



**TOWN OF LOS GATOS
COUNCIL AGENDA REPORT**

MEETING DATE: 04/15/2025

ITEM NO: 4

DATE: April 8, 2025
TO: Mayor and Town Council
FROM: Chris Constantin, Town Manager
SUBJECT: Receive the Monthly Financial and Investment Report for February 2025

RECOMMENDATION:

Receive the monthly Financial and Investment Report for February 2025.

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, disbursements, and fund balances. The Finance Director assumes the Town Treasurer role. Attachment 1 contains the February 2025 monthly Financial and Investment Report which fulfills this requirement.

The February 2025 Monthly Financial and Investment Report will be received by the Finance Commission at its April 14, 2025, regular meeting.

DISCUSSION:

The February 2025 Monthly Financial and Investment Report includes a Fund Balance Schedule, representing estimated funding available for all funds at the beginning of the fiscal year and at the end of the respective month.

As operations fluctuate month to month, there are differences between balances in one month to balances in another. Such differences may be significant due to the type of activity in those months and the timing of any estimates used in the presentation based on the information available. This is demonstrated by the attached February 28, 2025, fund balance report.

PREPARED BY: Eric Lemon
Finance and Accounting Manager

Reviewed by: Town Manager, Town Attorney, Assistant Town Manager, Finance Director, and Town Clerk

In the case that the differences are extraordinary and unanticipated, we will ensure we present more information to explain the differences.

The February 28, 2025, estimated fund balances differ from the January 31, 2024, estimated fund balances due to the normal day-to-day activity where revenue and expenditure activity in one month have a larger shift in one month from the other.

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 adding 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 - February 28, 2025		
Total Cash	\$	69,759,388
Plus: Assets	\$	14,591,690
Less: Liabilities	\$	(26,907,928)
Estimated Fund Balance	\$	57,443,150

As of February 28, 2025, the Town's financial position (Cash Plus Other Assets \$84.35M, Liabilities \$26.91M, and Fund Equity \$57.44) remains strong and the Town has sufficient funds to meet the cash demands for the next six months.

As of February 28, 2025, the Town's weighted portfolio yield for investments under management was 4.44% which was 11 basis points above the Local Agency Investment Fund (LAIF) yield of 4.33% for the same reporting period. Currently, the LAIF portfolio's weighted average maturity (WAM) is 237 days versus the Town's longer WAM of 647 days. The Town assets under management reflect the Town's selection of the 1-3 year benchmark investment strategy through the Town's investment advisor to lock in higher yields at the top of the interest rate cycle. The longer maturities are 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 4.44% at the close of February was flat when compared to the January 31, 2024, investment report.

Since February 2024, LAIF yields climbed from 412 basis points (4.12%) to 433 basis points (4.33%) through the end of February 2025. The State LAIF pool typically lags the market when current market yields are either increasing or decreasing.

After the rate change back in July of 2023, the Federal Open Market Committee (FOMC) did not change rates again until their September 18, 2024, meeting when they approved a 1/2 percentage basis point decrease from 5.5% to 5.0%. Furthermore, on November 7, 2024, the Federal Reserve voted to approve an additional 1/4 basis point decrease from 5.0% to 4.75%. The most recent change was at their December 2024 meeting when the Federal Reserve voted to approve another 1/4 basis point decrease from 4.75% to 4.50%. These changes support the Federal Open Market Committee's goal to support maximum employment and bring year-to-year inflation to its targeted level of 2%.

The labor market remained solid. Payrolls rose by 143,000 and the unemployment rate eased from 4.1% to 4% even as the participation rate rose reflecting 2.2 million extra workers. However, jobless claims were higher than expected, increasing from 220,000 to 242,000 at the end of the month.

The Town's investments are in compliance with the Town's Investment Policy dated March 18, 2025, and are 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 Report for February 2025.

Attachments:

1. Financial and Investment Report (February 2025)