



**TOWN OF LOS GATOS
COUNCIL AGENDA REPORT**

MEETING DATE: 03/21/2023

ITEM NO: 5

DATE: March 14, 2023
TO: Mayor Town Council
FROM: Laurel Prevetti, Town Manager
SUBJECT: Receive the Monthly Financial and Investment Report (January 2023).

RECOMMENDATION:

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

DISCUSSION:

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 January 2023 Monthly Financial and Investment Report which fulfills this requirement.

The Finance Commission received this report on March 13, 2023.

Attachment 1 contains a Fund Balance Schedule, representing estimated funding available for all funds at the end of the January 2023. The fund balances are estimated at the 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 January 31, 2023, the Town's financial position (Assets \$79.6M, Liabilities \$26.8M and Fund Equity \$52.8M) remains strong and there are no issues meeting financial obligation in the near future.

PREPARED BY: Gitta Ungvari
Finance Director

Reviewed by: Town Manager and Town Attorney

DATE: March 14, 2023

DISCUSSION (continued):

Reconciling Cash to Fund Balance		
Total Cash	\$	68,295,974
Plus: Asset	\$	11,344,594
Less: Liabilities	\$	(26,838,352)
Ending Fund Balance	\$	52,802,217

As of January 31, 2022, the Town's weighted portfolio yield for investments under management was 2.45% which exceeded by 2 basis points the Local Agency Investment Fund (LAIF) yield of 2.43% for the same reporting period. Currently the LAIF portfolio's weighted average maturity (WAM) is 287 days versus the Town's longer WAM of 443 days. This slightly longer maturity allows the Town to pick up higher yields available on the later maturities. The Town's weighted average rate of return on investments under management of 2.45% at the close of January was 17 basis points higher when compared to the prior months return of 2.28% reported as of December 31, 2022.

Since September 30, 2022, LAIF yields had climbed from 151 basis points (1.51%) to 228 basis points (2.28%) through the end of January 2023. 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.

Regarding the state of the interest rate environment as of January 2023, the Consumer Price Index (CPI) fell into deflation on a month-on-month basis for the first time since July 2022. The unemployment rate fell to 3.5% from 3.6% in December and annual wage growth was lower than anticipated at 4.6%. With these January trends the yield curve inverted further with short term interest rates rising or remaining unchanged and longer term rates were falling in January.

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.

CONCLUSION:

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

PAGE 3 OF 3

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

DATE: March 14, 2023

Attachment:

1. Financial and Investment Report (January 2023)