



**TOWN OF LOS GATOS
FINANCE COMMISSION REPORT**

MEETING DATE: 05/08/2023

ITEM NO: 2

DATE: May 4, 2023
TO: Finance Commission
FROM: Laurel Prevetti, Town Manager
SUBJECT: Receive the Monthly Financial and Investment Report (March 2023).

RECOMMENDATION:

Receive the Monthly Financial and Investment Report (March 2023).

BACKGROUND:

California Government Code Section 41004 requires that the Town Treasurer submits to the Town Clerk and the legislative body a written report and accounting of all receipts, disbursement, and fund balances. The Finance Director assumes the Town Treasurer role. Attachment 1 contains the March 2023 Monthly Financial and Investment Report which fulfills this requirement.

DISCUSSION:

Attachment 1 includes a Fund Balance Schedule, representing estimated funding available for all funds at the end of the March 2023. The fund balances are estimated at a point in time and will be finalized at the final close of the fiscal year.

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, Total Cash is adjusted by the addition of Total Assets less the amount of Total Liabilities to arrive at the Ending Fund Balance – which represents the actual amount of funds available.

As of March 31, 2023, the Town's financial position (Assets \$80.1M, Liabilities \$26.2M and Fund Equity \$53.9M) remains strong and there are no issues meeting financial obligations in the near future.

PREPARED BY: Gitta Ungvari
Finance Director

Reviewed by: Town Manager and Town Attorney

DISCUSSION (continued):

Reconciling Cash to Fund Balance		
Total Cash	\$	70,079,332
Plus: Assets	\$	10,045,530
Less: Liabilities	\$	(26,237,403)
Estimated Fund Balance	\$	53,887,459

As of March 31, 2023, the Town's weighted portfolio yield for investments under management was 2.71% which was below by 12 basis points the Local Agency Investment Fund (LAIF) yield of 2.83% for the same reporting period. Currently the LAIF portfolio's weighted average maturity (WAM) is 275 days versus the Town's longer WAM of 410 days. The longer maturity (WAM) for Town assets under management reflects the Town's strategy to take advantage of higher yields associated with longer maturities 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 2.71% at the close of March was 5 basis points higher when compared to the prior months return of 2.66% reported as of February 28, 2023.

Since December 31, 2022, LAIF yields had climbed from 217 basis points (2.17%) to 2.83 basis points (2.83%) through the end of March 2023. In addition, the Town transferred \$5 million to the LAIF account during March, and the increased balance yielded a higher monthly interest earnings.

Staff in coordination with the Town's investment advisor continued primarily replacing maturing investments with shorter to medium term maturities in the two- to three-year maturity range. These investments capture current yields that exceed the rates expected to be earned in the LAIF pool during that same time period. The State LAIF pool typically lags the market when current market yields are either increasing or decreasing.

As of March 2, 2023, the Federal Reserve voted to approve a ¼ percentage basis point increase from 4.75% to 5.00%. This action was followed with further hikes in the following months, the most recent in May 2023 from 5.00% to 5.25%. Through these actions over time, the Federal Open Market Committee's (FOMC) goal is to bring year to year inflation to a its targeted level 2%. Following this announcement from FOMC, labor market data showed that about 311,000 new jobs were added in February, however tech layoffs started to show up in the data as information sector was the largest detractor with employment falling. This in turn affected the unemployment rate which rose to 3.6% from 3.4%.

The Town's investments are in compliance with the Town's Investment Policy dated February 21, 2023 and also in compliance with the requirements of Section 53600 at 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.

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SUBJECT: Monthly Financial and Investment Report (March 2023) for Fiscal Year 2022/23

DATE: May 4, 2023

CONCLUSION:

Receive the Monthly Financial and Investment Report (March 2023).

Attachment:

1. Financial and Investment Report (March 2023)