



**TOWN OF LOS GATOS
COUNCIL AGENDA REPORT**

MEETING DATE: 03/17/2026

ITEM NO: 3

DATE: March 9, 2026
TO: Mayor and Town Council
FROM: Chris Constantin, Town Manager
SUBJECT: **Receive the Monthly Financial and Investment Report for January 2026**

RECOMMENDATION: Receive the Monthly Financial and Investment Reports for January 2026.

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 Administrative Services Director assumes the Town Treasurer role. Attachment 1 contains the January 2026 monthly Financial and Investment Report, which fulfills this requirement.

The January 2026 Monthly Financial and Investment Report will be received by the Finance Commission at its March 9, 2026, regular meeting.

DISCUSSION:

The January 2026 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.

PREPARED BY: Eric Lemon
Finance and Accounting Manager

Reviewed by: Town Manager, Assistant Town Manager, Town Attorney, and Administrative Services Director

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 January 31, 2026, 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 January 31 and December 31 estimated fund balance 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 - January 31, 2026		
Total Cash	\$	78,053,230
Plus: Assets	\$	13,265,421
Less: Liabilities	\$	(23,324,860)
Estimated Fund Balance	\$	67,993,791

As of January 31, 2026, the Town’s financial position (Cash Plus Other Assets \$91.32M, Liabilities \$23.33M, and Fund Equity \$67.99M) remains strong, and the Town has sufficient funds to meet the cash demands for the next six months.

As of January 31, 2026, the Town’s weighted portfolio yield for investments under management was 4.21%, which was 28 basis points above the Local Agency Investment Fund (LAIF) yield of 3.93% for the same reporting period. Currently, the LAIF portfolio’s weighted average maturity (WAM) is 244 days versus the Town’s longer WAM of 645 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 4.21% at the close of January was 3 basis points lower when compared to the prior month’s return of 4.24% reported as of December 31, 2025.

Since January 2025, LAIF yields decreased from 437 basis points (4.37%) to 393 basis points (3.93%) through the end of January 2026. The State LAIF pool typically lags the market when current market yields are either increasing or decreasing.

The Federal Open Market Committee implemented three rate cuts in 2025. The first, on September 17, reduced the federal funds target range by 25 basis points to 4.00%–4.25% amid slower economic growth in the first half of the year and emerging signs of labor-market softening. A second 25-basis-point cut on October 29 brought the range down to 3.75%–4.00% as labor-market weakness and broader economic uncertainty persisted. At its December 10 meeting, the Committee approved a final 25-basis-point reduction to 3.50%–3.75%, reflecting ongoing concerns about the economic outlook. These adjustments align with the FOMC's objective to promote maximum employment and achieve a year-over-year inflation target of 2%.

The labor market remained solid, with payroll growth stronger than expected at 256,000. The unemployment rate ticked down from 4.2% to 4.1%, while the participation rate remained stable. Private employment rose 223,000 while government employment was up 33,000. Private goods-producing employment fell by 8,000, primarily dragged down by a 13,000 fall in manufacturing jobs. The November JOLTS report showed the job openings rate rising to 4.8%, with the layoff rate remaining low at 1.1%. The ratio of job openings to unemployed remained at approximately 1.1, in line with pre-pandemic levels.

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 January 2026.

Attachments:

1. Financial and Investment Report (January 2026)