



TOWN OF LOS GATOS
FINANCE COMMISSION REPORT

MEETING DATE: 04/08/2024

ITEM NO: 2

DATE: April 1, 2024
TO: Finance Commission
FROM: Laurel Prevetti, Town Manager
SUBJECT: Receive the Monthly Financial and Investment Report for February 2024

RECOMMENDATION:

Receive the Monthly Financial and Investment Report for February 2024.

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 February 2024 Monthly Financial and Investment Report which fulfills this requirement. The February 2024 Monthly Financial and Investment Report will be presented to Town Council on April 16, 2024.

DISCUSSION:

The February 2024 Monthly Financial and Investment Report includes a Fund Balance Schedule, representing estimated funding available for all funds at the end of the respective month. The fund balances were estimated at a point in time and will be finalized at the final close of the fiscal year.

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.

PREPARED BY: Eric Lemon
Finance and Accounting Manager

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

DISCUSSION (continued):

As illustrated in the summary below, Total Cash is adjusted by the addition of Total Assets less the amount of Total Liabilities to arrive at the Ending Fund Balance – which represents the actual amount of funds available.

| Reconciling Cash to Fund Balance - February 29, 2024 | | |
|---|-----------|-------------------|
| Total Cash | \$ | 71,152,030 |
| Plus: Assets | \$ | 13,917,589 |
| Less: Liabilities | \$ | (27,512,065) |
| Estimated Fund Balance | \$ | 57,557,554 |

As of February 29, 2024, the Town's financial position (Assets \$85.07M, Liabilities \$27.51M, and Fund Equity \$57.56M) remains strong and there are no issues meeting financial obligations in the near future.

As of February 29, 2024, the Town's weighted portfolio yield for investments under management was 4.32% which was 20 basis points above the Local Agency Investment Fund (LAIF) yield of 4.12% for the same reporting period. Currently, the LAIF portfolio's weighted average maturity (WAM) is 218 days versus the Town's longer WAM of 682 days. The longer maturity (WAM) for Town assets under management reflects the Town's strategy to take advantage of higher yields associated with longer maturities 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 4.32% at the close of February was 9 basis points higher when compared to the prior month's return of 4.23% reported as of January 31, 2024.

Since February 2023, LAIF yields had climbed from 262 basis points (2.62%) to 412 basis points (4.12%) through the end of February 2024.

Staff, in coordination with the Town's investment advisor, primarily replaced maturing investments with long term maturities in the two-to-four-year maturity range. These investments capture current yields that exceed the rates expected to be earned in the LAIF pool during that same time period. The State LAIF pool typically lags the market when current market yields are either increasing or decreasing.

On March 22, 2023, the Federal Reserve voted to approve a ¼ percentage basis point increase from 4.75% to 5.00%. This action was followed with additional hikes in May 2023 from 5.00% to 5.25% and July from 5.25 % to 5.5 %. Through these actions over time, the Federal Open Market Committee's (FOMC) goal is to bring year to year inflation to its targeted level of 2%.

PAGE 3 OF 3

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DISCUSSION (continued):

The labor market data was strong. Employment rose by 353,000 jobs in January, exceeding the consensus estimate for 185,000, albeit the data may have reflected some seasonal adjustment complications. Wage growth was surprisingly strong at 0.6% month-on-month, up 4.5% year-on-year from 4.3%. The unemployment rate was unchanged at 3.7%, partly due to the participation rate remaining at 62.5%.

The Town's investments are in compliance with the Town's Investment Policy dated February 21, 2023, and also in compliance with the requirements of Section 53600 at 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 Monthly Financial and Investment Report for February 2024.

Attachment:

1. Financial and Investment Report (February 2024)