



**TOWN OF LOS GATOS
COUNCIL AGENDA REPORT**

MEETING DATE: 08/05/2025

ITEM: 4

DATE: July 14, 2025
TO: Mayor and Town Council
FROM: Chris Constantin, Town Manager
SUBJECT: **Receive the Monthly Financial and Investment Report for May 2025**

RECOMMENDATION: Receive the Monthly Financial and Investment Report for May 2025.

FISCAL IMPACT:

This report has no fiscal impact.

STRATEGIC PRIORITY:

This item aligns with the Town's Core Goals of Good Governance and Fiscal Stability by ensuring adherence to proper financial reporting guidelines and information.

BACKGROUND:

California Government Code Section 41004 requires that the Town Treasurer submit to the Town Clerk and the legislative body a written report and accounting of all receipts, disbursements, and fund balances. The Finance Director assumes the Town Treasurer role. Attachment 1 contains the May 2025 monthly Financial and Investment Report, which fulfills this requirement.

The May 2025 Monthly Financial and Investment Report will be received by the Finance Commission at its August 11, 2025, regular meeting.

PREPARED BY: Eric Lemon
Finance and Accounting Manager

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

DISCUSSION:

The May 2025 Monthly Financial and Investment Report includes a Fund Balance Schedule, representing estimated funding available for all funds at the beginning of the fiscal year and at the end of the respective month.

As operations fluctuate month to month, there are differences between balances in one month and balances in another. Such differences may be significant due to the type of activity in those months and the timing of any estimates used in the presentation, based on the information available. This is demonstrated by the attached May 31, 2025, fund balance report. In the case that the differences are extraordinary and unanticipated, we will ensure we present more information to explain the differences.

The difference between the May 31 and April 30, 2025, estimated fund balances is due to normal day-to-day fluctuations in revenues and expenditures.

Please note that the amount in the Fund Schedule differs from the Portfolio Allocation and Treasurer's Cash Fund Balances Summary schedule because assets and liabilities are components of the Fund Balance.

As illustrated in the summary below, Ending Fund Balance = Cash + Assets - Liabilities, which represents the actual amount of funds available.

Reconciling Cash to Fund Balance - May 31, 2025		
Total Cash	\$	75,593,586
Plus: Assets	\$	12,341,841
Less: Liabilities	\$	(28,329,939)
Estimated Fund Balance	\$	59,605,488

As of May 31, 2025, the Town's financial position (Cash Plus Other Assets \$87.94M, Liabilities \$28.33M, and Fund Equity \$59.61) remains strong, and the Town has sufficient funds to meet the cash demands for the next six months.

As of May 31, 2025, the Town's weighted portfolio yield for investments under management was 4.41%, which was 14 basis points above the Local Agency Investment Fund (LAIF) yield of 4.27% for the same reporting period. Currently, the LAIF portfolio's weighted average maturity (WAM) is 236 days versus the Town's longer WAM of 561 days. The Town's assets under management reflect the Town's selection of the 1-3 year benchmark investment strategy through the Town's investment advisor to lock in higher yields at the top of the interest rate cycle. The longer maturities are balanced with shorter-term yields available on investments held with the State's LAIF. The Town's weighted average rate of return on investments under

management of 4.41% at the close of May remained consistent with the April 30, 2025, investment report.

Since May 2024, LAIF yields decreased from 433 basis points (4.33%) to 427 basis points (4.27%) through the end of May 2025. The State LAIF pool typically lags the market when current market yields are either increasing or decreasing.

Following the rate adjustment in July 2023, the Federal Open Market Committee (FOMC) maintained the same rates until their September 18, 2024 meeting, where they approved a reduction of 50 basis points, lowering the rate from 5.5% to 5.0%. Subsequently, on November 7, 2024, the Federal Reserve voted to implement an additional decrease of 25 basis points, bringing the rate down to 4.75%. The latest adjustment occurred during the December 2024 meeting, where another 25 basis point reduction was approved, resulting in a new rate of 4.50%. These adjustments align with the FOMC's objective to promote maximum employment and achieve a year-over-year inflation target of 2%.

Monthly payrolls rose by 177,000 jobs in April, similar to (downwardly revised) job growth in March. The unemployment rate remained at 4.2%. Wage growth was 3.8%, the lowest since July 2024. Elsewhere, continuing unemployment claims reached a new cycle high of 1.9 million.

The Town's investments are in compliance with the Town's Investment Policy dated March 18, 2025, and are also in compliance with the requirements of Section 53600 et seq. of the California State Code. Based on the information available, the Town has sufficient funds to meet the cash demands for the next six months.

CONCLUSION:

Receive the Monthly Financial and Investment Report for May 2025.

Attachments:

1. Financial and Investment Report (May 2025)