



**TOWN OF LOS GATOS
COUNCIL FINANCE COMMITTEE
REPORT**

MEETING DATE: 12/07/2020

ITEM NO: 3

DATE: November 24, 2020
TO: Council Finance Committee
FROM: Laurel Prevetti, Town Manager
SUBJECT: Receive the First Quarter Investment Report (July through September 2020) for Fiscal Year 2020/21.

RECOMMENDATION:

Receive the First Quarter Investment Report (July through September 2020) for Fiscal Year 2020/21.

BACKGROUND:

On October 12, 2020, the Council Finance Committee reviewed the Investment Policy and recommended that the Quarterly Investment Report should include the Town portfolio Environmental, Social and Governance (ESG) scores and should be provided to the Council Finance Committee.

On November 3, 2020, the Town Council received the Committee's recommendations and adopted both.

DISCUSSION:

As of September 30, 2020, the Town's weighted portfolio yield was 1.86% which trended above the Local Agency Investment Fund (LAIF) yield of 0.69%. This favorable yield differential was primarily due to the LAIF portfolio's weighted average maturity (WAM) of 169 days and the Town's longer WAM of 556 days. The Town's weighted average rate of return of 1.86% for the first quarter remained stable relative to the first quarter return of 2.02% in 2019.

In the months prior to the COVID-19 outbreak, staff in consultation with the Town's investment advisor had been extending maturities to capture higher yields currently associated with longer dated securities. In recent months, the economic fallout associated with the pandemic has led

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Director of Finance

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

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DISCUSSION (continued):

to Treasury yields falling dramatically. For example, on September 30, 2020, ten-year US Treasury notes were yielding 0.69% versus 1.69% on September 30, 2019.

During the first quarter, staff in coordination with the Town's investment advisor started investing most maturing investments into the State Local Agency Investment Fund (LAIF) pool to capture the higher short-term yields. The State LAIF pool typically lags the market when current market yields are either increasing or decreasing. However, with LAIF's WAM of 169 days, staff is expecting a steady decline in LAIF portfolio yields until the LAIF portfolio reflects the low short-term investment yields available in the market.

The Federal Reserve (Fed) projects no change to its policy until late 2023. The Fed said it is committed to keeping the target range for the federal funds rate at 0% to 0.25% until "labor market conditions have reached levels consistent with the Committee's assessment of maximum employment".

Attachments:

1. First Quarter Investment Report for FY 2020/21 (July through September 2020)
2. Public Comment Received for the November 13, 2020 Town Council Meeting