



**TOWN OF LOS GATOS
FINANCE COMMISSION REPORT**

MEETING DATE: 6/8/2026

ITEM NO: 2

DATE: June 8, 2026
TO: Finance Commission
FROM: Chris Constantin, Town Manager
SUBJECT: Receive the Monthly Financial and Investment Report for April 2026

RECOMMENDATION: Receive the Monthly Financial and Investment Reports for April 2026.

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 Administrative Services Director assumes the Town Treasurer role. Attachment 1 contains the April 2026 monthly Financial and Investment Report, which fulfills this requirement.

The April 2026 Monthly Financial and Investment Report will be presented to the Town Council at its June 16, 2026, regular meeting.

DISCUSSION:

The April 2026 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 months and the timing of any estimates used in the presentation, based on the information available. This is demonstrated by the attached April 30, 2026, fund balance report. In the case that the differences are extraordinary and unanticipated, we will ensure we present more information to explain the differences.

PREPARED BY: Eric Lemon
Finance and Accounting Manager

Reviewed by: Town Manager, Town Attorney, and Administrative Services Director

The difference between the April 30 and March 31 estimated fund balance 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 - April 30, 2026 | | |
|----------------------------------------------------------|-----------|-------------------|
| Total Cash | \$ | 83,594,887 |
| Plus: Assets | \$ | 12,638,963 |
| Less: Liabilities | \$ | (24,184,893) |
| Estimated Fund Balance | \$ | 72,048,957 |

As of April 30, 2026, the Town's financial position (Cash Plus Other Assets \$96.23M, Liabilities \$24.18M, and Fund Equity \$72.05M) remains strong, and the Town has sufficient funds to meet the cash demands for the next six months.

As of April 30, 2026, the Town's weighted portfolio yield for investments under management was 4.19%, which was 38 basis points above the Local Agency Investment Fund (LAIF) yield of 3.81% for the same reporting period. Currently, the LAIF portfolio's weighted average maturity (WAM) is 265 days versus the Town's longer WAM of 573 days. 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 4.19% at the close of April was 2 basis points lower when compared to the prior month's return of 4.21% reported as of March 31, 2026.

Since April 2025, LAIF yields decreased from 428 basis points (4.28%) to 381 basis points (3.81%) through the end of April 2026. The State LAIF pool typically lags the market when current market yields are either increasing or decreasing.

The Federal Open Market Committee implemented three rate cuts in 2025. The first, on September 17, reduced the federal funds target range by 25 basis points to 4.00%–4.25% amid slower economic growth in the first half of the year and emerging signs of labor-market softening. A second 25-basis-point cut on October 29 brought the range down to 3.75%–4.00% as labor-market weakness and broader economic uncertainty persisted. At its December 10 meeting, the Committee approved a final 25-basis-point reduction to 3.50%–3.75%, reflecting

PAGE 3 OF 3

SUBJECT: Monthly Financial and Investment Report for April 2026

DATE: June 8, 2026

ongoing concerns about the economic outlook. These adjustments align with the FOMC's objective to promote maximum employment and achieve a year-over-year inflation target of 2%.

Labor market conditions showed some signs of stabilization. Nonfarm payrolls increased by 178,000 in March, a reversal from February's decrease of 92,000. Weekly initial jobless claims reached 189,000 at the end of April, the lowest since 1969. Continuing claims reached 1.785m, the lowest since April 2024.

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.

Attachments:

1. Financial and Investment Report (April 2026)