



TOWN OF LOS GATOS
TOWN COUNCIL AGENDA REPORT

MEETING DATE: 10/17/2023

ITEM NO: 4

DATE: October 6, 2023
TO: Mayor and Town Council
FROM: Laurel Prevetti, Town Manager
SUBJECT: Receive the Monthly Financial and Investment Report for August 2023

RECOMMENDATION:

Receive the Monthly Financial and Investment Report for August 2023.

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, disbursement, and fund balances. The Finance Director assumes the Town Treasurer role. Attachment 1 contains the August 2023 Monthly Financial and Investment Report which fulfills this requirement. This report was presented to the Finance Commission at its October 9, 2023 regular meeting.

DISCUSSION:

August 2023 Monthly Financial and Investment Report includes a Fund Balance Schedule, representing estimated funding available for all funds at the end of the August 2023. The fund balances are estimated at a point in time and will be finalized at the final close of the fiscal year.

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 the addition of Total Assets less the amount of Total Liabilities to arrive at the Ending Fund Balance – which represents the actual amount of funds available.

PREPARED BY: Gitta Ungvari
Finance Director

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

DISCUSSION (continued):**Reconciling Cash to Fund Balance - August 31, 2023**

Total Cash	\$	69,093,001
Plus: Assets	\$	13,600,186
Less: Liabilities	\$	(26,414,194)
Estimated Fund Balance	\$	56,278,993

As of August 31, 2023, the Town's financial position (Assets \$82.7M, Liabilities \$26.4M and Fund Equity \$56.3M) remains strong and there are no issues meeting financial obligations in the near future.

As of August 31, 2023, the Town's weighted portfolio yield for investments under management was 3.71% which was 28 basis points above the Local Agency Investment Fund (LAIF) yield of 3.43% for the same reporting period. Currently the LAIF portfolio's weighted average maturity (WAM) is 237 days versus the Town's longer WAM of 495 days. The longer maturity (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 3.71% at the close of August was 16 basis points higher when compared to the prior months return of 3.53 % reported as of July 31, 2023.

Since December 31, 2022, LAIF yields had climbed from 217 basis points (2.17%) to 343 basis points (3.43%) through the end of August 2023.

Staff, in coordination with the Town's investment advisor, continued primarily replacing maturing investments with 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 LAIF pool during that same time period. The State LAIF pool typically lags the market when current market yields are either increasing or decreasing.

On March 22, 2023, the Federal Reserve voted to approve a ¼ percentage basis point increase from 4.75% to 5.00%. This action was followed with additional hikes in May 2023 from 5.00% to 5.25% and July from 5.25 % to 5.5 %. Through these actions over time, the Federal Open Market Committee's (FOMC) goal is to bring year to year inflation to its targeted level of 2%. The unemployment rate fell to 3.5% from 3.6% and wage growth picked up slightly to 4.4%, with notable gains in the manufacturing and construction sector.

The Town's investments are in compliance with the Town's Investment Policy dated February 21, 2023 and also in compliance with the requirements of Section 53600 at seq. of the

PAGE 3 OF 3

SUBJECT: Monthly Financial and Investment Reports August 2023 for Fiscal Year 2023/24

DATE: October 6, 2023

DISCUSSION (continued):

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 Monthly Financial and Investment Report for August 2023.

Attachment:

1. Financial and Investment Report (August 2023)