



TOWN OF LOS GATOS
FINANCE COMMISSION REPORT

MEETING DATE: 9/14/2026

ITEM NO: 1

DATE: September 14, 2026
TO: Finance Commission
FROM: Chris Constantin, Town Manager
SUBJECT: Receive the Monthly Financial and Investment Report for July 2026 and Corrected Investment Report for June 2026

RECOMMENDATION: Receive the Monthly Financial and Investment Report for July 2026 and Corrected Investment Report for June 2026.

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 Administrative Services Director assumes the Town Treasurer role. Attachment 1 contains the July 2026 monthly Financial and Investment Report, which fulfills this requirement.

The July 2026 Monthly Financial and Investment Report will be presented to the Town Council at its September 15, 2026, regular meeting.

DISCUSSION:

The July 2026 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 months and the timing of any estimates used in the presentation, based on the information available. This is demonstrated by the attached July 31, 2026, fund balance report. In the case

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Finance and Accounting Manager

Reviewed by: Town Manager, and Administrative Services Director

that the differences are extraordinary and unanticipated, we will ensure we present more information to explain the differences.

The difference between the July 31 and June 30 estimated fund balance is due to normal day-to-day fluctuations in revenues and expenditures and regular year-end entries.

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. The resulting amount represents estimated accounting fund balance across Town funds and includes amounts that may be nonspendable, restricted, committed, or assigned.

Reconciling Cash to Fund Balance - July 31, 2026		
Total Cash	\$	78,318,427
Plus: Assets	\$	17,620,611
Less: Liabilities	\$	(25,384,368)
Estimated Fund Balance	\$	70,554,670

As of July 31, 2026, the Town's financial position (Cash Plus Other Assets \$95.94M, Liabilities \$25.39M, and Fund Equity \$70.55M) remains strong, and the Town has sufficient funds to meet the cash demands for the next six months.

As of July 31, 2026, the Town's weighted average yield to maturity 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 281 days versus the Town's longer WAM of 577 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 yield to maturity on investments under management of 4.20% at the close of July was 1 basis points higher when compared to the prior month's return of 4.19% reported as of June 30, 2026.

Since July 2025, LAIF yields decreased from 426 basis points (4.26%) to 384 basis points (3.84%) through the end of July 2026. 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 an inflation target of 2% over the long run. As of September 7, 2026, there has been no rate adjustments in calendar year 2026.

Nonfarm payrolls increased by only 57,000 in June, lower than expectations and a sharp deceleration from prior months. The unemployment rate ticked down to 4.2%.

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.

Staff identified a LAIF balance error on the June monthly investment report, where the July 2026 balance was used instead of the June 2026 balance. This error affected pages 1, 2, and 5 of the June report. The numbers that changed from the prior report are noted in Attachment 2, with a clean corrected version in Attachment 3. All comparisons to June on the July investment report, and this staff report, use the corrected June numbers.

Attachments:

1. Financial and Investment Report (July 2026)
2. Financial and Investment Report (June 2026) – Commented
3. Financial and Investment Report (June 2026) – Clean