



TOWN OF LOS GATOS
FINANCE COMMISSION REPORT

MEETING DATE: 03/11/2024

ITEM NO: 2

DATE: March 5, 2024
TO: Finance Commission
FROM: Laurel Prevetti, Town Manager
SUBJECT: Receive the Monthly Financial and Investment Report for January 2024

RECOMMENDATION:

Receive the Monthly Financial and Investment Report for January 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 January 2024 Monthly Financial and Investment Report which fulfills this requirement. The January 2024 Monthly Financial and Investment Report will be presented to Town Council on March 19, 2024.

DISCUSSION:

The January 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.

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.

PREPARED BY: Eric Lemon
Finance and Accounting Manager

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

DISCUSSION (continued):

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 - January 31, 2024		
Total Cash	\$	72,393,065
Plus: Assets	\$	13,785,471
Less: Liabilities	\$	(27,598,051)
Estimated Fund Balance	\$	58,580,485

As of January 31, 2024, the Town's financial position (Assets \$86.18M, Liabilities \$27.60M, and Fund Equity \$58.58M) remains strong and there are no issues meeting financial obligations in the near future.

As of January 31, 2024, the Town's weighted portfolio yield for investments under management was 4.23% which was 22 basis points above the Local Agency Investment Fund (LAIF) yield of 4.01% for the same reporting period. Currently, the LAIF portfolio's weighted average maturity (WAM) is 212 days versus the Town's longer WAM of 628 days. The longer maturity (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 4.23% remained consistent with the prior month.

Since January 2023, LAIF yields had climbed from 243 basis points (2.43%) to 401 basis points (4.01%) through the end of January 2024.

Staff, in coordination with the Town's investment advisor, primarily replaced maturing investments with long term maturities in the three-to-five-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 ¼ 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%.

The labor market data remained strong. The US economy added 216,000 new jobs in December, stronger than market expectations at 175,000. The unemployment rate held at 3.7%. Wage growth was stronger than expected at 4.1%, up from 4.0%.

PAGE 3 OF 3

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DISCUSSION (continued):

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.

Staff identified a footing error on page 5 on several prior monthly investment reports for fiscal year 2024, where the summary of interest earned did not include all cells. The prior months interest is correctly listed on page 4 of Attachment 1. The details of the footing error are illustrated in Attachment 2.

CONCLUSION:

Receive Monthly Financial and Investment Report for January 2024.

Attachments:

1. Financial and Investment Report (January 2024)
2. Correction of Footing Error