

## RESOLUTION 2021

### 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 \$390,000 as of June 30, 2021 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 2020/21; 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 2020/21; 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**, 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**, there exists an assigned approximately \$1,200,000 balance in the Surplus Property Reserve.

**WHEREAS**, on May 18, 2021 the Town Council Town determined the use of the \$1.2 Million in the Surplus Property Reserve (Winchester property sale proceeds) be for capital purposes; 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, 2021 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 \$1,218,732, actual reserve balance will be established at the close of FY 2020/21; 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 \$1,051,046 (50% of the June 30, 2020 accumulated balance and 50% of the estimates FY 2020/21 proceeds) transfer from the Measure G District Sales Tax Reserve to the General Fund Appropriated Reserves provides funding capital projects; and

**WHEREAS**, there is anticipated to be an excess balance of \$482,159 as of June 30, 2021 in the assigned Measure G District Sales Tax Reserve, and that the actual balance will be determined at the close of FY 2020/21 and will be used for capital purposes; and

**WHEREAS**, the \$550,000 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, 2021 in the assigned Open Space Reserve; and

**WHEREAS**, there is exists an assigned American Recovery Act (ARPA) Reserve to collect the anticipated proceeds less Council authorized use of ARPA revenue per US Treasury Interim ruling for revenue replacement and other one-time uses, estimated June 30, 2022 balance is \$1,656,732, and the actual reserve balance will be determined at the close of the FY 2020/21 fiscal year; 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 \$1,218,732, and the actual reserve balance will be established at the close of FY 2020/21; 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, 2021 and as of June 30, 2022 as restricted, assigned, unassigned or formally committed as follows:

	Actual General Fund Reserves June 30, 2020	FY 2020/21 Budget, GF Reserve Policy, and this Resolution Approved Increase	FY 2020/21 Budget, GF Reserve Policy, and this Resolution Approved (Decrease)	Estimated General Fund Reserves June 30, 2021	FY2021/22 Budget Resolution Approved Increase	FY 2021/22 Budget Resolution Approved (Decrease)	Estimated General Fund Reserves June 30, 2022
<b>Restricted Fund Balances</b>							
Pension	\$ 669,978	\$ -	\$ (669,978)	\$ -	\$ 390,000		\$ 390,000
<b>Committed Fund Balances</b>							
Budget Stabilization	5,427,603	\$ 32,882	\$ -	5,460,485	-	-	5,460,485
Catastrophic	5,427,603	32,882	-	5,460,485	-	-	5,460,485
Pension/OPEB	4,532,500	-	(4,532,500)	-	-	-	-
<b>Assigned Fund Balances</b>							
Capital/Special Projects	8,787,958		(4,236,551)	4,551,407	-	(550,000)	4,001,407
Compensated Absences	1,539,408	-	-	1,539,408	-	-	1,539,408
Open Space	410,000	-	-	410,000	-	-	410,000
Sustainability	140,553	-	-	140,553	-	-	140,553
Market Fluctuations	1,218,732	-	-	1,218,732	-	-	1,218,732
Measure G District Sale Tax	1,181,162	460,465	(590,581)	1,051,046	482,160	(1,051,046)	482,159
Carryover Encumbrances	-	-	-	-	-	-	-
Surplus Property Revenue Reserve	-	1,200,000	-	1,200,000	-	(1,200,000)	-
American Recovery Act (ARPA)	-	2,844,315	(1,777,910)	1,066,405	2,844,315	(2,253,988)	1,656,732
<b>Designated One-Time Use of Reserves during FY 2021/22</b>							
				ARPA			\$ 2,253,988
				Transfer to the Capital Projects (GFAR)**			<u>2,801,046</u>
				<b>Total</b>			<b>\$ 5,055,034</b>

**PASSED AND ADOPTED** at a regular meeting of the Town Council of the Town of Los Gatos held on the 1st day of June 2021 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: \_\_\_\_\_