



TOWN OF LOS GATOS
FINANCE COMMISSION REPORT

MEETING DATE: 12/11/2023

ITEM NO: 3

DATE: December 5, 2023
TO: Finance Commission
FROM: Laurel Prevetti, Town Manager
SUBJECT: Receive the Monthly Financial and Investment Report for September 2023 and October 2023

RECOMMENDATION:

Receive the Monthly Financial and Investment Report for September 2023 and October 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 September 2023 Monthly Financial and Investment Report, which has already been received by the Town Council at its regularly scheduled meeting. Attachment 2 contains the October 2023 Monthly Financial and Investment Report which fulfills this requirement. The October 2023 Monthly Financial and Investment Report will be presented to Town Council on December 19, 2023.

DISCUSSION:

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

PREPARED BY: Gitta Ungvari
Finance Director

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

DISCUSSION (continued):

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.

This discussion focuses on the results of the October Report because it is more current than the September Report. 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.

Reconciling Cash to Fund Balance - October 31, 2023

Total Cash	\$	64,959,590
Plus: Assets	\$	15,819,862
Less: Liabilities	\$	(28,995,195)
Estimated Fund Balance	\$	51,784,257

Reconciling Cash to Fund Balance - September 30, 2023

Total Cash	\$	66,196,260
Plus: Assets	\$	15,479,675
Less: Liabilities	\$	(29,335,967)
Estimated Fund Balance	\$	52,339,969

As of October 31, 2023, the Town's financial position (Assets \$80.78M, Liabilities \$28.96M, and Fund Equity \$51.8M) remains strong and there are no issues meeting financial obligations in the near future.

As of October 31, 2023, the Town's weighted portfolio yield for investments under management was 4.12% which was 45 basis points above the Local Agency Investment Fund (LAIF) yield of 3.67% for the same reporting period. Currently, the LAIF portfolio's weighted average maturity (WAM) is 250 days versus the Town's longer WAM of 579 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 4.12% at the close of October was 35 basis points higher when compared to the prior month's return of 3.77 % reported as of September 30, 2023.

Since October 31, 2022, LAIF yields had climbed from 177 basis points (1.77%) to 367 basis points (3.67%) through the end of October 2023.

DISCUSSION (continued):

Staff, in coordination with the Town's investment advisor, continued primarily replacing maturing investments with medium 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 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 $\frac{1}{4}$ 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 labor market remained tight overall. The US economy added 336,000 new jobs in September, above consensus for 170,000. Hiring was strong across government and private sectors. The unemployment rate was unexpectedly unchanged at 3.8% as was the participation rate at 62.8%. Wage growth continued to cool at just 0.2% month-on-month and 4.2% year-on-year.

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 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 October 2023.

Attachments:

1. Financial and Investment Report (September 2023)
2. Financial and Investment Report (October 2023)