



TOWN OF LOS GATOS
FINANCE COMMISSION REPORT

MEETING DATE: 4/13/2026

ITEM NO: 2

DATE: April 13, 2026
TO: Finance Commission
FROM: Chris Constantin, Town Manager
SUBJECT: Receive the Monthly Financial and Investment Report for February 2026

RECOMMENDATION: Receive the Monthly Financial and Investment Reports for February 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 February 2026 monthly Financial and Investment Report, which fulfills this requirement.

The February 2026 Monthly Financial and Investment Report will be presented to the Town Council at its April 21, 2026, regular meeting.

DISCUSSION:

The February 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 February 28, 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 February 28 and January 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 - February 28, 2026		
Total Cash	\$	77,392,752
Plus: Assets	\$	13,508,339
Less: Liabilities	\$	(23,900,731)
Estimated Fund Balance	\$	67,000,360

As of February 28, 2026, the Town's financial position (Cash Plus Other Assets \$90.90M, Liabilities \$23.90M, and Fund Equity \$67.00M) remains strong, and the Town has sufficient funds to meet the cash demands for the next six months.

As of February 28, 2026, the Town's weighted portfolio yield for investments under management was 4.20%, which was 33 basis points above the Local Agency Investment Fund (LAIF) yield of 3.87% for the same reporting period. Currently, the LAIF portfolio's weighted average maturity (WAM) is 258 days versus the Town's longer WAM of 640 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 4.20% at the close of February was 1 basis point lower when compared to the prior month's return of 4.21% reported as of January 31, 2026.

Since February 2025, LAIF yields decreased from 433 basis points (4.33%) to 387 basis points (3.87%) through the end of February 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

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meeting, the Committee approved a final 25-basis-point reduction to 3.50%–3.75%, reflecting 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 continued to reflect a "low hiring, low firing" regime. Revisions to 2025 employment figures showed only 181,000 new jobs added for the full year, the lowest annual total outside of recession years since 2003. Initial jobless claims eased from 231,000 in early February due to severe winter weather to 212,000 by month-end. Continuing claims fell to 1.833 million in mid-February, the lowest level since June 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 (February 2026)