



LGS | RECREATION

Los Gatos-Saratoga Community Education & Recreation
123 East Main Street, Los Gatos, CA 95030
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www.lgsrecreation.org

January 16, 2023

Town of Los Gatos
Attn: Laurel Prevetti, Town Manager
110 E. Main Street
Los Gatos, CA 95030

Reference: ARC / YRC Lease Abatement Proposal

Hello Laurel,

In preparation for the Town Council's priority setting meeting on January 24th, I'm reaching out on behalf of the LGS Recreation (the "Agency") and our Board of Directors to reaffirm the permanent lease abatement proposal of April 2022 (attached). As the 2022 proposal outlined, the Agency is seeking a partnership in which the Town provides permanent lease abatement, and the Agency provides the staffing, financial management, programs and services. The arrangement is one in which Town leadership has a stake in the Agency and position of authority and governance.

As background, in 2009 the Agency entered into an agreement to lease the ARC facility. The agreement obligates the Agency to provide certain 55+ programs and services. It costs the Agency \$750K per year to pay the leases on Town-owned ARC and YRC facilities (\$250K) and support the 55+ programs (\$500K).

In the past, The Agency used the profits from other program areas such as childcare and youth sports to offset lease and 55+ expenses; this is no longer feasible and will not be supported by our Board. Additionally, School District partners have made concessions to their facilities fee structure that serves as an Agency subsidy. District partners are focused on youth and are unwilling to have their concessions used to pay for leases and the senior programming.

The 2023 Agency budget forecasts \$7.8M in revenue and will break-even; it does not include resuming lease payments to the Town. After the temporary lease abatement ends June 2023, any future payments will be treated as a variance and prompt difficult decisions. Without permanent lease abatement, the Agency will be forced to evaluate use of the Town facilities and the associated staffing and financial obligation to provide core 55+ services.

We share the vision of creating a community where older adults are engaged, have a sense of belonging and have inclusive opportunities to thrive. Benchmarking by the Town's Senior Services Committee has demonstrated all State-wide 55+ programs are a combination of free, low cost and subsidized programs as a cost-recovery effort of up to 30-40%.

The 55+ programs associated with the lease are specifically aligned with Town Council 2022 – 2024 community vitality strategic priorities:

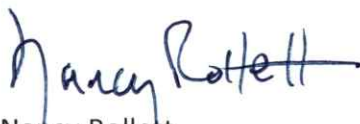
- Diversity, equity and inclusion efforts
- Creating community where older adults thrive
- Special events
- Community engagement

The Agency also serves as the Town's de facto recreation department, serving 31.6K customers in 2022 with programming for all ages. No other recreation departments in the State pay a lease for the use of space to serve their community. Philosophically it does not make sense for the Town to charge rent to the Agency. By retaining our revenue, we are in a stronger position to create new programs that provide even greater value to the community. Town government is not able to efficiently use these funds to offer something of greater value. Diverting our revenue to lease payments makes an immaterial difference to the Town's budget and compromises the Agency ability to reinvest revenue.

Recreation is an anchor institution and a social driver of enrichment and connection; we add to the Town's unique identity, community vitality and sense of belonging. Our only mission is to curate specialty programs and services that are unduplicated in the surrounding area.

We recognize this is a defining moment for the Town and budget tradeoffs must be made. Decisions made now will affect the community for generations to come. Partnership between the Town and LGS Recreation is essential to supporting strategic priorities and over 31K customers.

Sincerely,

A handwritten signature in blue ink that reads "Nancy Rollett". The signature is fluid and cursive, with the first name "Nancy" and last name "Rollett" clearly distinguishable.

Nancy Rollett
Executive Director
Los Gatos-Saratoga Recreation
208 E. Main Street
Los Gatos, CA 95030

Cc:

Assistant Town Manager, Arn Andrews

Town Mayor, Maria Ristow

Town Vice Mayor, Mary Badame

Council Members: Matthew Hudes, Rob Rennie and Rob Moore

Attachment:

Lease Abatement Proposal April 14, 2022