



Annual Report

TOWN OF LOS GATOS FY 2011/2012

We are pleased to present the *Town of Los Gatos Fiscal Year 2011/12 Annual Report*. It covers the period generally from July 2011 through June 2011, and highlights activities and accomplishments of your Town government and our many community partners.

This last year has been one of slow, but sure, recovery from the Great Recession. The Town's past conservative fiscal practices helped Los Gatos navigate through the economic recovery while preserving key municipal services.

Resources continue to be limited for expanding services, however. For this reason, we remain very grateful for all the organizations that partner with the Town to provide services and to the many individuals who volunteer time and energy to community projects and programs.

Last fiscal year was certainly an exciting one for the Town, with the opening of the new library as the headliner. This was quite an extraordinary event to launch the Town's Jubilee Year. As we continue to celebrate our 125th anniversary, I would like to extend a sincere thank you to all the people who are helping to make the year a memorable one. I'd like to give special thanks to the *Los Gatos Weekly Times* for producing two unique sections celebrating the new library and the Jubilee Year.

As we look back on the Town's activities, we recognize the many contributions from our partners that make Los Gatos such an exceptional community!

— Greg Larson, Town Manager
Manager@LosGatosCA.gov

A Jubilee Year!

Halfway through last fiscal year, Los Gatos launched the celebration of its 125th anniversary Jubilee Year. The extra-special activities associated with the Jubilee complemented the ongoing services and programs provided by the Town throughout the year.

Of course, the biggest event of the year was the grand opening of the new Los Gatos Library. The opening weekend festivities introduced the community to the wonders of the new library — from the playful nurdle nooks to the teen “treehouse” to the Los Gatos history collection. Following the grand opening, the new library proceeded to break records for visitors, circulation, and program participation.

The community came out in force for the Town's birthday celebration, too. On August 10, residents of all ages participated in *Party in the Parks* held in five parks all around Town. Birthday cake and a birthday song topped off the celebrations.

Two additional highpoints are slated for the second half of the Jubilee year — the opening of the new Creekside Sports Park and the renovated Pageant Grounds. Read about these exciting events in the *On the Horizon* section.

On the serious side, the Town focused on a key aspect of emergency preparedness last year through signage installed in critical locations to direct residents in the event of the Lexington Dam failure. The Police Department also addressed the important issue of teen dating violence by co-sponsoring a workshop and engaging an ongoing domestic violence counselor to provide services to victims.

Promoting the success of local businesses continued to be a key focus of the Town. Events, outreach, workshops and advertising combined to support the Town's businesses climb out of the economic recession.

Read about these highlights and more in this *Town of Los Gatos Fiscal Year 2010/11 Annual Report*.

Town Council

Steve Rice
Mayor

Barbara Spector
Vice Mayor

Steve Leonardis

Diane McNutt

Joe Pirzynski



As you read this Annual Report, you'll see accomplishments that illustrate the principles of *Small Town Service, Community Stewardship* and *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.

Jubilee Year

Beginning in January, Los Gatos launched the celebration of the Town's 125th anniversary. Since the official title for a 125th anniversary is "quasiquicentennial," the Town opted to call 2012 the Jubilee Year. With the help of a community committee, the Town and its partners identified many ways to make the Jubilee year special. Having three major grand openings planned for the year made the year even more special — the new library discussed below, and the Creekside Sports Park and Pageant Grounds noted in the "On the Horizon" section.

While it happened this fiscal year, it's hard to talk about the Jubilee Year without mentioning "Party in the Parks!" — a townwide celebration occurring on August 10. More than 1,500 residents joined in the Town's actual birthday celebration in five parks: Bachman, Belgatos, Blossom Hill, Live Oak Manor, and La Rinconada. Capping the games, music, and food was a simultaneous singing of "Happy Birthday" in all parks at a set time. The birthday celebration offered good old-fashioned fun for the community.



It's Time to Shine!

Hundreds of people joined in the grand opening of the new library on February 11, and thousands took part in activities held throughout the weekend. Highlights of the opening event included a drumline from LGHS, Los Gatos Boy Scout Troop 501 color guard, a beautiful rendition of the National Anthem sung by a LGHS graduate, an original commemorative poem by the Town's Poet Laureate, Parthenia Hicks, and a surprise flash mob singing "This Library of Ours — We're Gonna Let it Shine."

Weekend highlights included well-known authors Thomas Steinbeck, Gennifer Choldenko, and Kazu Kibuishi; presentations by the architect and artists; movie premiers; music; and a youth-led flash mob reciting a Dr. Seuss book. All attendees received a commemorative market bag, celebrating the new library and the Town's Jubilee Year.

Inside the New Library

Once the doors to the new library were opened, the community began experiencing the new and expanded services. The new library features a group study and quiet study room, a local history room with docent services, teen room, periodical lounge with a fireplace, technology lab, and an entire children's wing and children's garden. Forty-four computer stations, tabletop power outlets and scanning capabilities provide access throughout for digital needs. Genealogy and eBook classes are held in the new technology lab. In keeping with trends making libraries more like book stores, a coffee cart is available whenever the library is open.



New Online Library Services

With the opening of the new library, the number of offerings available to patrons 24/7 also expanded. The Friends of Los Gatos Library began sponsoring a genealogy database, Heritage Quest, which allows remote access to genealogical resources. One Click Digital from Recorded Books has over 1,000 new audiobooks for children and adults to download. The new eBook service, Freading, offers unlimited, simultaneous access to a large number of titles from smaller and independent publishers, and when patrons go through the Bilbary link on the library's homepage and buy an eBook, the library gets half the profits.

The new Legal and Business Information databases from Ebsco offer remote access to the entire library of popular Nolo titles.

The library also introduced a new service called NextReads, for library users who want reading suggestions or to stay up-to-date on library programs and services. Patrons can sign up to receive book suggestions from a wide range of categories. Users can also sign up to receive general library news and news about specific children's programming.

Building Neighborhoods

Recognizing the importance of strong neighborhoods, the Town partnered with a web-based neighborhood organizing program called "Next Door" to offer a new way to build neighborhood connections. Next Door allows neighbors to connect among themselves, share information and services, and receive important information from the Town. Los Gatos residents can log on to this site (www.nextdoor.com), enter their address and locate the neighborhood group for their address. Membership immediately connects the resident to all others within the neighborhood. The Town has begun to use this resource to notify residents about Town activities in their neighborhood, and will use it as another communication tool in the event of emergencies.

Community Development and Planning

Community Development and Planning

Building a Strong Business Community

Green Businesses Symposium

In April, the Town hosted a Green Business Symposium for local businesses to become more familiar with the Green Business Certification process. To date, 29 businesses have already achieved Green Business Certification through the Santa Clara County program. In addition, 23 local businesses are participating in a pilot composting program with West Valley Collection & Recycling, where food waste and other compostable items are collected on a weekly or biweekly schedule in an effort to divert waste from the landfill.

Code for America

The Town is participating with the City of Santa Cruz in the development of an open source user platform that will act as a gateway for new businesses interested in locating in the Town. This Santa Cruz-led effort is funded by “Code for America,” a program designed to help governments to become more connected and efficient through leveraging technology.

Mayor’s Business Outreach

Over the past year, the Mayor, Town Manager and Economic Vitality Manager met with the CEOs of six local companies to discuss why the business located in Los Gatos, plans for growth, and any Town-related issues facing the business. The Town team met at the business locations, toured the facilities and observed operations at the following companies:

- Los Gatos Luxury Cars
- Foodlink
- Jackson Labs Technologies, Inc.
- ShareVault
- ViaCLIX
- HipLink

Promoting Los Gatos

With an objective to attract visitors to shop and dine in Los Gatos, the Town placed ads that ran for several months at regional theaters and at the San Jose International Airport. The Town was also featured in a two-page spread in the *Silicon Valley Label*, a local lifestyle magazine.

Downtown Wine Walk and Girl’s Night Out

Once again, the Town and Chamber of Commerce co-sponsored two *Wine Walks* in the Downtown. Nearly 550 participants joined the fall *Walk* and almost 600 joined the spring event. Each *Walk* featured more than 60 local retailers, restaurants, and wineries. The two groups also co-sponsored *Girls Night Out* last year, which drew nearly 200 participants.

Downtown’s New Businesses

Last year, Downtown continued to be an attractive location for new businesses, in spite of the slow recovery from the recession. Vacancy rates remained low compared to other downtown districts in Silicon Valle, and there continues to be great interest in most every space that becomes available. We encourage you to show your support for your community by patronizing local establishments such as these new businesses:

- Abeo
- Amour Patisserie & Bakery
- Anthropologie
- Billy’s Chowder House
- Café Delatti
- The Drywalk
- Haute Bride
- J. Home
- The Library
- Liv La Vie
- The Mmoon
- Natural Mattress Store
- Nick’s Next Door
- Valerie Preston Design

Best of Silicon Valley

In 2012, *Metro Silicon Valley* and the *San Jose Mercury News* released their annual lists of fan favorites from “Best Pilates Studio” to “Best Independent Coffeehouse.” Overall, 29 Los Gatos distinct businesses won 1st place among 36 categories, with 4 businesses reaching the “Hall Of Fame” level. Added to these acclaims are a number of other recognitions that Los Gatos businesses received over the year, such as Chef David Kinch, of the 2-Star Michelin restaurant Manresa, being recognized as GQ’s 2011 Chef of the Year.



Major Development Projects

Laurel Mews

Robson Homes started construction of a 22-unit Planned Development on the former Honda site on Los Gatos Blvd.. The single-family residential project includes one Below Market Price unit and is expected to be completed in late 2013. Off-site improvements include a new fully landscaped median on Los Gatos Blvd.

135 Riviera Terrace

The Town Council approved a Planned Development for renovation of an existing 123-unit apartment complex and addition of 50 units. The project includes 24 affordable units. A Riparian Restoration Plan will be implemented for the segment of Los Gatos Creek that is located on the property.

North 40

Since early 2011, the Town and the North 40 Advisory Committee have been creating a plan for the 44-acre property bounded by Highway 17 on the west, Highway 85 on the north, Los Gatos Boulevard on the east and Lark Avenue on the south. In March 2012, the Town Council approved the North 40 Vision and Guiding Principles. The Town is now preparing the specific plan and environmental impact report (EIR), which will assess the impacts from development of the property. For updates on the North Forty process, go to www.LosGatosCa.gov/NorthForty.

New Community Standards

Sustainability Plan Progress

The 2020 General Plan requires the Town to develop a plan to control and reduce greenhouse gas (GHG) emissions. Launched last year, the Sustainability Plan is expected to be approved this fall. The Sustainability Plan includes a community and government operations GHG inventory, GHG emission reduction target, strategies to reduce GHG emissions, and methods to monitor and report progress of reduction strategies.

Housing Element Update

In March 2012, the Town ratified the 2007-2014 Housing Element. The Housing Element addresses housing needs for all income groups in Los Gatos. The goals of the Housing Element are to:

- Increase the supply of housing and the mix of housing types in an equitable manner;
- Promote infill development and socioeconomic equity and protect environmental resources; and
- Promote an improved jobs/housing balance.

Parks and Environment

Oak Meadow Park Renovations

The Town's most popular park received several upgrades last year. Several pieces of playground equipment were replaced, making the play lots safer and more accessible for children. In

addition, new tables, seating and barbeque areas were installed in picnic areas #1 and #2 located closest to the playground.



Playground Upgrades

Over the last several years, the Town installed new equipment for both toddlers (ages 2 to 5) and elementary aged children (ages 6 to 12) in playgrounds in Bachman, Belgatos and Blossom Hill parks. These improvements were funded through California State park grants, Proposition 12 and 40.

Catalog Choice

As a part of Keep Los Gatos Beautiful Month, the Town sponsored an online junk mail opt-out program, *Catalog Choice*. To date, there are 1,184 Los Gatos businesses and residents that have signed up for this opt-out service, requesting to be removed from over 20,000 credit card, catalog and other bulk mailing lists. Based on those residents who have signed up

for this service to date, the Los Gatos community is saving approximately 740 trees, and reducing our solid waste load by more than 109,000 pounds annually. Los Gatos community members can join this free opt-out service by visiting <https://LosGatos.CatalogChoice.org>.

Transportation and Infrastructure

Transportation and Infrastructure

Capital Improvement Projects

Every year, the Town undertakes capital projects to maintain the condition of public facilities, transportation systems, and other public infrastructure. A five-year Capital Improvement Program identifies capital projects needed in the future and specifies projects for each fiscal year. The following capital projects were underway or completed during last fiscal year.

Safe Routes to School

SafeRoutes



Reflecting the Town's commitment to pedestrian safety, the Town received a Safe Routes to School grant through the California

State Department of Transportation. The funds were used to construct safety improvements along Blossom Hill Road from Cherry Blossom Lane to Camino del Cerro, to provide students with safe routes to walk or bike to nearby schools. This project included the construction of sidewalks, bicycle lanes, and a lighted pedestrian crosswalk system.

In addition, Blossom Hill Road Elementary School, RJ Fisher Middle School, and the Town's police department worked together to implement public safety outreach programs that focus on walking and biking to school safely.

Wedgewood Avenue Improvement Project

The final phase of Wedgewood Avenue road improvements was completed in August 2012. This multi-year project installed a new storm drain system and new sidewalks along the south side of Wedgewood Avenue, from Mulberry Drive to Granada Way, adjacent to La Rinconada Park. New trees were planted along the sidewalks and curbs to complement the natural beauty of

the area. In addition, the retaining walls on this project were constructed of wood and steel beams as a way to preserve the rustic aesthetic look of the surrounding neighborhood.

Intersection Improvements at Lark Avenue & University Avenue

In preparation for the opening of the Creekside Sports Park, and new development projects along Winchester Boulevard, intersection improvements were completed at Lark and University Avenue. The improvements included the construction of a new traffic signal system, as well as a dedicated left turn lane and new crosswalks to enhance pedestrian safety. These improvements will allow for the safe flow of vehicular traffic on both Lark and University roads.

Neighborhood Traffic Calming Projects

Since 2002, the Town has implemented a traffic calming policy to address and mitigate neighborhood traffic and pedestrian safety issues, such as speeding and cut-through traffic. Once Town staff documents traffic issues, neighborhoods must vote to implement mitigation measures to participate in the program. In the past year, traffic calming projects were either completed or neared completion in the Belwood Gateway, Short Road and Bella Vista Avenue neighborhoods.

Public Safety

Teen Dating Violence Awareness

This summer, teens and parents participated in an event to learn about the incidence of teen dating violence. The event was brought to the community through a partnership between the Police Department and Next Door: Solutions to Domestic Violence. The Los Gatos Methodist Church hosted the presentation, which included a panel discussion by police, prosecutors, school officials, parents, and service providers. The Police Department and Next Door received an innovative grant to fund a domestic violence counselor to work directly with Los Gatos detectives to provide services to victims of domestic violence, including teen dating violence.

Bicycle Rodeos

Aiming for safer biking habits, the Police Department conducted bicycle rodeos at Los Gatos elementary schools to creatively teach bicycle skills and proper riding practices to all students. Funded by a federal grant through the Office of Traffic Safety, officers spent an entire day at each of the Town's schools putting students through practical exercises on the playground simulating riding on busy streets and encountering distracted drivers, cars, and pedestrians, while learning about bicycle laws. To reinforce safe habits, the Police Department continued its Helmet Coupon campaign, which rewards youth wearing helmets while riding bicycles or skateboards with coupons to local restaurants.

Floodplain Signage

In the event of a disaster, there is a possibility of a Lexington dam failure and the inundation of lower lying areas of Los Gatos. To prepare for this potential event, the Town installed signage on the main roads out of downtown directing drivers and residents to higher ground areas such as Los Gatos Boulevard and North Santa Cruz Avenue. In addition, flood evacuation specific flyers have been distributed to all residents in areas of Town that could be subject to inundation by a dam failure.



Awards and Recognition

California Police Officers Association Trailblazer Award

In November 2011, a captain in the Los Gatos/Monte Sereno Police Department became the first recipient of the California Police Officer Association "Trailblazer Award." The Award was in recognition of more than 20 years of mentoring women in the law enforcement profession, leading efforts to increase the professionalism of the police department and being an outstanding role model for all police officers.

Budget Recognition and Awards

Once again, the Town received the Government Finance Officers Association of the United States and Canada (GFOA) Distinguished Budget Presentation Award for the annual Operating Budget for Fiscal Year 2011/12. To earn this award, the Town budget must be rated as proficient in four categories designed to assess how well the budget serves as a policy document, a financial plan, an operations guide, and a communications guide.

Another award now received for over a decade was the Certificate of Achievement for Excellence in Financial Reporting from GFOA for the Comprehensive Annual Financial Report (CAFR) for the fiscal year ending June 30, 2011. The Certificate of Achievement is the highest form of recognition in the area

of governmental accounting and financial reporting, and its attainment represents a significant accomplishment by a government agency and its management. The Town's financial report was judged by an impartial panel, which determined that the report demonstrated a constructive "spirit of full disclosure" to clearly communicate its financial story and motivate potential users and user groups to read the CAFR.

The Town also received the Excellence in Budgeting Award from the California Society of Municipal Finance Officers for its 2011/12 Operating Budget and Capital Budget. For this award, a panel of finance peers judged the Town's budget as meeting certain high standards for communication.

Judge's Choice CFO of the Year

Not only did Los Gatos budgets receive awards of excellence last year, but the Town's chief financial officer (CFO) also received an award from the Silicon Valley Business Journal as the "Judge's Choice of the Year." This award recognized the prudent, strategic forecasting and fiscal planning that helped the Town navigate through the economic recession.

Tree City Award



For 32 consecutive years, the Town has been named a Tree City USA by the National Arbor Day Foundation. To qualify for this designation, the Town must meet four criteria: have a tree board or department, adopt a tree case ordinance, maintain a comprehensive community forestry program and host an annual

Arbor Day Observance. The Town's urban forest of more than 20,000 trees touches the lives of people within the community, who benefit daily from cleaner air, cooler buildings and the aesthetic beauty that a healthy, well-managed urban forest provides.

Fiscal Perspective

Town of Los Gatos FY 2012/13 Budget

The Los Gatos annual Operating and Capital Budget is a numerical representation of the Town's policies, goals, and priorities. The Town budget is an action plan that takes into account the current and long-term fiscal picture, as well as high priority community needs, including infrastructure and public safety, library, and park services.

General Fund

While the global, national, and local economies appear to be recovering from the Great Recession, the Town anticipates continued fiscal challenges and uncertainties. The Town's conservative fiscal policies and practices have helped to balance the budget each year without relying on "one-time fixes." This prudent approach will continue in FY 2012/13, as declining revenues necessitated further adjustments. The decrease in revenue, combined with increases in the cost of doing business, resulted in a budget gap of \$1.8 million for the year. This \$1.8 million shortfall represented approximately 5% of the total General Fund operating budget.

The Town's largest sources of revenue are property taxes and sales tax. Property tax values in Los Gatos remain stable, with moderate growth projected for FY 2012/13. Even with the growth in property values, it is important to note that for every \$1 of property tax paid by property owners in Los Gatos, only 9.5 cents return to the Town to pay for local services. Sales tax was once the greatest source of revenue for the Town, but is now second to property tax. The FY 2012/13 budget reflects a 16% decline in sales tax revenue compared to the prior year. This is primarily due to a decrease in sales tax received from Netflix, an internet streaming provider, who changed its business model toward streaming rather than DVD rentals. Like property tax, Los Gatos receives only a small portion of locally generated sales tax – 1 cent of the 8.25 cents of sales tax paid per dollar.

Adding to the Town's economic uncertainty is the State of California's budget situation. To balance its budget deficit, the State eliminated redevelopment agencies under the Dissolution Act effective February 1, 2012. While the provisions of the Act provide limited funds to cover administrative expenses associated with the dissolution, the Town will receive significantly less ongoing tax revenues than prior to dissolution. The State is also "clawing-back" unexpended assets that were targeted for infrastructure improvements in the prior Redevelopment Agency Project Area. The Town will continue to work proactively with its legislators and the League of California Cities to protect and preserve local revenue.

The Town addressed the projected budget gap through staffing adjustments and salary reductions, selective increases in user fees to move closer to cost recovery, and the use of available fund balance from last fiscal year resulting from conservative revenue projections and reduced expenditures.

Capital Projects

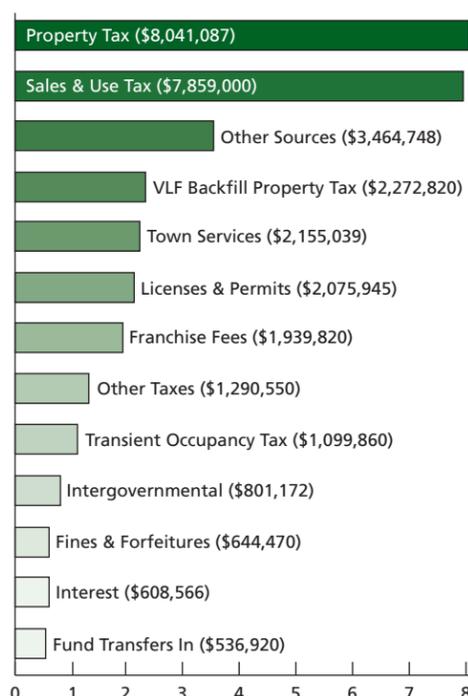
The Town's investment in infrastructure preservation and the addition of new capital assets is vitally important to the well-being of the Town. Unfortunately, the Town does not have a reliable, dedicated source of funding for basic capital improvements. Rather, the primary source of funding is excess revenue available at year-end and competitive grants. Nevertheless, the FY 2012/13 budget includes appropriations of \$27 million, consisting of \$4.6 million in carryover funding from the prior year and \$14 million in new project funding. The capital improvement program continues funding for investment in the Town's streets, with over \$1.5 million allocated for various street repair and resurfacing projects in the Town.

Looking Forward

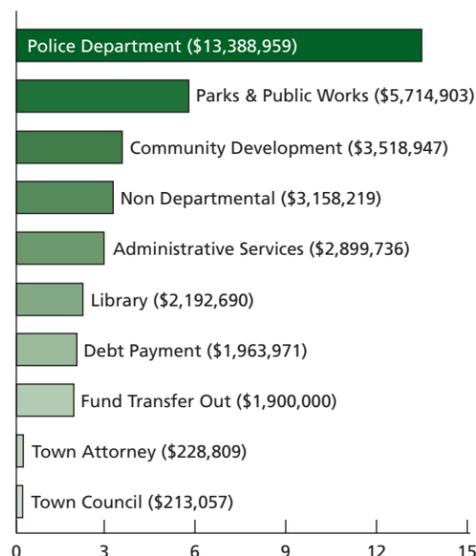
The five-year forecast continues to reflect ongoing challenges, with deficits projected to reach a combined total of nearly \$10.2 million through the five year period ending FY 2017/18. If the economy continues to show signs of recovery, revenue expectations may improve, resulting in smaller deficits than currently forecast.

In light of anticipated deficit projections, opportunities to enhance service delivery while lowering operating costs through organizational restructuring continue to be explored. In addition, diversification of the Town's revenue base continues to be an important objective and to that end, the Town is moving forward with key economic development efforts, including the Los Gatos Boulevard Plan and North Forty Specific Plan, and maintaining its outreach and support of local businesses. The core assets of Los Gatos remain strong, including an enviable downtown, a beautiful environmental setting, fundamentally strong real estate, and an active and engaged population, all of which contribute to Los Gatos' high quality of life.

**General Fund Sources
FY 2012/2013
(\$32.8 Million)**



**General Fund Uses
FY 2012/2013
(\$35.2 Million)**



On the Horizon

For More Information

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Los Gatos, CA 95030

Telephone (408) 354-6832
Fax (408) 399-5786

Email Manager@LosGatosCA.gov

Website www.LosGatosCA.gov

Let the Games Begin!

On October 27, the Town will celebrate the grand opening of the Los Gatos Sports Park – another highlight for the Town's Jubilee Year. This 2.2-acre park at 930 University Avenue will offer a multi-purpose sports field for the community. The sports park will have onsite parking for 41 vehicles, a state-of-the-art artificial turf field and a combination restroom, concession and storage building facilities. Following a fun-filled dedication ceremony, the park will be open for games, sports demonstrations, and other activities through the weekend.

Pageant Ground Celebration

Although there are actually no plans for pageants in the soon-to-be-renovated Pageant Grounds, the refurbished park will offer visitors a beautiful setting to relax and reflect. This historic park hosted pageants off and on from 1919 through 1947, sometimes attracting as many as 2,000 spectators. Since the construction of the Civic Center, the much smaller park has been hidden from view and used very little. With the construction of the new library, Pageant Grounds will be visible and accessible and will once again be a destination for the community. This final jewel of the Jubilee Year will open at the end of the year with a celebration befitting this historic park.



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*Town of Los Gatos Annual Report
Fiscal Year 2010/2011*



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