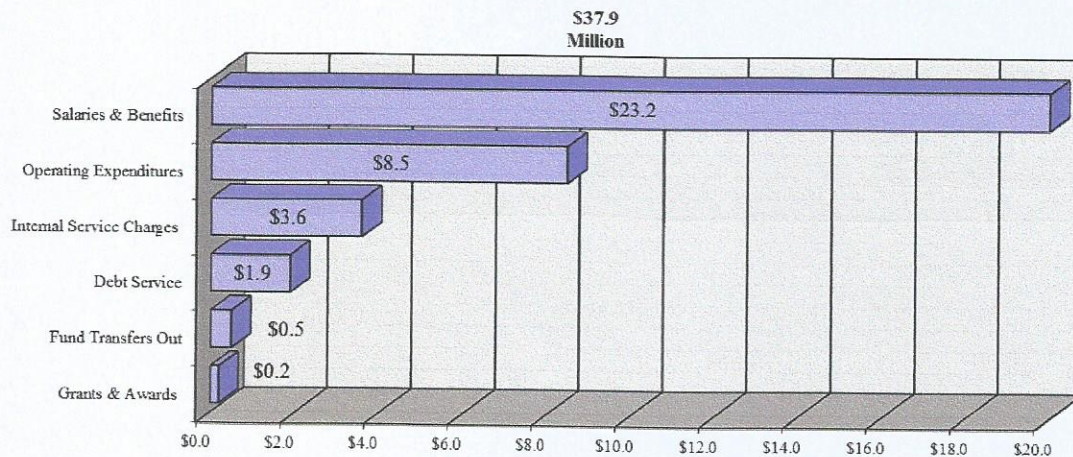


GENERAL FUND EXPENDITURES BY CATEGORY



Expenditure Category	2011/12 Actuals	2012/13 Actuals	2013/14 Actuals	2014/15 Adopted	2014/15 Estimated	2015/16 Adopted	% of Total
Salaries & Benefits	\$ 20,348,155	\$ 20,634,835	\$ 25,036,702	\$ 22,903,723	\$ 20,412,789	\$ 23,179,753	61.2%
Operating Expenditures	6,194,176	7,230,329	8,020,372	8,044,385	8,404,945	8,508,183	22.5%
Fixed Assets	42,612	30,629	62,756	-	-	-	0.0%
Grants & Awards	168,135	160,216	160,607	178,800	183,600	179,000	0.5%
Debt Service	2,094,852	1,963,971	1,935,578	1,928,056	1,928,056	1,922,398	5.1%
Internal Service Charges	3,139,280	3,347,884	3,377,031	3,396,758	3,297,620	3,595,875	9.4%
Total Expenditures	\$ 31,987,210	\$ 33,367,864	\$ 38,593,046	\$ 36,451,722	\$ 34,227,010	\$ 37,385,209	
Transfers Out	\$ 2,292,802	\$ 2,043,695	\$ 2,891,384	\$ 7,041,691	\$ 7,379,315	\$ 491,163	1.3%
Total Exp & Transfers Out	\$ 34,280,012	\$ 35,411,559	\$ 41,484,430	\$ 43,493,413	\$ 41,606,325	\$ 37,876,372	100.0%

The FY 2015/16 General Fund Operating Budget (net of transfers out) represents a 2.6% increase compared to the net FY 2014/15 adopted operating expenditures budget of \$36,451,722.

Salaries & Benefits – The delivery of Town services is highly dependent on labor which comprises 61% of budgeted General Fund expenditures for FY 2015/16. Salaries and benefits continue to be the largest portion of the Town costs and continue to rise. Compared to the prior year, salaries and benefits increased by 1.2% or \$276,000, largely due to previously negotiated salary increases for staff and increased workers' compensation rates. Staffing augmentations, both permanent and one-time, are limited with the elimination of two prior year one-time funded positions in both the Police Department and Community Development Departments and the addition of one new permanent project manager position within the Parks and Public Works Department.

Operating Expenditures – The FY 2015/16 operating expenditures represents a 5.8% increase when compared to the FY 2014/15 adopted budget. Townwide efforts continue to emphasize the importance of containing operating costs while maintaining core services. Operating expenditures also includes pass-through monies which are monies we receive and distribute out to local agencies as stipulated. For FY 2015/16 the Town will receive over \$1,114,000 in Board of State and Community Correction (BSCC) Law Enforcement monies, of which the Town retains \$70,000 and will distribute the remaining monies to other local agencies. Townwide efforts continue to emphasize the importance of containing operating costs while maintaining core services; however, factors such as drought measures, escalating energy costs and general cost increases have offset many departmental reductions.

Grants & Awards – The Town provides General Fund grants and awards to local nonprofit organizations for a variety of human, art, and educational services. FY 2015/16 grants and awards reflects only a slight increase in grant funding of \$200 from the prior year.



BUDGET PERFORMANCE REPORT - 2ND QUARTER FY 2015/16

FINANCIAL SUMMARIES, PROJECTIONS AND RECOMMENDATIONS

General Fund

The following table is the *Schedule of General Fund Operating Revenues. Vs. Operating Expenditures* for the second quarter of FY 2015/16 this includes comparison information from the prior year. In the last column are projections of final balances for the current fiscal year based upon the early trends observed through the second quarter.

General Fund							
Fund 111							
SUMMARY OF REVENUES AND EXPENDITURES							
	FY 2014/15 Actuals	FY 2014/15 Q2	Q2 % of FY 2014/15 Actuals	Q2 % of FY 2015/16 Adopted	FY 2015/16 Q2	FY 2015/16 Adopted	FY 2015/16 Finance Projection
Revenues							
Sales & Use Tax	\$ 8,202,678	\$ 2,532,086	30.9%	28.8%	\$ 2,397,533	\$ 8,337,029	\$ 8,126,309
Property Tax	10,113,287	3,690,329	36.5%	43.7%	3,986,841	9,127,537	10,102,387
VLF Backfill Property Tax	2,818,316	-	0.0%	0.0%	-	2,833,750	2,984,000
Franchise Fees	2,215,430	735,550	33.2%	19.0%	404,169	2,127,660	2,127,660
Transient Occupancy Tax	1,896,721	882,406	46.5%	51.1%	766,651	1,500,000	1,800,000
Other Taxes	1,809,620	949,798	52.5%	69.5%	873,144	1,257,000	1,307,000
Licenses & Permits	3,687,393	2,282,444	61.9%	63.1%	1,885,896	2,987,662	3,079,162
Intergovernmental	1,004,661	219,254	21.8%	36.3%	284,168	782,724	854,254
Town Services	2,643,276	1,341,401	50.7%	58.7%	1,390,695	2,369,224	2,283,584
Fines & Forfeitures	839,670	361,158	43.0%	43.6%	288,910	663,300	663,300
Interest	430,476	539,280	125.3%	60.7%	193,959	319,590	319,590
Other Sources	4,961,656	2,611,153	52.6%	34.3%	1,609,638	4,694,257	5,058,907
Fund Transfer In	311,810	54,033	17.3%	8.0%	38,072	474,218	454,218
Total Revenues & Transfers In	\$ 40,934,994	\$ 16,198,892	40%	38%	\$ 14,119,676	\$ 37,473,951	\$ 39,160,371
Use of Other Funding Sources:							
Use of Reserves- Capital Projects	\$ 7,271,491	\$ -			\$ 400,000	\$ 400,000	\$ 400,000
Use of Reserve- Authorized Carryforwards	-	-			-	2,421	2,421
CAFR GAAP Adjustment	(347,494)	-			-	-	-
Total Other Funding Sources	\$ 6,923,997	\$ -			\$ 400,000	\$ 402,421	\$ 402,421
Total Revenues and Use of Reserves	\$ 47,858,991	\$ 16,198,892	34%	38%	\$ 14,519,676	\$ 37,876,372	\$ 39,562,792
Expenditures							
Salary & Benefits	\$ 20,658,173	\$ 9,719,150	47.0%	45.8%	\$ 10,619,704	\$ 23,179,753	\$ 23,203,333
Operating Expenses	8,440,136	2,507,785	29.7%	24.3%	2,067,771	8,492,583	8,797,623
Fixed Assets	75,442	35,425	47.0%		360,877	-	362,080
Grants & Awards	197,074	53,056	26.9%	26.3%	51,087	194,600	194,600
Debt Service	1,928,056	-	0.0%	0.0%	-	1,922,398	1,922,398
Internal Service Charges	3,325,373	1,659,358	49.9%	46.8%	1,682,918	3,595,875	3,595,875
Transfers to GFAR	7,271,491	280,000	3.9%		-	400,000	400,000
Transfers to Non Point Source	100,000	-	0.0%		-	50,000	50,000
Transfer to Equipment Replacement	15,000	-	0.0%		-	-	-
Transfer to SA Housing	-	-		0.0%	-	41,163	41,163
Total Expenditures & Transfers Out	\$ 42,010,745	\$ 14,254,774	34%	39%	\$ 14,782,357	\$ 37,876,372	\$ 38,567,072
Net Operating Revenues	\$ 5,848,246	\$ 1,944,118			\$ (262,681)	\$ -	\$ 995,720

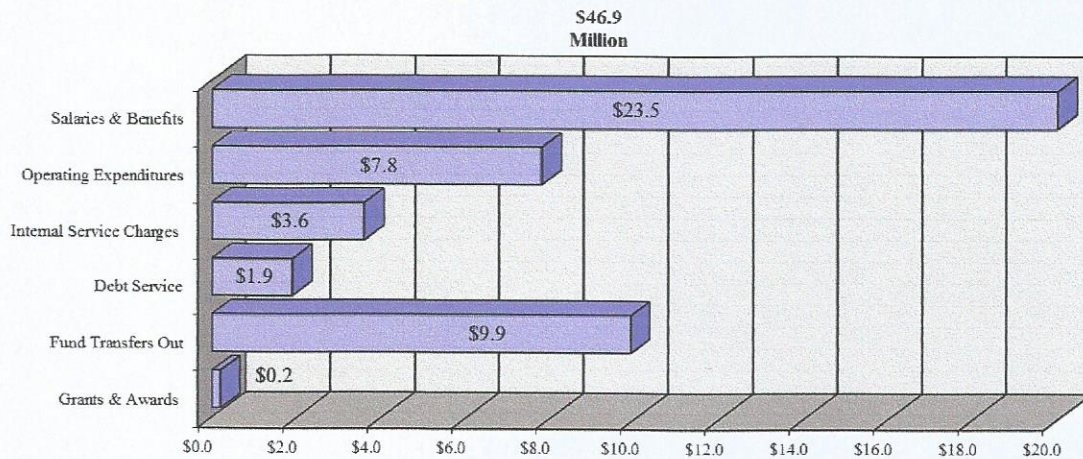
* FY 2015/16 Q2 Net Operating Revenues are negative because some revenues budgeted for the entire fiscal year will be received in the third or fourth quarters.

* estimate 2016
20,916,759
under budget by
\$2,286,574

2

** 995,720
+ 2,286,574
3,282,294

GENERAL FUND EXPENDITURES BY CATEGORY



Expenditure Category	2012/13 Actuals	2013/14 Actuals	2014/15 Actuals	2015/16 Adopted	2015/16 Estimated	2016/17 Adopted	% of Total
Salaries & Benefits	\$ 20,634,835	\$ 25,036,702	\$ 20,658,173	\$ 23,179,753	\$ 20,916,759	\$ 23,549,693	50.2%
Operating Expenditures	7,230,330	8,030,607	8,465,006	8,515,583	8,377,812	7,795,162	16.6%
Fixed Assets	30,629	62,756	75,442	-	360,877	-	0.0%
Grants & Awards	160,216	150,372	172,204	171,600	166,000	184,800	0.4%
Debt Service	1,963,971	1,935,578	1,928,056	1,922,398	1,922,398	1,923,303	4.1%
Internal Service Charges	3,347,884	3,377,031	3,325,373	3,595,875	3,534,326	3,646,294	7.7%
Total Expenditures	\$ 33,367,865	\$ 38,593,046	\$ 34,624,254	\$ 37,385,209	\$ 35,278,172	\$ 37,099,252	
Transfers Out	\$ 2,043,695	\$ 2,891,384	\$ 7,386,491	\$ 491,163	\$ 528,794	\$ 9,859,973	21.0%
Total Exp & Transfers Out	\$ 35,411,560	\$ 41,484,430	\$ 42,010,745	\$ 37,876,372	\$ 35,806,966	\$ 46,959,225	100.0%

The FY 2015/16 General Fund Operating Budget of \$37,062,269 (net of transfers out) represents a 0.8% decrease compared to the net FY 2015/16 adopted operating expenditures budget of \$37,385,209.

Salaries & Benefits – The delivery of Town services is highly dependent on labor which comprises 50.2% of budgeted General Fund expenditures for FY 2016/17. Salaries and benefits continue to be the largest portion of the Town costs and continue to rise. The FY 2016/17 budget reflects a 1.6% increase in salaries and benefits attributed to increased PERS, benefit and worker's compensation rates. Salary increases are not reflected in the proposed budget and labor negotiations with the Town's unions are pending.

Operating Expenditures – The FY 2016/17 operating expenditures represents a 8.5% decrease when compared to the FY 2015/16 adopted budget. Townwide efforts continue to emphasize the importance of containing operating costs while maintaining core services; however, factors such as drought measures, cut-through traffic, escalating energy costs and general cost increases have offset many departmental reductions.

Grants & Awards – The Town provides General Fund grants and awards to local nonprofit organizations for a variety of human, art, and educational services. FY 2016/17 grants and awards reflects a 7.7% increase in grant funding from the prior year.

Internal Service Charges – These expenditures represent the service program costs charged back to the operational programs for Liability Insurance, Office Equipment, Management Information Services, Vehicle Maintenance, and Building Maintenance services. The FY 2016/17 budget reflects a 1.4% increase in the Internal Service Charges reflecting general increased cost for providing these services and negative claim experiences.

Debt Service – The Town facilitates the Successor Agency (SA) to the Los Gatos Redevelopment Agency's two Certificates of Participation (COPs) through a leasing expense and reimbursement revenue which nets to zero for the Town, while SA funds provide the actual debt payment for the bond issues.

Transfers Out – The General Fund transfer to the Capital Projects Fund is \$9,859,973 for FY 2016/17 a substantial increase from Almond Grove Street Rehabilitation project.