

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

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SUBJECT: Key Performance Indicators

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## **DISCUSSION** (continued):

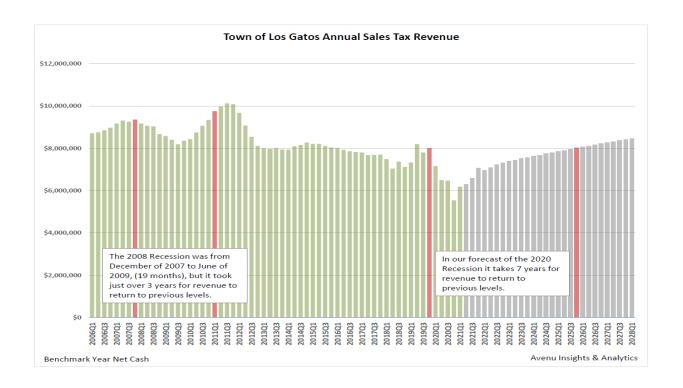
thereafter. However, when property changes hands or new construction occurs, property is then reassessed at its current market value. The County of Santa Clara provides property tax collection updates and projections throughout the year. Property tax distributions are largely received in the third and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



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SUBJECT: Key Performance Indicators

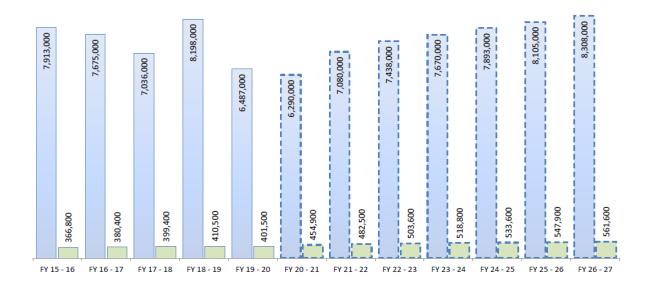
DATE: July 7, 2021

## **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

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SUBJECT: Key Performance Indicators

DATE: July 7, 2021

## **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.

#### <u>Transient Occupancy Tax</u>

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.

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			
Sent: Saturday, July	10, 2021 10:53 AM	_	
To: Ron Dickel	Kyle Par	k ;	
stacey.del	loreen	ricktinsley	Rob Rennie
<rrennie@losgatoso< td=""><td>ca.gov&gt;; Matthew Hudes <m< td=""><td>IHudes@losgatosca.gov&gt;</td><td></td></m<></td></rrennie@losgatoso<>	ca.gov>; Matthew Hudes <m< td=""><td>IHudes@losgatosca.gov&gt;</td><td></td></m<>	IHudes@losgatosca.gov>	
Cc: Laurel Prevetti <	_Prevetti@losgatosca.gov>;	Arn Andrews <aandrews@losga< td=""><td>atosca.gov&gt;;</td></aandrews@losga<>	atosca.gov>;
jvannada	Lee Fagot		
Subject: Key Perform	nance Indicators - Agenda Ite	em #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

					Secured							Unsecu	red HOPTR Other tax revenues										Total Property Tax Revenues		For ref only	
			AB8 Factor (Preliminary for FY20-21)	% Change	Secured 1% Net of Roll Correction (see Sch D)	Less RDA	Prior Year Adj	Secured Net of Roll Corr., RDA & PY Adj	Unitary Levy (include Railroad)	Total Secured	% Change	Unsecured (see Sch D) [note 1]	Aircraft [note 2]	HOPTR	Suppl. [Note 3]	Misc. Revenue	Other Revenue [Note 4]	RDA Pass Thru [Note 5]	RDA Residual Apportion [Note 6]	RDA SA Other Assets Apportion [Note 7]	Net Tax before VLF	% change before VLF in- lieu	Prop Tax in lieu of VLF		% change after VLF in-lieu	Adm Fee [Note 8]
					5,132,459,261					Sub-Total		288,271,000		17,700,000												
ISD #	Jurisdiction				a	ь	c	d=a+b+c	e	f=d+e		g	h	i	j	k	k.1	1	m	n	o=f+g+h+i+j+k +k.1+l+m+n		Р	q=0+p		
00901	Campbell City	FY 20-21 est	0.0021891736	-0.04%	11,236,000	(1,717,364)	(2,720)	9,515,916	74,000	9,590,000	5.61%	631,000		39,000	178,000			55,000	27,000		10,520,000	-13.73%	5,400,000	15,920,000	-7.73%	(97,000)
9510		FY 19-20 actual	0.0021900144		10,577,016	(1,576,039)	7,139	9,008,116	72,349	9,080,465		664,256		39,799	254,979		1,204,155	51,150	899,678		12,194,482		5,059,827	17,254,309		(92,650)
01401	Cupertino City	FY 20-21 est	0.0033063099	-0.06%	16,970,000		(4,108)	16,965,892	68,000	17,034,000	6.09%	953,000		59,000	272,000						18,318,000	-0.11%	9,080,000	27,398,000	2.13%	(158,000)
9513		FY 19-20 actual	0.0033084085		15,978,620		11,009	15,989,628	66,503	16,056,131		1,003,938		60,123	388,314		828,770				18,337,276		8,489,541	26,826,817		(151,196)
01901	Gilroy City	FY 20-21 est	0.0017336367	-0.80%	8,898,000		(2,170)	8,895,830	86,000	8,982,000	5.30%	500,000		31,000	144,000						9,657,000	-7.54%	5,527,000	15,184,000	-3.00%	(90,000)
9502		FY 19-20 actual	0.0017475975		8,440,385		5,837	8,446,222	83,560	8,529,782		530,354		31,759	206,422		1,145,949				10,444,266		5,209,921	15,654,186		(86,383)
02401	Los Altos City	FY 20-21 est	0.0037187586	0.09%	19,086,000		(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	-3.45%	(189,000)
9511		FY 19-20 actual	0.0037155135		17,944,791		12,327	17,957,118	121,822	18,078,941		1,127,399		67,521	437,046		2,121,779				21,832,685		4,143,815	25,976,500		(180,211)
02601	Los Altos Hills	FY 20-21 est	0.0009833696	-2.21%	5,047,000		(1,249)	5,045,751	23,500	5,069,000	3.81%	283,000	_	17,000	83,000						5,452,000	-4.19%	1,234,000	6,686,000	-2.70%	(49,000)
9514		FY 19-20 actual	0.0010055892		4,856,682		3,328	4,860,010	22,777	4,882,787		305,109		18,274	117,969		366,575				5,690,714		1,181,068	6,871,782		(47,283)
02651	*Los Gatos Town	FY 20-21 est	0.0025420491	1.30%	13.047.000	(1.878.359)		11.168.641	121.000	11.290,000	9.28%	733,000		45,000	208,000	30		243,000	0		12.519.030	-9.63%	4.053,000	16.572.000	-6.53%	(112.000)
9503		FY 19-20 actual	0.0025094762		11,984,223	(1,772,195)		10,212,029	118,838	10,330,866		761,742		45,604	297,739	33	1,445,190	199,053	773,162	7	13,853,389		3,875,914	17,729,303		(107,410)
03401	Milpitas City	FY 20-21 est	0.0063491352	0.52%	32.587.000	(16,618,502)	(7,844)	15.960.654	226,000	16,187,000	5.73%	1.830,000	_	112,000	514,000			1.963.000	7.802,000		28,408,000	-5.52%	8.498.000	36,906,000	-2.83%	(173,000)
9512		FY 19-20 actual	0.0063164494		30,506,220	(15,438,317)	20,503	15,088,407	221,772	15,310,179		1,915,671	_	114,788	734,906		2,295,848	1,851,064	7,844,901		30,067,356		7,912,802	37,980,158		(164,958)
03801	Monte Sereno City	FY 20-21 est	0.0003017351	-1.11%	1.549.000		(379)	1.548.621	5.100	1.554,000	5.00%	87,000		5,000	25,000						1,671,000	0.17%	469,000	2.140.000	1.03%	(14.000)
9516		FY 19-20 actual	0.0003051102		1,473,577		994	1,474,570	5,387	1,479,958	0.00.0	92,541		5,545	35,416		54,658				1,668,117		449,997	2,118,114	1100.10	(14,151)
03901	Morean Hill City	FY 20-21 est	0.0020070802	-0.49%	10.301.000	(4.892.889)	(2.505)	5.405.606	45.900	5.452,000	4.05%	579,000	_	36,000	165.000			567.000	1.890.000		8,689,000	-15.87%	4.499.000	13.188.000	-9.47%	(64.000)
9504	Morgan Hill City	FY 19-20 actual	0.0020070802	-0.47%	9,741,467	(4,553,061)	6,584	5,194,990	44,950	5,239,940	4.00%	611,799	_	36,655	235,078		1,370,020	528,563	2,305,787		10,327,842	-13.07 %	4,239,485	14,567,327	-9.47 %	(61,204)
04401	Mtn View City	FY 20-21 est	0.0099465557	2.03%	51.050.000	(8.876,692)	(12.107)	42.161.202	351.000	42.512.000	7.68%	2.867,000		176,000	798,000	800				23.000	46,376,800	-4.34%	12.634.000	59.011.000	-1.77%	(417.000)
9505	oran Frew City	FY 19-20 actual	0.0097490681	2.03%	47.084.725	(7,981,726)	31.906	39,134,904	343,652	39,478,556	7.00%	2,957,259	_	177,168	1.139.480	834	4.706.826			23,000	48,482,848	-4.34%	11,591,548	60,074,396	-1.7770	(397,984)
05001	Palo Alto City	FY 20-21 est	0.0072350274	0.89%	37.133.000	(,,,,,)	(8,906)	37.124.094	298,000	37.422.000	7.07%	2.086.000	145.000	128,000	591.000		, rejean				40,372,000	-4.28%	9,759,000	50.131.000	-2.15%	(363.000)
9506	rato Atto City	FY 19-20 actual	0.0072350274	0.89%	34,636,343		(8,906)	34,660,182	298,000	34,952,029	7.07%	2,086,000	198,602	130,327	591,000 844.669		3.875.630				42,177,411	-4.28%	9,759,000	51,233,048	-2.15%	(346,198)
	Con Inno Cito	FY 20-21 est	0.0506423715	-0.93%	259.920.000	(64.492.500)	(63,482)	195.364.018	2.372.000		4.27%	14,599,000	2.965.000	896,000	4,206,000	7,000			11.183.000		231,592,000	-10.69%	116,567,000	348,159,000	-5.78%	(2,022,000)
9501	San Jose City	FY 19-20 actual	0.0506423715	-0.95%	246.894.664	(59,750,067)	169,238	187,313,835	2,372,000	197,736,000	4.27%	15,510,662	3.036,686	928,997	6.008.476	7,844	23.096.692		21.094.320		259,322,698	-10.69%	110,191,677	369.514.375	-3./8%	(1,925,739)
05905	Santa Clara City	FY 20-21 est	0.0091257723	1.39%	46.838.000	(6,905,300)	(11.178)	39.921.523		40.316.000	7.82%	2.631.000		162,000	749,000	7,044	2,,,,70,072	683.000	1.556,000	88.000	46,169,000	80 00E	16.870.000	63.039.000	-21.85%	(384,000)
9507	Santa Ciara City	FY 20-21 est FY 19-20 actual	0.0091257723	1.39%	46,838,000	(6,905,300)	(11,178)	39,921,523	394,000	40,316,000 37,391,921	Z.82%	2,631,000		162,000	1.070.015		3.226.520	683,000 597,598	1,556,000 4,932,590	72,000 14,988,841	46,169,000 65,103,549	-29.08%	15,562,178	63,039,000 80.665,727	-21.85%	(365.981)
				4.000		(0,477,214)											3,20,320	337,398	4,732,390	14,700,041					0.000	
06101 9515	Saratoga City	FY 20-21 est FY 19-20 actual	0.0018588835	-2.57%	9,541,000 9,214,853		(2,369)	9,538,631 9,221,145	48,000	9,587,000	3.44%	536,000 578,855		33,000 34,673	156,000 223,343		675.093				10,312,000 10,780,254	-4.34%	4,105,000 3,934,538	14,417,000 14,714,793	-2.02%	(93,000)
							0,272						_				273,033									
06401 9509	*Sunnyvale City	FY 20-21 est FY 19-20 actual	0.0129008248 0.0124948789	3.25%	66,213,000 59,670,215	(3,148,925)		63,064,075 56,734,463	536,000 524,969	63,600,000 57,259,432	11.07%	3,719,000 3,791,153		228,000 227,067	1,023,000		6.343.570	263,000 205,727	1,827,000		70,660,000 71,120,538	-0.65%	23,265,000 21,078,587	93,925,000 92,199,125	1.87%	(603,000)
			0.0124740707														43,370 مرد									
$\perp$	City Total	FY 20-21 est FY 19-20 actual			589,416,000 552,476,207	(108,530,531)	(123,629)	480,761,840 452,301,336	4,773,500	485,537,000 456,978,299	6.25%	33,106,000 34,759,380	3,110,000	2,033,000	9,418,000 13,455,401	7,830 8,711	52.757.276	3,774,000	24,285,000 39,682,476	95,000 15,011,566	561,365,830 621,403,425	-9.66%	226,391,000	787,757,000 833,379,959	-5.47%	(4,828,000)
$\perp$		r i 17-20 actual			332,476,207	(100,304,371)	329,500	434,2071,33b	4,0/6,963	430,978,299		34,/59,380	3,433,288	2,081,872	13,435,401	8,711	34,/37,2/6	3,453,156	37,062,476	13,011,566	021,403,425		211,9/6,533	35,3/9,959		(4,0Lb,28/)

<sup>\*</sup> Non-teeter city: Actual revenue received will be different from the projection as the projection is based on the levy amount.

Note 1: Due to strong TYD collection, the projection for Unsecured is estimated to be 95% of LY.

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 ERAF.

Note 5: Projection base on October 1 Estimate for Pass-through.

Note 6: Projection base on October 1 Estimate for Pass-throug

Note 6: Projection base on October 1 Estimate for RPTTF.

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 5%.