



TOWN OF LOS GATOS
FINANCE COMMISSION REPORT

MEETING DATE: 12/08/2025

ITEM: 3

DATE: December 2, 2025
TO: Finance Commission
FROM: Chris Constantin, Town Manager
SUBJECT: Receive the Monthly Financial and Investment Reports for September and October 2025

RECOMMENDATION:

Receive the Monthly Financial and Investment Reports for September and October 2025.

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. The Monthly Financial and Investment Reports fulfill this requirement.

The Town Council has already received the September Monthly Financial and Investment Report (Attachment 1) at its regularly scheduled meeting on November 18, 2025. This report is now being transmitted to the Finance Commission along with the October 2025 Monthly Financial and Investment Report (Attachment 2). The October 2025 Monthly Financial and Investment Report will be presented to the Town Council at its December 16, 2025, regular meeting.

The September Monthly Financial and Investment Report (Attachment 1) received by the Town Council included an incorrect balance for the 2010 Certificate of Participation Lease account on page 3. The report has also been updated to reflect a corrected security type for the investment with CUSIP 3133EN5V8 on page 5, which adjusts demand deposit balance on pages 1 and 2. The corrections have been included with this report and will be resubmitted to the Town Council at its regular meeting on December 16, 2025.

PREPARED BY: Eric Lemon
Finance and Accounting Manager

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

DISCUSSION:

The October 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 October 30, 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 September 30, 2025, and October 31, 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 - September 30, 2025

Total Cash	\$	69,933,610
Plus: Assets	\$	21,722,862
Less: Liabilities	\$	(31,016,778)
Estimated Fund Balance	\$	60,639,694

Reconciling Cash to Fund Balance - October 31, 2025

Total Cash	\$	66,741,033
Plus: Assets	\$	23,728,878
Less: Liabilities	\$	(27,414,244)
Estimated Fund Balance	\$	63,055,667

As of October 31, 2025, the Town's financial position (Cash Plus Other Assets \$90.47M, Liabilities \$27.41, and Fund Equity \$63.06) remains strong, and the Town has sufficient funds to meet the cash demands for the next six months.

As of October 31, 2025, the Town's weighted portfolio yield for investments under management was 4.28%, which was 13 basis points above the Local Agency Investment Fund (LAIF) yield of 4.15% for the same reporting period. Currently, the LAIF portfolio's weighted average maturity (WAM) is 258 days versus the Town's longer WAM of 642 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 4.28% at the close of October was 3 basis points lower when compared to the prior month's return of 4.31% reported as of September 30, 2025.

Since October 2024, LAIF yields decreased from 452 basis points (4.52%) to 415 basis points (4.15%) through the end of October 2025. The State LAIF pool typically lags the market when current market yields are either increasing or decreasing.

As of this report, the Federal Open Market Committee (FOMC) has enacted two rate adjustments in 2025. On September 17, the Committee lowered the federal funds range by 25 basis points to 4.00%–4.25%, citing subdued economic growth in the first half of the year and signs of softening in the labor market. A second 25 basis point reduction followed on October 29, bringing the range to 3.75%–4.00%, in response to continued labor market weakness and economic uncertainty. These adjustments align with the FOMC's objective to promote maximum employment and achieve a year-over-year inflation target of 2%.

Due to the government shutdown, the usual monthly jobs report was not released. However, private payroll data continued to point toward labor market moderation. U.S.-wide initial and continuing jobless claims data were also not published.

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 Reports for September and October 2025.

Attachments:

1. Financial and Investment Report (September 2025)
2. Financial and Investment Report (October 2025)