



TOWN OF LOS GATOS
FINANCE COMMISSION REPORT

MEETING DATE: 10/14/2024

ITEM NO: 2

DATE: October 2, 2024
TO: Finance Commission
FROM: Gitta Ungvari, Finance Director
SUBJECT: Receive the Monthly Financial and Investment Report for August 2024

RECOMMENDATION:

Receive the Monthly Financial and Investment Report for August 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 August 2024 Monthly Financial and Investment Report which fulfills this requirement.

The August 2024 Monthly Financial and Investment Report will be presented to Town Council at its October 15, 2024 regular meeting.

DISCUSSION:

The August 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 Attorney and Finance Director

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 - August 31, 2024		
Total Cash	\$	69,642,660
Plus: Assets	\$	17,843,867
Less: Liabilities	\$	(29,336,663)
Estimated Fund Balance	\$	58,149,864

As of August 31, 2024, the Town's financial position (Assets \$87.49M, Liabilities \$29.34M, and Fund Equity \$58.15M) remains strong and the Town has sufficient funds to meet the cash demands for the next six months.

As of August 31, 2024, the Town's weighted portfolio yield for investments under management was 4.47% which was 11 basis points below the Local Agency Investment Fund (LAIF) yield of 4.58% for the same reporting period. As of August 31, 2024, the LAIF portfolio's weighted average maturity (WAM) is 221 days versus the Town's longer WAM of 734 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 4.47% at the close of August was 1 basis point higher when compared to the prior month's return of 4.46% reported as of July 31, 2024.

Since August 2023, LAIF yields had climbed from 343 basis points (3.43%) to 458 basis points (4.58%) through the end of August 2024.

Staff, in coordination with the Town's investment advisor, primarily replaced maturing investments with long term maturities in the four-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 September 18, 2024, the Federal Reserve voted to approve a 1/2 percentage basis point decrease from 5.5% to 5.0%. This change supports the Federal Open Market Committee's (FOMC) goal to support maximum employment and bring year to year inflation to its targeted level of 2%.

Payroll job growth slowed to 114,000 in July from 179,000. The unemployment rate rose to 4.3%, the highest since October 2021.

PAGE 3 OF 3

SUBJECT: Monthly Financial and Investment Report for August 2024

DATE: October 2, 2024

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 August 2024.

Attachments:

1. Financial and Investment Report (August 2024)