



TOWN OF LOS GATOS
FINANCE COMMISSION REPORT

MEETING DATE: 08/11/2025

ITEM: 2

DATE: August 6, 2025
TO: Finance Commission
FROM: Chris Constantin, Town Manager
SUBJECT: Receive the Monthly Financial and Investment Reports for April, May, and June 2025

RECOMMENDATION:

Receive the Monthly Financial and Investment Reports for April, May, and June 2025.

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. The Monthly Financial and Investment Reports fulfill this requirement.

The Town Council has already received the April and May Monthly Financial and Investment Reports (Attachments 1 and 2) at its regularly scheduled meetings. These two reports are now being transmitted to the Finance Commission along with the June 2025 Monthly Financial and Investment Report (Attachment 3). The June 2025 Monthly Financial and Investment Report will be presented to the Town Council at its August 19, 2025, regular meeting.

DISCUSSION:

The June 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 June 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 June 30, 2025, and May 31, 2025, estimated fund balances 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 - April 30, 2025

Total Cash	\$	75,736,441
Plus: Assets	\$	12,730,311
Less: Liabilities	\$	(27,881,574)
Estimated Fund Balance	\$	60,585,178

Reconciling Cash to Fund Balance - May 31, 2025

Total Cash	\$	75,593,586
Plus: Assets	\$	12,341,841
Less: Liabilities	\$	(28,329,939)
Estimated Fund Balance	\$	59,605,488

Reconciling Cash to Fund Balance - June 30, 2025

Total Cash	\$	81,558,113
Plus: Assets	\$	13,258,083
Less: Liabilities	\$	(31,421,946)
Estimated Fund Balance	\$	63,394,250

As of June 30, 2025, the Town's financial position (Cash Plus Other Assets \$94.81M, Liabilities \$31.42, and Fund Equity \$63.39) remains strong, and the Town has sufficient funds to meet the cash demands for the next six months.

As of June 30, 2025, the Town's weighted portfolio yield for investments under management was 4.39%, which was 12 basis points above the Local Agency Investment Fund (LAIF) yield of 4.27% for the same reporting period. Currently, the LAIF portfolio's weighted average maturity (WAM) is 248 days versus the Town's longer WAM of 553 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 4.39% at the close of June was 2 basis points lower when compared to the prior month's return of 4.41% reported as of May 31, 2025.

Since June 2024, LAIF yields decreased from 448 basis points (4.48%) to 427 basis points (4.27%) through the end of June 2025. The State LAIF pool typically lags the market when current market yields are either increasing or decreasing.

Following the rate adjustment in July 2023, the Federal Open Market Committee (FOMC) maintained the same rates until their September 18, 2024 meeting, where they approved a reduction of 50 basis points, lowering the rate from 5.5% to 5.0%. Subsequently, on November 7, 2024, the Federal Reserve voted to implement an additional decrease of 25 basis points, bringing the rate down to 4.75%. The latest adjustment occurred during the December 2024 meeting, where another 25 basis point reduction was approved, resulting in a new rate of 4.50%. These adjustments align with the FOMC's objective to promote maximum employment and achieve a year-over-year inflation target of 2%.

Labor market data indicated tighter hiring conditions. Monthly payrolls showed 139,000 jobs added to the economy, while the unemployment rate remained at 4.2% and wage growth remained at 3.9%. Weekly initial jobless claims eased from 248,000 to 236,000, but continuing claims reached a new cycle high at just under two million.

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 Reports for April, May, and June 2025.

Attachments:

1. Financial and Investment Report (April 2024)
2. Financial and Investment Report (May 2024)
3. Financial and Investment Report (June 2024)

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