



**TOWN OF LOS GATOS
COUNCIL AGENDA REPORT**

MEETING DATE: 08/15/2023

ITEM NO: 9

DATE: August 8, 2023
TO: Mayor and Town Council
FROM: Laurel Prevetti, Town Manager
SUBJECT: Receive Monthly Financial and Investment Reports (April Amended, May, and June 2023)

RECOMMENDATION:

Receive Monthly Financial and Investment Reports (April Amended, May, and June 2023).

DISCUSSION:

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.

Further staff review revealed that the April 2023 Monthly Financial and Investment Report received by Council on June 20, 2023 included the correct year-to-date information; however, the "current month data" that should have matched the year-to-date information was not updated. Attachment 1 contains the amended April 2023 Monthly Financial and Investment Report. The May and June Monthly Financial and Investment Reports are presented in Attachment 2 and Attachment 3 respectively.

The Finance Commission will receive these reports at their next scheduled regular meeting.

Attachment 1 through 3 include Fund Balance Schedules, representing estimated funding available for all funds at the end of the April, May, and June 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

PREPARED BY: Gitta Ungvari
Finance Director

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

DATE: August 8, 2023

DISCUSSION (continued):

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 - April 30, 2023

Total Cash	\$	74,868,304
Plus: Assets	\$	9,451,020
Less: Liabilities	\$	(26,974,112)
Estimated Fund Balance	\$	57,345,212

Reconciling Cash to Fund Balance - May 31, 2023

Total Cash	\$	75,243,382
Plus: Assets	\$	8,963,217
Less: Liabilities	\$	(27,013,170)
Estimated Fund Balance	\$	57,193,429

Reconciling Cash to Fund Balance - June 30, 2023

Total Cash	\$	78,384,948
Plus: Assets	\$	10,727,328
Less: Liabilities	\$	(28,459,390)
Estimated Fund Balance	\$	60,652,884

As of June 30, 2023, the Town's financial position (Assets \$89.1, Liabilities \$28.0M and Fund Equity \$60.6) remains strong and there are no issues meeting financial obligations in the near future.

As of June 30, 2023, the Town's weighted portfolio yield for investments under management was 3.19% which was above by 2 basis points the Local Agency Investment Fund (LAIF) yield of 3.17% for the same reporting period. Currently the LAIF portfolio's weighted average maturity (WAM) is 311 days versus the Town's longer WAM of 399 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 3.15% at the close of June was 42 basis points higher when compared to the prior months return of 2.77% reported as of April 30, 2023.

Since December 31, 2022, LAIF yields had climbed from 217 basis points (2.17%) to 3.17 basis points (3.17%) through the end of June 2023.

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SUBJECT: Monthly Financial and Investment Report (April Amended, May and June 2023)
for Fiscal Year 2022/23

DATE: August 8, 2023

DISCUSSION (continued):

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 labor market remained resilient. The unemployment rate rose to 3.7% from 3.4% with the participation rate unchanged at 62.6%.

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 the Monthly Financial and Investment Reports (April Amended, May and June 2023).

Attachments:

1. Financial and Investment Report Amended (April 2023)
2. Financial and Investment Report (May 2023)
3. Financial and Investment Report (June 2023)