



TOWN OF LOS GATOS
FINANCE COMMISSION REPORT

MEETING DATE: 09/09/2024

ITEM NO: 5

DATE: August 29, 2024
TO: Finance Commission
FROM: Laurel Prevetti, Town Manager
SUBJECT: Receive the Monthly Financial and Investment Reports for April, May, June, and July 2024

RECOMMENDATION:

Receive the Monthly Financial and Investment Reports for April, May, June, and July 2024.

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. The Monthly Financial and Investment Reports fulfill this requirement.

The Town Council has already received the April, May, and June Monthly Financial and Investment Reports (Attachments 1 through 3) at its regularly scheduled meetings. These three reports are now being transmitted to the Finance Commission along with the July 2024 Monthly Financial and Investment Report (Attachment 4). The July 2024 Monthly Financial and Investment Report will be presented to Town Council at its September 17, 2024 regular meeting.

DISCUSSION:

The July 2024 Monthly Financial and Investment Report includes a Fund Balance Schedule, representing estimated funding available for all funds at the end of the respective month. The fund balances were estimated at a point in time and will be finalized at the final close of the fiscal year.

PREPARED BY: Eric Lemon
Finance and Accounting Manager

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

DISCUSSION (continued):

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.

Reconciling Cash to Fund Balance - April 30, 2024

Total Cash	\$	80,969,252
Plus: Assets	\$	12,438,853
Less: Liabilities	\$	(29,619,426)
Estimated Fund Balance	\$	63,788,679

Reconciling Cash to Fund Balance - May 31, 2024

Total Cash	\$	78,425,776
Plus: Assets	\$	13,006,995
Less: Liabilities	\$	(29,830,504)
Estimated Fund Balance	\$	61,602,267

Reconciling Cash to Fund Balance - June 30, 2024

Total Cash	\$	81,368,410
Plus: Assets	\$	13,784,815
Less: Liabilities	\$	(33,467,143)
Estimated Fund Balance	\$	61,686,082

Reconciling Cash to Fund Balance - July 31, 2024

Total Cash	\$	72,350,241
Plus: Assets	\$	17,113,938
Less: Liabilities	\$	(31,885,507)
Estimated Fund Balance	\$	57,578,672

As of July 31, 2024, the Town's financial position (Assets \$89.47M, Liabilities \$31.89M, and Fund Equity \$57.58M) remains strong and the Town has sufficient funds to meet the cash demands for the next six months.

DISCUSSION (continued):

As of July 31, 2024, the Town's weighted portfolio yield for investments under management was 4.46% which was 6 basis points below the Local Agency Investment Fund (LAIF) yield of 4.52% for the same reporting period. As of June 30, 2024, the LAIF portfolio's weighted average maturity (WAM) is 217 days versus the Town's longer July 31, 2024 WAM of 673 days. The longer 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 4.46% at the close of July was 1 basis point higher when compared to the prior month's return of 4.45% reported as of June 30, 2024.

Since July 2023, LAIF yields had climbed from 331 basis points (3.31%) to 452 basis points (4.52%) through the end of July 2024.

Staff, in coordination with the Town's investment advisor, primarily replaced maturing investments with long term maturities in the one-to-two-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.

On March 22, 2023, the Federal Reserve voted to approve a $\frac{1}{4}$ percentage basis point increase from 4.75% to 5.00%. This action was followed with additional hikes in May 2023 from 5.00% to 5.25% and July from 5.25 % to 5.5 %. Through these actions over time, the Federal Open Market Committee's (FOMC) goal is to bring year to year inflation to its targeted level of 2%. On May 1, 2024, the Federal Reserve Chair commented that the 2% target may take longer than expected to achieve and the central bank is prepared to keep rates unchanged as long as appropriate.

The labor market remained relatively robust. The unemployment rate increased slightly from 4% to 4.1% remaining historically low. Meanwhile, wage growth fell from 4.1% to 3.9%.

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 Monthly Financial and Investment Reports for April, May, June, and July 2024.

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SUBJECT: Monthly Financial and Investment Report for April, May, June, and July 2024

DATE: August 29, 2024

Attachments:

1. Financial and Investment Report (April 2024)
2. Financial and Investment Report (May 2024)
3. Financial and Investment Report (June 2024)
4. Financial and Investment Report (July 2024)