



TOWN OF LOS GATOS
FINANCE COMMISSION REPORT

MEETING DATE: 1/12/2026

ITEM NO: 2

DATE: January 6, 2026
TO: Finance Commission
FROM: Chris Constantin, Town Manager
SUBJECT: Receive the Monthly Financial and Investment Report for November 2025

RECOMMENDATION: Receive the Monthly Financial and Investment Reports for November 2025.

FISCAL IMPACT:

There is no fiscal impact from the receipt of this report.

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 November 2025 monthly Financial and Investment Report, which fulfills this requirement.

The November 2025 Monthly Financial and Investment Report will be presented to the Town Council at its January 20, 2026, regular meeting.

DISCUSSION:

The November 2025 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 the end of the respective month.

As operations fluctuate month to month, there are differences between balances in one month and balances in another. Such differences may be significant due to the type of activity in those

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Finance and Accounting Manager

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

months and the timing of any estimates used in the presentation, based on the information available. This is demonstrated by the attached November 30, 2025, fund balance report. In the case that the differences are extraordinary and unanticipated, we will ensure we present more information to explain the differences.

The difference between the November 30 and October 31 estimated fund balance is due to normal day-to-day fluctuations in revenues and expenditures.

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, Ending Fund Balance = Cash + Assets - Liabilities, which represents the actual amount of funds available.

Reconciling Cash to Fund Balance - November 30, 2025		
Total Cash	\$	69,422,880
Plus: Assets	\$	18,093,225
Less: Liabilities	\$	(24,512,023)
Estimated Fund Balance	\$	63,004,082

As of November 30, 2025, the Town's financial position (Cash Plus Other Assets \$87.51M, Liabilities \$24.51M, and Fund Equity \$63.00M) remains strong, and the Town has sufficient funds to meet the cash demands for the next six months.

As of November 30, 2025, the Town's weighted portfolio yield for investments under management was 4.27%, which was 17 basis points above the Local Agency Investment Fund (LAIF) yield of 4.10% for the same reporting period. Currently, the LAIF portfolio's weighted average maturity (WAM) is 247 days versus the Town's longer WAM of 631 days. The Town's assets under management reflect the Town's selection of the 1-3 year benchmark investment strategy through the Town's investment advisor to lock in higher yields at the top of the interest rate cycle. The longer maturities are 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 4.27% at the close of November was 1 basis point lower when compared to the prior month's return of 4.28% reported as of October 31, 2025.

Since November 2024, LAIF yields decreased from 445 basis points (4.45%) to 427 basis points (4.27%) through the end of November 2025. The State LAIF pool typically lags the market when current market yields are either increasing or decreasing.

The Federal Open Market Committee implemented three rate cuts in 2025. The first, on September 17, reduced the federal funds target range by 25 basis points to 4.00%–4.25% amid

slower economic growth in the first half of the year and emerging signs of labor-market softening. A second 25-basis-point cut on October 29 brought the range down to 3.75%–4.00% as labor-market weakness and broader economic uncertainty persisted. At its December 10 meeting, the Committee approved a final 25-basis-point reduction to 3.50%–3.75%, reflecting ongoing concerns about the economic outlook. These adjustments align with the FOMC's objective to promote maximum employment and achieve a year-over-year inflation target of 2%.

The payrolls report for September showed 119,000 new jobs, above consensus expectations of 50,000, with job gains heavily concentrated in healthcare and leisure and hospitality. There were 33,000 worth of downward revisions to the previous two months. The unemployment rate rose from 4.3% to 4.4%, its highest level since 2021.

The Town's investments are in compliance with the Town's Investment Policy dated March 18, 2025, and are also in compliance with the requirements of Section 53600 et 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 November 2025.

Attachments:

1. Financial and Investment Report (November 2025)