2018 District Sales Tax* assigned fund balances for operational and capital will be used to track receipt and use of the 1/8 cents District tax funds collected by the Town for operational and capital expenditures.

*Special Revenue Fund* assigned fund balance will be used for the activities of the respective revenue funds.

**NOTE 9 - EMPLOYEES' RETIREMENT PLAN**

**Summary of Pension Amounts**

	<u>Miscellaneous Plan</u>	<u>Safety Plan</u>	<u>Total Plans</u>
Deferred Employer Pension Contributions	\$ 9,160,680	\$ 2,853,764	\$ 12,014,444
Deferred Outflows - Pension Related Amounts	\$ 1,635,051	\$ 3,618,531	\$ 5,253,582
Net Pension Liability	\$ 30,873,333	\$ 27,149,916	\$ 58,023,249
Deferred Inflows - Pension Related Amounts	\$ -	\$ 1,433,785	\$ 1,433,785
Pension Expense	\$ 5,170,412	\$ 4,636,562	\$ 9,806,974

**(a) General Information about the Pension Plans**

**Plan Description** - All qualified employees are eligible to participate in the Town's pooled Safety Plan, a cost-sharing multiple-employer defined benefit pension plan and the Town's Miscellaneous (all other) Plan, an agent multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and Town resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website. Audited financial statements of CalPERS can be obtained from its website <https://www.calpers.ca.gov/page/forms-publications>. The Town relies upon actuarial and investment data provided by CalPERS for inclusion and analysis in this report.

**TOWN OF LOS GATOS, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 9 - EMPLOYEES' RETIREMENT PLAN, CONTINUED**

**(a) General Information about the Pension Plan, Continued**

**Benefits Provided** - CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, Lump Sum, or the 1959 Survivor Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plan's provisions and benefits in effect at June 30, 2021, are summarized as follows:

	Miscellaneous			Safety	
	Tier 1	Tier 2	PEPRA	Tier 1	PEPRA
Hire Date	Prior to September 15, 2012	Prior to September 15, 2012 and before January 1, 2013 with reciprocity or member of CalPERS	On or after January 1, 2013	Before January 1, 2013 with reciprocity or member of CalPERS	On or after January 1, 2013
Benefit Formula	2.5% @ 55	2% @ 60	2% @ 62	3% @ 50	2.7% @ 57
Benefit vesting schedule	5 years	5 years	5 years	5 years	5 years
Benefit payments	Monthly for Life	Monthly for Life	Monthly for Life	Monthly for Life	Monthly for Life
Retirement age	55	60	62	50	57
Monthly benefits as a % of eligible compensation	2% to 2.5%	1% to 2.5%	1.5% to 2.5%	3%	2% to 2.7%
Required employee contribution rates	8.00%	7%-8%	7.25%	9.00%	12.75%
Required employer contribution rates		10.458%		25.540%	13.884%
Required payment of unfunded liability		\$ 2,563,389		\$1,708,222	\$15,282

**Employees Covered**

At June 30, 2021, the following employees were covered by the benefit terms for the Miscellaneous and Safety Plans:

	Miscellaneous	Safety
Active	114	36
Transferred	89	10
Separated	105	14
Retired	250	84
Total	558	144

**Contributions** – Section 20814 (c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year. The Town is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. In addition, the Town is solely responsible for any annual costs associated with payments toward any unfunded accrued liability.

**TOWN OF LOS GATOS, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

---

**NOTE 9 - EMPLOYEES' RETIREMENT PLAN, CONTINUED**

**(b) Net Pension Liability**

Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27 (GASB 68), requires public employers to comply with accounting and financial reporting standards related to the recognition and calculation of pension obligations. Under GASB 68, employers that participate in a defined benefit pension plan administered as a trust or equivalent arrangement are required to record their portion of the net pension liability, pension expense, and deferred outflows/deferred inflows of resources related to pensions in their financial statements as part of their financial position.

The Town's net pension liability for the Miscellaneous Plan is measured as the total pension liability, less the pension plan's fiduciary net position.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used. For the Safety Plan, net pension liability is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2020, using an annual actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 using standard update procedures. The Town's proportion of the net pension liability (Safety Plan) was based on a projection of the Town's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The Town's proportionate share of the net pension liability for the Safety Plan as of the measurement date June 30, 2020 was as follows:

	Proportionate Share of Net Pension Liability
Proportion - June 30, 2019	0.241003%
Proportion - June 30, 2020	0.249530%
Change - Increase (Decrease)	0.008527%

A summary of principal assumptions and methods used to determine the net pension liability is shown below.

**TOWN OF LOS GATOS, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 9 - EMPLOYEES' RETIREMENT PLAN, CONTINUED**

**(b) Net Pension Liability, continued**

*Actuarial Assumptions* - The June 30, 2019 valuation was rolled forward to determine the June 30, 2020 total pension liability, based on the following actuarial methods and assumptions:

	<u>Miscellaneous Agent Multiple Employer Plan</u>	<u>Safety Cost Sharing Plan</u>
Valuation Date	June 30, 2019	June 30, 2019
Measurement Date	June 30, 2020	June 30, 2020
Actuarial Cost Method	Entry-Age Normal Cost Method	
Actuarial Assumptions:		
Discount Rate	7.15%	7.15%
Inflation	2.50%	2.50%
Salary Increases	Varies by Entry Age and Service	
Mortality Rate Table <sup>1</sup>	Derived using CalPERS' Membership Data for all Funds	
Post Retirement Benefit Increase	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies	

1. The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report that can be found on the CalPERS website.

**Discount Rate** - The discount rate used to measure the total pension liability was 7.15% for the Plan and reflects the long-term expected rate for the Plan net of investment expenses and without reduction for administrative expenses. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS conducted cash flow projections for plans with a higher likelihood of running out of assets with too high of a discount rate. Based on the testing, none of the tested plans ran out of assets. Therefore, the current 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

**Long-term Expected Rate of Return** – Every four years, CalPERS performs an Asset Liability Management (ALM) review of possible asset allocation alternatives for the Public Employees' Retirement Fund (PERF) investment portfolio. The review examines potential new investment policy portfolios and their impact on the CalPERS Fund. The ALM review also incorporates actuarial-based information to reflect the implications of the various asset allocation alternatives on parameters such as the employer contribution rate. This periodic review is the primary process by which the PERF investment portfolio and actuarial assumptions evolve to reflect the market opportunity set, demographic assumptions and experience, and plan status.

The last ALM was performed in 2017 and the long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.



**TOWN OF LOS GATOS, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 9 - EMPLOYEES' RETIREMENT PLAN, CONTINUED**

**(b) Net Pension Liability, continued**

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and adjusted to account for administrative expenses.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	50.00%	4.80%	5.98%
Global Fixed Income	28.00%	1.00%	2.62%
Inflation Sensitive	-	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%
Liquidity	1.00%	-	-0.92%
Total	100%		

(a) An expected inflation of 2.00% used for this period.

(b) An expected inflation of 2.92% used for this period.

In addition to the expected returns by asset class, the table below reflects the short-term, long-term, and blended expected rate of return for the total PERF asset allocation as of the 2017 ALM.

Expected Compound Return (1-10 years)	6.10%
Long Term Expected Return (11-60 years)	8.30%
Blended Return (1-60 years)	7.00%

**TOWN OF LOS GATOS, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 9 - EMPLOYEES' RETIREMENT PLAN, CONTINUED**

**(b) Net Pension Liability, continued**

The table below shows historical compound annual returns of the Public Employees Retirement Fund for various time periods ending on June 30, 2020 (figures are reported as gross of fees). The compound annual return is the average rate per year compounded over the indicated number of years. It should be recognized that in any given year the rate of return is volatile. The portfolio has an expected volatility of 11.4 percent per year based on the most recent Asset Liability Modelling study. The volatility is a measure of the risk of the portfolio expressed in the standard deviation of the fund's total return distribution, expressed as a percentage. Consequently, when looking at investment returns, it is more instructive to look at returns over longer time horizons.

**History of CalPERS Compound Annual Rates of Return and Volatilities**

	1 year	5 year	10 year	20 year	30 year
Compound Annual Return	4.7%	6.3%	8.5%	5.5%	8.0%
Realized Volatility	-	7.3%	7.1%	8.6%	8.6%

CalPERS reported a preliminary 21.3% net return on investments for the 12-month period ended June 30, 2021. The preliminary fiscal year 2020-21 return brings total fund performance to 10.3% for the five-year time period, 8.5% for the 10-year time period, and 6.9% for the 20-year time period. Over the past 30 years, the PERF has returned an average of 8.4% annually. Under the CalPERS Funding Risk Mitigation Policy, the 21.3% return will trigger a reduction in the discount rate to 6.8% from the current 7.0%.

**(c) Changes in the Net Pension Liability**

The change in the Net Pension Liability for the Miscellaneous Plan is as follows:

Miscellaneous Plan	Total Pension Liability	Fiduciary Net Pension	Net Pension Liability
Balance at 6/30/2020 (measurement date 6/30/2019)	\$ 108,650,008	\$ 76,114,760	\$ 32,535,248
Service Costs	1,930,090		1,930,090
Interest on Total Pension Liability	7,729,269		7,729,269
Changes of Assumptions	-		-
Difference Between Actual and Expected Experience	1,465,653		1,465,653
Employer Contributions		8,146,791	(8,146,791)
Employee Contributions		824,145	(824,145)
Net Investment Income		3,913,294	(3,913,294)
Employee Contribution Refunds and Benefit Payments	(5,958,101)	(5,958,101)	-
Administrative Expenses		(107,303)	107,303
Net Changes	5,166,911	6,818,826	(1,651,915)
Balance at 6/30/2021 (measurement date 6/30/2020)	\$ 113,816,919	\$ 82,933,586	\$ 30,883,333

**TOWN OF LOS GATOS, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 9 - EMPLOYEES' RETIREMENT PLAN, CONTINUED**

**(c) Changes in the Net Pension Liability, Continued**

For the measurement period ended June 30, 2020, the Town contributed \$2,565,205 for the safety Cost-Sharing Plan.

As of June 30, 2021, the Town reported net pension liabilities for its proportionate share of the net pension liability of the safety Cost-Sharing Plan of \$27,149,916.

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate** - The following presents the net pension liability of the Town for each plan, calculated using the discount rate for the Plan, as well as what the Local Government's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

Sensitivity to Changes in the Discount Rate	Miscellaneous Agent Multiple Employer Plan	Safety Cost Sharing Plan	Total
1% Decrease (6.15%) Net Pension Liability	\$ 45,363,497	\$ 40,539,102	\$ 85,902,599
Current Discount Rate (7.15%) Net Pension Liability	\$ 30,873,333	\$ 27,149,916	\$ 58,023,249
1% Increase (8.15%) Net Pension Liability	\$ 18,889,249	\$ 16,162,823	\$ 35,052,072

**Pension Plan Fiduciary Net Position** – Detailed information about the pension plan's fiduciary net position is available in a separately issued CalPERS financial report.

**(d) Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions**

For the year ended June 30, 2021, the Town recognized pension expense of \$5,170,412 for the Miscellaneous Agent Multiple Employer Plan and \$4,636,562 for the Safety Cost Sharing Plan. The Town recognized total pension expense for all plans of \$9,806,974.

**TOWN OF LOS GATOS, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 9 - EMPLOYEES' RETIREMENT PLAN, CONTINUED**

**(d) Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions, Continued**

At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources for the Miscellaneous Agent Multiple Employer Plan:

	Miscellaneous	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 9,160,680	\$ -
Difference between expected and actual experiences	1,008,794	-
Net differences between projected and actual earnings on plan investments	626,257	-
Totals	\$ 10,795,731	\$ -

\$9,160,680 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	\$ 500,814
2022	400,704
2023	407,429
2024	326,104
2025	-
Thereafter	-

**TOWN OF LOS GATOS, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 9 - EMPLOYEES' RETIREMENT PLAN, CONTINUED**

**(d) Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions, Continued**

At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources for the Safety Cost-Sharing Plan:

	Safety	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 2,853,764	\$ -
Changes in assumptions	-	90,437
Difference between expected and actual experiences	2,105,338	-
Changes in employer's proportion	923,111	-
Differences between the employer's contributions and the employer's proportionate share of contributions	-	1,343,348
Net differences between projected and actual earnings on plan investments	590,082	-
<b>Totals</b>	<b>\$ 6,472,295</b>	<b>\$ 1,433,785</b>

\$2,853,764 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	\$ 478,083
2023	818,280
2024	592,719
2025	295,664
2026	-
Thereafter	-

**(e) Payable to the Pension Plan**

At June 30, 2021, the Town reported a payable of \$106,634 and \$91,870 for the outstanding amount of contributions to the Miscellaneous Agent Multiple-Employer Plan and the Safety Cost-Sharing Plan.

**TOWN OF LOS GATOS, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

---

**NOTE 9 - EMPLOYEES' RETIREMENT PLAN, CONTINUED**

**(f) IRS Section 115 Trust**

During the fiscal year ending June 30, 2020, the Town established an IRS Section 115 Trust with the CalPERS California Employer' Pension Prefunding Trust (CEPPT) program. In fiscal year 2021, the Town used the balance of \$706,988 to contribute an additional amount to CalPERS for the Miscellaneous Plan. This payment is included in the deferred outflows amount of \$6,872,036 for contributions made after the measurement date for the Miscellaneous Plan.

**NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS**

**Plan Description** - The Town makes contributions to California Employer's Retiree Benefit Trust (CERBT), an agent multiple-employer defined benefit healthcare plan administered by CalPERS. The purpose of the CERBT Fund is to provide California government employers with a trust through which they may prefund retiree medical costs and Other Post-Employment Benefits (OPEB). The Town uses CERBT 1 as its investment vehicle and requests disbursements on an as needed basis to reimburse the Town for the cost of retiree health insurance benefits. Benefit provisions and all other requirements are established by state statute and Town ordinance. Copies of PERS' annual financial report may be obtained from their Executive Office, 400 P Street, Sacramento, CA 95814.

In accordance with the Public Employees' Medical and Hospital Care Act (PEMHCA), employees qualify for retiree health benefits upon five (5) years of service if they meet the vesting requirements as set forth by CalPERS and take a service or disability retirement from Town employment. Additionally, the employee must actually draw a CalPERS pension within ninety (90) days of separation from the Town, provided the employee remains with the Town's health plan through COBRA. For employees who retire on or after February 1, 2016, at Medicare eligibility, the Town will align contributions to the full cost of the employee's enrollment, including enrollment of family members, in a health benefits plan or plans up to a maximum of 100% Single Party and 90% Dependents for Kaiser Bay Area Basic/Medicare/Combo per month. During negotiations in fiscal year 2018/19, the Town's discretionary retiree medical benefit contribution was eliminated for all future hires.

Upon retirement, employees have the option to roll over their sick leave accrual into a Town-managed fund. Employees can request reimbursement of medical expenses from the fund up to the value of their sick leave at retirement.

**Contributions** - The contribution requirements of plan members and the Town are established and may be amended by the Town. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined by the Town. For the measurement period July 1, 2019-June 30, 2020, the Town contributed \$2,508,306 to the plan which included \$1,198,608 of cash benefit payments, administrative fees of \$8,373, and \$201,325 of implied subsidy benefit payments. All related obligations are paid from the Town's General Fund.

**TOWN OF LOS GATOS, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS, CONTINUED**

**Covered Participants**

Inactive employees or beneficiaries currently receiving benefits	136
Inactive employees entitled to but not yet receiving benefits	43
Active employees	<u>150</u>
Total	<u><u>329</u></u>

**Actuarial Methods and Assumptions** - Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

For the June 30, 2019 actuarial valuation, the actuarial assumptions used are as follows:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	6.75%
Inflation	2.75%
Contribution Policy	Pre-funded through CERBT with the Strategy 1 asset allocation Town contributes at least the ADC
Salary Increases	Aggregate - 3% annually Merit - CalPERS 1997-2015 Experience Study
Projected Salary Increase	3.00%
Investment Rate of Return	6.75%
Mortality, Retirement, Disability, Termination	CalPERS 1997-2015 Experience Study
Mortality Improvement	Post-retirement mortality projected fully generational with Scale MP-2019
Healthcare Trend	Non-Medicare - 7.25% for 2021, decreasing to an ultimate rate of 4.0% in 2076 Medicare - 6.3% for 2021, decreasing to an ultimate rate of 4.0% in 2076
Participation at Retirement	Tier 1 Actives in insurance program: 100% Tier 1 Actives in cash allocation program: 80% Tier 2 Actives in insurance program: 60% Tier 2 Actives in cash allocation program: Agency service < 3 months: 60% Agency service >= 3 months: 40% Waived retirees aged <65: 20% Waived retirees aged ≥65: 0%

**TOWN OF LOS GATOS, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

---

**NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS, CONTINUED**

The long-term expected rate of return on OPEB plan investments in CERBT 1 was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation*	Expected Real Rate of Return
Public Equity	59%	4.82%
Fixed Income	25%	1.47%
TIPS	5%	1.29%
Commodities	3%	0.84%
REITs	8%	3.76%
Assumed Long-Term Rate of Inflation		2.75%
Expected Long-Term Net Rate of Return, Rounded		6.75%

The long-term expected real rates of return are presented as geometric means

\* Policy target effective October 1, 2018.

**Discount Rate** - The discount rate used to measure the total OPEB liability was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that Town contributions will be made equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.



**TOWN OF LOS GATOS, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS, CONTINUED**

**Net OPEB Liability** – The net OPEB liability is calculated by subtracting the fiduciary net position (FNP) of the Plan from the total OPEB liability as determined by the actuary. The table that follows displays the changes that applied to the total OPEB liability, FNP, and Net OPEB liability during the measurement period of July 1, 2019 through June 30, 2020.

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability/(Asset)
<b>Balance at June 30, 2020</b> <b>(6/30/19 measurement date)</b>	\$ 27,497,929	\$ 18,371,542	\$ 9,126,387
<b>Changes in the year:</b>			
Service cost	1,159,152	-	1,159,152
Interest	1,887,105	-	1,887,105
Differences between actual and expected experience	-	-	-
Changes in assumptions	(533,825)	-	(533,825)
Changes in benefit terms	-	-	-
Contributions - employer	-	2,508,306	(2,508,306)
Contributions - employee	-	-	-
Net investment income	-	652,656	(652,656)
Administrative expenses	-	(17,357)	17,357
Benefit payments , including refunds of employee contributions	(1,399,933)	(1,399,933)	-
<b>Net changes</b>	<b>1,112,499</b>	<b>1,743,672</b>	<b>(631,173)</b>
<b>Balance at June 30, 2021</b> <b>(6/30/20 measurement date)</b>	<b>\$ 28,610,428</b>	<b>\$ 20,115,214</b>	<b>\$ 8,495,214</b>

Due to these changes, the Town achieved an OPEB Plan funding status of 70.3% for the June 30, 2020 measurement date.

Measurement Date	Fiscal Year Ending	
	6/30/2021	6/30/2020
6/30/2020	6/30/2020	6/30/2019
Total OPEB Liability (TOL)	28,610,428	27,497,929
Fiduciary Net Position (FNP)	20,115,214	18,371,542
Net OPEB Liability (NOL)	8,495,214	9,126,387
Funded Status (FNP/TOL)	70.3%	66.8%

**TOWN OF LOS GATOS, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS, CONTINUED**

**Sensitivity of Actuarial Assumptions** – The following tables indicate how much the net OPEB liability varies if the discount rate and healthcare trend rate used to calculate the liability are increased or decreased by one percentage point.

<u>Discount Rate</u>	1% Decrease (5.75%)	Current Rate (6.75%)	1% Increase (7.75%)
Net OPEB Liability	\$ 12,103,433	\$ 8,495,214	\$ 5,503,087

<u>Healthcare Trend</u>	1% Decrease	Current Trend	1% Increase
Net OPEB Liability	\$ 5,682,510	\$ 8,495,214	\$ 11,413,048

**OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB** – Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. Partial amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The recognition period differs depending on the source of the gain or loss. Investment gains and losses are spread evenly over a 5-year period. All other deferred outflows and inflows created during the measurement period are recognized over a 5.9-year period. The total OPEB expense recognized in the fiscal year ending June 30, 2021 was \$1,668,119 and the Town reported deferrals from the following sources:

	<u>OPEB</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
• Employer contributions made subsequent to the measurement date	\$ 2,096,847	\$ -
• Changes in assumptions	-	702,915
• Difference between expected and actual experiences	-	98,687
• Net difference between projected and actual earnings on plan investments	<u>381,722</u>	<u>-</u>
Totals	<u>\$ 2,478,569</u>	<u>\$ 801,602</u>

**TOWN OF LOS GATOS, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

---

**NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS, CONTINUED**

The \$2,096,847 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2020 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources related to OPEB will be recognized as expense as follows:

Fiscal Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	\$ (155,976)
2023	(79,976)
2024	(46,917)
2025	(55,581)
2026	(81,430)
Thereafter	-

**NOTE 11 - RISK MANAGEMENT**

The Town participates in the following public entity risk pools through formally organized and separate legal entities. The Town does not have an equity interest in the joint ventures. These entities exercise full powers and authorities within the scope of the related agreements including the preparation of annual budgets, accountability for all funds, the power to make and execute contracts and the right to sue and be sued. Obligations and liabilities of the separate entities are not those of the Town, although the Town retains an ongoing financial interest or an ongoing financial responsibility.

**Pooled Liability Assurance Network Joint Powers Authority (PLAN JPA)** - The Town participates in PLAN, which covers general liability claims in the amount up to \$5,000,000 plus \$25,000,000 in excess liability for total coverage of \$30,000,000 per occurrence. The Town has a deductible or uninsured liability of up to \$50,000 per claim. PLAN also provides all risk property coverage of \$1,000,000,000, excluding flood and earthquake coverage. The Town has a \$5,000 deductible for property and vehicle damage. Once the Town's deductible is met, PLAN becomes responsible for payment of all claims up to the limit. Financial statements may be obtained from PLAN at 1750 Creekside Drive, Suite 200, Sacramento, CA, 95833.

**Local Agency Workers' Compensation Joint Powers Authority (LAWCX)** - The Town is a member of LAWCX for coverage of workers' compensation claims. The Town has a \$250,000 self-insured retention level or uninsured liability for all employees. Once the Town's deductible is met, LAWCX becomes responsible for claims up to \$5,000,000. For claims greater than \$5,000,000, LAWCX has a commercial policy providing coverage. Financial statements may be obtained from LAWCX at 1750 Creekside Oaks Dr., Suite 200, Sacramento, California, 95833. The Town has not significantly reduced its insurance coverage from the prior year and settlements have not exceeded insurance coverage for the past three years.

**Liability for Uninsured Claims** - The Town is required to record its liability for uninsured claims and to reflect the current portion of this liability as an expenditure in its financial statements. As discussed above, the Town has coverage for such claims, but it has retained the risk for the deductibles, or uninsured portion of these claims.

**TOWN OF LOS GATOS, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 11 - RISK MANAGEMENT, CONTINUED**

The change in Workers' Compensation and Self-Insurance Service Funds' claims liabilities, is based on historical trend information provided by its third party administrator and was computed as follows as of June 30, 2021:

	Workers' Compensation Internal Service Fund	Self- Insurance Internal Service Fund	Total
Claims payable balance - June 30, 2019	\$ 1,052,195	\$ 56,038	\$ 1,108,233
Claims incurred	1,007,872	2,786	1,010,658
Claims paid	<u>(868,681)</u>	<u>(1,799)</u>	<u>(870,480)</u>
Claims payable balance - June 30, 2020	1,191,386	57,025	1,248,411
Claims incurred	(207,704)	143,565	(64,139)
Claims paid	511,800	-	511,800
Claims payable balance - June 30, 2021	<u>\$ 1,495,482</u>	<u>\$ 200,590</u>	<u>\$ 1,696,072</u>

**NOTE 12 - COMMITMENTS AND CONTINGENCIES**

**Federal and State Grants** - The Town participates in several federal and state grant programs. These are subject to examination by grantors and the amount, if any, of disallowed expenditures cannot be determined at this time. The Town expects such amounts, if any, to be immaterial.

**Litigation** - The Town is subject to litigation arising from the normal course of business. The Town Attorney believes there is no pending litigation which is likely to have a material adverse effect on the financial position of the Town.

**Successor Agency** - As of June 30, 2021, the Successor Agency Trust fund reported a net deficit of \$3,661,204.

**Encumbrances** - As of June 30, 2021, the Town had the following encumbered balances that were carried into the next fiscal year:

General Fund	\$ 877,127
Appropriated Reserves Fund	9,068,514
Non-major Governmental Funds	872,715
Proprietary Funds	<u>251,828</u>
Total Encumbrances	<u>\$ 11,070,184</u>

**NOTE 13 - TOWN/SUCCESSOR AGENCY GRANTS, COOPERATIVE AGREEMENTS**

**Public Improvement Grants and Cooperative Agreements**

In January of 2011, the Redevelopment Agency entered into a public improvement grant and cooperative agreement with the Town for the purpose of funding the acquisition of public land and designing and constructing various public improvements to be owned by the Town provided that the projects were in accordance with the Redevelopment Agency's five year implementation plan and redevelopment plan.

**TOWN OF LOS GATOS, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

---

**NOTE 13 - TOWN/SUCCESSOR AGENCY GRANTS, COOPERATIVE AGREEMENTS, CONTINUED**

The improvement plan, as identified in the agreement, called for approximately \$24 million to be granted to the Town for the following projects:

- a. Expansion and improvement of current and new downtown parking
- b. Highway 9 improvements from Highway 17 to Monte Sereno
- c. Almond Grove Area street, sidewalk and other improvements
- d. Downtown Los Gatos gateways, signage, banners and art
- e. Storm drain, retaining wall, street and other improvements
- f. New Los Gatos library building

During the fiscal year ended June 30, 2012, the rights and obligations resulting from this cooperative agreement were transferred to the Successor Agency Trust Fund as a part of the Town's dissolution of its Redevelopment Agency.

**Affordable Housing Cooperative Agreement**

In March of 2011, the Redevelopment Agency entered into an affordable housing cooperative agreement with the Town for the purpose of funding affordable housing projects and programs to be developed and/or administered by the Town in accordance with the Redevelopment Agency's five year implementation plan and redevelopment plan. The improvement plan, as identified in the agreement, called for approximately \$16 million to be granted to the Town for the following projects:

- a. Development of affordable housing at 224 Main St.
- b. Development of affordable housing at Dittos Lane
- c. Partnership with Senior Housing Solutions for the creation of senior housing in Los Gatos
- d. Partnerships for the conversion of existing residential developments dedicated to affordable housing
- e. Grants to the Santa Clara County Housing Trust for the development of affordable housing.

During the fiscal year ended June 30, 2012, the rights and obligations resulting from this cooperative agreement were transferred to the Successor Agency Trust Fund as a part of the Town's dissolution of its Redevelopment Agency.

**TOWN OF LOS GATOS, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 14 – PRIOR PERIOD ADJUSTMENTS**

Beginning fund balances of \$526,817 of Library Trust funds formerly reported as private purpose trust funds were reclassified to be reported as part of the special revenue governmental funds. This reclassification is in recognition of the criteria established by GASB Statement 84 and further authoritative guidance regarding the restrictions on the use of private purpose trust fund classifications, resulting in a restatement of net position:

	Net Position, as Previously Reported	Prior Period Adjustment Reclassification of Library Trust Fund to Special Revenue Fund	Net Position, as Restated
Fund Financial Statements:			
Other Nonmajor Governmental Funds	\$ 6,763,657	\$ 526,815	\$ 7,290,472
Fiduciary Funds	\$ (4,403,577)	\$ (526,815)	\$ (4,930,392)
Government-Wide Statements			
Governmental Activities	\$ 114,851,031	\$ 526,815	\$ 115,377,846

**NOTE 15 – COVID-19 PANDEMIC PROGRAMS**

A balance of \$200,901 is reported as Due to Other Funds in the Governmental Funds Balance Sheet. The entire balance of \$200,901 represents amounts due to the General Fund from the American Rescue Plan Act (ARPA) Special Revenue fund.

Due to the unprecedented economic dislocations associated with the pandemic the Federal government initiated two federal relief programs designed to provide direct funding to states and cities.

The first program, the Coronavirus Aid, Relief, and Economic Security (CARES) Act established a \$150 billion Coronavirus Relief Fund. Federal law specifies that these funds may only be used for unbudgeted costs incurred between March 1, 2020 and December 31, 2020. Control Section 11.90 of the 2021 Budget Act extended the expenditures deadline for cities, counties and community colleges to September 1, 2021. The Budget Act authorized the California Department of Finance to allocate \$1,289,065,000 to address the public health and public safety impacts of COVID-19, including homelessness. Pursuant to the provisions of Control Section 11.90, cities with populations between 300,000 and 500,000 were allocated \$225 million and cities with populations less than 300,000 were allocated \$275 million. Allocations Generally for cities were derived using the proportional share of the State population. The Town of Los Gatos nonrecurring allocation of \$388,181 was received in July 2020.

The CARES Act established six eligible expense categories, as follows:

- (A) Medical Expenses;
- (B) Public Health Expenses;
- (C) Substantially Dedicated Payroll Expenses;
- (D) Comply with Public Health Measures and Mitigate the Effects of COVID-19;
- (E) Economic Support; or
- (F) Other

**TOWN OF LOS GATOS, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

---

The entire CARES Act amount of the \$388,181 was recognized as revenue in FY 2020/21 and categorized as Operating Grants and Contributions in the Statement of Activities Schedule, and Intergovernmental Revenues in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance Schedule.

On March 11, 2021, the second program, the American Rescue Plan Act (ARPA) was signed into law by President Biden. The \$1.9 trillion package (the Act) provides financial aid to families, governments, businesses, schools, non-profits and others impacted by the COVID-19 public health crisis. Of the \$1.9 trillion, \$350 billion is being directed toward state and local governments. All 19,000 municipal governments are entitled to a direct, non-competitive federal formula grant from the U.S. Treasury Department. The portion allocated to cities, towns, and villages totals \$65.1 billion of which \$19.5 billion is obligated toward cities with less than 50,000 residents. The Act will allocate \$7,229,744 to the Town over a two year period. The first tranche payment of \$3,614,872 was received on July 13, 2021, and the second payment no earlier than 12 months after the first payment.

Section 603. CORONAVIRUS LOCAL FISCAL RECOVERY FUND of the Act identified four eligible uses for funding, as follows:

- (A) to respond to the public health emergency with respect to the Coronavirus Disease 2019 (COVID-19) or its negative economic impacts, including assistance to households, small businesses, and nonprofits, or aid to impacted industries such as tourism, travel, and hospitality;
- (B) to respond to workers performing essential work during the COVID-19 public health emergency by providing premium pay to eligible workers of the metropolitan city, nonentitlement unit of local government, or county that are performing such essential work, or by providing grants to eligible employers that have eligible workers who perform essential work;
- (C) for the provision of government services to the extent of the reduction in revenue of such metropolitan city, nonentitlement unit of local government, or county due to the COVID-19 public health emergency relative to revenues collected in the most recent full fiscal year of the metropolitan city, nonentitlement unit of local government, or county prior to the emergency; or
- (D) to make necessary investments in water, sewer, or broadband infrastructure.

Initial budgetary estimates programmed approximately \$1.4 million in ARPA funding to close anticipated revenue shortfalls in FY 2020/21. With actual revenues performing better in several areas and expenditure savings being better than projected, ARPA funding was not required for revenue loss. For FY 2020/21 \$200,901 of ARPA proceeds was recognized as revenue to reimburse the Town for qualifying expenditures under the provisions of the Act including boosting economic recovery and providing rent forgiveness and direct grants to non-profit organizations. The \$200,901 was categorized as Operating Grants and Contributions in the Statement of Activities Schedule, and Intergovernmental Revenues in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance Schedule. The remainder of ARPA proceeds will be recognized as revenues in the current and future fiscal years with eligible expenses. The proceeds not spent remain in the Town deposit account.

Draft  
12/16/2021

**Required Supplementary Information**



**TOWN OF LOS GATOS, CALIFORNIA**

**ANNUAL COMPREHENSIVE FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

***Schedule of Proportionate Share of Net Pension Liability – CalPERS Misc. Agent-Multiple Employer Plan\****

Measurement Date	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2018</u>
<b>Total Pension Liability</b>			
Service Cost	\$ 1,930,090	\$ 1,771,368	\$ 1,700,438
Interest on total pension liability	7,729,269	7,381,846	7,073,843
Difference between expected and actual experience	1,465,653	1,082,289	994,994
Changes in assumptions	-	-	(655,541)
Changes in benefits	-	-	-
Benefit payments, including refunds of employee contributions	<u>(5,958,101)</u>	<u>(5,720,232)</u>	<u>(5,448,374)</u>
<b>Net change in total pension liability</b>	<b>5,166,911</b>	<b>4,515,271</b>	<b>3,665,360</b>
<b>Total pension liability - beginning</b>	<b><u>108,650,008</u></b>	<b><u>104,134,737</u></b>	<b><u>100,469,377</u></b>
<b>Total pension liability - ending (a)</b>	<b><u>\$ 113,816,919</u></b>	<b><u>\$ 108,650,008</u></b>	<b><u>\$ 104,134,737</u></b>
<b>Plan fiduciary net position</b>			
Contributions - employer	8,146,791	3,049,748	2,669,104
Contributions - employee	834,145	846,125	761,705
Plan to plan resource movement	-	-	(170)
Projected Earnings on Plan Investments	-	-	-
Recognized Difference between Projected and Actual Earnings	-	-	-
Net Investment Income	3,913,294	4,759,034	5,883,868
Net Difference between Projected and Actual Earnings	-	-	-
Benefit payments, including refunds of employee contribution	(5,958,101)	(5,720,232)	(5,448,374)
Administrative Expenses	(107,303)	(52,260)	(108,582)
Other Miscellaneous Income/(Expense) <sup>1</sup>	-	170	(206,199)
<b>Net change in plan fiduciary net position</b>	<b>6,828,826</b>	<b>2,882,585</b>	<b>3,551,352</b>
<b>Plan fiduciary net position - beginning</b>	<b><u>76,114,760</u></b>	<b><u>73,232,175</u></b>	<b><u>69,680,823</u></b>
<b>Plan fiduciary net position - ending (b)</b>	<b><u>\$ 82,943,586</u></b>	<b><u>\$ 76,114,760</u></b>	<b><u>\$ 73,232,175</u></b>
Net pension liability - ending (a) - (b)	\$ 30,873,333	\$ 32,535,248	\$ 30,902,562
Plan fiduciary net position as a percentage of the total pension liability	72.87%	70.05%	70.32%
Covered payroll	11,743,677	10,211,967	9,576,157
Net pension liability as a percentage of covered payroll	262.89%	318.60%	322.70%

\* Fiscal Year 2015 was the first year of implementation, therefore only seven years are shown

1. During Fiscal Year 2017-18, as a result of GASB No. 75, CalPERS reported its proportionate share of activity related to postemployment benefit for participation in the State of California's agent OPEB plan. Accordingly, CalPERS recorded a one-time expense as a result of the adoption of GASB75. Additionally, CalPERS employees participate in various State of California agent pension plans and during FY2017-18, CalPERS recorded a correction to previously reported financial statements to properly reflect its proportionate share of activity related to

TOWN OF LOS GATOS, CALIFORNIA

ANNUAL COMPREHENSIVE FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>	<u>6/30/2014</u>
\$ 1,651,550	\$ 1,560,679	\$ 1,491,925	\$ 1,579,547
6,820,536	6,697,247	6,483,032	6,268,015
(892,479)	(357,870)	(623,495)	-
5,481,432	-	(1,513,132)	-
-	-	-	-
<u>(5,138,083)</u>	<u>(4,953,756)</u>	<u>(4,748,786)</u>	<u>(4,241,487)</u>
7,922,956	2,946,300	1,089,544	3,606,075
<u>92,546,421</u>	<u>89,600,121</u>	<u>88,510,577</u>	<u>84,904,502</u>
<u>\$100,469,377</u>	<u>\$ 92,546,421</u>	<u>\$ 89,600,121</u>	<u>\$ 88,510,577</u>
2,407,496	2,223,782	1,941,765	1,796,079
682,891	691,770	679,796	668,167
-	(28,866)	22,561	-
-	-	-	4,328,173
-	-	-	1,166,344
7,171,443	369,185	1,470,873	-
-	-	-	4,665,374
(5,138,083)	(4,953,756)	(4,748,786)	(4,241,487)
(95,455)	(40,462)	(74,706)	-
-	-	-	-
<u>5,028,292</u>	<u>(1,738,347)</u>	<u>(708,497)</u>	<u>8,382,650</u>
<u>64,652,531</u>	<u>66,390,878</u>	<u>67,099,375</u>	<u>58,716,725</u>
<u>\$ 69,680,823</u>	<u>\$ 64,652,531</u>	<u>\$ 66,390,878</u>	<u>\$ 67,099,375</u>
\$ 30,788,554	\$ 27,893,890	\$ 23,209,243	\$ 21,411,202
69.36%	69.86%	74.10%	75.81%
9,024,370	9,198,318	8,487,940	8,406,315
341.17%	303.25%	273.44%	254.70%

**TOWN OF LOS GATOS, CALIFORNIA**

**ANNUAL COMPREHENSIVE FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

***Schedule of Proportionate Share of Net Pension Liability – CalPERS Safety Cost-Sharing Plan***

<b>Measurement Date</b>	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2018</u>
Proportion of the net pension liability	0.24100%	0.24100%	0.23583%
Proportionate share of the net pension liability	\$27,149,916	\$24,695,687	\$22,725,267
Covered payroll*	\$ 4,928,821	\$ 4,445,061	\$ 5,079,440
Proportionate share of the net pension liability as percentage of covered payroll	550.84%	555.58%	447.40%
Plan fiduciary net position as a percentage of of the total pension liability	75.10%	75.26%	75.26%

\* For the year ending on the measurement date.

<b>Measurement Date</b>	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>	<u>6/30/2014</u>
Proportion of the net pension liability	0.22603%	0.22394%	0.14860%	0.28588%
Proportionate share of the net pension liability	\$22,415,954	\$19,377,843	\$10,199,904	\$17,788,690
Covered payroll*	\$ 4,941,138	\$ 5,022,498	\$ 4,897,104	\$ 4,916,535
Proportionate share of the net pension liability as percentage of covered payroll	453.66%	385.82%	208.28%	361.81%
Plan fiduciary net position as a percentage of of the total pension liability	73.31%	74.06%	78.40%	75.66%

\* For the year ending on the measurement date.

Fiscal year 2015 was the 1st year of implementation, therefore only seven years are shown

**TOWN OF LOS GATOS, CALIFORNIA**

**ANNUAL COMPREHENSIVE FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

***Schedule of Pension Plan Contributions – Miscellaneous Agent Multiple-Employer Plan\****

<b>Fiscal Year</b>	<b><u>2021</u></b>	<b><u>2020</u></b>	<b><u>2019</u></b>	
Contractually Determined Contribution	\$ 3,529,373	\$ 3,366,304	\$ 3,049,748	
Contributions in Relation to the Contractually Determined Contribution	<u>(9,160,680)</u>	<u>(8,146,791)</u>	<u>(3,049,748)</u>	
Contribution Deficiency (Excess)	\$ (5,631,307)	\$ (4,780,487)	\$ -	
Covered Payroll	\$12,084,205	\$11,743,677	\$10,211,967	
Contributions as a Percentage of Covered Payroll	29.21%	28.66%	29.86%	
<b>Fiscal Year</b>	<b><u>2018</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>
Contractually Determined Contribution	\$ 2,669,133	\$ 2,407,496	\$ 2,223,782	\$ 1,941,765
Contributions in Relation to the Contractually Determined Contribution	<u>(2,669,133)</u>	<u>(2,407,496)</u>	<u>(2,223,782)</u>	<u>(1,941,765)</u>
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 9,576,157	\$ 9,024,370	\$ 9,198,318	\$ 8,487,940
Contributions as a Percentage of Covered Payroll	27.87%	26.68%	24.18%	22.88%

\* Fiscal year 2015 was the first year of implementation, therefore only seven years are shown

**TOWN OF LOS GATOS, CALIFORNIA**

**ANNUAL COMPREHENSIVE FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

***Schedule of Pension Plan Contributions – Safety Cost-Sharing Plan\****

<b>Fiscal Year</b>	<u><b>2021</b></u>	<u><b>2020</b></u>	<u><b>2019</b></u>
Contractually Determined Contribution	\$ 2,853,764	\$ 2,565,205	\$ 2,325,357
Contributions in Relation to the Contractually Determined Contribution	<u>(2,853,764)</u>	<u>(2,565,205)</u>	<u>(2,325,357)</u>
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
Covered Payroll	\$ 5,178,418	4,928,821	4,445,061
Contributions as a Percentage of Covered Payroll	55.11%	52.05%	52.31%

<b>Fiscal Year</b>	<u><b>2018</b></u>	<u><b>2017</b></u>	<u><b>2016</b></u>	<u><b>2015</b></u>
Contractually Determined Contribution	\$ 1,951,711	\$ 1,738,150	\$ 1,586,129	\$ 1,999,757
Contributions in Relation to the Contractually Determined Contribution	<u>(1,951,711)</u>	<u>(1,738,150)</u>	<u>(1,586,129)</u>	<u>(1,999,757)</u>
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
Covered Payroll	5,079,440	4,941,138	5,022,498	4,897,104
Contributions as a Percentage of Covered Payroll	38.42%	35.18%	31.58%	40.84%

\* Fiscal year 2015 was the first year of implementation, therefore only seven years are shown

**TOWN OF LOS GATOS, CALIFORNIA**

**ANNUAL COMPREHENSIVE FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

---

***Actuarial Methods and Assumptions used for Pension Contractually Required Contributions for FY2021***

Actuarial Cost Method	Entry Age Normal
Amortization Method	For details, see June 30, 2018 CalPERS Funding Valuation Report
Amortization Period	For details, see June 30, 2018 CalPERS Funding Valuation Report
Asset Valuation Method	Fair Value of Assets. For details, see June 30, 2018 CalPERS Funding Valuation Report
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Payroll Growth	2.75%
Investment Rate of Return	7.0% Net of Pension Plan Investment and Administrative Expenses; includes Inflation.
Retirement Age	CalPERS 1997-2015 experience study
Mortality	CalPERS 1997-2015 experience study Pre-retirement and post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.

Draft  
12/16/2021

**TOWN OF LOS GATOS, CALIFORNIA**

**ANNUAL COMPREHENSIVE FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

***Schedule of Changes in Net OPEB Liability and Related Ratios\****

Measurement Date	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2017</u>
<b>Changes in Total OPEB Liability</b>				
Service Cost	\$ 1,159,152	\$ 1,203,274	\$ 1,168,227	\$ 1,134,000
Interest on total OPEB liability	1,887,105	1,814,072	1,706,270	1,607,000
Difference between expected and actual experience	-	(149,297)	-	-
Changes in assumptions	(533,825)	(392,681)	-	-
Benefit payments	(1,399,933)	(1,298,623)	(1,326,313)	(1,269,000)
<b>Net change in total OPEB liability</b>	<b>1,112,499</b>	<b>1,176,745</b>	<b>1,548,184</b>	<b>1,472,000</b>
<b>Total OPEB liability - beginning</b>	<b>27,497,929</b>	<b>26,321,184</b>	<b>24,773,000</b>	<b>23,301,000</b>
<b>Total OPEB liability - ending (a)</b>	<b>\$ 28,610,428</b>	<b>\$ 27,497,929</b>	<b>\$ 26,321,184</b>	<b>\$ 24,773,000</b>
<b>Changes in plan fiduciary net position</b>				
Contributions - employer	2,508,306	2,406,636	2,935,313	3,878,000
Contributions - employee	-	-	-	-
Net Investment Income	652,656	1,009,315	1,082,977	1,049,000
Benefit payments	(1,399,933)	(1,298,623)	(1,326,313)	(1,269,000)
Administrative Expenses	(17,357)	(11,502)	(34,261)	(14,000)
<b>Net change in plan fiduciary net position</b>	<b>1,743,672</b>	<b>2,105,826</b>	<b>2,657,716</b>	<b>3,644,000</b>
<b>Plan fiduciary net position - beginning</b>	<b>18,371,542</b>	<b>16,265,716</b>	<b>13,608,000</b>	<b>9,964,000</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 20,115,214</b>	<b>\$ 18,371,542</b>	<b>\$ 16,265,716</b>	<b>\$ 13,608,000</b>
Net OPEB liability - ending (a) - (b)	\$ 8,495,214	\$ 9,126,387	\$ 10,055,468	\$ 11,165,000
Plan fiduciary net position as a percentage of the total OPEB liability	70.3%	66.8%	61.8%	54.9%
Covered-employee payroll	\$ 17,406,541	\$ 17,338,201	\$ 16,192,060	\$ 14,985,716
Net OPEB liability as a percentage of covered-employee payroll	48.80%	52.64%	62.10%	74.50%

\* Fiscal year 2018 was the first year of implementation

***Schedule of Employer Contributions\****

Fiscal Year	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially Determined Contribution (ADC)	\$ 1,859,000	\$ 2,172,000	\$ 2,108,000	\$ 2,129,000
Actual Contributions	2,096,847	2,508,306	2,406,636	2,935,000
Contribution deficiency/(excess)	(237,847)	(336,306)	(298,636)	(806,000)
Covered-employee payroll	\$17,982,237	\$17,406,541	\$17,338,201	\$14,985,716
Contributions as a percentage of covered-employee payroll	11.7%	14.4%	13.9%	19.6%

\* Fiscal year 2018 was the first year of implementation

**TOWN OF LOS GATOS, CALIFORNIA**

**ANNUAL COMPREHENSIVE FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

---

***Actuarial Methods and Assumptions used for 2020/21 OPEB Actuarially Determined Contribution***

Valuation Date	June 30, 2019
Actuarial Cost Method	Entry Age Normal, Level percentage of pay
Amortization Method	Level percentage of pay
Amortization Period	18-year fixed period for 2020/21
Asset Valuation Method	Investment gains and losses spread over 5-year rolling period
Discount Rate	6.75%
General Inflation	2.75%
Medical Trend	Non-medicare - 7.25% for 2021, decreasing to an ultimate rate of 4.0% in 2076 Medicare - 6.3% for 2021, decreasing to an ultimate rate of 4.0% in 2076
Mortality	CalPERS 1997-2015 experience study
Mortality Improvement	Post-retirement mortality projected fully generational with Scale MP-2019

DRAFT  
12/16/2021



Draft  
12/16/2021

**Supplementary Information**

**TOWN OF LOS GATOS, CALIFORNIA**

**ANNUAL COMPREHENSIVE FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

**MAJOR GOVERNMENTAL FUND BUDGET SCHEDULES  
(OTHER THAN THE GENERAL FUND) AND  
NONMAJOR GOVERNMENTAL FUNDS**

---

***Schedule of Revenue, Expenditures and Changes in Fund Balances – Budget and Actual (GAAP):***

**Appropriated Reserves Fund** is used to account for resources provided for capital projects not fully funded from other sources.

***Capital Projects Funds:***

**Storm Drain Basin Funds** were established to account for fees paid in conjunction with the development in specified drainage areas.

**Construction Tax Funds** were established to account for tax levies on building additions or alterations including capital improvements, underground utilities and parks.

**Gas Tax Fund** was established to account for revenue and expenditures under the State of California Streets and Highways Code Sections 2106, 2107 and 2107.5, as well as for the Roads Maintenance Rehabilitation Act. The revenues must be used for the maintenance and construction of streets.

***Special Revenue Funds:***

**Community Development Block Grant Fund** was established to account for grant funds received and expended under the Community Development Act of 1974.

**Non-Point Source Maintenance Fund** was established to comply with obligations under the National Pollutant Discharge Elimination system permit issued by the California Regional Water Quality Control Board.

**Lighting and Landscape Fund** was established to account for maintenance of trees, landscaping, irrigation systems and lighting within the boundaries of Tract No. 8439.

**ARPA Fund** was established to account for monies received under the American Rescue Plan Act of 2021 to respond to the COVID-19 emergency.

**Library Trust Fund** was established to provide for the servicing of donations and bequests to the Town's Library Program.

**TOWN OF LOS GATOS  
 APPROPRIATED RESERVES FUND  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL (GAAP)  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>				
Licenses & permits	\$ 110,000	\$ 110,000	\$ 473,427	\$ 363,427
Intergovernmental	2,239,863	7,547,085	630,035	(6,917,050)
Charges for services	1,429,080	2,837,369	1,199,697	(1,637,672)
Interest	-	-	35,312	35,312
Use of Property	-	48,000	4,000	(44,000)
Other	-	20,755	48,818	28,063
Total Revenues	<u>3,778,943</u>	<u>10,563,209</u>	<u>2,391,289</u>	<u>(8,171,920)</u>
<b>EXPENDITURES</b>				
Capital outlay	<u>7,371,447</u>	<u>25,386,926</u>	<u>5,675,604</u>	<u>19,711,322</u>
Total Expenditures	<u>7,371,447</u>	<u>25,386,926</u>	<u>5,675,604</u>	<u>19,711,322</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(3,592,504)</u>	<u>(14,823,717)</u>	<u>(3,284,315)</u>	<u>11,539,402</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from issuance of debt	-	1,439,995	1,560,336	120,341
Transfers in	3,401,479	3,436,479	3,401,479	(35,000)
Transfers (out)	<u>(427,616)</u>	<u>(427,616)</u>	<u>(427,616)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>2,973,863</u>	<u>4,448,858</u>	<u>4,534,199</u>	<u>85,341</u>
<b>CHANGE IN FUND BALANCE</b>	<u>\$ (618,641)</u>	<u>\$ (10,374,859)</u>	<u>1,249,884</u>	<u>\$ 11,624,743</u>
<b>BEGINNING FUND BALANCE</b>			<u>13,866,028</u>	
<b>ENDING FUND BALANCE</b>			<u>\$ 15,115,912</u>	

**TOWN OF LOS GATOS  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEETS  
JUNE 30, 2021**

	CAPITAL PROJECTS FUNDS			Total Capital Projects Funds
	Storm Drains Funds	Construction Tax Fund	Gas Tax Fund	
<b>ASSETS</b>				
Cash & Investments	\$ 2,917,690	\$ 3,203,736	\$ 1,318,887	\$ 7,440,313
Receivables:				
Accounts	-	-	-	-
Intergovernmental Receivable	-	-	106,209	106,209
Long Term Notes Receivable	-	-	-	-
Total Assets	<u>\$ 2,917,690</u>	<u>\$ 3,203,736</u>	<u>\$ 1,425,096</u>	<u>\$ 7,546,522</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ -	\$ 2,425	\$ -	\$ 2,425
Accrued Payroll and Benefits	-	-	-	-
Due to other governments	-	-	-	-
Unearned revenue	-	-	-	-
Due to other funds	-	-	-	-
Total Liabilities	-	<u>2,425</u>	-	<u>2,425</u>
<b>FUND BALANCE</b>				
Restricted for:				
Repairs and Maintenance	-	-	-	-
Library	-	-	-	-
Capital Projects	2,917,690	3,201,311	1,425,096	7,544,097
Committed to:				
Repairs and Maintenance	-	-	-	-
Assigned for:				
Special Revenue Funds	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	<u>2,917,690</u>	<u>3,201,311</u>	<u>1,425,096</u>	<u>7,544,097</u>
Total Liabilities and Fund Balances	<u>\$ 2,917,690</u>	<u>\$ 3,203,736</u>	<u>\$ 1,425,096</u>	<u>\$ 7,546,522</u>

(Continued)

SPECIAL REVENUE FUNDS

Community Development Fund	Non-Point Source Maintenance	Lighting and Landscaping	ARPA Fund	Library Trust	Total Special Revenue Funds	Total Nonmajor Governmental Funds
\$ 94,412	\$ 321,481	\$ 175,457	\$ -	\$ 554,726	\$ 1,146,076	\$ 8,586,389
-	57,904	-	-	-	57,904	57,904
58,344	-	109	200,911	-	259,364	365,573
78,752	-	-	-	-	78,752	78,752
<u>\$ 231,508</u>	<u>\$ 379,385</u>	<u>\$ 175,566</u>	<u>\$ 200,911</u>	<u>\$ 554,726</u>	<u>\$ 1,542,096</u>	<u>\$ 9,088,618</u>
\$ -	\$ 3,399	\$ 3,210	\$ -	\$ 1,799	\$ 8,408	\$ 10,833
-	4,747	-	-	-	4,747	4,747
-	-	-	-	50	50	50
64,855	-	-	-	-	64,855	64,855
-	-	-	200,911	-	200,911	200,911
<u>64,855</u>	<u>8,146</u>	<u>3,210</u>	<u>200,911</u>	<u>1,849</u>	<u>278,971</u>	<u>281,396</u>
-	-	172,356	-	-	172,356	172,356
-	-	-	-	552,877	552,877	552,877
-	-	-	-	-	-	7,544,097
-	-	-	-	-	-	-
166,653	371,239	-	-	-	537,892	537,892
-	-	-	-	-	-	-
<u>166,653</u>	<u>371,239</u>	<u>172,356</u>	<u>-</u>	<u>552,877</u>	<u>1,263,125</u>	<u>8,807,222</u>
<u>\$ 231,508</u>	<u>\$ 379,385</u>	<u>\$ 175,566</u>	<u>\$ 200,911</u>	<u>\$ 554,726</u>	<u>\$ 1,542,096</u>	<u>\$ 9,088,618</u>

(Concluded)

**TOWN OF LOS GATOS**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	CAPITAL PROJECTS FUNDS			
	Storm Drain Funds	Construction Tax Fund	Gas Tax Fund	Total Capital Projects Funds
<b>REVENUES</b>				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Other Taxes	-	67,146	-	67,146
License and permits	121,428	-	-	121,428
Intergovernmental	-	-	1,273,789	1,273,789
Fines and Forfeitures	-	-	-	-
Interest	36,597	40,618	10,178	87,393
Other	-	-	-	-
<b>Total Revenues</b>	<u>158,025</u>	<u>107,764</u>	<u>1,283,967</u>	<u>1,549,756</u>
<b>EXPENDITURES</b>				
Current:				
Parks and Public Works	-	-	-	-
Community Development	-	-	-	-
Sanitation and Other	-	-	-	-
Library	-	-	-	-
Capital Outlay	611	24,626	43,241	68,478
<b>Total Expenditures</b>	<u>611</u>	<u>24,626</u>	<u>43,241</u>	<u>68,478</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	157,414	83,138	1,240,726	1,481,278
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers (out)	-	-	(106,000)	(106,000)
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>(106,000)</u>	<u>(106,000)</u>
Changes in Fund Balances	157,414	83,138	1,134,726	1,375,278
Fund Balances - Beginning of year, as restated	2,760,276	3,118,173	290,370	6,168,819
Fund Balances - End of year	<u>\$ 2,917,690</u>	<u>\$ 3,201,311</u>	<u>\$ 1,425,096</u>	<u>\$ 7,544,097</u>

(Continued)

**SPECIAL REVENUE FUNDS**

Community Development Fund	Non-Point Source Maintenance	Lighting and Landscaping	ARPA Fund	Library Trust	Total Special Revenue Funds	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 38,593	\$ -	\$ -	\$ 38,593	\$ 38,593
-	-	-	-	-	-	67,146
-	231,322	-	-	-	231,322	352,750
-	68,155	-	200,911	-	269,066	1,542,855
-	-	1	-	-	1	1
-	-	2,389	-	6,785	9,174	96,567
-	-	-	-	38,392	38,392	38,392
-	299,477	40,983	200,911	45,177	586,548	2,136,304
-	-	53,957	-	-	53,957	53,957
-	-	-	200,911	-	200,911	200,911
-	166,173	-	-	-	166,173	166,173
-	-	-	-	19,115	19,115	19,115
-	-	-	-	-	-	68,478
-	166,173	53,957	200,911	19,115	440,156	508,634
-	133,304	(12,974)	-	26,062	146,392	1,627,670
-	-	(4,920)	-	-	(4,920)	(110,920)
-	-	(4,920)	-	-	(4,920)	(110,920)
-	133,304	(17,894)	-	26,062	141,472	1,516,750
166,653	237,935	190,250	-	526,815	1,121,653	7,290,472
<u>\$ 166,653</u>	<u>\$ 371,239</u>	<u>\$ 172,356</u>	<u>\$ -</u>	<u>\$ 552,877</u>	<u>\$ 1,263,125</u>	<u>\$ 8,807,222</u>

(Concluded)

**TOWN OF LOS GATOS**  
**BUDGETED NONMAJOR FUNDS**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL (GAAP)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	STORM DRAIN FUNDS			CONSTRUCTION TAX		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other taxes	-	-	-	30,000	67,146	37,146
License and permits	92,500	121,428	28,928	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	3,810,558	-	(3,810,558)
Fines and Forfeitures	-	-	-	-	-	-
Interest	11,840	36,597	24,757	22,490	40,618	18,128
Other	-	-	-	-	-	-
<b>Total Revenues</b>	<b>104,340</b>	<b>158,025</b>	<b>53,685</b>	<b>3,863,048</b>	<b>107,764</b>	<b>(3,755,284)</b>
<b>EXPENDITURES</b>						
Parks and public works	-	-	-	-	-	-
Community development	-	-	-	-	-	-
Sanitation and other	-	-	-	-	-	-
Library	-	-	-	-	-	-
Capital outlay	485,058	611	484,447	6,836,204	24,626	6,811,578
<b>Total Expenditures</b>	<b>485,058</b>	<b>611</b>	<b>484,447</b>	<b>6,836,204</b>	<b>24,626</b>	<b>6,811,578</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(380,718)</b>	<b>157,414</b>	<b>538,132</b>	<b>(2,973,156)</b>	<b>83,138</b>	<b>3,056,294</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Operating transfers (out)	-	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CHANGE IN FUND BALANCE</b>	<b>\$ (380,718)</b>	<b>157,414</b>	<b>\$ 538,132</b>	<b>\$ (2,973,156)</b>	<b>83,138</b>	<b>\$ 3,056,294</b>
<b>BEGINNING FUND BALANCE</b>		<b>2,760,276</b>			<b>3,118,173</b>	
<b>ENDING FUND BALANCE</b>		<b>\$ 2,917,690</b>			<b>\$ 3,201,311</b>	

(Continued)



GAS TAX			COMMUNITY DEVELOPMENT BLOCK GRANT			NON-POINT SOURCE MAINTANENCE		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	231,323	231,322	(1)
1,232,107	1,273,789	41,682	-	-	-	-	68,155	68,155
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
1,210	10,178	8,968	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>1,233,317</u>	<u>1,283,967</u>	<u>50,650</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>231,323</u>	<u>299,477</u>	<u>68,154</u>
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	205,850	166,173	39,677
-	-	-	-	-	-	-	-	-
1,291,952	43,241	1,248,711	-	-	-	-	-	-
<u>1,291,952</u>	<u>43,241</u>	<u>1,248,711</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>205,850</u>	<u>166,173</u>	<u>39,677</u>
(58,635)	1,240,726	1,299,361	-	-	-	25,473	133,304	107,831
(106,000)	(106,000)	-	-	-	-	-	-	-
(106,000)	(106,000)	-	-	-	-	-	-	-
<u>\$ (164,635)</u>	<u>1,134,726</u>	<u>\$ 1,299,361</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ 25,473</u>	<u>133,304</u>	<u>\$ 107,831</u>
	<u>290,370</u>			<u>166,653</u>			<u>237,935</u>	
	<u>\$ 1,425,096</u>			<u>\$ 166,653</u>			<u>\$ 371,239</u>	

(Continued)

**TOWN OF LOS GATOS  
BUDGETED NONMAJOR FUNDS  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL (GAAP)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	LIGHTING AND LANDSCAPING			ARPA Fund		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>						
Property taxes	\$ 38,220	\$ 38,593	\$ 373	\$ -	\$ -	\$ -
Other taxes	-	-	-	-	-	-
License and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	200,911	200,911	-
Charges for services	-	-	-	-	-	-
Fines and Forfeitures	-	1	1	-	-	-
Interest	1,460	2,389	929	-	-	-
Other	-	-	-	-	-	-
<b>Total Revenues</b>	<b>39,680</b>	<b>40,983</b>	<b>1,303</b>	<b>200,911</b>	<b>200,911</b>	<b>-</b>
<b>EXPENDITURES</b>						
Parks and public works	48,906	53,957	(5,051)	-	-	-
Community services	-	-	-	200,911	200,911	-
Sanitation and other	-	-	-	-	-	-
Library	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>48,906</b>	<b>53,957</b>	<b>(5,051)</b>	<b>200,911</b>	<b>200,911</b>	<b>-</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(9,226)</b>	<b>(12,974)</b>	<b>(3,748)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Operating transfers (out)	(4,920)	(4,920)	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>(4,920)</b>	<b>(4,920)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CHANGE IN FUND BALANCE</b>	<b>\$ (14,146)</b>	<b>(17,894)</b>	<b>\$ (3,748)</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>
<b>BEGINNING FUND BALANCE</b>		<b>190,250</b>			<b>-</b>	
<b>ENDING FUND BALANCE</b>		<b>\$ 172,356</b>			<b>\$ -</b>	

(Continued)

LIBRARY TRUST			TOTALS		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$ -	\$ -	\$ -	\$ 38,220	\$ 38,593	\$ 373
-	-	-	30,000	67,146	37,146
-	-	-	323,823	352,750	28,927
-	-	-	1,433,018	1,542,855	109,837
-	-	-	3,810,558	-	(3,810,558)
-	-	-	-	1	1
4,100	6,785	2,685	41,100	96,567	55,467
-	38,392	38,392	-	38,392	38,392
<u>4,100</u>	<u>45,177</u>	<u>41,077</u>	<u>5,676,719</u>	<u>2,136,304</u>	<u>(3,540,415)</u>
-	-	-	48,906	53,957	(5,051)
-	-	-	200,911	200,911	-
-	-	-	205,850	166,173	39,677
28,200	19,115	9,085	28,200	19,115	9,085
20,755	-	20,755	8,633,969	68,478	8,565,491
<u>48,955</u>	<u>19,115</u>	<u>29,840</u>	<u>9,117,836</u>	<u>508,634</u>	<u>8,609,202</u>
<u>(44,855)</u>	<u>26,062</u>	<u>70,917</u>	<u>(3,441,117)</u>	<u>1,627,670</u>	<u>5,068,787</u>
-	-	-	(110,920)	(110,920)	-
-	-	-	(110,920)	(110,920)	-
<u>\$ (44,855)</u>	<u>26,062</u>	<u>\$ 70,917</u>	<u>\$ (3,552,037)</u>	<u>1,516,750</u>	<u>\$ 5,068,787</u>
	<u>526,815</u>			<u>7,290,472</u>	
	<u>\$ 552,877</u>			<u>\$ 8,807,222</u>	

(Concluded)

**TOWN OF LOS GATOS, CALIFORNIA**

**ANNUAL COMPREHENSIVE FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

**PROPRIETARY FUNDS  
INTERNAL SERVICE FUNDS**

---

**Internal Service Funds** are used to finance and account for special activities and service performed by a designated department for other departments in the Town on a cost reimbursement basis.

The concept of major funds does not extend to internal service funds because they are used for internal activities only. In the Government-Wide Statement of Activities, the net revenues and expenses of the internal service funds are allocated to the Town departments or programs that generated them, thus eliminating internal service funds

However, internal service funds are still presented separately in the fund financial statements and include the following funds:

**Equipment Replacement Fund** was established to account for the replacement of major Town equipment and all vehicle replacement.

**Workers' Compensation Fund** was established to account for future claims that may occur related to workers compensation injuries.

**Self-Insurance Fund** was established to account for future general liability claims against the Town.

**Information Technology Fund** was established to account for the replacement of management information computer systems and components.

**Facilities Maintenance Fund** was established to account for preventative maintenance and repair for all Town buildings.

**TOWN OF LOS GATOS  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF NET POSITION  
JUNE 30, 2021**

	Equipment Replacement	Workers' Comp	Self Insurance	Information Technology	Facilities Maintenance	Total
<b>ASSETS</b>						
Cash & Investments	\$ 1,887,680	\$ 3,105,307	\$ 1,223,213	\$ 2,906,098	\$ 239,963	\$ 9,362,261
Restricted Cash & Investments	-	85,724	-	-	-	85,724
Receivables:						
Accounts	1,856	-	-	4,255	24,853	30,964
Due from Other Funds	-	-	-	478	-	478
<b>Total Assets</b>	<b>1,889,536</b>	<b>3,191,031</b>	<b>1,223,213</b>	<b>2,910,831</b>	<b>264,816</b>	<b>9,479,427</b>
<b>LIABILITIES</b>						
Accounts Payable	-	22,529	1,540	40,009	108,393	172,471
Due to Other Governments	-	-	-	-	83	83
Claims Payable	-	1,495,482	200,590	-	-	1,696,072
<b>Total Liabilities</b>	<b>-</b>	<b>1,518,011</b>	<b>202,130</b>	<b>40,009</b>	<b>108,476</b>	<b>1,868,626</b>
<b>NET POSITION</b>						
Restricted for:						
Workers comp- ensation claims	-	85,724	-	-	-	85,724
Unrestricted	1,889,536	1,587,296	1,021,083	2,870,822	156,340	7,525,077
<b>Total Net Position</b>	<b>\$ 1,889,536</b>	<b>\$ 1,673,020</b>	<b>\$ 1,021,083</b>	<b>\$ 2,870,822</b>	<b>\$ 156,340</b>	<b>\$ 7,610,801</b>

**TOWN OF LOS GATOS**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	Equipment Replacement	Workers' Comp	Self Insurance	Information Technology	Facilities Maintenance	Total
<b>OPERATING REVENUES</b>						
Charges for services	\$ 267,545	\$ 917,555	\$ 376,964	\$ 972,775	\$ 847,373	\$ 3,382,212
Interest	-	5	-	-	-	5
Use of money and property	-	-	-	-	232,474	232,474
Other local taxes	-	-	-	-	67,146	67,146
Intergovernmental	-	-	-	-	-	-
Other	59,852	327,768	-	-	34,030	421,650
<b>Total Operating Revenues</b>	<b>327,397</b>	<b>1,245,328</b>	<b>376,964</b>	<b>972,775</b>	<b>1,181,023</b>	<b>4,103,487</b>
<b>OPERATING EXPENSES</b>						
Insurance expenses	-	596,665	573,174	-	-	1,169,839
Services and supplies	254,194	784,384	73,321	668,356	1,160,152	2,940,407
<b>Total Operating Expenses</b>	<b>254,194</b>	<b>1,381,049</b>	<b>646,495</b>	<b>668,356</b>	<b>1,160,152</b>	<b>4,110,246</b>
Operating Income (loss)	73,203	(135,721)	(269,531)	304,419	20,871	(6,759)
Transfers in	-	-	-	-	33,000	33,000
Transfers out	(108,720)	-	-	(37,800)	-	(146,520)
Net Transfers	(108,720)	-	-	(37,800)	33,000	(113,520)
Change in Net Position	(35,517)	(135,721)	(269,531)	266,619	53,871	(120,279)
<b>BEGINNING NET POSITION</b>	<b>1,925,053</b>	<b>1,808,741</b>	<b>1,290,614</b>	<b>2,604,203</b>	<b>102,469</b>	<b>7,731,080</b>
<b>ENDING NET POSITION</b>	<b>\$ 1,889,536</b>	<b>\$ 1,673,020</b>	<b>\$ 1,021,083</b>	<b>\$ 2,870,822</b>	<b>\$ 156,340</b>	<b>\$ 7,610,801</b>

**TOWN OF LOS GATOS  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	Equipment Replacement	Worker's Comp	Self Insurance	Information Technology	Facilities Maintenance	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Receipts from customers	\$ 325,541	\$ 1,245,328	\$ 376,964	\$ 970,485	\$ 1,182,280	\$ 4,100,598
Payments to suppliers	(254,194)	(764,499)	(71,781)	(758,972)	(1,167,434)	(3,016,880)
Claims paid	-	(292,569)	(429,609)	-	-	(722,178)
Net Cash Provided (Used) by Operating Activities	71,347	188,260	(124,426)	211,513	14,846	361,540
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Transfers In/(Out)	(108,720)	-	-	(37,800)	33,000	(113,520)
Net Cash Provided (Used) by Noncapital Financing Activities	(108,720)	-	-	(37,800)	33,000	(113,520)
Net Increase(Decrease) in Cash and Investments	(37,373)	188,260	(124,426)	173,713	47,846	248,020
Cash and investments - beginning of year	1,925,053	3,002,771	1,347,639	2,732,385	192,117	9,199,965
Cash and investments - end of year	\$ 1,887,680	\$ 3,191,031	\$ 1,223,213	\$ 2,906,098	\$ 239,963	\$ 9,447,985
Reconciliation of Operating Income to Cash Flows from Operating Activities:						
Operating Income	\$ 73,203	\$ (135,721)	\$ (269,531)	\$ 304,419	\$ 20,871	\$ (6,759)
Change in assets and liabilities:						
Receivables, net	(1,856)	-	-	(2,290)	1,257	(2,889)
Accounts payable	-	19,885	1,540	(90,616)	(7,365)	(76,556)
Claims payable	-	304,096	143,565	-	-	447,661
Due to other government	-	-	-	-	83	83
Cash Flows From Operating Activities	\$ 71,347	\$ 188,260	\$ (124,426)	\$ 211,513	\$ 14,846	\$ 361,540

Draft  
12/16/2021

This page intentionally left blank



Draft  
12/16/2021

**STATISTICAL SECTION**

Draft  
12/16/2021

This page intentionally left blank

## STATISTICAL (UNAUDITED)

This part of the Town of Los Gatos Annual Comprehensive Financial Report (“ACFR”) presents the detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Town’s overall financial health.

### Financial Trends

These schedules contain trend information to help the reader understand how Town’s financial performance and well-being have changed over time. (Schedule 1, Schedule 2, Schedule 3, and Schedule 4).

### Revenue Capacity

These schedules contain information to help the reader assess one of the Town’s most significant local revenue source, the property tax (Schedule 5, Schedule 6, Schedule 7, and Schedule 8).

### Debt Capacity

These schedules present information to help the reader assess the affordability of the Town’s current levels of outstanding debt and its ability to issue additional debt in the future (Schedule 9, Schedule 10, and Schedule 11)

### Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the Town’s financial activities take place (Schedule 12, Schedule 13, and schedule 14).

### Operating Information

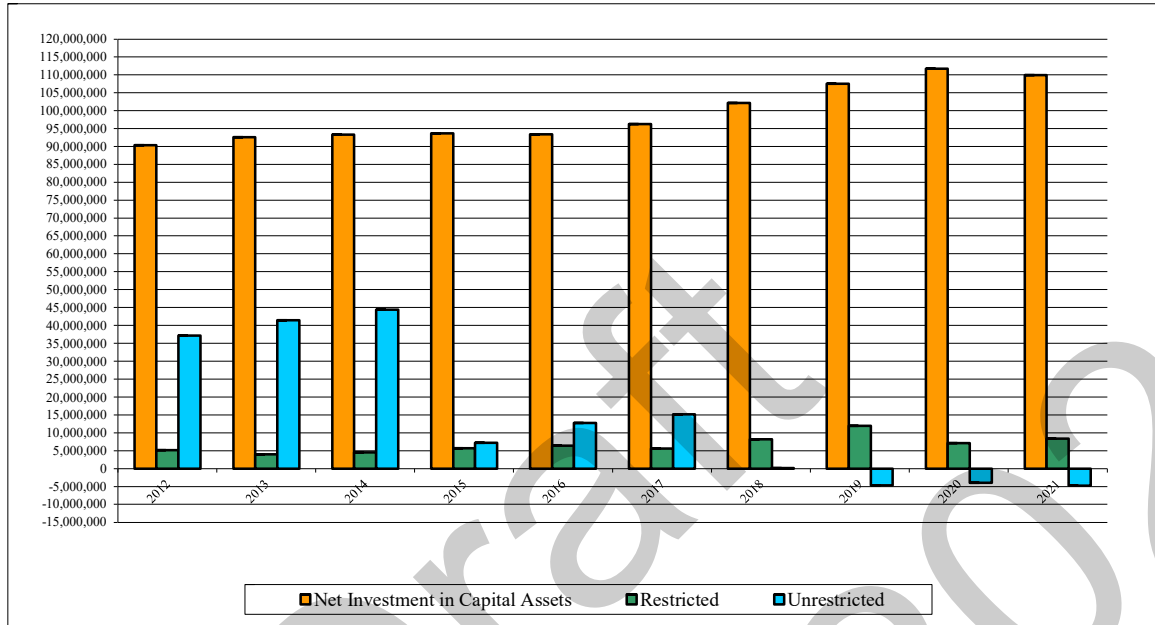
These schedules contain service and infrastructure data to help the reader understand how the information in the Town’s ACFR relates to the services the Town provides and activities it performs (Schedule 15 and Schedule 16).

Draft  
12/16/2021

This page intentionally left blank

Town of Los Gatos  
 Net Position by Component  
 Last Ten Fiscal Years  
 (Accrual Basis of Accounting)

Schedule 1



Fiscal Year	Net Investment in Capital Assets	Restricted	Unrestricted	Total Net Position
2012	90,333,451	5,167,236	37,192,210	132,692,897
2013	92,558,523	3,949,583	41,480,377	137,988,483
2014	93,251,117	4,485,246	44,393,265	142,129,628
2015	93,687,029	5,663,182	7,180,919	106,531,130 (2)
2016	93,383,855	6,386,014	12,744,637	112,514,506
2017	96,265,652	5,627,707	15,134,420	117,027,779
2018	102,098,729	8,199,598	170,590	110,468,917 (4)
2019	107,542,588	11,918,688	-4,642,167	114,819,109 (3)
2020	111,700,225	7,117,984	-3,967,178	114,851,031
2021	109,894,936	8,358,267	-4,735,103	113,518,100

(1) The decrease in Restricted Net Position from FY 2010 to FY 2011 was primarily due to the issuance of the \$15.7 million Certificates of Participation in FY 2010.

(2) The decrease in Restricted Net Position GASB 68 Implementation of Unfunded Pension Liability of Statement of Net Position.

(3) The decrease in unrestricted net position resulted largely from the use of approximately \$8.0 million in unrestricted cash balances in the Town’s GFAR fund during the year to invest in the Town’s infrastructure and equipment.

(4) Net position was restated for FY 2018 for amounts placed into fiduciary funds, reclassified to General Fund Restricted Asset.

Town of Los Gatos  
 Changes in Net Position  
 Last Ten Fiscal Years  
 (Accrual Basis of Accounting)

<b>Expenses</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>
<b>Governmental Activities:</b>				
General Government	\$ 6,145,143	\$ 6,564,768	\$ 6,955,804	\$ 6,465,852
Police Department	14,124,798	13,731,754	14,119,786	12,644,221
Parks and Public Works	7,827,332	7,829,315	8,154,616	8,069,352
Community Development	3,434,551	4,094,188	4,424,040	4,047,738
Community Services	-	-	-	-
Library Services	1,938,577	2,128,823	2,234,431	2,553,414
Sanitation	158,205	393,205	363,180	491,359
Redevelopment	919,821	1,277,063	21,687	-
Interest and Fees	1,123,842	-	-	-
<b>Total Governmental Activities</b>	<b>\$ 35,672,269</b>	<b>\$ 36,019,116</b>	<b>\$ 36,273,544</b>	<b>\$ 34,271,936</b>

<b>Program Revenues</b>				
<b>Charges for Services:</b>				
General Government	\$ 1,131,424	\$ 1,416,593	\$ 2,179,077	\$ 1,888,213
Police Department	2,324,397	2,450,630	3,206,579	3,529,166
Parks and Public Works	1,215,382	3,044,401	1,550,867	2,206,765
Community Development	3,448,433	4,649,444	5,156,061	5,027,497
Community Services	-	-	-	-
Library Services	37,662	50,696	51,775	53,123
Sanitation	135,000	403,294	328,648	328,868
<b>Operating Grants and Contributions:</b>				
General Government	6,453	8,406	-	-
Police Department	29,980	91,360	42,661	24,838
Parks and Public Works	993,827	835,724	994,096	907,745
Community Development	-	-	-	-
Library Services	109	40	14,662	4,062
Sanitation	-	-	-	-
<b>Capital Grants and Contributions:</b>				
General Government	-	169,270	-	176,705
Police Department	-	-	-	-
Parks and Public Works	641,811	2,757,660	2,274,879	2,338,154
Community Development	-	-	19,360	-
<b>Total Program Revenues</b>	<b>\$ 9,964,478</b>	<b>\$ 15,877,518</b>	<b>\$ 15,818,665</b>	<b>\$ 16,485,136</b>

<b>General Revenues</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>
Property Taxes	\$ 14,088,866	\$ 11,968,377	\$ 11,712,312	\$ 12,931,603
Sales Taxes	9,889,100	8,757,428	8,029,571	8,202,678
Franchise Taxes	-	-	-	2,215,430
Other Taxes	3,698,753	3,324,791	3,718,405	2,062,893
Motor Vehicle in Lieu	15,238	15,790	13,068	-
Investment Earnings	331,420	(133,375)	772,200	428,772
Loss on Disposal of Capital Assets	-	-	-	-
Sale of Property	-	54,425	-	-
Miscellaneous	2,275,160	1,154,647	350,468	813,324
Extraordinary Gain (Loss) Dissolution of RDA	11,864,453	295,101	-	-
<b>Total General Revenues</b>	<b>\$ 42,162,990</b>	<b>\$ 25,437,184</b>	<b>\$ 24,596,024</b>	<b>\$ 26,654,700</b>

<b>Change in Net Position</b>	<b>\$ 16,455,199</b>	<b>\$ 5,295,586</b>	<b>\$ 4,141,145</b>	<b>\$ 8,867,900</b>
-------------------------------	----------------------	---------------------	---------------------	---------------------

2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
\$ 6,993,661	\$ 6,771,628	\$ 7,948,918	\$ 8,163,991	\$ 7,405,368	\$ 7,452,136
12,825,688	14,587,597	15,545,521	16,635,726	20,446,188	19,808,230
8,320,623	9,502,707	10,047,003	10,627,716	11,803,005	13,141,034
3,227,224	5,093,459	4,667,609	5,064,637	5,001,958	6,481,075
-	-	-	-	-	-
2,522,142	2,868,748	3,087,684	3,059,294	3,347,523	3,496,153
528,580	466,762	536,296	684,673	3,041	185,981
-	-	-	-	-	-
-	-	-	-	-	-
\$ 34,417,918	\$ 39,290,901	\$ 41,833,031	\$ 44,236,037	\$ 48,007,083	\$ 50,564,609

\$ 1,517,012	\$ 1,669,020	\$ 1,701,146	\$ 1,562,683	\$ 1,470,324	\$ 1,505,899
3,278,585	2,076,688	1,888,359	1,745,889	1,549,207	1,275,731
1,516,108	2,155,841	4,150,068	2,910,936	3,674,222	4,209,048
4,359,146	3,803,626	3,456,390	4,155,231	3,351,753	4,063,776
-	-	-	-	-	-
46,192	46,746	14,702	9,476	11,522	-
368,813	410,626	771,442	966,130	231,323	299,478
-	-	-	-	-	-
15,291	-	-	-	12,290	388,181
98,138	837,329	895,730	826,643	952,045	1,073,971
749,300	665,779	953,294	1,301,152	2,824,638	1,547,102
-	-	-	-	15,864	223,129
12,228	-	57,200	47,482	49,351	55,181
-	-	-	-	-	-
-	-	-	-	8,258	2,365
-	-	-	-	9,100	-
1,610,657	770,600	348,437	146,792	832,755	843,980
-	9,280	-	-	-	-
\$ 13,571,470	\$ 12,445,535	\$ 14,236,768	\$ 13,672,414	\$ 14,992,652	\$ 15,487,841

2015/16	2016/17	0	2017/18	2018/19	2019/20	2020/21
\$ 13,763,458	\$ 14,756,214	\$ 15,958,406	\$ 17,321,347	\$ 18,330,426	\$ 19,878,835	
7,501,175	8,925,276	7,466,253	8,158,152	7,531,425	7,933,604	
2,258,892	2,366,908	2,474,814	2,475,916	2,495,792	2,499,463	
1,997,497	2,351,223	2,667,840	2,726,743	1,911,774	1,126,887	
12,308	14,056	16,483	14,689	24,526	23,058	
698,324	192,260	333,120	1,809,128	2,428,470	227,136	
-	-	-	-	-	-	
-	-	-	-	-	-	
598,170	528,946	622,105	2,407,840	323,940	1,528,039	
-	-	-	-	-	-	
\$ 26,829,824	\$ 29,134,883	\$ 29,539,021	\$ 34,913,815	\$ 33,046,353	\$ 33,217,022	
\$ 5,983,376	\$ 2,289,517	\$ 1,942,758	\$ 4,350,192	\$ 31,922	\$ (1,859,746)	

Town of Los Gatos  
Fund Balance, Governmental Funds  
Last Ten Fiscal Years  
(Modified Accrual Basis of Accounting)

	Fiscal Year			
	2011/12	2012/13	2013/14	2014/15
General Fund				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed				
Assigned	21,992,886	20,758,156	23,791,749	24,121,256
Unassigned	4,019,409	7,502,446	1,363,376	-
Total General Fund	<u>\$ 26,012,295</u>	<u>\$ 28,260,602</u>	<u>\$ 25,155,125</u>	<u>\$ 24,121,256</u>
All Other Governmental Funds				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:				
Special Revenue Funds	-	-	-	-
Capital Project Funds	-	-	-	-
Debt Service Funds	-	-	-	-
Nonspendable	-	-	-	-
Restricted	5,167,236	3,949,583	4,485,246	5,663,182
Committed	-	-	-	-
Assigned	5,389,674	6,097,182	8,191,823	15,346,558
Unassigned	107,107	157,208	183,045	206,875
Total All Other Governmental Funds	<u>\$ 10,664,017</u>	<u>\$ 10,203,973</u>	<u>\$ 12,860,114</u>	<u>\$ 21,216,615</u>
Total Fund Balances	<u>\$ 36,676,312</u>	<u>\$ 38,464,575</u>	<u>\$ 38,015,239</u>	<u>\$ 45,337,871</u>

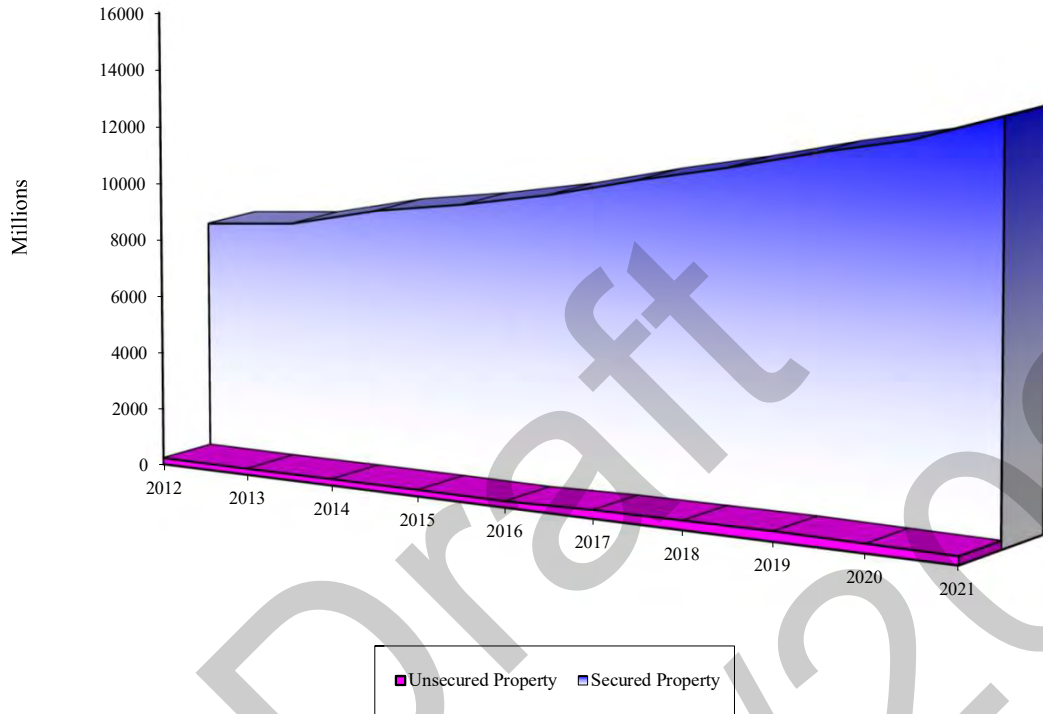


2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	159,000
-	-	1,206,851	5,015,316	669,978	-
20,019,187	15,129,925	12,953,399	15,070,944	15,387,706	11,220,970
9,555,085	14,050,699	17,475,285	18,256,895	13,277,813	12,534,648
-	-	-	-	-	-
<u>\$ 29,574,272</u>	<u>\$ 29,180,624</u>	<u>\$ 31,635,535</u>	<u>\$ 38,343,155</u>	<u>\$ 29,335,497</u>	<u>\$ 23,914,618</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
6,386,014	5,627,707	6,992,747	6,903,372	6,448,006	8,562,653
3,696,000	10,354,584	5,571,087	2,579,997	-	-
11,099,076	7,928,994	6,361,403	6,180,930	14,181,679	15,360,481
-	-	-	-	-	-
<u>\$ 21,181,090</u>	<u>\$ 23,911,285</u>	<u>\$ 18,925,237</u>	<u>\$ 15,664,299</u>	<u>\$ 20,629,685</u>	<u>\$ 23,923,134</u>
<u>\$ 50,755,362</u>	<u>\$ 53,091,909</u>	<u>\$ 50,560,772</u>	<u>\$ 54,007,454</u>	<u>\$ 49,965,182</u>	<u>\$ 47,837,752</u>

Town of Los Gatos  
Changes in Fund Balances, Governmental Funds  
Last Ten Fiscal Years  
(Modified Accrual Basis of Accounting)

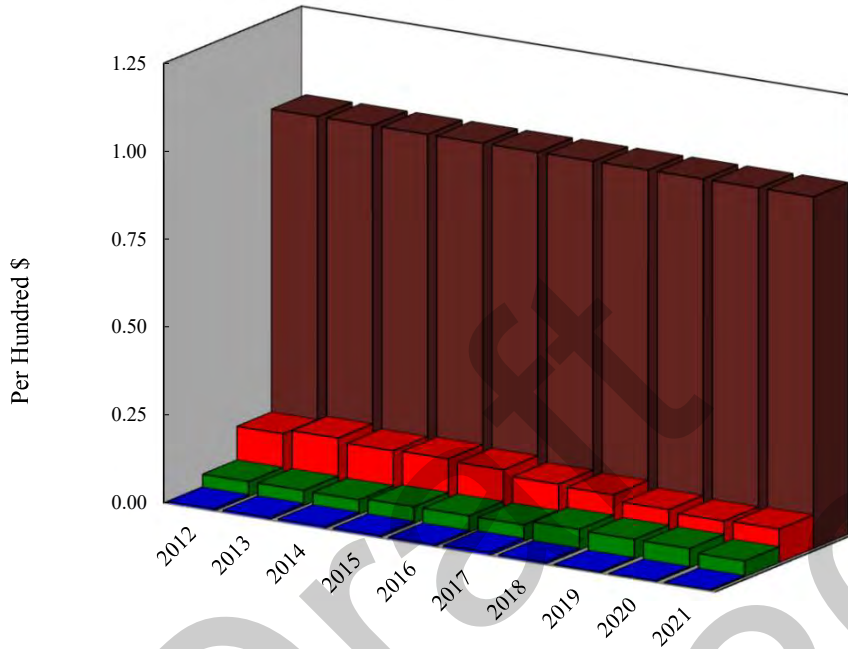
	Fiscal Year			
	2011/12	2012/13	2013/14	2014/15
<b>Revenues:</b>				
Taxes	\$ 27,676,719	\$ 24,596,799	\$ 23,475,393	\$ 23,208,820
Intergovernmental	1,669,729	2,615,191	2,440,127	2,921,002
Charges for Services	5,550,671	6,529,234	5,837,581	5,794,386
Licenses & Permits	3,242,348	4,015,871	5,343,265	6,467,771
Investment Income	291,484	(133,380)	772,164	428,735
Fines and Forfeitures	809,790	688,125	795,720	868,564
Franchise Fees	-	-	-	2,215,430
Use of Property	38,974	38,910	37,741	32,209
Other	5,412,328	4,577,584	3,648,277	3,130,975
<b>Total Revenues</b>	<b>44,692,043</b>	<b>42,928,334</b>	<b>42,350,268</b>	<b>45,067,892</b>
<b>Expenditures:</b>				
<b>Current</b>				
Public Safety	13,392,953	13,370,032	13,742,189	13,747,198
Public Works	5,440,960	5,616,197	5,611,283	5,840,097
Community Development	3,226,195	4,235,832	4,335,599	4,218,500
Library Services	1,805,479	2,055,069	2,131,438	2,268,844
Sanitation & Other	116,607	359,725	322,817	411,863
General Government	8,046,794	8,331,444	8,499,854	8,647,451
Redevelopment	3,282,155	1,277,063	21,687	-
Capital Outlay	10,929,491	6,568,653	4,097,662	3,800,478
<b>Debt Service</b>				
Principal Repayment	934,167	-	-	-
Interest and Fiscal Charges	1,143,185	-	-	-
<b>Total Expenditures</b>	<b>48,317,986</b>	<b>41,814,015</b>	<b>38,762,529</b>	<b>38,934,431</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(3,625,943)</b>	<b>1,114,319</b>	<b>3,587,739</b>	<b>6,133,461</b>
<b>Other Financing Sources(Uses):</b>				
Debt Issuance	-	-	-	-
Transfers In	3,735,440	2,841,881	3,418,872	8,977,220
Transfers Out	(3,661,894)	(2,463,850)	(2,921,409)	(7,788,049)
Proceeds from Sale of Property	-	-	-	-
Proceeds from Issuance of Debt	-	-	-	-
<b>Total Other Financing Sources(Uses)</b>	<b>73,546</b>	<b>378,031</b>	<b>497,463</b>	<b>1,189,171</b>
<b>Special Item:</b>				
Sale of Property	-	-	-	-
Extraordinary Gain (Loss) RDA Dissolution	(5,038,620)	295,913	-	-
Prepayment of Pension Obligations	-	-	(4,534,538)	-
<b>Net Change in Fund Balances</b>	<b>\$ (3,552,397)</b>	<b>\$ 1,492,350</b>	<b>\$ 4,085,202</b>	<b>\$ 7,322,632</b>
<b>Debt Service as a Percentage of Non Capital Expenditures</b>	<b>5.56%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
\$	23,269,892	\$ 25,945,129	\$ 26,253,026	\$ 28,244,329	\$ 27,811,665	\$ 28,977,919
	2,573,475	1,715,580	2,124,903	2,310,655	4,498,153	3,746,587
	4,773,001	4,210,174	5,395,057	5,584,504	5,309,470	6,035,659
	5,442,133	5,075,503	5,937,044	5,173,876	4,818,671	5,212,831
	698,308	192,978	332,938	1,809,164	2,428,453	227,940
	879,277	917,105	676,212	510,266	271,117	103,468
	2,258,892	2,366,908	2,474,814	2,475,916	2,495,792	2,499,463
	31,723	32,096	32,206	32,960	31,039	40,372
	2,396,992	1,011,939	640,844	579,755	376,922	423,115
	<u>42,323,693</u>	<u>41,467,412</u>	<u>43,867,044</u>	<u>46,721,425</u>	<u>48,041,282</u>	<u>47,267,354</u>
	13,763,316	13,251,288	14,423,554	14,945,407	15,793,815	16,570,836
	6,307,266	6,633,748	7,125,686	7,962,135	8,168,599	8,229,944
	3,695,504	3,793,930	4,192,165	4,577,495	4,473,790	5,195,302
	2,332,268	2,508,677	2,529,017	2,493,617	2,700,802	2,847,988
	452,726	466,762	521,147	628,240	162,837	166,173
	9,144,797	8,390,959	8,770,082	8,004,254	13,024,146	14,040,134
	-	-	-	-	-	-
	3,241,657	6,867,034	9,778,058	7,888,914	7,861,972	5,746,447
	-	-	-	-	-	-
	-	-	-	-	-	-
	<u>38,937,534</u>	<u>41,912,398</u>	<u>47,339,709</u>	<u>46,500,062</u>	<u>52,185,961</u>	<u>52,796,824</u>
	3,386,159	(444,986)	(3,472,665)	221,363	(4,144,679)	(5,529,470)
	-	-	-	-	-	-
	3,315,846	7,907,692	3,176,760	4,264,131	8,935,260	4,053,535
	(1,284,514)	(7,612,012)	(3,880,131)	(3,323,756)	(8,628,719)	(3,940,015)
	-	-	378,219	1,912,316	1,566	1,201,369
	-	4,435	-	-	-	1,560,336
	<u>2,031,332</u>	<u>300,115</u>	<u>(325,152)</u>	<u>2,852,691</u>	<u>308,107</u>	<u>2,875,225</u>
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
\$	<u>5,417,491</u>	<u>(144,871)</u>	<u>(3,797,817)</u>	<u>3,074,054</u>	<u>(3,836,572)</u>	<u>(2,654,245)</u>
	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%



Fiscal Year	Utility and Unsecured Property	Percent Change	Secured Property	Percent Change	Total Assessed	Estimated Full Market	Total Direct Tax Rate
2012	217,297,593	-0.03%	8,152,459,157	1.34%	8,369,756,750	32,609,836,628	1.0499
2013	211,268,609	-2.77%	8,465,420,032	3.84%	8,676,688,641	33,861,680,128	1.0508
2014	224,079,502	6.06%	9,238,816,900	9.14%	9,462,896,402	36,955,267,600	1.0493
2015	227,331,042	1.45%	9,767,782,505	5.73%	9,995,113,547	39,071,130,020	1.0544
2016	217,035,545	-4.53%	10,417,804,357	6.65%	10,634,839,902	41,671,217,428	1.0533
2017	304,443,013	40.27%	11,240,554,198	7.90%	11,544,997,211	44,962,216,792	1.0560
2018	330,504,877	8.56%	11,969,049,272	6.48%	12,299,554,149	47,876,197,088	1.0659
2019	359,276,665	8.71%	12,795,393,103	6.90%	13,154,669,768	51,181,572,412	1.0607
2020	331,517,212	-7.73%	13,510,676,336	5.59%	13,842,193,548	54,042,705,344	1.0598
2021	308,749,655	-6.87%	14,599,669,332	8.06%	14,908,418,987	58,398,677,328	0.0000

Source: Santa Clara County Assessed Value Report



Santa Clara Valley Water District County  
County Bonds and Levies  
School District Bonds and Loans  
Basic County Wide Levy

Fiscal Year	Basic County Wide Levy	County Bonds and Levies	Santa Clara Valley Water District	School District Bonds and Loans	Total
2012	1.0000	0.0435	0.0064	0.1393	1.1892
2013	1.0000	0.0439	0.0069	0.1523	1.2031
2014	1.0000	0.0423	0.0070	0.1417	1.1910
2015	1.0000	0.0479	0.0065	0.1442	1.1986
2016	1.0000	0.0476	0.0057	0.1381	1.1914
2017	1.0000	0.0474	0.0086	0.1223	1.1783
2018	1.0000	0.0597	0.0062	0.1177	1.1836
2019	1.0000	0.0565	0.0042	0.1006	1.1613
2020	1.0000	0.0557	0.0041	0.0935	1.1533
2021	1.0000	0.0457	0.0037	0.0959	1.1453

Source: Santa Clara County Book of Tax Rates

ASSEESSEE NAME	2011/12		2012/13		2013/14		2014/15		2015/16	
	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value
750 University LLC	\$ -	0.00%	\$ 12,137,999	0.14%	\$ 18,600,000	0.20%	\$ 19,000,000	0.19%	\$ 19,379,620	0.19%
980 JR LLC										
Alberto Way Holdings LLC	21,034,623	0.26%	23,145,064	0.27%	23,607,964	0.26%	23,715,141	0.24%	24,188,966	0.23%
Ann R. Desantis					13,823,779	0.15%				
Boccardo Corporation	37,173,877	0.46%	37,550,368	0.44%	38,617,912	0.42%	38,772,905	0.40%	21,617,318	0.21%
CH Realty IV Downing LP	19,143,068	0.23%	19,525,927	0.23%	19,916,443	0.22%				
CHL Ventures LP	20,266,630	0.25%	20,671,962	0.24%	-	0.00%	-	0.00%	-	0.00%
D&K Los Gatos LLC	15,284,324	0.19%	15,590,010	0.18%	15,901,809	0.17%	15,974,003	0.16%	16,293,163	0.16%
David A. and Shari Flick Trustee	14,724,487	0.18%	15,018,971	0.18%			15,388,884	0.16%		
Donahue Schriber Realty Group LP							20,006,861	0.20%	21,980,568	0.21%
DS Downing Los Gatos LLC										
DS Village Square										
El Camino Hospital							20,803,609	0.21%	26,477,160	0.25%
Equestrian 3 Investments LLC										
Fox Creek Fund LLC										
Good Samaritan Hospital LP	19,372,795	0.24%	19,530,183	0.23%	19,710,897	0.21%	19,602,594	0.20%	19,880,366	0.19%
Grade Way Associations VI	14,508,482	0.18%	14,798,651	0.17%	15,094,623	0.16%	15,163,152	0.16%		
Green Eyes LLC			12,542,555	0.15%	12,793,404	0.14%				
Grosvenor USA Ltd.	21,066,630	0.26%	22,437,962	0.27%	22,886,720	0.25%	22,990,624	0.24%	23,449,975	0.23%
Health Care REIT Inc.	19,869,245	0.24%	19,223,348	0.23%	20,671,960	0.22%	20,765,810	0.21%	20,089,903	0.19%
Hercules Holding II LLC	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
International Hotel										
Kay Kaoru and Go Sasaki Sr., Trustees					22,752,809	0.25%			24,744,983	0.24%
Knowles Los Gatos LLC	46,123,468	0.57%	47,045,934	0.56%	47,986,850	0.52%	48,204,708	0.49%	49,167,836	0.47%
KSL Capital Partners	41,698,751	0.51%	42,532,721	0.50%	43,383,370	0.47%	43,580,326	0.45%	30,134,614	0.29%
Leland E Lester, Trustee										
LG Business Park Bldg 3 LLC									61,947,284	0.59%
LG Business Park Bldg 4 LLC										
LG Business Park LLC	18,342,931	0.23%			47,276,977	0.51%	39,347,485	0.40%	17,507,261	0.17%
LG Hotel LLC							15,448,057	0.16%	15,497,395	0.15%
Los Gatos Hotel Corp.	15,683,979	0.19%	15,617,134	0.18%	18,134,182	0.20%	15,573,314	0.16%	15,676,113	0.15%
Lyon Baytree Apartments LLC	14,177,039	0.17%	14,430,123	0.17%	14,674,716	0.16%				
Paul H. Roskoph	12,926,457	0.16%	13,416,452	0.16%	-	0.00%			-	0.00%
Preylock Los Gatos LLC										
Safeway Inc.										
San Jose Water Works	29,369,137	0.36%	30,882,009	0.36%	33,626,381	0.36%	36,693,453	0.38%	37,081,049	0.36%
Serramonte Corporate Center LLC										
SI 32 LLC							150,563,119	1.54%	141,348,894	1.36%
Sobrato Interests IV LLC	157,554,525	1.93%	157,559,245	1.86%	169,809,676	1.84%	20,869,338	0.21%	44,930,482	0.43%
SRI Old Town LLC	29,778,712	0.37%	30,374,286	0.36%	30,981,771	0.34%	31,122,427	0.32%	31,744,252	0.30%
Summerhill N40 LLC										
Summerhill Prospect Avenue LLC										
Tall House Hotel LLC	15,696,089	0.19%	-	0.00%						
Wealthcap Los Gatos 121										
Wealthcap Los Gatos 31										
Windrose Los Gatos Properties LLC										
Total - Principal taxpayers	\$ 583,795,249	7.16%	\$ 584,030,904	6.90%	\$ 650,252,243	7.68%	\$ 394,337,473	6.49%	\$ 1,296,723,012	6.37%
Total - All real properties assessed by the Town (1)	\$8,151,530,237		\$8,464,491,112		\$9,237,887,980		\$9,766,765,025		\$10,416,786,877	

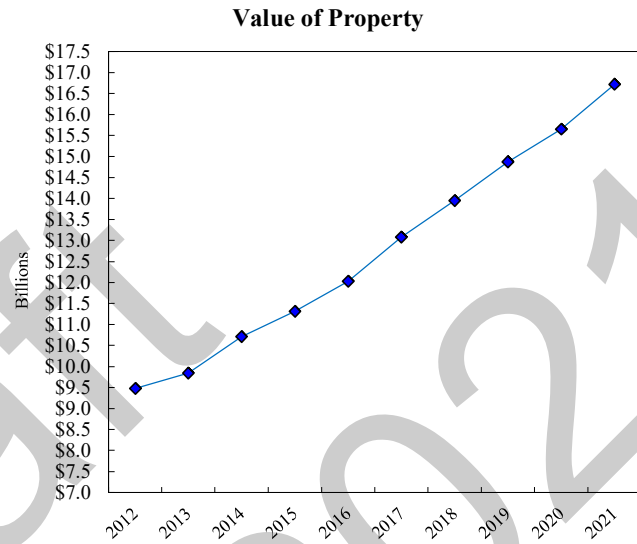
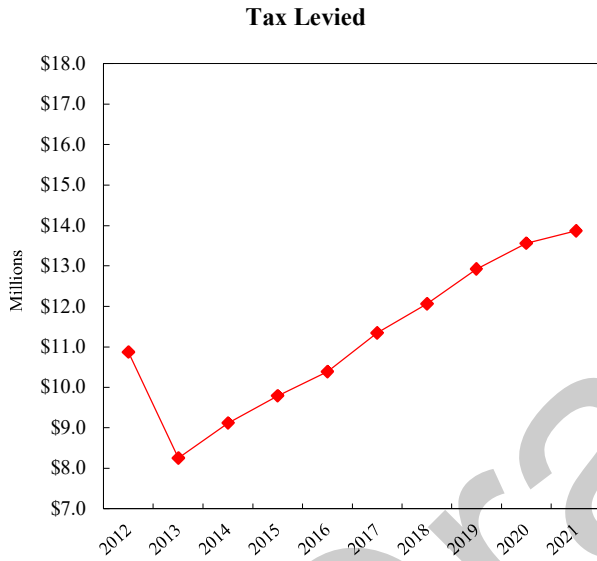
(1) Assessed value includes only net secured real properties.  
 (2) Excludes the value of tax-exempt properties

Source Data: California Municipal Statistics, Inc.

ASSEESSEE NAME	2016/17		2017/18		2018/19		2019/20		2020/21	
	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value
750 University LLC	\$ 19,675,159	0.18%	\$ 25,241,863	0.21%	\$ 25,746,699	0.20%	\$ 26,261,632	0.19%	\$ 26,786,863	0.18%
980 JR LLC					19,277,879	0.15%				
Alberto Way Holdings LLC	24,557,845	0.22%	25,048,998	0.21%	25,549,975	0.20%	24,158,350	0.18%	24,641,514	0.17%
Ann R. Desantis										
Boccardo Corporation	21,918,921	0.20%	22,211,650	0.19%	22,651,732	0.18%	23,099,314	0.17%		
CH Realty IV Downing LP										
CHL Ventures LP										
D&K Los Gatos LLC										
David A. and Shari Flick Trustee										
Donahue Schriber Realty Group LP			53,872,083	0.45%	56,370,186	0.44%	57,497,587	0.43%	58,647,535	0.40%
DS Downing Los Gatos LLC	22,315,770	0.20%								
DS Village Square	22,799,599	0.20%								
El Camino Hospital	26,880,933	0.24%	23,353,576	0.20%	28,596,104	0.22%	30,789,155	0.23%	42,611,768	0.29%
Equestrian 3 Investments LLC			29,584,251	0.25%	28,563,864	0.22%	25,525,880	0.19%	26,036,395	0.18%
Fox Creek Fund LLC					21,558,664	0.17%				
Good Samaritan Hospital LP	22,402,756	0.20%	22,516,823	0.19%	22,934,274	0.18%	23,391,289	0.17%	23,846,402	0.16%
Grade Way Associations VI										
Green Eyes LLC										
Grosvenor USA Ltd.										
Health Care REIT Inc.	20,396,274	0.18%								
Hercules Holding II LLC			-	0.00%	-	0.00%				
International Hotel			30,144,617	0.25%	30,747,509	0.24%	31,362,458	0.23%	31,989,706	0.22%
Kay Kaoru and Go Sasaki Sr., Trustees	25,122,131	0.22%	25,624,027	0.21%	26,135,962	0.20%	28,864,942	0.21%	27,190,951	0.19%
Knowles Los Gatos LLC	49,917,644	0.44%	50,915,995	0.43%	51,934,313	0.41%	52,972,998	0.39%	54,032,455	0.37%
KSL Capital Partners	30,105,945	0.27%	25,893,946	0.22%	26,411,820	0.21%	33,069,058	0.24%	33,118,759	0.23%
Leland E Lester, Trustee	29,004,169	0.26%								
LG Business Park Bldg 3 LLC			53,465,724	0.45%						
LG Business Park Bldg 4 LLC			43,937,857	0.37%						
LG Business Park LLC	31,070,572	0.28%								
LG Hotel LLC										
Los Gatos Hotel Corp.										
Lyon Baytree Apartments LLC										
Paul H. Roskoph			-	0.00%	-	0.00%				
Preylock Los Gatos LLC							89,141,472	0.66%	95,880,000	0.66%
Safeway Inc.			24,394,468	0.20%			25,752,231	0.19%	25,577,034	0.18%
San Jose Water Works	38,710,728	0.34%	41,202,805	0.34%	46,150,577	0.36%	47,777,432	0.35%	49,649,154	0.34%
Serramonte Corporate Center LLC					200,844,610	1.57%	204,861,501	1.52%	208,958,729	1.43%
SI 32 LLC	143,442,269	1.28%	146,317,944	1.22%	149,208,182	1.17%	152,166,578	1.13%	155,181,793	1.06%
Sobrato Interests IV LLC	42,240,994	0.38%	43,071,837	0.36%	43,919,879	0.34%	44,781,377	0.33%	45,682,006	0.31%
SRI Old Town LLC	32,228,351	0.29%	32,872,917	0.27%	33,530,374	0.26%	34,200,980	0.25%	34,884,999	0.24%
Summerhill N40 LLC							56,244,782	0.42%	57,369,661	0.39%
Summerhill Prospect Avenue LLC	18,274,508	0.16%								
Toll House Hotel LLC			-	0.00%	-	0.00%			35,043,180	0.24%
Wealthcap Los Gatos 121	109,100,000	0.97%	111,282,000	0.93%	113,507,640	0.89%	115,777,792	0.86%	118,093,347	0.81%
Wealthcap Los Gatos 31	84,000,000	0.75%	85,680,000	0.72%	87,393,600	0.68%				
Windrose Los Gatos Properties LLC										
<b>Total - Principal taxpayers</b>	<b>\$ 814,164,568.00</b>	<b>7.24%</b>	<b>\$ 916,633,381.00</b>	<b>7.66%</b>	<b>\$ 1,061,033,843.00</b>	<b>8.29%</b>	<b>\$ 1,127,696,808.00</b>	<b>8.35%</b>	<b>\$ 1,175,222,251.00</b>	<b>8.05%</b>
<b>Total - All real properties assessed by the Town (1)</b>	<b>\$11,239,536,718</b>		<b>\$11,968,031,792</b>		<b>\$12,793,751,423</b>		<b>\$13,509,034,656</b>		<b>\$14,598,027,652</b>	

(1) Assessed value includes only net secured real properties.  
(2) Excludes the value of tax-exempt properties

Source Data: California Municipal Statistics, Inc.



Fiscal Year	Town Property Tax Levied and Collected	Redevelopment Property Tax Levied and Collected	Total Property Tax Levied and Collected	Value of Town Property subject to Local Tax Rate	Value of Redevelopment Agency Property Subject to Local Tax Rate	Value of Property Subject to Local Tax Rate
2012	7,520,265	3,349,254	10,869,519	8,369,756,750	1,109,305,673	9,479,062,423
2013	8,253,442	-	8,253,442	8,676,688,641	1,167,752,021	9,844,440,662
2014	9,120,626	-	9,120,626	9,462,896,402	1,249,873,303	10,712,769,705
2015	9,787,519	-	9,787,519	9,995,113,547	1,318,214,863	11,313,328,410
2016	10,388,424	-	10,388,424	10,634,839,902	1,395,509,489	12,030,349,391
2017	11,345,588	-	11,345,588	11,544,997,211	1,537,577,241	13,082,574,452
2018	12,060,228	-	12,060,228	12,299,554,149	1,650,746,473	13,950,300,622
2019	12,924,592	-	12,924,592	13,154,669,768	1,717,358,555	14,872,028,323
2020	13,559,587	-	13,559,587	13,842,193,548	1,715,982,555	15,651,922,606
2021	13,864,271	-	13,864,271	14,908,418,987	1,809,729,058	16,718,148,045

Sources: Santa Clara County Auditor-Controller Office and the Town of Los Gatos



Fiscal Year	Governmental Activities						
	1992 Certificate of Participation	2002 Certificate of Participation	2010 Certificate of Participation	Total Governmental Activities	Total Primary Government	Percentage of Personal Income	Per Capita
2012	-	-	-	-	-	0.0% <sup>1)</sup>	0.00
2013	-	-	-	-	-	0.0%	0.00
2014	-	-	-	-	-	0.0%	0.00
2015	-	-	-	-	-	0.0%	0.00
2016	-	-	-	-	-	0.0%	0.00
2017	-	-	-	-	-	0.0%	0.00
2018	-	-	-	-	-	0.0%	0.00
2019	-	-	-	-	-	0.0%	0.00
2020	-	-	-	-	-	0.0%	0.00
2021	-	-	-	-	-	0.0%	0.00

<sup>1)</sup> Debt was transferred to the Successor Agency Trust Fund as a part of the RDA dissolution in FY 2011

Draft  
12/16/2021

2020/21 Assessed Valuation:

\$14,908,418,987

DIRECT AND OVERLAPPING BONDED DEBT:	% Applicable	(1)	Total Debt at June 30, 2021	Estimated Share of Direct and Overlapping Debt at June 30, 2021
<b>Overlapping Tax &amp; Assessment Debt</b>				
Santa Clara County	2.706%		\$ 812,685,000	\$ 21,991,256
West Valley-Mission Community College District	9.383%		\$ 589,080,000	\$ 55,273,376
Campbell Union High School District	7.774%		\$ 357,945,000	\$ 27,826,644
Los Gatos-Saratoga Joint Union High School District	36.253%		\$ 86,585,000	\$ 31,389,660
Cambrian School District	0.437%		\$ 62,324,944	\$ 272,360
Campbell Union High School District	7.665%		\$ 211,274,895	\$ 16,194,221
Los Gatos Union School District	74.127%		\$ 72,185,000	\$ 53,508,575
Saratoga Union School District	0.034%		\$ 19,249,458	\$ 6,545
Union School District	20.369%		\$ 109,815,349	\$ 22,368,288
Midpeninsula Regional Open Space District	4.430%		\$ 86,400,000	\$ 3,827,520
Santa Clara Valley Water District Benefit Assessment District	2.706%		\$ 57,010,000	\$ 1,542,691
<b>Total Overlapping Tax and Assessment Debt</b>				<b>\$ 234,201,136</b>
<b>Overlapping General Fund Debt</b>				
Santa Clara County General Fund Obligations	2.706%		\$ 914,957,860	\$ 24,758,760
Santa Clara County Pension Obligations	2.706%		\$ 341,399,194	\$ 9,238,262
Santa Clara County Board of Education Certificates of Participation	2.706%		\$ 2,670,000	\$ 72,250
West Valley-Mission Community College District General Fund Obligations	9.383%		\$ 49,850,000	\$ 4,677,426
Campbell Union High School District General Fund Obligations	7.774%		\$ 20,000,000	\$ 1,554,800
Los Gatos-Saratoga Joint Union High School District Certificates of Participation	36.253%		\$ 1,709,000	\$ 619,564
Campbell Union School District General Fund Obligations	7.665%		\$ 2,180,000	\$ 167,097
Saratoga Union School District Certificates of Participation	0.034%		\$ 2,750,000	\$ 935
Santa Clara County Vector Control District Certificates of Participation	2.706%		\$ 1,765,000	\$ 47,761
Midpeninsula Regional Open Space Park District General Fund Obligations	4.430%		\$ 106,000,600	\$ 4,695,827
<b>Total Gross Overlapping General Fund Debt</b>				<b>\$ 45,832,682</b>
Less: Santa Clara County Supported Obligations				\$ 684,004
<b>Total Overlapping General Fund Debt</b>				<b>\$ 45,148,678</b>
<b>Overlapping Tax Increment Debt ( Successor Agency)</b>				
Town of Los Gatos Certificated of Participations				\$ 14,085,000
<b>Total of Overlapping Tax Increment Debt</b>				<b>\$ 14,085,000</b>
<b>Total Direct Debt</b>				<b>\$0</b>
Total Gross Overlapping Debt				\$ 294,118,818
Total Net Overlapping Debt				\$ 293,434,814
Gross Combined Total Debt				\$ 294,118,818 (2)
Net Combined Total Debt				\$ 293,434,814

(1) The percentage of overlapping debt applicable to the city is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the city divided by the district's total taxable assessed value.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue bonds and non-bonded capital lease obligations.

Ratios to 2020/21 Assessed Valuation:

Total Overlapping Tax and Assessment Debt: 1.57%  
 Total Direct Debt: 0.00%  
 Gross Combined Total Debt: 1.97%  
 Net Combined Total Debt: 1.97%

Ratios to Redevelopment Incremental Valuation ( \$1,560,073,787):

Total Overlapping Tax Increment Debt: 0.90%

Source Data: California Municipal Statistics, Inc.

Draft  
12/16/2021

This page intentionally left blank

Town of Los Gatos  
 Legal Debt Margin Information,  
 Last Ten Fiscal Years  
 (In Thousands of Dollars)

	Fiscal Year				
	2011/12	2012/13	2013/14	2014/15	2015/16
Debt Limit	\$ 1,195,035	\$ 1,216,131	\$ 1,263,138	\$ 1,379,254	\$ 1,444,943
Debt Applicable to Limit	-	-	-	-	-
Legal Debt Margin	\$ 1,195,035	\$ 1,216,131	\$ 1,263,138	\$ 1,379,254	\$ 1,444,943
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	0.00%	0.00%	0.00%	0.00%	0.00%

**Notes:**

- (1) The Town of Los Gatos is a general law city and has a debt limit of 15%.
- (2) Excludes RDA assessed valuation and debt transferred to the Successor Agency trust as a part of the

Legal Debt Margin Calculation  
for Fiscal Year 2020/21

Assessed Value	\$ 14,908,418,987
Debt Limit	2,236,262,848
Debt Applicable to Limit:	
Legal Debt Margin	<u>\$ 2,236,262,848</u>

		Fiscal Year							
		2016/17	2017/18	2018/19	2019/20	2020/21			
\$	1,556,252	\$	1,679,736	\$	1,789,097	\$	2,076,329	\$	2,236,263
	-		-		-		-		-
\$	1,556,252	\$	1,679,736	\$	1,789,097	\$	2,076,329	\$	2,236,263

0.00%      0.00%      0.00%      0.00%      0.00%

Draft 12/16/2021

Fiscal Year Ended	Population (1)	Personal Income (thousands of dollars) (2)	Per Capita Personal Income (3)	Median Age (4)	Public School Enrollment (5)	County Unemployment Rate (6)
2012	29,808	1,854,892	62,228	42.64	6,352	8.7%
2013	30,247	2,140,641	70,772	45.8	6,420	6.8%
2014	30,443	2,267,912	74,497	45.80	6,522	5.7%
2015	30,505	2,197,885	72,050	46.10	6,622	3.8%
2016	31,376	2,286,087	72,861	46.30	6,646	3.5%
2017	31,314	2,281,569	72,861	46.50	6,631	3.8%
2018	30,601	2,290,638	74,855	46.81	6,588	2.6%
2019	30,998	2,365,178	76,301	46.72	6,544	2.6%
2020	31,439	2,546,748	81,006	46.83	6,520	10.7%
2021	30,836	2,686,155	87,111	46.83	6,180	5.2%

Source:

- (1) California State Dept. of Finance - Population Research Unit (January 2019)
- (2) California State Dept. of Finance - Estimate equals county per capita average times population
- (3) US Census Bureau - QuickFacts
- (4) Claritas demographic snapshot report
- (5) Los Gatos Saratoga Joint Union and Los Gatos Union Elementary School Districts
- (6) State of California, Employment Development Dept., Labor Market Info. Div.

	2011/12		2012/13		2013/14		2014/15		2015/16	
	Emp.	Percentage of Total Town Employment	Emp.	Percentage of Total Town Employment	Emp.	Percentage of Total Town Employment	Emp.	Percentage of Total Town Employment	Emp.	Percentage of Total Town Employment
<b>Principal Employers</b>										
Columbia Health Care Assoc/Mission Oaks Hospital	2,000	13.89%	2,000	13.29%	2,000	13.52%	-	0.00%	-	0.00%
El Camino Hospital, Los Gatos	700	4.86%	700	4.65%	700	4.73%	560	3.73%	560	3.53%
Los Gatos Union School District	275	1.91%	275	1.83%	237	1.60%	273	1.82%	280	1.76%
Los Gatos-Saratoga High School District	270	1.88%	270	1.79%	256	1.73%	157	1.05%	157	0.99%
Netflix	800	5.56%	900	5.98%	825	5.58%	1,530	10.19%	1,976	12.45%
Safeway	250	1.74%	250	1.66%	250	1.69%	314	2.09%	314	1.98%
Alain Pinel Realtors	150	1.04%	150	1.00%	156	1.05%	156	1.04%	146	0.92%
Courtside Tennis Club	200	1.39%	200	1.33%	295	1.99%	440	2.93%	440	2.77%
Town of Los Gatos	136	0.94%	138	0.92%	144	0.97%	157	1.05%	158	1.00%
Whole Foods	-	0.00%	-	0.00%	-	0.00%	179	1.19%	179	1.13%
Vasona Creek Health Care Center	-	0.00%	-	0.00%	-	0.00%	233	1.55%	233	1.47%
Good Samaritan Regional Cancer Center	-	0.00%	-	0.00%	-	0.00%	200	1.33%	200	1.26%
Roku	-	0.00%	-	0.00%	-	0.00%	-	0.00%	487	3.07%
Terraces of Los Gatos	-	0.00%	-	0.00%	-	0.00%	-	0.00%	228	1.44%

Source: Town of Los Gatos, Finance Department and Muniservices

Draft 12/16/2021

Principal Employers	2016/17		2017/18		2018/19		2019/20		2020/21	
	Emp.	Percentage of Total Town Employment	Emp.	Percentage of Total Town Employment	Emp.	Percentage of Total Town Employment	Emp.	Percentage of Total Town Employment	Emp.	Percentage of Total Town Employment
Columbia Health Care Assoc/Mission Oaks Hospital	-	0.00%		0.00%		0.00%		0.00%		0.00%
El Camino Hospital, Los Gatos	560	3.49%	560	3.43%	560	3.49%	560	3.49%	560	3.35%
Los Gatos Union School District	274	1.71%	267	1.64%	281	1.75%	281	1.75%	281	1.68%
Los Gatos-Saratoga High School District	370	2.30%	367	2.25%	367	2.28%	367	2.28%	320	1.92%
Netflix	1,864	11.61%	2,117	12.98%	2,314	14.41%	2,314	14.41%	2,524	15.11%
Safeway	314	1.95%	314	1.92%	314	1.95%	314	1.95%	314	1.88%
Alain Pinel Realtors	148	0.92%	131	0.80%	131	0.82%	131	0.82%		0.00%
Courtside Tennis Club	468	2.91%	542	3.32%	542	3.37%	542	3.37%	542	3.24%
Town of Los Gatos	160	1.00%	159	0.97%	160	1.00%	160	1.00%	161	0.96%
Whole Foods	179	1.11%	179	1.10%	125	0.78%	125	0.78%	125	0.75%
Vasona Creek Health Care Center	233	1.45%	233	1.43%	233	1.45%	233	1.45%	250	1.50%
Good Samaritan Regional Cancer Center	200	1.25%	200	1.23%	200	1.25%	200	1.25%	200	1.20%
Roku	554	3.45%	664	4.07%	516	3.21%	516	3.21%		0.00%
Terraces of Los Gatos	228	1.42%	228	1.40%	228	1.42%	228	1.42%	228	1.36%

Draft 12/16/2021



Town of Los Gatos  
 Full-time-Equivalent Employees by Function/Program  
 Last Ten Fiscal Years

Schedule 14

Function/Program	Full-time-Equivalent Employees as of June 30									
	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	20/21
General Government	20.15	20.40	20.73	20.97	20.97	21.35	21.97	22.16	21.80	21.80
Police	60.50	58.00	57.50	60.00	59.00	59.00	59.00	59.00	60.00	60.00
Culture and Recreation	-	-	-	-	-	-	-	-	-	-
Economic Development	1.00	-	0.50	0.63	0.63	0.63	0.75	0.75	0.75	0.75
Library	8.60	8.60	10.30	10.80	11.00	12.25	12.25	12.50	12.50	12.50
Planning	16.00	17.50	17.50	19.50	19.00	19.26	19.63	20.08	20.08	20.20
Public Works	32.00	31.00	31.50	32.00	33.50	33.50	34.50	34.50	34.50	34.75
<b>Total</b>	<b>138.75</b>	<b>138.25</b>	<b>135.50</b>	<b>137.53</b>	<b>144.10</b>	<b>145.98</b>	<b>148.10</b>	<b>148.99</b>	<b>149.63</b>	<b>150.00</b>

Full-time equivalent employment is calculated as one or more employee positions totaling one full year of service or approximately 2,080 hours a year.

Town of Los Gatos  
 Operating Indicators  
 Last Ten Fiscal Years

**FUNCTION/PROGRAM**

	2011/12	2012/13	2013/14	2014/15
<b>General government</b>				
Building Permits Issued				
Residential Permits Issued	747	738	813	805
Residential Permits Value	66,072,341	75,227,889	87,307,822	76,896,111
Commercial Permits Issued	107	137	139	133
Commercial Permits Value	17,663,124	46,855,615	138,676,507	178,195,997
Publically Owned Permits Issued	-	-	-	-
Publically Owned Permits Value	-	-	-	-
Residential Parking Permits				
Number of Special Event Permits Issued	89	125	133	127
Number of Annual Permits Issued	1,223	1,320	1,376	1,570
City Clerk				
Number of Council Resolutions Passed	59	74	86	72
Number of Ordinances Passed	13	20	16	9
Number of Contracts Passed	227	220	196	222
General Services				
Number of Purchase Orders Issued	358	318	301	277
<b>Police</b>				
Physical Arrests	690	648	641	695
Parking Violations	12,938	11,991	14,421	13,321
Traffic Violations	2,908	3,333	4,747	4,633
DUI Arrests	89	86	62	48
<b>Library</b>				
Circulated e-audiobooks	3,388	4,774	2,414 *	5,867 *
<b>Other Public Works</b>				
Street Resurfacing/Overlay/Reconstruction (miles)	8.0	8.0	10.0	1.8
ADA Compliance: Curb Ramps	19	19	19	23
Traffic Circles	1	1	-	1
Street Poles	1,611	1,611	1,611	1,609
<b>Planning and Development Department</b>				
Building & Safety Inspections Performed	11,738	11,902	12,764	11,652
Redevelopment: Number of active projects	1	-	-	-

\* July 2013 the Library separated from Northern CA Digital Library, Patrons had no longer access to collections of multiple libraries. By 2014 patrons access to more materials.

\*\* The Town streamlined the special event application where multiple events require only one permit.

Source: Town of Los Gatos, Finance Department

Fiscal Year					
2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
899	744	849	814	898	1,128
85,000,754	53,625,891	63,083,249	80,030,846	47,961,529	111,242,724
147	135	105	122	92	68
20,185,884	50,024,177	16,626,196	13,295,999	12,389,688	37,285,259
-	-	-	-	-	-
-	-	-	-	-	-
107	118	113	78	-	**
1,363	1,251	1,342	1,395	1,400	1,568
61	69	69	59	57	50
11	5	17	11	24	9
283	240	262	245	242	205
334	331	322	343	359	376
987	1,030	1,164	1,138	616	360
13,975	12,863	11,784	6,817	4,023	1,584
5,400	4,634	4,757	2,877	1,225	764
58	60	51	70	64	23
7,761	10,006	8,844	12,130	57,839	54,614
8.0	10.0	2.6	5.8	16.2	10.0
11	30	68	49	68	91
1	1	1	1	1	1
1,609	1,609	1,762	1,830	1,830	1,830
8,655	14,722	13,918	13,966	13,633	13,806
-	-	-	-	-	-

2014 the Library has expanded its contents giving

Function/Program	Fiscal Year									
	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
<b>Police</b>										
Number of Stations	2	2	2	2	2	2	2	2	2	2
Number of Patrol Units	14	14	14	14	14	14	14	14	14	14
Parking Enforcement Vehicles	2	2	2	2	2	2	2	2	2	2
<b>Other Public Works</b>										
Streets (miles)	132	132	132	132	132	132	132	132	132	132
Streetlights	2,116	2,116	2,109	1,609	1,609	1,609	1,762	1,830	1,830	1,830
Traffic Signals	29	29	29	29	30	30	30	31	31	31
<b>Parks and Recreation</b>										
Number of Parks	12	12	12	12	12	12	12	N/A	N/A	N/A
Number of Community Centers	1	1	1	1	1	1	1	1	1	1
Number of Parks & Open Spaces	N/A	N/A	N/A	N/A	N/A	N/A	N/A	17	17	17
<b>Parking</b>										
Number of Parking Garages	1	1	1	1	1	1	1	1	1	1
Number of Parking Lots	22	22	22	22	22	22	22	22	22	22
Number of Off Street Parking Garage Spaces	1,126	1,126	1,126	1,126	1,126	1,126	1,126	N/A	N/A	N/A
Number of Downtown Off-Street Parking Spaces	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1,269	1,269	1,269

Source: Town of Los Gatos, Finance Department

Draft 12/16/2021

Draft  
12/16/2021



**DRAFT RESOLUTION 2021-**

**RESOLUTION OF THE TOWN COUNCIL  
OF THE TOWN OF LOS GATOS APPROVING COMMITMENTS OF FUND BALANCE UNDER GASB 54**

**WHEREAS**, the Governmental Accounting Standards Board (GASB) has issued its Statement No. 54, Fund Balance and Governmental Fund Type Definitions with the intent of improving financial reporting by providing fund balance categories that will be more easily understood and to improve the comparability of governmental fund financial statements; and

**WHEREAS**, GASB 54 provides that the Town Council of the Town of Los Gatos classify governmental fund balances as restricted, assigned, or committed fund balances; and

**WHEREAS** GASB 54 provides that restricted reserves are funds that are restricted for externally imposed constraints such as legal contracts or state law, assigned amounts are constrained by the Town's intent to use them for specific purposes, and committed amounts are dedicated for specific purposes under constraints and formal action taken by the Town Council and these committed amounts cannot be used for any other purposes unless the Town Council of the Town of Los Gatos removes or changes the specific use through the same formal action to establish the commitment; and

**WHEREAS**, there exists a Nonspendable Reserve that is not readily available for expenditure as it represents the outstanding balance of long term notes receivable; and

**WHEREAS**, there exists a balance of \$159,000 as of June 30, 2021 in the Nonspendable Reserve; and

**WHEREAS**, the Town Council of the Town of Los Gatos has established a General Fund Reserve Policy providing for minimum fund balance dollar target amounts for Budget Stabilization and Catastrophic fund balances and outlines policies and procedures for use and restoration of these balances; and

**WHEREAS**, the Budget Stabilization and Catastrophic Reserve should be maintained at the required minimum 12.5% of FY 2021/22 general fund budgeted operating expenditures of \$5,460,485 as specified in the Town Council General Fund Reserve Policy. This would increase both Budget Stabilization and Catastrophic Reserves from \$5,427,603 by \$32,882 from available year-end savings; and

**WHEREAS**, on November 6, 2018, the Town Council provided direction to establish an unassigned Surplus Property Revenue General Fund Reserve that any monies received from the sale of the property located on Winchester Boulevard and any monies received from the sale of future surplus property be placed in this reserve, and the provisions for the reserve specifically indicate that Council may, at its discretion, distribute those funds as it deems appropriate; and

**WHEREAS**, there exists an assigned approximately \$1,200,000 balance in the Surplus Property Reserve.

**WHEREAS**, per Town Council General Fund Reserve Policy, \$300,000 will be placed to the CalPERS/OPEB Reserve from available year-end savings; and

**WHEREAS**, there exists a balance of \$300,000 as of June 30, 2021 in the committed CalPERS/OPEB Reserve; and

**WHEREAS**, the Town Council established the assigned Open Space reserve in the FY 1998/99 to be used for the preservation of open space, connection of open space trails, the definition of the southern boundary of the Town with passive open space, and protection of unique natural features; and

**WHEREAS**, there exists an excess balance of \$410,000 as of June 30, 2021 in the assigned Open Space Reserve; and

**WHEREAS**, there exists a balance of \$300,000 as of June 30, 2021 in the committed CalPERS/OPEB Reserve; and

**WHEREAS**, the Town Council established the assigned Open Space reserve in the FY 1998/99 to be used for the preservation of open space, connection of open space trails, the definition of the southern boundary of the Town with passive open space, and protection of unique natural features; and

**WHEREAS**, there exists an excess balance of \$410,000 as of June 30, 2021 in the assigned Open Space Reserve; and

**WHEREAS**, the Town Council established the assigned Sustainability Reserve in FY 2008/09 by closing the Solid Waste Management fund and placing the initial residual balance dedicated for conservation, recycling, and sustainability; and

**WHEREAS**, there exists an excess balance of \$140,553 as of June 30, 2021 in the assigned Sustainability Reserve; and

**WHEREAS**, there exists an assigned General Fund Compensated Absences Reserve allocated to fund 50% of all vested hours of sick leave, compensation, and vacation time with the actual reserve amount of \$1,649,917; and

**WHEREAS**, there exists an assigned Market Fluctuation Reserve that represent fund balance amounts for unrealized investment gains that have been recorded as investment income in the financial statements in accordance with the requirements of GASB 31 in the amount of \$438,333; and

**WHEREAS**, in June 2016, the Town Council established the committed Pension/OPEB Reserve to provide funding toward pension and Other Post-Employment Benefits (OPEB) unfunded obligations by placing discretionary amounts to the reserve with formal Council action and transferring available year-end surpluses based on the General Fund Reserve Policy; and

**WHEREAS**, there exists an assigned Measure G 2018 District Sales Tax Reserve to track receipt and use of the 1/8 cent district tax funds collected by the Town; and

**WHEREAS**, the Town Council has determined the use of Measure G accumulated and future proceeds to be 50% for operating expenditures and 50% for capital purposes; and

**WHEREAS**, there is anticipated to be an excess balance of \$1,730,490 as of June 30, 2021 in the assigned Measure G District Sales Tax Reserve; and

**WHEREAS**, there exists an assigned Capital/Special projects Reserve to fund Council priorities, and key infrastructure and capital/special projects as identified in the Town's five-year Capital Improvement Plan; and

**WHEREAS**, the remainder of the available year-end savings will be placed to the Capital/Special Project Reserve according to the Town Council Reserve Policy; and

**WHEREAS**, there exists an assigned Capital/Special Project Reserve in the amount of \$9,965,355; and

**NOW, THEREFORE, THE TOWN COUNCIL OF THE TOWN OF LOS GATOS DOES HEREBY RESOLVE** that the following fund balances as of June 30, 2021 as restricted, assigned, or formally committed as follows:



	<u>General Fund</u>	<u>Appropriated Reserves</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Fund Balance</b>				
Nonspendable	\$ 159,000	\$ -	\$ -	\$ 159,000
Restricted for:				
Capital Outlay	-	-	7,544,097	7,544,097
Library	-	-	552,877	552,877
Repairs and Maintenance	-	-	172,356	172,356
VTA	-	293,323	-	293,323
Committed to:				
Budget Stabilization	5,460,485	-	-	5,460,485
Catastrophic	5,460,485	-	-	5,460,485
CalPERS/OPEB	300,000	-	-	300,000
Assigned to:				
Open Space	410,000	152,000	-	562,000
Parking	-	1,460,210	-	1,460,210
Sustainability	140,553	-	-	140,553
Capital/Special Projects	6,965,355	13,160,379	-	20,125,734
Comcast PEG	-	50,000	-	50,000
Sale of Property	1,200,000	-	-	1,200,000
Market Fluctuation	438,333	-	-	438,333
Compensated Absences	1,649,917	-	-	1,649,917
Measure G 2018 District Sales T	1,730,490	-	-	1,730,490
Special Revenue Funds	-	-	537,892	537,892
<b>Total Fund Balances</b>	<u>\$ 23,914,618</u>	<u>\$ 15,115,912</u>	<u>\$ 8,807,222</u>	<u>\$ 47,837,752</u>

**PASSED AND ADOPTED** at a regular meeting of the Town Council held on the 21<sup>st</sup> day of December 2021 by the following vote:

**COUNCIL MEMBERS:**

AYES:

NAYS:

ABSENT:

ABSTAIN:

SIGNED:

MAYOR OF THE TOWN OF LOS GATOS  
LOS GATOS, CALIFORNIA

ATTEST:

CLERK ADMINISTRATOR OF THE TOWN OF LOS GATOS  
LOS GATOS, CALIFORNIA

# Town of Los Gatos

## Presentation to the Finance Commission

December 6, 2021

Presented by: **Ahmed Badawi, CPA**  
Partner



# **Badawi & Associates**

## **Audit of the**

### **Town of Los Gatos**

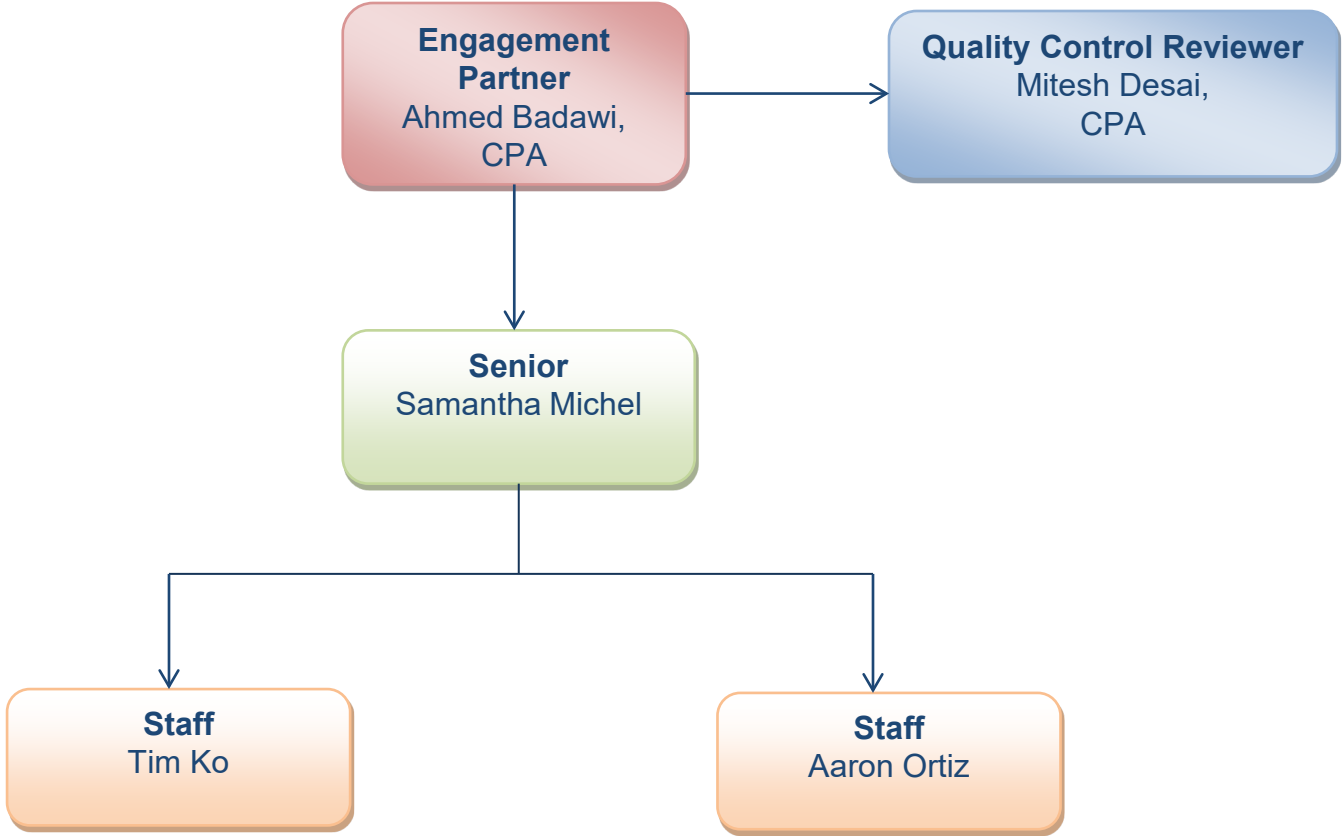
# Agenda

- Engagement Team
- Deliverables and Scope of the Audit
- Areas of Primary Emphasis
- Auditors Report and Financial Statements
- Required Communications
- New Accounting Standards
- Conclusion & Discussion/Questions

# Engagement Team



# Engagement Team



# Deliverables and Scope of the Audit

- Report of Independent Auditors on Town of Los Gatos Basic Financial Statements (BFS)
- Report on Internal Control Over Financial Reporting and on Compliance and Other Matters
- Report on Compliance and on Internal Control Over Compliance with Major Federal Award Programs
- Agreed-Upon Procedures Report on Appropriation Limit Schedule.
- Communications With Those Charged With Governance
  - Letter used to summarize communication of various significant matters to those charged with governance

# Areas of Primary Audit Emphasis

- The risk of management override of controls is addressed by the following procedures:
  - Assignment of audit staff based on consideration of audit risk.
  - Procedures to incorporate an element of unpredictability in the audit from period to period.
  - Consideration of the selection and application of significant accounting principles.
  - Examination of journal entries.
  - Review of accounting estimates for bias.
  - Evaluation of business rationale for unusual transactions.
  - Evaluation of the appropriateness of fraud-related inquiries performed
- Revenues & Receivables (Tax, Grants, Notes and Others): Improper revenue recognitions
  - Confirm/validate property taxes, sales taxes, district taxes, franchise taxes & other significant revenues/receivables.
  - Performed testing of licenses, permits and fees revenues
- Pension and OPEB: Complex accounting
  - Reviewed management's journal entries for pension and OPEB
  - Agreed amounts recorded to reports provided by CalPERS and Town's Actuary
  - Tested the census data used by CalPERS and Town's Actuary
  - Obtained reports from CalPERS auditors regarding plan assets and census data





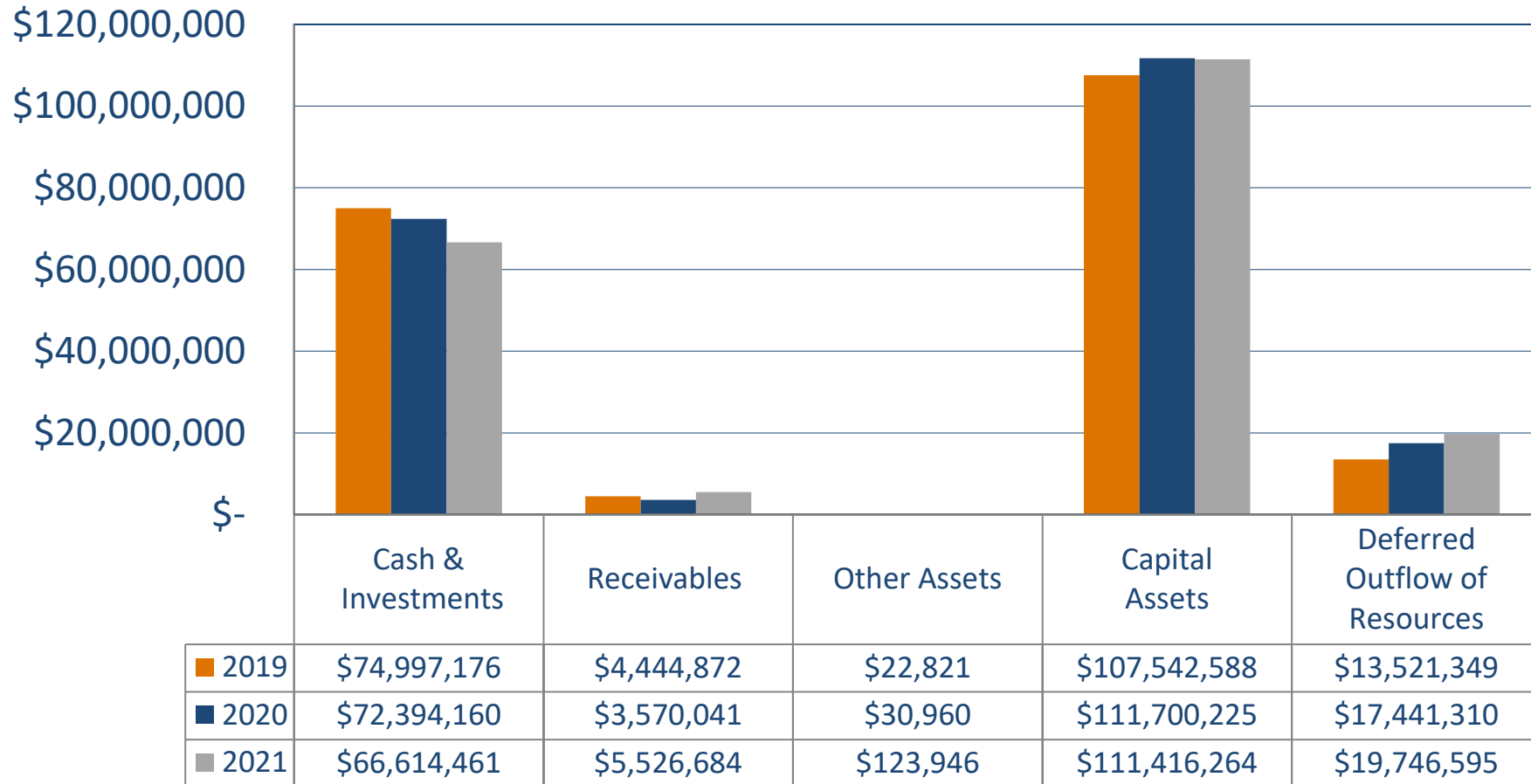
# Auditors Report

- Unmodified opinion
- Audit performed in accordance with *Generally Accepted Auditing Standards*, and *Government Auditing Standards*
- Financial statements are fairly presented in all material respects
- Significant accounting policies have been consistently applied
- Estimates are reasonable
- Disclosures are properly reflected in the financial statements



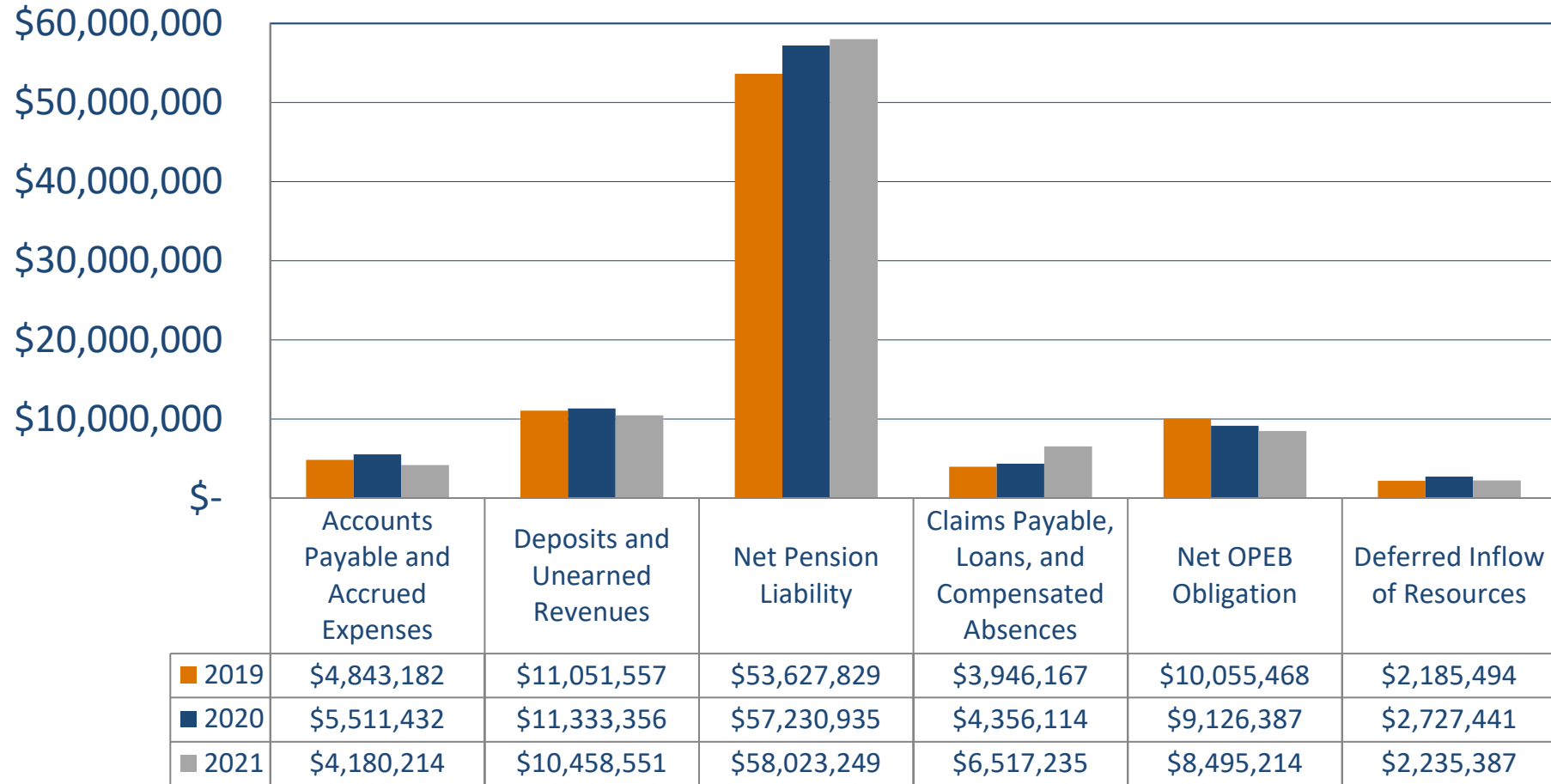
# Government-Wide Financial Statements

## Assets and Deferred Outflows of Resources



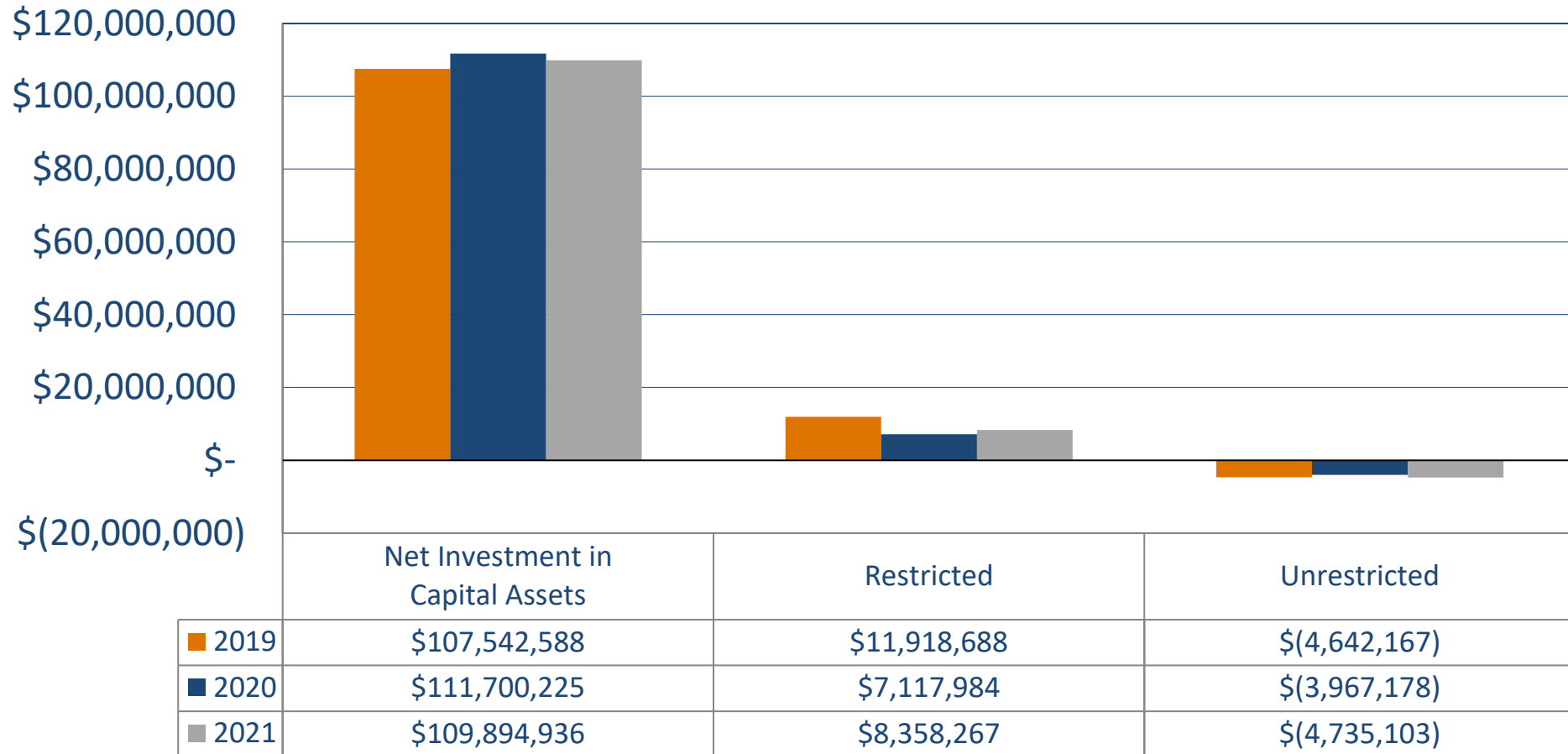
# Government-Wide Financial Statements

## Liabilities and Deferred Inflows of Resources



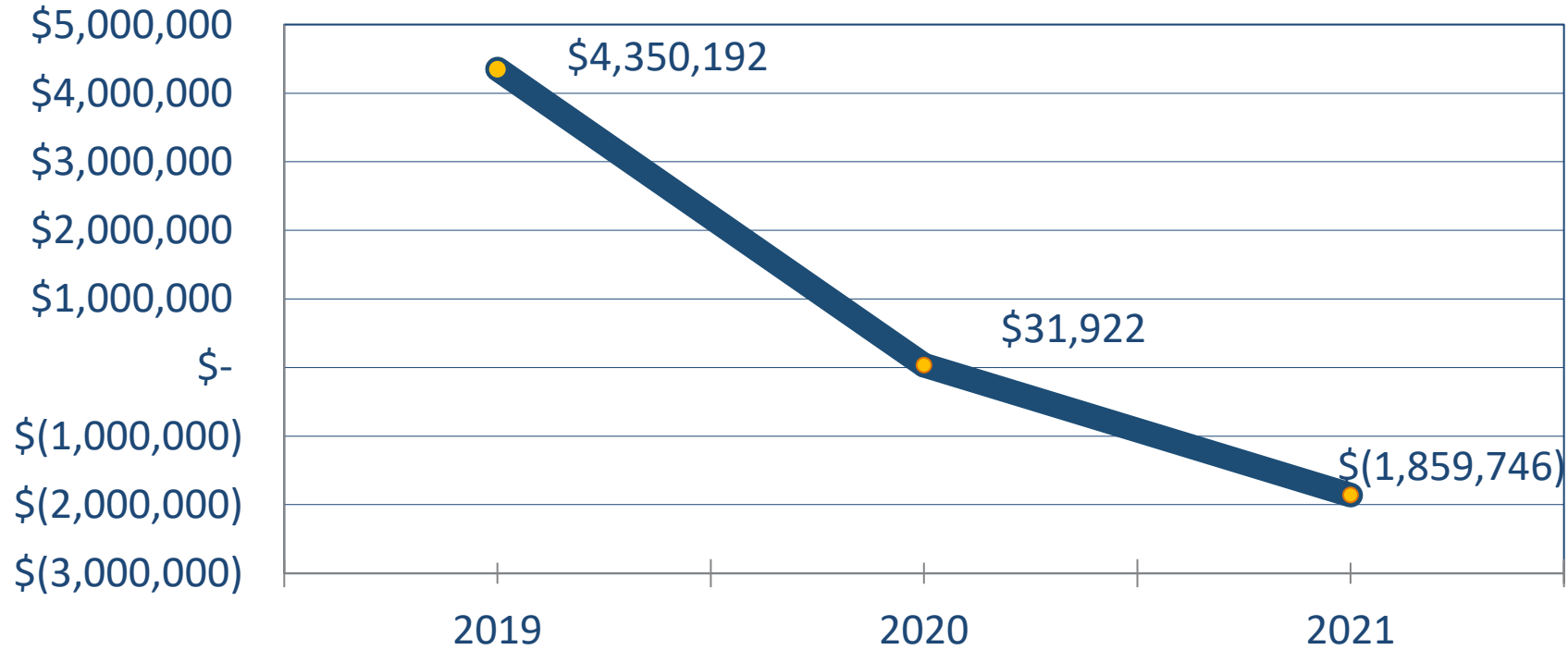
# Government-Wide Financial Statements

## Net Position



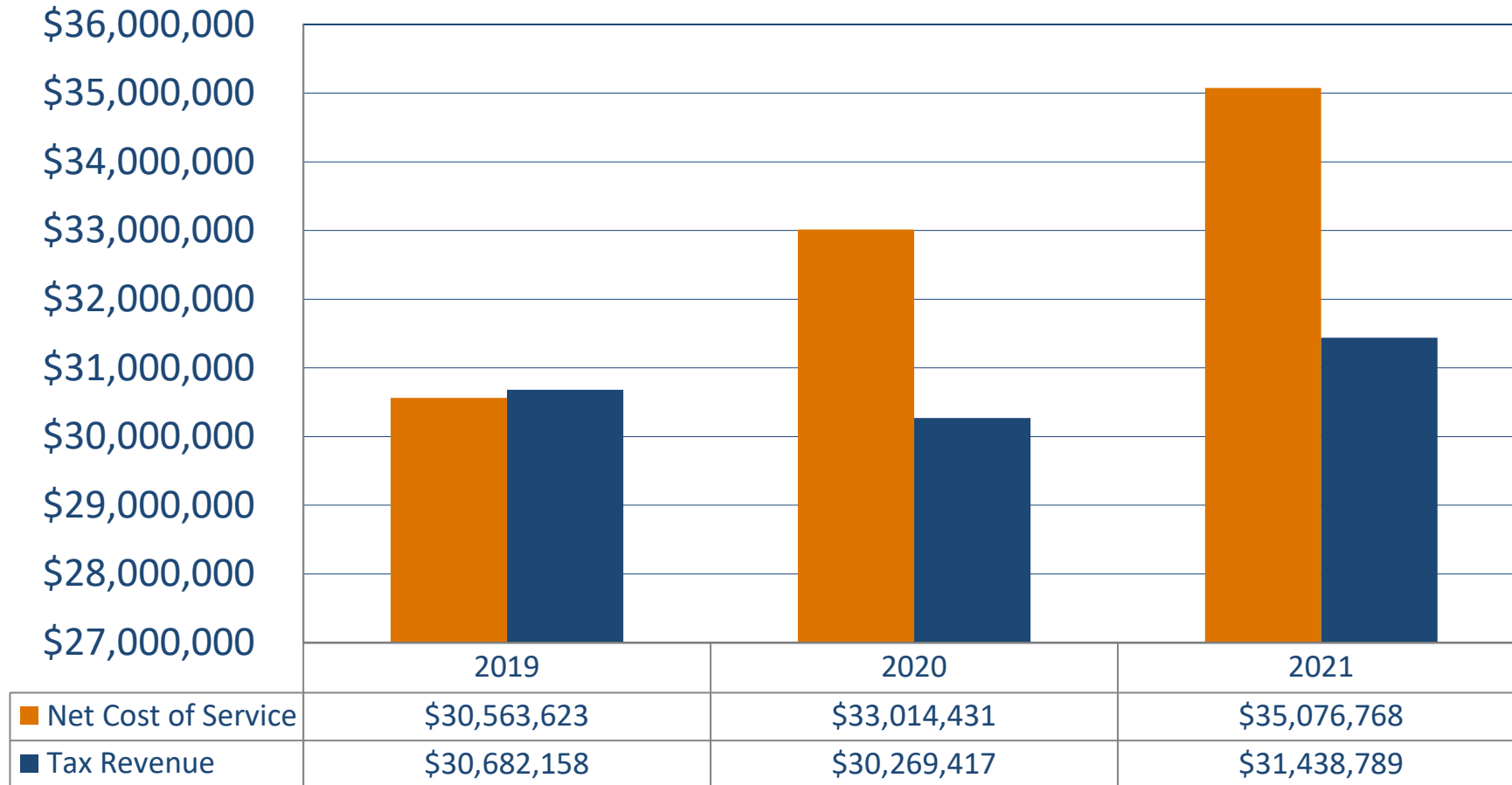
# Government-Wide Financial Statements

## Changes in Net Position



# Government-Wide Financial Statements

## Net Cost of Service to Tax Revenue





# General Fund

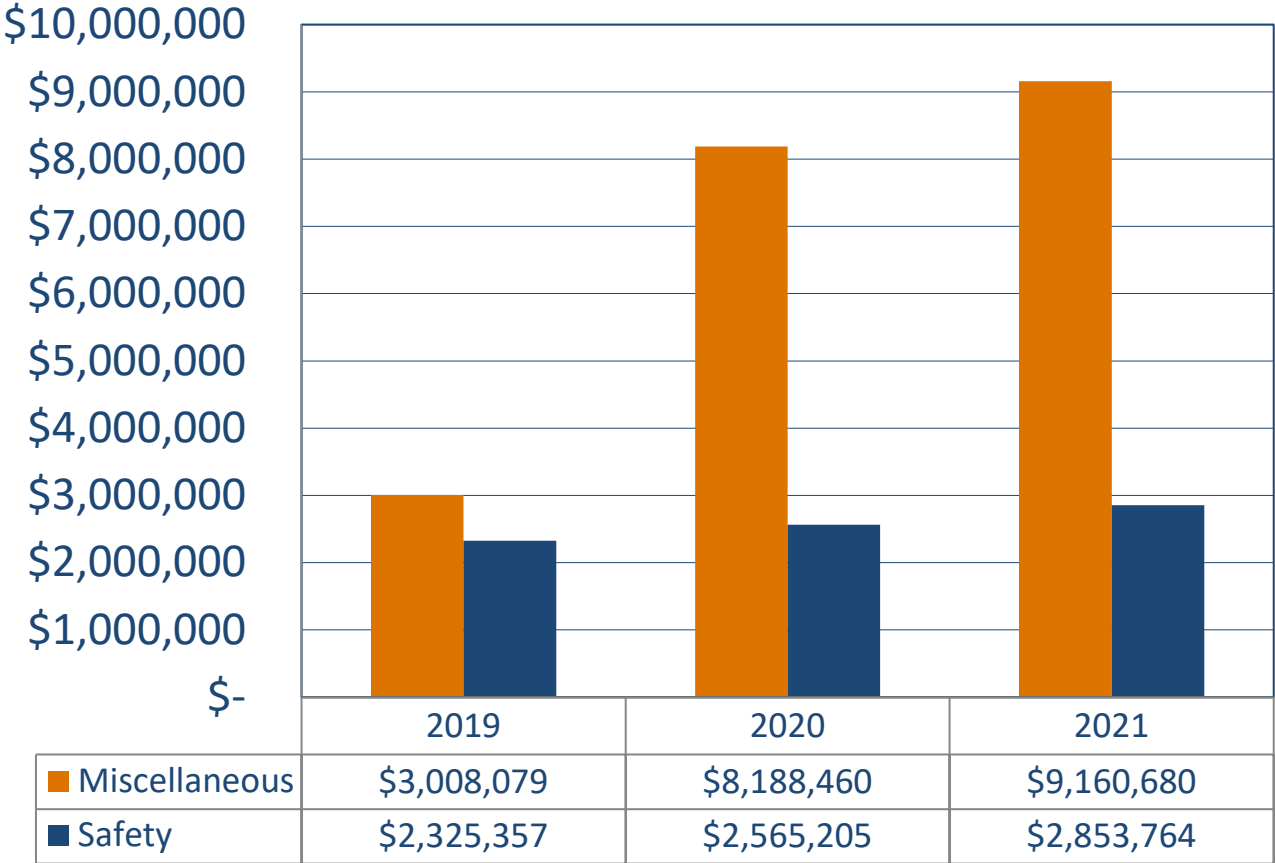
## Expenditure Coverage

	<u>2019</u>	<u>2020</u>	<u>2021</u>
Unrestricted Fund Balance	<u>\$ 32,955,211</u>	<u>\$ 28,665,519</u>	<u>\$ 23,755,618</u>
Total Expenditures	<u>\$ 37,993,949</u>	<u>\$ 44,270,043</u>	<u>\$ 46,612,586</u>
Unrestricted Fund Balance as a % of Total Expenditures	<u>86.74%</u>	<u>64.75%</u>	<u>50.96%</u>
Number of months	10	8	6
GFOA recommendation	2 - 4		

Measure of Town's ability to operate with no revenues using available fund balance.

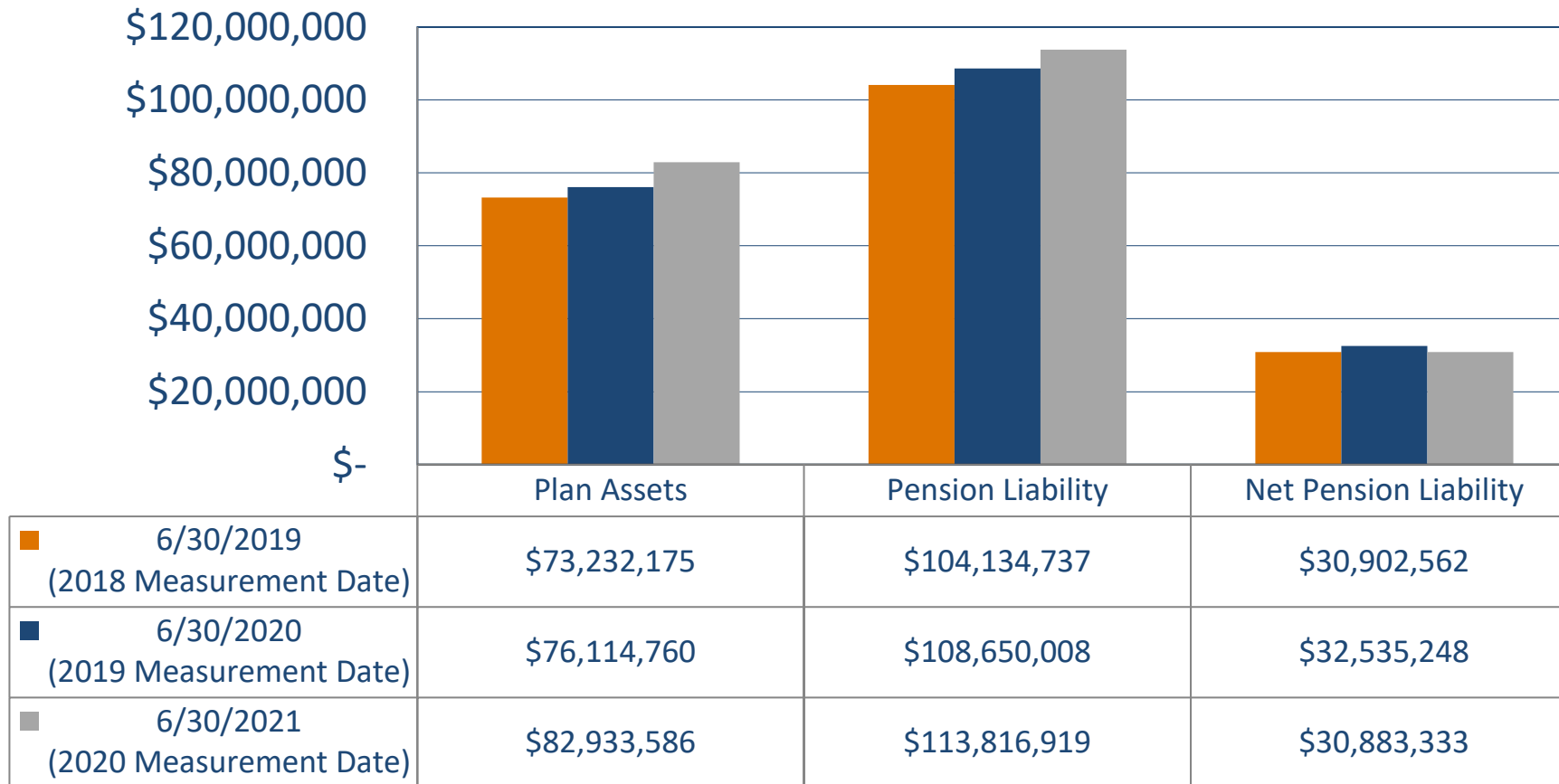
# Other Financial Information

## Town's Annual Pension Contributions



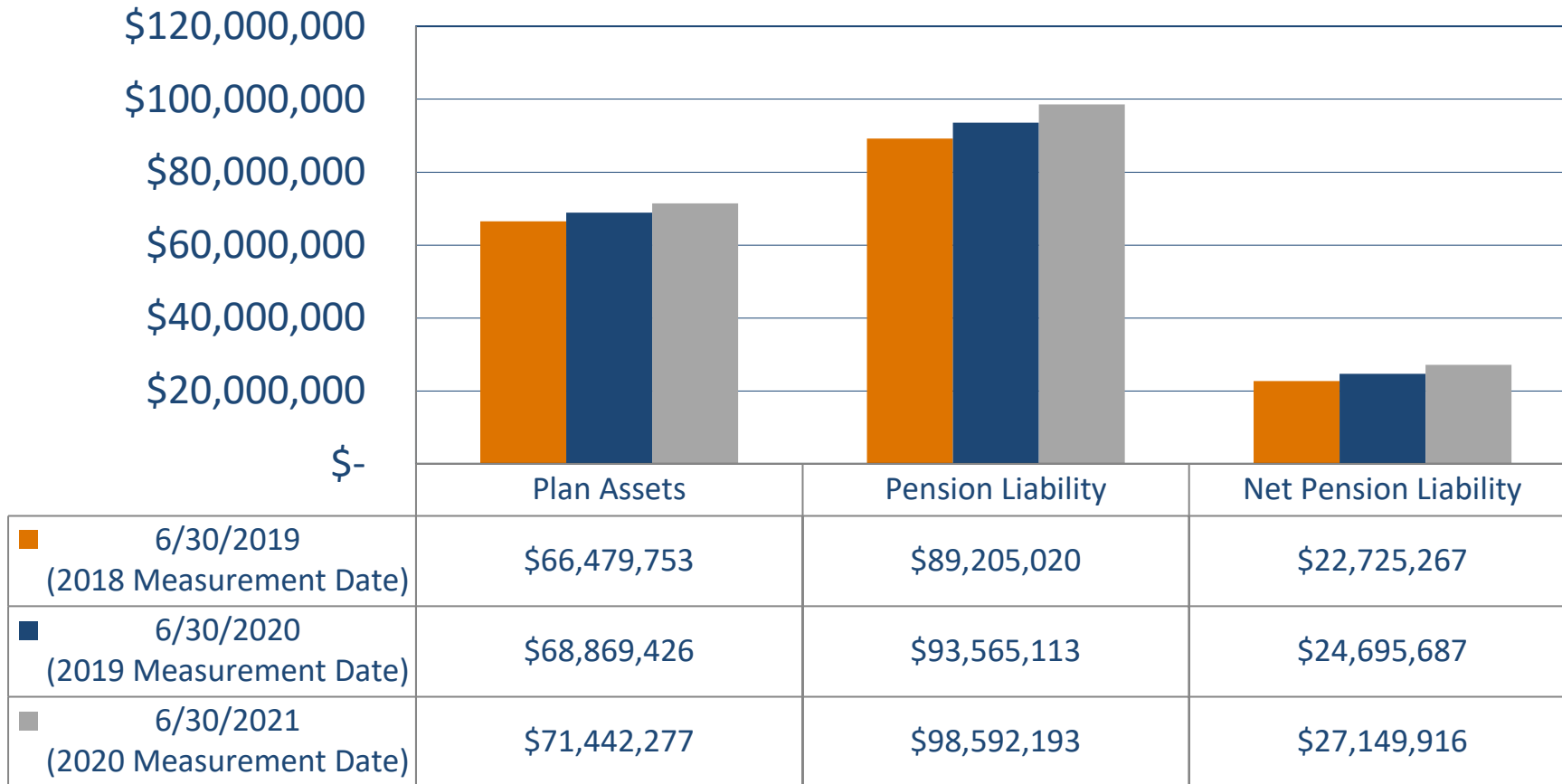
# Pension Plan

## Town's CalPERS Miscellaneous Pension Plan Funded Status



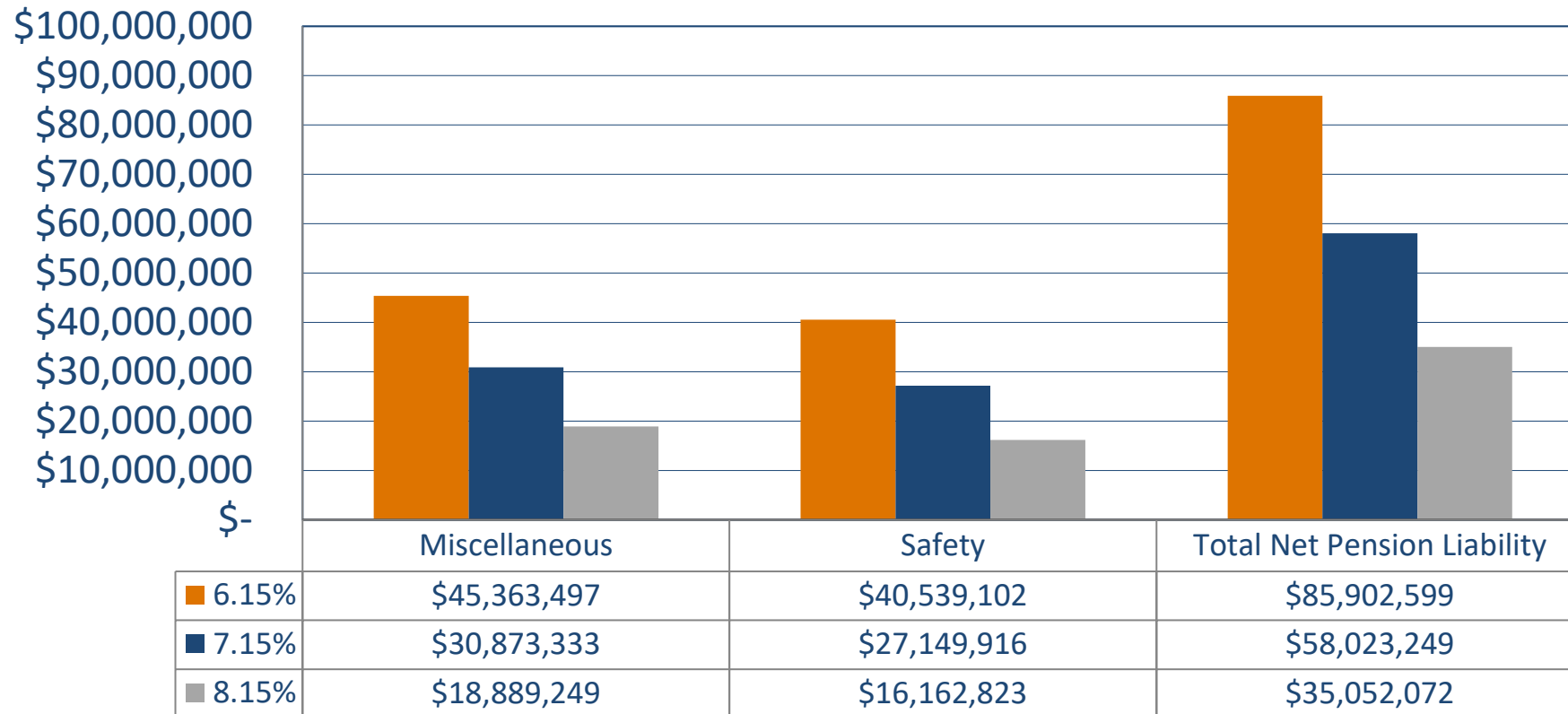
# Pension Plan

## Town's CalPERS Safety Pension Plan Funded Status



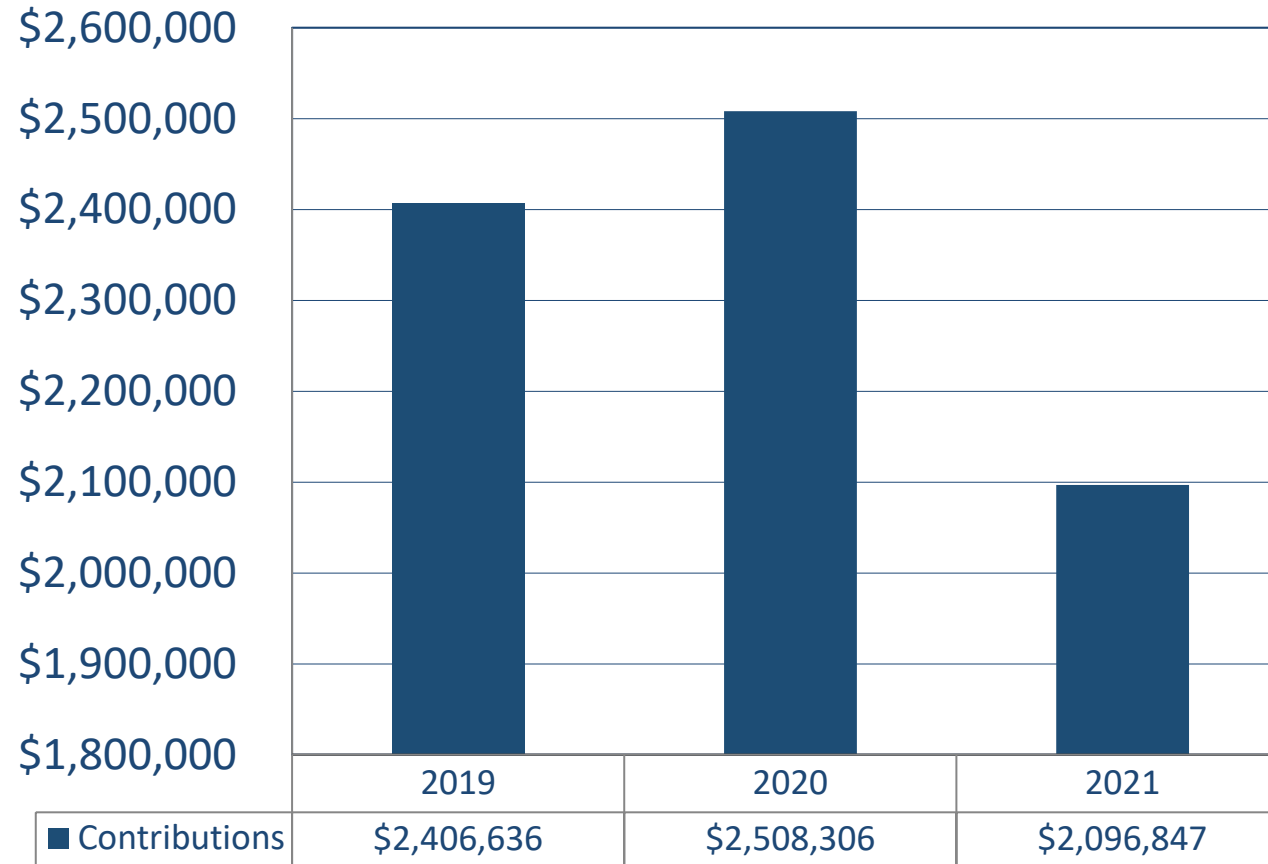
# Pension Plan

## Town's CalPERS Total Pensions Plan Sensitivity to Discount Rate (2020 Measurement Date)



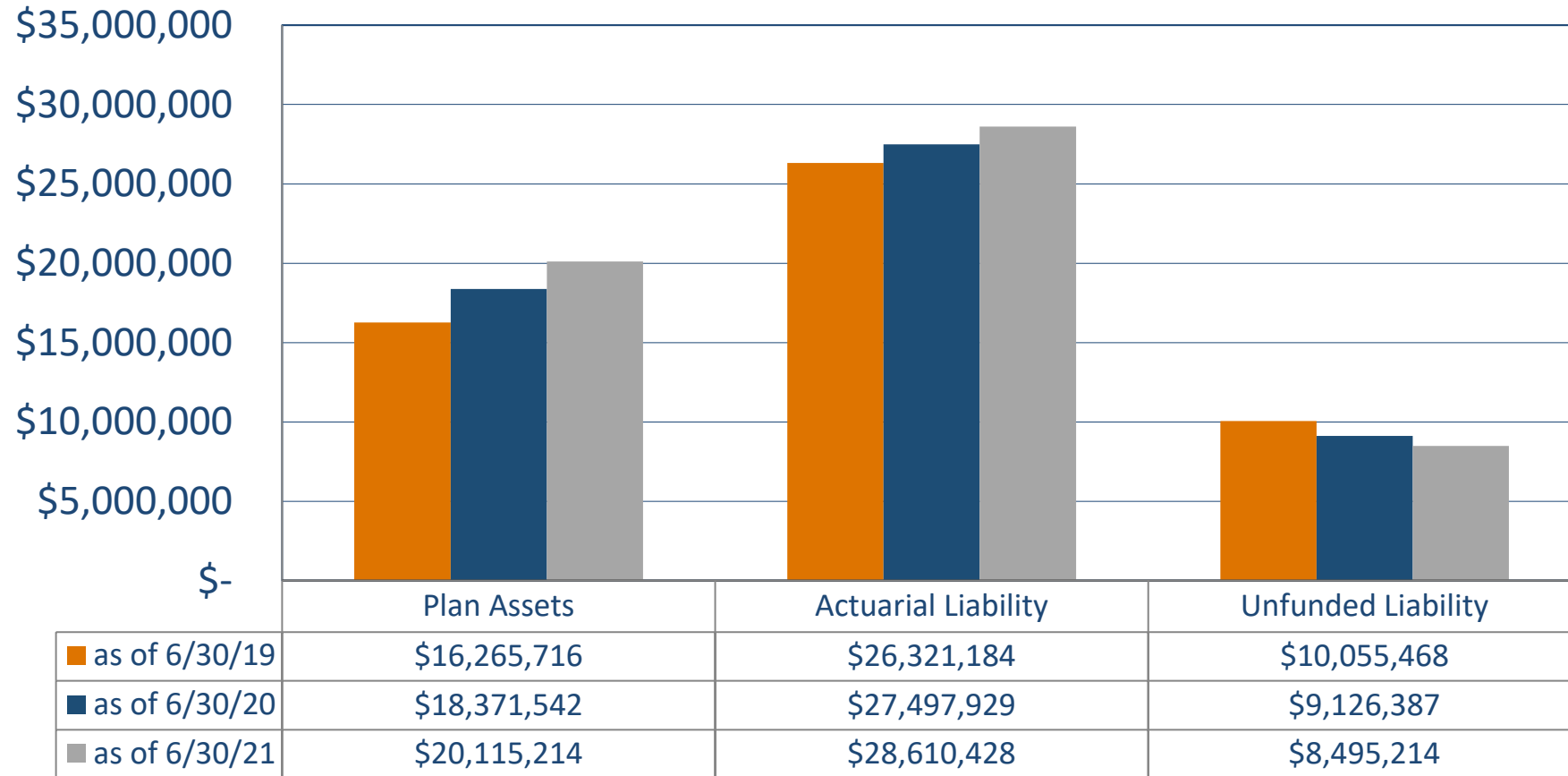
# Other Postemployment Benefits

## Town's Annual OPEB Contributions



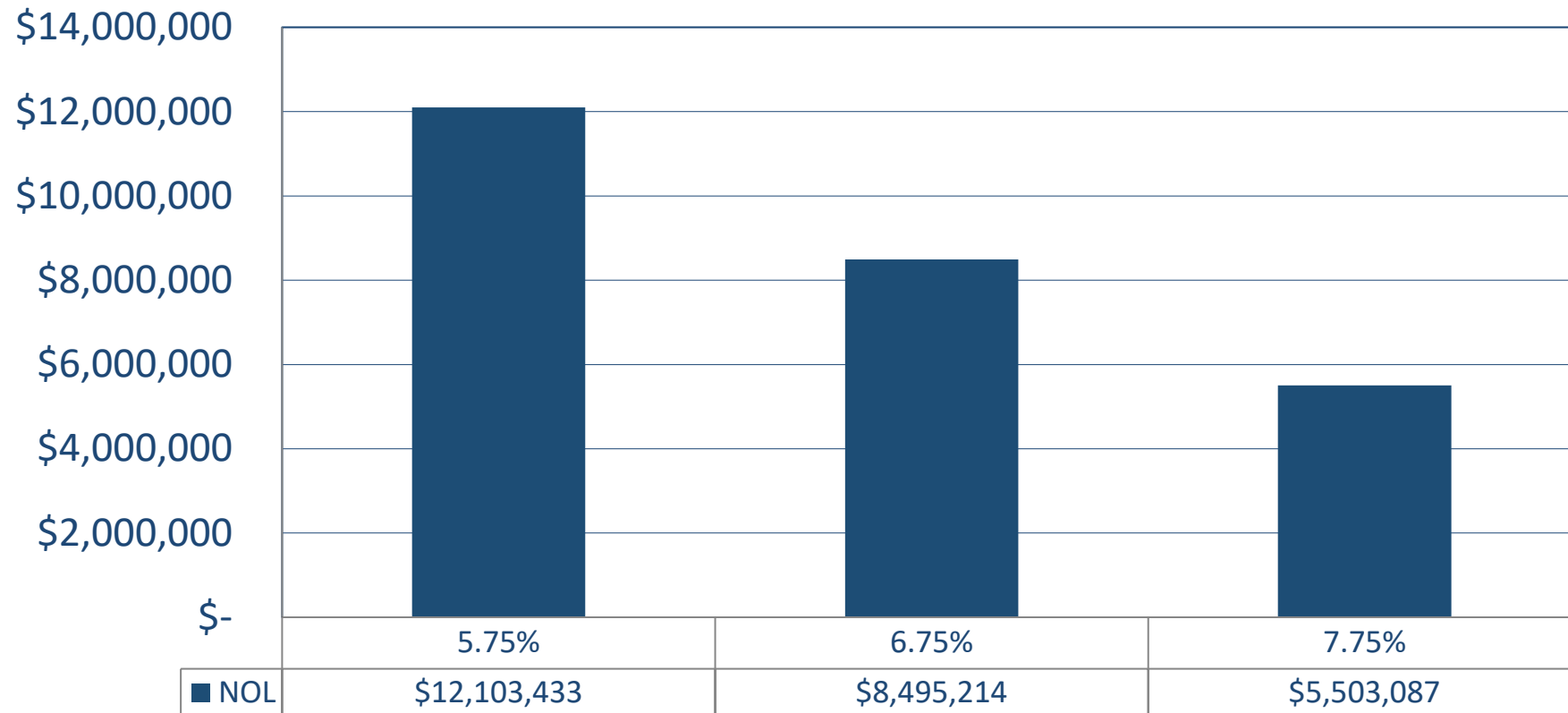
# Other Postemployment Benefits

## Town's OPEB Funded Status



# Other Postemployment Benefits

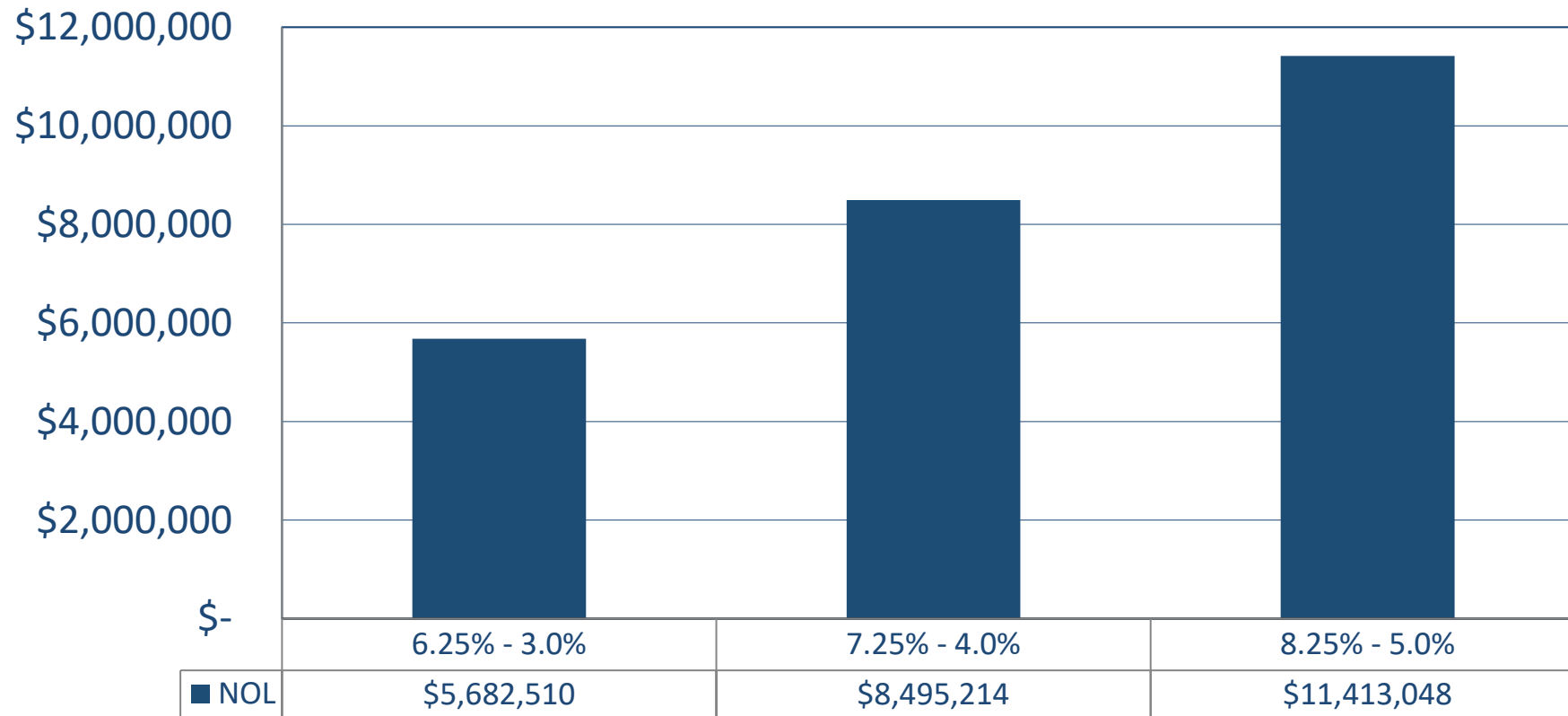
Town's OPEB Plan Sensitivity to Discount Rate  
(2020 Measurement Date)

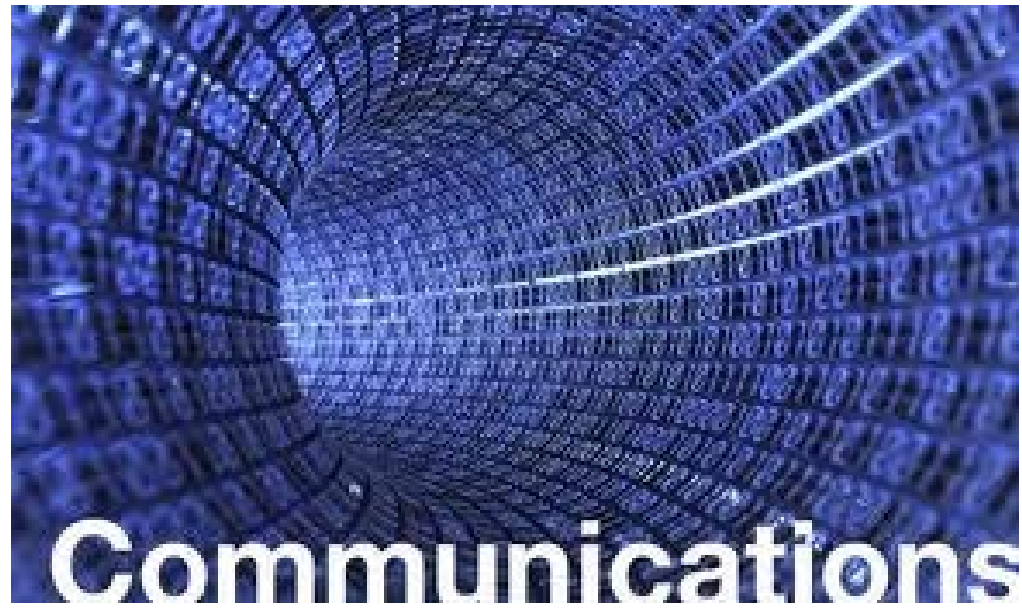




# Other Postemployment Benefits

**Town's OPEB Plan Sensitivity to Healthcare Trend Rate  
(2020 Measurement Date)**





# Required Communications

## • Our Responsibility Under U.S GAAS

- Opinion on whether financial statements are fairly stated in accordance with U.S GAAP
- Evaluate internal control over financial reporting including tone at the top
- Evaluate compliance with laws, contract and grants
- Ensure financial statements are clear and transparent
- Communicate with the governing body

## • Management Responsibility

- Management is responsible for the financial statements
- Establish and maintain internal control over financial reporting
- Making all financial records available to us
- Adjust the financial statements to correct material misstatements
- Establish internal control to prevent and detect fraud
- Inform us of all known and suspected fraud
- Comply with laws and regulations
- Take corrective action on audit findings

# Required Communications

- Independence





- It is our responsibility to maintain independence
- We will maintain our independence by strict adherence to the AICPA and the Board of Accountancy rules and regulations
- No other services performed that could affect our independence

- Timing of the Audit




- Audit was performed in the time frame communicated to the Town in our engagement letters

# Required Communications

- Management Judgment and Accounting Estimates  Significant management estimates impacting the financial statements include the following:
  - Useful lives of Capital Assets
  - Pension Plans
  - Accrued Compensation
  - OPEB Obligation
- Sensitive Disclosures  The most sensitive disclosures affecting the Town's financial statements are as follow:
  - Summary of Significant Accounting Policies
  - Cash and Investments
  - Capital Assets
  - Net Position/Fund Balance
  - Defined Benefit Pension Plan
  - Other Post Employment Benefits

# Required Communications

• Difficulties Encountered in Performing the Audit  No difficulties were encountered during our audit

• Significant Audit Adjustments and Unadjusted Differences Considered by Management to be Immaterial  There were adjustments and reclassifying entries during the course of the audit. Management has posted all proposed audit adjustments .

# Required Communications

- Potential Effect on the Financial Statements of Any Significant Risks and Exposures





No significant risks or exposures were identified. Legal matters and potential liabilities are disclosed in the financial statements

- Disagreement with Management



We are pleased to report that there were no disagreements with management

# Required Communications

- Deficiencies in Internal Control over Financial Reporting  No material weaknesses identified during our audits
- Representations Requested of Management  We will be requesting certain representations from management that will be included in the management representation letter.



# Required Communications

- Management Consultation with Other Accountants



We are not aware of any significant accounting or auditing matters for which management consulted with other accountants

- Other Material Written Communications



Other than the engagement letters and management representation letters, there have been no other significant communications

# Required Communications

- Material Uncertainties Related to Events and Conditions



There were no material uncertainties relating to events and conditions

- Fraud and Illegal Acts



We have not become aware of any instances of fraud or illegal acts, which were not disclosed by the Town

# New Accounting Standards

2021

- GASB Statement No. 90 – Majority Equity Interests
- GASB Statement No. 93 – Interbank offered rates (except LIBOR removal and lease modifications) GASB Statement
- GASB Statement No. 97 - Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans
- GASB Statement No. 98 – The Annual Comprehensive Financial Report

2022

- GASB Statement No. 87 – Leases
- GASB Statement No. 89 – Construction-period interest
- GASB Statement No. 92– Omnibus (multiple effective date)
- GASB Statement No. 93 – LIBOR removal and lease modifications

2023

- GASB Statement No. 91 – Conduit debt
- GASB Statement No. 94 – Public-private partnerships
- GASB Statement No. 96 - Subscription-Based Information Technology Arrangements

**Thank You  
For Allowing Us to Provide Audit Services  
to the Town of Los Gatos**





**TOWN OF LOS GATOS  
COUNCIL AGENDA REPORT**

MEETING DATE: 12/21/2021

ITEM NO: 18

---

**DATE:** December 15, 2021  
**TO:** Mayor and Town Council  
**FROM:** Laurel Prevetti, Town Manager  
**SUBJECT:** Adopt a Resolution for the California Public Employees' Retirement System Retirement Plan to Waive the 180-Day Retiree Rehire Wait Period and to Appoint a Retiree as an Interim Town Attorney and Approve the Employment Agreement Between the Town of Los Gatos and the Interim Town Attorney

**RECOMMENDATION:**

Adopt a resolution for the California Public Employees' Retirement System retirement plan to waive the 180-day retiree rehire wait period and to appoint a retiree as an Interim Town Attorney (Attachment 1) and approve the Employment Agreement between the Town of Los Gatos and the Interim Town Attorney (Attachment 2).

**BACKGROUND:**

The Town has an existing agreement with the California Public Employees' Retirement System (CalPERS) to provide its retirement program to employees. The CalPERS retirement program is governed by Public Employees' Retirement Law (PERL). PERL contains the rules and regulations that a contracting agency must adhere to related to the hire of a CalPERS retiree, referred to as a retired annuitant. PERL requires that a non-safety retired annuitant may not work for a CalPERS contracting agency unless the retired annuitant has been retired for at least 180-days (Gov. Code section 7522.56). In lieu of the 180-day wait period, an agency's governing body may approve a resolution to waive the 180-days. PERL also requires that if a retired annuitant will be rehired into a vacant position while a recruitment for a permanent replacement is taking place, the governing body must approve a resolution appointing the retired annuitant as an interim employee [Gov. Code section 21221(h)].

As an appointee of the Town Council, the Town Attorney is employed under an Employment Agreement that specifies the terms and conditions of employment.

**PREPARED BY:** Lisa Velasco  
Human Resources Director

---

Reviewed by: Town Manager, Assistant Town Manager, Town Attorney, and Finance Director

---

DISCUSSION:

Robert Schultz has been employed as the Town of Los Gatos Town Attorney since December 2013. Recently, Mr. Schultz provided his notice of intent to retire from the Town with his last day of work to occur on December 30, 2021 resulting in a CalPERS retirement effective date of December 31, 2021.

The Town has entered into an agreement with the executive recruitment firm of Teri Black & Co. to facilitate the search for a new Town Attorney. The typical span of the recruitment timeline to hire an executive position is four months. To allow for uninterrupted time sensitive work in the Town Attorney's office and provide for continued support to the Town Council, Town Manager, Town staff, boards, and commissions, the Town Council requested staff to rehire Robert Schultz as an Interim Town Attorney until the permanent replacement is hired.

Before Mr. Schultz can be hired as a retired annuitant, the Town Council must adopt a CalPERS resolution to request that the reemployment begins earlier than the 180-day wait period and to appoint Mr. Schultz as an Interim Town Attorney. A retired annuitant may be appointed in an interim position provided that there is an open recruitment to fill the vacancy and the same individual may only be appointed to the vacant position one time. The rate of pay may not be less than or more than the current approved salary range for the vacant position. Also, a retired annuitant may not work more than 960 hours in a CalPERS fiscal year. The CalPERS fiscal year begins July 1 and ends on June 30. The tentative first day of employment as a retired annuitant for Mr. Schultz is January 1, 2022, subject to CalPERS approval of the executed resolution.

Finally, because the Town Attorney is one of two Town Council appointed positions, an approved agreement outlining employment terms and conditions must be executed prior to the commencement of employment.

CONCLUSION:

Staff recommends that the CalPERS resolution to waive the 180-day wait period exception for Robert Schultz and to appoint to the Interim Town Attorney position be adopted by Council while the recruitment for a permanent replacement takes place. Because Mr. Schultz' existing employment agreement and all related amendments will end with the separation of his employment on December 30, 2021, staff recommends that a new employment agreement is approved.

FISCAL IMPACT:

It is anticipated that the rehire of a retired annuitant will result in overall budget savings given that the retiree will no longer be eligible for benefits related to permanent employment except the Town's contribution to Medicare.

PAGE 3 OF 3

SUBJECT: Adopt a CalPERS Resolution and Approve an Employment Agreement

DATE: December 15, 2021

ENVIRONMENTAL ASSESSMENT:

This is not a project defined under CEQA, and no further action is required.

Attachments:

1. CalPERS Resolution
2. Employment Agreement – Town Attorney

**RESOLUTION 2021 -xx**

**RESOLUTION OF THE TOWN COUNCIL OF THE TOWN OF LOS GATOS**

**GOV. Code sections 7522.56 & 21221(h)**

**December 21, 2021**

**WHEREAS**, in compliance with Government (Gov.) Code section 7522.56 of the Public Employees' Retirement Law, the Town Council must provide CalPERS this certification resolution when hiring a retiree before 180 days has passed since their retirement date; and

**WHEREAS**, Robert Schultz retired from the Town of Los Gatos in the position of Town Attorney, effective December 31, 2021; and

**WHEREAS**, Gov. Code section 7522.56 requires that post-retirement employment commence no earlier than 180 days after the retirement date, which is June 30, 2022 without this certification resolution; and

**WHEREAS**, Gov. Code section 7522.56 provides that this exception to the 180-day wait period shall not apply if the retiree accepts any retirement-related incentive; and

**WHEREAS**, the Town Council, the Town of Los Gatos and Robert Schultz certify that Robert Schultz has not and will not receive a Golden Handshake or any other retirement-related incentive; and

**WHEREAS**, an appointment under Gov. Code section 21221(h) requires the retiree is appointed into the interim appointment during recruitment for a permanent appointment; and

**WHEREAS**, the governing body has authorized the search for a permanent appointment on December 21, 2021; and

**WHEREAS**, the Town Council hereby appoints Robert Schultz as an interim appointment retired annuitant to the vacant position of Town Attorney for the Town of Los Gatos under Gov. Code section 21221(h), effective January 1, 2022; and

**WHEREAS**, this Gov. Code section 21221(h) appointment shall only be made once and therefore will end upon the permanent appointment of a Town Attorney; and

**WHEREAS**, the entire employment agreement document between Robert Schultz and the Town of Los Gatos has been reviewed by this body and is attached herein; and

ATTACHMENT 1



**WHEREAS**, no matters, issues, terms or conditions related to this employment and appointment have been or will be placed on a consent calendar; and

**WHEREAS**, the employment shall be limited to 960 hours per fiscal year for all CalPERS employers; and

**WHEREAS**, the compensation paid to retirees cannot be less than the minimum nor exceed the maximum monthly base salary paid to other employees performing comparable duties, divided by 173.333 to equal the hourly rate; and

**WHEREAS**, the maximum base salary for this position is \$20,825 and the hourly equivalent is \$120.14, and the minimum base salary for this position is \$20,825 and the hourly equivalent is \$120.14; and

**WHEREAS**, the hourly rate paid to Robert Schultz will be \$120.14; and

**WHEREAS**, Robert Schultz has not and will not receive any other benefit, incentive, compensation in lieu of benefit or other form of compensation in addition to this hourly pay rate; and

**NOW, THEREFORE, BE IT RESOLVED THAT** the Town Council hereby certifies the nature of the employment of Robert Schultz as described herein and detailed in the attached employment agreement and that this appointment is necessary to fill the critically needed position of Town Attorney for the Town of Los Gatos by January 1, 2022 because the position requires specialized skills to plan, direct, manage and oversee the functions, programs, and operations of the Town Attorney Department and provide highly responsible and complex legal support to the Town Council, Town Manager, Staff and Boards and Commissions.

**PASSED AND ADOPTED** at a regular meeting of the Town Council of the Town of Los Gatos, California, held on the 21st day of December, 2021, by the following vote:

COUNCIL MEMBERS:

AYES:

NAYS:

ABSENT:

ABSTAIN:

SIGNED:

MAYOR OF THE TOWN OF LOS GATOS  
LOS GATOS, CALIFORNIA

DATE: \_\_\_\_\_

ATTEST:

TOWN CLERK OF THE TOWN OF LOS GATOS  
LOS GATOS, CALIFORNIA

DATE: \_\_\_\_\_

**TOWN OF LOS GATOS  
AGREEMENT FOR INTERIM TOWN ATTORNEY**

This Agreement is made and entered into this 21<sup>st</sup> day of December 2021, by and between the Town of Los Gatos, a California municipal corporation, hereinafter referred to as “Town” and Robert Schultz, hereinafter referred to as “Schultz”.

**RECITALS**

**WHEREAS**, the Town Attorney is an appointed position that will be vacant as of December 30, 2021 and for which the Town is conducting a recruitment for a permanent appointment; and

**WHEREAS**, during this recruitment period, the Town will have an immediate need for an attorney to temporarily perform the position of Town Attorney, a position involving specialized skills to plan, direct, manage and oversee the functions, programs, and operations of the Town Attorney Department and provide highly responsible and complex legal support to the Town Council, Town Manager, Staff and Boards and Commissions; and

**WHEREAS**, Schultz is competent and qualified to perform the legal services required by this Agreement, and Town wishes to have Schultz perform certain critically necessary on-going duties and functions of the Town Attorney on an interim basis; and

**WHEREAS**, Town desires to appoint Schultz to serve as Interim Town Attorney pending the completion of the recruitment of a new permanent Town Attorney; and

**WHEREAS**, Schultz's employment is authorized by Government Code section 21221(h), which permits the Town to appoint a CalPERS retired annuitant to a vacant position requiring specialized skills during recruitment for a permanent replacement and provided that such appointment will not subject the retired person to reinstatement from retirement or loss of benefits, so long as it is a single appointment that does not exceed 960 hours in a fiscal year, inclusive of all hours worked for all other CalPERS employers; and

**WHEREAS**, Schultz represents that as of December 31, 2021, he is a retired annuitant of CalPERS within the meaning of Government Code §§ 7522.56 and 21221(h) (“Statutes”) and acknowledges that his compensation is statutorily limited as provided in Government Code § 21221(h). Schultz also represents that, as of the effective date of this Agreement, he has not worked for another CalPERS state or contracting agency as a retired annuitant during the 2021-2022 fiscal year, and that he therefore acknowledges that he is restricted to working no more than 960 hours for the Town , a state agency or other CalPERS contracting agencies (collectively "CalPERS Agencies") during the 2021/2022 fiscal year; and

ATTACHMENT 2

## AGREEMENT

**NOW, THEREFORE**, in consideration of the foregoing recitals and respective and mutual covenants herein, Town and Attorney agree as follows:

1. Appointment. Town appoints Schultz and Schultz agrees to serve as Interim Town Attorney.
  
2. Duties. Schultz shall temporarily perform the functions of the Town Attorney, which is a position involving highly specialized and critically needed skills to perform the functions and duties of the Town Attorney as specified under the laws of the State of California, the Los Gatos Municipal Code, and the ordinances and resolutions of Town, and perform such other duties and functions as the Town Council may assign from time to time. Legal services shall include, but not be limited to, the preparation and review of ordinances, resolutions, agreements, and contracts; legal research; attendance at Town Council meetings and other meetings upon request; rendering of legal opinions to the Town Council and Town Manager; representation of the Town, members of the Town Council and other Town officers and employees in claims and litigation filed by or against the Town, except those that the Town Attorney or Town Council determine should be handled by outside counsel; and such other legal services as may be directed by Town Council or Town Manager.
  
3. Term. This Agreement shall commence on January 1, 2022 and shall continue until the Termination Date. The "Termination Date" means the earliest to occur of either: (a) The effective date of the Town Council's appointment of a permanent Town Attorney; (b) Schultz has worked 960 hours for the Town during the period of January 1, 2022 through June 30, 2022 as more fully described in Section 6; or (c) This Agreement is terminated by either party as set forth in Section 8 below.
  
4. Hours of Work. Schultz shall devote the time necessary to adequately perform his duties as Interim Town Attorney. The parties anticipate that Schultz will work a sufficient number of hours per week allocated between regular business hours and hours outside of regular business hours including, without limitation, attendance at regular and special Town Council and Planning Commission meetings. Toward that end, Schultz shall be allowed reasonable flexibility in setting his own office hours and may perform work off site as appropriate, provided the schedule of such hours provides reasonable availability to the Town Council, Town staff, and members of community during regular Town business hours. However, in no event shall Schultz be required to work in excess of 960 hours per fiscal year for Town, including hours worked for other CalPERS Agencies during such fiscal years, unless an exemption applies such as pursuant to the Executive Orders. The position of Interim Town Attorney shall be deemed an exempt salaried hourly position under California wage and hour law.
  
5. Compensation. Pursuant to Government Code Section 21221(h) and in accordance with the existing Town salary schedule for the position of Town Attorney, Town agrees to pay Schultz an hourly rate of \$120.14, which will be payable in installments in the same manner and at the same time as other Town employees are paid.

6. Compliance with CalPERS requirements. It is the intent of the parties to compensate Schultz only to the extent permitted under Government Code Sections 7522.56 and 21221(h), and corresponding CalPERS regulations and policy statements. The rate of pay set forth in Section 5 is based on the salary limitations established by CalPERS and is not less than the minimum, nor more than the maximum rate of pay, for the position of Town Attorney as listed on the Town's publicly available pay schedule.

7. Recordation and Reporting of Hours Worked. Schultz will comply with all applicable CalPERS regulations governing employment after retirement, including the recordation and reporting of all hours worked for the Town to CalPERS as may be required. Town shall assist in any such reporting obligations to CalPERS. Additionally, Schultz shall keep Town continually apprised of any hours worked by Schultz for other CalPERS Agencies during the term of this Agreement.

8. No Benefits. In accordance with the limitations on appointment of retired annuitants, Schultz shall not receive from the Town any benefits in addition to his hourly rate. Schultz shall receive no employment benefits (including, but not limited to, retirement, annual leave, sick leave (except as required by law), holiday/floating holiday pay, health, dental, or any other benefits given to regular, full time employees) except that the Town shall provide workers' compensation benefits as required by State law and shall pay any employer's share of the Medicare tax.

9. Reimbursement. Town shall reimburse Schultz for reasonable and necessary travel expenses and/or any other costs or expenses reasonably incurred by Schultz in the performance of his duties pursuant to this Agreement. Schultz shall document and claim said reimbursement for such travel in the manner and forms required by the Town. All reimbursements shall be for actual expenses and shall be subject to and in accordance with California and federal law and Town's adopted reimbursement policies. Such reimbursements shall not be reported to CalPERS as compensation.

10. Termination. Schultz understands and agrees that the Interim Town Attorney position is an at-will position of limited duration, subject to termination by the Town Council at any time. In addition, Schultz understands and agrees that his appointment as Interim Town Attorney will only be made once for this current vacancy and will terminate as of the date that a new permanent Town Attorney begins employment with the Town. The Town's only obligation in the event of such termination will be payment to Schultz of all compensation then due and owing as set forth in Section 5 up to and including the effective date of termination.

11. Termination Obligations. Schultz agrees that all property, including, without limitation, all equipment, tangible Proprietary Information (as defined below), documents, records, notes, contracts, and computer-generated materials furnished to or prepared by him incident to his employment belongs to the Town and shall be returned promptly to Town upon termination of

Schultz's employment. Schultz's obligations under this Section shall survive the termination of his employment and the expiration of this Agreement.

12. Indemnification. Town agrees to defend, hold harmless and indemnify Attorney against any tort, professional liability claim or demand, or other legal action, whether groundless or otherwise, arising out an alleged act or omission occurring in the performance of Attorney's duties. Town, at is discretion, is not required to indemnify Attorney for any illegal or criminal acts committed by Attorney. The Town agrees to defend and indemnify Schultz for any fees, fines, penalties, contributions or other monetary damages claimed, asserted, or alleged against Schultz by CalPERS as a result of his employment with the Town upon a finding that the Town failed to keep or report Schultz's accurate hours worked.

13. General Provisions.

(a) The text herein shall constitute the entire Agreement between the parties.

(b) No provisions of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing by the Town and the Attorney. No waiver of either party at any time of the breach of, or lack of compliance with, any conditions or provisions of this Agreement shall be deemed a waiver of other provisions or conditions hereof.

(c) This Agreement contains the entire agreement and understanding between the parties and contains all of the terms and conditions of the parties' agreement and supersedes any other oral or written negotiations, discussions, representations, or agreements. Attorney acknowledges that he has not relied on any promises, statement, representations, or warranties except as set forth expressly in this Agreement.

(d) This Agreement shall be binding upon and shall inure to the benefit of the respective heirs, executors, administrators, successors and assigns of the parties, provided; however, that Attorney may not assign his obligations hereunder.

(e) This Agreement shall be governed by and construed in accordance with the laws of the State of California, and venue for any action concerning this Agreement shall be limited to the Superior Court for the County of Santa Clara.

(f) If any provision, or any portion thereof, contained in this Agreement is held unconstitutional, invalid or unenforceable, the remainder of this Agreement, or portion thereof, shall be deemed severable, shall not be affected and shall remain in full force and effect.

(g) Unless provided for otherwise by this Agreement, all provisions of the Town Code which are applicable to the Town Attorney shall remain in full force and effect.

INTERIM TOWN ATTORNEY:

TOWN OF LOS GATOS:

---

Robert Schultz

---

Rob Rennie, Mayor

ATTEST:

---

Clerk Administrator



**TOWN OF LOS GATOS  
COUNCIL AGENDA REPORT**

MEETING DATE: 12/21/2021

ITEM NO: 19

---

**DATE:** December 15, 2021  
**TO:** Mayor and Town Council  
**FROM:** Laurel Prevetti, Town Manager  
**SUBJECT:** Adopt a Resolution for the California Public Employees' Retirement System Retirement Plan to Waive the 180-Day Retiree Rehire Wait Period and to Appoint a Retiree as an Interim Finance Director

**RECOMMENDATION:**

Adopt a resolution for the California Public Employees' Retirement System retirement plan to waive the 180-day retiree rehire wait period and to appoint a retiree as an Interim Finance Director (Attachment 1).

**BACKGROUND:**

The Town has an existing agreement with the California Public Employees' Retirement System (CalPERS) to provide its retirement program to employees. The CalPERS retirement program is governed by Public Employees' Retirement Law (PERL). PERL contains the rules and regulations that a contracting agency must adhere to related to the hire of a CalPERS retiree, referred to as a retired annuitant. PERL requires that a non-safety retired annuitant may not work for a CalPERS contracting agency unless the retired annuitant has been retired for at least 180-days (Gov. Code section 7522.56). In lieu of the 180-day wait period, an agency's governing body may approve a resolution to waive the 180-days. PERL also requires that if a retired annuitant will be rehired into a vacant position while a recruitment for a permanent replacement is taking place, the governing body must approve a resolution appointing the retired annuitant as an interim employee [Gov. Code section 21221(h)].

**DISCUSSION:**

Stephen Conway has been employed as the Town of Los Gatos Finance Director since May 2001. Recently, Mr. Conway provided his notice of intent to retire from the Town with his last

**PREPARED BY:** Lisa Velasco  
Human Resources Director

---

Reviewed by: Assistant Town Manager, Town Attorney, and Finance Director

---



DISCUSSION (continued):

day of work to occur on December 30, 2021 resulting in a CalPERS retirement effective date of December 31, 2021.

The Town has entered into an agreement with the executive recruitment firm of Teri Black & Co. to facilitate the search for a new Finance Director. The typical span of the recruitment timeline to hire an executive position is four months. The Finance Director provides critical oversight and contributions to financial processes, audits, and required financial documents such as the Annual Comprehensive Financial Report. To allow for this continued oversight as well as the transfer of important institutional knowledge to the new Finance Director, staff is requesting to rehire Stephen Conway as an Interim Finance Director until the permanent replacement is hired.

Before Mr. Conway can be hired as a retired annuitant, the Town Council must adopt a CalPERS resolution to allow staff to request that the reemployment begins earlier than the 180-day wait period and to appoint Mr. Conway as an Interim Finance Director. A retired annuitant may be appointed in an interim position provided that there is an open recruitment to fill the vacancy and the same individual may only be appointed to the vacant position one time. The rate of pay may not be less than or more than the current approved salary range for the vacant position. Also, a retired annuitant may not work more than 960 hours in a CalPERS fiscal year. The CalPERS fiscal year begins July 1 and ends on June 30. The tentative first day of employment as a retired annuitant for Mr. Conway is January 1, 2022, subject to CalPERS approval of the executed resolutions.

CONCLUSION:

Staff recommends that the CalPERS resolution to waive the 180-day wait period exception and to appoint Stephen Conway to the Interim Finance Director position be adopted by Council while the recruitment for a permanent replacement takes place.

FISCAL IMPACT:

It is anticipated that the rehire of a retired annuitant will result in overall budget savings given that the retiree will no longer be eligible for benefits related to permanent employment except the Town's contribution to Medicare.

ENVIRONMENTAL ASSESSMENT:

This is not a project defined under CEQA, and no further action is required.

Attachment:

1. CalPERS Resolution for 180-Day Wait Period Exception and Appointing Stephen Conway as an Interim Finance Director

**RESOLUTION 2021 -xx**

**RESOLUTION OF THE TOWN COUNCIL OF THE TOWN OF LOS GATOS**

**GOV. Code sections 7522.56 & 21221(h)**

**December 21, 2021**

**WHEREAS**, in compliance with Government (Gov.) Code section 7522.56 of the Public Employees' Retirement Law, the Town Council must provide CalPERS this certification resolution when hiring a retiree before 180 days has passed since their retirement date; and

**WHEREAS**, Stephen Conway retired from the Town of Los Gatos in the position of Finance Director, effective December 31, 2021; and

**WHEREAS**, Gov. Code section 7522.56 requires that post-retirement employment commence no earlier than 180 days after the retirement date, which is June 30, 2022 without this certification resolution; and

**WHEREAS**, Gov. Code section 7522.56 provides that this exception to the 180-day wait period shall not apply if the retiree accepts any retirement-related incentive; and

**WHEREAS**, the Town Council, the Town of Los Gatos and Stephen Conway certify that Stephen Conway has not and will not receive a Golden Handshake or any other retirement-related incentive; and

**WHEREAS**, an appointment under Gov. Code section 21221(h) requires the retiree is appointed into the interim appointment during recruitment for a permanent appointment; and

**WHEREAS**, the governing body has authorized the search for a permanent appointment on December 21, 2021; and

**WHEREAS**, the Town Council hereby appoints Stephen Conway as an interim appointment retired annuitant to the vacant position of Finance Director for the Town of Los Gatos under Gov. Code section 21221(h), effective January 1, 2022; and

**WHEREAS**, this Gov. Code section 21221(h) appointment shall only be made once and therefore will end 12 months from the date of the interim appointment; and

**WHEREAS**, no matters, issues, terms or conditions related to this employment and appointment have been or will be placed on a consent calendar; and

ATTACHMENT 1

**WHEREAS**, the employment shall be limited to 960 hours per fiscal year for all CalPERS employers; and

**WHEREAS**, the compensation paid to retirees cannot be less than the minimum nor exceed the maximum monthly base salary paid to other employees performing comparable duties, divided by 173.333 to equal the hourly rate; and

**WHEREAS**, the maximum base salary for this position is \$18,047 and the hourly equivalent is \$104.12, and the minimum base salary for this position is \$13,368 and the hourly equivalent is \$77.12; and

**WHEREAS**, the hourly rate paid to Stephen Conway will be \$103.52; and

**WHEREAS**, Stephen Conway has not and will not receive any other benefit, incentive, compensation in lieu of benefit or other form of compensation in addition to this hourly pay rate; and

**NOW, THEREFORE, BE IT RESOLVED THAT** the Town Council hereby certifies the nature of the employment of Stephen Conway as described herein and that this appointment is necessary to fill the critically needed position of Finance Director for the Town of Los Gatos by January 1, 2022 because the position provides critical oversight and contributions to financial processes, audits, and required financial documents such as the Annual Comprehensive Financial Report.

**PASSED AND ADOPTED** at a regular meeting of the Town Council of the Town of Los Gatos, California, held on the 21st day of December, 2021, by the following vote:

COUNCIL MEMBERS:

AYES:

NAYS:

ABSENT:

ABSTAIN:

SIGNED:

MAYOR OF THE TOWN OF LOS GATOS  
LOS GATOS, CALIFORNIA

DATE: \_\_\_\_\_

ATTEST:

TOWN CLERK OF THE TOWN OF LOS GATOS  
LOS GATOS, CALIFORNIA

DATE: \_\_\_\_\_



**TOWN OF LOS GATOS  
COUNCIL AGENDA REPORT**

MEETING DATE: 12/21/2021

ITEM NO: 20

---

DATE: December 16, 2021  
TO: Mayor and Town Council  
FROM: Laurel Prevetti, Town Manager  
SUBJECT: Consider Adoption of a 45-Day Urgency Ordinance to Implement Senate Bill 9 to Allow for Two-Unit Housing Developments and Urban Lot Splits in All Single-Family Residential Zoning Districts.

**RECOMMENDATION:**

Staff recommends that the Town Council adopt a 45-day Urgency Ordinance (Attachment 1) to implement Senate Bill 9 (Attachment 2) to allow for two-unit housing developments and urban lot splits in all single-family residential Zoning districts.

**BACKGROUND:**

California Senate Bill 9 (SB 9) requires ministerial (staff-level) approval of certain housing development projects and lot splits on a single-family zoned parcel. SB 9 was passed by the California Legislature on September 1, 2021, signed into law by Governor Newsom on September 16, 2021, and takes effect January 1, 2022.

SB 9 requires approval of the following development activities:

- **Two-unit housing development** – Two homes on an eligible single-family residential parcel (whether the proposal adds up to two new housing units or adds one new unit to one existing unit).
- **Urban lot split** - A one-time subdivision of an existing single-family residential parcel into two parcels. This would allow up to four units (two units on each parcel).

SR 9 also outlines how jurisdictions may regulate SB 9 projects. Jurisdictions may only apply objective zoning, subdivision, and design standards to these projects, and these standards may not preclude the construction of up to two units of at least 800 square feet each. Jurisdictions

**PREPARED BY:** Jennifer Armer  
Planning Manager

---

Reviewed by: Assistant Town Manager, Town Attorney, and Public Works Director

---

BACKGROUND (continued):

can conduct objective design review, but may not have hearings for units that meet the State rules (with limited exceptions).

SB 9 applies to all single-family residential (R-1 and R-1D) zoned properties within an urbanized area with several key exceptions:

- Environmentally sensitive areas;
- Environmental hazard areas if mitigations are not possible (see full list later in this report, but note that SB 9 does apply, with modifications, in wildfire zones);
- Historic properties and districts; and
- Projects that would include demolition of existing units rented in the last 3 years, rent-controlled units, or units restricted to people of low or moderate incomes.

This law is similar to recent state Accessory Dwelling Unit (ADU) legislation, in that it allows jurisdictions to apply local objective standards as long as they do not prevent the development of a small new home (or multiple homes in the case of lot splits). Market analysis predicts the uptake will be limited in part because homeowners already have many of the same rights under ADU law. The bigger change is likely permitting the splitting and sale of lots by homeowners.

To comply with the January 1, 2022 effective date, many jurisdictions are implementing this new law through an Urgency Ordinance that provides an initial process and regulations while additional work can proceed to develop a process that will be integrated into the Town Code.

*Urgency Ordinance*

An “Urgency Ordinance” allows for the adoption of the Ordinance and immediate enforcement, without typical noticing prior to the Ordinance being considered by the Town Council. An Urgency Ordinance requires a four-fifths majority for adoption and lasts for up to 45 days. The Town Council may extend the Ordinance for a period of 10 months and 15 days, subject to noticing and public hearing requirements. Adoption of an Urgency Ordinance also requires that the Ordinance be published in a newspaper within 15 days of adoption.

DISCUSSION:

The proposed Urgency Ordinance (Attachment 1) includes the following sections: Purpose (Section I); Applicability (Section II); Definitions (Section III); General Eligibility (Section IV); Two-Unit Housing Developments (Section V); and Urban Lot Splits (Section VI).

Sections I and II describe the reason for the Urgency Ordinance and how it applies to future development projects.

DISCUSSION (continued):

Section III includes definitions of words used in the Urgency Ordinance that are either not defined in Town Code or where a modified definition is important for implementation of these new development projects.

Section IV provides specifics regarding what properties are eligible for the two-unit housing development and urban lot split applications, and which types of property are exempt, per State law.

Section V includes: Zoning Standards; Design Review Standards; General Requirements and Restrictions; and an Application Process for two-unit residential development project application. The details in this section were developed to provide initial guidance to applicants and staff, but could be modified prior to adoption. Two examples of items that could be deleted or modified while still maintaining conformance with State law include:

- The provision allowing parking in the front or side setback, or in tandem configuration, as is allowed within our current regulations for Accessory Dwelling Units; and
- The prohibition of ADUs or JADUs on any lot that has a two-unit housing development and/or an urban lot split.

Section VI includes: Subdivision Standards; General Requirements and Restrictions; and an Application Process for urban lot split project application. The details in this section were developed to provide initial guidance to applicants and staff, but could be modified prior to adoption.

Sections VII, VII, IX and X address any potential inconsistencies with State law, the possibility of a repeal of SB 9, severability, and the necessity of this Urgency Ordinance for the preservation of the public peace, health, and safety of the Town of Los Gatos.

CONCLUSION:

Adoption of an Urgency Ordinance provides an initial process and regulatory framework while additional work can proceed to develop a process that is in compliance with SB 9 and integrated into the Town Code.

COORDINATION:

This project has been coordinated with the Town Manager's Office, Town Attorney, and Public Works Department.

PAGE 4 OF 4

SUBJECT: Senate Bill 9 Implementation Urgency Ordinance

DATE: December 16, 2021

FISCAL IMPACT:

Application fees for ministerial staff review, consistent with approved fees for Accessory Dwelling Unit permits, would be charged for all applications submitted under this Urgency Ordinance.

ENVIRONMENTAL ASSESSMENT:

This is not a project as defined under CEQA and is categorically exempt from CEQA pursuant to SB 9.

Attachments:

1. Draft Urgency Ordinance
2. Senate Bill 9
3. Public Comment received by 11:00 a.m., Thursday, December 16, 2021



**DRAFT**  
**ORDINANCE XXXX**

**AN URGENCY ORDINANCE OF THE TOWN COUNCIL OF THE TOWN OF LOS GATOS  
IMPLEMENTING SENATE BILL 9 TO ALLOW FOR TWO-UNIT HOUSING DEVELOPMENTS  
AND URBAN LOT SPLITS IN ALL SINGLE-FAMILY RESIDENTIAL ZONES**

**WHEREAS**, on September 16, 2021, the Governor of the State California signed into law Senate Bill 9 (Atkins), "An act to amend Section 66452.6 of, and to add Sections 65852.21 and 66411.7 to, the California Government Code, relating to land use," which requires ministerial approval of a housing development of no more than two units in a single-family zone (two-unit housing development), the subdivision of a parcel zoned for residential use into two parcels (urban lot split), or both; and

**WHEREAS**, certain zoning and subdivision standards of the Town of Los Gatos Municipal Code and their permitting procedures are inconsistent with the two-unit housing developments and urban lot splits authorized by Senate Bill 9 (SB 9); and

**WHEREAS**, the provisions of SB 9 shall be in effect on January 1, 2022, and without locally codified objective design standards and implementation procedures, the law presents a current and immediate threat to the public peace, health, safety, and welfare, in that certain existing zoning and subdivision standards are in conflict with SB 9 and could create confusion and hinder the development of the additional residential units enabled under SB 9; and

**WHEREAS**, pursuant to Section 65858 of the Government Code and Section 29.20.545 of the Town of Los Gatos Municipal Code, the Town Council may take appropriate action to adopt urgency measures as an Urgency Ordinance; and

**WHEREAS**, pursuant to Section 65852.21(j) and Section 66411.7(n) of the Government Code, a local agency may adopt an Ordinance to implement SB 9; and

**WHEREAS**, this Urgency Ordinance adopts interim urgency objective zoning standards, objective subdivision standards, and objective residential design standards to allow for orderly housing development and subdivision of land as authorized by SB 9 while protecting the public peace, health, safety, or welfare in the Town of Los Gatos; and

**WHEREAS**, it is not the intent of this Urgency Ordinance to adopt permanent standards to govern the development of single-family zoned properties. The Town Council reserves the right to adopt permanent standards consistent with SB 9 that will supersede those contained in this Urgency Ordinance; and

**WHEREAS**, in light of the foregoing findings, the Town Council further finds that there is a current and immediate threat to the public health, safety, or welfare, and that the approval of additional subdivisions, building permits, or any other applicable entitlement for use which is in conflict with this Ordinance would result in that threat to public health, safety, or welfare; and

ATTACHMENT 1

**WHEREAS**, adoption of this Urgency Ordinance is not a project under the California Environmental Quality Act (CEQA) pursuant to California Government Code Section 65852.21(j) and Section 66411.7(n) relating to implementation of SB 9.

**NOW, THEREFORE, THE TOWN COUNCIL OF THE TOWN OF LOS GATOS FINDS AND ORDAINS:**

### **SECTION I**

The Town Council finds and declares that this Urgency Ordinance establishes interim exceptions to the Zoning Code to allow two-unit housing developments and urban lot splits as specified by California Government Code Sections 66452.6, 65852.21, and 66411.7, as adopted and amended by SB 9. The provisions of this Urgency Ordinance shall supersede any other provision to the contrary in the Zoning Code or Subdivision Code. Zoning standards and design review standards provided for in the Zoning Code that are not affected by this Urgency Ordinance shall remain in effect. It is not the intent of this Urgency Ordinance to override any lawful use restrictions as may be set forth in Conditions, Covenants, and Restrictions (CC&Rs) of a common interest development.

### **SECTION II**

The Town Council finds and determines that this Urgency Ordinance is applicable only to voluntary applications for two-unit housing developments and urban lot splits. Owners of real property or their representatives may continue to exercise rights for property development in conformance with the Zoning Code and Subdivision Code. Development applications that do not satisfy the definitions for a two-unit housing development or an urban lot split provided in Section III (Definitions) shall not be subject to this Urgency Ordinance.

### **SECTION III**

In addition to the terms defined by Chapter 24 (Subdivision Regulations) and Chapter 29 (Zoning Regulations), the following terms shall have the following meanings as used in this Urgency Ordinance. Where a conflict may exist, this Section shall prevail over any definition provided in the Zoning Code:

*Acting in concert* means persons, as defined by Section 82047 of the Government Code as that section existed on the date of the adoption of this Urgency Ordinance, acting jointly to pursue development of real property whether or not pursuant to a written agreement and irrespective of individual financial interest;

*Addition* means any construction which increases the size of a building or facility in terms of site coverage, height, length, width, or gross floor area;

*Alteration* means any construction or physical change in the arrangement of rooms or the supporting members of a building or structure or change in the relative position of buildings or structures on a site, or substantial change in appearances of any building or structure;

*Entry feature* means a structural element, which leads to an entry door;

*Existing structure* means a lawfully constructed building that received final building permit clearance prior to January 1, 2022, and which has not been expanded on or after January 1, 2022;

*Nonconforming zoning condition* means a physical improvement on a property that does not conform with current zoning standards;

*Two-unit housing development* means an application proposing no more than two primary dwelling units on a single parcel located within a single-family residential zone as authorized by Section 65852.21 of the California Government Code. A two-unit housing development shall consist of either the construction of two new primary dwelling units, one new primary dwelling unit and retention of one existing primary dwelling unit, or retention of two existing legal non-conforming primary dwelling units where one or both units are subject to a proposed addition or alteration;

*Public transportation* means a high-quality transit corridor, as defined in subdivision (b) of Section 21155 of the Public Resources Code, or a major transit stop, as defined in Section 21064.3 of the Public Resources Code;

*Single-family residential zone* means a “R-1 OR SINGLE-FAMILY RESIDENTIAL ZONE” and “R-1D OR SINGLE-FAMILY RESIDENTIAL DOWNTOWN ZONE” Zoning districts as specified by Article IV (RESIDENTIAL ZONES) of the Zoning Code;

*Subdivision code* means Title 24 of the Los Gatos Municipal Code;

*Urban lot split* means a ministerial application for a parcel map to subdivide an existing parcel located within a single-family residential zone into two parcels, as authorized by Section 66411.7 of the Government Code; and

*Zoning code* means Title 29 of the Los Gatos Municipal Code.

#### SECTION IV

The Council finds and declares that an urban lot split or a two-unit housing development may only be created on parcels satisfying all of the following general requirements:

- A. Zoning District. A parcel that is located within a single-family residential zone;
- B. Legal Parcel. A parcel which has been legally created in compliance with the Subdivision Map Act (Government Code Section 66410 et seq.) and Subdivision Regulations, as applicable at the time the parcel was created. The Town Engineer may require a certificate of compliance to verify conformance with this requirement;
- C. Excluding Historic Property. A parcel that does not contain a Historic Structure, as defined Town Code Section 29.10.020, or is listed on the Town of Los Gatos Historic Resource Inventory, as defined by Town Code Chapter 29, Article VII, Division 3 (HISTORIC PRESERVATION AND LHP OR LANDMARK AND HISTORIC PRESERVATION OVERLAY ZONE);
- D. Excluding Very High Fire Hazard Severity Zone. A parcel that is not within a very high fire hazard severity zone, as determined by the Department of Forestry and Fire Protection pursuant to Section 51178, or within a high or very high fire hazard severity zone as indicated on maps adopted by the Department of Forestry and Fire Protection pursuant to Section 4202 of the Public Resources Code, or if the site has been excluded from the specified hazard zones by a local agency, pursuant to subdivision (b) of Section 51179, or has adopted fire hazard mitigation measures pursuant to existing building standards or state fire mitigation measures applicable to the development.
- E. Excluding Hazardous Waste Sites. A parcel that is not identified as a hazardous waste site pursuant to Government Code Section 65962.5 or a hazardous waste site designated by the Department of Toxic Substances Control pursuant to Section 25356 of the Health and Safety Code, unless the State Department of Public Health, State Water Resources Control Board, or Department of Toxic Substances Control has cleared the site for residential use;
- F. Excluding Earthquake Fault Zone. A parcel that is not located within a delineated earthquake fault zone as determined by the State Geologist on any official maps published by the State Geologist, unless the two-unit housing development complies with applicable seismic

protection building code standards adopted by the California Building Standards Commission under the California Building Standards Law (Part 2.5 (commencing with Section 18901) of Division 13 of the Health and Safety Code), and by any local building department under Chapter 12.2 (commencing with Section 8875) of Division 1 of Title 2;

G. Excluding Flood Zone. A parcel that is not located within a special flood hazard area subject to inundation by the 1 percent annual chance flood (100-year flood) on the official maps published by the Federal Emergency Management Agency unless a Letter of Map Revision prepared by the Federal Emergency Management Agency has been issued or if the proposed primary dwelling unit(s) is constructed in compliance with the provisions of Town Code Chapter 29, Article XI (FLOODPLAIN MANAGEMENT) as determined by the floodplain administrator;

H. Excluding Natural Habitat. A parcel that is not recognized by the Town as a habitat for protected species identified as a candidate, sensitive, or species of special status by state or federal agencies, fully protected species, or species protected by the Federal Endangered Species Act of 1973 (16 U.S.C. Sec. 1531 et seq.), the California Endangered Species Act (Chapter 1.5 (commencing with Section 2050) of Division 3 of the Fish and Game Code), or the Native Plant Protection Act (Chapter 10 (commencing with Section 1900) of Division 2 of the Fish and Game Code).

## SECTION V

The Council finds and declares that two-unit housing developments shall comply with the following objective zoning standards, design review standards, and general requirements and restrictions.

### A. Zoning Standards

The following objective zoning standards supersede any other standards to the contrary that may be provided in the Zoning Code, as they pertain to a two-unit housing development under Section 65852.21 of the Government Code. Two-unit housing developments shall be constructed only in accordance with the following objective zoning standards, except as provided by Section E (Exceptions):

1. Building Height. Maximum building height shall be as specified by the applicable zoning district for the main structure. Buildings located within the required side or rear setbacks of the applicable zoning district shall not exceed 16 feet in height.

2. Driveways. Each parcel shall include a single driveway satisfying the following requirements:

- a. A minimum width of 10 feet up to a maximum width of 18 feet;
- b. A minimum depth of 25 feet measured from the front property line;
- c. Surfacing shall comply with Town Code Section 29.10.155(e); and
- d. Only a single driveway curb-cut shall be permitted per parcel designed in accordance with the Town's Standard Specifications and Plans for Parks and Public Works Construction.

3. Dwelling Unit Type. The primary dwelling units comprising a two-unit housing development may take the form of detached single-family dwellings, attached units, and/or duplexes. A duplex may consist of two dwelling units in a side-by-side or front-to-back configuration within the same structure or one dwelling unit located atop of another dwelling unit within the same structure;

4. Fencing. All new fencing shall comply with the requirements of Section 29.40.030 of the Zoning Code;

5. Floor Area Ratio and Lot Coverage. The maximum floor area ratio and lot coverage

shall be as specified by the applicable zoning regulations;

6. Grading. Grading activity shall not exceed the summation of 50 cubic yards, cut plus fill, or require a grading permit per Town Code Chapter 12, Article II;

7. Landscaping Requirement. All landscaping shall comply with the California Model Water Efficient Landscape Ordinance (MWEL0);

8. Lighting. New exterior lighting fixtures shall be down-shielded and oriented away from adjacent properties consistent with Section 29.10.09015 of the Zoning Code;

9. Minimum Living Area. The minimum living area of a primary dwelling unit shall be 150 square feet, subject to the restrictions specified by Health and Safety Code Section 17958.1;

10. Parking. One parking stall per primary dwelling unit shall be required, except for two-unit housing developments located on parcels within one-half mile walking distance of either a high-quality transit corridor, as defined in subdivision (b) of Section 21155 of the Public Resources Code, or a major transit stop, as defined in Section 21064.3 of the Public Resources Code.

Parking stalls may either be uncovered or covered (garage or carport) in compliance with applicable developments standards of the Zoning Code, including Chapter 29, Article I, Division 4 (PARKING), except that uncovered parking spaces may be provided in a front or side setback abutting a street on a driveway (provided that it is feasible based on specific site or fire and life safety conditions) or through tandem parking;

11. Setbacks. Two-unit housing developments shall be subject to the setback and building separation requirements specified by Table 1-1 (Setback Requirements), below:

Table 1-1 – Setback Requirements		
Setback		Requirement (2)
Property Line Setbacks (1)	Front	Per the applicable zoning district.
	Garage Entry	18 feet
	Interior Sides	4 feet (3)
	Rear	
	Street Side	Per the applicable zoning district.
Separation Between Detached Structures (4)		5 feet
Exceptions: (1) Cornices, eaves, belt courses, sills, canopies, bay windows, chimneys, or other similar architectural features may extend into required setbacks as specified Section 29.40.070(b) of the Zoning Code. (2) No setback shall be required for an existing structure, or a structure constructed in the same location and to the same dimensions as an existing structure. (3) No interior side setback shall be required for two-unit housing development units constructed as attached units, provided that the structures meet building code safety standards and are sufficient to allow conveyance as a separate fee parcel. (4) Except for primary dwellings constructed as a duplex or attached single-family residences constructed as units.		

15. Stormwater Management. The development shall comply with the requirements of the Town's National Pollution Discharge Elimination System (NPDES) Permit as implemented by Chapter 22 of the Los Gatos Municipal Code, and as demonstrated by a grading and drainage plan prepared by a registered civil engineer.

#### B. Design Review Standards

The following objective design review standards apply to construction of new primary dwelling units and to any addition and/or alteration to an existing primary dwelling units as part of a two-unit housing development, except as provided by Section E (Exceptions):

1. Balconies/Decks. Rooftop and second floor terraces and decks are prohibited. Balconies shall only be permitted on the front elevation of a primary dwelling unit fronting a public street. Such balconies shall be without any projections beyond the building.
2. Finished Floor. The finished floor of the first-story shall not exceed 18 inches in height as measured from finished grade;
3. Front Entryway. A front entryway framing a front door shall have a roof eave that matches or connects at the level of the adjacent eave line;
4. Front Porch. If proposed, porches shall have a minimum depth of 6 feet and a minimum width equal to 25 percent of the linear width of the front elevation. Porch columns shall not overhang the porch floor;
5. Step-back. All elevations of the second-story of a two-story primary dwelling unit shall be recessed by five feet from the first-story, as measured wall to wall;
6. Garages. Street-facing attached garages shall not exceed 50 percent of the linear width of the front-yard or street-side yard elevation;
7. Plate Height. The plate height of each story shall be limited to 10 feet as measured from finished floor; and
8. Windows. All second-story windows less than eight feet from rear and interior side property lines shall be clerestory with the bottom of the glass at least six feet above the finished floor. All other second-story windows shall be limited to the minimum number and minimum size as necessary for egress purposes as required by the Building Code.

#### C. General Requirements and Restrictions

The following requirements and restrictions apply to all two-unit housing developments, inclusive of existing and new primary dwelling units, as applicable:

1. Accessory Dwelling Units. New accessory dwelling units are not allowed on parcels that either include a two-unit housing development or that are created by an urban lot split;
2. Building and Fire Codes. The International Building Code (Building Code), and the 2019 California Fire Code and 2018 International Fire Code (together, Fire Code), as adopted by Chapter 6 of the Los Gatos Municipal Code, respectively, apply to all two-unit housing developments;
3. Encroachment Permits. Separate encroachment permits, issued by the Parks and Public Works Department, shall be required for the installation of utilities to serve a two-unit housing developments. Applicants shall apply for and pay all necessary fees for utility permits for sanitary sewer, gas, water, electric, and all other utility work;
4. Restrictions on Demolition. The two-unit housing development shall not require demolition or alteration of any of the following types of housing:
  - a. Housing that is subject to a recorded covenant, ordinance, or law that restricts rents to levels affordable to persons and families of moderate, low, or very low income;

b. Housing that is subject to any form of rent or price control through a public entity's valid exercise of its police power;

c. Housing that has been occupied by a tenant in the last three years. This shall be evidenced by claiming of the Homeowners' Exemption on the Santa Clara County assessment roll;

5. Short-Term Rentals. Leases for durations of less than 30 days, including short term rentals are prohibited. The Community Development Director shall require recordation of a deed restriction documenting this requirement prior to issuance of a building permit; and

6. Subdivision and Sales. Except for the allowance for an urban lot split provided in Section VI (Urban Lot Splits), no subdivision of land or air rights shall be allowed in association with a two-unit housing development, including creation of a stock cooperative or similar common interest ownership arrangement. In no instance shall a single primary dwelling unit be sold or otherwise conveyed separate from the other primary dwelling unit.

#### D. Approval Process

Applications for two-unit housing developments shall be submitted and processed in compliance with the following requirements:

1. Application Type. Two-unit housing developments shall be reviewed ministerially by the Community Development Director for compliance with the applicable regulations. The permitting provisions of Town Code Sections 29.20.135 through 29.20.160 (Architecture and Site Approval), shall not be applied;

2. Application Filing. An application for a two-unit housing development, including the required application materials and fees, shall be filed with the Community Development Department;

3. Building Permits. Approval of a two-unit housing development permit shall be required prior to acceptance of an application for a building permit(s) for the new and/or modified primary dwelling units comprising the two-unit housing development;

4. Denial. The Community Development Director may deny a two-unit housing development project only if the Building Official makes a written finding, based upon a preponderance of the evidence, that the two-unit housing development would have a specific, adverse impact, as defined and determined in paragraph (2) of subdivision (d) of Section 65589.5 of the Government Code, upon public health and safety or the physical environment and for which there is no feasible method to satisfactorily mitigate or avoid the specific, adverse impact; and

5. Appeals. Two-unit housing applications are ministerial and are not subject to an appeal.

#### E. Exceptions

If any of the provided zoning standards or design review standards would have the effect of physically precluding construction of up to two primary dwelling units or physically preclude either of the two primary dwelling units from being at least 800 square feet in floor area, the Community Development Director shall grant an exception to the applicable standard(s) to the minimum extent necessary as specified by this section. An exception request shall be explicitly made on the application for a two-unit housing development.

1. Determination. In order to retain adequate open space to allow for recreational enjoyment, protection of the urban forest, preservation of the community character, reduction of the ambient air temperature, and to allow for the percolation of rainfall into the groundwater system, when considering an exception request, the Community Development

Director shall first determine that a reduction in any other zoning and/or design review standard(s) will not allow the construction of the two-unit housing development as specified by this section prior to allowing an exception(s) landscaping requirement, front-yard setback, or street-side setbacks standards.

## SECTION VI

The Council finds and declares that urban lot splits shall comply with the following subdivision standards, and general requirements and restrictions:

### A. Subdivision Standards

The following objective subdivision standards supersede any other standards to the contrary that may be provided in the Zoning Code, Subdivision Code, as they pertain to creation of an urban lot split under Section 66411.7 of the Government Code:

1. Flag/Corridor Lots. The access corridor of a flag/corridor lot (Town Code Section 29.10.085) parcel shall be in fee as part of the parcel and not as an easement and shall be a minimum width of 20 feet;
2. Lot Lines. The side lines of all lots shall be at right angles to streets or radial to the centerline of curved streets;
3. Minimum Lot Size. Each new parcel shall be approximately equal in lot area provided that one parcel shall not be smaller than 40 percent of the lot area of the original parcel proposed for subdivision. In no event shall a new parcel be less than 1,200 square feet in lot area. The minimum lot area for a flag/corridor lot shall be exclusive of the access corridor;
4. Minimum Lot Width. Each new parcel shall maintain a minimum lot width of 20 feet;
5. Minimum Public Frontage. Each new parcel shall have frontage upon a street with a minimum frontage dimension of 20 feet; and
6. Number of Lots. The parcel map to subdivide an existing parcel shall create no more than two new parcels.

### B. General Requirements and Restrictions

The following requirements and restrictions apply to all proposed urban lot splits:

1. Adjacent Parcels. Neither the owner of the parcel being subdivided nor any person acting in concert with the owner has previously conducted an urban lot split to create an adjacent parcel as provided for in this section;
2. Dedication and Easements. The Town Engineer shall not require dedications of rights-of-way nor the construction of offsite improvements, however, may require recording of easements necessary for the provision of future public services, facilities, and future public improvements;
3. Existing Structures. Existing structures located on a parcel subject to an urban lot split shall not be subject to a setback requirement. However, any such existing structures shall not be located across the shared property line resulting from an urban lot split, unless the structure is converted to an attached unit as provided for in Table 1-1 (Setback Requirements, Exception No. 3). All other existing structures shall be modified, demolished, or relocated prior to recordation of a parcel map;
4. Grading. Grading activity shall not result in the summation of 50 cubic yards, cut plus fill, of grading or require a grading permit per Town Code Chapter 12, Article II;
5. Intent to Occupy. The applicant shall submit a signed affidavit to the Community Development Director attesting that the applicant intends to occupy one of the newly created



parcels as their principal residence for a minimum of three years from the date of the approval of the urban lot split.

This requirement shall not apply to an applicant that is a "community land trust," as defined in clause (ii) of subparagraph (C) of paragraph (11) of subdivision (a) of Section 402.1 of the Revenue and Taxation Code, or a "qualified nonprofit corporation" as described in Section 214.15 of the Revenue and Taxation Code;

6. Non-Conforming Conditions. The Town shall not require, as a condition of approval, the correction of nonconforming zoning conditions. However, no new nonconforming conditions may result from the urban lot split other than interior-side and rear setbacks as specified by Table 1-1 (Setback Requirements, Exception No. 2);

7. Number of Remaining Units. No parcel created through an urban lot split shall be allowed to include more than two existing dwelling units as defined by Government Code section 66411.7(j)(2). Any excess dwelling units that do not meet these requirements shall be relocated, demolished, or otherwise removed prior to approval of a parcel map;

8. Prior Subdivision. A parcel created through a prior urban lot split may not be further subdivided under the provisions of this Urgency Ordinance. The subdivider shall submit a signed covenant to the Community Development Director documenting this restriction. The covenant shall be recorded on the title of each parcel concurrent with recordation of the parcel map;

9. Restrictions on Demolition. The proposed urban lot split shall not require the demolition or alteration of any of the following types of housing:

a. Housing that is subject to a recorded covenant, ordinance, or law that restricts rents to levels affordable to persons and families of moderate, low, or very low income;

b. Housing that is subject to any form of rent or price control through a public entity's valid exercise of its police power;

c. Housing that has been occupied by a tenant in the last three years;

10. Stormwater Management. The subdivision shall comply with the requirements of the Town's National Pollution Discharge Elimination System (NPDES) Permit as implemented by Chapter 22 of the Los Gatos Municipal Code, and as demonstrated by a grading and drainage plan prepared by a registered civil engineer; and

11. Utility Providers. The requirements of the parcel's utility providers shall be satisfied prior to recordation of a parcel map.

### C. Approval Process

Applications for urban lot splits shall be submitted and processed in compliance with the following requirements:

1. Application Type. Urban lot splits shall be reviewed ministerially by the Community Development Director for compliance with the applicable regulations. A tentative parcel map shall not be required;

2. Application Filing. An urban lot split application, including the required application materials and fees, shall be filed with the Community Development Department;

3. Parcel Map. Approval of an urban lot split permit shall be required prior to acceptance of an application for a parcel map for an urban lot split. Applicants shall apply for an Urban Lot Split Parcel Map and pay all fees;

4. Development. Development on the resulting parcels is limited to the project approved by the two-unit housing development process.

5. Denial. The Community Development Director may deny an urban lot split only if the Building Official makes a written finding, based upon a preponderance of the evidence, that an

urban lot split or two-unit housing development located on the proposed new parcels would have a specific, adverse impact, as defined and determined in paragraph (2) of subdivision (d) of Section 65589.5, upon public health and safety or the physical environment and for which there is no feasible method to satisfactorily mitigate or avoid the specific, adverse impact; and

6. Appeals. Urban lot split applications are ministerial and are not subject to an appeal.

## **SECTION VII**

The Council finds and declares that any provision of this Urgency Ordinance which is inconsistent with SB 9 shall be interpreted in a manner which is the most limiting on the ability to create a two-unit housing development or urban lot split, but which is consistent with State law. The provisions of this Urgency Ordinance shall supersede and take precedence over any inconsistent provision of the Los Gatos Municipal Code to that extent necessary to effect the provisions of this Urgency Ordinance for the duration of its effectiveness.

## **SECTION VIII**

The Council finds and declares that if SB 9 is repealed or otherwise rescinded by the California State Legislature or by the People of the State of California, this Urgency Ordinance shall cease to be in effect.

## **SECTION IX**

If any section, subsection, sentence, clause, phrase, or portion of this Urgency Ordinance is for any reason held to be unconstitutional or otherwise invalid by the decision of any court of competent jurisdiction, such decision shall not affect the validity of the remaining portions of this Urgency Ordinance. The Council of the Town of Los Gatos hereby declares that it would have adopted the remainder of this Urgency Ordinance, including each section, subsection, sentence, clause, phrase, or portion irrespective of the invalidity of any other article, section, subsection, sentence, clause, phrase, or portion.

## **SECTION X**

The Council hereby declares that the foregoing is an Urgency Ordinance necessary for the immediate preservation of the public peace, health, and safety of the Town of Los Gatos and its residents and shall take effect on January 1, 2022, upon passage by a four-fifths majority of the Town Council.

This Urgency Ordinance was passed and adopted at a regular meeting of the Town Council of the Town of Los Gatos on December 21, 2021.

COUNCIL MEMBERS:

AYES:

NAYS:

ABSENT:

ABSTAIN:

SIGNED:

MAYOR OF THE TOWN OF LOS GATOS  
LOS GATOS, CALIFORNIA

ATTEST:

TOWN CLERK OF THE TOWN OF LOS GATOS  
LOS GATOS, CALIFORNIA

***This Page  
Intentionally  
Left Blank***

## Senate Bill No. 9

### CHAPTER 162

An act to amend Section 66452.6 of, and to add Sections 65852.21 and 66411.7 to, the Government Code, relating to land use.

[Approved by Governor September 16, 2021. Filed with  
Secretary of State September 16, 2021.]

#### LEGISLATIVE COUNSEL'S DIGEST

SB 9, Atkins. Housing development: approvals.

The Planning and Zoning Law provides for the creation of accessory dwelling units by local ordinance, or, if a local agency has not adopted an ordinance, by ministerial approval, in accordance with specified standards and conditions.

This bill, among other things, would require a proposed housing development containing no more than 2 residential units within a single-family residential zone to be considered ministerially, without discretionary review or hearing, if the proposed housing development meets certain requirements, including, but not limited to, that the proposed housing development would not require demolition or alteration of housing that is subject to a recorded covenant, ordinance, or law that restricts rents to levels affordable to persons and families of moderate, low, or very low income, that the proposed housing development does not allow for the demolition of more than 25% of the existing exterior structural walls, except as provided, and that the development is not located within a historic district, is not included on the State Historic Resources Inventory, or is not within a site that is legally designated or listed as a city or county landmark or historic property or district.

The bill would set forth what a local agency can and cannot require in approving the construction of 2 residential units, including, but not limited to, authorizing a local agency to impose objective zoning standards, objective subdivision standards, and objective design standards, as defined, unless those standards would have the effect of physically precluding the construction of up to 2 units or physically precluding either of the 2 units from being at least 800 square feet in floor area, prohibiting the imposition of setback requirements under certain circumstances, and setting maximum setback requirements under all other circumstances.

The Subdivision Map Act vests the authority to regulate and control the design and improvement of subdivisions in the legislative body of a local agency and sets forth procedures governing the local agency's processing, approval, conditional approval or disapproval, and filing of tentative, final, and parcel maps, and the modification of those maps. Under the Subdivision Map Act, an approved or conditionally approved tentative map expires 24

months after its approval or conditional approval or after any additional period of time as prescribed by local ordinance, not to exceed an additional 12 months, except as provided.

This bill, among other things, would require a local agency to ministerially approve a parcel map for an urban lot split that meets certain requirements, including, but not limited to, that the urban lot split would not require the demolition or alteration of housing that is subject to a recorded covenant, ordinance, or law that restricts rents to levels affordable to persons and families of moderate, low, or very low income, that the parcel is located within a single-family residential zone, and that the parcel is not located within a historic district, is not included on the State Historic Resources Inventory, or is not within a site that is legally designated or listed as a city or county landmark or historic property or district.

The bill would set forth what a local agency can and cannot require in approving an urban lot split, including, but not limited to, authorizing a local agency to impose objective zoning standards, objective subdivision standards, and objective design standards, as defined, unless those standards would have the effect of physically precluding the construction of 2 units, as defined, on either of the resulting parcels or physically precluding either of the 2 units from being at least 800 square feet in floor area, prohibiting the imposition of setback requirements under certain circumstances, and setting maximum setback requirements under all other circumstances. The bill would require an applicant to sign an affidavit stating that they intend to occupy one of the housing units as their principal residence for a minimum of 3 years from the date of the approval of the urban lot split, unless the applicant is a community land trust or a qualified nonprofit corporation, as specified. The bill would prohibit a local agency from imposing any additional owner occupancy standards on applicants. By requiring applicants to sign affidavits, thereby expanding the crime of perjury, the bill would impose a state-mandated local program.

The bill would also extend the limit on the additional period that may be provided by ordinance, as described above, from 12 months to 24 months and would make other conforming or nonsubstantive changes.

The California Environmental Quality Act (CEQA) requires a lead agency, as defined, to prepare, or cause to be prepared, and certify the completion of, an environmental impact report on a project that it proposes to carry out or approve that may have a significant effect on the environment. CEQA does not apply to the approval of ministerial projects.

This bill, by establishing the ministerial review processes described above, would thereby exempt the approval of projects subject to those processes from CEQA.

The California Coastal Act of 1976 provides for the planning and regulation of development, under a coastal development permit process, within the coastal zone, as defined, that shall be based on various coastal resources planning and management policies set forth in the act.

This bill would exempt a local agency from being required to hold public hearings for coastal development permit applications for housing developments and urban lot splits pursuant to the above provisions.

By increasing the duties of local agencies with respect to land use regulations, the bill would impose a state-mandated local program.

The bill would include findings that changes proposed by this bill address a matter of statewide concern rather than a municipal affair and, therefore, apply to all cities, including charter cities.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for specified reasons.

*The people of the State of California do enact as follows:*

SECTION 1. Section 65852.21 is added to the Government Code, to read:

65852.21. (a) A proposed housing development containing no more than two residential units within a single-family residential zone shall be considered ministerially, without discretionary review or a hearing, if the proposed housing development meets all of the following requirements:

(1) The parcel subject to the proposed housing development is located within a city, the boundaries of which include some portion of either an urbanized area or urban cluster, as designated by the United States Census Bureau, or, for unincorporated areas, a legal parcel wholly within the boundaries of an urbanized area or urban cluster, as designated by the United States Census Bureau.

(2) The parcel satisfies the requirements specified in subparagraphs (B) to (K), inclusive, of paragraph (6) of subdivision (a) of Section 65913.4.

(3) Notwithstanding any provision of this section or any local law, the proposed housing development would not require demolition or alteration of any of the following types of housing:

(A) Housing that is subject to a recorded covenant, ordinance, or law that restricts rents to levels affordable to persons and families of moderate, low, or very low income.

(B) Housing that is subject to any form of rent or price control through a public entity's valid exercise of its police power.

(C) Housing that has been occupied by a tenant in the last three years.

(4) The parcel subject to the proposed housing development is not a parcel on which an owner of residential real property has exercised the owner's rights under Chapter 12.75 (commencing with Section 7060) of Division 7 of Title 1 to withdraw accommodations from rent or lease within 15 years before the date that the development proponent submits an application.

(5) The proposed housing development does not allow the demolition of more than 25 percent of the existing exterior structural walls, unless the housing development meets at least one of the following conditions:

(A) If a local ordinance so allows.

(B) The site has not been occupied by a tenant in the last three years.

(6) The development is not located within a historic district or property included on the State Historic Resources Inventory, as defined in Section 5020.1 of the Public Resources Code, or within a site that is designated or listed as a city or county landmark or historic property or district pursuant to a city or county ordinance.

(b) (1) Notwithstanding any local law and except as provided in paragraph (2), a local agency may impose objective zoning standards, objective subdivision standards, and objective design review standards that do not conflict with this section.

(2) (A) The local agency shall not impose objective zoning standards, objective subdivision standards, and objective design standards that would have the effect of physically precluding the construction of up to two units or that would physically preclude either of the two units from being at least 800 square feet in floor area.

(B) (i) Notwithstanding subparagraph (A), no setback shall be required for an existing structure or a structure constructed in the same location and to the same dimensions as an existing structure.

(ii) Notwithstanding subparagraph (A), in all other circumstances not described in clause (i), a local agency may require a setback of up to four feet from the side and rear lot lines.

(c) In addition to any conditions established in accordance with subdivision (b), a local agency may require any of the following conditions when considering an application for two residential units as provided for in this section:

(1) Off-street parking of up to one space per unit, except that a local agency shall not impose parking requirements in either of the following instances:

(A) The parcel is located within one-half mile walking distance of either a high-quality transit corridor, as defined in subdivision (b) of Section 21155 of the Public Resources Code, or a major transit stop, as defined in Section 21064.3 of the Public Resources Code.

(B) There is a car share vehicle located within one block of the parcel.

(2) For residential units connected to an onsite wastewater treatment system, a percolation test completed within the last 5 years, or, if the percolation test has been recertified, within the last 10 years.

(d) Notwithstanding subdivision (a), a local agency may deny a proposed housing development project if the building official makes a written finding, based upon a preponderance of the evidence, that the proposed housing development project would have a specific, adverse impact, as defined and determined in paragraph (2) of subdivision (d) of Section 65589.5, upon public health and safety or the physical environment and for which there is



no feasible method to satisfactorily mitigate or avoid the specific, adverse impact.

(e) A local agency shall require that a rental of any unit created pursuant to this section be for a term longer than 30 days.

(f) Notwithstanding Section 65852.2 or 65852.22, a local agency shall not be required to permit an accessory dwelling unit or a junior accessory dwelling unit on parcels that use both the authority contained within this section and the authority contained in Section 66411.7.

(g) Notwithstanding subparagraph (B) of paragraph (2) of subdivision (b), an application shall not be rejected solely because it proposes adjacent or connected structures provided that the structures meet building code safety standards and are sufficient to allow separate conveyance.

(h) Local agencies shall include units constructed pursuant to this section in the annual housing element report as required by subparagraph (I) of paragraph (2) of subdivision (a) of Section 65400.

(i) For purposes of this section, all of the following apply:

(1) A housing development contains two residential units if the development proposes no more than two new units or if it proposes to add one new unit to one existing unit.

(2) The terms “objective zoning standards,” “objective subdivision standards,” and “objective design review standards” mean standards that involve no personal or subjective judgment by a public official and are uniformly verifiable by reference to an external and uniform benchmark or criterion available and knowable by both the development applicant or proponent and the public official prior to submittal. These standards may be embodied in alternative objective land use specifications adopted by a local agency, and may include, but are not limited to, housing overlay zones, specific plans, inclusionary zoning ordinances, and density bonus ordinances.

(3) “Local agency” means a city, county, or city and county, whether general law or chartered.

(j) A local agency may adopt an ordinance to implement the provisions of this section. An ordinance adopted to implement this section shall not be considered a project under Division 13 (commencing with Section 21000) of the Public Resources Code.

(k) Nothing in this section shall be construed to supersede or in any way alter or lessen the effect or application of the California Coastal Act of 1976 (Division 20 (commencing with Section 30000) of the Public Resources Code), except that the local agency shall not be required to hold public hearings for coastal development permit applications for a housing development pursuant to this section.

SEC. 2. Section 66411.7 is added to the Government Code, to read:

66411.7. (a) Notwithstanding any other provision of this division and any local law, a local agency shall ministerially approve, as set forth in this section, a parcel map for an urban lot split only if the local agency determines that the parcel map for the urban lot split meets all the following requirements:

(1) The parcel map subdivides an existing parcel to create no more than two new parcels of approximately equal lot area provided that one parcel shall not be smaller than 40 percent of the lot area of the original parcel proposed for subdivision.

(2) (A) Except as provided in subparagraph (B), both newly created parcels are no smaller than 1,200 square feet.

(B) A local agency may by ordinance adopt a smaller minimum lot size subject to ministerial approval under this subdivision.

(3) The parcel being subdivided meets all the following requirements:

(A) The parcel is located within a single-family residential zone.

(B) The parcel subject to the proposed urban lot split is located within a city, the boundaries of which include some portion of either an urbanized area or urban cluster, as designated by the United States Census Bureau, or, for unincorporated areas, a legal parcel wholly within the boundaries of an urbanized area or urban cluster, as designated by the United States Census Bureau.

(C) The parcel satisfies the requirements specified in subparagraphs (B) to (K), inclusive, of paragraph (6) of subdivision (a) of Section 65913.4.

(D) The proposed urban lot split would not require demolition or alteration of any of the following types of housing:

(i) Housing that is subject to a recorded covenant, ordinance, or law that restricts rents to levels affordable to persons and families of moderate, low, or very low income.

(ii) Housing that is subject to any form of rent or price control through a public entity's valid exercise of its police power.

(iii) A parcel or parcels on which an owner of residential real property has exercised the owner's rights under Chapter 12.75 (commencing with Section 7060) of Division 7 of Title 1 to withdraw accommodations from rent or lease within 15 years before the date that the development proponent submits an application.

(iv) Housing that has been occupied by a tenant in the last three years.

(E) The parcel is not located within a historic district or property included on the State Historic Resources Inventory, as defined in Section 5020.1 of the Public Resources Code, or within a site that is designated or listed as a city or county landmark or historic property or district pursuant to a city or county ordinance.

(F) The parcel has not been established through prior exercise of an urban lot split as provided for in this section.

(G) Neither the owner of the parcel being subdivided nor any person acting in concert with the owner has previously subdivided an adjacent parcel using an urban lot split as provided for in this section.

(b) An application for a parcel map for an urban lot split shall be approved in accordance with the following requirements:

(1) A local agency shall approve or deny an application for a parcel map for an urban lot split ministerially without discretionary review.

(2) A local agency shall approve an urban lot split only if it conforms to all applicable objective requirements of the Subdivision Map Act (Division

2 (commencing with Section 66410)), except as otherwise expressly provided in this section.

(3) Notwithstanding Section 66411.1, a local agency shall not impose regulations that require dedications of rights-of-way or the construction of offsite improvements for the parcels being created as a condition of issuing a parcel map for an urban lot split pursuant to this section.

(c) (1) Except as provided in paragraph (2), notwithstanding any local law, a local agency may impose objective zoning standards, objective subdivision standards, and objective design review standards applicable to a parcel created by an urban lot split that do not conflict with this section.

(2) A local agency shall not impose objective zoning standards, objective subdivision standards, and objective design review standards that would have the effect of physically precluding the construction of two units on either of the resulting parcels or that would result in a unit size of less than 800 square feet.

(3) (A) Notwithstanding paragraph (2), no setback shall be required for an existing structure or a structure constructed in the same location and to the same dimensions as an existing structure.

(B) Notwithstanding paragraph (2), in all other circumstances not described in subparagraph (A), a local agency may require a setback of up to four feet from the side and rear lot lines.

(d) Notwithstanding subdivision (a), a local agency may deny an urban lot split if the building official makes a written finding, based upon a preponderance of the evidence, that the proposed housing development project would have a specific, adverse impact, as defined and determined in paragraph (2) of subdivision (d) of Section 65589.5, upon public health and safety or the physical environment and for which there is no feasible method to satisfactorily mitigate or avoid the specific, adverse impact.

(e) In addition to any conditions established in accordance with this section, a local agency may require any of the following conditions when considering an application for a parcel map for an urban lot split:

(1) Easements required for the provision of public services and facilities.

(2) A requirement that the parcels have access to, provide access to, or adjoin the public right-of-way.

(3) Off-street parking of up to one space per unit, except that a local agency shall not impose parking requirements in either of the following instances:

(A) The parcel is located within one-half mile walking distance of either a high-quality transit corridor as defined in subdivision (b) of Section 21155 of the Public Resources Code, or a major transit stop as defined in Section 21064.3 of the Public Resources Code.

(B) There is a car share vehicle located within one block of the parcel.

(f) A local agency shall require that the uses allowed on a lot created by this section be limited to residential uses.

(g) (1) A local agency shall require an applicant for an urban lot split to sign an affidavit stating that the applicant intends to occupy one of the

housing units as their principal residence for a minimum of three years from the date of the approval of the urban lot split.

(2) This subdivision shall not apply to an applicant that is a “community land trust,” as defined in clause (ii) of subparagraph (C) of paragraph (11) of subdivision (a) of Section 402.1 of the Revenue and Taxation Code, or is a “qualified nonprofit corporation” as described in Section 214.15 of the Revenue and Taxation Code.

(3) A local agency shall not impose additional owner occupancy standards, other than provided for in this subdivision, on an urban lot split pursuant to this section.

(h) A local agency shall require that a rental of any unit created pursuant to this section be for a term longer than 30 days.

(i) A local agency shall not require, as a condition for ministerial approval of a parcel map application for the creation of an urban lot split, the correction of nonconforming zoning conditions.

(j) (1) Notwithstanding any provision of Section 65852.2, 65852.21, 65852.22, 65915, or this section, a local agency shall not be required to permit more than two units on a parcel created through the exercise of the authority contained within this section.

(2) For the purposes of this section, “unit” means any dwelling unit, including, but not limited to, a unit or units created pursuant to Section 65852.21, a primary dwelling, an accessory dwelling unit as defined in Section 65852.2, or a junior accessory dwelling unit as defined in Section 65852.22.

(k) Notwithstanding paragraph (3) of subdivision (c), an application shall not be rejected solely because it proposes adjacent or connected structures provided that the structures meet building code safety standards and are sufficient to allow separate conveyance.

(l) Local agencies shall include the number of applications for parcel maps for urban lot splits pursuant to this section in the annual housing element report as required by subparagraph (I) of paragraph (2) of subdivision (a) of Section 65400.

(m) For purposes of this section, both of the following shall apply:

(1) “Objective zoning standards,” “objective subdivision standards,” and “objective design review standards” mean standards that involve no personal or subjective judgment by a public official and are uniformly verifiable by reference to an external and uniform benchmark or criterion available and knowable by both the development applicant or proponent and the public official prior to submittal. These standards may be embodied in alternative objective land use specifications adopted by a local agency, and may include, but are not limited to, housing overlay zones, specific plans, inclusionary zoning ordinances, and density bonus ordinances.

(2) “Local agency” means a city, county, or city and county, whether general law or chartered.

(n) A local agency may adopt an ordinance to implement the provisions of this section. An ordinance adopted to implement this section shall not be

considered a project under Division 13 (commencing with Section 21000) of the Public Resources Code.

(o) Nothing in this section shall be construed to supersede or in any way alter or lessen the effect or application of the California Coastal Act of 1976 (Division 20 (commencing with Section 30000) of the Public Resources Code), except that the local agency shall not be required to hold public hearings for coastal development permit applications for urban lot splits pursuant to this section.

SEC. 3. Section 66452.6 of the Government Code is amended to read:

66452.6. (a) (1) An approved or conditionally approved tentative map shall expire 24 months after its approval or conditional approval, or after any additional period of time as may be prescribed by local ordinance, not to exceed an additional 24 months. However, if the subdivider is required to expend two hundred thirty-six thousand seven hundred ninety dollars (\$236,790) or more to construct, improve, or finance the construction or improvement of public improvements outside the property boundaries of the tentative map, excluding improvements of public rights-of-way that abut the boundary of the property to be subdivided and that are reasonably related to the development of that property, each filing of a final map authorized by Section 66456.1 shall extend the expiration of the approved or conditionally approved tentative map by 48 months from the date of its expiration, as provided in this section, or the date of the previously filed final map, whichever is later. The extensions shall not extend the tentative map more than 10 years from its approval or conditional approval. However, a tentative map on property subject to a development agreement authorized by Article 2.5 (commencing with Section 65864) of Chapter 4 of Division 1 may be extended for the period of time provided for in the agreement, but not beyond the duration of the agreement. The number of phased final maps that may be filed shall be determined by the advisory agency at the time of the approval or conditional approval of the tentative map.

(2) Commencing January 1, 2012, and each calendar year thereafter, the amount of two hundred thirty-six thousand seven hundred ninety dollars (\$236,790) shall be annually increased by operation of law according to the adjustment for inflation set forth in the statewide cost index for class B construction, as determined by the State Allocation Board at its January meeting. The effective date of each annual adjustment shall be March 1. The adjusted amount shall apply to tentative and vesting tentative maps whose applications were received after the effective date of the adjustment.

(3) "Public improvements," as used in this subdivision, include traffic controls, streets, roads, highways, freeways, bridges, overcrossings, street interchanges, flood control or storm drain facilities, sewer facilities, water facilities, and lighting facilities.

(b) (1) The period of time specified in subdivision (a), including any extension thereof granted pursuant to subdivision (e), shall not include any period of time during which a development moratorium, imposed after approval of the tentative map, is in existence. However, the length of the moratorium shall not exceed five years.

(2) The length of time specified in paragraph (1) shall be extended for up to three years, but in no event beyond January 1, 1992, during the pendency of any lawsuit in which the subdivider asserts, and the local agency that approved or conditionally approved the tentative map denies, the existence or application of a development moratorium to the tentative map.

(3) Once a development moratorium is terminated, the map shall be valid for the same period of time as was left to run on the map at the time that the moratorium was imposed. However, if the remaining time is less than 120 days, the map shall be valid for 120 days following the termination of the moratorium.

(c) The period of time specified in subdivision (a), including any extension thereof granted pursuant to subdivision (e), shall not include the period of time during which a lawsuit involving the approval or conditional approval of the tentative map is or was pending in a court of competent jurisdiction, if the stay of the time period is approved by the local agency pursuant to this section. After service of the initial petition or complaint in the lawsuit upon the local agency, the subdivider may apply to the local agency for a stay pursuant to the local agency's adopted procedures. Within 40 days after receiving the application, the local agency shall either stay the time period for up to five years or deny the requested stay. The local agency may, by ordinance, establish procedures for reviewing the requests, including, but not limited to, notice and hearing requirements, appeal procedures, and other administrative requirements.

(d) The expiration of the approved or conditionally approved tentative map shall terminate all proceedings and no final map or parcel map of all or any portion of the real property included within the tentative map shall be filed with the legislative body without first processing a new tentative map. Once a timely filing is made, subsequent actions of the local agency, including, but not limited to, processing, approving, and recording, may lawfully occur after the date of expiration of the tentative map. Delivery to the county surveyor or city engineer shall be deemed a timely filing for purposes of this section.

(e) Upon application of the subdivider filed before the expiration of the approved or conditionally approved tentative map, the time at which the map expires pursuant to subdivision (a) may be extended by the legislative body or by an advisory agency authorized to approve or conditionally approve tentative maps for a period or periods not exceeding a total of six years. The period of extension specified in this subdivision shall be in addition to the period of time provided by subdivision (a). Before the expiration of an approved or conditionally approved tentative map, upon an application by the subdivider to extend that map, the map shall automatically be extended for 60 days or until the application for the extension is approved, conditionally approved, or denied, whichever occurs first. If the advisory agency denies a subdivider's application for an extension, the subdivider may appeal to the legislative body within 15 days after the advisory agency has denied the extension.

(f) For purposes of this section, a development moratorium includes a water or sewer moratorium, or a water and sewer moratorium, as well as other actions of public agencies that regulate land use, development, or the provision of services to the land, including the public agency with the authority to approve or conditionally approve the tentative map, which thereafter prevents, prohibits, or delays the approval of a final or parcel map. A development moratorium shall also be deemed to exist for purposes of this section for any period of time during which a condition imposed by the city or county could not be satisfied because of either of the following:

(1) The condition was one that, by its nature, necessitated action by the city or county, and the city or county either did not take the necessary action or by its own action or inaction was prevented or delayed in taking the necessary action before expiration of the tentative map.

(2) The condition necessitates acquisition of real property or any interest in real property from a public agency, other than the city or county that approved or conditionally approved the tentative map, and that other public agency fails or refuses to convey the property interest necessary to satisfy the condition. However, nothing in this subdivision shall be construed to require any public agency to convey any interest in real property owned by it. A development moratorium specified in this paragraph shall be deemed to have been imposed either on the date of approval or conditional approval of the tentative map, if evidence was included in the public record that the public agency that owns or controls the real property or any interest therein may refuse to convey that property or interest, or on the date that the public agency that owns or controls the real property or any interest therein receives an offer by the subdivider to purchase that property or interest for fair market value, whichever is later. A development moratorium specified in this paragraph shall extend the tentative map up to the maximum period as set forth in subdivision (b), but not later than January 1, 1992, so long as the public agency that owns or controls the real property or any interest therein fails or refuses to convey the necessary property interest, regardless of the reason for the failure or refusal, except that the development moratorium shall be deemed to terminate 60 days after the public agency has officially made, and communicated to the subdivider, a written offer or commitment binding on the agency to convey the necessary property interest for a fair market value, paid in a reasonable time and manner.

SEC. 4. The Legislature finds and declares that ensuring access to affordable housing is a matter of statewide concern and not a municipal affair as that term is used in Section 5 of Article XI of the California Constitution. Therefore, Sections 1 and 2 of this act adding Sections 65852.21 and 66411.7 to the Government Code and Section 3 of this act amending Section 66452.6 of the Government Code apply to all cities, including charter cities.

SEC. 5. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because a local agency or school district has the authority to levy service charges, fees, or assessments sufficient to pay for the program or level of service mandated by this act or

because costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within the meaning of Section 6 of Article XIII B of the California Constitution.

O



**From:** Terence J. Szewczyk  
**Sent:** Friday, December 03, 2021 4:12 PM  
**To:** Laurel Prevetti  
**Subject:** Fwd: SB9 & SB10 --- whom do I call in Planning?

Laurel, San Jo is way ahead of Los Gatos on SB9. I am very hopeful that this will be embraced as an opportunity by the Town and not squandered due to elitism.

Best regards, Terry  
Terence J. Szewczyk. P.E.

----- Forwarded message -----

**From:** **Terence J. Szewczyk**  
**Date:** Fri, Dec 3, 2021 at 2:21 PM  
**Subject:** Re: SB9 & SB10 --- whom do I call in Planning?  
**To:** Davis, Martina  
**Cc:** Hughey, Rosalynn; Burton, Chris; Brilliot, Michael; Manford, Robert

Martina, It is a lot split with 2 new houses and an ADU on each. This is a draft of the site plan and I will be submitting a pre-app letter etc. shortly. Let me know if you see any fatal flaws, please.

This is exciting that San Jose is up to speed. I can't say the same for County or Los Gatos.....but I keep sending them your info to consider!

Best regards, Terry  
Terence J. Szewczyk. P.E.

On Thu, Dec 2, 2021 at 5:02 PM Davis, Martina wrote:

Hi Terry,

Are you looking to submit subdivisions or applications for construction of new units? Subdivisions would be processed as a Parcel Map that is submitted to Public Works. We are currently working with them to update the application forms to reflect SB 9 requirements and should have those up by the end of the year. If it's applications to construct new units those would be submitted to Building. We are also working on updating forms and information to reflect SB 9 requirements. As always, the Parcel Map and/or Building Permit applications are routed to a Planner who will review them for conformance with the legislation and our zoning ordinance.

**Martina Davis**  
Supervising Planner  
Planning Ordinance and Policy Team  
Department of Planning, Building and Code Enforcement

**From:** Hughey, Rosalynn  
**Sent:** Thursday, December 2, 2021 4:57 PM  
**To:** Terence J. Szewczyk Burton, Chris; Davis, Martina  
**Cc:** Brilliot, Michael; Manford, Robert  
**Subject:** RE: SB9 & SB10 --- hwom do I call in Planning?

Hello Terry – thanks for the congrats and glad you found the information on SB 9 and SB 10 helpful. Chris Burton (included on this email) is the new PBCE Director. The primary point of contact on SB 9 and SB 10 is Martina Davis; I've also included her on this email. Staff is completing work to implement SB 9 starting in January 2022 when the law is effective.

Best,



Rosalynn


**Rosalynn Hughey**  
Deputy City Manager | Office of the City Manager

**From:** Terence J. Szewczyk  
**Sent:** Thursday, December 2, 2021 4:18 PM  
**To:** Hughey, Rosalynn  
**Subject:** SB9 & SB10 --- hwom do I call in Planning?

Hi Rosalyn, Congrats on your new position. Also, the attached summary by San Jose is excellent and I have used it to explain to other cities. I have 2 projects to submit that would be SB9. My only question is who will look at these in Planning?



Best regards, Terry  
Terence J. Szewczyk. P.E.



Layers  

er Layers...  [Filter](#)

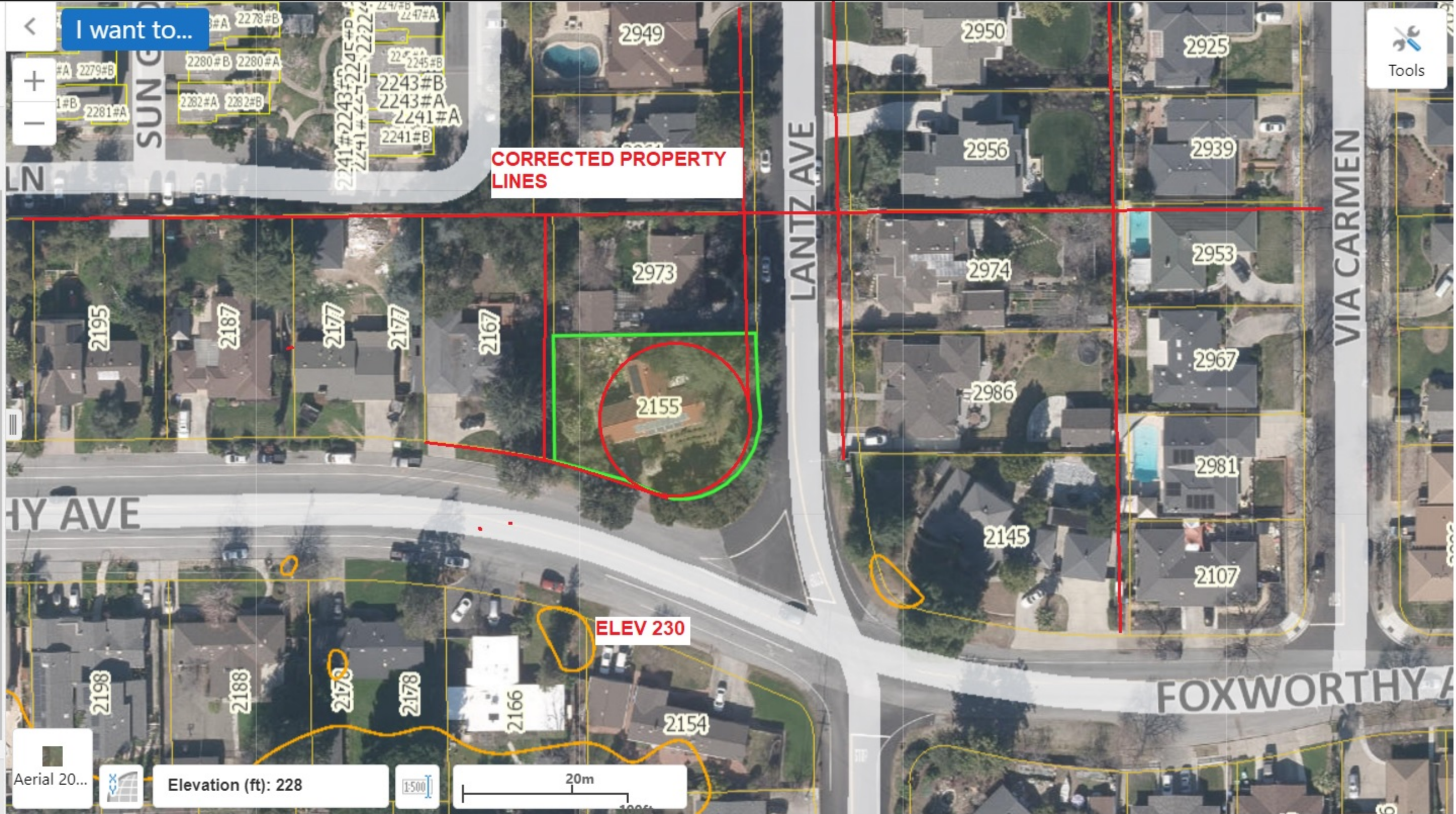
- Points of Interest
- California Counties
- Topography | County
- Schools
- School Districts
- Road Names
- Roads
- Property (AS OF JUL 2021)
- County Park
- Zoning | Unincorporated
- Flood Zones 100 Year
- Fault Rupture Zones
- Basemaps

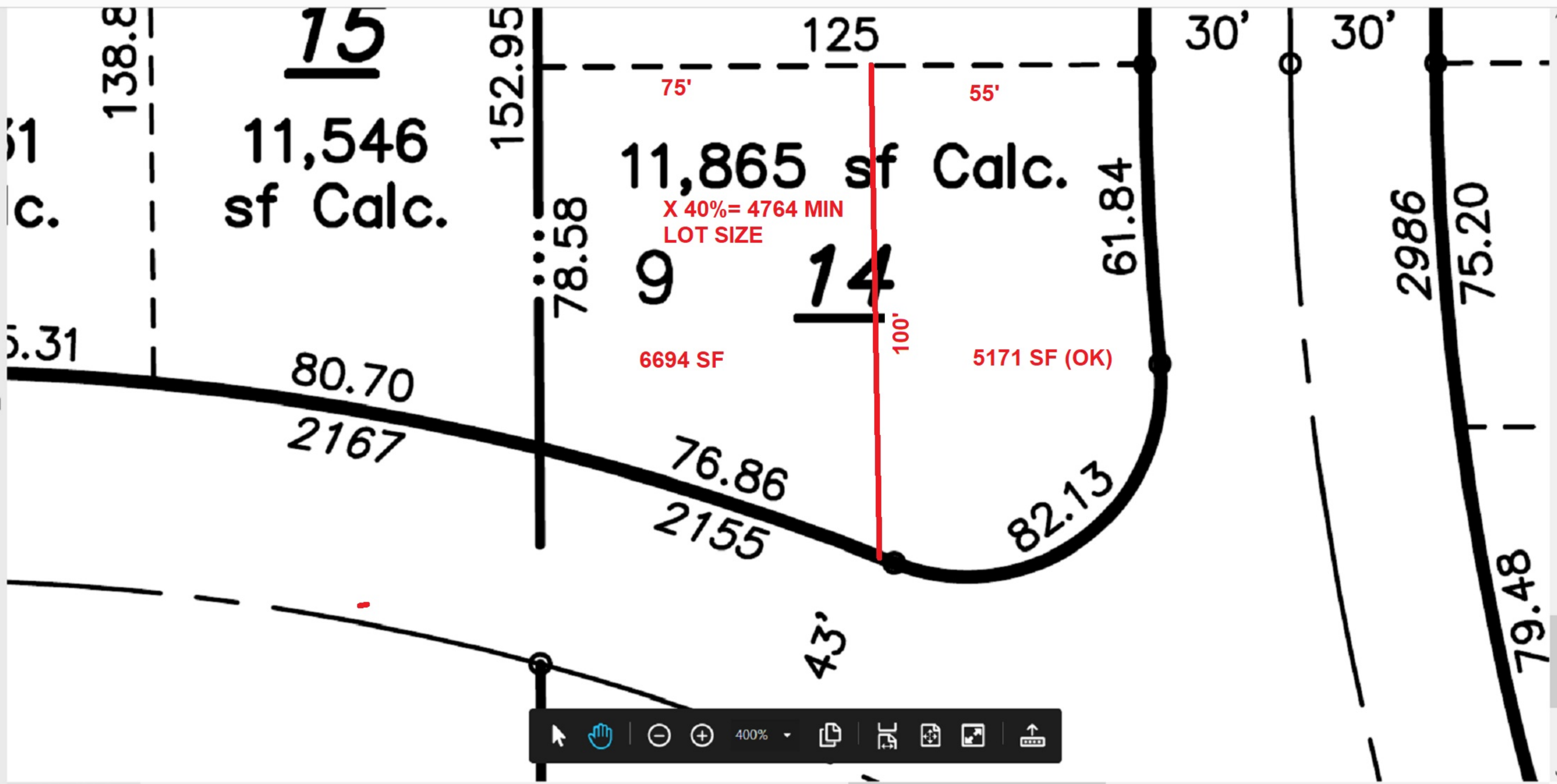


Layers  

Filter Layers...  

- Points of Interest
- California Counties
- Topography | County
- Schools
- School Districts
- Road Names
- Roads
- Property (AS OF JUL 2021)
- County Park
- Zoning | Unincorporated
- Flood Zones 100 Year **NONE**
- Fault Rupture Zones **NONE**
- Basemaps





Navigation toolbar with icons for pan, zoom (400%), and other functions.

17.00 x 11.00 in

All development in the residential zoning districts shall conform to the development regulations set forth below in Table 20-60.

Table 20-60  
Residential Zoning Districts Development Standards

EXPAND

Regulations	Zoning District							
	R-1-8	R-1-5	R-1-2	R-1-1	R-1-RR	R-2	R-M	R-MH
Minimum lot area (square feet or acreage)	5,445	8,000	20,000	43,560	5 acres	5,445	6,000	6,000
	Minimum setback (feet)							
Front	20	20	30	30	50	15	10	15
Side, interior (Note 6)	5	5	15	20	20	5	5	5
Side, corner (Note 6)	12.5	12.5	15	20	30	10	7.5	7.5
Rear, interior	20	20	25	25	30	25	25	25
Rear, corner	20	20	25	25	30	25	15	15
Minimum driveway length (feet) measured from lot line (Note 5)	18	18	18	18	18	0	0	0
Maximum height (feet) (Notes 1, 2 and 4)	35	35	35	35	35	35	45 or established in <a href="#">Chapter 20.85</a>	45
Maximum number of stories (Note 3)	2.5	2.5	2.5	2.5	2.5	2.5	Not applicable	3
Parking	See <a href="#">Chapter 20.90</a>							
Floor area ratio	See Part 9 of <a href="#">Chapter 20.100</a> for single-family house permit criteria that may apply							

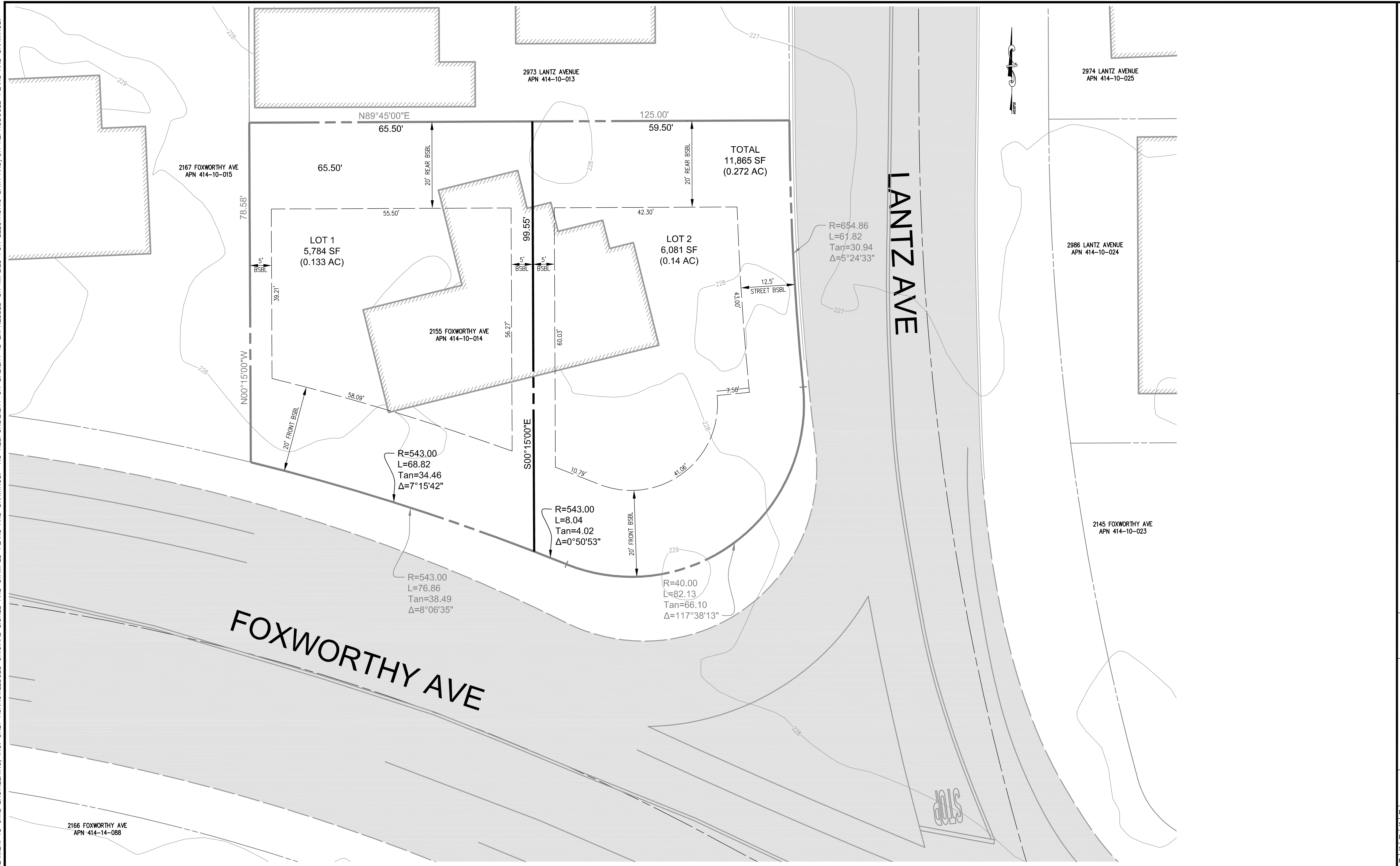
Notes:

1. Refer to Part 9 of [Chapter 20.100](#) regarding single-family house permit requirements and [Section 20.200.510](#) regarding the definition of "height."

VERSION: OCT 21, 2021 (CURRENT)

- ▶ Title 14 - PUBLIC WORKS AND IMPROVEMENTS
- SAN JOSÉ - MUNICIPAL CODE
- ▶ Title 15 - PUBLIC UTILITIES
- ▶ Title 16 - GAMING CONTROL
- ▶ Title 17 - BUILDINGS AND CONSTRUCTION\*
- ▶ Title 18 - LOCAL PLANNING
- ▶ Title 19 - SUBDIVISIONS
- ▼ Title 20 - ZONING
  - ▶ Chapter 20.10 - GENERAL PROVISIONS AND ZONING DISTRICTS
  - ▶ Chapter 20.20 - OPEN SPACE & AGRICULTURAL ZONING DISTRICTS
  - ▼ Chapter 20.30 - RESIDENTIAL ZONING DISTRICTS
    - ▶ Part 1 - GENERAL
    - ▶ Part 2 - USES ALLOWED
    - ▶ Part 3 - DEVELOPMENT REGULATIONS
    - ▶ Part 4 - SETBACK REGULATIONS
    - ▶ Part 4.5 - ACCESSORY DWELLING UNITS
    - ▶ Part 5 - ACCESSORY BUILDINGS AND STRUCTURES
    - ▶ Part 6 - FENCE REGULATIONS
    - ▶ Part 7 - PERFORMANCE STANDARDS

DISCLAIMER: TS CIVIL ENGINEERING, INC. ONLY ACKNOWLEDGES ORIGINAL SIGNED AND STAMPED PLANS AND DRAWINGS. NO RESPONSIBILITY OR LIABILITY IS EXPRESSED OR IMPLIED FOR ELECTRONIC DATA AND/OR REPRODUCED PLANS AND DRAWINGS.



TS CIVIL ENGINEERING  
 1776 TECHNOLOGY DRIVE  
 SAN JOSE, CA 95110  
 PH: 408.452.9300  
 FAX: 408.837.7550

**SUBDIVISION PLAN**  
 2155 FOXWORTHY AVE  
 SAN JOSE, CA 95124  
 APN 414-10-014

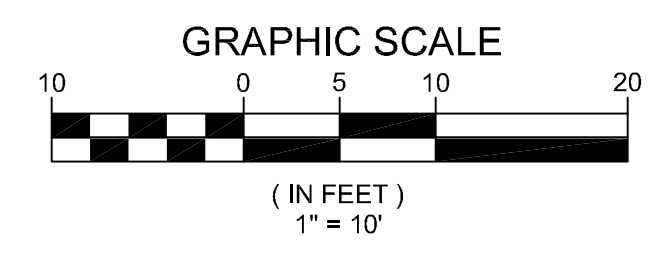
NO.	DATE	REVISIONS	BY
6			
5			
4			
3			
2			
1			

DATE: 10-27-21  
 SCALE: 1"=10'  
 DRAWN BY: DKH  
 SURVEYED BY:  
 PROJ ENGR: TJS  
 CHECK BY: TJS

SHEET NO.  
**C-2**  
 OF XX SHEETS  
 JOB NO.  
**21-272**

10/28/2021 11:37am - N:\2021 JOBS\21-272\DWG\21-272\_C2 SUBDIVISION PLAN.dwg - C2

DESIGNED UNDER THE SUPERVISION OF:  
  
 NO. 35527  
 EXP. 9-30-23  
 STATE OF CALIFORNIA  
 10-27-21  
 TERENCE J. SZEWCZYK  
 EXPIRATION DATE: 09/30/23



Download this computer-fillable PDF form. Signatures, if required, must be a [Digital ID Signature](#).

Staff will assign FILE #

**1. TYPE OF PRELIMINARY REVIEW YOU ARE REQUESTING & SUBMITTAL PACKAGE CHECKLIST**

Check the type of preliminary review you are seeking and any optional reviews by other departments. Staff will confirm your total fees due to the City. For payment methods, see [www.sanjoseca.gov/PlanningApplications](http://www.sanjoseca.gov/PlanningApplications). Each type shows the information required for submittal your submittal package.

<b>TYPE</b> <small>CHECK ONE</small>	<b>APPROXIMATE PROCESSING TIME</b> <small>(CALENDAR DAYS)</small>	<b>BASE FEE</b>	<b>OPTIONAL REVIEWS BY OTHER DEPARTMENTS</b> <small>CHECK ANY</small>
<input type="checkbox"/> <b>FOCUSED REVIEW - ONE SINGLE-FAMILY HOUSE ON A SINGLE LOT.</b> Includes Plan Review, Planning staff analysis, and written response. Please submit: <ul style="list-style-type: none"> <li>▪ Preliminary Site Plan, drawn to scale</li> <li>▪ Photographs</li> </ul>	30 days from submittal	\$312	<input checked="" type="checkbox"/> Meeting with Planning: \$312 <input type="checkbox"/> Building Review: \$272 <input type="checkbox"/> Meeting with Planning and Building: \$780 <input type="checkbox"/> Fire Review: \$269 <input type="checkbox"/> Fire Review and Fire Meeting: \$538 <input type="checkbox"/> Parks Department Review: \$0 <input type="checkbox"/> Housing Department Review: \$0
<input checked="" type="checkbox"/> <b>FOCUSED REVIEW - ALL PROJECTS EXCEPT SINGLE-FAMILY HOMES ON A SINGLE LOT.</b> Includes Planning staff analysis and written response (no site and architectural plan review). Please submit: <ul style="list-style-type: none"> <li>▪ Preliminary Site Plan, drawn to scale</li> <li>▪ Photographs</li> <li>▪ Conceptual Floor Plans IF proposing a change of use</li> </ul>	30 days from submittal	\$936	<input type="checkbox"/> Public Works Focused Review: \$1,004 <i>Includes meeting with staff, no Public Works memo</i> <input checked="" type="checkbox"/> Public Works Enhanced Review: \$1,506 <i>Includes meeting with staff and Public Works memo</i> <input type="checkbox"/> Department of Transportation Review: \$620* <input type="checkbox"/> Technical Report Review: \$624 per report <i>Historic Reports and Environmental Reports (e.g. noise, geotechnical, biological resources, air quality, soil, phase 1 environmental site assessment, etc.)</i>
<input type="checkbox"/> <b>ENHANCED REVIEW - SITE AND ARCHITECTURAL PLAN REVIEW.</b> Includes site and architectural plan review, Planning staff analysis, and written response. Please submit: <ul style="list-style-type: none"> <li>▪ Preliminary Site Plan, drawn to scale</li> <li>▪ Conceptual Building Elevations</li> <li>▪ Conceptual Floor Plans</li> <li>▪ Photographs</li> </ul>	45 days from submittal	\$1,248	<input type="checkbox"/> Initial Environmental Scoping: \$936 <input type="checkbox"/> Urban Design Review: \$2,897 <i>Includes urban design review pass-through fee of \$1,500 and \$1,397 fee for staff time</i>

\* If Department of Transportation Review is selected, a Public Works Review must also be selected.

**SUBMITTAL DETAILS**

**Preliminary Site Plan.** A site plan of the subject site with scale and North arrow; property lines; existing on-site and surrounding uses; proposed uses of the site; building footprint and setbacks with dimensions; streets adjoining the site; parking and circulation aisles; driveways and parking stalls; proposed grading and topographic map, if necessary, for hillside development; landscape areas; and size, species, and location of any planned removal of existing trees.

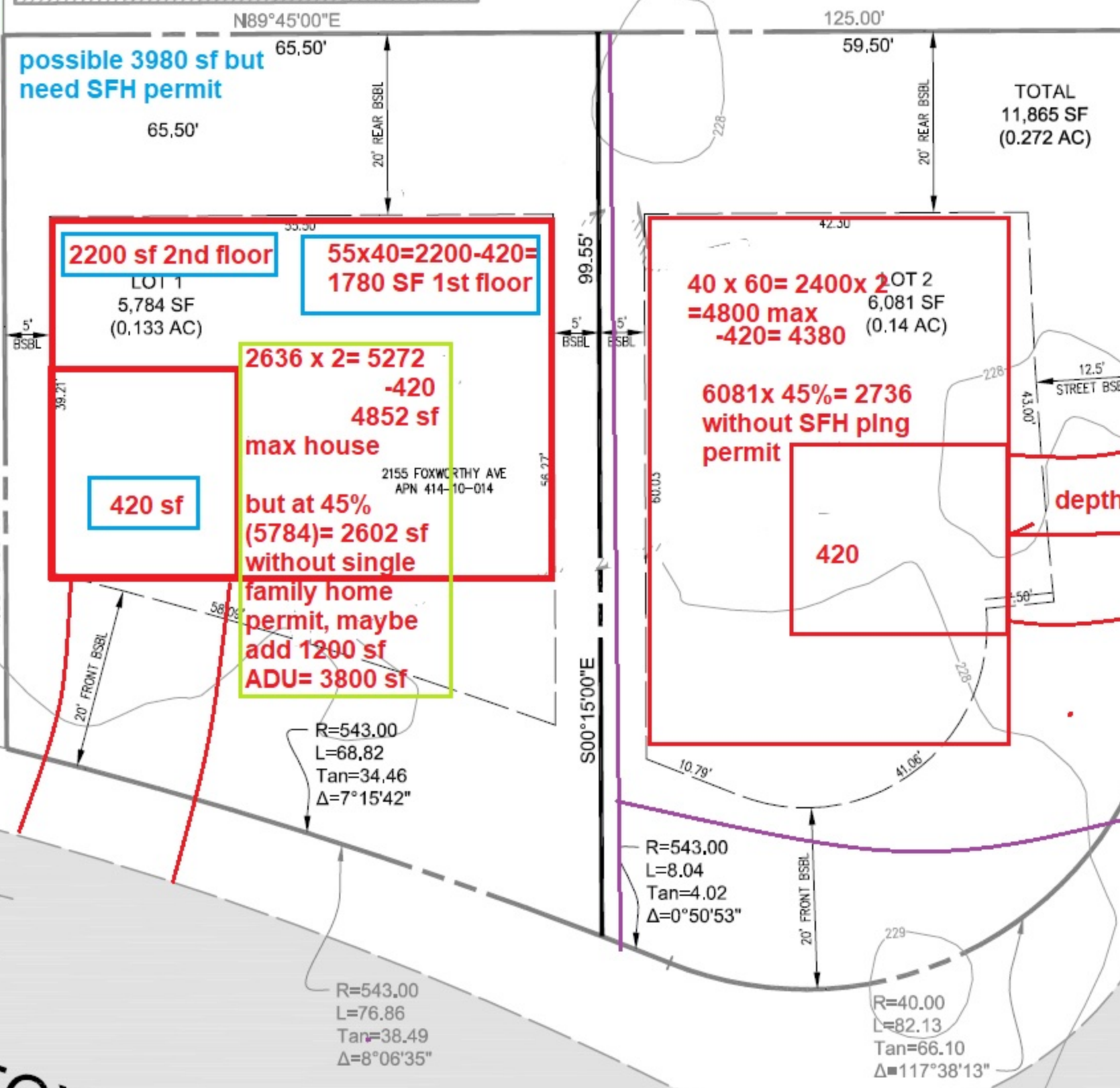
**Conceptual Building Elevations.** Plans including dimensioned elevations of all exterior walls (photographs may be substituted for existing elevations to remain unchanged); type of roof, wall and trim materials, colors, and textures; attached and detached sign details, designs, and locations; changes or additions to existing buildings or materials clearly identified.

**Conceptual Floor Plans.** Plans for each floor level indicating exterior dimensions; total square footage; and locations of windows and doors.

**Photographs.** Photographs of relevant project site areas which are not easily visible from the street.



SIGNED AND STAMPED PLANS AND DRAWINGS. NO RESPONSIBILITY OR LIABILITY IS EXPRESSED OR IMPLIED FOR ELECTRONIC DATA AND/OR REPRODUCED PLANS



LANTZ AVE

2986 LAN APN 414

2167 FOXWORTHY AVE  
APN 414-10-015

78.58'

N00°15'00"W

5' BSBL

20' FRONT BSBL

N89°45'00"E

65.50'

20x40 ADU

20' RE  
3L

99.55'

5' BSBL

S00°15'00"E

R=543.00  
L=68.82  
Tan=34.46  
Δ=7°15'42"

125.00'

59.50'

20x40 ADU

20' REAR BSBL

TOTAL  
11,865 SF  
(0.272 AC)

R=654.86  
L=61.82  
Tan=30.94  
Δ=5°24'33"

LANTZ AVE

+300 SF =  
2700

+300 SF =  
2700 SF

12.5' STREET BSBL

depth?

11865/2 = 5932 if  
lots are equal



**TOWN OF LOS GATOS  
COUNCIL AGENDA REPORT**

MEETING DATE: 12/21/2021

ITEM NO: 20

ADDENDUM

---

DATE: December 20, 2021  
TO: Mayor and Town Council  
FROM: Laurel Prevetti, Town Manager  
SUBJECT: Consider Adoption of a 45-Day Urgency Ordinance to Implement Senate Bill 9 to Allow for Two-Unit Housing Developments and Urban Lot Splits in All Single-Family Residential Zoning Districts.

**REMARKS:**

Attachment 4 includes additional public comment received between 11:01 a.m., Thursday, December 16, 2021 and 11:00 a.m., Monday, December 20, 2021.

In response to these comments, staff has prepared the following comments for consideration:

1. The draft Urgency Ordinance includes the Town's two "Single-Family Residential" zoning designations as required by State Law. Town Council could choose to expand this to include Hillside Residential; however, staff does not recommend it because Hillside Residential is located in the Very High Fire Hazard Severity Zone.
2. The language in regards to the Very High Fire Hazard Severity Zone in Section IV(D) of the draft Urgency Ordinance is directly from SB 9.
3. The floor area and lot coverage allowed by this draft Urgency Ordinance are not intended to include additional Accessory Dwelling Unit (ADU) floor area, as ADUs are not currently allowed on SB 9 projects, but additional clarification could be added. The requirement to allow at least two 800-square foot units is included within Section V(E).
4. If Town Council is supportive of allowing a modified front setback for flag lots created through the urban lot split process, staff recommends consideration of the street side setback as an intermediate requirement. The required front setback for flag/corridor lots in the Urgency Ordinance could reference the existing street side setback for the applicable zone, which is 10 feet less than the R-1 required front setbacks, and 5 feet less than the R-1D required front setback.
5. The language in Section V(C)(4)(c) is based on language used by other municipalities within Santa Clara County.

**PREPARED BY:** Jennifer Armer, AICP  
Planning Manager

---

Reviewed by: Assistant Town Manager, Town Attorney, and Public Works Director

---

REMARKS (continued):

6. While objective standards can be used in the review of proposed two-unit residential development or urban lot split applications, a project can only be denied through the Building Official findings listed in Section V(D)(4).
7. The regulations proposed for the use of flag/corridor lots in the draft Urgency Ordinance were prepared to be consistent with current Town regulations.
8. The objective standards prepared for this draft Urgency Ordinance may not be feasible in some cases. For those projects, Section V(E) allows for exceptions to the applicable standard(s) to the minimum extent necessary.
9. If the draft Urgency Ordinance is adopted with both Minimum Lot Width and Minimum Public Frontage of 20 feet, the final sentence of Section VI(A)(3) could be modified to state, "The minimum lot area for a flag/corridor lot shall be exclusive of the access corridor if less than 20 feet in width."
10. The lot frontage requirement could be removed or modified if supported by Town Council.
11. Section VI(B)(5) has been written to comply with the requirements of SB 9.
12. See item 6 above.
13. The draft Urgency Ordinance does include the following language under Section VI(C)(3): Applicants shall apply for an Urban Lot Split Parcel Map and pay all fees.
14. The draft ordinance does not include any neighbor notification, for alignment and consistency with the ministerial process for ADUs, and because there are no public hearing or appeal rights in ministerial processes.
15. Section VI(B)(5) includes a requirement for an intent to occupy statement.
16. The draft Urgency Ordinance allows proposed dwelling units up to the maximum allowed floor area under current code, rather than including a more restrictive 800-square foot maximum.

ATTACHMENTS:

Previously received with the December 21, 2021 Staff Report:

1. Draft Urgency Ordinance
2. Senate Bill 9
3. Public Comment received by 11:00 a.m., Thursday, December 16, 2021

Received with this Addendum:

4. Public Comments received between 11:01 a.m., Thursday, December 16, 2021 and 11:00 a.m., Monday, December 20, 2021

Town of Los Gatos  
110 E Main St  
Los Gatos, CA 95030  
Attn: Town Council

December 18<sup>th</sup>, 2021

**SB-9 Rule Changes for Consideration.**  
**[REVISED AFTER READING THE DRAFT ORDINANCE]**

---

Council Members: **[Please ignore my previous thoughts on the subject]**

I have read the SB-9 Law, together with the associated Code Sections that it refers to. I have also read the draft Ordinance that you will be deliberating on December 21<sup>st</sup> and am impressed with the thoroughness of the analysis by staff and the Town Attorney in putting this together (compared with other jurisdictions). As such I will limit my comments to the Ordinance where I see some (minor) areas that I think could/should be addressed. I have referenced the Ordinance Sections Directly:

1. **Section III: Definitions:** "Single-family residential zone" should consider including HR (Hillside Residential) - as this zone is clearly "single-family.
2. **Section IV: Exclusions:** "Very High Fire Hazard Severity Zone" should permit a project which adopts "65913.4(a)(6)(D) - fire hazard mitigation measures pursuant to existing building standards" and can hence satisfy SCCFD approval for the project. The failure to satisfy SCCFD requirements (including access, turnouts, turnarounds, fire sprinklers and other measures), as well as Building Code construction techniques and building materials should disqualify a project.
3. **Section V.A.5: Floor Area Ratio and Lot Coverage:** This should clarify FAR With or Without the ADU sq ft allowance. [I suggest "Without" for some restriction on the FAR for "2 homes" if SB-9 ministerial approval is requested]. Additionally it must allow one 800 sq ft additional residence to be built, even if the Existing home is already at the allowable FAR.
4. **Section V.A.11 Table 1-1: Setback Requirements:** A distinction should be made for Front Setback for the "rear parcel" of a Flag Lot. Assuming SB-9 does allow the creation of some flag lots a reduction of the rear parcel front setback might give more room at the rear of the property - which would be better. Perhaps "front and rear setbacks combined must not exceed front setback for the zoning district with neither being less than 4 ft" [or something similar].
5. **Section V.C.4c: Tenant Occupancy:** A 'Homeowner Exemption' identifies only a 'Primary Residence', which might be too limiting. Perhaps evidence by utility statements or something similar could be used as a second option?
6. **Section V.D.4: Denial:** Strike the word "~~only~~ if the Building Official . . . .", as they can also be denied if an applicant fails to abide by "Objective Standards".

7. **Section VI.A.1: Flag/Corridor Lots:** SB-9 - 66411.7(e)(2) allows a jurisdiction to require a parcel to "have access to, provide access to, or adjoin the Public RoW". It is not clear that this eliminates the use of an easement to access the "rear" parcel in a flag lot. As required by the proposed 20 ft fee title corridor, this would require a distance of 20 ft + side setback adjacent to a building, which might provoke litigation. An alternative such as "an access corridor or easement necessary to satisfy SCCFD fire standards shall be provided to the rear parcel of any flag lot".
8. **Section VI.A.2. Lot Lines:** ". . . . or Parallel to Existing Lot Lines". Not all lots are regular in shape and even this will not satisfy all situations, but it helps and will give the Community Development Director some more flexibility.
9. **Section VI.A.3. Min Lot Size:** ". . . . exclusive of **any** access corridor **<30 ft in width.**" [at what point does an "access corridor" become part of the size calc?]
10. **Section VI.A.5. Min Frontage:** You might not require a Min Frontage if you allow an easement to access the rear parcel of a flag lot.
11. **Section VI.B. Intent to Occupy:** There is a problem in SB-9. The 3-year limitation should commence from the Recordation of the Lot "OR Certificate of Occupancy" in case a construction project is proposed.
12. **Section VI.C.5. Denial:** Strike the word "~~only~~ if the Building Official . . . .", as they can also be denied if an applicant fails to abide by "Objective Standards".

My original concern was that the Town should:

1. Make ministerial approval reasonably restrictive so as to encourage owners to elect to use the existing A&S process where possible but allow some flexibility for smaller projects. The draft Ordinance does this in some measure if the FAR rule does not include the ADU allowance for ministerial projects.

The (modified) matrix shows what I believe you would be approving with this draft Ordinance. I think that it is fair, but would encourage you to look carefully at the minor amendments that I have suggested. I believe that these would clarify a couple of issues and remove (some) areas of potential future litigation from the picture.

I hope that my comments are clear enough for you to grasp the gist of what I am suggesting. SB-9 is tantamount to 'spot zoning' and needs to be addressed carefully so as to not cause the Town to change too radically. Can ministerial approval allow reasonable projects to proceed, with objective standards as the measure? I suspect that it can.

The Ordinance you approve on December 21<sup>st</sup> will be interesting to discuss. I would like to commend staff for their work on this matter. There was a lot of thought put into it.

Thank you

Tony Jeans

**TABLE OF OPTIONS FOR MINISTERIAL APPROVAL - SB-9 BASIS FOR DISCUSSION**

<b>What is There Now?</b>	<b>Main House</b>	<b>ADU</b>	<b>JADU</b>	<b>House #2</b>	<b>Total Units</b>
<b>Single Lot Now</b>					
Vacant	[Zoning Std]	[ADU Limit]	[JADU Limit]	0	3
House	0	[ADU Limit]	[JADU Limit]	0	3
House + ADU	0	0	[JADU Limit]	0	3
House + ADU + JADU	0	0	0	0	3
<b>Single Lot post SB-9</b>					
Vacant	<b>TBD</b>	10% - 1200	500	<b>TBD</b>	4
House	0	10% - 1200	500	<b>TBD</b>	4
House + ADU	0	0	500	<b>TBD</b>	4
House + ADU + JADU	0	0	0	<b>TBD</b>	4
<b>Urban Lot Split -The 2 Smaller Lots will fall into the next zoning district standard below.</b>					
<u>Urban Split - Parcel 1</u>					
Vacant	<b>TBD</b>	0	0	<b>TBD</b>	2
House	0	0	0	<b>TBD</b>	2
House + ADU	0	0	0	0	2
House + ADU + JADU	0	0	<b>TBD</b>	0	<b>3-Feb</b>
<u>Urban Split - Parcel 2</u>					
Vacant	<b>TBD</b>	0	0	<b>TBD</b>	2
ADU	0	0	0	<b>TBD</b>	2
ADU + JADU	0	0	0	0	2

**Comments: This is all Subject to Legal Commentary**

Rules for the items shown as **TBD** [to be defined] need to be set for Ministerial Projects  
 The following Table suggests what is proposed in the draft Ordinance.

**TABLE OF OPTIONS FOR MINISTERIAL APPROVAL - LOS GATOS ORDINANCE**

<b>What is There Now?</b>	<b>Main House</b>	<b>ADU</b>	<b>JADU</b>	<b>House #2</b>	<b>Total Units</b>
<b>Single Lot Now</b>					
Vacant	[Zoning Std]	[ADU Limit]	[JADU Limit]	O	3
House	O	[ADU Limit]	[JADU Limit]	O	3
House + ADU	O	O	[JADU Limit]	O	3
House + ADU + JADU	O	O	O	O	3
<b>Single Lot post SB-9</b>					
Vacant	<b>FAR Split w/ #2</b>	<b>10% - 1200</b>	<b>500</b>	<b>FAR Split w/ Main</b>	4
House	O	<b>10% - 1200</b>	<b>500</b>	<b>FAR - Main or 800</b>	4
House + ADU	O	O	<b>500</b>	<b>FAR - Main or 800</b>	4
House + ADU + JADU	O	O	O	<b>FAR - Main or 800</b>	4
<b>Urban Lot Split -The 2 Smaller Lots will fall into the next zoning district standard below.</b>					
<u>Urban Split - Parcel 1</u>					
Vacant	<b>FAR Split w/ #2</b>	O	O	<b>FAR Split w/ Main</b>	2
House	O	O	O	<b>FAR - Main or 800</b>	2
House + ADU	O	O	O	O	2
House + ADU + JADU	O	O	<b>Demolish</b>	O	<b>2</b>
<u>Urban Split - Parcel 2</u>					
Vacant	<b>FAR Split w/ #2</b>	O	O	<b>FAR Split w/ Main</b>	2
ADU	O	O	O	<b>FAR - Main or 800</b>	2
ADU + JADU	O	O	O	O	2

**Comments: This is all Subject to Legal Commentary**

The Ministerial Option would split the FAR between 2 homes on a Vacant Lot

The Second Unit would be restricted to 800 ft if the existing Main Residence is at FAR or greater.



**From:** Phil Koen

**Sent:** Sunday, December 19, 2021 6:09 PM

**To:** Rob Rennie; Matthew Hudes; Mary Badame; Maria Ristow; Marico Sayoc

**Cc:** Laurel Prevetti; Shelley Neis; jvannada; Rick Van Hoesen

**Subject:** Agenda Item #20

Dear Council Members,

We would suggest the following requirements be included in the SB 9 urgency ordinance being considered by the Town Council. These provisions have been included in other cities SB 9 urgency ordinances. They further the purpose of SB 9 which is to promote the development of affordable housing in a thoughtful manner.

Thank you.

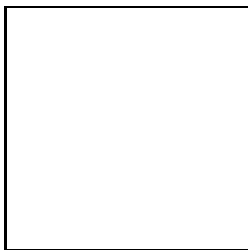
Los Gatos Community Alliance

**Objective standards and requirements for new dwelling units on a parcel that is not being subdivided.**

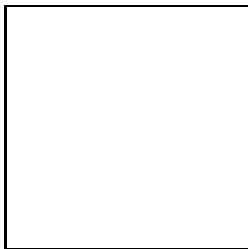
- 1) The subdivision is subject to all impact or development fees related to the creation of a new parcel.
- 2) Upon receipt of a subdivision application using the provisions of this article, the Town shall notify all owners and occupants within a 500-foot radius from the subject parcel that a parcel map has been filed with the Town
- 3) A note on the parcel map and a recorded deed restriction in a form approved by the Town’s Attorney’s Office shall be applied to all newly created parcels indicating that the parcel was split using the provision of this article and that no further subdivision of the parcels is permitted. In addition, the deed restriction shall stipulate that all new units developed on the new parcels shall be income restricted to low and very low-income households based on the most recent Santa Clara County Area Median Income (AMI) levels.
- 4) Prior to the recordation of the parcel map, the applicant shall sign and record an affidavit stating that the applicant intends to reside in one of the proposed or existing primary dwelling units or SB 9 units for three years from the date of the approval of the subdivision. This requirement shall not apply if the applicant is a community land trust or a qualified nonprofit corporation as provided in Sections 402.1 and 214.15 of the Revenue and Taxation Code.

**Objective standards and requirements for new dwelling units on a parcel that is not being subdivided.**

- 1) The maximum floor area of an SB 9 unit shall be 800 square feet. Basements and bunkers are not permitted.



**Intermedia**  
100 Mathilda Place Suite 600, Sunnyvale, California 94086  
[www.intermedia.com](http://www.intermedia.com) | [LinkedIn](#) | [Twitter](#) | [Facebook](#) | [Blog](#)



J.D. Power certifies Intermedia for providing an "Outstanding Customer Service Experience" in Assisted Technical Support 5 years running - a first among cloud communications providers

---

proprietary information. If you have received this communication in error, please notify us immediately by replying to the message and deleting it from your computer. Any disclosure, copying, distribution, or the taking of any action concerning the contents of this message and any attachment(s) by anyone other than the named recipient(s) is strictly prohibited.



**TOWN OF LOS GATOS  
COUNCIL AGENDA REPORT**

MEETING DATE: 12/21/2021

ITEM NO: 20

DESK ITEM

---

DATE: December 21, 2021  
TO: Mayor and Town Council  
FROM: Laurel Prevetti, Town Manager  
SUBJECT: Consider Adoption of a 45-Day Urgency Ordinance to Implement Senate Bill 9 to Allow for Two-Unit Housing Developments and Urban Lot Splits in All Single-Family Residential Zoning Districts.

REMARKS:

Attachment 5 includes additional public comment received between 11:01 a.m., Monday, December 20, 2021 and 11:00 a.m., Tuesday, December 21, 2021.

ATTACHMENTS:

Previously received with the December 21, 2021 Staff Report:

1. Draft Urgency Ordinance
2. Senate Bill 9
3. Public Comment received by 11:00 a.m., Thursday, December 16, 2021

Previously received with the December 21, 2021 Addendum:

4. Public Comments received between 11:01 a.m., Thursday, December 16, 2021 and 11:00 a.m., Monday, December 20, 2021

Received with this Desk Item:

5. Public Comments received between 11:01 a.m., Monday, December 20, 2021 and 11:00 a.m., Tuesday, December 21, 2021

PREPARED BY: Jennifer Armer, AICP  
Planning Manager

---

Reviewed by: Assistant Town Manager, Town Attorney, and Public Works Director

---

***This Page  
Intentionally  
Left Blank***

**From:** David Weissman  
**Sent:** Tuesday, December 21, 2021 8:48 AM  
**To:** Council  
**Subject:** SB 9 urgency ordinance

When you are considering the objective standards and requirements for a subdivision, I suggest that the 3 year period for which the applicant states that they intend to reside in one of the existing or proposed dwelling units, be tied to the date that the Occupancy Permit is issued and not the date of the Approval of the Subdivision. I think that we have all seen subdivisions where the clock runs for more than 3 years between the time of approval and the actual issue of an occupancy permit, thus defeating the whole reason the 3 year period was added to the state ordinance in the first place.

--

Dave Weissman

[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

**From:** Phil Koen  
**Sent:** Tuesday, December 21, 2021 10:56 AM  
**To:** David Weissman  
**Cc:** Council  
**Subject:** Re: SB 9 urgency ordinance

Agree!

Sent from my iPhone

On Dec 21, 2021, at 8:47 AM, David Weissman wrote:

When you are considering the objective standards and requirements for a subdivision, I suggest that the 3 year period for which the applicant states that they intend to reside in one of the existing or proposed dwelling units, be tied to the date that the Occupancy Permit is issued and not the date of the Approval of the Subdivision. I think that we have all seen subdivisions where the clock runs for more than 3 years between the time of approval and the actual issue of an occupancy permit, thus defeating the whole reason the 3 year period was added to the state ordinance in the first place.

--

Dave Weissman

[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]