

Responses to Council Members' Questions

In response to Council Members' questions summarized below, staff has provided the following answers in italics:

1. Is this the adopted language from 2018? Why not use again? "Shall the measure to fund essential Town services such as maintaining neighborhood police patrols; improving traffic flow to reduce congestion; repairing potholes and fixing neighborhood streets; maintaining the Town's long-term financial stability and other unrestricted general revenue purposes by enacting a one-eighth cent (\$0.125%) sales tax for 20 years, providing about \$800,000 annually, requiring Independent Citizens Oversight with public review of spending, and all revenues controlled locally, be adopted?"

Yes, the 2018 ballot question was: "Shall the measure to fund essential Town services such as maintaining neighborhood police patrols; improving traffic flow to reduce congestion; repairing potholes and fixing neighborhood streets; maintaining the Town's long-term financial stability and other unrestricted general revenue purposes by enacting a one-eighth cent (0.125 %) sales tax for 20 years, providing about \$ 800,000 annually, requiring Independent Citizens Oversight with public review of spending, and all revenues controlled locally, be adopted?" The Council could choose to use this language again with the update to the estimated revenue generation of approximately \$1 million and any other modifications as recommended by the Town Attorney and/or outside legal counsel. The current proposed language was updated based on Council direction on priority areas.

2. Why was an advisory measure not used in 2018?

There was no discussion of a companion advisory measure in 2018.

3. What body comprises the 2018 sales tax Independent Citizens Oversight Committee? How are members selected? What have their recommendations been, and how have they been incorporated in the Budget?

At the December 18, 2018 meeting, the Council adopted an Enabling Resolution (2018-056) creating the Sales Tax Oversight Committee (see Exhibit A to this Attachment). The resolution called for a seven-member body whose members would be appointed by the majority of the Town Council. The Town did a recruitment, and the Council interviewed candidates and voted on the appointments as it does with other Town advisory bodies. The Committee met once and recommended to the Town Council that the sales tax proceeds be used for tangible capital improvements consistent with the sales tax measure language. The Town Council decided to use 50% of the proceeds for capital and 50% for operating, such as Police services. In 2020, the voters approved an initiative to

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create the Finance Commission which dissolved the Sales Tax Oversight Committee and its duties became part of the Finance Commission scope.

4. Where are results of the 2024 scientific poll? Was this a scientific poll? What was the sample size? Margin of error?

Yes, it was a scientific poll and the results can be found in the materials for the May 21, 2024 Council meeting, Item 4, Attachments 3 and 4

(<https://meetings.municode.com/adaHtmlDocument/index?cc=LOSGATOS&me=cfc2387c088b4d3a933e71661acbbc1e&ip=True>). The sample size was 200 and the margin of error was +/- 4.2% to +/- 6.9%, depending on the response level to the question.

5. Would this language qualify as a general tax: "To provide funding that cannot be taken by the State or County, to enhance Los Gatos essential services, including Highway 9/Highway 17 improvements to reduce traffic congestion, enhance police and emergency services, and increase prevention and protection from wildfire and storm hazards, [DROP: and for general government use] shall. . ."

For a general tax, the ballot question must have some language stating that the revenues from the tax can be spent for any government use or purpose, or any municipal use or purpose, or anything to the effect that they are unrestricted funds. It should be clear that these are just examples and that the revenues can be spent on anything.

6. Does the proposed General Tax capture maximum online sales tax? Are other municipalities utilizing other techniques to capture online sales tax?

The rules for allocating sales tax are set by statute, and Proposition 1A (Cal. Const. Art. XIII, section 25.5), passed in 2004, prevents them from being changed. In short, yes, this measure would capture maximum sales tax. All municipalities are limited by the same regulations.

7. Why would the Resident Oversight Committee not be the Finance Commission? Why need another body? How would they be up to speed in any way similar the Finance Commission? Are there staff resources to support an additional body?

This could be determined by Council. It is not required that the Finance Commission serve as the oversight body, but if Council desires, it could direct staff to include Finance Commission as the oversight body in the ballot measure ordinance. Language must be included in the ballot measure ordinance to allow this as the Finance Commission ordinance can only be amended by a vote of the public. Alternatively, the Council could

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do a separate measure to ask the voters to modify the duties and other provisions of the Finance Commission ordinance.

8. For the advisory measure, if “should” changed to shall, would this then become a specific tax?

Yes.

9. The following justification is offered to the public on the Town website:

“Has the Town reduced expenditures to balance its budget? Yes. The Town of Los Gatos has made deep cuts in Town expenditures to control costs while maintaining high service levels by taking the following proactive measures during major downturns and to be fiscally prudent:

- Significantly reduced staffing levels from 2001–2005 and did not return to pre-recession staffing levels
- Imposed wage freezes and unpaid furloughs
- Reduced employee benefit costs”

When did these measures occur and what was the financial result that is reflected in the 5 year Forecast?

Some examples of the measures taken and the respective cost savings are as follows:

- *From Fiscal Year (FY) 2001/02 through FY 2004/05, through a combination of strategic hiring freezes and position defunding, operational efficiencies, full-time positions reductions to part-time positions (some of which were voluntary by Town employees), voluntary leave without pay, management salary deferrals, and other measures, the Town achieved approximately a \$3.8M in cost reductions over those four fiscal years.*
- *In FY 2009/10, through the elimination of vacant positions, reduced overtime, fewer temporary staff hours, a management pay freeze, and staff furloughs, the Town achieved approximately \$1.5M in savings at that time.*
- *In FY 2010/11, through Departmental reorganizations, the elimination of select vacant positions, reduced overtime, staff furloughs, and alternative delivery models, the Town achieved approximately \$900,000 of savings.*
- *In FY 2011/12, through Departmental reorganizations such as the elimination of the Community Services Department, furloughs, and alternate service delivery models, the Town achieved approximately \$800,000 in savings.*
- *In FY 2012/13, through furloughs and staffing/salary changes, the Town achieved approximately \$652,000 in savings.*
- *In FY 2012/2013, a three-tier pension plan was implemented for non-sworn employees and a two-tier pension plan was implemented for sworn employees,*

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introducing PEPPRA. While this did not provide an immediate cost savings, the new tiers would significantly reduce future pension costs.

- *In FY 2013/14, through organizational restructuring, staffing changes, temporary staffing reductions, the elimination legacy positions and classifications, and other measures, the Town expected to achieve an approximate \$81,000 in savings.*
- *As a result of collaboration with the Town's bargaining units during FY 2018/19, all units agreed to the elimination of retiree health benefits prospectively with the exception of the minimum employer contribution as required by the Public Employees' Medical and Hospital Care Act (PEMHCA). The PEMHCA minimum represents a significant reduction from the previous Town paid discretionary retiree payments. As a closed retiree medical plan, the Town continues to see significant cost savings from this negotiated change. In addition, employees contribute a share of dependent premiums to assist with cost-containment.*

10. Can a Council candidate endorse the tax measure or is that not allowed? Is it different for those running for Council that are not currently Council Members?

Yes, a candidate running for Council can endorse the measure, as can a sitting member. The Town Council can also endorse it. The Council/Town cannot spend Town funds to campaign for it. A Council Member can give a speech at the Rotary Club supporting it, for example, but the Council Member cannot use Town funds or Town personnel (while on the clock) to help do so.

Exhibit A to Attachment 5

RESOLUTION 2018-056

**A RESOLUTION OF THE TOWN COUNCIL OF THE TOWN
OF LOS GATOS, CALIFORNIA, ESTABLISHING A
SALES TAX OVERSIGHT COMMITTEE**

WHEREAS, on June 19, 2018 the Los Gatos Town Council adopted Ordinance No. 2274 imposing a General Transaction and Use Tax ("Ordinance 2274") for a period of twenty years.

WHEREAS, the purpose of the Ordinance 2274 is to impose a local one-eighth cent (0.125%) sales tax on retail transactions ("Sales Tax") within the town limits of the Town of Los Gatos; and

WHEREAS, on November 6, 2018, the citizens of the Town approved imposition of the Sales Tax by approving ballot Measure G on the November 6, 2018 ballot; and

WHEREAS, Ordinance 2274 and Measure G state that funds raised from the Sales Tax shall be used to fund essential Town services such as maintaining neighborhood police patrols; improving traffic flow to reduce congestion; repairing potholes and fixing neighborhood streets; and maintaining the Town's long-term financial stability; and

WHEREAS, the Ordinance 2274 and Measure G require Citizens Oversight, mandatory financial audits, and yearly reports to the community to ensure funds are spent as promised; and

WHEREAS, in accordance with the provisions of Section 2.60.140 of Ordinance 2274, the Town Council shall appoint a Committee to advise the Town Council on the expenditures funded by the Sales Tax revenues in order to ensure that said revenues are spent in accordance with the Town Council objectives stated in Ordinance 2274 and Measure G.

NOW, THEREFORE, BE IT RESOLVED, that the Los Gatos Town Council orders as follows:

Section 1. The Town Council hereby establishes the Town of Los Gatos Sales Tax Oversight Committee pursuant to Ordinance 2274 and Measure G.

Section 2. The Los Gatos Sales Tax Oversight Committee shall consist of seven (7) members.

Section 3. The members of the Los Gatos Sales Tax Oversight Committee shall be appointed by a majority vote of the Town Council.

Section 4. Each member of the Los Gatos Sales Tax Oversight Committee shall, on the date of appointment and throughout the member's term on the Los Gatos Sales Tax Citizens Oversight Committee, be a resident of the Town of Los Gatos.

Section 5. The term of each member of the Los Gatos Sales Tax Oversight Committee shall be four (4) years.

Section 6. The terms of office of the resident members of the Los Gatos Sales Tax Oversight Committee shall be staggered and overlapped in such a manner that the terms of no more than one-third of the members expire each year.

Section 7. The Town Council shall fill any resident member vacancies of the Los Gatos Sales Tax Oversight Committee occurring during the term of the Committee.

Section 8. The members of the Los Gatos Sales Tax Oversight Committee shall serve without compensation, provided that with advance budgetary approval of the Town Council, the actual and necessary expenses (if any) incurred by the members in the conduct of Town business shall be reimbursable pursuant to the provisions of the current Administrative Policy.

Section 9. The Los Gatos Sales Tax Oversight Committee shall meet semi-annually and all meetings shall be noticed and conducted in accordance with the applicable provisions of the Brown Act and Robert's Rules of Order and Town Policies established for Commissions and Committees.

Section 10. Minutes of the actions taken during the Los Gatos Sales Tax Oversight Committee's meetings shall be kept and shall be a public record.

Section 11. The function of the Los Gatos Sales Tax Oversight Committee shall be to serve in an advisory capacity to the Town Council. Prior to the Town's expenditure of any Sales Tax revenues, the Los Gatos Sales Tax Oversight Committee shall review the Town's proposed expenditures and advise the Town Council on whether such expenditures meet the Town Council's objectives stated in Ordinance 2274 and Measure G. It shall not be within the purview of the Sales Tax Oversight Committee to direct staff, recommend any particular contract or project but only to determine whether such expenditures meet the Town Council's objectives stated in Ordinance 2274 and Measure G. In addition, the final determination of whether such expenditures meet the Town Council's objectives and the approval of any such expenditure shall be made by Town Council. The Los Gatos Sales Tax Oversight Committee shall issue an annual public report of the expenditures and appropriations of the Sales Tax revenues which were approved by the Town Council during the applicable fiscal year. The Los Gatos Sales Tax Oversight Committee shall undertake such other and additional duties as the City Council may direct.

PASSED AND ADOPTED at a regular meeting of the Town Council of the Town of Los Gatos, California, held on the 18th day of December 2018, by the following vote:

COUNCIL MEMBERS:

AYES: Marcia Jensen, Rob Rennie, Marico Sayoc, Barbara Spector, Mayor Steve Leonardis

NAYS: None.

ABSENT: None.

ABSTAIN None.

SIGNED:

MAYOR
TOWN OF LOS GATOS,
LOS GATOS, CALIFORNIA

ATTEST:

Shelley Reis

TOWN CLERK OF THE TOWN OF LOS GATOS
LOS GATOS, CALIFORNIA