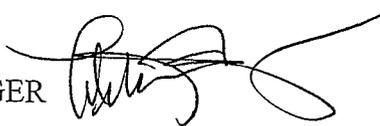




MEETING DATE: 10-04-04

ITEM NO. 4

COUNCIL AGENDA REPORT

DATE: SEPTEMBER 28, 2004
TO: MAYOR AND TOWN COUNCIL
FROM: DEBRA J. FIGONE, TOWN MANAGER 
SUBJECT: ACCEPT FISCAL YEAR 2003-04 ANNUAL REPORT

RECOMMENDATION:

Accept Fiscal Year 2003-04 Annual Report.

BACKGROUND:

Town Code requires the Town Manager to provide an annual report after the close of the fiscal year.

DISCUSSION:

In the past, the Annual Report has been presented to the Town Council in an administrative report format. Last year, staff produced the report in a large-scale newsletter format and distributed it to all households in Town as an insert in the Fall *Vista* newsletter. This format and distribution enabled the Town to share the Town's accomplishments with more Los Gatos residents and businesses in keeping with the Council's goal of enhancing communication and outreach efforts throughout the community. This approach is continued this year.

The newsletter version of the FY 2004-05 Annual Report will be available and mailed to all Los Gatos addresses the week of October 4th following the Council meeting. Additional copies of the Annual Report will be available for distribution throughout the year.

ENVIRONMENTAL ASSESSMENT:

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



PREPARED BY: PAMELA S. JACOBS
ASSISTANT TOWN MANAGER

N:\MGRP\Jacobs\Council Reports\03-04 Annual Report.wpd

Reviewed by: _____ Assistant Town Manager OL Town Attorney _____ Clerk SE Finance
_____ Community Development Revised: 9/28/04 7:53 am

Reformatted: 5/30/02

PAGE 2

MAYOR AND TOWN COUNCIL

SUBJECT: ACCEPT FISCAL YEAR 2003-04 ANNUAL REPORT

(September 28, 2004)

FISCAL IMPACT:

Funds for producing the incremental cost for printing the FY 2002-03 Annual Report are available in the Town Manager's budget.

Attachment:

1. 8x11 copy of the Fiscal Year 2002-03 Annual Report



Annual Report

TOWN OF LOS GATOS FY 2003/2004

We are pleased to present the community with the second Town of Los Gatos Annual Report produced in large-scale newsletter format and distributed to all households in Town. If you received last year's report, you know that the Annual Report highlights some of the accomplishments of the Town and its partners as we provide day-to-day municipal services and strive to enhance the quality of the community.

This Fiscal Year 2003/04 Annual Report covers the Town's efforts over the period from July 2003 through June 2004. Not only do we think it is important for you to know about the Town's accomplishments, but it is important for us to know what you think about the services we provide. That is why we conducted a community satisfaction survey during the year (see the right-hand column on this page). The results of the survey indicate that residents are generally satisfied with the job the Town government is doing. This is meaningful to us as it suggests we are following our guiding principles of *Small Town Service, Community Stewardship, and Future Focus* as we deliver services to the Los Gatos community.

— Debra J. Figone, Town Manager

Community Satisfaction Survey

In September 2003, the Town engaged a survey consultant to conduct a satisfaction survey of Los Gatos residents. Telephone interviews of 400 randomly-selected adult residents produced statistically valid results for the questions answered by most of those surveyed. The entire survey is available on the Town's website, www.losgatosca.gov. Key findings of the survey include:

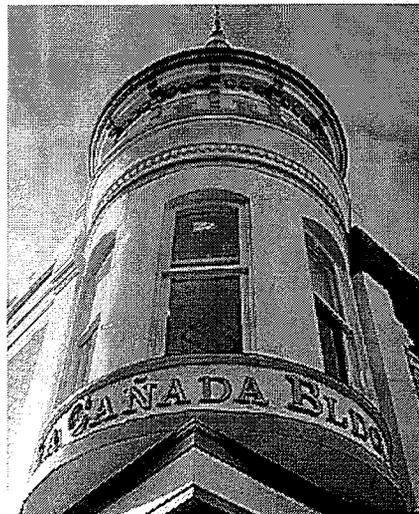
Town Council
Steve Glickman,
Mayor
Mike Wasserman,
Vice-Mayor
Sandy Decker
Diane McNutt
Joe Pirzynski

Los Gatos residents love Los Gatos — An amazing 97% said that Los Gatos is a good or excellent place to live, with the vast majority (75%) saying "excellent." This result is higher than found in most communities. Residents also thought many quality of life attributes were good or excellent; at least three-fourths thought the appearance and cleanliness of the Town, feeling of safety, recreational opportunities, safety of pedestrians, and arts and cultural opportunities were good or excellent.

Residents are satisfied with Los Gatos services — At least three-fourths of respondents said they were satisfied with the Town's efforts to provide community events, inform the community about services and events, and maintain parks, streets, sidewalks, trees, street lights, and trails.

Through the community survey, targeted surveys associated with particular services, and ongoing communication with our customers, the Town seeks to learn how we can best meet the needs of the community. We plan to do another community survey in 2005.

Town Manager



As you read this Annual Report, you'll see accomplishments that illustrate the principles of *Small Town Service, Community Stewardship, Future Focus*. We invite you to read on about the efforts the Town is making to keep Los Gatos a special community, with your help.

Community Programs and Outreach

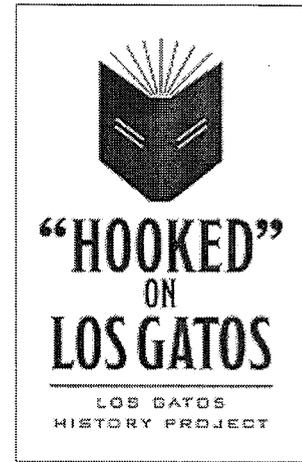
Hooked on Los Gatos

The Los Gatos History Project

The Los Gatos History Project, nicknamed "Hooked on Los Gatos," began in earnest in the summer of 2003, and has continued to grow at a steady pace. Approximately 3,000 historic photographs and documents on the history of Los Gatos have now been scanned. Identification, preservation, and cataloging of the collection are ongoing, and will eventually result in a database available on the Los Gatos Library's website, library.losgatosca.gov, and The Museums of Los Gatos website, www.losgatosmuseum.org.

Protecting our cultural heritage and providing access to its riches have always been common goals of both the library and The Museums of Los Gatos. With that in mind, the library joined with its sister institution in a collaborative effort in the spring of 2004 to file a joint application for a grant from the Institute of Museum and Library Services, a federal agency charged with enhancing library and museum services. If received, the grant monies would enable the history project to proceed for the next two years.

Many members of the community have generously shared their personal collections of Los Gatos history, including some fascinating photographs. A dozen long-time Los Gatos families and organizations have contributed, and new materials come to the library on nearly a daily basis. Many others have contributed time and energy to fund raising and to hands-on work for the project. The history project is fully funded through donations, benefit events, and grants.



Third Annual Town-Wide Read

In what has become an annual tradition, the Town celebrated its third annual Town-Wide Read in the spring. The book selected was *The Beekeeper's Apprentice*, by local author Laurie R. King. The Friends of the Library purchased 250 copies for complimentary distribution at the library and local coffee shops.

The Beekeeper's Apprentice is one of King's well known "Mary Russell" novels, featuring a fifteen-year-old English girl who meets the retired Sherlock Holmes in the winter of 1915, and becomes his apprentice, his partner, and eventually his wife. Russell and Holmes move through the early years of the nineteenth century challenging each other to ever greater feats of detection.

Ms. King, a resident of Santa Cruz, appeared in the Town Council Chambers on May 14 for "A Conversation with Laurie King," a program in which Los Gatos author Martha Alderson interviewed her before a full house.

Special Events

Los Gatos was a great place to be this year for fun, family events. Residents enjoyed art exhibits, outdoor concerts, theater performances, and community celebrations — to name just a few. This year, the Town sponsored the following special events:

Music in the Park

This extremely popular concert series, begun in 1988, brings a diverse program of music styles, forms, and cultural origins to music lovers of all ages. This

year, Music in the Park got a brand-new look, encompassing a new logo, banners, posters, and program. Spearheaded by the Los Gatos Arts Commission, the new image includes bright, vibrant colors and an inclusionary theme for all the arts in Los Gatos.

The summer's concerts ran the gamut from rock to opera, from jazz to Celtic. The series opener, The Joe Sharino Band, drew an audience estimated at 3,000 people. Music in the Park has grown in popularity each year, and has become a real "must-attend" event for the summer. All of the production costs are paid for by private donations from local businesses and residents. The Arts Commission is proud of this local sponsorship base, and extends its warm thanks to all of the concert sponsors.

Los Gatos Celebrates the 4th of July 2004

The fourth annual "Los Gatos Celebrates the 4th of July" event remained true to its theme of old-fashioned fun and family entertainment. Sponsored by the Town, local businesses, and community groups, the all-day event included food, games, food, music, and more food; and concluded with a twilight Music in the Park concert and dancing under the stars. It is estimated that between 3,000 and 4,000 people attended throughout the day.

Community Garage Sale

A joint effort of the Town, the City of Monte Sereno, and Santa Clara County, the Community Garage Sale is an annual event that encourages the sale of reusable items rather than their disposal in the landfill. This year's event was held May 15. Garage sales were held at more than 230 home and neighborhood locations. Thanks to this event, and to a comprehensive program of waste diversion and recycling programs available to residents, the Town has met and exceeded the state mandate to divert at least fifty percent of its waste from the landfill.

Screen on the Green

The third annual Screen on the Green was held at Oak Meadow Park on September 12. This free outdoor event featured the classic movie "The Wizard of Oz" shown on a giant, 28' screen. The Screen on the Green event opens the Los Gatos Film Festival each year with the showing of a popular film.



Photograph of Louise Van Meter (1869-1948) depicting her participation in a "Merchants Carnival" circa 1890. A dedicated and beloved teacher, Miss Van Meter taught first grade in Los Gatos for 35 years.

Community Development, Housing, and Planning

Major Developments

Los Gatos has an eclectic mix of building styles. It is a unique combination of old and new that is indicative of a community that has evolved over time. Architectural styles range from a few homes built in the 1850s through a beautifully preserved mix of Victorian cottages and craftsman bungalows, some Victorian and Art Deco commercial buildings, post World War II ranch houses, and post modern homes and commercial buildings from more recent decades. The Town demonstrates that it is possible to value innovation while appreciating and preserving the past.

Los Gatos is truly a special place and residents want to protect their community from the increasing development pressures of the region. Accordingly, the Town evaluates all proposed new developments in light of their overall community benefit. The Town's General Plan guides Town staff and decision makers in this process; it cites the necessity to consider issues such as human scale of development, historic preservation, density and intensity, population growth, downtown, congestion, open space, views of the hills, the nature of businesses located in Town, protection of the various neighborhoods, and community design.

This year, a number of key developments were approved. Following are brief descriptions of each:

Greenbriar Development

On March 1, the Town Council approved an Architecture and Site application for 13 new single-family residences in the Greenbriar Development, on Shannon Road.

Los Gatos Medical Office Center

On April 5, the Town Council approved a Planned Development to construct a 20,000 square foot medical office building, on Los Gatos Boulevard.

Los Gatos Community Hospital

On April 28, the Planning Commission approved a new Master Plan for the Los Gatos Community Hospital. The Commission also approved an Architecture and Site application to construct Phase I of the Master Plan.

Sobrato Development

In May, the Town Council approved a modification to the Sobrato Planned Development to allow two office buildings, containing up to 160,000 square feet; and 290 residential units, including 51 units reserved for low and moderate income families. The first office building will be the new headquarters of Netflix, a local company.

Economic Vitality Program

Marketing Los Gatos

The Town has a continuing partnership with the Chamber of Commerce and local businesses to promote Los Gatos as a great place to shop, dine, and stay overnight. As part of this effort, the Town funded the production of a brochure that highlights Los Gatos's unique qualities, events, and attractions. Other projects this year included the placement of a full-page ad in the "Explore Silicon Valley" book available in hotels throughout Santa Clara County, and the production of a commercial promoting the Town that aired on cable television during November and December. This partnership highlights how individual marketing efforts may be leveraged to bring customers to businesses and revenue to the Town.

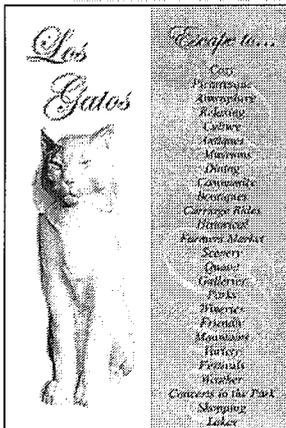
Business Outreach

Los Gatos values its business community, and recognizes that it is important to focus on helping the business community to be successful. Strong businesses provide employment opportunities for residents and contribute to the Town's revenue base, which funds services to the community. We

welcomed a number of new businesses this year, including retail stores, restaurants, medical offices, and technology companies. Town staff assisted these businesses in making Los Gatos their new home, while continuing to meet with existing businesses to understand their needs and issues.

New Banners

Last fiscal year, the Town installed streetlight banners in the downtown and along Los Gatos Boulevard. These were complemented by this year's festive holiday banners, installed during the winter holiday season. Another addition to the Town's banner program this year was the Music in the Park banners installed on streetlights along Highway 9 at North Santa Cruz Avenue, and along Lark Avenue. These locations will be used in the future to announce special events in town.



New Community Standards

The role of local government is to preserve the community's identity and character. Through its powers to set standards, provide services, set a budget, receive taxes, and regulate development, a city or town gives people the tools they can use to determine the character, priorities, amenities and physical make-up of their community. This year, a number of community standards and guidelines were adopted by the Town Council, in response to community needs and state mandates.

Second Dwelling Unit Ordinance

In response to changes in state law, the Town Council adopted a Second Dwelling Unit Ordinance. A "second dwelling," often known colloquially as a "granny unit," is a residential unit that is located on the same parcel as the main residential unit. State law now mandates that proposals for second dwelling units be considered without a public hearing. The new standards are designed to ensure compatibility of any new second dwelling unit with its neighborhood. They also include a voluntary program designed to create affordable second units through financial incentives offered to property owners who are willing to guarantee that their new second dwelling unit remains affordable to low and moderate income households.

Hillside Development Standards and Guidelines

In January, the Town Council adopted new Hillside Development Standards and Guidelines. These guidelines seek to maintain the rural character of our hillside areas and ensure that new homes are sensitive to the natural environment. They are the result of a comprehensive, multi-year process involving the Town Council, Planning Commission, Architectural Standards Committee, Los Gatos citizens, and the local chapter of the American Institute of Architects. Significant aspects of the standards include floor area ratio (building size as a ratio to lot size), grading policies, ridge development and height criteria, landscape guidelines, and fire safety standards.

Continued on page 4

New Community Standards, continued from page 3

Personal Service Business Standards

A long-standing goal of the Town is to preserve the success and unique character of the downtown area by maintaining a healthy mix and balance of uses. In May, the Town Council adopted standards for personal service businesses in the downtown in response to local concerns that an over-concentration of this type of business would displace retail stores and reduce the attractiveness of the area as a destination for residents and shoppers. The new standards require that personal service businesses that wish to locate on the first floor of a building in downtown obtain a conditional use permit — a permit that is reviewed at a public hearing by the Planning Commission. Personal service businesses include beauty salons, barber shops, tanning salons, and dry cleaners.

Tree Removal Permits and Replacement Tree Requirements

The Town is proud of its rich heritage of splendid trees that provide greenery and shade, and contribute to the distinct aesthetics of our community. Trees also help to prevent the erosion of topsoil, provide protection against flood hazards and risk of landslides, counteract pollutants in the air, maintain climatic balance, and decrease wind velocities. The Town

Council adopted a revised Tree Ordinance in the fall, which includes a tree replacement requirement. To ensure that the tree canopy is maintained, replacement trees must be planted on the property where a tree is removed, or a replacement tree fee will be charged to the property owner, to be used for the planting of trees in public areas such as parks and street medians.

Rental Dispute Resolution Regulations

The Town Code and corresponding regulations govern the monthly rent that may be charged by the owner of rental units located in complexes of three units or more, and provide a resolution process for rent- or service- related disputes between landlords and tenants. This March, the Town Council adopted new rental dispute resolution regulations. The goals of these revised regulations are to:

- Resolve disputes first through informal discussion, then through formal mediation, and as a last resort through arbitration.
- Improve communication between parties to a rental dispute.
- Codify the procedures for noticing a rent increase, for disputing a rent increase, for filing a service reduction petition, and for holding a mediation or arbitration hearing.
- Make the regulations consistent with current industry practice.

The revised regulations were the result of an extensive, two-year review by the Los Gatos Rent Advisory Committee. The Committee is an advisory body to the Town Council, and includes in its membership property owners, renters, and other residents of Los Gatos.

Parks and Open Space

Fairview Plaza Improvements

The Town's smallest and oldest park, Fairview Plaza, was the focus of a major renovation this year. Located off Pennsylvania Avenue on a quiet cul-de-sac, the small park received new irrigation, lighting, landscaping, walkways, and wheelchair access ramps. Town staff worked with the neighborhood to determine what landscaping was preferred by most residents. The outcome is a new look for this small park and many thank you letters to our staff.



Bandstand Dedication

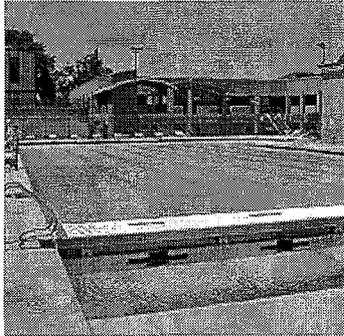
The new Oak Meadow Park Bandstand was dedicated in a special ceremony in August 2003, at which the history of the bandstand was celebrated and the structure was donated to the Town. The bandstand features the beautifully restored, historic Lyndon cupola. The cupola originally sat atop a carriage house owned by John W. Lyndon. Mr. Lyndon owned the Lyndon Hotel, now the site of the Lyndon Plaza building, located at the corner of Main Street and Santa Cruz Avenue, across from Town Plaza Park.

The dedication celebration culminated a ten-year project spearheaded by the Los Gatos Community Foundation, which included finding and restoring the cupola, obtaining approval from the Town Council to place it in Oak Meadow Park, designing a structure to support it, and, during 2002 and 2003, having it constructed. The Los Gatos Community Foundation held many fundraising activities, including the successful Art Car campaign, and obtained donated labor for the design and installation of the bandstand. The celebration included ribbon-cutting ceremonies, appearances by local dignitaries, a performance by the Los Gatos High School Band, and an evening of dinner and dancing.



New Community Pool

The Los Gatos High School Community Aquatic Center, featuring a 50-meter outdoor pool, opened this June. This facility was made possible by a partnership between the town, the Los Gatos-Saratoga Joint Union High School District, and Los Gatos-Saratoga Community Education and Recreation. It was truly a community effort, which brought local residents a state-of-the-art aquatic facility.



The new Aquatic Center replaced the old high school pool, which was built in 1950 and no longer served the needs of students. The Town's contribution to the project ensured that the new facility would be available to the entire community, in addition to the high school.

The new pool is available for community use throughout the summer, as well as more restricted hours during the school year. The Recreation Department uses the facility for its expanded swim program, including master's swim, children's swim classes, synchronized swimming camp, and boys and girls water polo. Los Gatos High School enjoys its greatly improved pool for its physical education program, and its swim teams.

Adopt-A Programs

This year saw a surge of increased volunteerism in the Parks Program. Two new "Adopt-A" programs were started, Adopt-A-Planter and Adopt-A-Trail. Both programs allow participants the opportunity to volunteer in their own community, and to make their town a more beautiful place in the process.

Adopt-A-Planter

The thirty-four new raised planting features in the downtown have been "adopted" by individuals, couples, families, neighborhoods, and businesses. Planter "adopters" are responsible for purchasing, planting, and maintaining the plant materials in their adopted planter for a period of 18 months. The Town provides a list of preferred plants, and a schedule for seasonal replantings. All of the planter boxes are equipped with automatic irrigation.

Adopt-A-Trail

Two portions of the Los Gatos Creek Trail have been adopted, from Forbes Mill north to Roberts Road. Adopters conduct various maintenance activities including litter removal, brush trimming, sweeping, and reporting trail conditions to Town staff.

Transportation and Infrastructure

Capital Improvement Projects

A number of capital improvement projects were completed during the past year, as part of a continuing effort to upgrade the Town's infrastructure. Many of these projects were funded with grant monies.

Bridge Seismic Retrofit

Seismic retrofitting was installed on two bridges that span Los Gatos Creek, at Blossom Hill Road and at Lark Avenue. This project was funded with a combination of federal and state grants.

Alley Improvements

Work in the Almond Grove area completed during the summer included improvements to the drainage and pavement on Victory Lane between Main Street and Bachman Avenue, as well as in several nearby alleys. This project is funded by the Los Gatos Redevelopment Agency.

Library Door Upgrades

New automatic doors were installed in the entrances to the adult and children's areas of the library. These doors comply with federal Americans with Disabilities Act requirements. The project was funded through the federal Community Development Block Grant program.

Ross Creek Pedestrian Bridge

Americans with Disabilities Act compliance improvements were begun this year on the Ross Creek Pedestrian Bridge. This pedestrian bridge crosses Ross Creek, located mid-way on Camino del Cerro in east-central Los Gatos. Improvements include new ramps so that the bridge crossing is wheelchair and bicycle friendly. The project is funded through the federal Community Development Block Grant program.

Retaining Walls

Improvements were made to two retaining walls located along Reservoir Road and Jackson Street. The work was funded with a combination of Capital Improvement Program and General Fund monies.

Curbs, Gutters, and Sidewalks

Broken and lifted sidewalks, curbs, and gutters throughout Los Gatos were repaired, making the way safe for pedestrians and cyclists. The repairs were funded with a combination of Capital Improvement Program and General Fund monies.

Downtown Parking Lots

Several public parking lots in the downtown were improved to provide better access for pedestrians and wheelchair users. Two parking lots were expanded: the South Side Lot, on South Santa Cruz Avenue across from the Toll House Hotel; and the Montebello Lot, on Montebello Way east of the post office. Both lots allow unrestricted parking for visitors to the downtown. These improvements were funded through a combination of Capital Improvement Program and Redevelopment Agency funds.

Street Repair and Resurfacing

This ongoing work program continued during the year, on streets throughout town. Work completed this year brought the Town's overall roadway pavement condition index from 64 (below average) up to 74 (above average). The repairs were funded with a combination of Capital Improvement Program and General Fund monies.



Gateway Project

2002 was the inaugural year of the Downtown Streetscape Project, a three-year program to enhance the look and performance of Santa Cruz Avenue. A key feature of this three-year program of capital improvements is the Gateway Project. The Gateway Project designs incorporate hardscape and landscape enhancements to existing intersections at Wood Road and Santa Cruz Avenue, and Highway 9 at Santa Cruz and University Avenues. The Gateway improvements focus on the major entryways to the downtown business core, further enhancing pedestrian use between the downtown shopping areas and providing a stronger link between neighboring residential areas and the downtown business core.

The Gateway Project is part of the Los Gatos Downtown Beautification Improvements Plan approved by the Town Council in 1996, consistent with the Town's General Plan. The Gateway design was a collaborative planning process that involved a Gateway Design working group, whose members represented a broad cross-section of experience in Los Gatos.

Design of the Wood Road Gateway Project will be completed in FY 2004/05. The Town will seek grant funding from the Metropolitan Transportation Commission's Transportation for Livable Communities Construction Grant program to make the improvements that currently are unfunded.

Adopt-A-Cop

During the 2003/04 school year, the Los Gatos/Monte Sereno Police Department initiated a new program with the students at Fisher Middle School, called "Adopt-A-Cop." The program is designed to create positive relationships between police officers and students. Seventh and eighth grade students "adopted" police officers, who committed to spending time with the students and to being a visible presence at the school. The officers, many on their own time, took the students to lunch for an introductory meeting, and later to get ice cream. Some students were able also to go on a ride-along with their adopted officer.

The program culminated with a group field trip to a San Francisco Giants baseball game. The program was extremely successful, and popular with both kids and cops. The program is funded by donations from local businesses.



Mobile Data Computers

The Police Department completed a two-year project of installing a mobile data computer and automated reporting system in its fleet of patrol cars. The funding for this project was provided by state technology grants. The system involves the use of a rugged laptop computer in each car, with software that enables police officers on patrol to run subjects, vehicles, and property through state and federal law enforcement databases. The system also allows officers to communicate with other officers, supervisors, and dispatchers; and allows dispatchers to send additional critical information as officers respond to a call for service. The mobile data capability also allows officers to track the status and location of their partners on the street. In the future, the system may be modified to include photographs of wanted suspects or missing children, or video streaming from security cameras at banks and convenience stores.

The automated field reporting feature of the system allows officers to write reports on the laptop while they are in the field, and send it immediately to a supervisor for approval. Once approved by the sergeant, the report then is sent to the records division where it is quality checked and entered into the department's records management system. This paperless form of reporting allows officers and their supervisors to stay in the field, instead of coming into the station; a great benefit to the community.



Alive ... and Loving Life

In November 2002, a fatal traffic collision following a youth party took the life of a local high school student. This accident shook the close-knit community of Los Gatos, and exposed a strong culture of high-risk behavior by teens including alcohol and drug use.

Key Town and other community leaders enlisted the help of other youth and adult community members, from over 20 different interest groups and organizations, in a leadership team under the name "Alive...and Loving Life." This broad-based coalition has continued to work to identify and target issues related to youth.

This year, the Town was involved in the following Alive... and Loving Life projects:

- The Los Gatos/Monte Sereno Police Department developed guidelines for police response to calls for service involving youth parties. The guidelines were developed with input from parents, youth, and other community members.
- An "All Together" community event was held at Town Plaza Park in November. The event was an opportunity for

community members and police officers to interact in a positive way, and featured a demonstration of police canine units and a "mini-SWAT" exercise for kids.

- A freshman skills training for teens and their parents was held at Los Gatos High School. In an unusual twist, the teens played the teaching role, with their parents as students.
- An "Adopt-A-Cop" program was initiated with Fisher Middle School students (see the related article in this issue, above).
- High school and middle school based programs for diversity appreciation and relationship building between police and youth were established.

Alive...and Loving Life has strengthened relationships within the community. The initiative has created an infrastructure, especially between the police department and community groups, that fosters open communication and collaboration. It is already being recognized for its efforts on statewide and international levels.

Awards and Recognition

Tree City USA

The distinguished "Tree City USA" award was received by the Town for the 24th consecutive year. The Tree City USA program is sponsored by the National Arbor Day Foundation, in cooperation with the National Association of State Foresters and the U.S. Forest Service. To become a Tree City USA, a community must have the following: a tree board or department, a tree care ordinance, a comprehensive community forestry program, and an Arbor Day observance. The Town celebrates National Arbor Day each year in April with a tree planting ceremony.

GFOA Budget Award

The Town received the Government Finance Officers Association (GFOA) Distinguished Budget Presentation Award for Fiscal Year 2003/04. It is the highest form of recognition in governmental budgeting and represents a significant achievement by the Town.

In order to earn this award, the Town's budget must be rated as proficient in all four of the guideline categories. These guidelines are designed to assess how well the Town's budget serves as:

- A policy document
- A financial plan
- An operations guide
- A communications guide

On the Horizon

On the Horizon

While this Annual Report primarily reports on the Town's accomplishments in 2003/04, we would like also to preview the following key projects planned for the current fiscal year:

Downtown Streetscape Project

At the community's request, the Town is taking a hiatus during 2004/05 in the work being done to enhance the downtown streetscape. However, extensive planning will be underway this year for the Santa Cruz Avenue repaving project scheduled for construction in the summer of 2005. The project will require closure of Santa Cruz Avenue for a period of time yet to be determined, and the Town is working with nearby merchants, property owners, and residents to minimize the impact of

the closure. To receive downtown project updates electronically throughout the year, send a request to streetscape@losgatosca.gov or sign up for the What's New! email news service at www.losgatosca.gov/new/.

Wayfinding Project

Another enhancement planned for the downtown during 2004/05 is a "wayfinding" project. The goal of this project is to assist downtown visitors to find their way to parking and municipal facilities, such as museums and the library. Currently, minimal and inconsistent signage pose a challenge to visitors attempting to navigate their way in the downtown. Parking, in particular, is difficult to locate, although the Town has an abundance of parking lots throughout the downtown area. Look for new signage by the spring of next year.

North 40 Specific Plan

This year, the Town will begin preparing a Specific Plan for the North 40 area. This 44-acre area is bounded by Highways 17 and 85, Lark Avenue, and Los Gatos Boulevard, and contains the largest undeveloped commercial area remaining in town. The Specific Plan will establish a long-term blueprint for how this area can be developed in the future. Areas to be addressed include: land uses, circulation for pedestrians and vehicles, design standards for future developments, and infrastructure improvements.

The Town previously worked on a plan for the North 40, in 1988 and in 1999. In 1999, the Town Council decided to put the North 40 plan on hold until the Town-wide General Plan 2000 was adopted. The General Plan 2000 requires that a

Specific Plan now be prepared and adopted for the North 40 area.

Residential Design Guidelines

The Town will update its Residential Design Guidelines later this year. The update will provide assistance to property owners and architects as they design additions to existing homes and create plans for new residences. The update will also address requirements for historic homes. The Guidelines will be used by the Planning Commission, the Historic Preservation Committee, and Town staff when evaluating applications for residential development.

What's New! Email Service

Get the latest Town news as it becomes available - sign up for the What's New! Email Delivery Service. You can subscribe to receive an email when the "What's New!" section of the Town's website has been updated. To subscribe, go to the Town's website, www.losgatosca.gov, and click on "Click here to subscribe to the What's New! Email Delivery Service," then follow the directions.

Fiscal Overview

A Fiscal Perspective for FY 2004/05

After months of planning and preparing for unknown political and economic impacts from the state's financial crisis, the Town Council adopted the FY 2004/05 Operating, Capital, and Redevelopment Agency budgets in early June of this year.

The Town takes great care in preparing its budgets each year as these documents establish basic spending policies, operational workplans, and service levels for Los Gatos. Based on sound fiscal and budgeting practices which incorporate a five-year financial forecast, the Town's Operating Budget establishes funding levels for ongoing services and community programs during the fiscal year. The Capital Budget is a comprehensive five-year plan for the construction, improvement, or rehabilitation of Town infrastructure. The Redevelopment Agency budget identifies and funds infrastructure projects and economic vitality programs in the downtown redevelopment area.

This year was especially challenging, as the state's ongoing funding shortfalls resulted in additional takeaways from local government. The Bay Area economic recovery also continues to be very slow. As part of the state's budget deliberations, local governments agreed to a two-year takeaway plan to fund the state's budget gap. As part of this agreement, the governor worked with the legislature to put a measure, Proposition 1A, that protects local government revenues in future years, on the November ballot. Under the state's planned budget, Los Gatos will absorb between \$600,000 and \$800,000 in takeaways from the Operating Budget in FY 2004/05, and again in FY 2005/06. The Town's Redevelopment Agency budget will absorb another \$300,000 in planned takeaways in both this year and the next. These state takeaways in turn affect the levels of service and infrastructure improvements the Town is able to provide to Los Gatos residents. You can read more about Proposition 1A on the Town's website, www.losgatosca.gov.

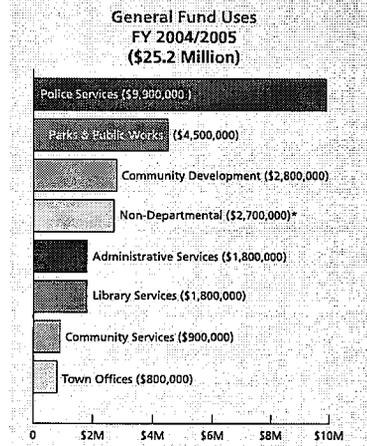
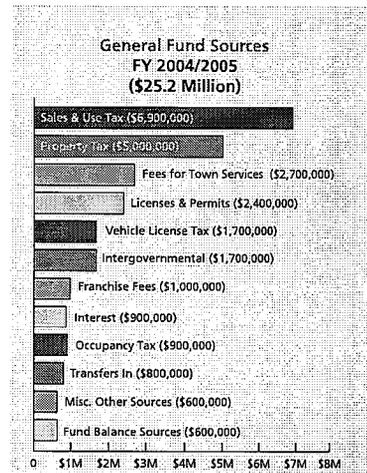
While the Town Council places a heavy emphasis on mitigating impacts to public services, some service level reductions will be felt by the community. Of note are reduced street and park maintenance schedules, a reduction in the Town's library hours from 62 to 54 hours per week, and potentially longer response times for non-emergency police calls. A less noticeable but costly, long-term result of the budget shortfall is the Town's inability to commit substantial financial resources toward infrastructure maintenance and improvements. Without ongoing dedicated financial resources, the Town's infrastructure will suffer the effects of delayed maintenance.

General Fund Sources

The General Fund supports basic Town operations and expenses. General Fund sources include various tax revenues, such as property tax, sales tax, hotel occupancy tax, and business license tax, as well as interest earnings, intergovernmental revenues, and fees charged for development services, permits, and fines and forfeitures.

As the chart to the right shows, Los Gatos is heavily dependent upon local economy—based revenues, with the sales & use tax as the Town's primary revenue source. This revenue has remained steady the last few years, rather than experiencing the high growth rates of the past. Regardless of the level of sales tax revenue, it is important to note that the Town receives only 1 cent of the 8.25 cents of sales tax per dollar of sales generated in the Town.

Excluding the state's funding shifts, property tax receipts and vehicle license tax both continue to be steadily growing revenue sources for the Town and account for more than a quarter of the General Fund revenues. However, for every \$1 of property tax paid by property owners in the Town, only 9.5 cents returns to the Town to pay for local services. Interest and hotel occupancy tax revenues are economically sensitive revenues which continue to perform poorly.



* Non-Departmental includes \$930K debt service, \$303K paid leave and retiree medical benefits, \$170K animal control services, \$100K legal services for cable television franchise renewal, and other costs not associated with any specific Town program or service.

For More Information

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General Fund Uses

Most of the Town's services are supported by the General Fund, including police services, street and signal maintenance, park maintenance, and the library, as well as building and development services which include planning, engineering, and inspection services.

The chart to the right shows planned expenditures by service area. The Town addressed a \$1.5 million shortfall in revenues this year by trimming staffing by the equivalent of nearly 12 positions (both filled and vacant), reducing operating expenditures, increasing fees to cover costs of development-related services, and funding shifts to align costs with appropriate funding sources outside the General Fund.

Future Outlook

The Town has positioned itself well for times of economic hardship through its diligent attention to sound fiscal practices. Operational savings were planned and set aside for strategic use in challenging times. This fiscal planning effectively builds in a smoothing effect over time in an up-and-down economy, allowing the Town's core services to remain intact.

The five-year forecast indicates that the local economy is strengthening, but the Town still faces obstacles in its efforts to maintain a balanced budget. The Town Council continues to place a high priority on improving the Town's economic vitality and protecting revenues. And, the administration continues to explore operational efficiencies that contribute toward a better use of resources.