



MEMO

TO: Jim Harnish
Brent Gibbons

FROM: Doug Svensson, AICP

DATE: March 22, 2022

SUBJECT: Additional Fiscal Analysis Options for the Draft 2040 General Plan Land Use Plan

The Town of Los Gatos has requested a scope and cost for additional fiscal analysis of the Draft 2040 General Plan Land Use Plan. The level of analysis completed to date (Land Use Alternatives Report, December 2019), which is described briefly below, is generally considered adequate for most General Plan update studies. The completed alternatives analysis evaluated the relative performance of the alternatives in terms of their cost/revenue impact to the Town. The fiscal analysis indicated that residential uses generally require a higher level of municipal services than do non-residential land uses, which typically generate a fiscal surplus for most California cities. Los Gatos is no different in this regard.

The analysis indicated that as the number of residential units included in each alternative goes up, the added service costs begin to reduce the net benefit gained from the fixed amount of commercial development included in the alternatives. The tipping point between an overall positive vs. negative fiscal result is between Alternative C at 2,303¹ Dwelling Units (DUs) and Alternative D at 3,176 DUs¹. In the Draft 2040 General Plan Land Use Plan, 3,238¹ DUs would be permitted, which is more units than Alternative D in the fiscal analysis. With the addition of ADUs, and the absence of any increased increments of commercial development, the overall fiscal impact would be expected to be negative.

A more detail analysis will not change this basic conclusion. However, there are options for additional analysis that could refine the estimate of the actual fiscal impact of the Draft 2040 General Plan Land Use Plan, such as considering the time frame for buildout of the General Plan and also addressing facilities improvements needed to support growth. We outline these options below.

Fiscal Analysis Completed to Date. ADE prepared a fiscal analysis of the four initial land use alternatives (attached to this scope of work). As part of this work, we constructed a fiscal model for the Los Gatos General Fund that includes all revenues and service cost categories funded through that part of the Town's budget. The model is detailed in terms of the cost and revenue categories, but the

¹The following dwelling totals include net new dwelling units and 475 pending and approved units.

analysis is done for full buildout of each alternative at one point in time, and does not consider the effects of inflation, which may affect Town revenue and costs differently.

In addition, the cost analysis uses an average cost methodology which assumes all development over the long term has the effect of raising costs for Town services due to increasing demand. It does not account for cases in which the existing service capacity of the Town could absorb demand from growth in the short term without increasing costs, if any such cases exist.

Finally, the analysis does not address the cost of increasing facilities and infrastructure capacities. The assumption here is that new development would bear those costs through impact fees or developer exactions, but it is possible there could be indirect capital costs that are not captured through those types of funding mechanisms.

Option 1: Update the Existing Analysis for the Draft 2040 General Plan Land Use Plan. The analysis options described below address these types of concerns, but there is also the possibility of simply updating the existing analysis to current budgetary and market conditions and using it to analyze the new growth increment in the Draft 2040 General Plan Land Use Plan. The original work was conducted about two years ago, prior to the pandemic. One concern, which must be addressed in all the options, is how much the Town's current budget is affected by the recession that accompanied the pandemic. A similar concern exists for real estate conditions in terms of the housing prices used in the analysis. It may be necessary to work with Town staff to derive a likely long term cost/revenue scenario that draws from pre-pandemic service levels and projects a budget forward when economic conditions return to "normal."

The following additional tasks would be needed:

- Update the fiscal model to "likely" long term budget levels.
- Confirm Town service standards and determine what capacity exists currently, if any, to serve an expanded service population consistent with the Draft 2040 General Plan Land Use Plan.
- Program the Draft 2040 General Plan Land Use Plan into the fiscal model, including updating projected real estate values.
- Prepare a new report with the results of the analysis and a complete methodology section.

Additional Cost: 32 hours @200 = \$6,400

Expenses: \$600 for real estate data

Total: \$7,000

Option 2: Analyze General Plan Buildout Over Time. This analysis would use the updated fiscal model developed for Option 1, but would project the phasing of development in Los Gatos over the 20-year buildout timeframe and analyze fiscal impacts on a year by year basis. This approach would add the following features to the analysis:

- More detailed discussion with Town Departments about the existing capacity to absorb growth in the short term before additional staff or facilities are needed to support continuing growth. The analysis would also identify the growth thresholds for each service that would trigger the need for personnel and equipment expansions over time.
- The analysis would apply inflation factors to both revenues and costs, including estimates of how the Proposition 13 restrictions on assessed value increases would affect property tax revenues over time. In our experience, cities often experience cost inflation in “chunks” as new labor agreements are negotiated and new staff or facilities are added, whereas revenue inflation follows closer to the CPI and sometimes lags the cost inflation for extended periods.
- The analysis would show the cost/revenue trend year by year over the 20-year buildout period and calculate the present value of the cumulative net revenue or cost over that period.

This option would cost an additional \$3,200 over Option 1, for a total cost of **\$10,200**.

Option 3: Expand the Analysis Beyond the General Fund. Most fiscal studies focus on the General Fund because the key concern is whether general tax revenues in the future will be adequate to cover increasing service costs. The Town has less control over the annual amounts of general tax revenues (sales tax, property tax, transient occupancy tax) because they are subject to market forces and it is difficult to change the tax rates. Therefore, changes in land use are more important to long term increases in these revenues. Other funds in the Town budget, such as special revenue funds and enterprise funds, typically have dedicated funding sources, which can either be raised by Town Council action or are based on state funding formulas that are not affected as much by the type of land use changes included in a General Plan update.

However, there are cases where cities are concerned whether, for example, state gas taxes or water and sewer charges will keep up with operations and maintenance costs. The fiscal model used in Options 1 and 2 above could be expanded to include budgetary funds outside the General Fund. We anticipate this would add about **\$1,600 to \$2,400** to the cost of the analysis, depending on the extent of the model expansion and which funds are added.

Option 3: Infrastructure Financing. In cases where General Plan updates also include detailed analysis of long-term infrastructure and facilities expansion requirements, ADE is sometimes requested to address the financing options for capital improvements or to identify if gaps in funding may exist. Such analysis may include a preliminary impact fee nexus study or a land-based debt capacity analysis to determine bonding capacity to fund future improvements. One caveat here is that ADE is not staffed to prepare facilities cost estimates, but rather we rely on estimates prepared by traffic engineers or civil engineers who are typically part of the General Plan update team.

The costs for such analysis can vary widely depending on the level of information available to work with and the type of analysis needed. A general financing discussion can sometimes be completed for **\$5,000 to \$10,000**, but a full development impact fee nexus study would cost about **\$15,000**. This analysis could be combined with either Option 1 or 2 above.

For all options, attendance at public meetings is additional, depending on the level of effort needed to prepare a presentation and the number of meetings required.

Please do not hesitate to contact me with any questions.

Fiscal Health

It is important to ensure that the future land use mix supports a healthy fiscal foundation for the Town. As discussed in the Background Report, different land uses generate different levels of revenue (taxes) and require different levels of costs (municipal services). Each of the land use alternatives has been evaluated to determine the cost/revenue balance at buildout of the land uses. The results are summarized in Table 5-4. The detailed methodology for this analysis is provided in Chapter 6: Alternatives Methodology.

Table 5-4: Comparison of Fiscal Impacts of the Alternatives on Annual Operating Revenues and Costs

	Alt. A	Alt. B	Alt. C	Alt. D
Annual Revenues	\$4,320,000	\$5,796,000	\$6,564,000	\$8,378,000
Annual Costs	\$3,710,000	\$5,280,000	\$6,264,000	\$8,413,000
Net Fiscal Impact	\$610,000	\$516,000	\$300,000	(\$35,000)
Residential Net Impact	\$190,000	\$96,000	(\$121,000)	(\$455,000)
Non-residential Net Impact	\$420,000	\$420,000	\$420,000	\$420,000

Source: ADE, Inc. Note: figures may not exactly add due to rounding.

The figures in the Table 5-4 reflect the annual impact of the incremental growth in residential and non-residential land uses in each land use alternative. The figures depicted in Table 5-4 are not the total estimated Town General Fund budget at buildout, but only the incremental change generated by new development. The non-residential development is the same for each alternative, so the variations in performance among the alternatives is due solely to the changes in residential development.

In general, the more the development in the land use alternative, the higher the annual revenues would be. However, lower density housing units (Low-Density Residential) typically have a higher market value than higher-density units, so the amount of property tax revenues, and to some degree taxable household spending that generates sales tax, is dependent on the mix of unit types in each land use alternative.

In contrast, municipal costs are largely driven by the increase in population. For purposes of the land use alternatives analysis, all housing unit types are assumed to have the same average household size. Therefore, the bottom-line cost/revenue balance for each alternative reflects the ratio of aggregate home values and household incomes to the population it creates.

Alternative A results in the highest net fiscal benefit, at about \$610,000 annually. As noted in the housing affordability analysis, this alternative has the lowest number of BMP housing units and the mix of market rate units is more balanced between single family and multi-family. Generally, as the number of residential units goes up in each alternative, the fiscal benefit decreases, and Alternative D actually shows a small negative fiscal impact. The mix of units in Alternative B produces a positive fiscal benefit of \$516,000 overall. Alternative C has an overall positive fiscal benefit of \$300,000 per year, but the residential component generates a negative fiscal impact of -\$121,000 per year.

The fiscal health results should be viewed as a relative comparison among the land use alternatives and considered a best-case scenario over the long run. In the 2040 Background Report, the fiscal analysis of existing land uses showed that residential uses require more in-service cost than they generate in Town revenues. However, that is due to the fact that existing taxable assessed values are depressed due to the limitations imposed by Proposition 13. In the current real estate market, residential prices for new single family housing are high enough to generate sufficient tax revenues to support current levels of Town services, although multi-family assessed values still produce a negative fiscal impact. Over time, the revenue generating potential of the development may decline as Proposition 13 limits the escalation of assessed values compared to the inflation of municipal service costs.

A Appendix: Alternatives Methodology

This appendix provides a description of the methodology used to determine total housing, and population for each land use alternative, followed by a description of the methodology used in the fiscal analysis.

Development Capacity Methodology

This section provides a description of the methodology used to determine total housing, population, and employment capacity for each of the land use alternatives. The purpose of this methodology is to support a “development capacity” analysis of the Town’s Planning Area under each of the four alternatives. Development capacity, as used in this report, is an estimate of the total housing units, population, and non-residential building square footage calculated based on a set of development assumptions and calculations. It is important to note that a development capacity analysis reflects a theoretical buildout of the available vacant land and parcels with redevelopment potential that are within the Planning Area. It is unlikely that all of the calculated potential development will be realized by 2040. In this analysis, four basic land use alternatives were prepared. The Low Growth Alternative reflects the Town’s existing General Plan relative to development density and intensity. Alternatives B, C, and D represent increasing density and intensity, increasing as you move from the lower to the higher alternative.

- Alternative A, Low Growth
- Alternative B, Medium Growth
- Alternative C, Medium High Growth
- Alternative D, High Growth

The following discussion provides an overview of the steps involved in producing the development capacity analysis.

ABCD

Step 1: Scope of Analysis

The land use alternatives included in this evaluation were developed based on recommendations from the General Plan Update Advisory Committee (GPAC). Following GPAC's recommendation, the Consultants identified five land use designations that could have potential for future development and should be evaluated in this analysis. The development capacity analysis focused on development within these designations:

- Low-Density Residential (LDR)
- Medium-Density Residential (MDR)
- High-Density Residential (HDR)
- Neighborhood Commercial (NC)
- Mixed-Use Commercial (MU)

Areas not included in the analysis are those designated Hillside Residential, Mobile Home Park, Office Professional, Service Commercial, Central Business District (downtown), Light Industrial, Public, and Open Space.

To determine development potential, the development capacity analysis looked at development of existing vacant parcels as well as the redevelopment and/or intensification of some areas that contain development currently within the five identified land use designations.

Step 2: Vacant Land

To identify vacant parcels in each of the five land use designations being analyzed, parcel data from the Santa Clara County Assessor's Office was used. Using the geographic information system (GIS) data provided by the Assessor, parcels with a tax use code of "Vacant" were identified. These sites were then visually reviewed against aerial photography to confirm that the site was truly vacant. Once verified, the attributes of the vacant land GIS data were exported into an Excel spreadsheet for the analysis.

Step 3: Opportunity Areas

In addition to analyzing vacant parcels, the development capacity analysis also examined the redevelopment potential of locations with existing development. Within these developed areas, locations that could support more intensive uses were identified based on location, access, infrastructure, roadway capacity, and surrounding land uses. These locations were identified and defined as "Opportunity Areas." Parcels within designated Opportunity Areas (OA) are assumed to have a higher potential redevelopment percentage and the ability to support increased density ranges (and higher maximum building heights) for residential and increased intensity for non-residential uses, expressed by increasing the allowed floor area ratio (FAR).

If a parcel is designated Neighborhood Commercial or Mixed-Use Commercial, it was assumed that square footage of existing commercial uses would remain (as currently built or as a replacement) and residential will be added to the site, therefore, there will be no net commercial loss as part of the redevelopment assumptions.

Step 4: Redevelopment

The analysis also evaluated the potential for existing developed areas to redevelop (e.g., remove an existing home and replace it with more units, such as a duplex or triplex), or increase the use of a parcel (e.g., adding additional units on a parcel with an existing home). This potential, expressed as a percentage of the total area evaluated was applied to areas both inside and outside the Opportunity Areas identified.

Step 5: Development Assumptions

All parcels inside and outside the Opportunity Areas, including vacant parcels, were assigned a set of development assumptions that were specific to the four land use alternatives. The following tables show the development assumptions for redevelopment, density, typical density, and FAR for each alternative. On each table, the following headings are shown:

- **Redevelopment Percent.** This column states what percentage of the total area under each land use designation is assumed to be redeveloped within the 2040 planning period. The percentage shown provides numbers of parcels outside the Opportunity Areas (Outside OA) and those inside the Opportunity Areas (Inside OA).

- **Density Range (DU/AC).** This column states the density range for residential that was assumed for each alternative. Density is expressed as the number of dwelling units per acre (DU/AC).
- **Typical Density.** For development, on average, maximum density/intensity is not usually obtained. For the analysis, a density that estimates the “typical” density was developed. Typical density was based on previous Town projects that were of similar size and scope to potential development in the land use alternatives. This is the number that is used in the analysis for residential development.
- **FAR.** Floor Area Ratio is a measure of intensity that is used to define the total building area allowed on a site. See page 4 for further information on FAR.

Structure height varies between each of the four land use alternatives depending on the specific land use designation and FAR. The potential maximum allowed height for the five land use designations in Alternative A is two stories, Alternative B is three to four stories, Alternative C is four stories, and Alternative D is five stories. A visual example of potential developments at these height intervals is provided in the Community Character and Urban Form section on pages 34, 35, 37, and 38.

Land Use Designation	Alternative A: Low Growth						
	Redevelopment Percent		Density Range (DU/AC)		Typical Density (DU/AC)		FAR
	Outside OA	Inside OA	Outside OA	Inside OA	Outside OA	Inside OA	
LDR	5%	5%	0 to 5	5 to 12	4	10	0.25
MDR	5%	10%	5 to 12	12 to 20	10	16	0.5
HDR	10%	10%	12 to 20	20 to 30	18	26	0.75
NC	5%	5%	0 to 20	10 to 20	18	18	0.5
MU	5%	5%	0 to 20	10 to 20	18	18	0.5

Land Use Designation	Alternative B: Medium Growth						
	Redevelopment Percent		Density Range (DU/AC)		Typical Density (DU/AC)		FAR
	Outside OA	Inside OA	Outside OA	Inside OA	Outside OA	Inside OA	
LDR	5%	5%	5 to 12	8 to 16	10	14	0.25
MDR	10%	10%	12 to 20	14 to 24	16	20	0.75
HDR	10%	10%	20 to 30	20 to 30	26	26	1
NC	10%	10%	0 to 20	10 to 20	18	18	0.75
MU	10%	15%	0 to 20	20 to 30	18	26	0.75

Land Use Designation	Alternative C: Medium-High Growth						
	Redevelopment Percent		Density Range (DU/AC)		Typical Density (DU/AC)		FAR
	Outside OA	Inside OA	Outside OA	Inside OA	Outside OA	Inside OA	
LDR	5%	10%	5 to 12	8 to 16	10	14	0.5
MDR	10%	10%	12 to 20	14 to 24	16	20	0.75
HDR	15%	15%	20 to 30	30 to 40	26	36	1.25
NC	10%	15%	0 to 20	20 to 30	18	26	0.75
MU	10%	20%	0 to 20	30 to 40	18	26	1

Land Use Designation	Alternative D: High Growth						
	Redevelopment Percent		Density Range (DU/AC)		Typical Density (DU/AC)		FAR
	Outside OA	Inside OA	Outside OA	Inside OA	Outside OA	Inside OA	
LDR	10%	15%	5 to 12	12 to 20	10	16	0.75
MDR	15%	15%	14 to 24	14 to 24	20	20	1
HDR	15%	20%	20 to 30	30 to 40	26	36	1.5
NC	15%	15%	20 to 30	20 to 30	26	26	1
MU	15%	20%	30 to 40	30 to 40	36	36	1.5

Step 6: Residential Potential

After applying the development assumptions for each of the four land use alternatives, the potential number of new housing units and population were calculated. The number of new housing units in each alternative was calculated by multiplying the typical density by the number of acres of each parcel being analyzed. For example, if a parcel was one acre in size and the typical density was 12 DU/AC, then the total potential housing units would be 12 units.

When calculating the population, the estimated number of persons per household for Los Gatos (based on data from the California Department of Finance), which is 2.4 persons per unit, was multiplied by the number of units projected. The following is a summary of the net new housing units and population for each alternative.

Alternative A: Low Growth	Net New	
	Housing Units	Population
	681	1,634

Alternative B: Medium Growth	Net New	
	Housing Units	Population
	1,416	3,398

Alternative C: Medium-High Growth	Net New	
	Housing Units	Population
	1,828	4,387

Alternative D: High Growth	Net New	
	Housing Units	Population
	2,701	6,482

Step 7: Pending and Approved Projects

In addition to the net new housing units and population figures (from Step 6), new housing units, population, jobs, and non-residential square footage based on pending and approved Town projects were also added to the total potential. Town staff provided the Consultants a list Town approved and pending projects earlier in 2019 to inform this process.

Calculating new population for pending and approved projects used the same process for calculating the net new population. Non-residential square footage was provided by Town staff on a project by project basis. To estimate the number of jobs for non-residential projects, the Consultants used an employee per square footage assumption based on current best practice (see below) and divided the non-residential square footage per project by the employee assumption. For example, if the assumption is 500 square feet per employee for commercial and a commercial project has 10,000 square feet of retail, the estimated number of jobs for that use would be 20 jobs. Below is a summary of the net new housing units, population, jobs, and non-residential square footage for the Town identified pending and approved projects.

Employee Per Square Foot Assumptions			
Office	Retail	Institutional	Industrial
350	500	700	1,000

Pending and Approved Town Projects	Net New			
	Housing Units	Population	Jobs	Non-Residential Square Footage
	475	1,140	1,280	671,768

Step 8: Results

After calculating the net new figures from the pending and approved projects, the Consultants added them to the existing (2018) Los Gatos housing units, population, and jobs totals, as well as the net new totals for each of the four land use alternatives. These combined totals provide a snapshot of the Townwide buildout of parcels within the five land use designations selected for analysis by the GPAC. The following is a summary of the Townwide net new population, housing units, and jobs by land use alternative.

Category	Existing (2018)**	Alt A*	Alt B*	Alt C*	Alt D*
Population	30,250	33,024	34,788	35,777	37,872
Jobs	20,650	21,930	21,930	21,930	21,930
Housing Units	13,069	14,225	14,960	15,372	16,245

Notes:

*Totals include the pending and approved projects

**Existing data is from the American Community Survey, 2018



Fiscal Analysis Methodology

The fiscal analysis of the land use alternatives is based on estimates derived from the Town FY 2019-2020 General Fund budget and the analysis of how different land uses affect Town service cost and tax revenues, as described in the Los Gatos Today Chapter of the General Plan Background Report published in March 2019. This section describes these calculations in more detail.

The analysis allocates major revenues such as the property tax, sales tax and transient occupancy tax (TOT) to land uses based on estimated socioeconomic characteristics of the land uses and the legislative tax formulas. Other revenues and most service costs are allocated based on per capita formulas using the existing budget data and population and employment levels in Los Gatos. Each section below describes the major assumptions and data sources used for each revenue and cost category.

Property Tax

Property tax is based on projected market values for future development shown in the table to the right (Projected Assessed Values by Land Use). The Consultants researched prices for real estate sales transactions over the past two years in Los Gatos. During that time, there were approximately 440 sales transactions for properties in the land use types and density ranges and included in the General Plan alternatives.

While property owners pay a total base property tax of one percent of assessed value, the Town receives an estimated 9.3 percent of this revenue. The remaining property tax revenue is distributed to the County and various other taxing agencies, most notably local school districts, in the area.

In addition to the base property tax, the Town receives property tax in lieu of vehicle license fees directly from the state. These revenues are based on annual increases in assessed value in each Town and are equal to nearly 21.8 percent of base tax revenues for Los Gatos.

Projected Assessed Values by Land Use

Land Use	Assessed Value
Residential	Per Unit
Single Family (Density)	
(4 du/ac)	\$2,254,000
(10 du/ac)	\$2,031,000
(14 du/ac)	\$1,660,000
(16 du/ac)	\$1,511,000
Multi-Family	
(18 du/ac)	\$1,343,000
(20 du/ac)	\$1,048,000
(26 du/ac)	\$1,165,000
(36 du/ac)	\$910,000
BMP Units	
Low Income	\$385,000
Moderate Income	\$510,000
Non-Residential	Per Sq. Ft.
Commercial	\$1,086
Industrial	\$200
Office	\$556
Institutional	\$189

Source: ADE, 2019, based on property transaction data for 2017-2019 reported by CoreLogic ListSource.

Sales Tax

The Town receives 1.125 percent of taxable sales that occur within the Town limits. In the Background Report, the Consultants estimated that approximately 25 percent of total retail demand leaves Los Gatos as households and businesses shop at other retail centers in the regional market area.

Based on the projected home prices and rent levels for the housing units in the land use alternatives, the Consultants estimated household income levels and calculated the amount of taxable retail sales from each income segment shown in the table below (Estimated Household Incomes and Sales Tax Generation Rates).

For non-residential projects in the land use alternatives, the sales tax generation rates are based on the analysis of existing sales tax in the Background Report. In the fiscal calculations, the sales tax attributed to retail/commercial excludes sales tax generated by Los Gatos households. This was done to avoid double counting household revenues. The remaining taxable sales from retail/commercial are generated by non-Los Gatos households, visitor spending, and business to business transactions. Office, industrial, and institutional taxable sales are point of sale transactions at those places of business.

Estimated Household Incomes and Sales Tax Generation Rates

Residential Land Use Categories	Sales Price	Homeowners			Renters			Spent in Los Gatos	Sales Tax per Household
		Household Income	Retail Sales % of Income	Taxable Sales	Renter Household Income	Retail Sales	Taxable Sales		
Single Family									
(4 du/ac)	\$2,254,000	\$498,200	21.0%	65.7%				75.0%	\$580
(10 du/ac)	\$2,031,000	\$448,900	21.0%	65.7%				75.0%	\$523
(14 du/ac)	\$1,660,000	\$366,900	21.0%	65.7%				75.0%	\$427
(16 du/ac)	\$1,511,000	\$334,000	21.0%	65.7%				75.0%	\$389
Multi-Family									
(18 du/ac)	\$1,343,000	\$296,800	21.0%	65.7%	\$88,209	34.0%	85.0%	75.0%	\$241
(20 du/ac)	\$1,048,000	\$231,600	21.0%	65.7%	\$88,209	34.0%	85.0%	75.0%	\$226
(26 du/ac)	\$1,165,000	\$257,500	21.0%	65.7%	\$88,209	34.0%	84.0%	75.0%	\$230
(36 du/ac)	\$910,000	\$201,100	21.0%	65.7%	\$88,209	34.0%	84.0%	75.0%	\$217
BMP Low	\$385,000	\$85,050	29.8%	69.5%	\$85,050	34.7%	84.0%	75.0%	\$197
BMP Moderate	\$510,000	\$112,700	28.8%	69.1%	\$112,700	34.7%	84.0%	75.0%	\$260

Source: ADE, 2019. Homeowner incomes based on qualifying income for 30 year mortgage at 3.9% with 10% down payment and housing costs, including taxes and insurance, at 33% of income. Rents assumed to average \$2,575 per month. The sales tax per household assumes 80% renters and 20% homeowners for the multi-family units.

Other Revenues and Costs

Other revenues and the Town service costs are projected on a per capita basis. Residents in Town generate twice the service demand per person as do the jobs supported by businesses in Town. This rule of thumb was developed through a fiscal impact methodology based on the data that nighttime residents are present at least 16 hours in a 24-hour day while those that commute into Town for employment only occupy 8-hour shifts. With the 2019 population in Los Gatos of 30,988 and an estimated job base of 19,667 jobs, this results in about 74.8 percent of Town service costs allocated to residential uses and 23.7 percent to non-residential uses. The remaining 1.5 percent are allocated to visitors based on the number of hotel rooms in Town. These percentages and the resulting per capita revenue and cost factors are shown in the table on the right (Per Capita Cost and Revenue Factors by Major Land Use).

Intergovernmental revenues, including the gas tax, tend to be allocated based on residential population only. General Government Costs are not allocated on a per capita basis but are applied as an overhead charge to other costs for each land use. General Government includes the Town management functions, finance, human resources, Town Clerk, Town Attorney, and other similar functions. Overall, these services represent about 20 percent of the total General Fund expenditures for Los Gatos.

The detailed fiscal projections for each alternative are shown in the tables on the following pages.

Per Capita Cost and Revenue Factors by Major Land Use

Budget Category	Residential		Business	
	Percent Allocation	Per Capita Factor	Percent Allocation	Per Capita Factor
Revenues				
Franchise Fees	76%	\$60.51	24%	\$29.66
Other taxes	76%	\$34.46	24%	\$16.89
Intergovernmental	100%	\$31.57	0%	\$0.00
Town Services	76%	\$106.54	24%	\$52.22
Fines and Forfeitures	75%	\$11.68	24%	\$5.84
Other Revenues	76%	\$8.77	24%	\$4.30
Debt Service Reimbursements	76%	\$0.00	24%	\$0.00
Transfers in	76%	\$13.26	24%	\$6.50
Expenditures				
Community Development	76%	\$141.78	24%	\$69.50
Library	76%	\$72.24	24%	\$35.41
Parks and Public Works	75%	\$60.63	24%	\$30.31
Debt Payments	76%	\$0.00	24%	\$0.00
Transfers Out	76%	\$190.83	24%	\$93.54
Franchise Fees	76%	\$60.51	24%	\$29.66
Other taxes	76%	\$34.46	24%	\$16.89

Source: ADE, 2019.

Detailed Fiscal Projections: Alternative A

Alternative A							
	Total	Single Family	Multi-Family	Commercial	Industrial	Office	Institutional
REVENUES							
Property Tax	\$1,858,702	\$599,216	\$772,109	\$391,559	\$29,284	\$60,067	\$6,467
Property Tax in lieu of VLF	\$497,736	\$160,462	\$206,761	\$104,854	\$7,842	\$16,085	\$1,732
Sales Tax	\$720,812	\$169,312	\$184,914	\$290,125	\$11,293	\$64,645	\$524
Franchise Fees	\$207,580	\$56,645	\$111,101	\$23,001	\$6,671	\$9,852	\$310
Transient Occupancy Tax	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other taxes	\$118,206	\$32,256	\$63,266	\$13,098	\$3,799	\$5,610	\$176
Licenses and Permits	\$285,597	\$77,934	\$152,858	\$31,646	\$9,179	\$13,555	\$426
Intergovernmental	\$87,501	\$29,548	\$57,954	\$0	\$0	\$0	\$0
Town Services	\$365,454	\$99,726	\$195,599	\$40,494	\$11,745	\$17,345	\$545
Fines and Forfeitures	\$40,213	\$10,931	\$21,440	\$4,528	\$1,313	\$1,939	\$61
Interest Earnings and Rents	\$62,721	\$18,513	\$26,613	\$13,372	\$1,231	\$2,839	\$153
Other Revenues	\$30,072	\$8,206	\$16,095	\$3,332	\$966	\$1,427	\$45
Transfers in	\$45,470	\$12,408	\$24,337	\$5,038	\$1,461	\$2,158	\$68
TOTAL REVENUES	\$4,320,066	\$1,275,158	\$1,833,048	\$921,048	\$84,785	\$195,521	\$10,507
EXPENDITURES							
General Government	\$629,157	\$167,134	\$327,811	\$90,283	\$17,380	\$25,712	\$836
Community Development	\$505,602	\$132,714	\$260,301	\$80,834	\$12,504	\$18,523	\$726
Police Dept.	\$1,463,870	\$382,651	\$750,519	\$237,738	\$36,776	\$54,478	\$1,707
Library	\$247,812	\$67,623	\$132,634	\$27,459	\$7,964	\$11,761	\$370
Parks and Public Works	\$208,775	\$56,753	\$111,313	\$23,507	\$6,818	\$10,068	\$316
Transfers Out	\$654,620	\$178,634	\$350,367	\$72,536	\$21,039	\$31,069	\$977
TOTAL EXPENDITURES	\$3,709,836	\$985,509	\$1,932,945	\$532,357	\$102,482	\$151,612	\$4,932
TOTAL BUDGET NET (DEFICIT)/ SURPLUS	\$610,230	\$289,649	(\$99,897)	\$388,691	(\$17,697)	\$43,910	\$5,575

Note: figures may not exactly add due to rounding.

Detailed Fiscal Projections: Alternative B

Alternative B							
	Total	Single Family	Multi-Family	Commercial	Industrial	Office	Institutional
REVENUES							
Property Tax	\$2,478,760	\$484,371	\$1,507,012	\$391,559	\$29,284	\$60,067	\$6,467
Property Tax in lieu of VLF	\$663,780	\$129,708	\$403,558	\$104,854	\$7,842	\$16,085	\$1,732
Sales Tax	\$867,758	\$141,992	\$359,178	\$290,125	\$11,293	\$64,645	\$524
Franchise Fees	\$297,814	\$42,335	\$215,646	\$23,001	\$6,671	\$9,852	\$310
Transient Occupancy Tax	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other taxes	\$169,590	\$24,107	\$122,799	\$13,098	\$3,799	\$5,610	\$176
Licenses and Permits	\$409,745	\$58,246	\$296,694	\$31,646	\$9,179	\$13,555	\$426
Intergovernmental	\$134,570	\$22,083	\$112,487	\$0	\$0	\$0	\$0
Town Services	\$524,315	\$74,532	\$379,654	\$40,494	\$11,745	\$17,345	\$545
Fines and Forfeitures	\$57,626	\$8,170	\$41,615	\$4,528	\$1,313	\$1,939	\$61
Interest Earnings and Rents	\$84,157	\$14,746	\$51,816	\$13,372	\$1,231	\$2,839	\$153
Other Revenues	\$43,145	\$6,133	\$31,241	\$3,332	\$966	\$1,427	\$45
Transfers in	\$65,236	\$9,273	\$47,237	\$5,038	\$1,461	\$2,158	\$68
TOTAL REVENUES	\$5,796,495	\$1,015,697	\$3,568,937	\$921,048	\$84,785	\$195,521	\$10,507
EXPENDITURES							
General Government	\$895,398	\$124,911	\$636,275	\$90,283	\$17,380	\$25,712	\$836
Community Development	\$717,013	\$99,187	\$505,239	\$80,834	\$12,504	\$18,523	\$726
Police Dept.	\$2,073,425	\$285,982	\$1,456,743	\$237,738	\$36,776	\$54,478	\$1,707
Library	\$355,534	\$50,540	\$257,440	\$27,459	\$7,964	\$11,761	\$370
Parks and Public Works	\$299,181	\$42,415	\$216,056	\$23,507	\$6,818	\$10,068	\$316
Transfers Out	\$939,181	\$133,506	\$680,055	\$72,536	\$21,039	\$31,069	\$977
TOTAL EXPENDITURES	\$5,279,731	\$736,541	\$3,751,809	\$532,357	\$102,482	\$151,612	\$4,932
TOTAL BUDGET NET (DEFICIT)/ SURPLUS	\$516,764	\$279,157	(\$182,872)	\$388,691	(\$17,697)	\$43,910	\$5,575

Note: figures may not exactly add due to rounding.

Detailed Fiscal Projections: Alternative C

Alternative C							
	Total	Single Family	Multi-Family	Commercial	Industrial	Office	Institutional
REVENUES							
Property Tax	\$2,741,725	\$558,345	\$1,696,003	\$391,559	\$29,284	\$60,067	\$6,467
Property Tax in lieu of VLF	\$734,198	\$149,517	\$454,167	\$104,854	\$7,842	\$16,085	\$1,732
Sales Tax	\$963,242	\$162,463	\$434,192	\$290,125	\$11,293	\$64,645	\$524
Franchise Fees	\$354,403	\$48,013	\$266,556	\$23,001	\$6,671	\$9,852	\$310
Transient Occupancy Tax	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other taxes	\$201,814	\$27,341	\$151,790	\$13,098	\$3,799	\$5,610	\$176
Licenses and Permits	\$487,603	\$66,059	\$366,739	\$31,646	\$9,179	\$13,555	\$426
Intergovernmental	\$164,088	\$25,045	\$139,043	\$0	\$0	\$0	\$0
Town Services	\$623,943	\$84,529	\$469,284	\$40,494	\$11,745	\$17,345	\$545
Fines and Forfeitures	\$68,546	\$9,266	\$51,440	\$4,528	\$1,313	\$1,939	\$61
Interest Earnings and Rents	\$95,298	\$16,914	\$60,789	\$13,372	\$1,231	\$2,839	\$153
Other Revenues	\$51,343	\$6,956	\$38,616	\$3,332	\$966	\$1,427	\$45
Transfers in	\$77,632	\$10,517	\$58,389	\$5,038	\$1,461	\$2,158	\$68
TOTAL REVENUES	\$6,563,834	\$1,164,965	\$4,187,009	\$921,048	\$87,785	\$195,521	\$10,507
EXPENDITURES							
General Government	\$1,062,367	\$141,666	\$786,490	\$90,283	\$17,380	\$25,712	\$836
Community Development	\$849,596	\$112,491	\$624,518	\$80,834	\$12,504	\$18,523	\$726
Police Dept.	\$2,455,699	\$324,342	\$1,800,658	\$237,738	\$36,776	\$54,478	\$1,707
Library	\$423,091	\$57,319	\$318,218	\$27,459	\$7,964	\$11,761	\$370
Parks and Public Works	\$355,878	\$48,105	\$267,064	\$23,507	\$6,818	\$10,068	\$316
Transfers Out	\$1,117,639	\$151,413	\$840,606	\$72,536	\$21,039	\$31,069	\$977
TOTAL EXPENDITURES	\$6,264,270	\$835,336	\$4,637,553	\$532,357	\$102,482	\$151,612	\$4,932
TOTAL BUDGET NET (DEFICIT)/ SURPLUS	\$299,565	\$329,629	(\$450,544)	\$388,691	(\$17,697)	\$43,910	\$5,575

Note: figures may not exactly add due to rounding.

Detailed Fiscal Projections: Alternative D

Alternative D							
	Total	Single Family	Multi-Family	Commercial	Industrial	Office	Institutional
REVENUES							
Property Tax	\$3,419,046	\$744,996	\$2,186,673	\$391,559	\$29,284	\$60,067	\$6,467
Property Tax in lieu of VLF	\$915,576	\$199,500	\$585,563	\$104,854	\$7,842	\$16,085	\$1,732
Sales Tax	\$1,178,463	\$213,283	\$598,593	\$290,125	\$11,293	\$64,645	\$524
Franchise Fees	\$477,885	\$75,883	\$362,169	\$23,001	\$6,671	\$9,852	\$310
Transient Occupancy Tax	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other taxes	\$272,131	\$43,211	\$206,236	\$13,098	\$3,799	\$5,610	\$176
Licenses and Permits	\$657,495	\$104,403	\$498,287	\$31,646	\$9,179	\$13,555	\$426
Intergovernmental	\$228,500	\$39,583	\$188,917	\$0	\$0	\$0	\$0
Town Services	\$841,339	\$133,595	\$637,614	\$40,494	\$11,745	\$17,345	\$545
Fines and Forfeitures	\$92,376	\$14,644	\$69,891	\$4,528	\$1,313	\$1,939	\$61
Interest Earnings and Rents	\$121,642	\$23,534	\$80,524	\$13,372	\$1,231	\$2,839	\$153
Other Revenues	\$69,232	\$10,993	\$52,468	\$3,332	\$966	\$1,427	\$45
Transfers in	\$104,680	\$16,622	\$79,333	\$5,038	\$1,461	\$2,158	\$68
TOTAL REVENUES	\$8,378,365	\$1,620,237	\$5,546,267	\$921,048	\$84,785	\$195,521	\$10,507
EXPENDITURES							
General Government	\$1,426,709	\$223,897	\$1,068,600	\$90,283	\$17,380	\$25,712	\$836
Community Development	\$1,138,904	\$177,787	\$848,529	\$80,834	\$12,504	\$18,523	\$726
Police Dept.	\$3,289,855	\$512,610	\$2,446,546	\$237,738	\$36,776	\$54,478	\$1,707
Library	\$570,505	\$90,590	\$432,361	\$27,459	\$7,964	\$11,761	\$370
Parks and Public Works	\$479,596	\$76,028	\$362,859	\$23,507	\$6,818	\$10,068	\$316
Transfers Out	\$1,507,050	\$239,303	\$1,142,128	\$72,536	\$21,039	\$31,069	\$977
TOTAL EXPENDITURES	\$8,412,619	\$1,320,214	\$6,301,023	\$532,357	\$102,482	\$151,612	\$4,932
TOTAL BUDGET NET (DEFICIT)/ SURPLUS	(\$34,253)	\$300,023	(\$754,755)	\$388,691	(\$17,697)	\$43,910	\$5,575

Note: figures may not exactly add due to rounding.

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