

DRAFT RESOLUTION 2023-

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, 2023 in the Nonspendable Reserve; and

WHEREAS, there exists a balance of \$44,338 as of June 30, 2023 Land held for resale for Below Market Housing Program property in the Restricted Reserve; and

WHEREAS, there exists a balance of \$1,400,163 as of June 30, 2023 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) 2023/24 general fund budgeted operating expenditures of \$6,129,774 as specified in the Town Council General Fund Reserve Policy. This would increase both Budget Stabilization and Catastrophic Reserves from \$6,129,775 by \$138,208 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, 2023 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, 2023 and should be used for operating expenses in FY 2023/24; 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, 2023 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, 2023 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 is no current balance as of June 30, 2023 in the assigned Market Fluctuation Reserve reflecting less than \$10,000 investment earnings as of June 30, 2023; 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 \$37,698; 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 \$1,556,614 as of June 30, 2023 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 \$689,608 as of June 30, 2023 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 \$1,580,623; 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 \$10,359,577; and

NOW, THEREFORE, THE TOWN COUNCIL OF THE TOWN OF LOS GATOS DOES HEREBY RESOLVE that the following fund balances as of June 30, 2023 as restricted, assigned, or formally committed as follows:

	General Fund	Appropriated Reserves	Other Nonmajor Governmental Funds	Total Governmental Funds
Fund Balance				
Nondisposable	\$ 159,000	\$ -	\$ -	\$ 159,000
Loans Receivable	-	5,690	-	5,690
Leases Receivable	-	-	50,287	50,287
Restricted for:				
Library	-	-	530,174	530,174
Capital Projects	-	-	8,328,572	8,328,572
Land Held for Resale	44,338	-	-	44,338
Repairs and Maintenance	-	-	176,966	176,966
Pension	1,400,163	-	-	1,400,163
VTA	-	494,826	-	494,826
Committed to:				
Budget Stabilization	6,129,774	-	-	6,129,774
Catastrophic	6,129,775	-	-	6,129,775
Pension/OPEB	300,000	-	-	300,000
Measure G 2018 District Sales Tax	590,581	1,769,057	-	2,359,638
Special Revenue Fund	-	-	821,200	821,200
Assigned to:				
Open Space	410,000	152,000	-	562,000
Parking	-	100,000	-	100,000
Sustainability	140,553	-	-	140,553
Capital/Special Projects	10,359,577	19,178,452	-	29,538,029
Carryover Encumbrances	37,698	-	-	37,698
Comcast PEG	-	50,000	-	50,000
ERAF Risk	689,608	-	-	689,608
Economic Recovery	1,556,614	-	-	1,556,614
Compensated Absences	1,580,623	-	-	1,580,623
Total Fund Balances	\$ 29,528,304	\$ 21,750,025	\$ 9,907,199	\$ 61,185,528

PASSED AND ADOPTED at a regular meeting of the Town Council held on the ____ day
of _____, 2023, 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