



**TOWN OF LOS GATOS
COUNCIL AGENDA REPORT**

MEETING DATE: 08/16/2022

ITEM NO: 4

DATE: August 1, 2022
TO: Mayor and Town Council
FROM: Laurel Prevetti, Town Manager
SUBJECT: Receive the Fourth Quarter Investment Report (April through June 2022) for Fiscal Year 2021/22

RECOMMENDATION:

Receive the Fourth Quarter Investment Report (April through June 2022) for Fiscal Year 2021/22.

DISCUSSION:

The Finance Commission received this report on August 8, 2022 and had no comments.

As of June 30, 2022, the Town's weighted portfolio yield was 1.37% which trended approximately 51 basis points above the Local Agency Investment Fund (LAIF) yield of 0.86%. This favorable yield differential to LAIF was primarily due to the LAIF portfolio's lower weighted average maturity (WAM) of 311 days versus the Town's longer WAM of 453 days. The Town's weighted average rate of return of 1.37% for the close of the fourth quarter is 21 basis points better than the 1.16% return at the close of the third quarter.

During the fourth quarter, LAIF yields climbed from 37 basis points to 86 basis points through the end of June 2022. Staff in coordination with the Town's investment advisor continued primarily replacing maturing investments in 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 State Local Agency Investment Fund (LAIF) pool during that same time period. The State LAIF pool typically lags the market when current market yields are either increasing or decreasing.

Interest rates rose across the yield curve in the quarter, especially in the short-term maturity range of six months to two years. The rise in short term rates was influenced by a 75-basis

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Interim Finance Director

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

PAGE 2 OF 2

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Fiscal Year 2021/22

DATE: August 9, 2022

DISCUSSION (continued):

point interest rate hike instead of a 50-basis point hike at the June 15 Federal Open Market Committee meeting.

It was the largest interest rate move by the Federal Reserve since 1994, taking the federal funds rate to a range of 1.5-1.75%. The Federal Open Market Committee statement offered “the Committee decided to raise the target range for the federal funds rate to 1-1/2 to 1-3/4 percent and anticipates that ongoing increases in the target range will be appropriate.”

CONCLUSION:

Staff recommends that the Finance Commission receive the Fourth Quarter Investment Report (April through June 2022) for Fiscal Year 2021/22.

Attachment:

1. Fourth Quarter Investment Report for FY 2021/22 (April through June 2022)