



**TOWN OF LOS GATOS
COUNCIL AGENDA REPORT**

MEETING DATE: 08/20/2019

ITEM NO: 3

DATE: August 9, 2019
TO: Mayor and Town Council
FROM: Laurel Prevetti, Town Manager
SUBJECT: Receive the Fourth Quarter Investment Report (April through June 2019) for Fiscal Year 2018/19

RECOMMENDATION:

Receive the Fourth Quarter Investment Report (April through June 2019) for Fiscal Year 2018/19.

DISCUSSION:

As of June 30, 2019, the Town's weighted portfolio yield of 2.05% is trending below the Local Agency Investment Fund (LAIF) yield of 2.43%. This difference is primarily due to the LAIF portfolio's weighted average maturity (WAM) of 173 days being below the Town's WAM of 244 days. With the recent occasional inversion of the yield curve (short term rates higher than long term rates), it is not unusual in the short run for LAIF yields to outperform portfolios that have a longer average maturity. Staff continues to replace matured or called investments with similar investments with respect to maturity and credit quality. For the fourth quarter, the Town's weighted average rate of return increased 11 basis points (0.11%) from 1.94% to 2.05%.

For the quarterly period ending June 30, 2019, interest rates decreased across the yield curve fueled by a softening in some economic indicators, continuing trade tensions, and public comments by the Federal Reserve. Responding to this trend, staff's strategy is to replace current maturities with shorter term investments (1 to 3 years) because the market is not offering much advantage in terms of locking in longer term (3 to 5 years) maturities. As previously noted, the market is currently experiencing an inverted yield curve with the Three-Year US Treasury Note yielding a return of 1.567% while the Five-Year US Treasury Note yields 1.563%.

PREPARED BY: STEPHEN CONWAY
 DIRECTOR OF FINANCE

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

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CONCLUSION:

Staff recommends that the Town Council receive the Fourth Quarter Investment Report (April through June 2019) for Fiscal Year 2018/19.