



**TOWN OF LOS GATOS
COUNCIL AGENDA REPORT**

MEETING DATE: 11/18/2025

ITEM NO: 3

DATE: November 3, 2025
TO: Mayor and Town Council
FROM: Chris Constantin, Town Manager
SUBJECT: **Receive the Monthly Financial and Investment Report for September 2025**

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

FISCAL IMPACT:

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

STRATEGIC PRIORITY:

This item aligns with the strategic priority to ensure prudent financial management.

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

The September 2025 Monthly Financial and Investment Report will be received by the Finance Commission at its December 8, 2025, regular meeting.

PREPARED BY: Eric Lemon
Finance and Accounting Manager

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

DISCUSSION:

The September 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 September 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 August 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

As of September 30, 2025, the Town's financial position (Cash Plus Other Assets \$91.66M, Liabilities \$31.02, and Fund Equity \$60.64) remains strong, and the Town has sufficient funds to meet the cash demands for the next six months.

As of September 30, 2025, the Town's weighted portfolio yield for investments under management was 4.31%, which was 10 basis points above the Local Agency Investment Fund (LAIF) yield of 4.21% for the same reporting period. Currently, the LAIF portfolio's weighted average maturity (WAM) is 254 days versus the Town's longer WAM of 625 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 4.31% at the close of August decreased 3 basis points when compared to the August investment report.

Since September 2024, LAIF yields decreased from 458 basis points (4.58%) to 421 basis points (4.21%) through the end of September 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%.

The US economy added 142,000 jobs in August, below the 165,000 expected, and up from a downwardly revised 89,000 in July. Besides the pandemic, it was the weakest three months of private sector hiring since 2012. The unemployment rate fell slightly from 4.3% to 4.2%. Wage growth rose from 3.6% to 3.8%.

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 September 2025.

Attachments:

1. Financial and Investment Report (September 2025)