

Dear Town Council,

Recommendation

The LGCA is writing to you to strongly recommend that the FY 2022 – 2024 Priorities include completing a Fiscal Impact Analysis for the draft 2040 General Plan **prior to any consideration** by the Planning Commission and Town Council. As you know, the draft General Plan is promoting a 30% increase in the Town's population over the next 20 years. Unfortunately, there has been no analysis of the fiscal impact this major growth will have over the 20-year planning period.

A Core Goal of the Town is "Fiscal Stability," and a guiding principle of the 2040 General Plan is "fiscal stability/responsibility". How does the Town Council know or even have an informed view as to whether the 30% growth projected in the 2040 General Plan is fiscally stable and responsible? This question looms extremely large since the FY 2022 priorities you are considering tonight include potential "revenue enhancements."

Background

The LGCA believes the reason why the Town Council feels it must focus on "revenue enhancements" today is not because the Town's revenue has declined or stayed flat. To the contrary, over the past 6 years (2015 – 2021) the Town's total revenue from all sources (general tax revenues, investment earnings, charges of services, grants and miscellaneous) has increased 13% (\$5.6m), which includes a staggering 54% increase in property tax revenue. Also, during this period, the Town increased the local sales tax rate with the promise that these funds would pay for increased police services, fix potholes, and invest in needed infrastructure.

Yet it is in this environment that the Town has increased its total governmental expenditures by 48% (\$16.3m) over the same period. Stated another way, over the last 6 years the Town's expenditures have grown at a rate that is more than 3.5 times the revenue growth rate. And this occurred during a time when the Town experienced almost no growth in population.

While we acknowledge the pandemic has impacted the Town's revenue over the past 2 years, we cannot ignore the harsh reality that the Town's growth in total expenditures has far outstripped the Town's revenue growth. The inconvenient truth is that this trend is unsustainable – today, let alone for the next 20 years.

Discussion

Enter the need for a Fiscal Impact Analysis of the draft 2040 General Plan. When we surveyed 400 registered voters on this point, 87% agreed (with 66% strongly agreeing) that a fiscal impact analysis should be required **PRIOR to adoption of the General Plan.** It is clear the residents understand the fiscal challenge that 30% growth will present and want to study it. The question is does this Council understand and want to be proactive about the challenges? Will the Council consider that having expenses grow at 3.5 time the rate of revenues will soon reduce the Priorities to only one – Fiscal Survival?

A fiscal impact analysis is a powerful tool to assess whether the growth induced by the 2040 General Plan will strain government services or generate sufficient new revenues that will allow the Town to maintain and even improve and expand services as well as invest in economic growth over the next 20 years. There is simply no compelling argument against completing a fiscal impact analysis before adopting the Town's "constitution" that will guide all development decisions for the next 20 years. **We cannot afford not to perform a fiscal impact analysis.**

Conclusion

Please include as a very high priority for FY 2022 the completion of a fiscal impact analysis of the 2040 General Plan before presenting the Plan to the Planning Commission and Town Council for approval. The voters want this and expect it.

Thank you.

Los Gatos Community Alliance

TOWN OF LOS GATOS, CALIFORNIA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
General government	\$ 6,465,852	\$ 1,888,213	\$ -	\$ 176,705	\$ (4,400,934)
Public safety	12,644,221	3,529,166	24,838	-	(9,090,217)
Parks and public works	8,069,352.14	2,206,765	907,745	2,338,154	(2,616,688)
Community development	4,047,737.59	5,027,497	-	-	979,759
Library services	2,553,414.44	53,123	4,062	-	(2,496,229)
Sanitation	491,359.05	328,868	-	-	(162,491)
Total Governmental Activities	\$ 34,271,936	\$ 13,033,632	\$ 936,645	\$ 2,514,859	(17,786,800)
General revenues:					
Taxes:					
Property taxes					12,931,603
Sales taxes					8,202,678
Franchise taxes					2,215,430
Other taxes					2,062,893
Investment earnings					428,772
Miscellaneous					813,324
Total general revenues					26,654,700
Change in Net Position					8,867,900
Net Position - Beginning					142,129,628
Prior Period Adjustment, GASB 68					(44,466,398)
Net Position - Beginning, Adjusted					97,663,230
Net Position - Ending					\$ 106,531,130

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

\$43,139,836

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	\$ 7,452,136	\$ 1,505,899	\$ 388,181	\$ 2,365	\$ (5,555,691)
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	6,481,075	4,063,776	223,129	-	(2,194,170)
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

\$48,704,863

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