



**TOWN OF LOS GATOS
COUNCIL AGENDA REPORT**

MEETING DATE: 2/18/2020

ITEM NO: 7

DATE: February 13, 2020
TO: Mayor and Town Council
FROM: Laurel Prevetti, Town Manager
SUBJECT: Receive the Second Quarter Investment Report (October through December 2019) for Fiscal Year 2019/20.

RECOMMENDATION:

Receive the Second Quarter Investment Report (October through December 2019) for Fiscal Year 2019/20.

DISCUSSION:

As of December 31, 2019, the Town's weighted portfolio yield was 1.93% which trended below the Local Agency Investment Fund (LAIF) yield of 2.04%. This small yield differential was primarily due to the LAIF portfolio's weighted average maturity (WAM) of 173 days and the Town's WAM of 641 days. In recent months, staff in consultation with the Town's investment advisor have been extending maturities to capture higher yields currently 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 second quarter, the Town's weighted average rate of return decreased by 9 basis points (0.09%) from 2.02% to 1.93%.

During the quarter ending December 31, 2019, the Federal Reserve Open Market Committee (FOMC) lowered interest rates 25 basis points, targeting a federal funds rate of 1.5% to 1.75%. For the calendar year, the FOMC lowered rates 25 basis points three consecutive times. At the conclusion of the final FOMC meeting for 2019, Federal Reserve Chairman Powell stated, "Our economic outlook remains a favorable one despite global developments and ongoing risks." In addition, Chairman Powell stated, "As long as incoming information about the economy remains broadly consistent with this outlook, the current stance of monetary policy likely will remain appropriate." Therefore, indicating that no further rate reductions would be necessary for the foreseeable future. This recent Federal action is consistent with staff's 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.

PREPARED BY: Stephen Conway
Finance Director

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

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CONCLUSION:

Staff recommends that the Town Council receive the Second Quarter Investment Report (October through December 2019) for Fiscal Year 2019/20.

Attachment:

1. Second Quarter Investment Report for FY 2019/20 (October through December 2019)