

RESOLUTION NO. 2024-___

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LOS ALTOS
ADOPTING A MATERIALITY THRESHOLD FOR REPORTING LEASES IN
ACCORDANCE WITH GASB STATEMENT NO. 87 AND FOR REPORTING
SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS
(SBITA'S) ACCORDANCE WITH GASB STATEMENT NO. 96.**

WHEREAS, GASB 87 Leases increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities; and

WHEREAS, The requirements of this Statement are effective for fiscal years beginning after December 15, 2019 [extended to June 15, 2021], and all reporting periods thereafter; and

WHEREAS, The City was subject to GASB 87 reporting standards beginning for the FY 2022; and

WHEREAS, GASB 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended; and

WHEREAS, The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter; and

WHEREAS, The City was subject to GASB 96 reporting standards in the FY2023; and

WHEREAS, By establishing a minimum threshold for reporting, the City will eliminate the need to account for and report on any Lease or SBITA that is immaterial to the financial position of the City, increasing efficiency in the Finance Department; and

NOW THEREFORE, BE IT RESOLVED, that the City Council of the City of Los Altos hereby establishes the minimum threshold for reporting Leases pursuant to GASB 87 and SBITA's pursuant to GASB 96 to a Net Present Value (NPV) of less than >1% of Fixed Assets for the applicable fund.

I HEREBY CERTIFY that the foregoing is a true and correct copy of a Resolution passed and adopted by the City Council of the City of Los Altos at a meeting thereof on the ____ day of ____, 2024 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Jonathan D. Weinberg, MAYOR

Attest:

Melissa Thurman, MMC, CITY CLERK