



**TOWN OF LOS GATOS
COUNCIL AGENDA REPORT**

MEETING DATE: 01/16/2024

ITEM NO: 8

DATE: January 3, 2024
TO: Mayor and Town Council
FROM: Laurel Prevetti, Town Manager
SUBJECT: Receive the Monthly Financial and Investment Report for November 2023

RECOMMENDATION:

Receive the Monthly Financial and Investment Report for November 2023.

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 2023 Monthly Financial and Investment Report which fulfills this requirement. The November 2023 Monthly Financial and Investment Report was received by the Finance Commission on January 8, 2024.

DISCUSSION:

The November 2023 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 - November 30, 2023		
Total Cash	\$	65,687,227
Plus: Assets	\$	14,938,190
Less: Liabilities	\$	(27,003,096)
Estimated Fund Balance	\$	53,622,321

As of November 30, 2023, the Town's financial position (Assets \$80.63M, Liabilities \$27.00M, and Fund Equity \$53.62M) remains strong and there are no issues meeting financial obligations in the near future.

As of November 30, 2023, the Town's weighted portfolio yield for investments under management was 4.20% which was 36 basis points above the Local Agency Investment Fund (LAIF) yield of 3.84% for the same reporting period. Currently, the LAIF portfolio's weighted average maturity (WAM) is 244 days versus the Town's longer WAM of 573 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 4.20% at the close of November was 8 basis points higher when compared to the prior month's return of 4.12 % reported as of October 31, 2023.

Since November 30, 2022, LAIF yields had climbed from 201 basis points (2.01%) to 384 basis points (3.84%) through the end of November 2023.

Staff, in coordination with the Town's investment advisor, primarily replaced maturing investments with short term maturities in the one- to two-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 remained tight overall. The US economy added 150,000 jobs in

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SUBJECT: Monthly Financial and Investment Report for November 2023

DATE: January 9, 2024

DISCUSSION (continued):

October, slightly less than expected. The previous two months were revised down 101,000. The unemployment rate unexpectedly rose to 3.9% from 3.8% despite a decline in the labor force participation rate from 62.8% to 62.7%.

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.

CONCLUSION:

Receive Monthly Financial and Investment Report for November 2023.

Attachment:

1. Financial and Investment Report (November 2023)