TOWN OF LOS GATOS

FINANCE COMMISSION REPORT

MEETING DATE: 11/9/2026

ITEM NO: 4

DATE: November 9, 2026

TO: Finance Commission

FROM: Kristina Alfaro, Administrative Services Director

SUBJECT: Receive the Monthly Financial and Investment Report for August 2026

RECOMMENDATION: Receive the Monthly Financial and Investment Report for August 2026.

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 August 2026 monthly Financial and Investment Report, which fulfills this requirement.

The August 2026 Monthly Financial and Investment Report was presented to the Town Council at its October 20, 2026, regular meeting.

DISCUSSION:

The August 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.

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 August 31, 2026, fund balance report. In the

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Reviewed by: Town Manager and Administrative Services Director

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 and July 31 estimated fund balance is due to normal day-to-day fluctuations in revenues and expenditures.

The difference between the beginning fund balance in the August investment report and the ending fund balance in the June Investment report was an approximately $4.87 million dollar increase in total fund balance. The majority of the variance was caused by the accrual entry of the 2026 Q2 sales taxes of approximately $1.52 million, mark-to-market adjustment of approximately $0.56 million, June permit revenue reclassifications of approximately $0.53 million, and year-end reclassifications in the RDA Successor Agency fund of approximately $1.70 million. The remainder of the $0.56 million difference is a result of several small year-end entries.

Please note that the amount in the Fund Balance 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. The resulting amount represents estimated accounting fund balance across Town funds and includes amounts that may be nonspendable, restricted, committed, or assigned.

Reconciling Cash to Fund Balance - August 31, 2026		
Total Cash	$	80,075,730
Plus: Assets	$	17,465,123
Less: Liabilities	$	(23,401,910)
Estimated Fund Balance	**$**	**74,138,943**

As of August 31, 2026, the Town's financial position (Cash Plus Other Assets $97.54M, Liabilities $23.40M, and Fund Equity $74.14M) remains strong, and the Town has sufficient funds to meet the cash demands for the next six months.

As of August 31, 2026, the Town's weighted average yield to maturity for investments under management was 4.20%, which was 34 basis points above the Local Agency Investment Fund (LAIF) yield of 3.86% for the same reporting period. Currently, the LAIF portfolio's weighted average maturity (WAM) is 272 days versus the Town's longer WAM of 574 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 yield to maturity on

investments under management of 4.20% at the close of August was consistent with the July 31, 2026 report.

Since August 2025, LAIF yields decreased from 425 basis points (4.25%) to 386 basis points (3.86%) through the end of August 2026. The State LAIF pool typically lags the market when current market yields are either increasing or decreasing.

The Federal Open Market Committee held steady rates for most of calendar year 2026. At its September meeting, the committee voted to raise rates 25 basis points to the range of 3.75%-4.00%. This adjustment aligns with the FOMC's objective to promote maximum employment and achieve an inflation target of 2% over the long run.

Nonfarm payrolls declined by 23,000 in July, following an increase of 57,000 in June. The unemployment rate fell from 4.2% to 4.1%, but this improvement was mainly due to a reduction in the labor market participation rate. Job losses were concentrated in local government, education, and retail trade, partly offset by continued hiring in healthcare. Weekly jobless claims remained relatively subdued and stable during the month.

The Town's investments are in compliance with the Town's Investment Policy dated March 18, 2025, and as amended August 4, 2026, and are also in compliance with the requirements of Section 53600 et seq. of the California Government Code. Based on the information available, the Town has sufficient funds to meet the cash demands for the next six months.

Attachments:
1. Financial and Investment Report (August 2026)