



**TOWN OF LOS GATOS
COUNCIL AGENDA REPORT**

MEETING DATE: 04/18/2023

ITEM NO: 7

DATE: April 11, 2023
TO: Mayor and Town Council
FROM: Laurel Prevetti, Town Manager
SUBJECT: Receive the Monthly Financial and Investment Report (February 2023).

RECOMMENDATION:

Receive the Monthly Financial and Investment Report (February 2023).

DISCUSSION:

California Government Code Section 41004 requires that the Town Treasurer submits 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 February 2023 Monthly Financial and Investment Report which fulfills this requirement.

Attachment 1 contains a Fund Balance Schedule, representing estimated funding available for all funds at the end of the February 2023. The fund balances are estimated at the 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.

As of February 28, 2023, the Town's financial position (Assets \$78.8M, Liabilities \$26.6M and Fund Equity \$52.2M) remains strong and there are no issues meeting financial obligation in the near future.

PREPARED BY: Gitta Ungvari
Finance Director

Reviewed by: Town Manager and Town Attorney

SUBJECT: Monthly Financial and Investment Report (February 2023) for Fiscal Year
2022/23

DATE: April 11, 2023

DISCUSSION (continued):

Reconciling Cash to Fund Balance		
Total Cash	\$	69,108,644
Plus: Assets	\$	9,701,729
Less: Liabilities	\$	(26,572,208)
Estimated Fund Balance	\$	52,238,165

As of February 28, 2023, the Town's weighted portfolio yield for investments under management was 2.66% which exceeded by 4 basis points the Local Agency Investment Fund (LAIF) yield of 2.62% for the same reporting period. Currently the LAIF portfolio's weighted average maturity (WAM) is 287 days versus the Town's longer WAM of 475 days. The longer maturity will benefit the Town for additional cashflow earned with bond interests. This slightly longer maturity allows the Town to pick up higher yields available on the later maturities. The Town's weighted average rate of return on investments under management of 2.66% at the close of February was 21 basis points higher when compared to the prior months return of 2.45% reported as of January 31, 2023.

Since December 31, 2022, LAIF yields had climbed from 217 basis points (2.17%) to 2.62 basis points (2.62%) through the end of February 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.

As of February 2, 2023, the Federal Reserve voted to approve a ¼ percentage basis point increase from 4.5% to 4.75%. With this increase, the Federal Open Market Committee (FOMC) expects that this will bring back the inflation target of 2% over time. Following this announcement from FOMC, labor market data showed that about 517,000 new jobs were added in January. This in turn affected the unemployment rate which declined to 3.4% from 3.5%.

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.

The Finance Commission is receiving this Report at its April 17, 2023 meeting.

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CONCLUSION:

Receive the Monthly Financial and Investment Report (February 2023).

Attachment:

1. Financial and Investment Report (February 2023)