



TOWN OF LOS GATOS
FINANCE COMMISSION REPORT

MEETING DATE: 10/13/2025

ITEM NO: 2

DATE: October 7, 2025
TO: Finance Commission
FROM: Chris Constantin, Town Manager
SUBJECT: **Receive the Monthly Financial and Investment Report for August 2025**

RECOMMENDATION: Receive the Monthly Financial and Investment Reports for August 2025.

FISCAL IMPACT:

There is no fiscal impact from the receipt of this report.

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 August 2025 monthly Financial and Investment Report, which fulfills this requirement.

The August 2025 Monthly Financial and Investment Report will be presented to the Town Council at its October 21, 2025, regular meeting.

DISCUSSION:

The August 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

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

months and the timing of any estimates used in the presentation, based on the information available. This is demonstrated by the attached August 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 August 31, 2025, and July 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 - August 31, 2025		
Total Cash	\$	69,644,461
Plus: Assets	\$	20,735,799
Less: Liabilities	\$	(27,989,308)
Estimated Fund Balance	\$	62,390,952

As of August 31, 2025, the Town's financial position (Cash Plus Other Assets \$90.38M, Liabilities \$27.99, and Fund Equity \$62.39) remains strong, and the Town has sufficient funds to meet the cash demands for the next six months.

As of August 31, 2025, the Town's weighted portfolio yield for investments under management was 4.34%, which was 9 basis points above the Local Agency Investment Fund (LAIF) yield of 4.25% for the same reporting period. Currently, the LAIF portfolio's weighted average maturity (WAM) is 247 days versus the Town's longer WAM of 617 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 4.34% at the close of August decreased 5 basis points when compared to the July investment report.

Since August 2024, LAIF yields decreased from 458 basis points (4.58%) to 425 basis points (4.25%) through the end of August 2025. The State LAIF pool typically lags the market when current market yields are either increasing or decreasing.

During the first three quarters of 2025, the Federal Open Market Committee (FOMC) implemented a single adjustment to the federal funds rate at its meeting on September 17. The

Committee lowered the target 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. This adjustment aligns with the FOMC's objective to promote maximum employment and achieve a year-over-year inflation target of 2%.

The US economy added 73,000 new jobs in July, with services job gains still concentrated in healthcare. The unemployment rate increased to 4.2% from 4.1% while the participation rate fell from 62.3% to 62.2%. Elsewhere, the 4-week average of initial jobless claims rose from 221,000 to 228,000 over the month, albeit it may have been subject to residual seasonality. Continuing claims remained around cycle highs.

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 August 2025.

Attachments:

1. Financial and Investment Report (August 2025)