



**TOWN OF LOS GATOS
COUNCIL AGENDA REPORT**

MEETING DATE: 11/19/2024

ITEM NO: 2

DATE: November 7, 2024
TO: Mayor and Town Council
FROM: Chris Constantin, Town Manager
SUBJECT: Receive the Monthly Financial and Investment Report for September 2024

RECOMMENDATION:

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

The September 2024 Monthly Financial and Investment Report will be received by the Finance Commission at its December 9, 2024, regular meeting.

DISCUSSION:

The September 2024 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 end of the respective month.

As operations fluctuate month to month, there are differences between balances in one month to balances in another month, and such differences may be significant due to the type of activity in those months as well as the presentation of those reports are based on estimates using the information available. This is demonstrated by the attached September 30, 2024 fund

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Finance and Accounting Manager

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

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

The September 30, 2024 estimated fund balances differ from the August 31, 2024 estimated fund balances due to the normal day to day activity where revenue and expenditure activity in one month have a larger shift in one month from the other. The July 1, 2024 fund balances include all transactions posted at the time of preparing this report except the final fund balances allocations which occur closer to the issuance of the draft Annual Comprehensive Financial Report. On November 25, 2024, Final fund reserves allocation will be provided to the Finance Commission in the draft Annual Comprehensive Financial Report.

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, Total Cash is adjusted by adding Total Assets less the amount of Total Liabilities to arrive at the Ending Fund Balance – which represents the actual amount of funds available.

<u>Reconciling Cash to Fund Balance - September 30, 2024</u>		
Total Cash	\$	67,158,455
Plus: Assets	\$	18,833,415
Less: Liabilities	\$	(29,664,981)
Estimated Fund Balance	\$	56,326,889

As of September 30, 2024, the Town's financial position (Assets \$85.99M, Liabilities \$29.66M, and Fund Equity \$56.33M) remains strong and the Town has sufficient funds to meet the cash demands for the next six months.

As of September 30, 2024, the Town's weighted portfolio yield for investments under management was 4.45% which was 13 basis points below the Local Agency Investment Fund (LAIF) yield of 4.58% for the same reporting period. As of September 30, 2024, the LAIF portfolio's weighted average maturity (WAM) is 231 days versus the Town's longer WAM of 728 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 4.45% at the close of September was 2 basis points lower when compared to the prior month's return of 4.47% reported as of August 31, 2024.

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Since September 2023, LAIF yields have climbed from 353 basis points (3.53%) to 458 basis points (4.58%) through the end of September 2024.

Staff, in coordination with the Town's investment advisor, primarily replaced maturing investments with long-term maturities in the three-to-four-year maturity range. These investments capture current yields that exceed the rates expected to be earned in the LAIF pool during that same period. The State LAIF pool typically lags the market when current market yields are either increasing or decreasing.

After a rate change back in July of 2023, the Federal Open Market Committee (FOMC) did not change rates again until their September 18, 2024, meeting when they approved a 1/2 percentage basis point decrease from 5.5% to 5.0%. Furthermore, on November 7, 2024, the Federal Reserve voted to approve an additional 1/4 basis point decrease from 5.0% to 4.75%. These changes support the Federal Open Market Committee's goal to support maximum employment and bring year-to-year inflation to its targeted level of 2%.

The US economy added 142,000 jobs in August, below the 165,000 expected, and up from a downwardly revised 89,000 in July. Besides the pandemic, it was the weakest three months of private sector hiring since 2012. The unemployment rate fell slightly from 4.3% to 4.2%. Wage growth rose from 3.6% to 3.8%.

The Town's investments are in compliance with the Town's Investment Policy dated February 21, 2023, and are 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 the Monthly Financial and Investment Report for September 2024.

Attachments:

1. Financial and Investment Report (September 2024)