TOWN OF LOS GATOS
FINANCE COMMISSION REPORT

MEETING DATE:01/17/2023
ITEM NO: 10

DATE: January 11, 2023

TO: Mayor and Town Council

FROM: Laurel Prevetti, Town Manager

SUBJECT: Receive Monthly Investment Reports for October and November 2022

RECOMMENDATION:

Receive Monthly Investment Reports for October and November 2022.

DISCUSSION:

Staff is changing the frequency of the reporting from quarterly to monthly to comply with the California Government Code Section 41004.

As of November 30, 2022, the Town's weighted portfolio yield was 2.03% which exceeded by 2 basis points the Local Agency Investment Fund (LAIF) yield of 2.01% as of the same reporting period. Currently the LAIF portfolio weighted average maturity (WAM) is304 days versus the Town's longer WAM of 435 days. The Town's weighted average rate of return of 2.03% at the close of November was 23 basis points higher when compared to the First quarter return of 1.80% reported as of September 30, 2022.

Since September 30, 2022, LAIF yields had climbed from 151 basis points (1.51%) to 201 basis points (2.01%) through the end of November 2022. Staff in coordination with the Town's investment advisor primarily replaced maturing investments in shorter to medium term maturities in the two- to three-year maturity range. These investments capture current yields that exceed the rates expected to be earned in the State LAIF pool during that same time period. The State LAIF pool typically lags the market when current market yields are either increasing or decreasing.

At its most recent meeting in December 2022, the Fed indicated it expected to raise interest rates further in 2023 to approximately 5.25% from its current rate of 4.25% to 4.5%, with the Fed anticipating that 5.25% rate to hold steady for the remainder of calendar year 2023.

PREPARED BY: Gitta Ungvari
Finance Director

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

DISCUSSION (continued):

The Finance Commission was scheduled to receive the reports at its January 10, 2023 meeting. The item was pulled from the consent calendar and moved to the end of the agenda. Given other items and the time constraint for the meeting, the Commission did not have time to discuss the reports. These reports will be provided again to the Finance Commission for its February meeting.

CONCLUSION:

Staff recommends that the Town Council receive the Monthly Investment Reports for October and November 2022.

Attachments:
1. Monthly Investment Report for October 2022
2. Monthly Investment Report for November 2022