

**DRAFT RESOLUTION 2024-**

**RESOLUTION OF THE TOWN COUNCIL OF THE TOWN OF LOS GATOS  
APPROVING COMMITMENTS OF FUND BALANCE UNDER GASB 54**

**WHEREAS**, the Governmental Accounting Standards Board (GASB) has issued its Statement No. 54, Fund Balance and Governmental Fund Type Definitions with the intent of improving financial reporting by providing fund balance categories that will be more easily understood and to improve the comparability of governmental fund financial statements; and

**WHEREAS**, GASB 54 provides that the Town Council of the Town of Los Gatos classify governmental fund balances as restricted, assigned, or committed fund balances; and

**WHEREAS**, GASB 54 provides that restricted reserves are funds that are restricted for externally imposed constraints such as legal contracts or state law, assigned amounts are constrained by the Town's intent to use them for specific purposes, and committed amounts are dedicated for specific purposes under constraints and formal action taken by the Town Council and these committed amounts cannot be used for any other purposes unless the Town Council of the Town of Los Gatos removes or changes the specific use through the same formal action to establish the commitment; and

**WHEREAS**, there exists a Nonspendable Reserve that is not readily available for expenditure as it represents the outstanding balance of long term notes receivable; and

**WHEREAS**, there exists a balance of \$159,000 as of June 30, 2024 in the Nonspendable Reserve; and

**WHEREAS**, there exists a balance of \$344,338 as of June 30, 2024 Land held for resale for Below Market Housing Program property in the Restricted Reserve; and

**WHEREAS**, there exists a balance of \$2,188,659 as of June 30, 2024 in the Restricted Pension Trust Reserve; and

**WHEREAS**, the Town Council of the Town of Los Gatos has established a General Fund Reserve Policy providing for minimum fund balance dollar target amounts for Budget Stabilization and Catastrophic fund balances and outlines policies and procedures for use and restoration of these balances; and

**WHEREAS**, the Budget Stabilization and Catastrophic Reserve should be maintained at the required minimum 12.5% of Fiscal Year (FY) 2024/25 general fund budgeted operating expenditures of \$6,736,781 as specified in the Town Council General Fund Reserve Policy. This would increase both Budget Stabilization and Catastrophic Reserves from \$6,736,781 by \$607,007 from available Capital/Special Projects Reserve; and

**WHEREAS**, in June 2016, the Town Council established the committed Pension/ Other Post-Employment Benefits (OPEB) Reserve to provide additional funding toward pension and OPEB unfunded obligations by placing discretionary amounts to the reserve with formal Council action and transferring available year-end surpluses based on the General Fund Reserve Policy; and

**WHEREAS**, per Town Council General Fund Reserve Policy, \$300,000 will be placed to the CalPERS/OPEB Reserve from available year-end savings; and

**WHEREAS**, there exists a balance of \$300,000 as of June 30, 2024 in the committed CalPERS/OPEB Reserve; and

**WHEREAS**, there exists a committed Measure G 2018 District Sales Tax Reserve to track receipt and use of the 1/8 cent district tax funds collected by the Town; and

**WHEREAS**, the Town Council has determined the use of Measure G accumulated and future proceeds to be allocated 50% for operating expenditures and 50% for capital purposes; and

**WHEREAS**, 50% of the current Measure G proceeds dedicated for Capital Purposes was receipted in the General Fund Appropriated Reserve for capital purposes; and

**WHEREAS**, there is anticipated to be an excess balance of \$590,581 as of June 30, 2024 and should be used for operating expenses in FY 2024/25; and

**WHEREAS**, the Town Council established the assigned Open Space reserve in the FY 1998/99 to be used for the preservation of open space, connection of open space trails, the definition of the southern boundary of the Town with passive open space, and protection of unique natural features; and

**WHEREAS**, there exists an excess balance of \$410,000 as of June 30, 2024 in the assigned Open Space Reserve; and

**WHEREAS**, the Town Council established the assigned Sustainability Reserve in FY 2008/09 by closing the Solid Waste Management fund and placing the initial residual balance dedicated for conservation, recycling, and sustainability; and

**WHEREAS**, there exists an excess balance of \$140,553 as of June 30, 2024 in the assigned Sustainability Reserve; and

**WHEREAS**, there exists an assigned Market Fluctuation Reserve that represents fund balance amounts for unrealized investment gains that have been recorded as investment income in the financial statements in accordance with the requirements of GASB 31; and

**WHEREAS**, there exist a current balance of \$1,712,246 as of June 30, 2024 in the assigned Market Fluctuation Reserve; and

**WHEREAS**, there exists an assigned Carryover Encumbrances Reserve for material and services on purchase orders and contract which are unperformed in the amount of \$85,861; and

**WHEREAS**, with the adoption of the Fiscal Year 2023/24 Budget, the Council established an assigned Council Priorities – Economic Recovery Reserve to track General Fund revenues freed up from recognizing all American Rescue Plan Act (ARPA) “replacement” revenues to the General Fund for essential government services, for economic recovery and business support, enhanced senior services, capital program augmentations, and other one-time uses; and

**WHEREAS**, there exists an excess balance of \$20,864 as of June 30, 2024 in the assigned Council Priorities – Economic Recovery Reserve; and

**WHEREAS**, the Council has established an assigned Educational Revenue Augmentation Fund (ERAF) Risk Reserve, reserving the 30% of the anticipated ERAF proceeds from FY 2022/23 until a lawsuit between the State and the School Districts concludes; and

**WHEREAS**, there exists an excess balance of \$1,430,054 as of June 30, 2024 in the assigned ERAF Risk Reserve; and

**WHEREAS**, there exists an assigned General Fund Compensated Absences Reserve allocated to fund 50% of all vested hours of sick leave, compensation, and vacation time with the actual reserve amount of \$1,555,478; and

**WHEREAS**, there exists an assigned Capital/Special Projects Reserve to fund Council priorities, and key infrastructure and capital/special projects as identified in the Town’s five-year Capital Improvement Plan; and

**WHEREAS**, the remainder of the available year-end savings will be placed in the Capital/Special Project Reserve according to the Town Council Reserve Policy; and

**WHEREAS**, there exists an assigned Capital/Special Project Reserve in the amount of \$8,651,065; and

**NOW, THEREFORE, THE TOWN COUNCIL OF THE TOWN OF LOS GATOS DOES HEREBY RESOLVE** that the following fund balances as of June 30, 2024 as restricted, assigned, or formally committed as follows:

	<u>General Fund</u>	<u>Appropriated Reserves</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Fund Balance</b>				
Nonspendable				
Loans Receivable	\$ 159,000	\$ -	\$ -	\$ 159,000
Restricted for:				
Library	-	-	556,848	556,848
Capital Projects	-	-	9,043,666	9,043,666
Lands Held for Resale	344,338	-	-	344,338
Repairs and Maintenance	-	-	182,625	182,625
Pension	2,188,659	-	-	2,188,659
VTA	-	577,887	-	577,887
Committed to:				
Budget Stabilization	6,736,781	-	-	6,736,781
Catastrophic	6,736,781	-	-	6,736,781
CalPERS/OPEB	300,000	-	-	300,000
Measure G 2018 District Sales Tax	590,581	1,572,619	-	2,163,200
Special Revenue Fund	-	-	1,091,822	1,091,822
Assigned to:				
Open Space	410,000	152,000	-	562,000
Parking	-	292,000	-	292,000
Sustainability	140,553	-	-	140,553
Capital/Special Projects	8,651,056	16,421,064	-	25,072,120
Comcast PEG	-	50,000	-	50,000
ERAF Risk	1,430,054	-	-	1,430,054
Economic Recovery	20,684	-	-	20,684
Carryover Encumbrances	85,861	-	-	85,861
Compensated Absences	1,555,478	-	-	1,555,478
Market Fluctuation	1,712,246	-	-	1,712,246
<b>Total Fund Balances</b>	<u>\$ 31,062,072</u>	<u>\$ 19,065,570</u>	<u>\$ 10,874,961</u>	<u>\$ 61,002,603</u>

**PASSED AND ADOPTED** at a regular meeting of the Town Council held on the \_\_\_\_ day of \_\_\_\_\_, 2024, by the following vote:

COUNCIL MEMBERS:

AYES:

NAYS:

ABSENT:

ABSTAIN:

SIGNED:

\_\_\_\_\_  
MAYOR OF THE TOWN OF LOS GATOS  
LOS GATOS, CALIFORNIA

ATTEST:

\_\_\_\_\_  
TOWN CLERK OF THE TOWN OF LOS GATOS  
LOS GATOS, CALIFORNIA