



TOWN OF LOS GATOS
FINANCE COMMISSION REPORT

MEETING DATE: 11/14/2022

ITEM NO: 2

DATE: November 2, 2022
TO: Finance Commission
FROM: Laurel Prevetti, Town Manager
SUBJECT: Receive the First Quarter Investment Report (July through September 2022)
for Fiscal Year 2022/23

RECOMMENDATION:

Receive the First Quarter Investment Report (July through September 2022) for Fiscal Year (FY) 2022/23.

DISCUSSION:

As of September 30, 2022, the Town's weighted portfolio yield was 1.8% which was approximately 29 basis points higher than the Local Agency Investment Fund (LAIF) yield of 1.51%. This yield differential to LAIF was primarily due to the LAIF portfolio's shorter weighted average maturity (WAM) of 304 days versus the Town's longer WAM of 453 days. The Town's weighted average rate of return of 1.80% at the close of the First quarter was 53 basis points higher when compared to the First quarter return of 1.27% in 2021.

In the first quarter, LAIF yields had climbed from 86 basis points (0.86%) to 151 basis points through the end of September 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 this quarter, especially in the short-term maturity range of six months to two years. The rise in short term rates was the result of the third Federal Reserve rate increase this year. In September 2022 the Fed increased interest rates 0.75% or 75 basis points. The Fed has further increased the interest rate by 75 basis point in

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Finance Director

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

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November 2022 and signaled that further rate hikes may be implemented this year to fight inflationary pressures in the economy.

CONCLUSION:

Staff recommends that the Finance Commission receive the First Quarter Investment Report (July through September 2022) for Fiscal Year 2022/23.

Attachment:

1. First Quarter Investment Report for FY 2022/23 (July through September 2022)