

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 Restricted General Fund Pension Reserve in the form of an IRS 115 Pension Trust; and

WHEREAS, there exists a balance of \$1,380,00 as of June 30, 2023 in the restricted Pension 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 Reserve fund balances and outlines policies and procedures for use and restoration of these balances; 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 to be determined at the close of FY 2022/23; and

ATTACHMENT 2

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

WHEREAS, there exists an assigned authorized Carry Forward Reserve for materials and services on approved purchase order and contracts which were issued but not finalized or fulfilled as of the end of the fiscal year but for which funds will be carried forward to the following fiscal year. Actual reserve balance will be established at the close of FY 2022/23; and

WHEREAS, in June 2016, the Town Council established the committed Pension/OPEB Reserve to provide funding toward pension and Other Post-Employment Benefits (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, there is anticipate an excess balance of \$300,000 as of June 30, 2023 in the assigned OPEB/Pension Reserve, that will confirmed at the close of FY 2022/23 and

WHEREAS, on November 6, 2018, the Town Council provided direction to establish an unassigned Surplus Property Revenue General Fund Reserve that any monies received from the sale of the property located on Winchester Boulevard and any monies received from the sale of future surplus property be placed in this reserve, and the provisions for the reserve specifically indicate that Council may, at its discretion, distribute those funds as it deems appropriate; 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 represent 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 in the amount of \$0, actual reserve balance will be established at the close of FY 2022/23; and

WHEREAS, there exists an assigned 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 50% for operating expenditures and 50% for capital purposes; and

WHEREAS, the residual balance of \$590,581 that was set aside for operating purposes in FY 2020/21 and/or FY 2021/22 should be used for operating expenses in FY 2023/24; and

WHEREAS, the assigned Measure G Residual – Operating Reserve should be reclassified as committed Reserve; and

WHEREAS, with the adoption of the Fiscal Year 2023/24 Budget, an assigned Council Priorities – Economic Recovery Reserve has been established to track General Fund revenues freed up from recognizing all 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, the assigned Council Priorities – Economic Recovery Reserve has an estimated balance of \$1,645,281 at June 30, 2023, with the actual reserve balance being determined at the close of FY 2022/23; and

WHEREAS, with the adoption of the Fiscal Year 2023/24 Budget, an assigned Education Realignment Augmentation Fund (ERAF) Risk Reserve has been established, 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, an excess balance of \$689,608 exists as of June 30, 2023 in the assigned ERAF Risk Reserve, with the actual amount will be determined at the close of FY 2022/23; and

WHEREAS, the \$1,615,000 transfer from the Capital/Special Project Reserve to the General Fund Appropriated Reserve provides funding to the five-year capital plan; 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

NOW, THEREFORE, THE TOWN COUNCIL OF THE TOWN OF LOS GATOS DOES
HEREBY RESOLVE that the following estimated Pension, Budget Stabilization, Catastrophic, Pension/OPEB, Capital/Special Projects, Compensated Absences; Measure G District Sales Tax, Surplus Property Revenue, Market Fluctuations, Sustainability, Open Space, and ARPA Reserves as of June 30, 2023 and as of June 30, 2024 as restricted, assigned, unassigned or formally committed as follows:

	Actual General Fund Reserves June 30, 2022	FY 2022/23 Budget, GF Reserve Policy, and this Resolution Approved Increase	FY 2022/23 Budget, GF Reserve Policy, and this Resolution Approved (Decrease)	Estimated General Fund Reserves June 30, 2023	FY 2023/24 Budget Resolution Approved Increase	FY 2023/24 Budget Resolution Approved (Decrease)	Estimated General Fund Reserves June 30, 2024
Restricted Fund Balances							
Pension	\$ 690,000	\$ 690,000	\$ -	\$ 1,380,000	\$ 390,000	\$ -	\$ 1,770,000
Committed Fund Balances							
Budget Stabilization	5,991,566	\$ 138,208	-	6,129,774	-	-	6,129,774
Catastrophic	5,991,566	138,209	-	6,129,775	-	-	6,129,775
Pension/OPEB	300,000	300,000	(300,000)	300,000	-	-	300,000
Measure G District Sale Tax - Operating			590,581	590,581	-	-	590,581
Assigned Fund Balances							
Capital/Special Projects	11,071,231	1,220,811	(4,271,698)	8,020,344	88,423	(1,615,000)	6,405,344
Compensated Absences	1,519,147	-	-	1,519,147	-	-	1,519,147
Open Space	410,000	-	-	410,000	-	-	410,000
Sustainability	140,553	-	-	140,553	-	-	140,553
Market Fluctuations	-	-	-	-	-	-	-
Measure G District Sale Tax - Operating	590,581	-	(590,581)	-	-	-	-
Carryover Encumbrances	33,145	-	-	33,145	-	-	33,145
Council Priorities - Economic Recovery	-	-	1,645,281	1,645,281	-	(779,000)	866,281
ERAF Risk Reserve	-	689,608	-	689,608	660,900	-	1,350,508
Rehab Loan Reserve (Nonspendable)	159,000	-	-	159,000	-	-	159,000

PASSED AND ADOPTED at a regular meeting of the Town Council of the Town of Los Gatos held on the 6th day of June 2023 by the following vote:

COUNCIL MEMBERS:

AYES:

NAYS:

ABSENT:

ABSTAIN:

SIGNED:

MAYOR OF THE TOWN OF LOS GATOS
LOS GATOS, CALIFORNIA

DATE: _____

ATTEST:

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

DATE: _____