



TOWN OF LOS GATOS
FINANCE COMMISSION REPORT

MEETING DATE: 01/13/2025

ITEM NO: 2

DATE: December 23, 2024
TO: Finance Commission
FROM: Chris Constantin, Town Manager
SUBJECT: Receive the Monthly Financial and Investment Report for November 2024

RECOMMENDATION:

Receive the monthly Financial and Investment Report for November 2024.

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 November 2024 monthly Financial and Investment Report which fulfills this requirement.

The November 2024 Monthly Financial and Investment Report will be presented to Town Council at its January 21, 2025, regular meeting.

DISCUSSION:

The November 2024 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 November 30, 2024, fund balance report.

PREPARED BY: Eric Lemon
Finance and Accounting Manager

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

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

The November 30, 2024, estimated fund balances differ from the October 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 - November 30, 2024		
Total Cash	\$	69,393,525
Plus: Assets	\$	16,844,751
Less: Liabilities	\$	(29,200,656)
Estimated Fund Balance	\$	57,037,620

As of November 30, 2024, the Town's financial position (Assets \$86.24M, Liabilities \$29.20M, and Fund Equity \$57.04M) remains strong and the Town has sufficient funds to meet the cash demands for the next six months.

As of November 30, 2024, the Town's weighted portfolio yield for investments under management was 4.45% which was 3 basis points below the Local Agency Investment Fund (LAIF) yield of 4.48% for the same reporting period. As of October 31, 2024, the LAIF portfolio's weighted average maturity (WAM) is 257 days versus the Town's longer WAM of 676 days on November 30, 2024. The longer 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 4.45% at the close of November remained flat when compared to the October 31, 2024, investment report.

Since November 2023, LAIF yields have climbed from 384 basis points (3.84%) to 448 basis points (4.48%) through the end of November 2024. 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

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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 economy added only 12,000 jobs in October, less than the 100,000 the market expected and lowest since December 2020. However, the figure was significantly impacted by hurricanes Helene and Milton as well as industrial strikes. The unemployment rate remained at 4.1% and the labor force participation rate remained at 63%. Wage growth rose from 3.9% to 4%.

The Town's investments are in compliance with the Town's Investment Policy dated February 21, 2023, 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 November 2024.

Attachments:

1. Financial and Investment Report (November 2024)