

Governmental Activities

Governmental activities are generally financed through taxes, intergovernmental revenues, and other non-exchange revenues. The Statement of Activities is intended to illustrate how the cost of governmental activities is financed and determine the annual change in net position.

Town of Los Gatos
Statement of Activities
For the Year Ended June 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Revenues:			
Program revenues:			
Charges for Services	\$ 11,353,932	\$ 10,288,351	\$ 11,350,345
Operating Grants and Contributions	3,287,564	3,854,188	2,175,277
Capital Grants and Contributions	846,345	850,113	146,792
General Revenues:			
Property Taxes	19,878,835	18,330,426	17,321,347
Sales Taxes	7,933,604	7,531,425	8,158,152
Franchise Taxes	2,499,463	2,495,792	2,475,916
Other Taxes	1,126,887	1,911,774	2,726,743
Motor Vehicle in Lieu	23,058	24,526	14,689
Investment Earnings	227,136	2,428,470	1,809,128
Miscellaneous	1,528,039	323,940	2,407,840
Total Revenues	<u>48,704,863</u>	<u>48,039,005</u>	<u>48,586,229</u>
Expenses:			
Police Department	19,808,230	20,446,188	16,635,726
Parks and Public Works	13,141,034	11,803,005	10,627,716
General Government	7,086,377	7,405,368	8,163,991
Community Development	6,846,834	5,001,958	5,064,637
Library Services	3,496,153	3,347,523	3,059,294
Sanitation	185,981	3,041	684,673
Total Expenses	<u>50,564,609</u>	<u>48,007,083</u>	<u>44,236,037</u>
Change in Net Position	<u>(1,859,746)</u>	<u>31,922</u>	<u>4,350,192</u>
Net Position, beginning	115,377,846	114,819,109	110,468,917
Net Position, Ending	<u>\$ 113,518,100</u>	<u>\$ 114,851,031</u>	<u>\$ 114,819,109</u>

Governmental Activities Revenue Discussion

The Statement of Activities shown above details how the \$48.7 million in Governmental Activities revenue was derived. As categorized in the Statement of Activities as program revenues,

approximately \$11.3 million or 23.3% of the revenues were recorded from residents who directly benefited from the program as a charge for service. Another \$4.1 million or 8.5% of the revenues were sourced from operating/capital grants and contributions. The remaining \$33.2 million or 68.2% represents general revenues of the Town, including taxes, intergovernmental revenues, and other miscellaneous revenues.

Program revenues increased by approximately \$495K from the prior year. This is largely due to an increase in revenues from charges for services of \$1.06 million offset by decreases of approximately \$567K in operating grant revenues and contributions.

The Town's General Revenues related to Governmental Activities increased by approximately \$171K from the prior year. The increase is attributable to a combination of approximately \$1.5 million increase in property taxes, a \$402K increase in sales tax, and a \$1.2 million gain on sale of property. The increases were offset by nearly \$2.2 million reduction in investment earnings from the prior year as result of lower market values above purchase cost on the Town's investment portfolio and declines of approximately \$820K in transient occupancy tax receipts due to the pandemic and its related effects on business travel and tourism.

Property tax is the largest individual revenue source for the Town and collections finished the year \$1.5 million higher than the previous year. This increase was mostly due to an increase of \$600K in secured taxes received as a rebate of excess property taxes collected and available from the State of California's Educational Revenue Augmentation Fund (ERAF), \$430K increase in property transfer tax as well as continued strong demand for residential Town property. In addition, the approval of the annexations of County pockets with tax revenues accruing to the Town effective FY 2019/20 and new developments helped to drive property values higher. It's important to note that assessed valuations for FY 2020/21 were established on the tax roll in January 2020 and collected in FY 2020/21.

At \$7.9 million, sales taxes represent the second largest individual revenue source for the Town. Sales taxes increased \$402K from the previous year largely due the gradual recovery from the economic impacts related to COVID-19 which began with the March 2020 shelter-in-place public health orders. The increase was aided by the receipt of online purchase revenues which accrue to a new additional 1/8 cent District Sales Tax approved by the Los Gatos voters in the fall of 2018 which became effective fully in FY 2019/20.

Franchise taxes, the Town's third largest revenue source, finished the year at \$2.5 million, reflecting only a very small increase of \$4K from the previous fiscal year.

Investment earnings decreased \$2.2 million from the prior year. The primary factor responsible for this decline was the lower total market value above historical investment cost than the prior year. These non-cash or paper gains/losses are recognized as investment income/loss as a result of the "mark to market value" procedure required by GASB 31.

Miscellaneous other revenues increased by approximately \$1.2 million from the prior year. The increase is due to a gain on sale of property on gain of the 14850 Winchester Boulevard land sale finalized in July 2020.

**TOWN OF LOS GATOS
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenues and Changes in Net Position
					Governmental Activities
Governmental Activities:					
General government	\$ 7,086,377	\$ 1,505,899	\$ 388,181	\$ 2,365	\$ (5,189,932)
Public safety	19,808,230	1,275,731	1,073,971	-	(17,458,528)
Parks and public works	13,141,034	4,209,048	1,547,102	843,980	(6,540,904)
Community development	6,846,834	4,063,776	223,129	-	(2,559,929)
Library services	3,496,153	-	55,181	-	(3,440,972)
Sanitation	185,981	299,478	-	-	113,497
Total Governmental Activities	\$ 50,564,609	\$ 11,353,932	\$ 3,287,564	\$ 846,345	(35,076,768)
General revenues:					
Taxes:					
Property taxes					19,878,835
Sales taxes					7,933,604
Franchise taxes					2,499,463
Other taxes					1,126,887
Motor vehicle in lieu					23,058
Investment earnings					227,136
Miscellaneous					1,528,039
Total general revenues					33,217,022
Change in Net Position					(1,859,746)
Net Position - Beginning, as restated					115,377,846
Net Position - Ending					\$ 113,518,100

The notes to the financial statements are an integral part of this statement.

2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
\$ 6,993,661	\$ 6,771,628	\$ 7,948,918	\$ 8,163,991	\$ 7,405,368	\$ 7,086,377
12,825,688	14,587,597	15,545,521	16,635,726	20,446,188	19,808,230
8,320,623	9,502,707	10,047,003	10,627,716	11,803,005	13,141,034
3,227,224	5,093,459	4,667,609	5,064,637	5,001,958	6,846,834
-	-	-	-	-	-
2,522,142	2,868,748	3,087,684	3,059,294	3,347,523	3,496,153
528,580	466,762	536,296	684,673	3,041	185,981
-	-	-	-	-	-
-	-	-	-	-	-
\$ 34,417,918	\$ 39,290,901	\$ 41,833,031	\$ 44,236,037	\$ 48,007,083	\$ 50,564,609

\$ 1,517,012	\$ 1,669,020	\$ 1,701,146	\$ 1,562,683	\$ 1,470,324	\$ 1,505,899
3,278,585	2,076,688	1,888,359	1,745,889	1,549,207	1,275,731
1,516,108	2,155,841	4,150,068	2,910,936	3,674,222	4,209,048
4,359,146	3,803,626	3,456,390	4,155,231	3,351,753	4,063,776
-	-	-	-	-	-
46,192	46,746	14,702	9,476	11,522	-
368,813	410,626	771,442	966,130	231,323	299,478
-	-	-	-	-	-
15,291	-	-	-	12,290	388,181
98,138	837,329	895,730	826,643	952,045	1,073,971
749,300	665,779	953,294	1,301,152	2,824,638	1,547,102
-	-	-	-	15,864	223,129
12,228	-	57,200	47,482	49,351	55,181
-	-	-	-	-	-
-	-	-	-	8,258	2,365
-	-	-	-	9,100	-
1,610,657	770,600	348,437	146,792	832,755	843,980
-	9,280	-	-	-	-
\$ 13,571,470	\$ 12,445,535	\$ 14,236,768	\$ 13,672,414	\$ 14,992,652	\$ 15,487,841

2015/16	2016/17	0	2017/18	2018/19	2019/20	2020/21
\$ 13,763,458	\$ 14,756,214	\$ 15,958,406	\$ 17,321,347	\$ 18,330,426	\$ 19,878,835	
7,501,175	8,925,276	7,466,253	8,158,152	7,531,425	7,933,604	
2,258,892	2,366,908	2,474,814	2,475,916	2,495,792	2,499,463	
1,997,497	2,351,223	2,667,840	2,726,743	1,911,774	1,126,887	
12,308	14,056	16,483	14,689	24,526	23,058	
698,324	192,260	333,120	1,809,128	2,428,470	227,136	
-	-	-	-	-	-	
-	-	-	-	-	-	
598,170	528,946	622,105	2,407,840	323,940	1,528,039	
-	-	-	-	-	-	
\$ 26,829,824	\$ 29,134,883	\$ 29,539,021	\$ 34,913,815	\$ 33,046,353	\$ 33,217,022	
\$ 5,983,376	\$ 2,289,517	\$ 1,942,758	\$ 4,350,192	\$ 31,922	\$ (1,859,746)	