



TOWN OF LOS GATOS
FINANCE COMMISSION REPORT

MEETING DATE: 6/8/2026

ITEM NO: 6

DATE: June 8, 2026
TO: Finance Commission
FROM: Chris Constantin, Town Manager
SUBJECT: Review Proposed Changes to the Town's General Fund Reserve Policy and Make a Recommendation to the Town Council

RECOMMENDATION:

Review Proposed Changes to the Town's General Fund Reserve Policy and Make a Recommendation to the Town Council

DISCUSSION:

The Town's General Fund Reserve Policy was last reviewed by the Finance Commission on October 13, 2025, and adopted by the Council on November 4, 2025. The 2025 policy revision incorporated feedback from the Finance Commission and GFOA guidance while retaining the Town's core reserve structure. It also formally established the General Fund Unassigned Fund Balance Reserve with the 2025–26 Adopted Budget, reflecting available resources that are not allocated for other uses and can support temporary revenue shortfalls or one-time expenditures. In addition, staff recommended removing obsolete language related to the Almond Grove Reserve and established a clear order for year-end surplus deposits.

Reviewing Reserve Policies

It is a good practice to periodically review the policy. While this staff report discusses some potential changes to policy, staff note that discussion of our approach to reserving, the target amounts specified for a reserve, as well as the criteria for use of such reserve may need to be an ongoing discussion. For the purpose of the Finance Commission's workplan, the current discussion would address the need to review the policy. However, there are more areas that may need consideration and so future discussions may be necessary to gather the commission's perspective as we move forward. This may include consolidation of the number of reserves

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Finance & Accounting Manager

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SUBJECT: Discussion and Consideration of General Fund Reserve Policy Changes

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into fewer reserve categories as well as determining whether certain reserves may benefit from being specified as committed as opposed to assigned fund balances.

Initial Staff Recommendations for the Finance Commission's Consideration

Staff is recommending one change in the Committed Fund Balance definition to remove "such as an ordinance or resolution". This change aligns the language to the GASB 54 Statement language. Staff are open to more advice and perspective from the Finance Commission as well as keeping dialog going on opportunities to refine how we maintain and fund reserves.

The Finance Commission should review the policy and consider its recommendation for Town Council's consideration.

FISCAL IMPACT:

There is no fiscal impact of reviewing and modifying the General Fund Reserve Policy.

Attachment:

1. General Fund Reserve Policy