

MEASURE G

TOWN ATTORNEY'S IMPARTIAL ANALYSIS OF MEASURE G

LOS GATOS TRANSACTIONS AND USE TAX (Sales Tax)

The Town Council of the Town of Los Gatos has placed Measure G on the ballot to ask the Town's voters to approve a temporary one-eighth of one percent (0.125%) Transaction and Use Tax (Sales Tax) within the Town. The proposed Sales Tax would add 1/8 of a penny to the price of an item that costs a dollar or 13 cents to the price of an item that costs \$100. A full copy of the ordinance text is printed in these ballot materials.

Sales tax rates differ throughout California, ranging from 7.5% to 10%. Santa Clara County, the City of San Jose and the City of Campbell all have 9.25% sales tax rates. Both of those Cities enacted .25% general sales tax measures dedicated to their cities. Currently, the total "Sales Tax" rate in Los Gatos is 9.0% of the purchase price. The 9.0% is comprised of a statewide sales tax rate component of 7.25% and a local jurisdiction component of 1.75%. The Town's current share is 1.0 % of the Statewide 7.25%. The remainder goes to the Santa Clara County (.125 %), VTA (.50 %), VTA Bart (.125%), Silicon Valley Transportation (.50 %), and the Transit District (.50 %). The Sales Tax is levied on the sale or use of tangible products purchased by residents and visitors to the Town, such as clothing, household products, and other goods but not on items such as groceries and prescription drugs.

Measure G is a general tax. Therefore, the Town could use the money for any legal governmental purpose 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. By law, if approved by the voters, the State cannot seize or take any of these funds—all revenue generated by the 0.125% sales tax would be utilized for the benefit of the Town of Los Gatos.

The proposed tax would terminate automatically after twenty years, unless extended by the voters, and requires oversight by a citizens committee. In addition, expenditures of Measure G funds are subject to audit by the Town's independent auditor. All reports by the citizens committee and all audits are public records and available for inspection by any member of the public.

A "Yes" vote is a vote in favor of the 0.125% sales tax. A "No" vote is a vote against the tax. Measure G will be approved if it receives a simple majority of "Yes" votes.

/s/ Robert Schultz
Town Attorney

COMPLETE TEXT OF MEASURE G

ORDINANCE 2274

AN ORDINANCE OF THE PEOPLE OF THE TOWN OF LOS GATOS, CALIFORNIA IMPOSING A GENERAL TRANSACTIONS AND USE TAX FOR A PERIOD OF TWENTY YEARS

WHEREAS, Town of Los Gatos residents have indicated that the quality of life in Los Gatos is highly valued; and

WHEREAS, the Town of Los Gatos has over \$70 Million in unmet infrastructure needs for projects such as pothole, street, and road repair, the proper maintenance of which are important to maintaining local property values and quality of life; and

WHEREAS, the Town seeks to not only maintain, but enhance neighborhood police patrols and local crime prevention programs, both of which are priorities identified by the public; and

WHEREAS, the Town also seeks to improving traffic flow to reduce traffic congestion; and

WHEREAS, repairing potholes and maintaining Los Gatos' streets, roads, and sidewalks so they do not deteriorate further and become even more costly to fix in the future has been a longstanding objective of the Town; and

WHEREAS, locally-enacted funding sources such as a voter-approved sales tax are not subject to seizure by the State, and must be spent in Los Gatos to maintain its local services; and

WHEREAS, the proposed measure imposes an unrestricted general sales tax that can be used for any legitimate governmental purpose and it is not a commitment to any particular action; and

WHEREAS, the proposed measure requires Independent Citizens Oversight and mandatory financial audits to ensure funds are spent in furtherance of Town objectives to enhance local services and the quality of life in the Town, and yearly reports to the community to ensure funds are spent as promised and would sunset in 20 years; and

WHEREAS, under the provisions of the laws relating to general law cities in the State of California, an election shall be held on November 6, 2018, for the submission to the voters of a question relating to a local one-eighth-cent (0.125%) sales tax; and

WHEREAS, it is desirable that the election be consolidated with the statewide election to be held on the same date, and that within the Town, the precincts, polling places, and election officers of the two elections be the same.

NOW THEREFORE, THE PEOPLE OF THE TOWN OF LOS GATOS DO ORDAIN AS FOLLOWS:

SECTION 1. INCORPORATION OF RECITALS. The People of Los Gatos, subject to voter approval, find that all Recitals are true and correct and incorporate them herein by this reference.

SECTION 2. AMENDMENT OF MUNICIPAL CODE. Chapter 2.60, Transactions and Use Tax, of the Los Gatos Town Code, is hereby added to read as follows:

COMPLETE TEXT OF MEASURE G-Continued

Sec. 2.60.010. Title.

This ordinance shall be known as the Los Gatos Transactions and Use Tax Ordinance. The Town of Los Gatos hereinafter shall be called "Town." This ordinance shall be applicable in the incorporated territory of the Town.

Sec. 2.60.020. Operative Date.

"Operative Date" means the first day of the first calendar quarter commencing more than 110 days after the adoption of this ordinance, the date of such adoption being as set forth below.

Sec. 2.60.030. Purpose.

This ordinance is adopted to achieve the following, among other purposes, and directs that the provisions hereof be interpreted in order to accomplish those purposes:

A. To impose a retail transactions and use tax in accordance with the provisions of Part 1.6 (commencing with Section 7251) of Division 2 of the Revenue and Taxation Code and Section 7285.9 of Part 1.7 of Division 2 which authorizes the Town to adopt this tax ordinance which shall be operative if a majority of the electors voting on the measure vote to approve the imposition of the tax at an election called for that purpose.

B. To adopt a retail transactions and use tax ordinance that incorporates provisions identical to those of the Sales and Use Tax Law of the State of California insofar as those provisions are not inconsistent with the requirements and limitations contained in Part 1.6 of Division 2 of the Revenue and Taxation Code.

C. To adopt a retail transactions and use tax ordinance that imposes a tax and provides a measure therefore that can be administered and collected by the California Department of Tax and Fee Administration in a manner that adapts itself as fully as practicable to, and requires the least possible deviation from, the existing statutory and administrative procedures followed by the California Department of Tax and Fee Administration in administering and collecting the California State Sales and Use Taxes.

D. To adopt a retail transactions and use tax ordinance that can be administered in a manner that will be, to the greatest degree possible, consistent with the provisions of Part 1.6 of Division 2 of the Revenue and Taxation Code, minimize the cost of collecting the transactions and use taxes, and at the same time, minimize the burden of record keeping upon persons subject to taxation under the provisions of this ordinance.

E. To provide transactions and use tax revenue to the Town to be used to fund general revenue purposes.

Sec. 2.60.040. Contract with State.

Prior to the operative date, the Town shall contract with the California Department of Tax and Fee Administration to perform all functions incident to the administration and operation of this transactions and use tax ordinance; provided, that if the Town shall not have contracted with the California Department of Tax and Fee Administration prior to the operative date, it shall nevertheless so contract and in such a case the operative date shall be the first day of the first calendar quarter following the execution of such a contract.

COMPLETE TEXT OF MEASURE G-Continued

Sec. 2.60.050. Transactions Tax Rate.

For the privilege of selling tangible personal property at retail, a tax is hereby imposed upon all retailers in the incorporated territory of the Town at the rate of one-eighth of one percent of the gross receipts of any retailer from the sale of all tangible personal property sold at retail in said territory on and after the operative date of this ordinance.

Sec. 2.60.060. Place of Sale.

For the purposes of this ordinance, all retail sales are consummated at the place of business of the retailer unless the tangible personal property sold is delivered by the retailer or his agent to an out-of-state destination or to a common carrier for delivery to an out-of-state destination. The gross receipts from such sales shall include delivery charges, when such charges are subject to the state sales and use tax, regardless of the place to which delivery is made. In the event a retailer has no permanent place of business in the State or has more than one place of business, the place or places at which the retail sales are consummated shall be determined under rules and regulations to be prescribed and adopted by the California Department of Tax and Fee Administration.

Sec. 2.60.070. Use of Tax Rate.

An excise tax is hereby imposed on the storage, use or other consumption in the Town of tangible personal property purchased from any retailer on and after the operative date of this ordinance for storage, use or other consumption in said territory at the rate of one-eighth of one percent (0.125%) of the sales price of the property. The sales price shall include delivery charges when such charges are subject to state sales or use tax regardless of the place to which delivery is made.

Sec. 2.60.080. Adoption of Provisions of State Law.

Except as otherwise provided in this ordinance and except insofar as they are inconsistent with the provisions of Part 1.6 of Division 2 of the Revenue and Taxation Code, all of the provisions of Part 1 (commencing with Section 6001) of Division 2 of the Revenue and Taxation Code are hereby adopted and made a part of this ordinance as though fully set forth herein.

Sec. 2.60.090. Limitations of Adoption of State Law and Collection of Use Tax.

In adopting the provisions of Part 1 of Division 2 of the Revenue and Taxation Code:

A. Wherever the State of California is named or referred to as the taxing agency, the name of this Town shall be substituted therefor. However, the substitution shall not be made when:

1. The word "State" is used as a part of the title of the State Controller, State Treasurer, State Treasury, the California Department of Tax and Fee Administration or the Constitution of the State of California;

2. The result of that substitution would require action to be taken by or against this Town or any agency, officer, or employee thereof rather than by or against the California Department of Tax and Fee Administration or the State Board of Equalization, in performing the functions incident to the administration or operation of this Ordinance.

COMPLETE TEXT OF MEASURE G-Continued

3. In those sections, including, but not necessarily limited to sections referring to the exterior boundaries of the State of California, where the result of the substitution would be to:

a. Provide an exemption from this tax with respect to certain sales, storage, use or other consumption of tangible personal property which would not otherwise be exempt from this tax while such sales, storage, use or other consumption remain subject to tax by the State under the provisions of Part 1 of Division 2 of the Revenue and Taxation Code, or;

b. Impose this tax with respect to certain sales, storage, use or other consumption of tangible personal property which would not be subject to tax by the state under the said provision of that code.

4. In Sections 6701, 6702 (except in the last sentence thereof), 6711, 6715, 6737, 6797 or 6828 of the Revenue and Taxation Code.

B. The word "Town" shall be substituted for the word "State" in the phrase "retailer engaged in business in this State" in Section 6203 and in the definition of that phrase in Section 6203.

Sec. 2.60.100. Permit Not Required.

If a seller's permit has been issued to a retailer under Section 6067 of the Revenue and Taxation Code, an additional transactor's permit shall not be required by this ordinance.

Sec. 2.60.110. Exemptions and Exclusions.

A. There shall be excluded from the measure of the transactions tax and the use tax the amount of any sales tax or use tax imposed by the State of California or by any town, city and county, or county pursuant to the Bradley-Burns Uniform Local Sales and Use Tax Law or the amount of any state-administered transactions or use tax.

B. There are exempted from the computation of the amount of transactions tax the gross receipts from:

1. Sales of tangible personal property, other than fuel or petroleum products, to operators of aircraft to be used or consumed principally outside the county in which the sale is made and directly and exclusively in the use of such aircraft as common carriers of persons or property under the authority of the laws of this State, the United States, or any foreign government.

2. Sales of property to be used outside the Town which is shipped to a point outside the Town, pursuant to the contract of sale, by delivery to such point by the retailer or his agent, or by delivery by the retailer to a carrier for shipment to a consignee at such point. For the purposes of this paragraph, delivery to a point outside the Town shall be satisfied:

a. With respect to vehicles (other than commercial vehicles) subject to registration pursuant to Chapter 1 (commencing with Section 4000) of Division 3 of the Vehicle Code, aircraft licensed in compliance with Section 21411 of the Public Utilities Code, and undocumented vessels registered under Division 3.5 (commencing with Section 9840) of the Vehicle Code by registration to an out-of-Town address and by a declaration under penalty of perjury, signed by the buyer, stating that such address is, in fact, his or her principal place of residence; and

COMPLETE TEXT OF MEASURE G-Continued

b. With respect to commercial vehicles, by registration to a place of business out-of-Town and declaration under penalty of perjury, signed by the buyer, that the vehicle will be operated from that address.

3. The sale of tangible personal property if the seller is obligated to furnish the property for a fixed price pursuant to a contract entered into prior to the operative date of this ordinance.

4. A lease of tangible personal property which is a continuing sale of such property, for any period of time for which the lessor is obligated to lease the property for an amount fixed by the lease prior to the operative date of this ordinance.

5. For the purposes of subparagraphs (3) and (4) of this section, the sale or lease of tangible personal property shall be deemed not to be obligated pursuant to a contract or lease for any period of time for which any party to the contract or lease has the unconditional right to terminate the contract or lease upon notice, whether or not such right is exercised.

C. There are exempted from the use tax imposed by this ordinance, the storage, use or other consumption in this Town of tangible personal property:

1. The gross receipts from the sale of which have been subject to a transactions tax under any state-administered transactions and use tax ordinance.

2. Other than fuel or petroleum products purchased by operators of aircraft and used or consumed by such operators directly and exclusively in the use of such aircraft as common carriers of persons or property for hire or compensation under a certificate of public convenience and necessity issued pursuant to the laws of this State, the United States, or any foreign government. This exemption is in addition to the exemptions provided in Sections 6366 and 6366.1 of the Revenue and Taxation Code of the State of California.

3. If the purchaser is obligated to purchase the property for a fixed price pursuant to a contract entered into prior to the operative date of this ordinance.

4. If the possession of, or the exercise of any right or power over, the tangible personal property arises under a lease which is a continuing purchase of such property for any period of time for which the lessee is obligated to lease the property for an amount fixed by a lease prior to the operative date of this ordinance.

5. For the purposes of subparagraphs (3) and (4) of this section, storage, use, or other consumption, or possession of, or exercise of any right or power over, tangible personal property shall be deemed not to be obligated pursuant to a contract or lease for any period of time for which any party to the contract or lease has the unconditional right to terminate the contract or lease upon notice, whether or not such right is exercised.

6. Except as provided in subparagraph (7), a retailer engaged in business in the Town shall not be required to collect use tax from the purchaser of tangible personal property, unless the retailer ships or delivers the property into the Town or participates within the Town in making the sale of the property, including, but not limited to, soliciting or receiving the order, either directly or indirectly, at a place of business of the retailer in the Town or through any representative, agent, canvasser,

COMPLETE TEXT OF MEASURE G-Continued

solicitor, subsidiary, or person in the Town under the authority of the retailer.

7. "A retailer engaged in business in the Town" shall also include any retailer of any of the following: vehicles subject to registration pursuant to Chapter 1 (commencing with Section 4000) of Division 3 of the Vehicle Code, aircraft licensed in compliance with Section 21411 of the Public Utilities Code, or undocumented vessels registered under Division 3.5 (commencing with Section 9840) of the Vehicle Code. That retailer shall be required to collect use tax from any purchaser who registers or licenses the vehicle, vessel, or aircraft at an address in the Town.

D. Any person subject to use tax under this ordinance may credit against that tax any transactions tax or reimbursement for transactions tax paid to a district imposing, or retailer liable for a transactions tax pursuant to Part 1.6 of Division 2 of the Revenue and Taxation Code with respect to the sale to the person of the property the storage, use or other consumption of which is subject to the use tax.

Sec. 2.60.120. Amendments.

All amendments subsequent to the effective date of this ordinance to Part 1 of Division 2 of the Revenue and Taxation Code relating to sales and use taxes and which are not inconsistent with Part 1.6 and Part 1.7 of Division 2 of the Revenue and Taxation Code, and all amendments to Part 1.6 and Part 1.7 of Division 2 of the Revenue and Taxation Code, shall automatically become a part of this ordinance, provided however, that no such amendment shall operate so as to affect the rate of tax imposed by this ordinance.

Sec. 2.60.130. Enjoining Collection Forbidden.

No injunction or writ of mandate or other legal or equitable process shall issue in any suit, action or proceeding in any court against the State or the Town, or against any officer of the State or the Town, to prevent or enjoin the collection under this ordinance, or Part 1.6 of Division 2 of the Revenue and Taxation Code, of any tax or any amount of tax required to be collected.

Sec. 2.60.140. Citizens' oversight and annual audit.

A. There shall be a committee appointed by the Town Council to review and report on the receipt of revenue and expenditure of funds from the tax authorized by this chapter ("revenues and expenditures"). The number, qualifications and duties of Committee members shall be established by ordinance or resolution of the Town Council.

B. Beginning with the fiscal year that ends June 30, 2019, the Town's independent auditors shall, as part of their annual audit of the Town's financial statements, review the collection and expenditure of revenue from the tax authorized by this chapter. The auditors' review shall be a public document. The committee shall annually review the auditors' findings and report in writing to the Town Council regarding the auditors' findings regarding the revenues and expenditures. The committee's statement shall be transmitted to the Town Council for consideration at a public meeting.

C. By January 31, 2019, the Town Council shall adopt a resolution establishing the composition of the committee and further defining its responsibilities consistently with this section. Provisions defining the scope of committee responsibilities and reporting requirements shall

COMPLETE TEXT OF MEASURE G-Continued

address bond oversight, in the event that a decision is made at a later time to sell bonds that are in part backed by the revenues referenced in this section. The Town Council shall appoint the initial members of the committee no later than March 1, 2019.

Sec. 2.60.150. Termination Date.

The authority to levy the tax imposed by this chapter shall automatically expire on March 31, 2039, without further action by the Town Council or the voters of the Town. After said date, the tax imposed by this Chapter can only be continued or reestablished by a majority vote of Los Gatos voters.

SECTION 3. ADJUSTMENT OF APPROPRIATIONS LIMIT. Pursuant to Article XIII B of the Constitution of the State of California and applicable laws, the appropriations limit for the Town is hereby increased by the aggregate sum authorized to be levied by this tax for fiscal year 2018-2019 and each year thereafter.

SECTION 4. COMPLIANCE WITH THE CALIFORNIA ENVIRONMENTAL QUALITY ACT. The approval of this ordinance is exempt from the California Environmental Quality Act (Public Resources Code §§ 21000 et seq., "CEQA," and 14 Cal. Code Reg. §§ 15000 et seq., "CEQA Guidelines"). This ordinance imposes a general tax that can be used for any legitimate governmental purpose; it is not a commitment to any particular action. As such, under CEQA Guidelines section 15378(b)(4), the ordinance is not a "project" within the meaning of CEQA because it creates a government funding mechanism that does not involve any commitment to any specific project that may result in a potentially significant physical impact on the environment. If revenue from the tax were used for a purpose that would have either such effect, the Town would undertake the required CEQA review for that project. Therefore, pursuant to CEQA Guidelines section 15060, CEQA analysis is not required.

SECTION 5. SEVERABILITY. If any provision of this ordinance or the application thereof to any person or circumstance is held invalid, the remainder of the ordinance and the application of such provision to other persons or circumstances shall not be affected thereby.

SECTION 6. EFFECTIVE DATE. This ordinance relates to the levying and collecting of the Town transactions and use taxes and shall take effect immediately.

SECTION 7. NOTICE. Upon approval by the voters, the Town Clerk Administrator shall certify to the passage and adoption of this Ordinance and shall cause it to be published according to law.

ARGUMENT IN FAVOR OF MEASURE G

Los Gatos residents value our unparalleled quality of life and high level of services. To sustain that quality of life it's important to maintain our community streets, preserve neighborhood police patrols, maintain our parks and trails, offer outstanding library services, and continue our history of long-term fiscal stability.

While our Town and nation have been fortunate to experience years of economic growth, the current economic expansion won't last forever. As we continue to invest in future and save for an almost certain rainy day, the reality is-we should do more. That's why Councilmembers agreed with the Ad Hoc Citizens Committee and voted to put this measure on the ballot.

Even without consideration of a future recession, assuming continued delivery of the same level of service, our future expenses are forecasted to grow significantly faster than revenues-in future years we may no longer have funds available to use for either necessary or discretionary infrastructure projects. If approved by a majority of the Town's voters, this Measure is expected to generate approximately \$800,000 in revenue by increasing our general sales tax by 1/8 of a cent. All funds generated by this Measure would be dedicated exclusively for use by the Town to maintain essential services—monies raised cannot be taken by the state or federal government. To insure accountability, the Measure creates an independent Citizens Oversight Committee, requires annual audits, and mandates yearly reporting to the community to ensure transparency and accountability in the use of funds.

To ensure Los Gatos residents continue to enjoy the high level of services, quality infrastructure, and quality of life they have come to expect, we ask you to please join us in voting Yes on the measure to generate revenues dedicated solely to fund those serves now and into the future.

/s/ Steven Leonardis
Vice Mayor

/s/ Rob Rennie
Mayor

/s/ Marcia Jensen
Town Councilmember

REBUTTAL TO ARGUMENT IN FAVOR OF MEASURE G

Here are the critical questions that must be answered:

- **Why do we need to increase the sales tax?**
- **Is there a legal requirement as to where the tax revenue must be spent?**

The politicians' argument offers no answers. This is unnecessary taxation by three politicians who are trying to pad an already flush bank account.

Let's review their claims.

Claim: In future years we may no longer have funds available to ensure our current high level of services.

Fact: The Town now has \$76 million in cash including \$10 million in "rainy day" funds. The Town Council just approved a 5 year financial plan which projects a budget surplus and a \$48 million fully funded 5 year capital plan. And we have yet to see the developer fees, property tax revenue and sales tax revenue flowing from a developed North 40. This claim is unfounded and irresponsible.

Claim: All funds would be dedicated exclusively to fund essential services.

Fact: There is no legal requirement in this ordinance to dedicate tax revenue exclusively to fund essential services. Section 4 of the ordinance clearly states this and the Town Attorney's impartial analysis confirms it. The Town Council could have chosen to legally require "specific spending", but purposely decided not to. The politicians want complete control over this revenue. **This is one reason why Council Member Spector voted no.**

The Town is not a bank.

Keep your own money in your pocket.

Support our struggling merchants.

Join Us and Vote NO

/s/ Sandy Decker
Former Los Gatos Mayor

/s/ Jak Vannada
Chief Executive Officer, Retired

/s/ Phil Koen
Chairman of the Board, Contegix

/s/ Rick Van Hoesen
Chief Financial Officer, Aktana, Inc.

ARGUMENT AGAINST MEASURE G

There are no compelling reasons to increase the sales tax in Los Gatos. **Council Member Barbara Spector** called the ballot measure misleading to our community. Now it is up to the citizens of Los Gatos to reject this idea with their votes.

Why vote NO:

1) **Use of funds from the new tax are untargeted and unconstrained.**

- The ballot language is misleading, implying the revenue will only be spent on essential Town services. Section 4 of the ordinance states **"there is no specific commitment to how the revenue will be spent"**

2) **The Town can fund its ambitious spending plans without increasing the sales tax.**

- The Town Council approved a FY 2019 **balanced budget** which projects a **\$700,000 surplus** while increasing staff salaries and benefits expenditures 11% and capital projects expenditures 60% over FY 2018 estimated actuals.

- The Town Council approved a fully funded \$48 million five-year capital plan and a 5 Year Financial Plan that shows a cumulative surplus.

3) **The Town has plenty of cash.**

- Los Gatos has over \$70 million in unrestricted cash on hand RIGHT NOW. Compare that to Saratoga (\$23 million) and Campbell (\$44 million). The town's coffers are flush.

- The Town is projecting total revenues to increase in FY 2019 **without a sales tax increase.**

4) **Increasing the sales tax will hurt our local merchants, not help them.**

- Sales tax revenues are falling because of the shift to on-line retailing. Increasing the sales tax now will hurt our struggling local merchants. Los Gatos will have a higher sales tax than neighboring cities Saratoga and Cupertino.

Vote NO on this misleading and unnecessary sales tax. Keep your money in your pocket, not the Town's bank account.

/s/ Sandy Decker
Former Los Gatos Mayor

/s/ Jak Vannada
Chief Executive Officer, Retired

/s/ Phil Koen
Chairman of the Board, Contegix

/s/ Rick Van Housen
Chief Financial Officer, Aktana, Inc.

/s/ David Lazares
Lazares Companies Manager

REBUTTAL TO ARGUMENT AGAINST MEASURE G

Nobody likes to pay taxes, and Councilmembers don't like advocating tax increase, but our job is to be fiscally responsible and to insure a balanced budget going forward. Faced with ongoing pension expenses and planned 5-year infrastructure projects at a cost of \$49.5 million, we are doing just that.

Before casting your vote, please consider the following verifiable information, because facts matter:

-Every penny of Measure G requires independent citizens oversight and mandatory annual audits.

-Opponents' claims that compensation increased by 11% is patently false. The actual budgeted to budgeted increase was 1.2%.

-Per Council-approved financial policy, any budget surplus shall be placed in the Capital and Special Projects Reserve.

-Of the Town's \$70M in operating funds the majority are assigned, committed or restricted including catastrophic reserve, accounts payable, other obligations, capital projects underway etc. (see http://www.town.los-gatos.ca.us/AgendaCenter/ViewFile/Agenda/_08062018-1329).

MuniServices, the Town's Sales Tax Consultant, has calculated that a recession would reduce sales taxes by \$6.8M over five years versus what is currently budgeted.

If projections for a future recession are correct, Los Gatos could see a reduction in tax revenue, which would impact our budget and affect our ability to fund services.

After listening to the community and considering all of the information, 4 of the 5 Councilmembers voted to place this measure before the voters to make a final decision.

History suggests that current economic expansion can't last forever. Council has to plan for the inevitable rainy day. This measure will ensure that when it comes, Los Gatos is prepared.

/s/ Steven Leonardis
Vice Mayor Town of Los Gatos

/s/ Marcia Jensen
Council Member Town of Los Gatos

/s/ Rob Rennie
Mayor Town of Los Gatos