TOWN OF LOS GATOS

FINANCE COMMISSION REPORT

MEETING DATE: 11/9/2026

ITEM NO: 5

DATE: November 9, 2026

TO: Finance Commission

FROM: Kristina Alfaro, Administrative Services Director

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

RECOMMENDATION: Receive the Monthly Financial and Investment Report for September 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 September 2026 monthly Financial and Investment Report, which fulfills this requirement.

The September 2026 Monthly Financial and Investment Report will be presented to the Town Council at its November 17, 2026, regular meeting.

DISCUSSION:

The September 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 September 30, 2026, fund balance report. If

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Finance and Accounting Manager

Reviewed by: Town Manager and Administrative Services Director

differences are extraordinary and unanticipated, we will ensure we present more information to explain the differences.

The difference between the September 30 and August 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 September 2026 Investment Report and the ending fund balance in the June 2026 Investment Report was approximately $4.67 million increase in total fund balance. The majority of the variance was caused by the accrual entry of 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 Successor Agency Fund of approximately $1.70 million. In addition, there were several large, one-time, entries that were offset by large regular year-end entries. The one-time entries include a correction to the Below Market Price Housing Program to recognize prior years revenue of $2.74 million and an expenditure of $0.51 million from the removal of two GASB 87 lease contracts that were determined to be short term leases. This was offset by larger regular year-end entries of $0.57 million in bond interest revenue, $2.83 million in reclassifications of revenues to unearned revenue, and $0.12 million in depreciation expense entered for the successor agency. The remainder of the $0.51 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 - September 30, 2026		
Total Cash	$	79,482,206
Plus: Assets	$	17,650,886
Less: Liabilities	$	(21,776,053)
Estimated Fund Balance	**$**	**75,357,039**

As of September 30, 2026, the Town's financial position (Cash Plus Other Assets $97.13M, Liabilities $21.77M, and Fund Equity $75.36M) remains strong, and the Town has sufficient funds to meet the cash demands for the next six months.

As of September 30, 2026, the Town's weighted average yield to maturity for investments under management was 4.25%, which was 34 basis points above the Local Agency Investment Fund (LAIF) yield of 3.91% for the same reporting period. Currently, the LAIF portfolio's

weighted average maturity (WAM) is 281 days versus the Town's longer WAM of 587 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 4.25% at the close of September was 5 basis points higher when compared to the prior month's return of 4.20% reported as of August 31, 2026.

Since September 2025, LAIF yields decreased from 421 basis points (4.21%) to 391 basis points (3.91%) through the end of September 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 increased by 162,000 in August. The prior two months were revised upward by a combined 55,000. The unemployment rate remained at 4.1%, while the labor force participation rate edged higher to 61.6%. Employment gains were concentrated in food services, drinking places and local government education, while the information sector lost jobs.

The Town's investments are in compliance with the Town's Investment Policy dated 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 (September 2026)