Subject: FW: Letter for Council Closed Session 3-6-23, 5 PM
Attachments: Presentation to Council for 3-6-23 Closed Session.docx

From: [redacted]
Sent: Saturday, March 4, 2023 3:59 PM
To: Wendy Wood <WWood@losgatosca.gov>
Cc: Town Manager <Manager@losgatosca.gov>; Maria Ristow <MRistow@losgatosca.gov>; Mary Badame <MBadame@losgatosca.gov>; Rob Rennie <RRennie@losgatosca.gov>; Matthew Hudes <MHudes@losgatosca.gov>; Rob Moore <RMoore@losgatosca.gov>; Phil Koen [redacted]; David Weissman [redacted]; Rick Van Hoesen [redacted]
Subject: Letter for Council Closed Session 3-6-23, 5 PM

[EXTERNAL SENDER]

Please receive and read the attached letter to Council

Jak Van Nada -
Los Gatos Community Alliance
Facts Matter; Transparency Matters; Honesty Matters
[redacted]

ATTACHMENT 1

3-3-23

Town Council, Town Clerk, and Town Manager
Regarding Rent for Properties at 106 and 208 East Main St
Council Closed Session 3-6-23 5 PM

The purpose for writing this letter is to request the Council make a long-term commitment to keep the 55+ program and NUMU not only running but thriving into the future. This should be a new Town policy and **not** a financial decision as will be explained below. The Los Gatos Saratoga Rec Dept (LGSR) has grown the 55+ program by well over 100% in the past year meeting the Town's Strategic Priority. We recommend that you make a long-term commitment to them by eliminating the rent paid by a non-profit that provides low-cost services to the citizens of this town. You can do that by forgiving the rent on the 55+ **proportional** use of the Adult Recreation Center (ARC) and (YRC) – ~$250K per year. Likewise, the Council should commit to the second pillar of Community Vitality, the NUMU museum whose rent is $25K per year for a total forgiveness of $275K. Let both organizations continue to improve on the Town's Strategic Priority without having to pay for the privilege of serving our citizens at their cost.

The decision regarding rent forgiveness should be a policy decision and not a financial decision. Why is it good policy to require a not-for-profit, who is providing valuable public services that the Town is not providing, to pay rent on publicly owned space?

The impact of extracting precious funds from these organizations results in fewer services being provided to the residents. If the goal of the Town Council is to provide the valuable services, allowing the LGSR and NUMU to retain these funds will enable them to achieve this goal. Having these funds extracted from them weakens these organizations and reduces the chances for them to provide these services.

We have heard some on the Town Council raise the concern that if the rental payments are forgiven, based on the budget, the Town would be in a worse financial position. We need to critically examine this issue.

First the amount of rental revenue that would be lost is approximately $275,000 per year for the ARC, YRC and NUMU. This represents less than .5% of the Town's total General Fund revenues budgeted for FY 2023. This is immaterial when measured against the whole. However, for both LGSR and NUMU these amounts are material to their financial sustainability.

Secondly, we have heard the concern expressed that the Town is projecting budget deficits in the future. Unfortunately, because ultra-conservatism is built into the financial projections, the budget forecasts are an extremely poor predictor of actual outcomes. Out of the past 10 years, the adopted budgets have projected deficits in 8 of those 10 years. The cumulative deficit budgeted over those 10 years was approximately $11m.

However, the exact opposite has occurred. For 8 out of the 10 years the Town has experienced surpluses, totaling over $27 million, or $2.7 million per year. Fiscal Year 2022-2023 is trending towards another year in excess of the $2.7M. The difference between the adopted budget deficit and the actual surplus totals over $38m. That means on average, the actual surplus exceeded the budget deficit by

$3.8m each year. It is for this reason that we conclude that the budgeting process is a poor predictor of actual outcomes and should not be relied upon.

Third, the Council has reduced the subsidy for the 55+ program from ~$380K to $225K which is **less** than they needed for the lowest supportable plan that was presentd. That sends a "good luck with that" message to the Seniors and the Senior Road Map Team. It's also a perception of the level of support of this Strategic Priority has with the Council.

In conclusion, we strongly believe the correct public policy is to allow these organizations to retain the precious funds that have obtained through charitable donations, grants and fees for services to reinvest in community-oriented services they are providing. We believe they are the best stewards of these funds. This is the correct public policy, and we respectively request that the Town Council support their rent forgiveness proposals.

Jak Van Nada -
Los Gatos Community Alliance
Facts Matter; Transparency Matters; Honesty Matters
[redacted]