

**From:** [Phil Koen](#)  
**To:** [Wendy Wood](#); [Matthew Hudes](#); [rmoores@losgatosca.gov](mailto:rmoores@losgatosca.gov)  
**Cc:** [Laurel Prevetti](#); [REDACTED]; [Lee Fagot](#)  
**Subject:** Council Policy Committee Meeting - Agenda item #3  
**Date:** Sunday, October 22, 2023 11:54:19 PM  
**Attachments:** [Pages from basics of municipal revenue 2016.pdf](#)

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[EXTERNAL SENDER]

Dear Council Members Mr. Hudes and Mr. Moore,

The question of what are the “core” municipal services provided by the Town of Los Gatos is incorrectly framed by the Staff memo for agenda item #3.

The distinction between “core” and “non-core” services is a false and devise distinction which is not relevant to the discussion of municipal service delivery models. For example, the Staff memo lists among other services, police and library services as “core municipal services” provided directly by the Town. The memo fails to explain what it means to be “core”, and who made that determination and for what purpose.

Simply because the Town has arbitrarily decided on a municipal service delivery model with these services being directly delivered, does not mean that only services provided directly are “core services”. There are many services that have been contracted to a third party or another public agency, such as the art museum (NUMU) or the LGS Rec, or the collection of garbage or fire protection services, all of which are core services but are delivered indirectly. Simply because the services are not delivered directly does not mean they are not “core”.

“Core services” implies a false segregation of service value and should be removed from the discussion. The Staff memo inappropriately conflates the concept of “core services” with “full services”. A more thoughtful way to discuss the delivery of municipal services would be in terms of “full service” delivery models vs. partnered service delivery models.

I have attached an excerpt from the Institute of Local Government which provides a methodology for categorizing municipalities which could be considered “full service” cities. The list of “essential frontline services” that are directly provided in a “full service” delivery model is extensive. Of particular note, the article points out that 60% of California cities library services are funded by another public agency. This is a great example of how alternative service delivery models can be applied to deliver valuable services to residents. In those cities which use the County to deliver library services, I doubt any of these municipalities would label the library as “non-core”.

The Staff memo clearly states “Los Gatos was originally a full service jurisdiction” but over time evolved away from being a “full service” municipality starting with the annexation into the Santa Clare County Fire District. Today, Los Gatos is not a “full service jurisdiction” by any reasonable measure, nor should we be, given our lack of scale.

The time has come for the Town to broadly rethink the model currently in place to deliver all municipal services. This should not be done by using arbitrary labels such as “core” vs. “non-core” services. The assumption is all services being delivered are valuable and it is only how

they are being delivered that is up for discussion. If there are services being delivered that are not valuable to residents, then they should be eliminated.

For those services that are decided to be delivered, a determination must then be made on the best service delivery model, whether it be directly by Town employees, or through another public agency or private entity. If done appropriately the Town should be able to realize both increases in service delivery as well as cost reductions.

Thank you,

Phil Koen

# Understanding the Basics of Municipal Revenues in California: Cities, Counties and Special Districts

2016 Update



# CITY REVENUES IN CALIFORNIA

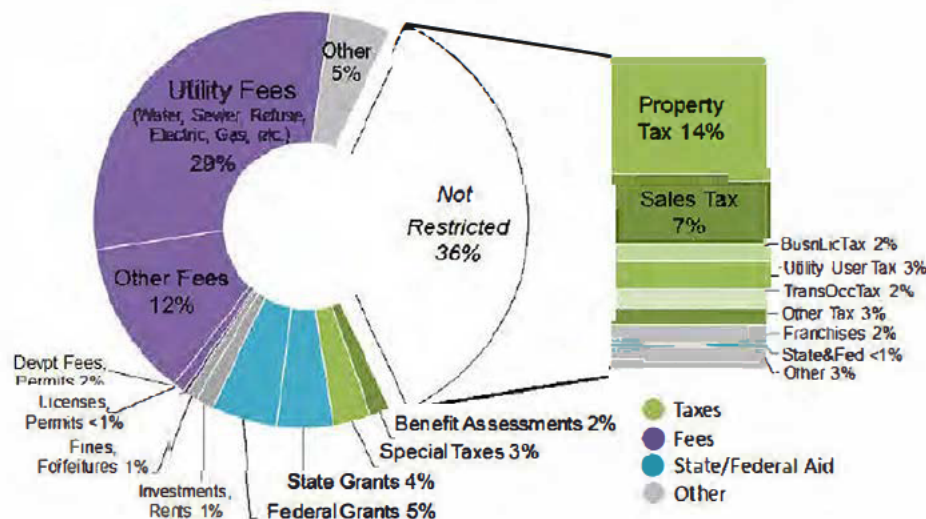
Incorporated cities (including those that refer to themselves as “towns”) are responsible for a broad array of essential frontline services tailored to the needs of their communities. These include:

- Law enforcement and crime prevention,
- Fire suppression and prevention, natural disaster planning and response, emergency medical response and transport,
- Land use planning and zoning, building safety,
- Local parks and open spaces, recreation,
- Water supply, treatment and delivery,
- Sewage collection, treatment and disposal,
- Storm water collection and drainage,
- Solid waste collection, recycling and disposal,
- Local streets, sidewalks, bikeways, street lighting and traffic controls, and
- Public transit.

Cities that are responsible for providing all or most of these functions are called “full service” - the services can be provided in-house or contracted through a private entity or another public agency. In other cities, some of these functions are the financial responsibility of other local agencies such as the county or special districts. For example, in about thirty percent of California cities, a special district provides and funds fire services. In sixty percent, library services are provided and funded by another public agency such as the county or a special district.

The mix of service responsibilities and local choice regarding service levels affects the amount and composition of revenues of each city.

California City Revenues



This is a statewide mash-up of city revenues. Individual cities vary.  
Source: Author's computations from data from California State Controller 2014-15.  
Does not include the City/County of San Francisco.

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**Cc:** [Laurel Prevetti](#); [REDACTED]; [Lee Fagot](#)  
**Subject:** Statement of Activities - Council Policy Committee ~ Agenda item #3  
**Date:** Monday, October 23, 2023 2:03:19 AM  
**Attachments:** [Pages from FY-202122-ACFR.pdf](#)

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[EXTERNAL SENDER]

Dear Council Members Mr. Hudes and Mr. Moore,

The Staff memo discussing “core municipal services” includes a table which lists the FY 2023 24 General Fund Operating budget for certain departments which are tasked with delivering “core services”. The table listed 6 departments with a FY 24 budget totaling \$45.1m. Presumably the Staff was suggesting that this is the budgeted cost of delivering the Town’s “core services”.

A more accurate view of the cost associated with delivering the Town’s services is obtained from the Statement of Activities, which can be found in the audited FY 22 ACFR. In fact, the total FY 22 cost for all services delivered in the Town was \$52.7m. It should also be noted that approximately \$12.8m of these costs were offset by charges for services delivered, which means the net cost for all services delivered was approximately \$39.9m for FY 22.

I am providing this information so you have a more complete and accurate view of the total cost of operating the Town. It is inaccurate to only look at FY 24 budgeted numbers and then for only the General Fund to determine the cost of all services delivered by the Town. This is why the Town produces audited financial statements, namely so residents can have an accurate view of the cost to delivery all services.

Thank you,

Phil Koen



**TOWN OF LOS GATOS, CALIFORNIA  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

| Functions/Programs                          | Expenses             | Program Revenues        |  |  | Net (Expense)<br>Revenues and<br>Changes in<br>Net Position |
|---|----------------------|-------------------------|--|--|---|
|   |                      | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions |   |
| <b>Governmental Activities:</b>             |                      |                         |  |  |   |
| General government                          | \$ 15,681,345        | \$ 1,725,857            | \$ 2,766,833                             | \$ 12,205,050                          | \$ 1,016,395  |
| Public safety                               | 15,093,308           | 1,596,313               | 1,144,226                                | -                                      | (12,352,769)  |
| Parks and public works                      | 12,969,615           | 5,090,014               | 1,482,896                                | 10,021,156                             | 3,624,451   |
| Community development                       | 5,827,001            | 4,129,718               | 670,929                                  | -                                      | (1,026,354)   |
| Library services                            | 2,969,954            | 521                     | 114,958                                  | -                                      | (2,854,475)   |
| Sanitation                                  | 178,575              | 231,323                 | -  | -                                      | 52,748  |
| <b>Total Governmental Activities</b>        | <b>\$ 52,719,798</b> | <b>\$ 12,773,746</b>    | <b>\$ 6,179,842</b>                      | <b>\$ 22,226,206</b>                   | <b>(11,540,004)</b>   |
| <b>General revenues:</b>                    |                      |                         |  |  |   |
| Taxes:                                      |                      |                         |  |  |   |
| Property taxes                              |                      |                         |  |  | 21,132,098  |
| Sales taxes                                 |                      |                         |  |  | 8,483,673   |
| Franchise taxes                             |                      |                         |  |  | 2,822,515   |
| Other taxes                                 |                      |                         |  |  | 2,042,580   |
| Motor vehicle in lieu                       |                      |                         |  |  | 35,624  |
| Developer fees                              |                      |                         |  |  | 1,735,571   |
| Investment earnings                         |                      |                         |  |  | (1,278,978)   |
| Miscellaneous                               |                      |                         |  |  | 755,400   |
| Total general revenues                      |                      |                         |  |  | 35,728,483  |
| Change in Net Position                      |                      |                         |  |  | 24,188,479  |
| Net Position - Beginning                    |                      |                         |  |  | 113,518,100   |
| Prior Period Adjustment, Principal Payments |                      |                         |  |  | 13,003  |
| Prior Period Adjustment, GASB 87 - Leases   |                      |                         |  |  | 687,399   |
| Net Position - Beginning, Adjusted          |                      |                         |  |  | 114,218,502   |
| Net Position - Ending                       |                      |                         |  |  | \$ 138,406,981  |

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**Cc:** [Laurel Prevetti](#); [REDACTED]; [Lee Fagot](#)  
**Subject:** FY 2012 Statement of Activities - Council Policy Committee - Agenda Item #3  
**Date:** Monday, October 23, 2023 3:16:45 AM  
**Attachments:** [Pages from 2011-12%20Town%20of%20Los%20Gatos%20CAER%20-%20CALLP%20Final 201304041804597888.pdf](#)

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[EXTERNAL SENDER]

Dear Council Members Mr. Hudes and Mr. Moore

I thought it might be constructive to provide you the Statement of Activities for FY 2012 to show the cost increase in services provided over the 10 year period FY 2012 to FY 2022. Probably the most eye opening change is how much the cost of General Government has increased relative to Public Safety.

I hope this helps inform you as you think about the cost of services provided.

Thank you,

Phil Koen

**TOWN OF LOS GATOS, CALIFORNIA**  
**STATEMENT OF ACTIVITIES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

| Functions/Programs   | Expenses      | Program Revenues        |  |  | Net (Expense)<br>Revenues and<br>Changes in<br>Net Assets |
|--|---------------|-------------------------|--|--|---|
|  |               | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions | Governmental<br>Activities                                |
| Governmental Activities:   |               |                         |  |  |   |
| General government   | \$ 6,145,143  | \$ 1,108,424            | \$ 6,453                                 | \$ -                                   | \$ (5,030,266)  |
| Public safety  | 14,124,798    | 2,324,397               | 29,980                                   | -                                      | (11,770,421)  |
| Parks and public works   | 7,827,332     | 1,215,382               | 993,827                                  | 641,811                                | (4,976,312)   |
| Community development  | 3,434,551     | 3,448,433               | -  | -                                      | 13,882  |
| Redevelopment  | 919,821       | -                       | -  | -                                      | (919,821)   |
| Library services   | 1,938,577     | 37,662                  | 109                                      | -                                      | (1,900,806)   |
| Community services   | -             | 23,000                  | -  | -                                      | 23,000  |
| Sanitation   | 158,205       | 135,000                 | -  | -                                      | (23,205)  |
| Interest and fees  | 1,123,842     | -                       | -  | -                                      | (1,123,842)   |
| Total Governmental Activities                                    | \$ 35,672,269 | \$ 8,292,298            | \$ 1,030,369                             | \$ 641,811                             | (25,707,791)  |
| <b>General revenues and special items:</b>                       |               |                         |  |  |   |
| Taxes:   |               |                         |  |  |   |
| Property taxes   |               |                         |  |  | 14,088,866  |
| Sales taxes  |               |                         |  |  | 9,889,100   |
| Franchise taxes  |               |                         |  |  | 1,931,027   |
| Other taxes  |               |                         |  |  | 1,767,726   |
| Motor vehicle in lieu  |               |                         |  |  | 15,238  |
| Investment earnings  |               |                         |  |  | 331,420   |
| Miscellaneous  |               |                         |  |  | 2,275,160   |
| <b>Special items:</b>  |               |                         |  |  |   |
| Extraordinary gain (loss) on dissolution of Redevelopment Agency |               |                         |  |  | 11,864,453  |
| Total general revenues and special items                         |               |                         |  |  | 42,162,990  |
| Change in Net Assets   |               |                         |  |  | 16,455,199  |
| Net Assets - Beginning   |               |                         |  |  | 116,237,698   |
| Net Assets - Ending  |               |                         |  |  | \$ 132,692,897  |

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