



Finance Committee

City of Arts & Innovation

TO: FINANCE COMMITTEE MEMBERS **DATE: DECEMBER 11, 2024**
FROM: FINANCE DEPARTMENT **WARDS: ALL**
SUBJECT: FISCAL YEAR 2023/24 FOURTH QUARTER CASH, INVESTMENTS, AND DEBT REPORT

ISSUE:

That the Finance Committee receive for consideration the attached Fiscal Year 2023/24 Fourth Quarter Cash, Investments, and Debt Report.

RECOMMENDATION:

That the Finance Committee receive for consideration the attached Fiscal Year 2023/24 Fourth Quarter Cash, Investments, and Debt Report.

BACKGROUND:

The Cash, Investments, and Debt report is prepared quarterly to provide an overview of the City's cash and investment portfolio, and debt management activities and portfolio. The quarterly reports are placed on the City Council's consent calendar without a formal presentation. Presenting the fourth quarter (fiscal year-end) report to the Finance Committee provides the opportunity for a more in-depth review of annual changes in the City's investment and debt portfolios.

On July 16, 2024, the City Council received the Fiscal Year 2023/24 Third Quarter Cash, Investments, and Debt report.

DISCUSSION:

The Cash, Investments, and Debt Report is provided to the City Council alongside the Quarterly Financial Report for the General Fund and other major City funds, ensuring a comprehensive overview of all City Finance activities.

QUARTERLY CASH AND INVESTMENT REPORT

Sound investment practices are an essential component of the City's strong fiscal management. The Finance Department is responsible for managing the City's investment portfolio, focusing first on the safety of investments, and then on liquidity and an appropriate rate of return. The investment results and portfolio composition are summarized and reported to the City Council

quarterly and to the Finance Committee annually. As of June 30, 2024, the City's pooled investment portfolio's market value was \$1.087 billion. The market value of investments held for the Section 115 Pension Trust Fund, fiscal agents (bond proceeds and reserve funds primarily), and other miscellaneous cash amounts to an additional \$305 million. The weighted average yield of the pooled investment portfolio is 3.20% as of June 30, 2024.

The authority to manage the City's investment program is provided by the California Government Code Sections 53600-53610 which allows the City Council to delegate to the Treasurer/Chief Financial Officer for a one-year period the authority to invest or to reinvest all funds of the City. In accordance with the City Charter and under authority granted by the City Council, the Chief Financial Officer is designated the responsibilities of the Treasurer and is responsible for investing the unexpended cash in the City Treasury consistent with the City's adopted investment policy.

The Cash and Investment Report, including a listing of cash balances by fund, is included in Attachment 1. These cash balances reflect each fund's share of the City's pooled investment portfolio. Also shown are interfund loan receivables, which are treated as available cash due to the Chief Financial Officer/Treasurer's authorization to move loan receivables to other funds as needed.

All listed funds have a positive cash balance except for the following funds as of June 30, 2024:

1. The Convention Center Fund has a negative cash balance of \$953,664 in the pooled investment portfolio; however, the negative cash balance is offset by a positive \$2,942,708 in miscellaneous cash in the fund. The overall cash balance for the Convention Center Fund is a positive \$1,989,044.
2. The Cheech Marin Center Fund has a negative cash balance of \$32,433, fully offset by pending receivables.
3. Housing Opportunities for Persons with AIDS (\$618,830), Neighborhood Stabilization Program (\$87,051), and Transportation Uniform Mitigation Fees (\$2,261,541) have negative cash balances due to the timing of expenditures; however, the negative balances are fully offset by receivables.

QUARTERLY DEBT REPORT

The Finance Department is responsible for managing the City's debt portfolio, which includes issuing new debt and monitoring opportunities to refinance existing debt. The Quarterly Debt Report (Attachment 2) summarizes the composition of the City's debt portfolio, details the revenue sources utilized to pay the debt service associated with each outstanding debt, and provides detailed information regarding the total principal and interest payments made in the fourth quarter of Fiscal Year 2023/24 by debt classification and fund.

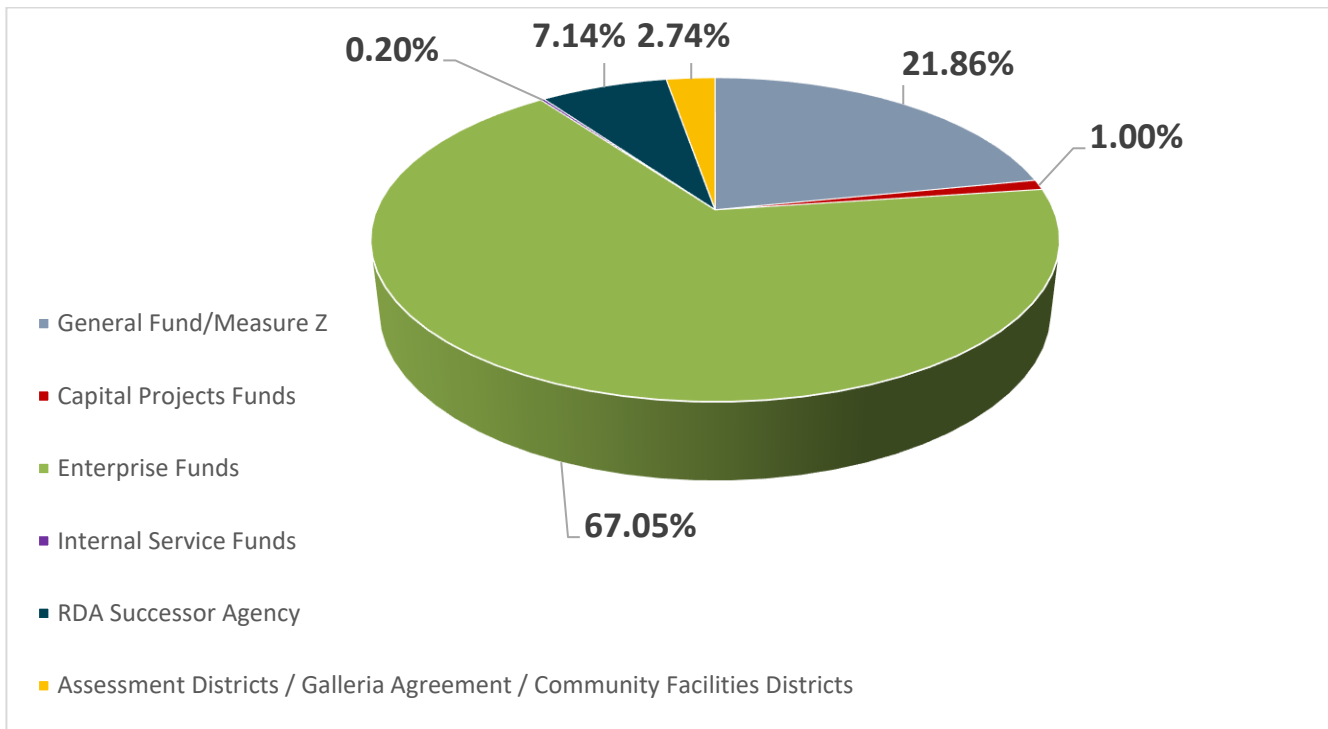
Debt Summary Analysis

The City's outstanding principal varies as a result of debt service payments, bond calls, new debt issuances, and refunding and defeasance activity. At the end of the fourth quarter of fiscal year 2024, the City's outstanding principal balance decreased \$13,492,060 from the end of the third quarter of fiscal year 2023/24.

Additionally, debt service principal payments were made on the following bonds:

- Bank of America Capital Lease #4 (Police Helicopters)
- Convention Center Expansion Loan
- Fox Entertainment Plaza Loan
- Local Measure A Certificate of Participation Series 2023A
- Pension Obligation Bonds Series 2017A
- Pension Obligation Bonds Series 2020A (Safety) & (Misc.)

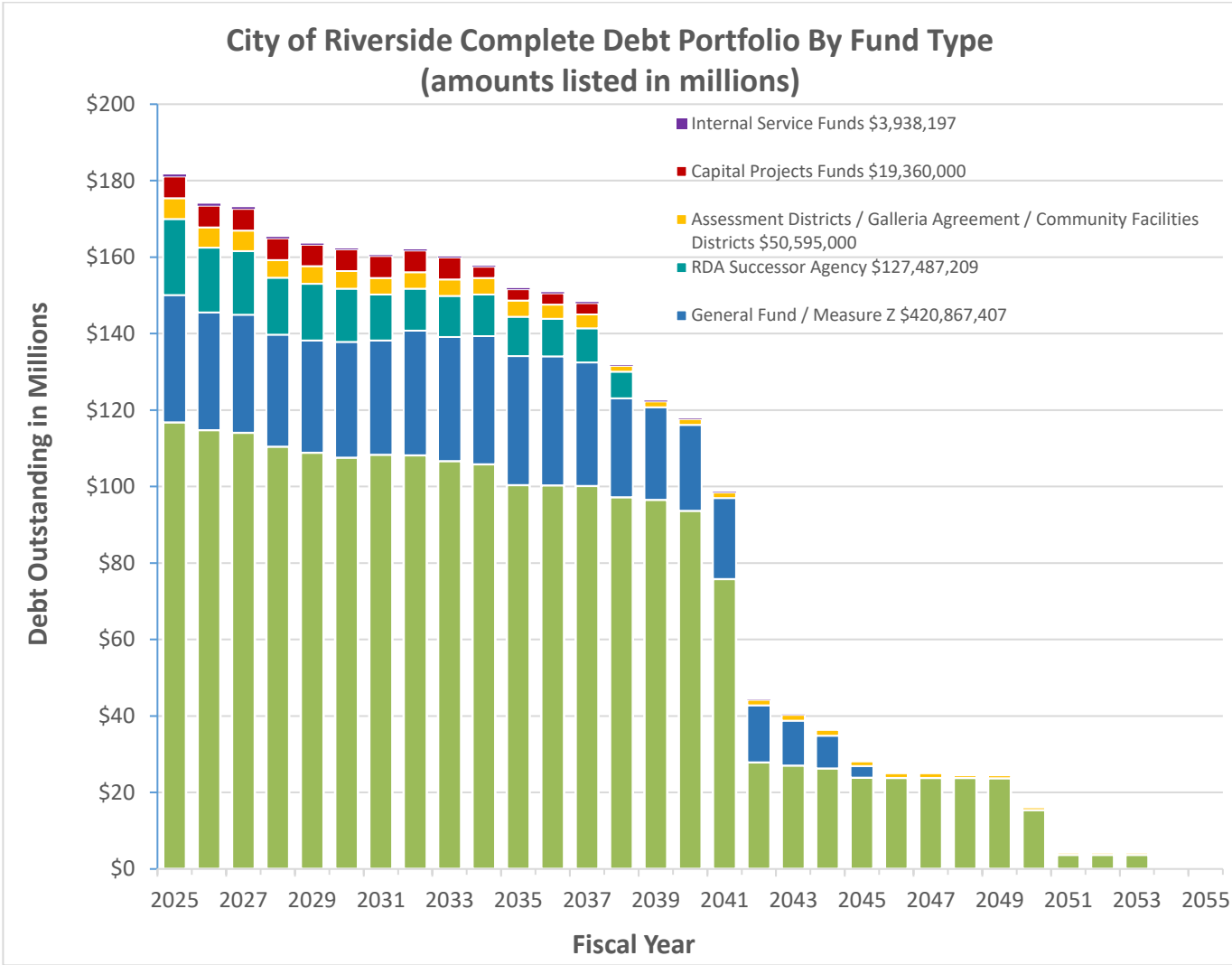
The following chart depicts the composition of the City’s debt portfolio at the end of the fourth quarter. Most of the City’s debt is held by the Enterprise funds, which is primarily issued for capital project financing offset by the revenues generated by the newly financed facilities. The General Fund and Measure Z have the next largest percentage of debt, providing financing for projects and equipment related to public safety, downtown revitalization, and public facility and infrastructure improvements. Payment of debt service for the City’s Pension Obligation Bonds is allocated among many of the funds, distributing debt service in alignment with departmental staffing costs.



For the purposes of this report, the Sewer, Water, Electric, Refuse, Special Transit, Entertainment, Convention Center, and Parking funds are consolidated under the classification of Enterprise Funds. Measure Z and the General Fund are grouped together. Measure A is classified under Capital Projects Funds. While the Assessment Districts, Galleria Agreement, and Community Facilities Districts are part of the City debt portfolio, they are not classified as City obligations. They are offset by individual Assessment and Community Facilities Districts which are separate legal entities from the City, formed to issue debt and levy assessments and/or special tax to finance improvements related to development in those districts.

The following chart displays the City’s debt service obligations at the beginning of fiscal year 2023/24 using the same classification methodology, depicting aggregate principal and interest payments on all City debt by fund. As illustrated, the City has a stable debt service curve that

results in steadily diminishing annual debt service payments, minimizing large upward spikes in payments that could negatively impact the City’s ability to pay debt service in any one fiscal year.



Debt Related Activities in Fourth Quarter

Finance staff regularly monitors the market to identify opportunities for maximizing debt service savings through refunding and issuing debt when rates are most favorable. During the fourth quarter, staff began developing a financing plan to refinance the existing 2012 Lease Revenue Bonds as part of the Museum financing plan, to reduce future debt service obligations. This debt restructuring will enable the City to reduce its budget for future fiscal years’ debt service costs, aligning with the City’s Strategic Plan initiatives of Fiscal Responsibility and High Performing Government.

Other debt related activities conducted in the fourth quarter include:

- Finalizing the financing plan for the Community Facility District 2013-1 Kunny Ranch, which closed on April 18, 2024.
- Finalized the interfund loan financing for Parking Garages 1 & 2.
- Continuing the process to finance the procurement of 15 vehicles for Riverside Public Utility, with a closing date of July 25, 2024, and receiving the Board of Public Utility’s recommendation for City Council approval.

- Continuing the process to finance the Capital Improvement Plan for the Riverside Municipal Airport.
- Beginning the process to finance the Museum Reconstruction Project and refinancing of 2012 Lease Revenue Bonds.
- Completing the annual assessment levy process for the Street Lighting Assessment District and Landscape Maintenance Districts.
- Finalizing a new contract with the City's Special Tax Advisor.
- Finalizing a new contract with a new Investment Advisor for the City's 115 Pension Trust Account.

STRATEGIC PLAN ALIGNMENT:

This item contributes to Strategic Priority No. 5 High Performing Government Goal No. 5.3 – Enhance communication and collaboration with community members, to improve transparency, build public trust, and encourage shared decision-making.

This item aligns with each of the five Cross-Cutting Threads as follows:

1. **Community Trust** – The Quarterly Report enhances financial transparency and demonstrates compliance with City Debt and Investment Policies.
2. **Equity** – The debt and investment portfolios detailed in this report are used to share and offset the long-term cost of growth, development, and expansion among Riverside businesses and residents.
3. **Fiscal Responsibility** – The Quarterly Report demonstrates fiscal responsibility and accountability in the management of the City's debt and investment portfolios.
4. **Innovation** – Innovative stewardship of investments and municipal debt is an effective way to track, fund, and finance, repair and improvements while ensuring sufficient cash to meet obligations.
5. **Sustainability & Resiliency** – Quarterly accounting and reporting helps to ensure City funds are used in a sustainable way without compromising future needs.

FISCAL IMPACT:

There is no direct fiscal impact associated with this report.

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Certified as to availability of funds:	Kristie Thomas, Assistant Chief Financial Officer/Finance Director
Approved by:	Edward Enriquez, Assistant City Manager/Chief Financial Officer/City Treasurer
Approved as to form:	Jack Liu, Interim City Attorney

Attachments:

1. Cash and Investment Report – Q4
2. Quarterly Debt Report – Q4
3. Presentation – Q4