



**TOWN OF LOS GATOS
COUNCIL AGENDA REPORT**

MEETING DATE: 12/09/2024

ITEM NO: 3

DATE: December 3, 2024
TO: Mayor and Town Council
FROM: Chris Constantin, Town Manager
SUBJECT: Receive the Monthly Financial and Investment Report for October 2024

RECOMMENDATION:

Receive the Monthly Financial and Investment Report for October 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. Attachment 1 contains the October 2024 Monthly Financial and Investment Report which fulfills this requirement.

The October 2024 Monthly Financial and Investment Report will be received by the Town Council at its December 17, 2024, regular meeting.

DISCUSSION:

The October 2024 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 end of the respective month.

As operations fluctuate month to month, there are differences between balances in one month to 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 information available. This is demonstrated by the attached October 31, 2024 fund balance report. In the

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

case that the differences are extraordinary and unanticipated, we will ensure we present more information to explain the differences.

The October 31, 2024 estimated fund balances differ from the September 30, 2024 estimated fund balances due to the normal day to day activity where revenue and expenditure activity in one month have a larger shift in one month from the other.

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 adding 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 - October 31, 2024		
Total Cash	\$	68,118,481
Plus: Assets	\$	18,109,368
Less: Liabilities	\$	(29,161,613)
Estimated Fund Balance	\$	57,066,236

As of October 31, 2024, the Town's financial position (Assets \$86.23M, Liabilities \$29.16M, and Fund Equity \$57.07M) remains strong and the Town has sufficient funds to meet the cash demands for the next six months.

As of October 31, 2024, the Town's weighted portfolio yield for investments under management was 4.45% which was 7 basis points below the Local Agency Investment Fund (LAIF) yield of 4.52% for the same reporting period. As of October 31, 2024, the LAIF portfolio's weighted average maturity (WAM) is 257 days versus the Town's longer WAM of 701 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 4.45% at the close of October remained flat when compared to the September 30, 2024 investment report.

Since October 2023, LAIF yields have climbed from 367 basis points (3.67%) to 452 basis points (4.52%) through the end of October 2024. The State LAIF pool typically lags the market when current market yields are either increasing or decreasing.

After a rate change back in July of 2023, the Federal Open Market Committee (FOMC) did not change rates again until their September 18, 2024, meeting when they approved a 1/2

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percentage basis point decrease from 5.5% to 5.0%. Furthermore, on November 7, 2024, the Federal Reserve voted to approve an additional 1/4 basis point decrease from 5.0% to 4.75%. These changes support the Federal Open Market Committee's goal to support maximum employment and bring year-to-year inflation to its targeted level of 2%.

The September jobs report was unexpectedly strong, with the economy adding 254,000 jobs, a lot higher than market expectations for 150,000. There were also 72,000 of collective upward revisions to prior months. The unemployment rate edged down from 4.2% to 4.1%, even with the participation rate remaining steady over the period. Average hourly earnings edged up slightly to 4.0%.

The Town's investments are in compliance with the Town's Investment Policy dated February 21, 2023, and are 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 for October 2024.

Attachments:

1. Financial and Investment Report (October 2024)