



TOWN OF LOS GATOS
FINANCE COMMISSION REPORT

MEETING DATE: 05/17/2022

ITEM NO: 6

DATE: May 11, 2022
TO: Mayor and Town Council
FROM: Laurel Prevetti, Town Manager
SUBJECT: Receive the Third Quarter Investment Report (January through March 2022)
for Fiscal Year 2021/22

RECOMMENDATION:

Receive the Third Quarter Investment Report (January through March 2022) for Fiscal Year (FY) 2021/22.

DISCUSSION:

The Finance Commission received this report on May 9, 2022.

As of March 31, 2022, the Town's weighted portfolio yield was 1.16% which trended approximately 79 basis points above the Local Agency Investment Fund (LAIF) yield of 0.37%. This favorable yield differential to LAIF was primarily due to the LAIF portfolio's lower weighted average maturity (WAM) of 310 days versus the Town's longer WAM of 470 days. The Town's weighted average rate of return of 1.16% at the close of the third quarter in 2022 was 27 basis points lower when compared to the third quarter return of 1.43% in 2021.

In the third quarter of FY 2021/22, LAIF yields climbed from 23 basis points (0.23%) to 37 basis points (0.365%) through the end of March 2022. Staff in coordination with the Town's investment advisor primarily replaced maturing investments in shorter to medium term maturities in the two- to three-year maturity range. These investments capture current yields that exceed the rates expected to be earned in the State Local Agency Investment Fund (LAIF) pool during that same time period. The State LAIF pool typically lags the market when current market yields are either increasing or decreasing.

PREPARED BY: Stephen Conway
Finance Director

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

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DISCUSSION (continued):

Interest rates rose across the board during the quarter. The rise in short term rates was influenced by the Federal Reserve implementing its first Federal Funds rate hike since 2018. The Feds quarterly “dot plot” continues to illustrate multiple rate hikes in the coming year. The median projection rose to seven rate hikes this year, up from four in the December 2021 meeting. In addition, the Consumer Price Index (CPI) recorded another multi-decade high in line with expectations at 7.9% year on year.

CONCLUSION:

Staff recommends that the Town Council receive the Third Quarter Investment Report (January through March 2022) for Fiscal Year 2021/22.

Attachment:

1. Third Quarter Investment Report for FY 2021/22 (January through March 2022)