



**TOWN OF LOS GATOS
COUNCIL AGENDA REPORT**

MEETING DATE: 12/03/2019

ITEM NO: 11

DATE: November 19, 2019
TO: Mayor and Town Council
FROM: Laurel Prevetti, Town Manager
SUBJECT: Receive the First Quarter Investment Report (July through September 2019)
for Fiscal Year 2019/20

RECOMMENDATION:

Receive the First Quarter Investment Report (July through September 2019) for Fiscal Year 2019/20.

DISCUSSION:

As of September 30, 2019, the Town's weighted portfolio yield was 2.02% which trended below the Local Agency Investment Fund (LAIF) yield of 2.28%. This difference was primarily due to the LAIF portfolio's weighted average maturity (WAM) of 173 days being below the Town's WAM of 493 days. Given the shorter WAM it is not unusual in the short run for LAIF yields to outperform portfolios that have a longer average maturity. In recent months, staff in consultation with the Town's investment advisor have been extending maturities to capture the higher yields associated with longer dated securities. Staff continues to replace matured or called investments with similar investments with respect to maturity and credit quality. For the First quarter, the Town's weighted average rate of return decreased slightly by 3 basis points (0.03%) from 2.05% to 2.02%.

For the quarter ending September 30, 2019, interest rates decreased across the yield curve partially fueled by the Federal Open Market Committee (FOMC) decision on September 18, 2019 to further ease monetary policy by lowering the Federal funds target rate by 25 basis points. Seven members of the Committee voted to lower the target funds range to 1¾ to 2 percent. Two members preferred maintaining the existing funds range of 2 percent to 2¼ percent and one member preferred lowering the range further. On October 30, 2019 the FOMC voted to lower rates for the third time this calendar year by reducing the Federal funds rate by another 25 basis points. This recent Federal action is consistent with the

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Finance Director

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

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DISCUSSION (Continued):

aforementioned strategy to extend maturity lengths on new purchases of securities to take advantage of higher yielding securities in the 2 to 3-year maturity range.

CONCLUSION:

Staff recommends that the Town Council receive the First Quarter Investment Report (July through September 2019) for Fiscal Year 2019/20.

Attachment:

1. First Quarter Investment Report for FY 2019/20 (July through September 2019)