



**TOWN OF LOS GATOS  
COUNCIL AGENDA REPORT**

MEETING DATE: 9/21/2021

ITEM NO: 6

---

DATE: September 15, 2021  
TO: Mayor and Town Council  
FROM: Laurel Prevetti, Town Manager  
SUBJECT: Approve Revisions to the Town's General Fund Reserve Policy to Document the Market Fluctuation Reserve as Recommended by the Finance Commission.

**RECOMMENDATION:**

Approve Revisions to the Town's General Fund Reserve Policy to document the Market Fluctuation Reserve as Recommended by the Finance Commission.

**DISCUSSION:**

The Governmental Accounting Standards Board (GASB) 31 requires that at year end the Town must compare or "mark" its historical cost of investments against the market value of those investments as determined at its fiscal year end date. If the market value is below cost, a negative interest earned adjustment is made to the Town's interest earned for the fiscal year. Conversely, if the market valuations exceed historical cost, a positive increase is added to the calculation of interest earned for the fiscal year.

Staff has utilized a Reserve for Market Fluctuations to assign or reserve Town General Fund balance when substantial unrealized gains (market value of investment above its historical cost to the Town) on its operating portfolio are determined upon the last day of the fiscal year.

At its August 9th meeting, the Finance Commission requested that staff develop a threshold for unrealized gains so reserve balances resulting from market fluctuation gains are consistently applied from year to year.

On September 13, 2021, the Finance Commission reviewed and recommended for Council approval the staff recommendation reserving the market fluctuation gains that are equal or higher than \$10,000. The recommended changes have been incorporated into existing GASB 31 language and can be seen in the redlined General Fund Reserve Policy in Attachment 1.

**PREPARED BY:** Stephen Conway  
Finance Director

---

Reviewed by: Town Manager, Assistant Town Manager, and Town Attorney

---

PAGE 2 OF 2

SUBJECT: Recommended Changes to General Fund Reserve Policy

DATE: September 15, 2021

FISCAL IMPACT:

This action has no fiscal impact.

ENVIRONMENTAL ASSESSMENT:

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

Attachment:

1. Town General Fund Reserve Policy (redlined)