



TOWN OF LOS GATOS
FINANCE COMMISSION REPORT

MEETING DATE: 08/09/2021

ITEM NO: 14

DATE: August 4, 2021
TO: Finance Commission
FROM: Laurel Prevetti, Town Manager
SUBJECT: Continue Discussion of Key Performance Indicators (Continued from July 12, 2021)

REMARKS:

This item is continued from the July 12, 2021 Finance Commission Meeting. The staff report is being provided as Attachment 1.

Attachment

1. July 12, 2021 Key Performance Indicators Staff Report

PREPARED BY: Arn Andrews
Assistant Town Manager

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



TOWN OF LOS GATOS
FINANCE COMMISSION REPORT

MEETING DATE: 07/12/2021

ITEM NO: 7

DATE: July 7, 2021
TO: Finance Commission
FROM: Laurel Prevetti, Town Manager
SUBJECT: Continue Discussion of Key Performance Indicators

RECOMMENDATION:

Continue discussion of key performance indicators.

BACKGROUND:

On June 14, 2021, the Finance Commission had an initial discussion of key performance indicators it would like to see throughout the year. Among other items, Commissioners requested information related to major revenues and personnel metrics (such as number of average employees on the payroll, current filled positions, retirements and voluntary terminations, number of employees out on Workers Compensation, and any other extraordinary items). The Commission also asked if staff could develop additional performance indicators, such as the processing time to issue a permit, etc.

DISCUSSION:

As a starting point, provided below is a summary of the Town's primary revenues and data availability.

Property Tax and Motor Vehicle in Lieu Fee (VLF)

Property tax and VLF are the single largest revenue source for the Town and comprised approximately 42% of total Town General Fund projected revenues for FY 2020/21. Property tax is levied by the Santa Clara County Assessor's Office at 1% of a property's assessed value, of which the Town receives approximately 9.3 cents per dollar paid on property located within the municipal limits of Los Gatos. In compliance with Proposition 13, the assessed value of real property is based on the 1975/76 assessment roll value, adjusted by a 2% inflation factor

PREPARED BY: Arn Andrews
Assistant Town Manager

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

DISCUSSION (continued):

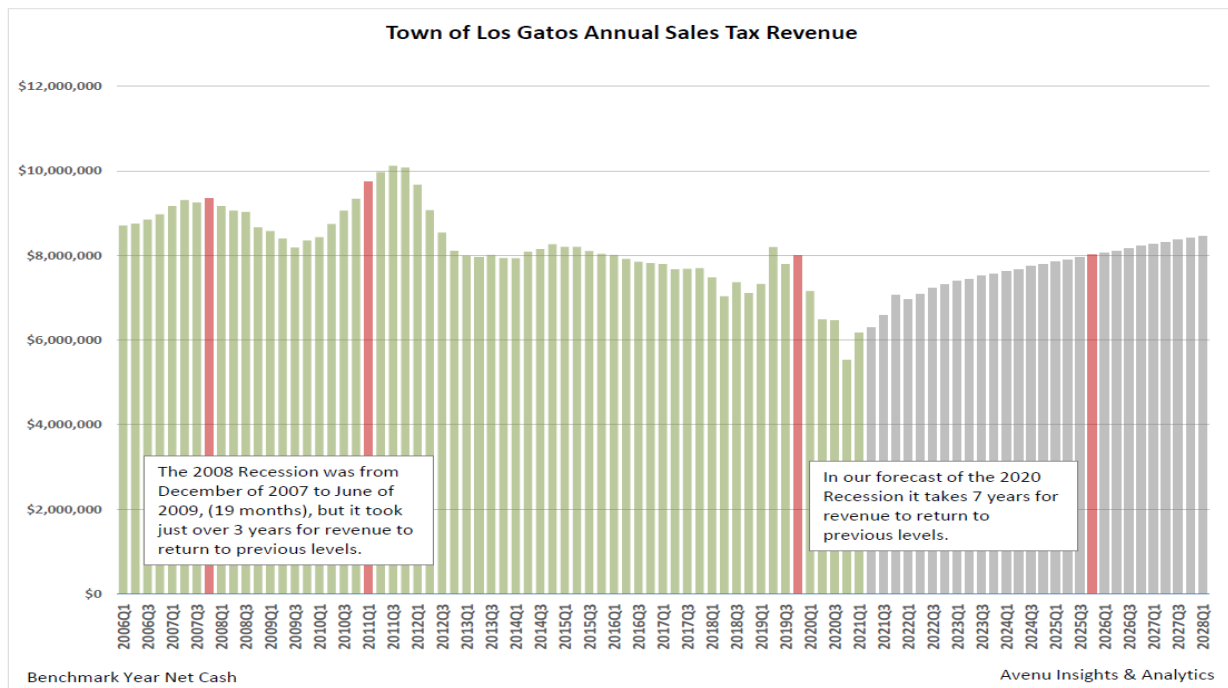
thereafter. However, when property changes hands or new construction occurs, property is then reassessed at its current market value. The County of Santa Clara provides property tax collection updates and projections throughout the year. Property tax distributions are largely received in the third and fourth quarters.

As staff receives relevant property tax information and receipts, it will be shared with the Commission.

Sales Tax

Sales tax is the second largest revenue source for the Town’s General Fund, accounting for 18% of budgeted General Fund projected revenues for FY 2020/21. The Town currently receives 1.125 cent for every 9.125 cents of sales tax paid per dollar on retail sales and taxable services transacted within Los Gatos, including the Town of Los Gatos residents’ approved ballot Measure G enacting a one-eighth cent (0.125%) district sales tax for 20 years.

Sales tax estimates are based on actual sales tax data provided by the Town’s consultant, MuniServices. MuniServices provides staff with quarterly updates and any revisions to prior estimates. While most of the data contained in the quarterly reports provided by MuniServices are not public due to references to individual businesses, staff is able to provide aggregate data to the Commission. Provided below is the latest quarterly data for the 1st Quarter:



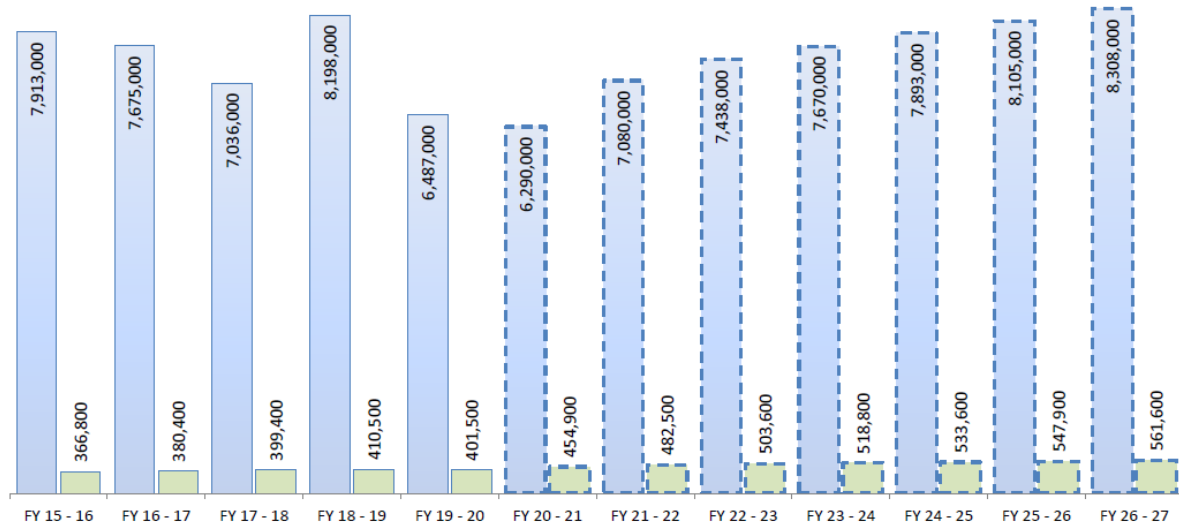
DISCUSSION (continued):

Town of Los Gatos Sales & Use Tax Forecast Summary

Accrual through August Clean-up (Historical through Balance: September)

Bradley Burns	FY 19 - 20	FY 20 - 21	FY 21 - 22	FY 22 - 23	FY 23 - 24	FY 24 - 25	FY 25 - 26	FY 26 - 27
Cash Projection	6,487,000	6,290,000	7,080,000	7,438,000	7,670,000	7,893,000	8,105,000	8,308,000
Percent Change	-20.9%	-3.0%	12.6%	5.1%	3.1%	2.9%	2.7%	2.5%

Prop 172	FY 19 - 20	FY 20 - 21	FY 21 - 22	FY 22 - 23	FY 23 - 24	FY 24 - 25	FY 25 - 26	FY 26 - 27
Cash Projection	401,500	454,900	482,500	503,600	518,800	533,600	547,900	561,600
Percent Change	-2.2%	13.3%	6.1%	4.4%	3.0%	2.9%	2.7%	2.5%



Franchise Fees

Franchise fees are collected by the Town for the privilege of operating a utility service within Los Gatos, and as a fee in lieu of a business license tax. Franchise fees are currently received from Comcast for cable television, PG&E for gas and electric services, West Valley Collection and Recycling for solid waste collection services, and AT&T and Comcast for video services.

Franchise fees represent 6% of projected General Fund revenues in FY 2020/21. Historically, franchise payments are not remitted equally throughout the fiscal year; therefore, quarterly receipts are not necessarily predictive of future receipts.

As staff receives relevant information regarding receipts, it will be shared with the Commission.

Business License Tax

The Town requires all businesses located within Los Gatos and/or those that operate within Los Gatos to obtain a business license. The amount of business license tax paid by each business is

DISCUSSION (continued):

based on its business activity. Fees for activities such as wholesale sales and manufacturing are charged on a sliding scale based on gross receipts, as is retail, with retail being capped at \$975. These gross receipt activities account for approximately 25% of annual business licenses, while the remaining 75% are flat fee businesses. Annual renewal payments are due on January 2 of each year. Payments for new flat-fee-based businesses are pro-rated by quarter.

The FY 2021/22 adopted budget estimated \$1.3 million in collections in FY 2020/21 for business license tax. Actual business license tax collected to date is \$1.4 million in FY 2020/21.

According to the Town Code, gross receipt type businesses pay a business license tax based on an estimated number. During the summer months, staff collects actual gross receipts numbers for gross receipt type businesses which will either create the need for an additional invoice or a credit on the business account. As staff receives additional information regarding receipts, it will be shared with the Commission.

Transient Occupancy Tax

TOT is an important revenue source for the Town and comprised approximately 3.4% of total Town budgeted revenues of \$2.3 million for FY 2020/21. The Town levies a 12% transient occupancy tax (TOT) on all hotel and motel rooms within the municipal limits of Los Gatos. The 12% rate has been in effect since January 1, 2017 after the voters approved a ballot measure to increase the TOT from 10% to 12% at the November 8, 2016 election. TOT receipts are self-reported by the hotels in Town and remitted either monthly or quarterly.

In addition, the Town now allows short-term rentals which are subject to TOT. The Town entered into a voluntary collection agreement with Airbnb who directly bills for TOT at booking and then remits receipts to the Town.

The FY 2021/22 adopted budget estimated \$0.7 million of TOT collections in FY 2020/21. actual data reported as of June 30, 2021 estimates \$0.9 million in TOT collections in FY 2020/21. As staff receives additional information regarding receipts, it will be shared with the Commission.

CONCLUSION:

The Commission should continue its discussion, identify any additional indicators, and prioritize those of greatest interest.



**TOWN OF LOS GATOS
FINANCE COMMISSION REPORT**

MEETING DATE: 07/12/2021

ITEM NO: 7

DESK ITEM

DATE: July 12, 2021
TO: Finance Commission
FROM: Laurel Prevetti, Town Manager
SUBJECT: Continue Discussion of Key Performance Indicators

REMARKS:

Attachment 1 contains public comment received after the July 8, 2021 distribution of the staff report.

Attachment received with this Desk Item:

1. Public Comment

PREPARED BY: Arn Andrews
Assistant Town Manager

Reviewed by: Town Manager

From: Phil Koen [REDACTED]
Sent: Saturday, July 10, 2021 10:53 AM
To: Ron Dickel [REDACTED]; Kyle Park [REDACTED];
stacey.del [REDACTED]; loreen [REDACTED]; ricktinsley [REDACTED]; Rob Rennie
<RRennie@losgatosca.gov>; Matthew Hudes <MHudes@losgatosca.gov>
Cc: Laurel Prevetti <LPrevetti@losgatosca.gov>; Arn Andrews <aandrews@losgatosca.gov>;
jvannada [REDACTED]; Lee Fagot [REDACTED]
Subject: Key Performance Indicators - Agenda Item #7

Finance Commission Members,

Timely review of key performance metrics will allow the Town to adjust more quickly to both positive and negative financial events. We saw the importance of this as the economic impact of Covid 19 worked its way through the Town's finances.

The Staff report identified the importance of tracking Property Tax receipts and VLF fees. A report that the Town might want to share with the Finance Commission is the Property Tax Revenue Summary which is produced by the County of Santa Clara and distributed to the various cities in the county. I have attached a copy of the November 2020 report for the Commissions review.

This report contains valuable information which would further inform the Commission and the Council on forecasted property tax revenues as well as RDA residual apportionment and excess ERAF revenue. RDA and ERAF are major components of the projection for property tax and have not been historically publicly discussed or disclosed.

I would suggest that the City Meeting report produced by the County's Finance Agency be reviewed by the Finance Commission on a timely basis.

COUNTY OF SANTA CLARA
Finance Agency
City Meeting - November 6, 2020
FY2020/21 and FY2019/20 Property Tax Revenue Summary

Schedule C

ISD #	Jurisdiction	ABIS Factor (Preliminary for FY20-21)	% Change	Secured					Unsecured		Other tax revenues										Total Property Tax Revenues		For ref only Adm Fee (Note 8)					
				Secured 1% Net of Roll Correction (see Sch D)	Less RDA	Prior Year Adj	Secured Net of RDA & FY Adj	Unitary Levy (include Railroad)	Total Secured	% Change	Unsecured (see Sch D) (note 1)	Aircraft (note 2)	HOPTF	Suppl. (Note 3)	Misc. Revenue	Other Revenues (Note 4)	RDA Pass Tolls (Note 5)	RDA Residual (Note 6)	RDA SA Other Assets Apportion (Note 7)	% Net Tax before VLF in-lieu	Prop Tax In lieu of VLF	Net Property Tax Revenue		% change after VLF in-lieu				
																									g	h	i	j
				5,132,499,261						288,271,000		17,700,000																
09091	Campbell City	FY 20-21 est	0.0021499736	-0.04%	1,126,000	(1,727,364)	(2,720)	9,515,914	74,000	9,990,000	5.61%	631,000			531,000	10,520,000			5,403,000	-13.27%	5,403,000	15,923,000	-7.23%	(97,000)				
9510		FY 19-20 actual	0.0021900144		10,970,016	(1,576,109)	7,139	9,008,116	72,349	9,080,465		664,256	39,799	254,979	1,204,153	51,150	277,608				5,059,827	17,254,300	(26,650)					
01401	Cupertino City	FY 20-21 est	0.0033063099	-0.00%	16,970,000	(4,108)	(4,108)	16,965,892	68,000	17,034,000	6.09%	953,000			59,000	272,000			18,118,000	-0.11%	9,080,200	27,999,000	2.13%	(19,000)				
9513		FY 19-20 actual	0.0033084005		15,979,620	11,009	15,989,629	66,503	16,056,133		1,033,938	60,123	388,354		828,770						8,489,541	26,824,817	(151,190)					
01901	Gilroy City	FY 20-21 est	0.0017336367	-0.80%	8,898,000	(2,170)	(2,170)	8,895,830	86,000	8,982,000	5.30%	500,000			31,000	144,000			9,057,000	-7.54%	5,527,000	15,584,000	-3.00%	(90,000)				
9502		FY 19-20 actual	0.0017479975		8,440,385	5,837	8,446,222	83,560	8,529,782		330,554	31,799	296,422		1,143,949						5,209,921	15,654,336	(86,383)					
02401	Las Altos City	FY 20-21 est	0.0037187586	0.09%	19,086,000	(4,614)	(4,614)	19,081,386	125,000	19,206,000	6.23%	1,072,000			66,000	306,000			20,650,000	-5.42%	4,431,000	25,081,000	-3.40%	(89,000)				
9511		FY 19-20 actual	0.0037155125		17,944,791	12,327	17,957,118	121,622	18,078,741		1,127,399	87,521	407,066		2,121,779						21,832,405	25,976,500	(180,211)					
02601	Las Altos Hills	FY 20-21 est	0.0009832686	-2.21%	5,047,000	(1,249)	(1,249)	5,045,751	23,500	5,069,000	3.81%	283,000			17,000	63,000			5,452,000	4.19%	1,234,000	6,686,000	-2.70%	(49,000)				
9514		FY 19-20 actual	0.0009859892		4,895,667	3,328	4,900,010	28,757	4,928,767		305,108	18,254	117,969		366,570						5,480,714	5,181,066	487,283					
02851	Las Gatas Town	FY 20-21 est	0.0025420491	1.30%	13,047,000	(1,878,339)		11,168,661	121,000	11,289,000	9.28%	753,000			45,000	298,000	30		12,119,030	-9.63%	4,051,000	16,270,000	-6.53%	(12,000)				
9503		FY 19-20 actual	0.0029042452		13,984,223	(1,772,195)		12,212,029	118,539	12,330,568		792,12			43,404	277,239	33		14,445,119	-19.81%	773,342	15,213,461	(127,432)					
01401	Milpitas City	FY 20-21 est	0.0063493282	0.52%	32,987,000	(16,618,502)	(7,444)	16,368,498	226,000	16,397,000	5.77%	1,830,000			812,000	514,000			26,408,000	-5.32%	5,498,000	36,596,000	2.80%	(17,000)				
9512		FY 19-20 actual	0.0063140494		30,596,320	(15,438,317)	20,503	15,008,407	295,000	15,303,407		1,915,673			114,788	734,936			22,958,480	-1.85%	3,851,064	27,809,544	(184,958)					
03801	Monte Sereno City	FY 20-21 est	0.0003017251	-1.11%	1,549,000	(579)	(579)	1,548,421	5,100	1,554,000	5.00%	87,000			5,000	25,000			1,671,000	0.17%	469,000	2,140,000	1.05%	(14,000)				
9516		FY 19-20 actual	0.0003031102		1,473,577	904	1,474,570	5,387	1,479,958		92,541			5,543	31,416						1,668,117	1,489,997	214,114					
03901	Morgan Hill City	FY 20-21 est	0.0020078902	-0.49%	10,301,000	(4,882,889)	(2,505)	5,418,111	45,900	5,464,000	4.05%	579,000			36,000	165,000			5,670,000	-15.87%	4,499,000	13,888,000	-9.47%	(64,000)				
9504		FY 19-20 actual	0.0020170005		9,741,467	(4,553,061)	6,584	5,194,990	44,950	5,239,940		481,799			36,655	235,078			5,376,033		4,238,563	10,614,597	(61,201)					
04001	Mtā View City	FY 20-21 est	0.0099460537	2.03%	31,000,000	(8,876,492)	(12,107)	42,161,202	351,000	42,512,000	7.08%	2,860,000			176,000	790,000			23,000		46,776,000	4.34%	12,634,000	59,410,000	-1.77%	(417,000)		
9515		FY 19-20 actual	0.0097490681		26,694,725	(7,981,726)	31,906	39,134,904	343,652	39,478,556		2,957,289	177,168	1,139,840	800	4,706,826					23,725	48,882,648	11,591,548	40,674,396				
03001	Palo Alto City	FY 20-21 est	0.0027300274	0.89%	37,131,000	(8,906)	(8,906)	37,124,094	290,000	37,422,000	7.47%	2,086,000			128,000	59,000			40,772,000	4.28%	9,759,000	50,131,000	-2.13%	(343,000)				
9506		FY 19-20 actual	0.0027133545		34,634,331	23,839	34,660,182	291,847	34,952,029		2,176,154	198,602			130,327	844,669			3,875,630		42,177,411	9,058,636	51,233,048					
01401	San Jose City	FY 20-21 est	0.0056423711	-0.93%	299,500,000	(64,482,500)	(63,482)	195,364,018	2,372,000	197,736,000	4.27%	14,999,000			896,000	4,200,000			211,183,000	-10.60%	116,567,000	348,139,000	-5.70%	(2,022,000)				
9517		FY 19-20 actual	0.0051202018		266,894,664	(97,570,067)	169,238	187,313,835	2,325,386	189,639,222		15,510,662	3,036,606		928,997	6,008,676			7,844		23,096,692	110,199,320	369,514,877					
09091	Santa Clara City	FY 20-21 est	0.0091287723	1.39%	46,830,000	(6,905,300)	(11,170)	39,921,523	394,000	40,316,000	7.87%	2,631,000			162,000	789,000			683,000		1,506,000	72,000	46,169,000	29.88%	16,870,000	63,039,000	-2.10%	(384,000)
9507		FY 19-20 actual	0.0090389974		43,472,428	(6,489,214)	30,565	37,083,716	386,200	37,469,916		2,752,480			163,573	1,070,013			3,226,520		997,598	4,936,520	14,966,841	65,033,487				
01001	Saratoga City	FY 20-21 est	0.0101988835	-2.57%	8,541,000	(2,369)	(2,369)	9,538,607	48,000	9,587,000	3.44%	536,000			33,000	136,000			10,153,000	-4.34%	4,105,000	14,417,000	-2.81%	(97,000)				
9518		FY 19-20 actual	0.0101989634		8,234,832	6,292	8,235,344	47,506	9,264,390		578,833			34,073	23,343				675,950		10,760,000	3,934,538	14,744,538					
04001	Sannyvale City	FY 20-21 est	0.0129808248	3.23%	46,211,000	(1,148,925)		45,062,075	506,000	45,568,000	11.01%	3,719,000			228,000	1,023,000			263,000		1,827,000	70,640,000	-0.60%	23,260,000	93,900,000			
9509		FY 19-20 actual	0.0124948789		59,912,213	(2,835,732)		57,076,481	524,997	57,601,478		3,191,153			227,067	1,461,520			6,343,570		205,727	1,832,039	71,210,530					
City Total		FY 20-21 est			589,416,000	(108,530,511)	(1,228,826)	480,785,484	4,773,500	485,557,000	6.25%	33,306,000	3,110,000		2,033,000	9,418,000	7,830		3,774,000		24,260,000	61,365,830	-9.66%	236,300				
		FY 19-20 actual			552,476,207	(103,504,371)	329,900	452,301,336	4,676,963	456,978,299		34,999,580	3,235,208		2,081,972	13,435,401	8,711		32,597,274		3,453,156	39,682,476	15,011,566	621,403,425				

* Non-lester city: Actual revenue received will be different from the projection as the projection is based on the levy amount.

- Note 1: Due to strong YTD collection, the projection for Unsecured is estimated to be 95% of Y.L.
- Note 2: Aircraft is YTD.
- Note 3: Supplemental FY20-21: Projected 30% decrease from FY19-20 actual.
- Note 4: No update yet, see Sch F for Excess ARF.
- Note 5: Projection base on October 1 Estimate for Pass-through.
- Note 6: Projection base on October 1 Estimate for RPTFE.
- Note 7: RDA SA Other Assets Apportionment for FY20-21 is YTD actual, plus the upcoming November distribution of Santa Clara SA Lease Revenue.
- Note 8: Admin Fee is Estimated to increase by 3%.