

Financial Scorecard

Town of Los Gatos · FY 2013–FY 2017

Key trends

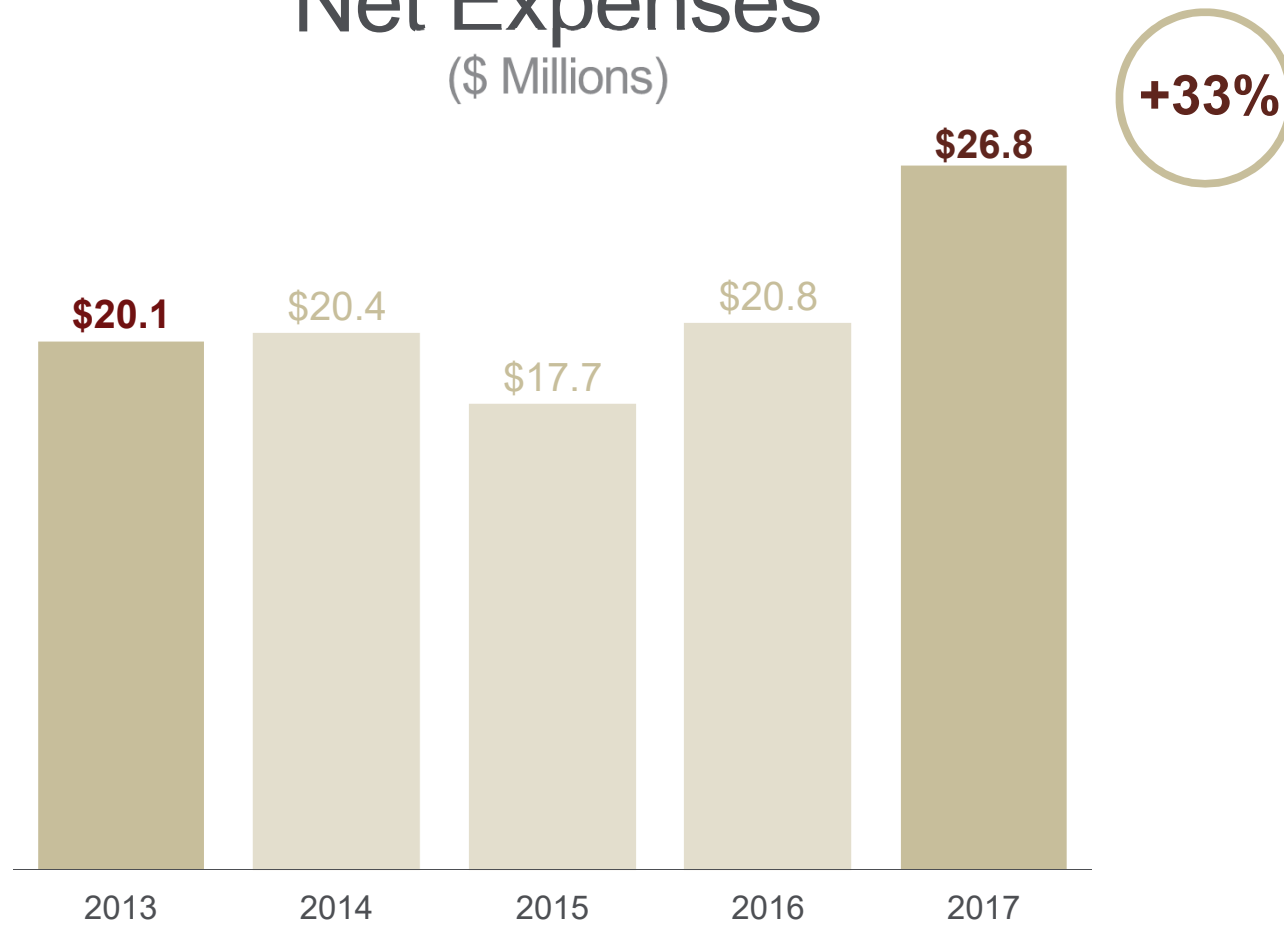
Those who cannot learn from history are doomed to repeat it

Data Sources for these Graphs

- **All of the financial data in the financial graphs are from the Los Gatos Consolidated Annual Financial Reports from 2013 to 2017.**
- <http://www.losgatosca.gov/2230/Comprehensive-Annual-Financial-Reports-C>
- **All city comparison data is from LAFCO circa 2014:**
- http://santaclaralafco.org/file/ServiceReviews/CitiesSR2015/FullFinalReport_CSRR.pdf

Net Expenses

(\$ Millions)



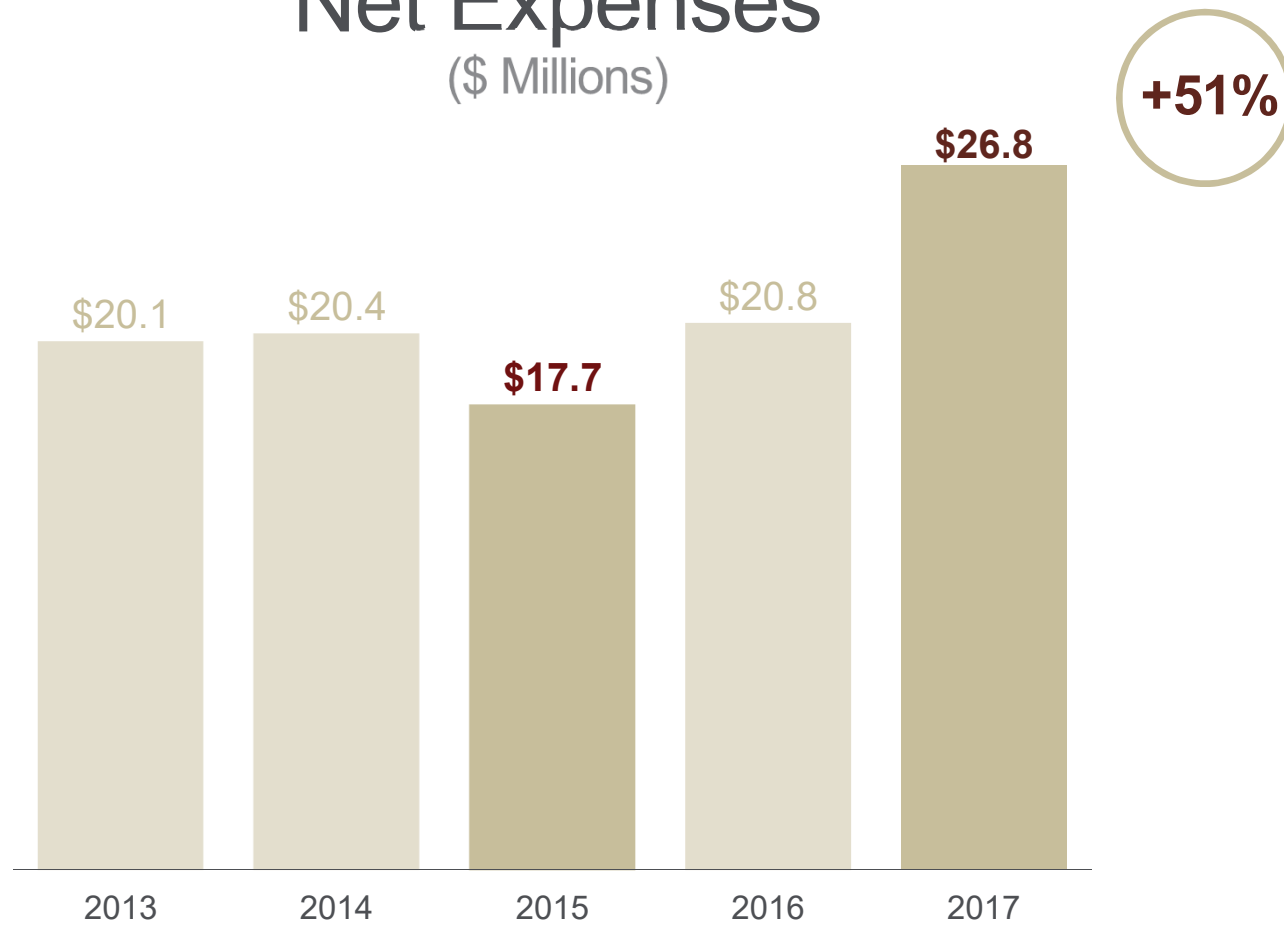
Net expense government activities include general government, public safety, parks and public works, community development, library services and donations expenses net of all specific program revenues.

These numbers do not include Almond Grove.

See *Government statement of activities for each year (accrual basis of accounting)*

Net Expenses

(\$ Millions)



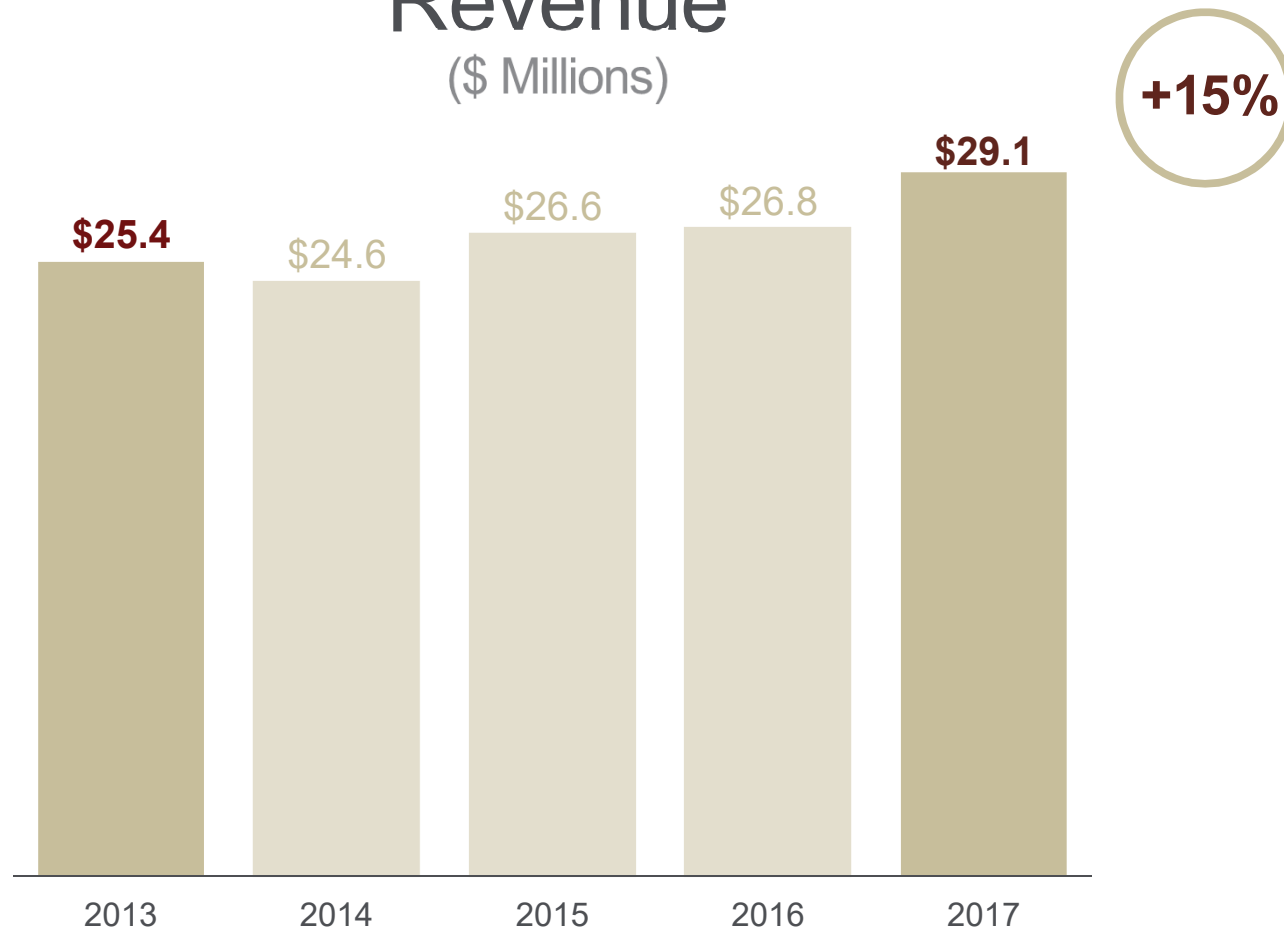
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Revenue

(\$ Millions)



Revenue growth of \$3.7M is not sufficient to cover growth in net expense government activities of \$6.7M.

See Government statement of activities for each year (accrual basis of accounting)

“The change in net position is computed by deducting all of the Town’s government activity expenses from all program and general revenues.

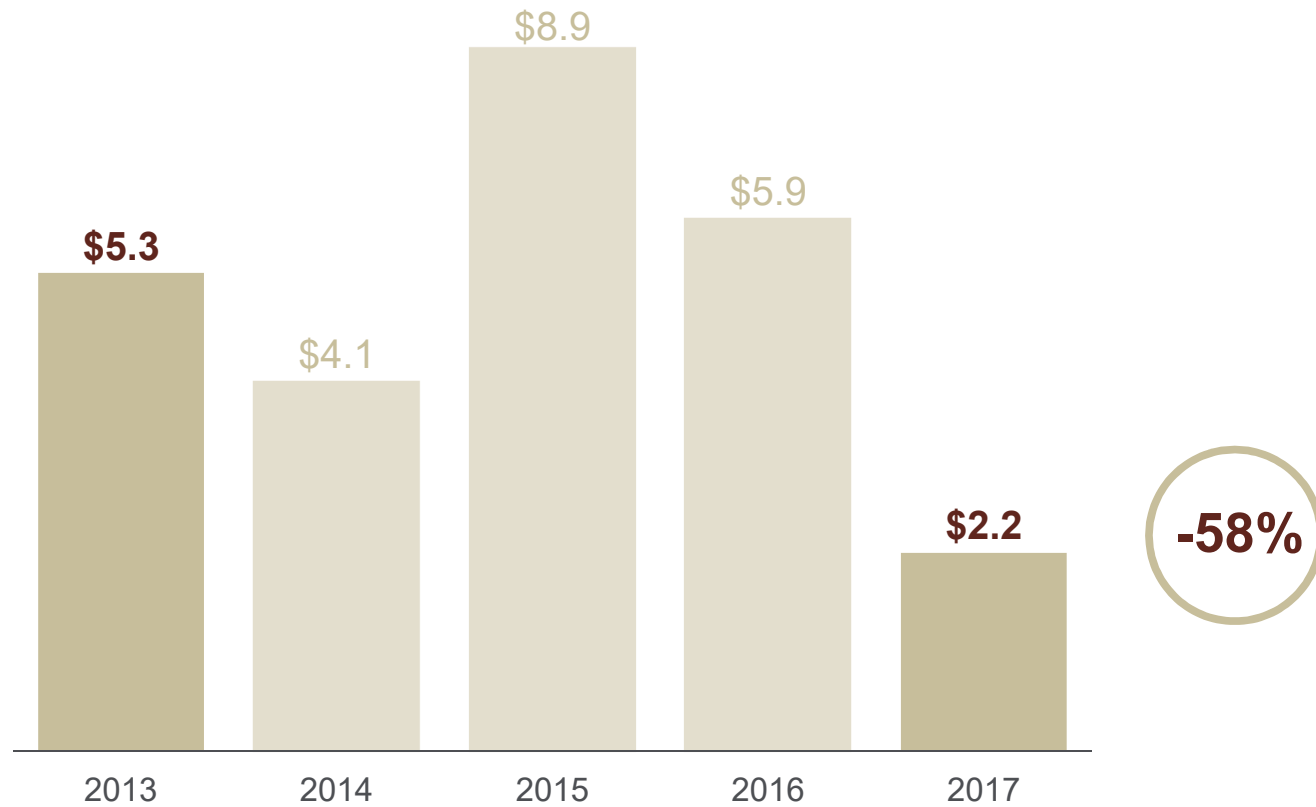
Over time, increases or decreases in the change in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.”

Page 16 of 2017 CAFR

In all of the CAFR’s used for this analysis, you will find the preceding statement issued by the Town. One must assume that the Net Position is an **important measure** of how we’re doing.

Net Position

(\$ Millions)

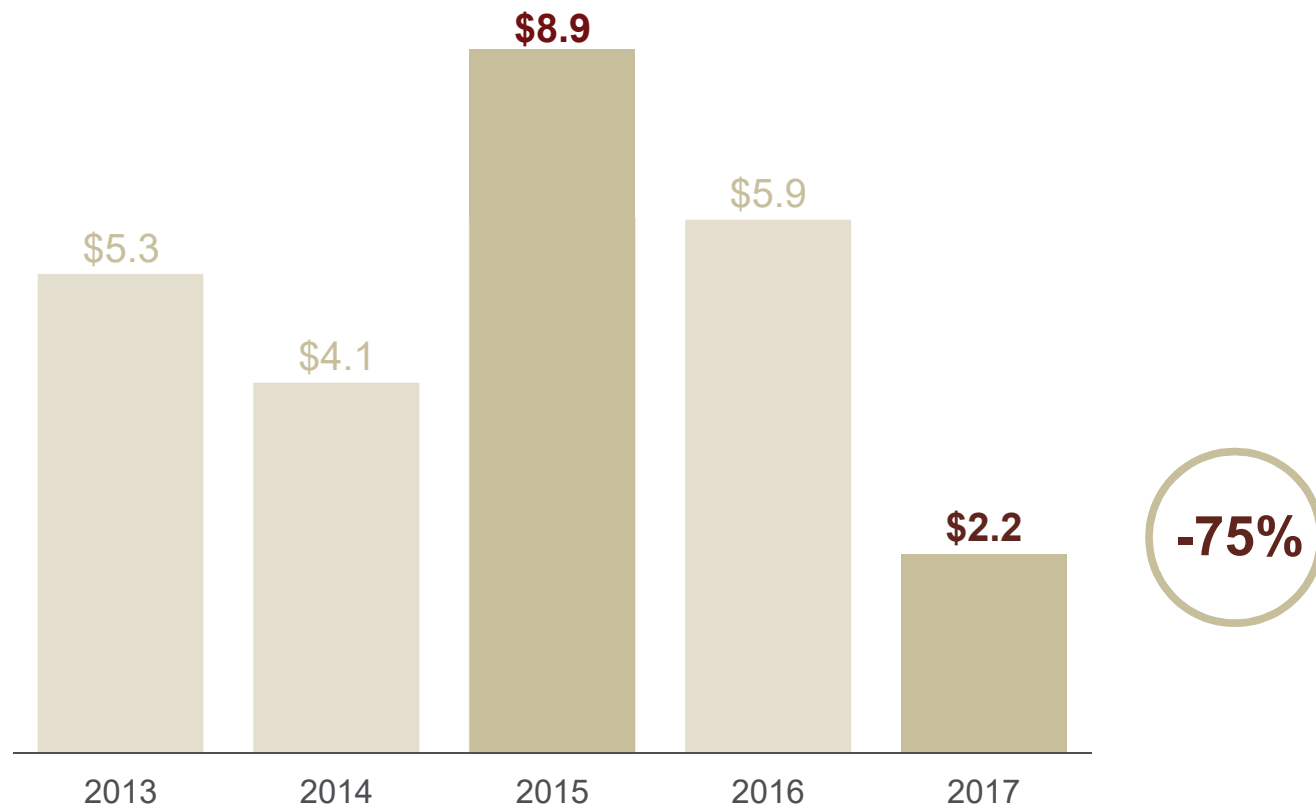


“Net Position” is a government term that means “surplus”.

See Government statement of activities for each year (accrual basis of accounting)

Net Position

(\$ Millions)



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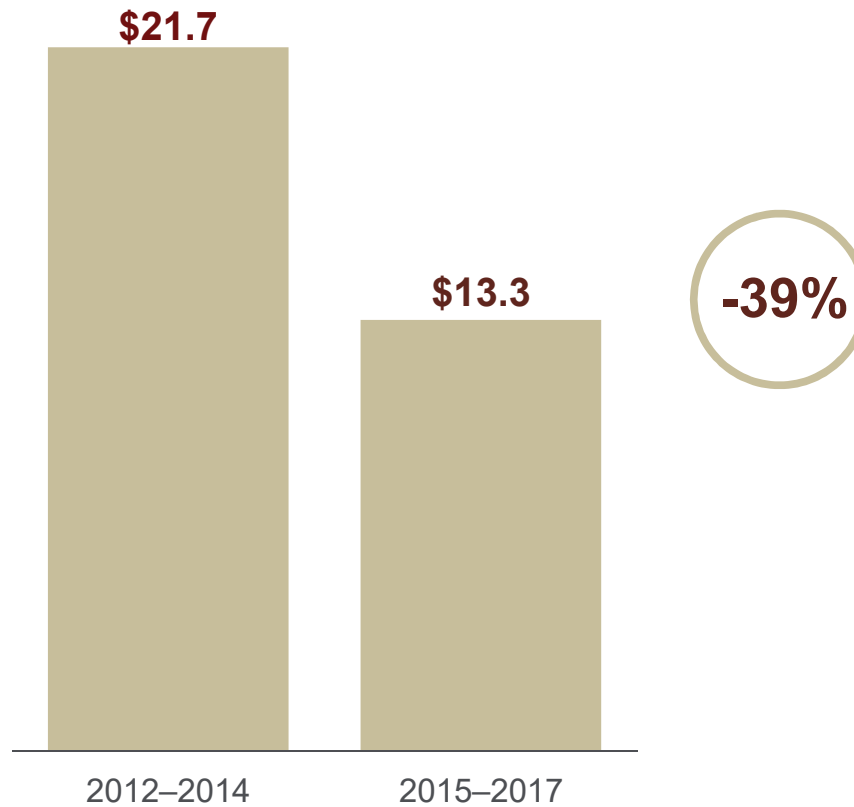
Why the Net Position should concern us

Net Position Concerns

1. A Net Position shows us whether our budget is operating at a surplus or a deficit on an annual basis.
2. Our fiscal year ends on June 30, giving us a snapshot in time and a way to compare our historical performance.
3. Our Net Position gives us measurable data and let's us know how our town has performed over a period of time.
4. Our Net Position shows us what money is available to meet our financial obligations such as paying town staff, maintaining our infrastructure, and keeping our town safe.
5. The town's financial performance has been declining over the past 5 years. We need to make significant changes to the way Los Gatos operates or the town will no longer be able to meet it's financial obligations.

Capital Expenditures

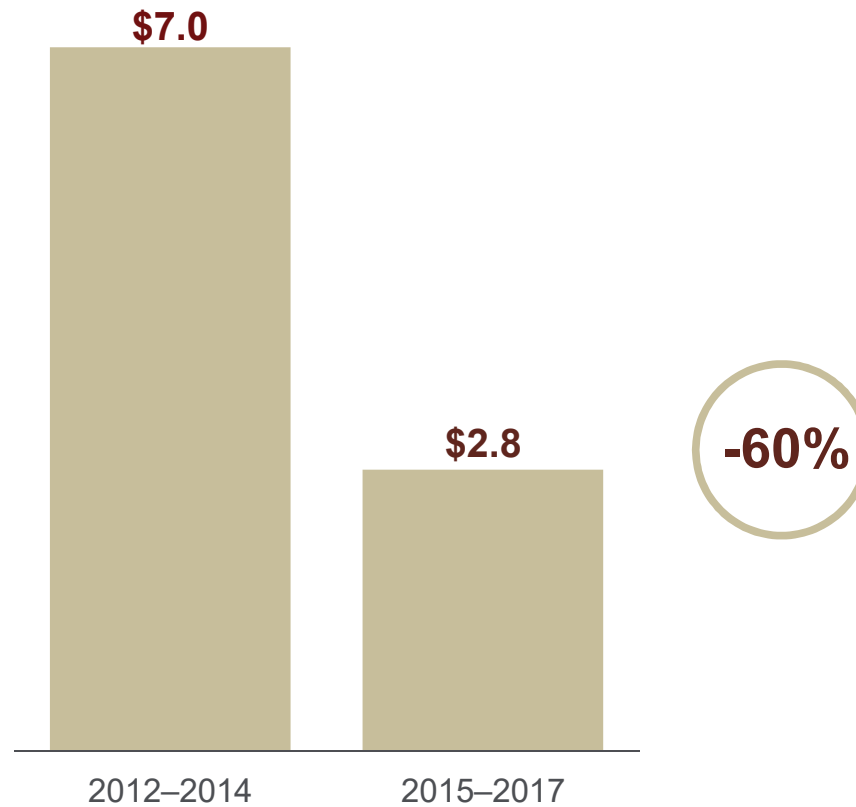
On streets, parks, vehicles and public facilities (\$ Millions)



CAFR: Capital assets

Capital Expenditures

On streets (\$ Millions)

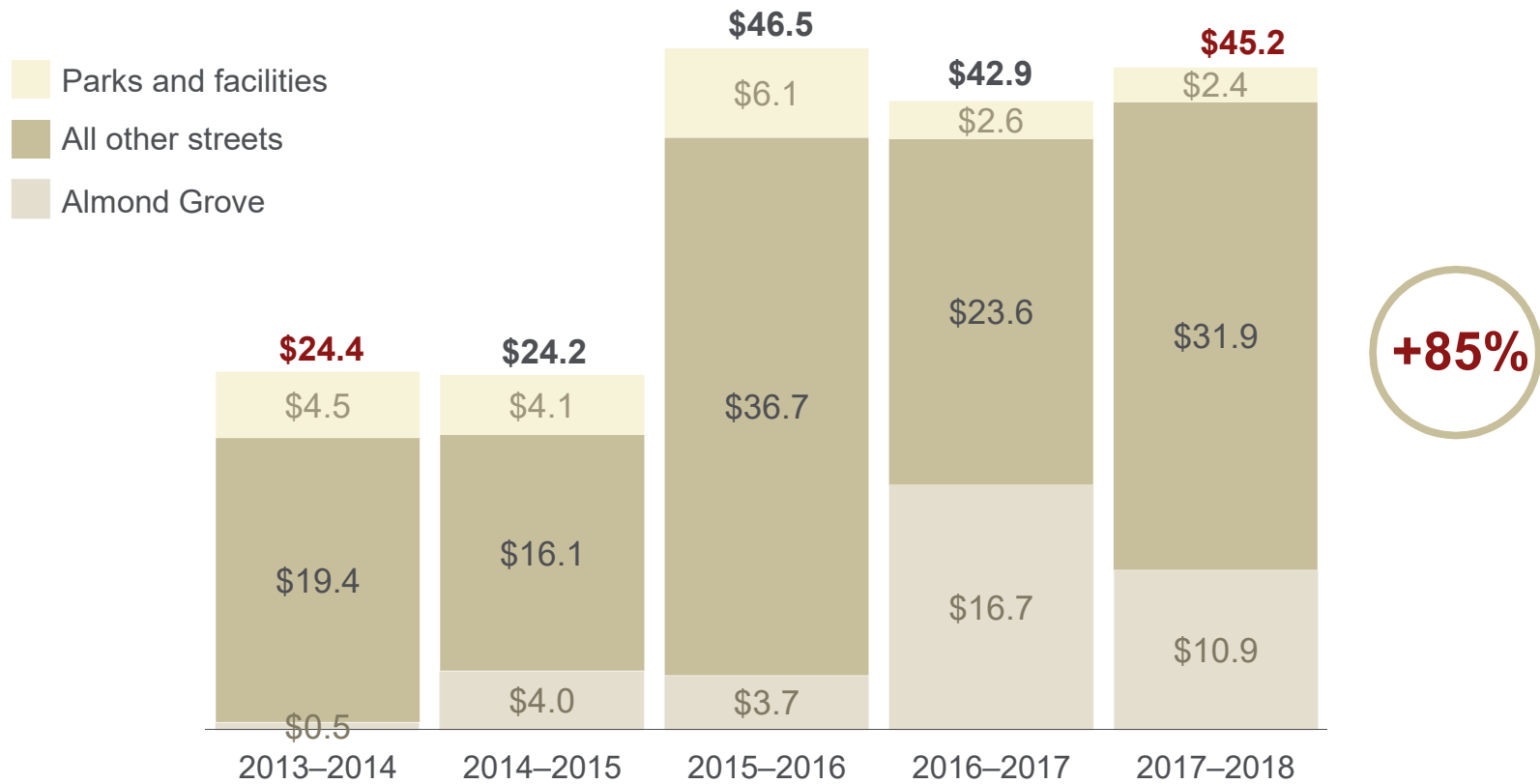


The town PCI is worse than 2 years ago which will affect how we can use Measure B money.

*Note: Excludes construction in progress for Almond Grove project totaling \$3.8M.

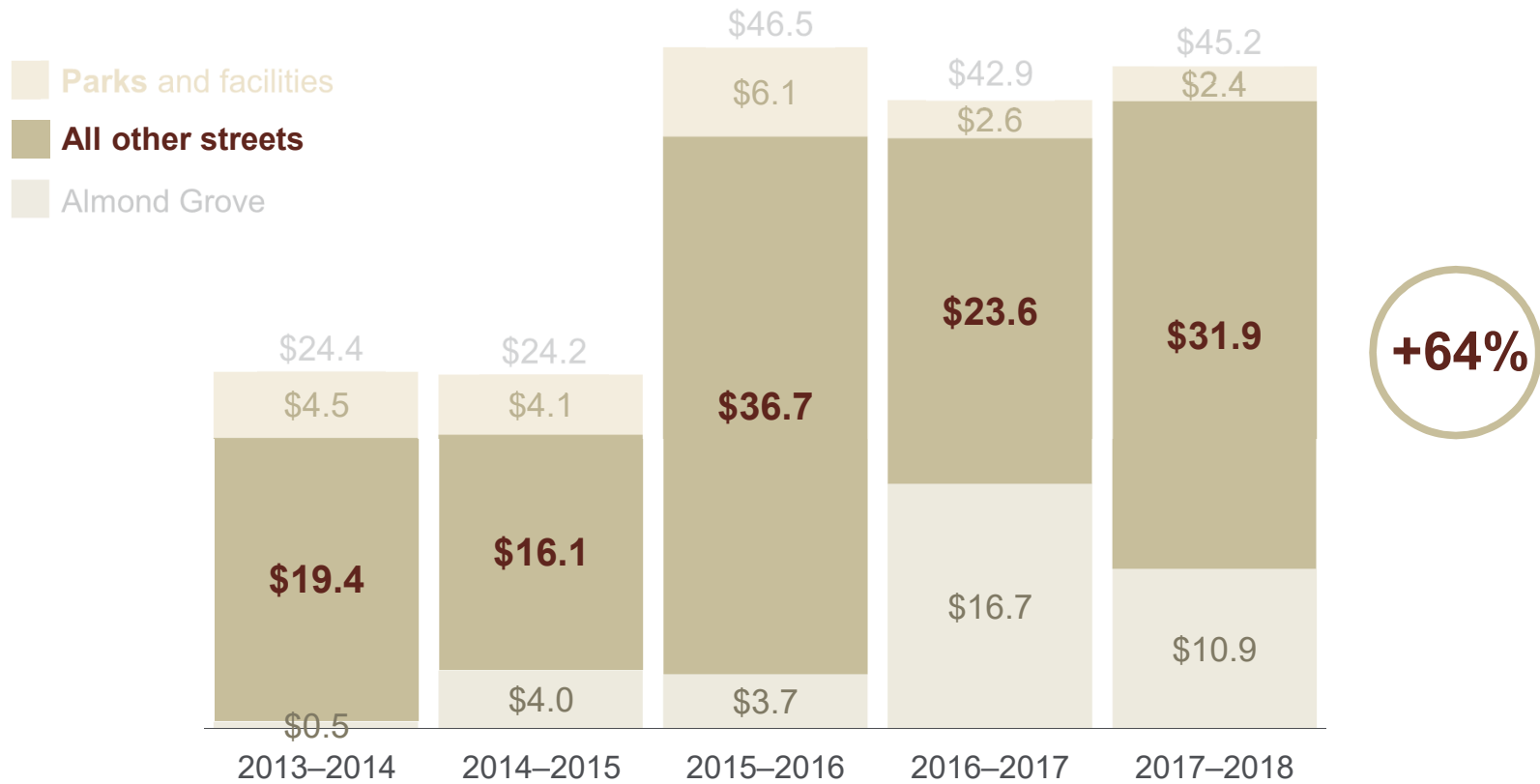
Infrastructure Needs

Capital Improvement Program 5-year Rolling (\$ Millions)



Infrastructure Needs

Capital Improvement Program 5-year Rolling (\$ Millions)



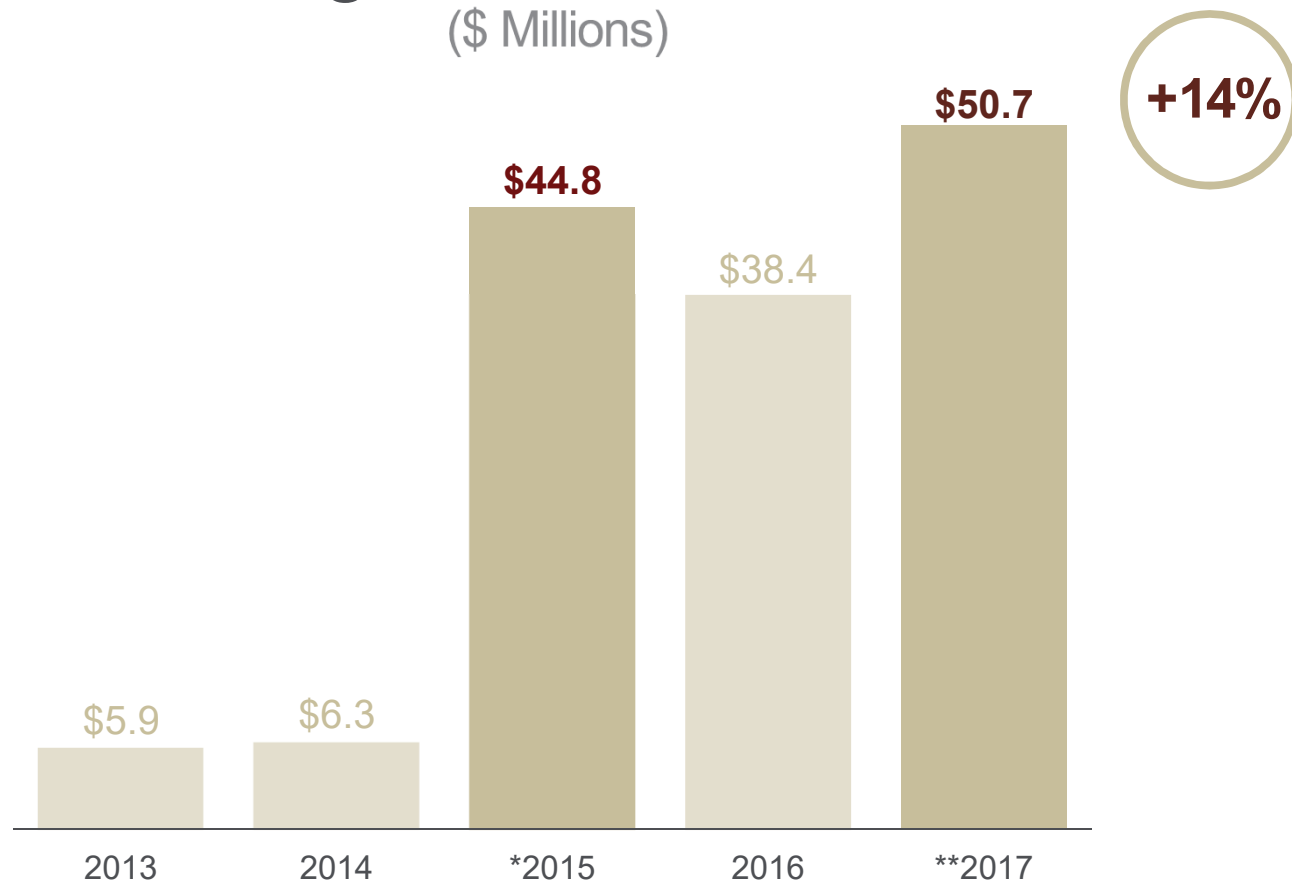
Why infrastructure costs should concern us

Infrastructure Cost Concerns

1. The data shows that our spending on the streets, parks, public facilities and vehicles are well below recommended levels.
2. As things deteriorate, the cost to repair goes up exponentially, not incrementally.
3. We may **eventually** get grant money from Measure B to fix roads. A majority of Santa Clara County citizens voted for this measure to improve the transportation system.
4. We emphasize **eventually** because right now, there is a lawsuit tying up money to improve BART, roads and infrastructure. And there may be a state measure upcoming this fall trying to repeal the fuel user tax that over 67% of us passed... just to fix roads.
5. What happens if one or both of these stops the money flow to improve the transportation system?
6. Our infrastructure needs have doubled, but where will the money come from to fix those needs?

Long-term Liabilities

(\$ Millions)

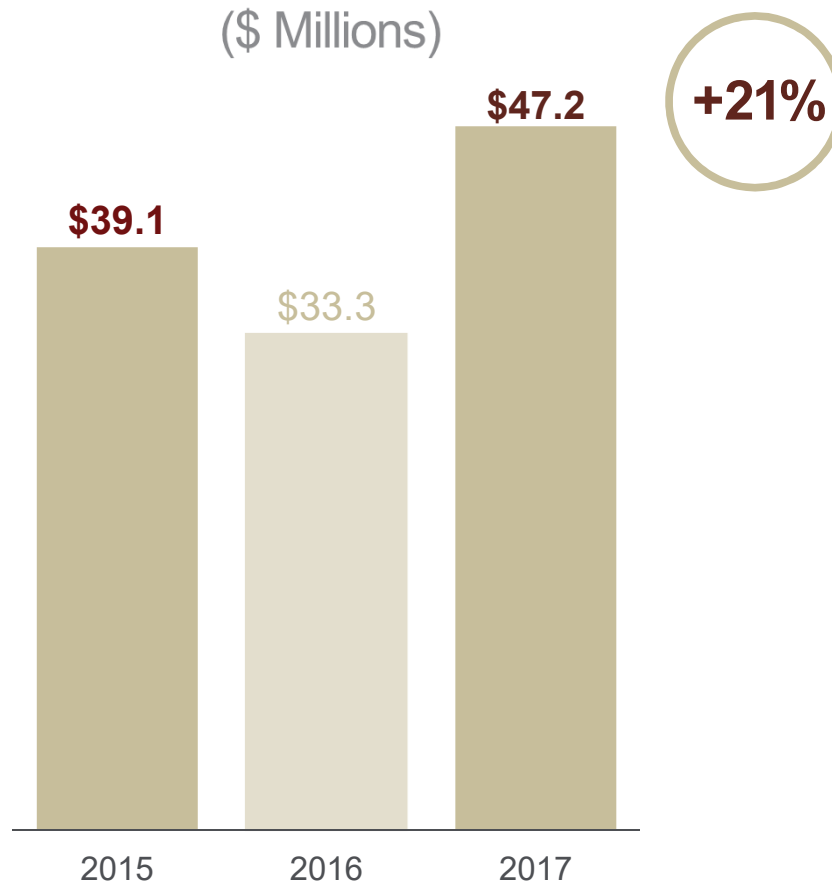


* Adoption of GASB 68 \$39.1m impact

**Excludes "non-booked" OPEB liabilities of \$12.7 Million

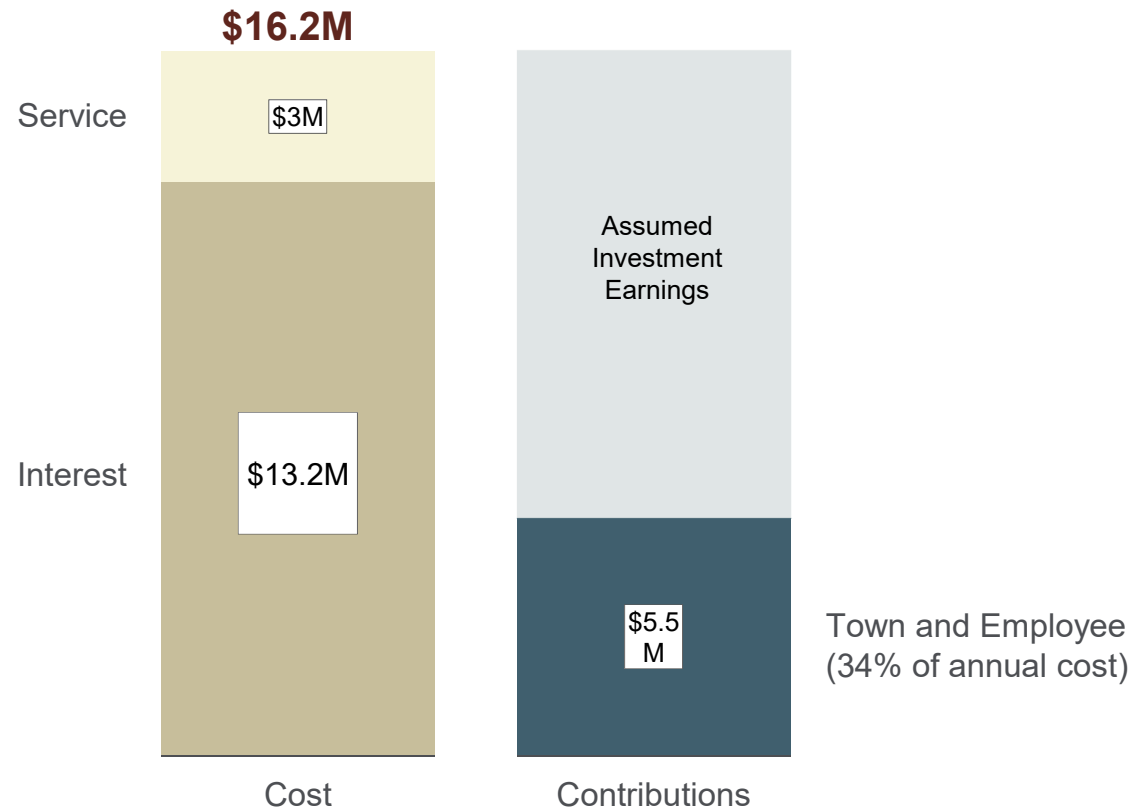
Net Pension Liabilities

(\$ Millions)



Pension Contributions

2016–2017 (\$ Millions)



Miscellaneous pension plan only

*Actual investment returns and contributions vary by year

Why pension costs should concern us

Pension Cost Concerns

1. Pension costs are consuming town and city budgets across America.
2. Towns cannot file bankruptcy to avoid paying pension obligations.
3. Towns can help pay for pension costs by raising revenues. Examples include sales tax or parcel tax increases.
4. Towns can help pay for pension costs by reducing expenses. Examples include cuts such as reducing staff (town, police), reduced road maintenance, etc.
5. Either way, pension obligations will have a significant impact on the citizens of Los Gatos.
6. Rising pension costs will require cities over the next seven years to nearly double the percentage of their General Fund dollars they pay to CalPERS – not counting the health benefits !

How are we doing?

Net expense government activities have grown over the past 5 years	+33%
General revenues have increased over past 5 years	+15%
Change in net position has declined since 2013	-58%
Capital expenditures for streets have been reduced resulting in pavement index condition declining from 70 to 65	-60%
5 year Capital Improvement P needs have increased	+85%
Net pension liabilities have increased over the past 3 years	+21%

Our expenses are growing faster than our revenues; our roads PCI index's are deteriorating; our infrastructure needs far exceed our ability to pay for them, and our pension liabilities are at an all time high; increasing in 2018 with the increase of \$12.7 million of OPEB

How do we compare with neighboring towns?

Comparison

1. Much of the financial data in these graphs will come from 2014 CAFR data as provided by each city. The data comes from the Local Agency Formation Commission (LAFCO). They do not issue this report consistently; thus, 2014 is the most current data I have.
2. Seven nearby cities were identified to see how Los Gatos compares to similar cities and towns close to our size.
3. Our financial condition has become worse since 2013, and doesn't look that good this year either.
4. The Town Council may recognize the need to change with this data. With that said, the changes needed may be bigger than we all realize.
5. And with that said, the slower we change, the more costly it will be to make things right.

PERSONNEL

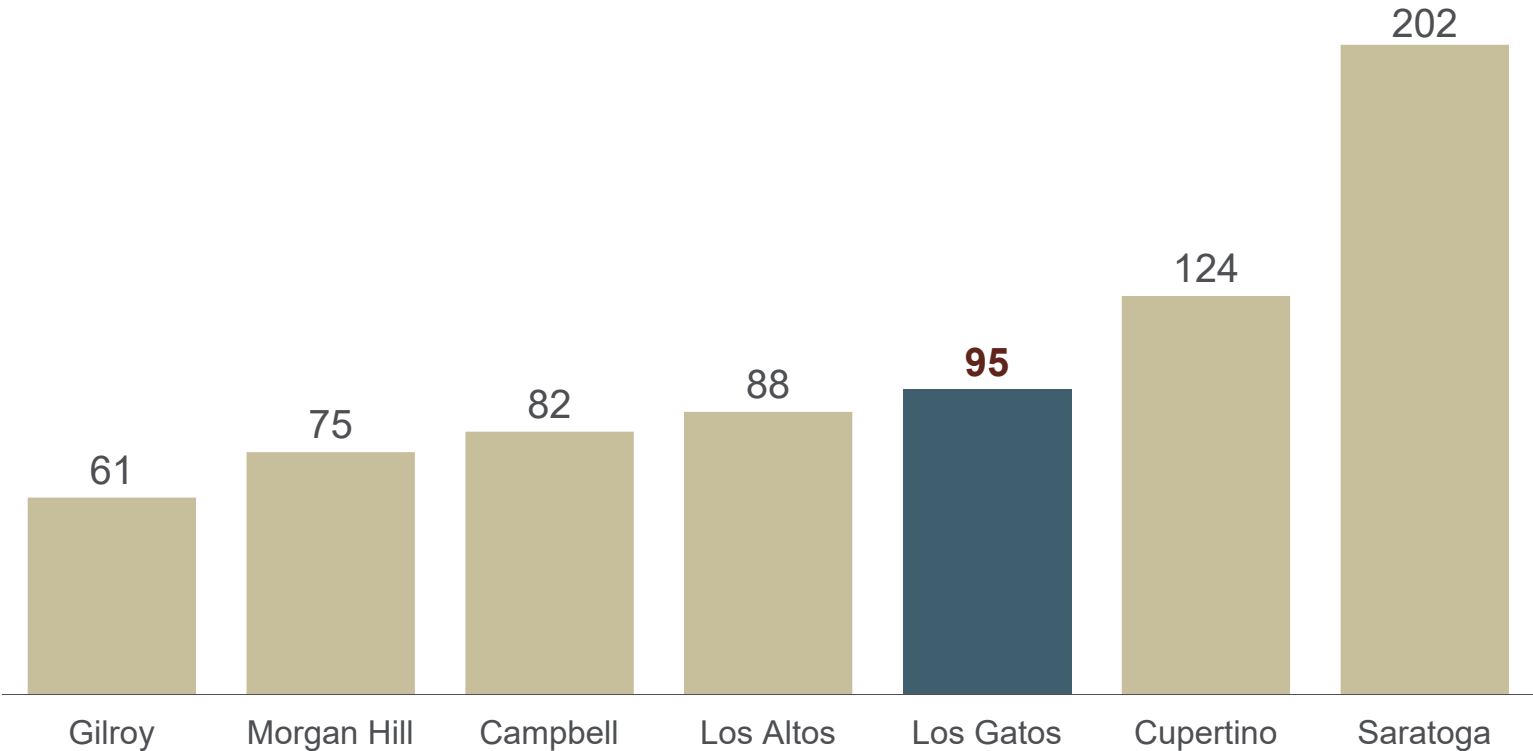
REVENUE

LIBRARY

POLICE

PENSION DEBT

Households Per City Employee



PERSONNEL

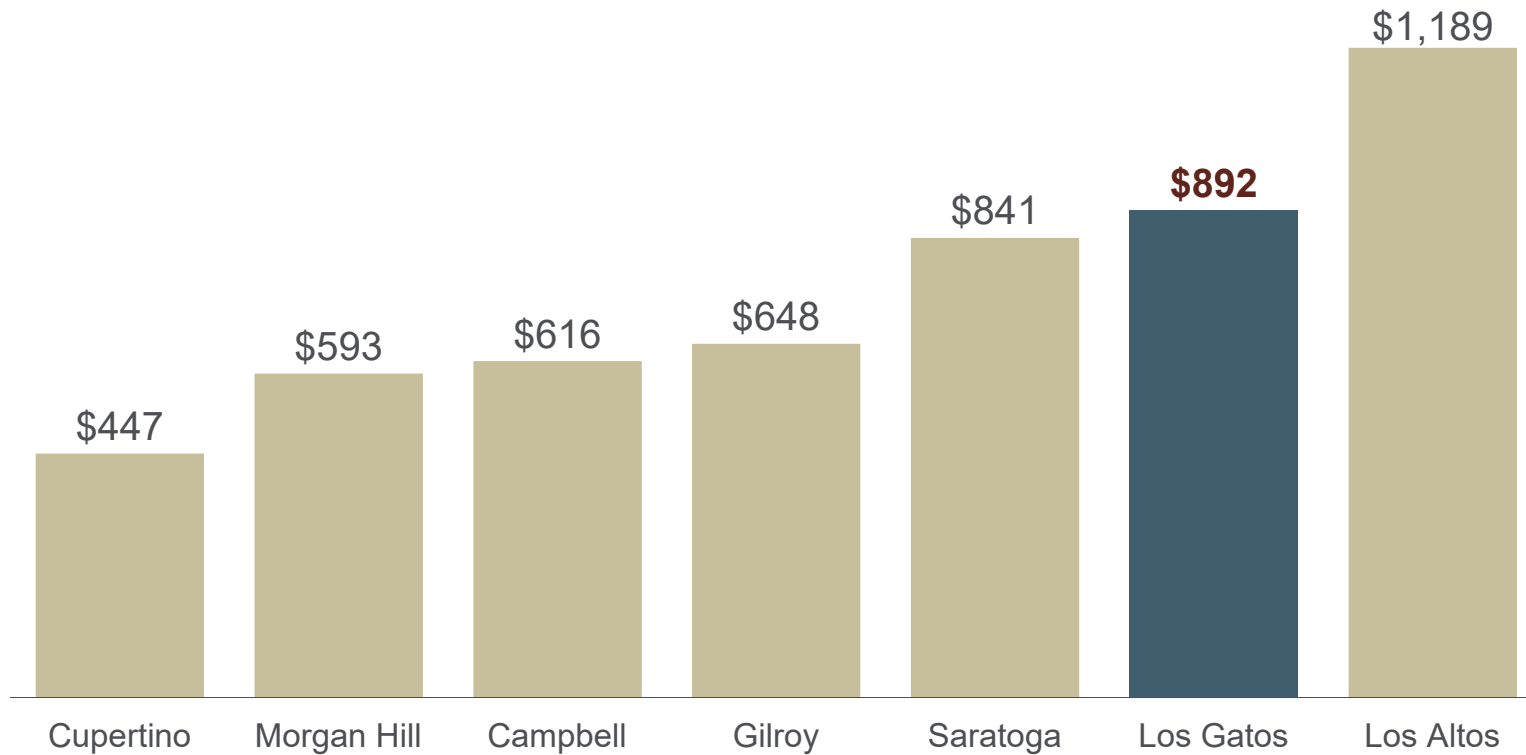
REVENUE

LIBRARY

POLICE

PENSION DEBT

Property Tax Per Household



REVENUE

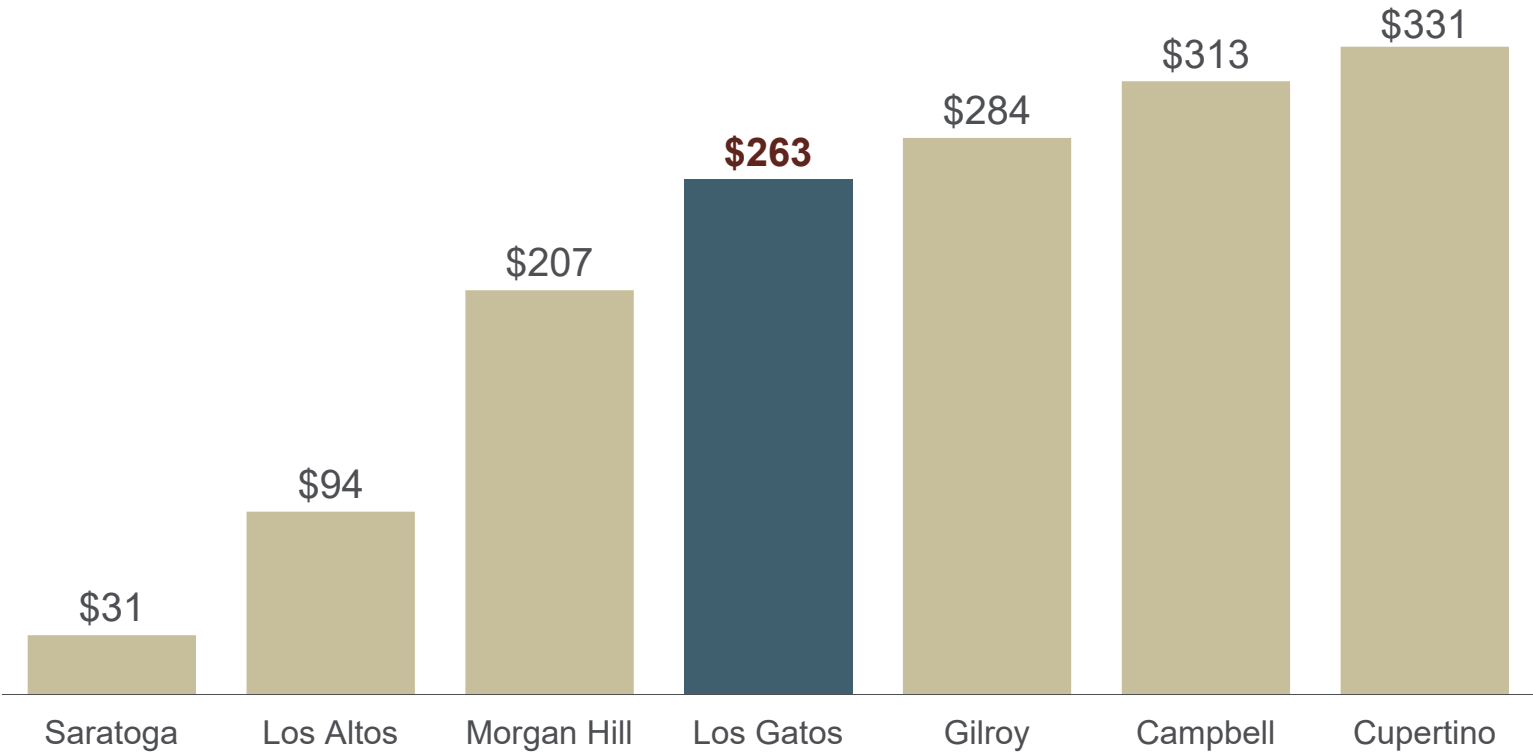
PERSONNEL

LIBRARY

POLICE

PENSION DEBT

Sales Tax Per Capita



REVENUE

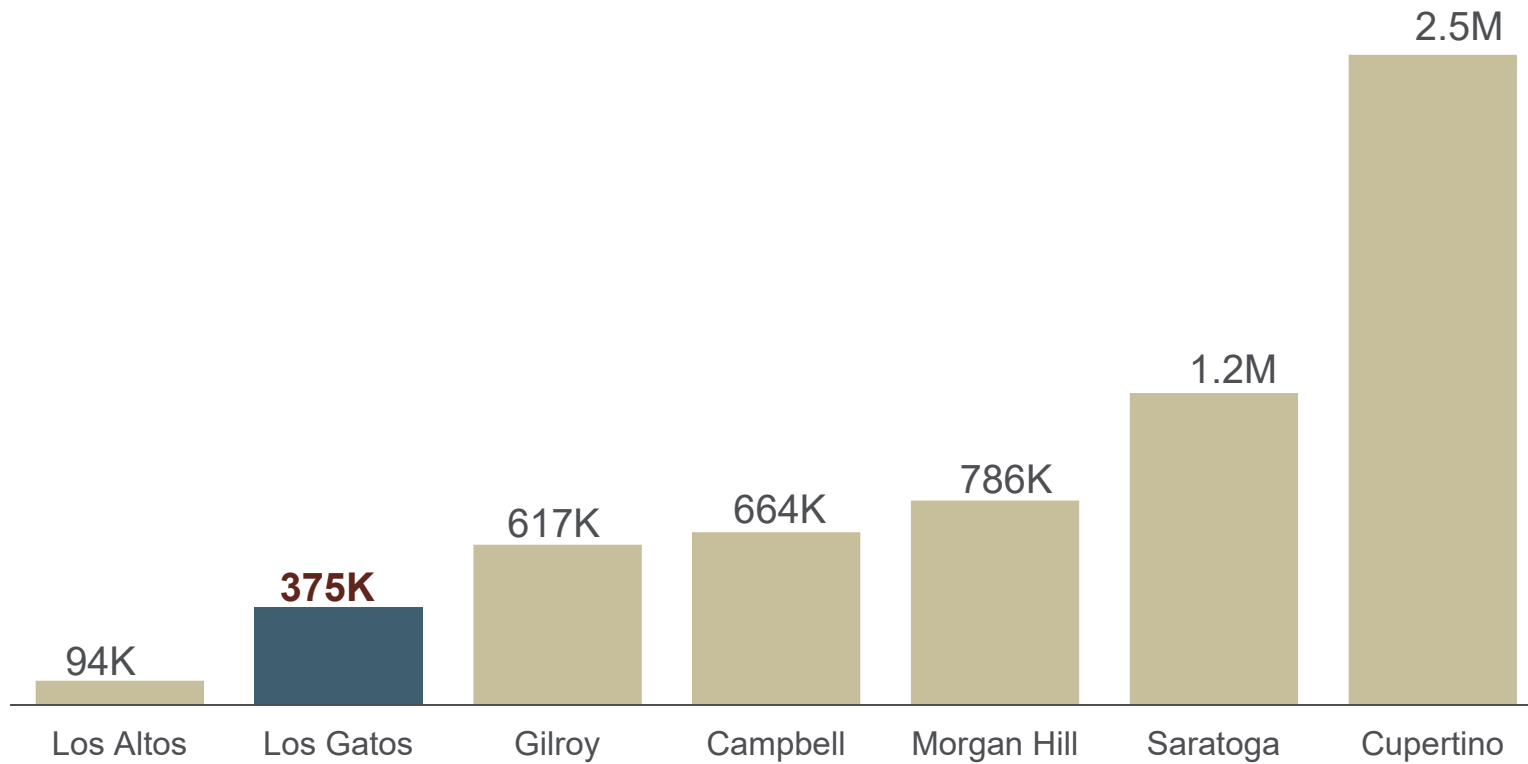
PERSONNEL

LIBRARY

POLICE

PENSION DEBT

Print Circulation



LIBRARY

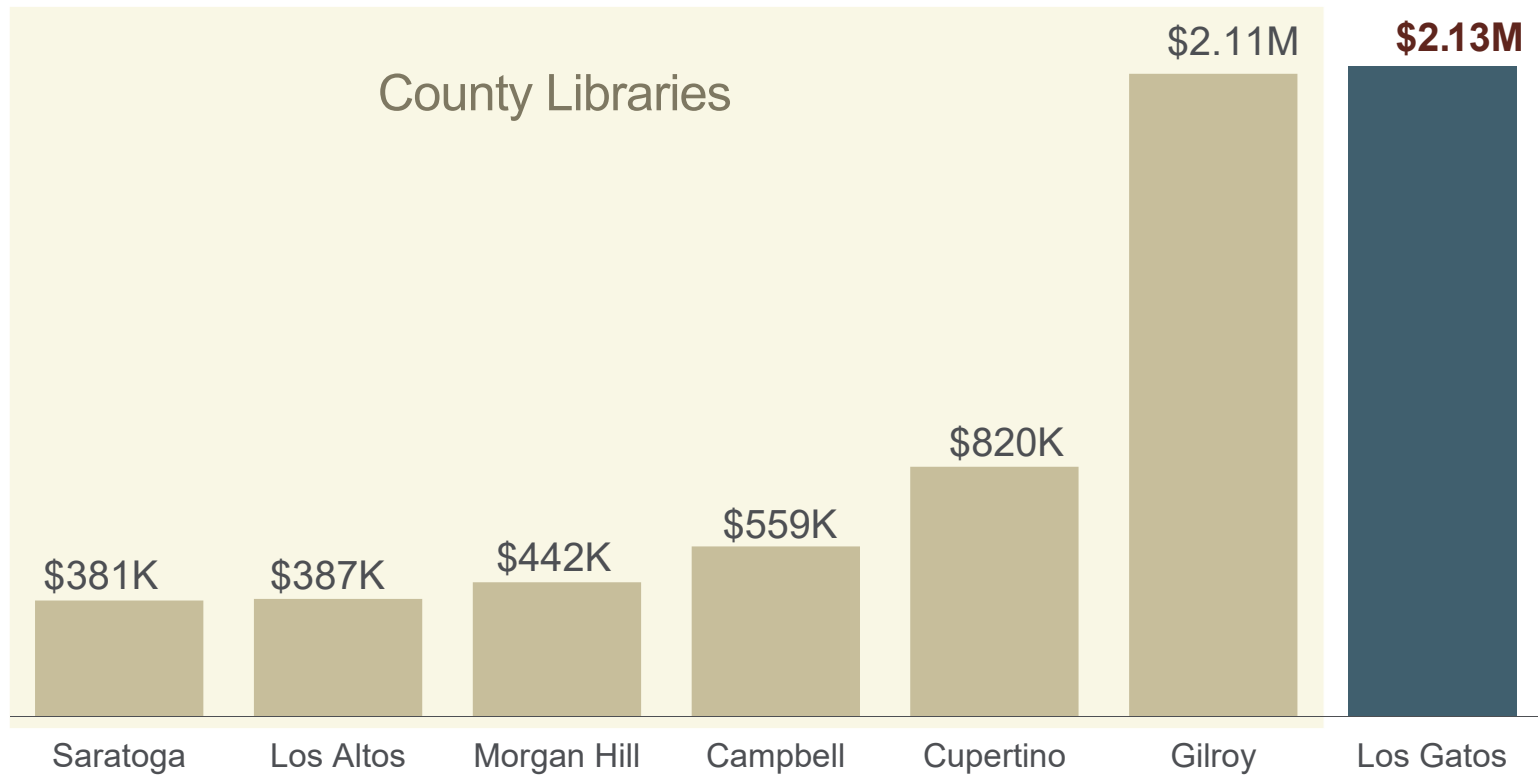
PERSONNEL

REVENUE

POLICE

PENSION DEBT

Annual Cost



LIBRARY

PERSONNEL

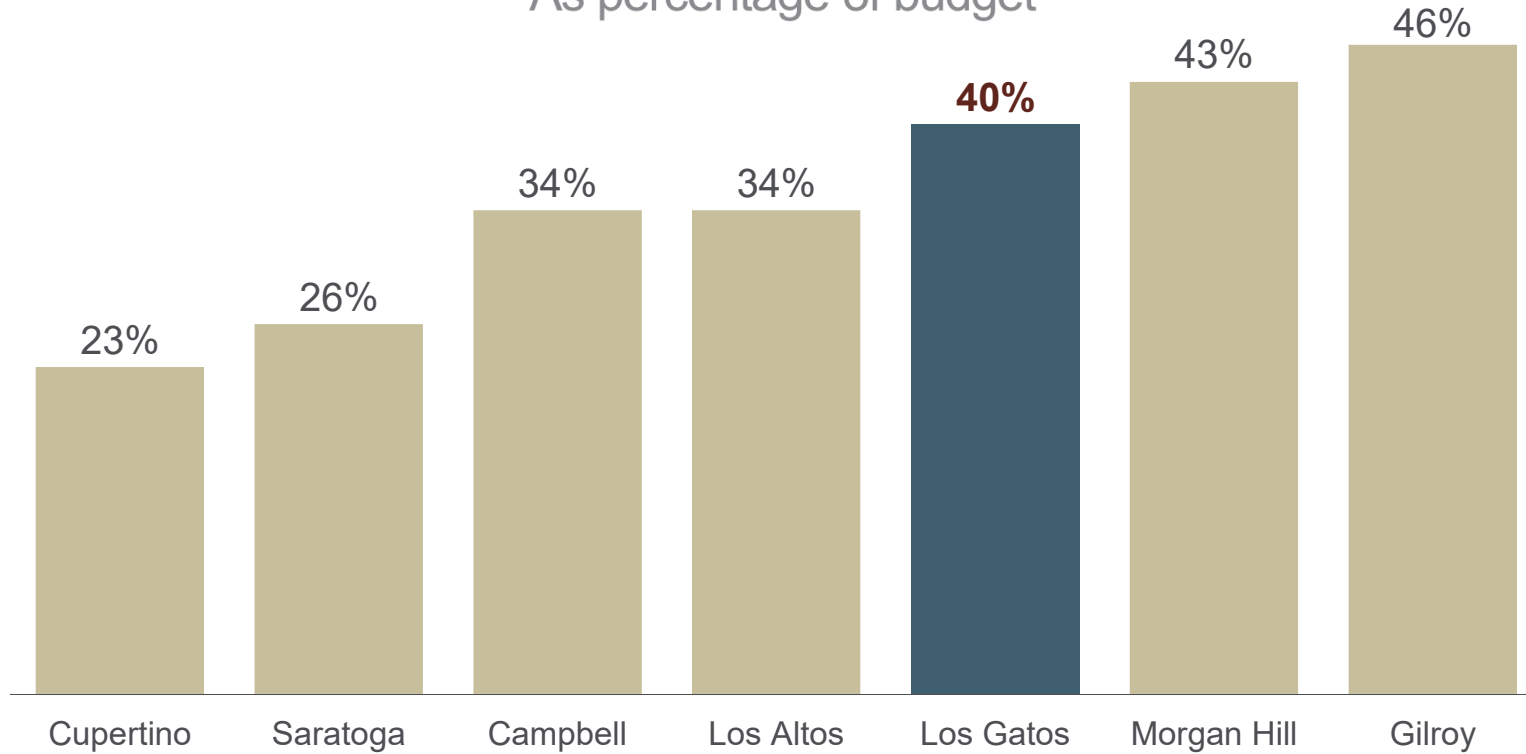
REVENUE

POLICE

PENSION DEBT

Police Costs

As percentage of budget



POLICE

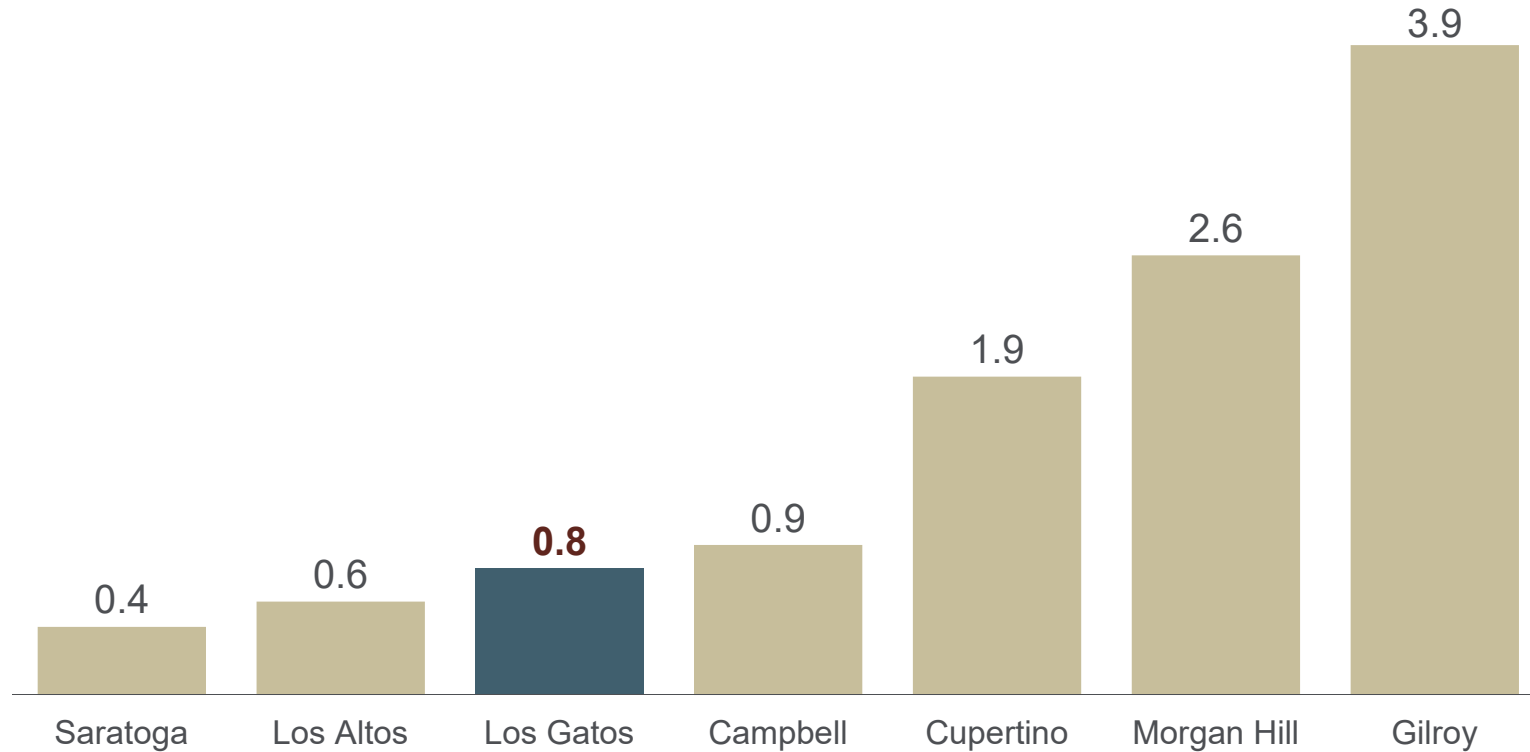
PERSONNEL

REVENUE

LIBRARY

PENSION DEBT

Calls Per Household



POLICE

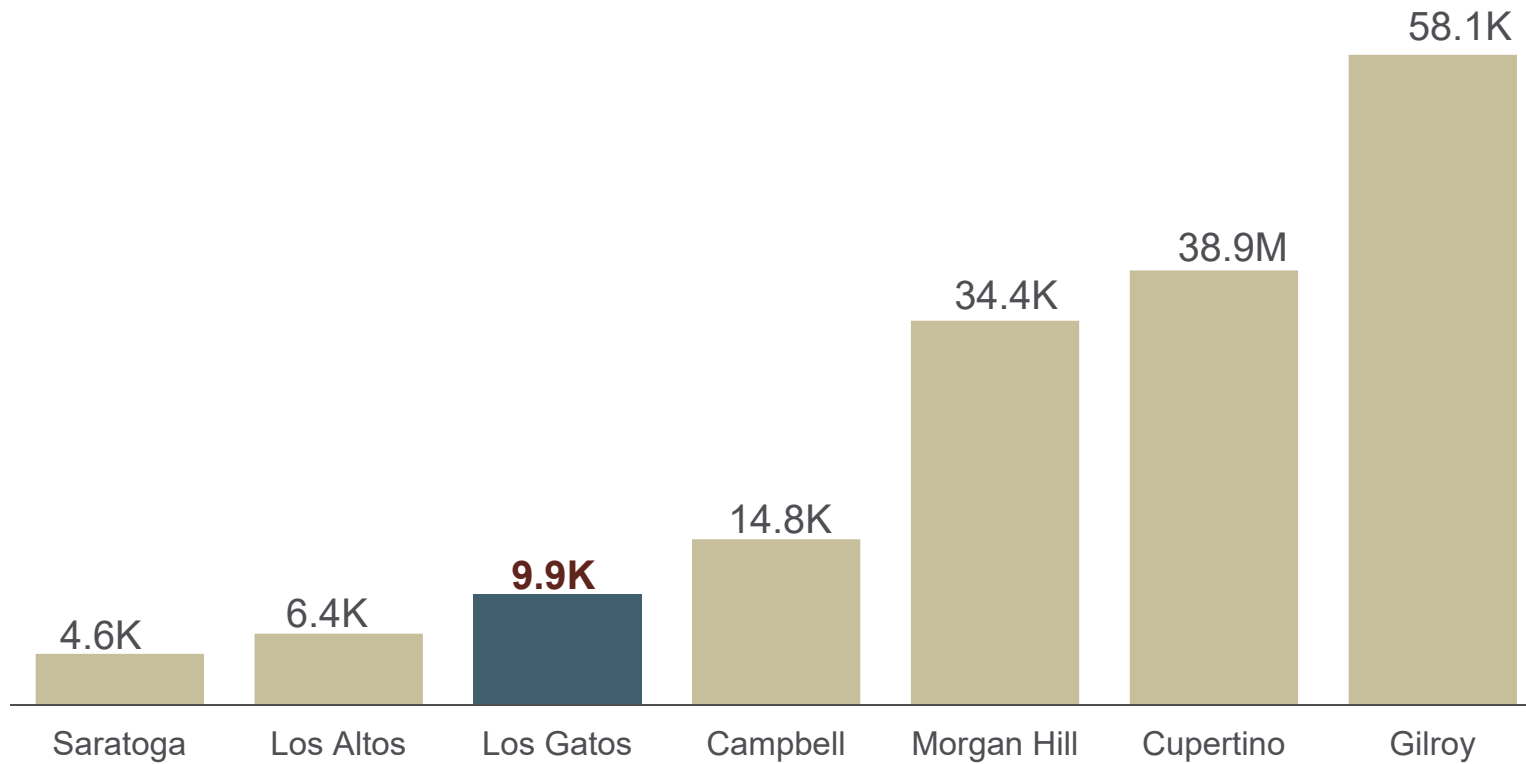
PERSONNEL

REVENUE

LIBRARY

PENSION DEBT

Total Service Calls



POLICE

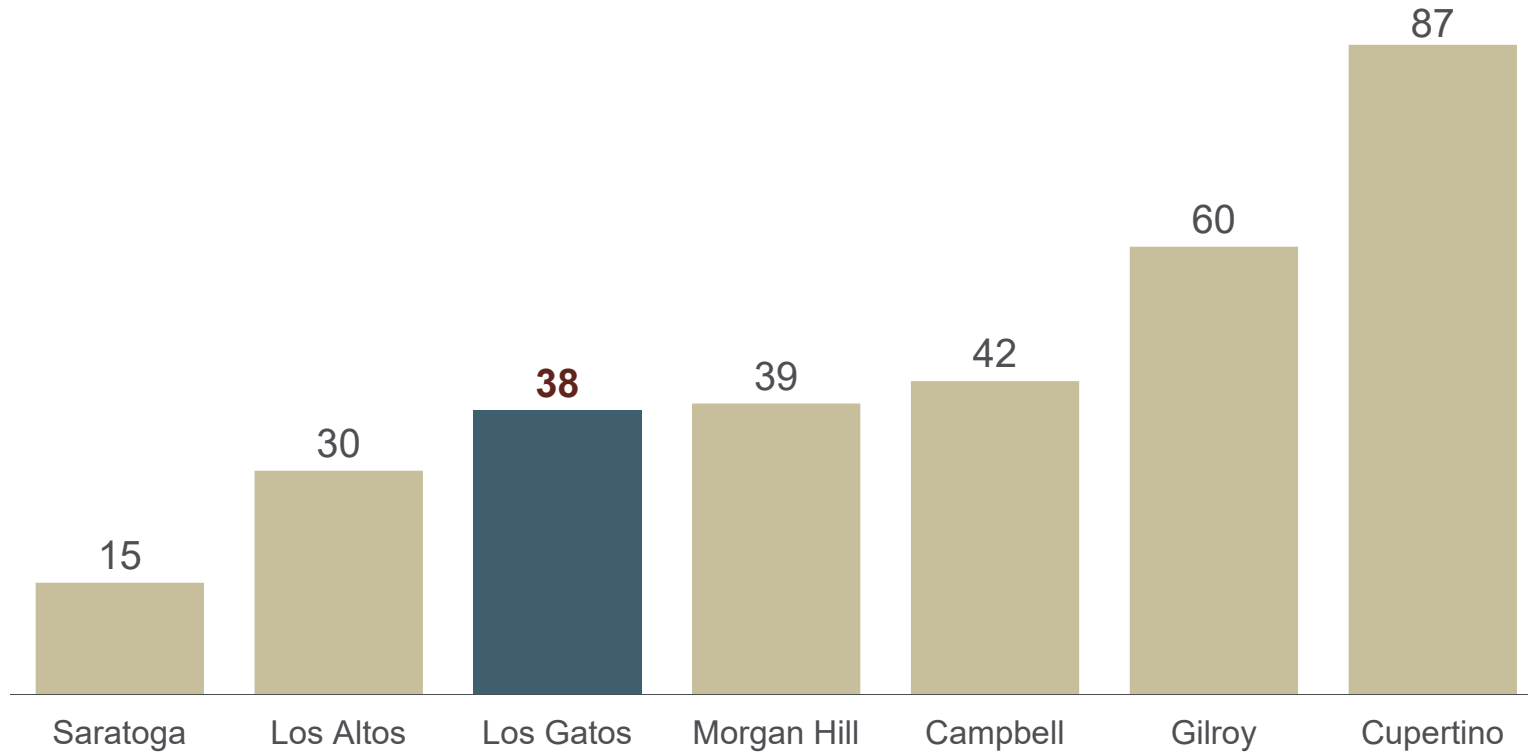
PERSONNEL

REVENUE

LIBRARY

PENSION DEBT

Sworn Officers



POLICE

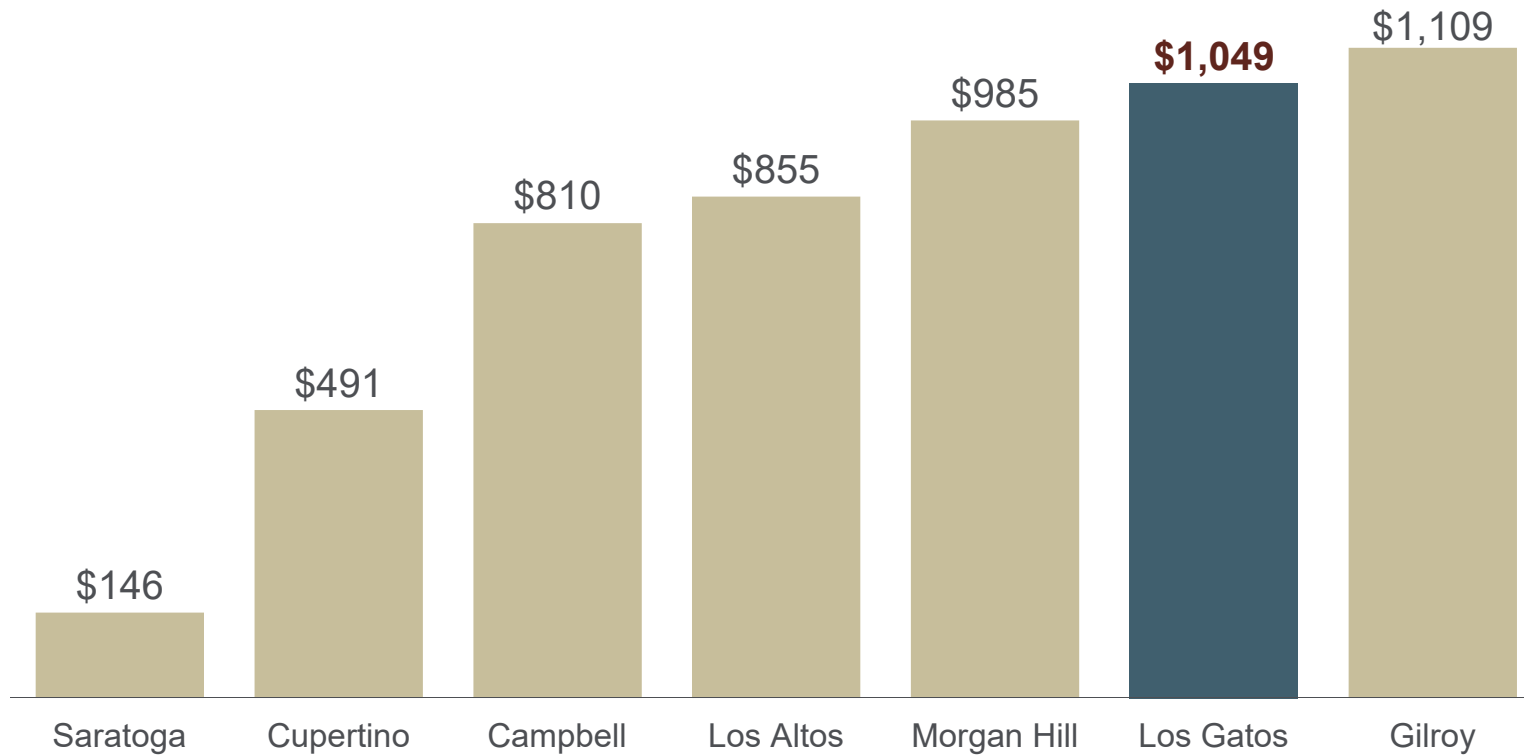
PERSONNEL

REVENUE

LIBRARY

PENSION DEBT

Police Cost Per Household



POLICE

PERSONNEL

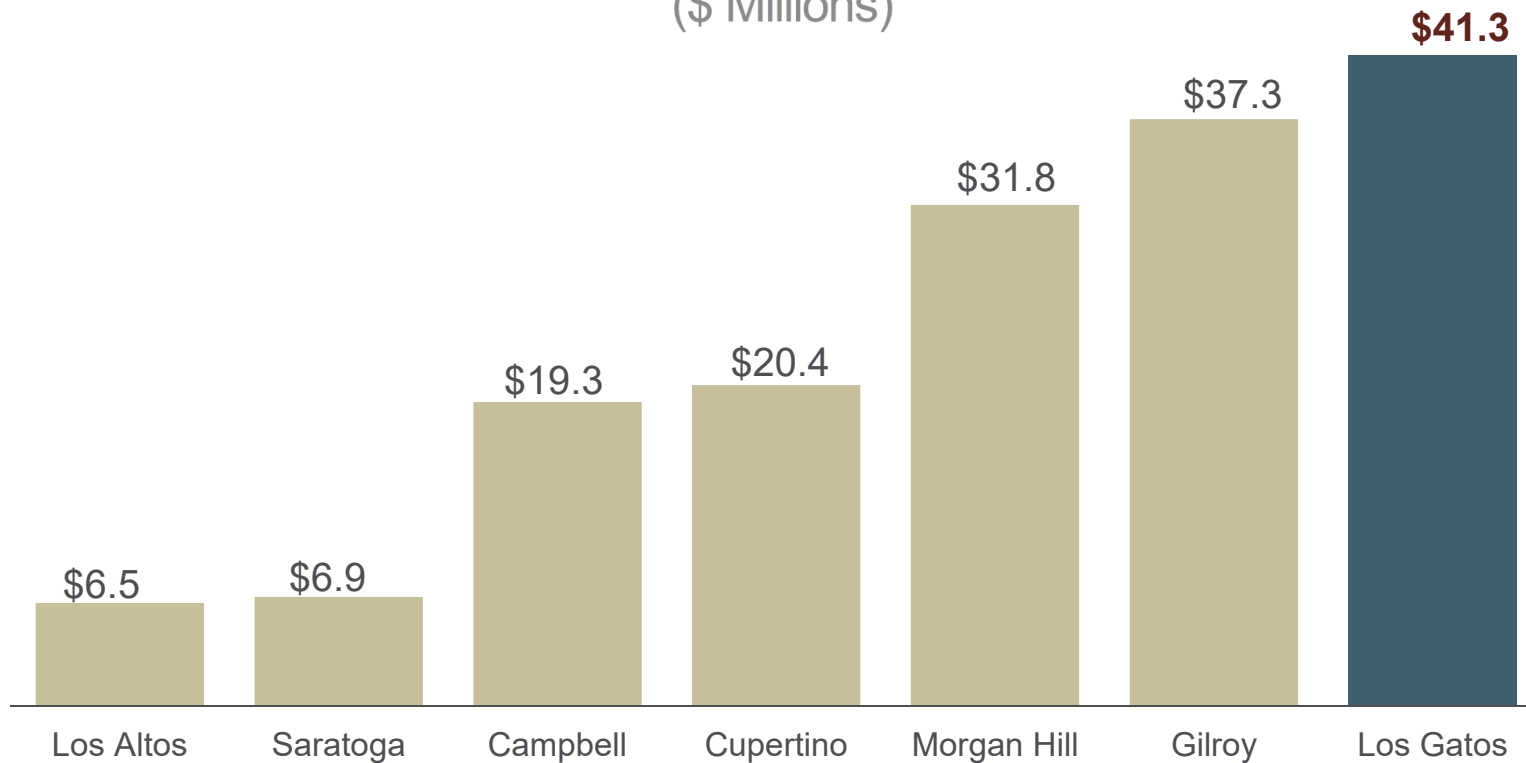
REVENUE

LIBRARY

PENSION DEBT

Total Unfunded Liability

(\$ Millions)



PENSION DEBT

Health Benefits are
not included

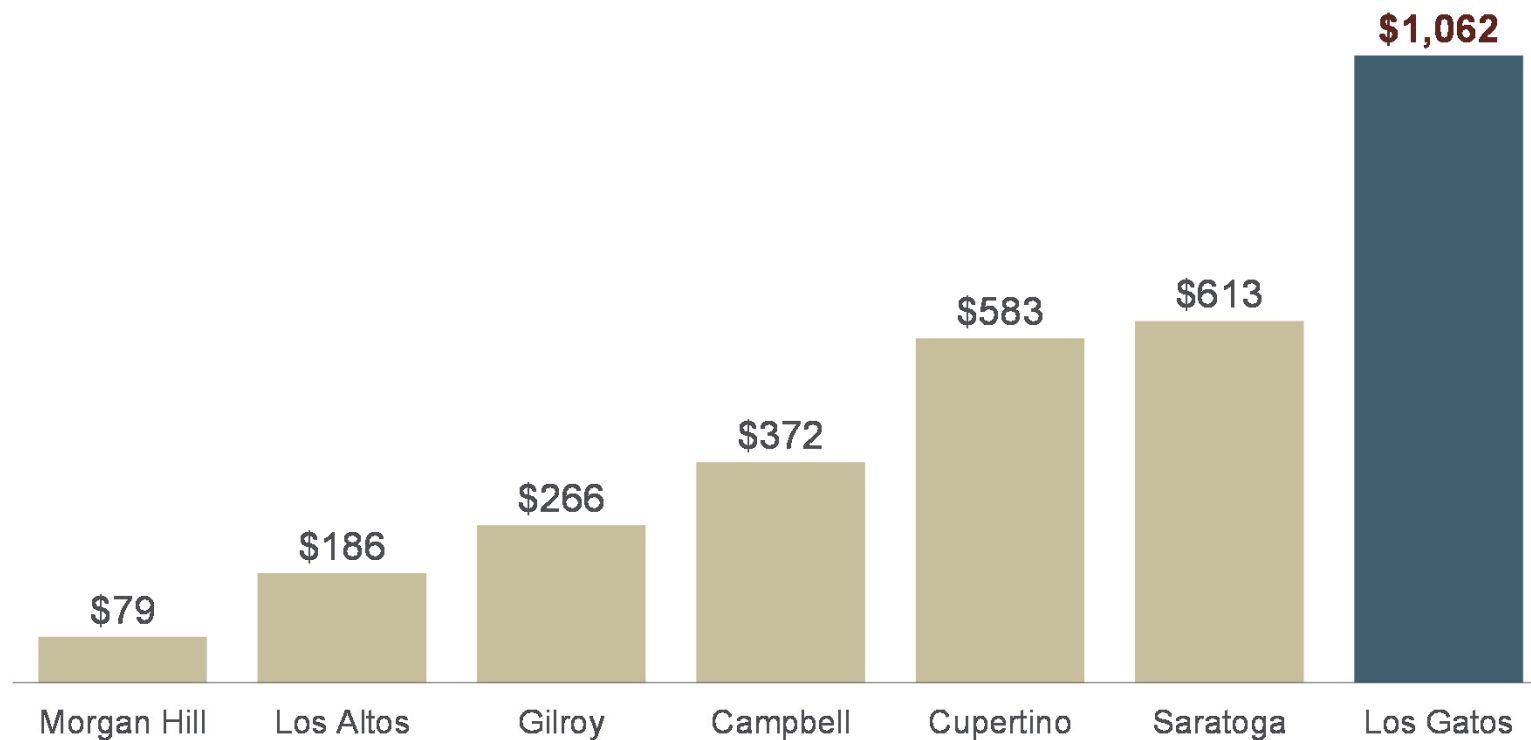
PERSONNEL

REVENUE

LIBRARY

POLICE

Other Personnel Employee Retirement Benefits Per Household



PENSION DEBT

Health Benefits are
not included

PERSONNEL

REVENUE

LIBRARY

POLICE

Why Los Gatos should be concerned

Los Gatos Concerns

1. If you decide to raise revenues, reduce expenses, or both, it's good to know how we compare to other similar neighboring towns. We made need to cut services and personnel and/or raise taxes.
2. We lead a good life in Los Gatos, but until recently, revenues and expenses were in better balance. As of 2Q 2018, we're still having to borrow from reserves to balance the budget.
3. We live in a wealthy community based on average income and property values. Unfortunately, since 2013, net revenues have increased only 15% while net expenses have increased 33%. Individually, we're doing well but our town isn't.
4. The current financial condition of the town may soon have an impact on the value of your home, the ambiance of the city, and the education of the children.
5. This information does not consider the problems the schools have with their own pension plans which are also daunting.

It's easy to point out what's not right, but much more difficult to fix things. Only a committed citizenry and staff lead by a strong, knowledgeable Town Council will solve these problems.