



TOWN OF LOS GATOS
FINANCE COMMISSION REPORT

MEETING DATE: 09/08/2025

ITEM NO: 2

DATE: September 8, 2025
TO: Finance Commission
FROM: Chris Constantin, Town Manager
SUBJECT: **Receive the Monthly Financial and Investment Report for July 2025**

RECOMMENDATION: Receive the Monthly Financial and Investment Reports for July 2025.

FISCAL IMPACT:

There is no fiscal impact from the receipt of this report.

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 July 2025 monthly Financial and Investment Report, which fulfills this requirement.

The July 2025 Monthly Financial and Investment Report will be presented to the Town Council at its September 16, 2025, regular meeting.

DISCUSSION:

The July 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 and balances in another. Such differences may be significant due to the type of activity in those

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

months and the timing of any estimates used in the presentation, based on the information available. This is demonstrated by the attached July 31, 2025, fund balance report.

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

The difference between the July 31, 2025, and June 30, 2025, estimated fund balances is due to normal day-to-day fluctuations in revenues and expenditures.

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, Ending Fund Balance = Cash + Assets - Liabilities, which represents the actual amount of funds available.

Reconciling Cash to Fund Balance - July 31, 2025		
Total Cash	\$	70,742,567
Plus: Assets	\$	20,771,621
Less: Liabilities	\$	(31,045,938)
Estimated Fund Balance	\$	60,468,250

As of July 31, 2025, the Town's financial position (Cash Plus Other Assets \$91.52M, Liabilities \$31.05, and Fund Equity \$60.47) remains strong, and the Town has sufficient funds to meet the cash demands for the next six months.

As of July 31, 2025, the Town's weighted portfolio yield for investments under management was 4.39%, which was 13 basis points above the Local Agency Investment Fund (LAIF) yield of 4.26% for the same reporting period. Currently, the LAIF portfolio's weighted average maturity (WAM) is 248 days as of June 30, 2025, versus the Town's longer WAM of 600 days as of July 31, 2025. The Town's 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 4.39% was consistent with the average rate of return on June 30, 2025.

Since July 2024, LAIF yields decreased from 452 basis points (4.52%) to 426 basis points (4.26%) through the end of July 2025. The State LAIF pool typically lags the market when current market yields are either increasing or decreasing.

Following the rate adjustment in July 2023, the Federal Open Market Committee (FOMC) maintained the same rates until their September 18, 2024, meeting, where they approved a reduction of 50 basis points, lowering the rate from 5.5% to 5.0%. Subsequently, on November

7, 2024, the Federal Reserve voted to implement an additional decrease of 25 basis points, bringing the rate down to 4.75%. The latest adjustment occurred during the December 2024 meeting, where another 25 basis point reduction was approved, resulting in a new rate of 4.50%. These adjustments align with the FOMC's objective to promote maximum employment and achieve a year-over-year inflation target of 2%.

Labor market data continued to be moderate. The first estimate of monthly payrolls for June showed the economy added 147,000 new jobs. However, job growth was increasingly limited to certain categories such as government and healthcare and social assistance, the former of which may have been subject to residual seasonality. The unemployment rate fell from 4.2% to 4.1%, due to a second consecutive monthly drop in the labor force participation rate from 62.4% to 62.3%.

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 et 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 July 2025.

Attachments:

1. Financial and Investment Report (July 2025)