



**TOWN OF LOS GATOS  
COUNCIL POLICY COMMITTEE REPORT**

MEETING DATE: 10/24/2023

ITEM NO: 3

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DATE: October 18, 2023  
TO: Council Policy Committee  
FROM: Laurel Prevetti, Town Manager  
SUBJECT: Discuss the Core Municipal Services Provided by the Town of Los Gatos

**RECOMMENDATION:**

Discuss the core municipal services provided by the Town of Los Gatos.

**BACKGROUND:**

On August 15, 2023, the Town Council requested that the Policy Committee discuss which core municipal services the Town of Los Gatos provides.

On August 22, 2023, the Policy Committee prioritized this item as one it would like to consider before the end of 2023.

**DISCUSSION:**

The term “municipal services” generally refers to the full range of services that a city/town provides or is authorized to provide. Cities and towns derive their powers from both the California Constitution and State statutes. California Constitution, Article XI, Section 2, provides that the State Legislature can specifically authorize cities and towns to undertake certain actions. Examples of this include delegation of public works activities, such as the management of public rights of way, employee relations activities, and land use and planning. In addition, Article XI, Section 7, of the California Constitution provides that cities and towns are authorized to exercise their police power to protect public health, safety, and welfare – so long as the exercise of that police power does not conflict with State law.

Only about a quarter of California’s 480 cities are “full-service” cities. Full-service cities provide almost all municipal services to their residents, including police, fire, and libraries. Most of

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Senior Management Analyst

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

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DISCUSSION (continued):

California's cities provide a narrower range of services. In these cities, the counties and special districts play a larger role in providing services.

There are over 3,000 special districts statewide. State law authorizes the services special districts can provide. Overall, there are roughly two dozen different categories of services authorized. Some of the most common services special districts are fire protection, water, libraries, and parks and recreation.

The County level of government provides additional services to all of the residents of the County, including social services, public health, and criminal justice. Only the County of Santa Clara provides these services, not towns/cities.

**Town of Los Gatos Core Municipal Services**

The Town's core municipal services are provided directly by its Departments. The Departments are:

- Administrative Services Department (includes Town Manager's Office, Human Resources, Finance, Economic Vitality, Town Clerk Department, and Information Technology)
- Town Attorney
- Community Development (includes Planning, Building, and Code Compliance)
- Police Department (includes Dispatch, Records, Patrol, Investigations, Traffic, Parking, and Personnel and Community Services),
- Parks and Public Works (includes Engineering, Streets, Parks, Public Facilities, and Transportation/Mobility)
- Library

The Town once provided Community Services and during a past recession, the Town Council eliminated that Department. The Town Manager's Office absorbed the work of Town events and the Community Health and Senior Services Commission. The Library Department absorbed the work associated with the Arts and Culture Commission.

DISCUSSION (continued):

The General Fund Operating Budget for each Department is as follows:

Department	FY 23/24 Operating Budget
Administrative Services	\$6,061,730
Town Attorney	\$771,611
Community Development	\$5,390,624
Police Department	\$19,685,258
Parks and Public Works	\$10,028,853
Library	\$3,175,170

**Municipal Services Provided by Partner Agencies**

As one of the oldest jurisdictions in the County, Los Gatos was originally a full-service jurisdiction. Over time, the Town Council decided to annex into the Santa Clara County Fire District, join the West Valley Sanitation District (sanitary sewer), and become part of the West Valley Solid Waste Management Authority (garbage and recycling collection). The Town is also a member of the Clean Water and Silicon Valley Clean Energy joint powers authorities. The Town contracts with the City of San Jose for animal services.

The Town of Los Gatos has had an annexation agreement with Santa Clara County Central Fire Protection District to provide fire protection services since 1970. The tax rate then in effect for Town's fire protection services was essentially transferred to the County's Central Fire Protection District. Based upon the latest assessed valuation reports provided by the County of Santa Clara, the property tax collected from Los Gatos residents for FY 2022/23 and remitted to the Santa Clara County Central Fire Protection District for fire protection services is estimated to be approximately \$20.4 million.

Most cities do not provide water or power to residents with a few exceptions. Los Gatos is part of Silicon Valley Clean Energy which provides clean energy options, using the Pacific Gas and Electric grid. The water retailer for Los Gatos is the San Jose Water Company. Ratepayers (e.g., Los Gatos residents and property owners) pay for these utility services through billing rather than through property tax.

**Other Los Gatos Community Partners**

The Town works with community partners to provide additional amenities to the community beyond its direct core municipal services.

Community Grants, which are unusual for most municipal governments, are the Town's primary vehicle for supporting a large number of non-profit organizations that directly benefit the

DISCUSSION (continued):

community of Los Gatos. While the Town has been giving Community Grants for nearly 30 years, that grant giving was largely made possible using Federal Community Development Block Grant Funds until those funds became unavailable in FY 2011/12. In restructuring the Community Grant program in FY 2019/20, organizations addressing human service needs with over ten years of continuous funding were offered non-competitive Sustaining Grants.

Currently, the four organizations still receiving sustaining grants are:

- **West Valley Community Services**, currently in the amount of \$20,000, to provide critical food, housing, and support services to low income and unhoused individuals;
- **Next Door Solutions**, currently in the amount of \$12,000, to help survivors of domestic violence;
- **Counseling and Support Services for Youth (CASSY)**, currently in the amount of \$12,000, to provide counseling and support for young people; and
- **Live Oak Senior Nutrition**, currently in the amount of \$22,000, to provide hot lunches, fellowship, referral, and support services in a social setting to adults over the age of 60.

All other non-profits apply each year through a competitive grant process. In general, the Town receives 20 to 30 applications each year with 10 to 12 organizations awarded funding. The Town has generally budgeted between \$120,000 to \$150,000 for grant giving, with the exception of FY 2023/24 in which funding offsets from the Council Priorities – Economic Priorities Reserve allowed \$300,000 to be budgeted.

Examples of additional community services for Los Gatos residents and visitors includes those from the following community partners supported by the Town via agreements, financial support, and/or in-kind support:

- The **Los Gatos Chamber of Commerce** is under contract with the Town to provide a Visitor Information Center and other services including “Visit Los Gatos” marketing. The Town and the Chamber have executed agreements since 2001.

Under the current agreement, the Town provides annual funding of \$88,000 for the Visitor Information Center and “Visit Los Gatos” website and marketing.

The Town has also provided funding and in-kind services for various special projects to the Chamber, including the Promenade event series and large holiday light displays as well as community grants.

DISCUSSION (continued):

- **New Museum Los Gatos (NUMU)** has a long-term lease to rent space at Town Hall (106 East Main Street) to operate an art museum. Prior to the current lease, the museum leased the former Tait Fire House and Forbes Mill from the Town for its art exhibits and the museum's history collection. The Town and NUMU first entered into a lease agreement for the space at 106 E. Main Street in 2013, with the term commencing on January 1, 2016, following the completion of tenant improvements on the building. There is no service agreement associated with the lease.

The market rate rent for the space (\$3.7 per square foot/month at 10,630 square feet) is \$474,230 annually. The annual cost for utilities is \$53,386, for a total annual value of rent and other expenses of \$527,616. Under the current lease agreement, NUMU is to pay the Town annual rent of \$25,000 and \$0 in utilities.

The total value of the annual Town subsidy is \$502,616. Generally, the Town is subsidizing the space at a rate of 95% via in-kind donation.

The Town made significant capital investments on behalf of NUMU to prepare Town Hall for the museum's occupancy in the amount of \$2,341,736 (\$1,125,458 building remodel, \$1,074,293 HVAC, and \$141,984 roofing).

Additionally, the Town agreed to rent abatement from 2020 through June 2023. In FY 2023/24, the Council provided an 84% subsidy to NUMU of \$21,000 with NUMU paying the Town \$4,000 in rent for the year.

NUMU has also received community grants for specific programming.

- **Los Gatos Saratoga Community Education and Recreation (LGS Rec)** has a long-term lease with the Town for two buildings, the Adult and Youth Recreation Centers. LGS Rec is a joint powers agency of the Los Gatos Union School District, Saratoga Union School District, and Los Gatos Saratoga Union High School District established in 1956 to ensure the effective and efficient provision of community education and recreation services to the residents of Los Gatos, Saratoga, Monte Sereno, and Santa Cruz Mountain communities. LGS Rec has leased the Youth Recreation Center building at 123 E. Main Street from the Town since the late 1960s.

The current market rate rent for the Adult Recreation Center space at 208 E. Main Street (\$3.7 per square foot/month at 12,000 square feet) is \$527,537 annually. The annual rent paid to the Town is \$237,537, utilities are paid directly to the utility companies, and \$510 paid for elevator maintenance.

DISCUSSION (continued):

The total value of the annual Town subsidy for the Adult Recreation Center (208 E. Main) is \$289,490. The Town is subsidizing the space at a rate of 55% via in-kind donation. The Town has made and continues to make capital investments in the Adult Recreation Center in the amount of \$1,130,512 (floor repair, HVAC, restroom remodel, roofing, cable/control system repair). As part of the lease for the Adult Recreation Center with its reduced rent, LGS Rec agreed to provide certain senior services every year.

In terms of the Youth Recreation Center at 123 E. Main Street, the current market rate rent for the space (\$3.7 per square foot/month at 6,479 square feet) is \$289,044 annually. The annual rent paid to the Town is \$28,905, utilities are paid directly to the utility companies, and \$4,206 paid for landscaping services.

The total value of the annual Town subsidy for the Youth Recreation Center (123 E. Main) is \$256,000. The Town is subsidizing the space at a rate of 89%. The Town has also made capital investments in the Youth Recreation Center in the amount of \$119,150 (building remodel and roofing).

Additionally, the Town agreed to rent abatement from 2020 through June 2023. In FY 2023/24, the Council provided an 84% subsidy to LGS Rec of \$200,000 with LGS Rec paying the Town \$38,088 in rent for the Adult Recreation Center and \$33,111 for the Youth Recreation Center for the year.

LGS Rec has also received community grants for programming over the years.

In addition, the Town has entered into a one-year service contract with LGS Rec for the provision of Senior Services in the amount of \$225,000 for Fiscal Year 2023/24. A similar arrangement occurred in 2021.

- The **California Farmers' Market Association (CFMA)** is under contract with the Town to offer a weekly Farmers' Market. The first Los Gatos Farmers' Market occurred in 1992. It is typical for a farmers' market to be managed by a single operator in an agreement with a municipality. The operator provides the sourcing of farmers, food booths, entertainment, and other amenities for the market.

Under the current agreement, CFMA is allowed use of Montebello Way, the Montebello parking lot, the segment of Broadway between Montebello Way and South Santa Cruz Avenue, and a portion of the wide sidewalk area along Plaza Park bordered by South Santa Cruz Avenue between Broadway and the start of red-painted curb for the weekly

DISCUSSION (continued):

Los Gatos Farmers' Market. This use includes the associated road closures, "no parking" designations, staff management of the agreement including review and approval of special market events, and staff administering the Request for Proposals process for the market operator as needed. In addition to maintaining a business license, CFMA pays the Town a small annual use fee of \$1,375.

- **Sustainable Waze** is under contract with the Town to operate the annual Los Gatos Music in the Park free summer concert series. Music in the Park has been a free summer concert series held on Sunday afternoons on the Civic Center lawn since 1988.

Under the current agreement with Sustainable Waze, the Town allows use of the Civic Center lawn and authorizes the production, management, and promotion of the event series. The Town also provides sponsorship for the event series at the level of \$20,000 annually. In addition, the Town agreed to provide additional sponsorship in the form of in-kind services and the relief of Town fees to support for the following items, as resources and scheduling are available: installation, usage and removal of the Town owned stage, installation and removal of Music in the Park banner at the Civic Center, special event permit, banner permit, park use, Council Chambers Lobby use, and no parking sign fees, and two Los Gatos-Monte Sereno Police Officers at each concert as resources are deemed necessary and available, as directed by the Chief of Police or his or her designee.

- **KCAT** is under contract with the Town to provide cablecasting, livestreaming, and archived meeting recording services. KCAT has provided cablecasting on local channel 15 of Town Council and Planning Commission meetings since 2003. Over the years, the scope of services has expanded to include YouTube livestreaming and maintaining an archive of previous meeting recordings on a Town-branded YouTube channel in order to increase transparency for the community.

The Town compensates KCAT in the amount of \$60,000 per year for 60 regular Town Brown Act meetings and at a rate of \$1,000 per meeting in excess of those 60.

For the past two years, the Council has also allocated \$100,000 annually from the Council Priorities – Economic Priorities Reserve to KCAT for the Producers Network, a program for people 55 years and older to create content for KCAT's public access TV and internet radio.

KCAT has also received Community Grants for programming over the years.

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SUBJECT: Core Municipal Services

DATE: October 18, 2023

CONCLUSION:

Staff looks forward to the Committee's discussion.

COORDINATION:

This report was coordinated with the Town Manager's Office, Clerk Department, Town Attorney's Office, Finance Department, Parks and Public Works Department, and Library.

FISCAL IMPACT:

There is no fiscal impact related to the discussion of the current core municipal services.

ENVIRONMENTAL ASSESSMENT:

This is not a project defined under CEQA, and no further action is required.