



City Council Memorandum

City of Arts & Innovation

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TO: HONORABLE MAYOR AND CITY COUNCIL DATE: JUNE 15, 2021

FROM: FINANCE DEPARTMENT WARDS: ALL

SUBJECT: FISCAL YEAR 2020/21 THIRD QUARTER CASH, INVESTMENTS, AND DEBT REPORT

ISSUE:

That the City Council receive and provide input on the attached Fiscal Year 2020/21 Third Quarter Cash, Investments, and Debt Report.

RECOMMENDATIONS:

That the City Council receive and provide input on the attached Fiscal Year 2020/21 Third Quarter Cash, Investments, and Debt Report.

BACKGROUND:

On April 13, 2021, the City Council received and provided input on the Fiscal Year 2020/21 First and Second Quarter Cash, Investments and Debt report.

DISCUSSION:

It is staff's intention to provide the Cash, Investments, and Debt Quarterly report at the same City Council meeting as the Quarterly Financial Report for the General Fund and other City funds, in order to provide a comprehensive review of all City Finance activities and to obtain City Council input related to those 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 each quarter. As of March 31, 2021, the City's pooled investment portfolio's market value was \$786 million. 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 \$186 million. The weighted average yield of the pooled investment portfolio is 0.91% as of March 31, 2021.

The authority to manage the City's investment program is provided by California Government Code Sections 53600-53610 which allow the City Council to delegate to the Treasurer/CFO, 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 March 31, 2021:

1. Civic Entertainment - Convention Center, Visitors Bureau, Sports Commission (\$1,215,198), Civic Entertainment - Fox, Box, RMA, Showcase (\$371,777) from loss of revenues due to COVID 19. These accounts are being monitored and there are plans to redistribute funding to bring these accounts positive by fiscal year-end.
2. Urban Areas Security Initiative (\$549,491), Grants and Restricted Programs (\$3,982,976), Housing Opportunities for Persons with AIDS (\$969,073), NPDES Storm Drain (\$82,875), Special Districts (\$236,547), Capital Outlay Grants (\$2,674,294), Transportation Projects (\$56,986), and Transportation Uniform Mitigation Fees (\$2,254,082) have negative cash balances due to the timing of expenditures; however, the negative balances are fully offset by receivables.
3. Debt Service Fund – General (\$9,806,613) which is fully offset by outstanding cash transfers from all funds related to their share of the Pension Obligation Bond (POB) payments made by the Debt Service Fund and other debt service payments.
4. Unemployment Insurance Trust (\$80,823) due to an increase in unemployment claims related to the COVID-19 pandemic. This account is being monitored and there are plans to redistribute funding to bring this account positive by fiscal year-end.
5. Central Stores (\$219,403) which is fully offset by inventory assets that will be recouped when charged out for usage to various departments.

QUARTERLY DEBT REPORT

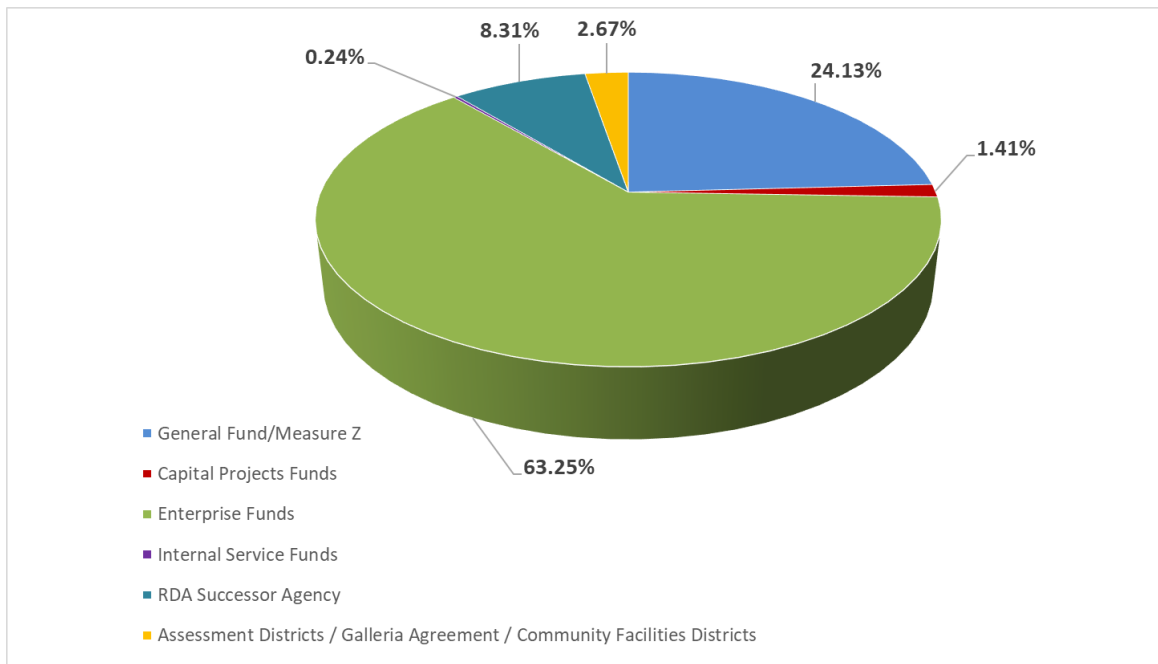
The Finance Department is responsible for managing the City's debt portfolio, which includes issuing new debt and monitoring opportunities to refinance existing debt as opportunities to reduce financing costs arise. The Quarterly Debt Report (Attachment 2) summarizes the composition of the City's debt 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 third quarter of Fiscal Year 2021 by debt classification and fund.

Debt Summary Analysis

The City's outstanding principal varies quarterly as a result of debt service payments, bond calls, new debt issuances, and refunding and defeasance activity. At the end of the third quarter, the City's outstanding principal balance decreased \$7,190,417 from the end of the second quarter of

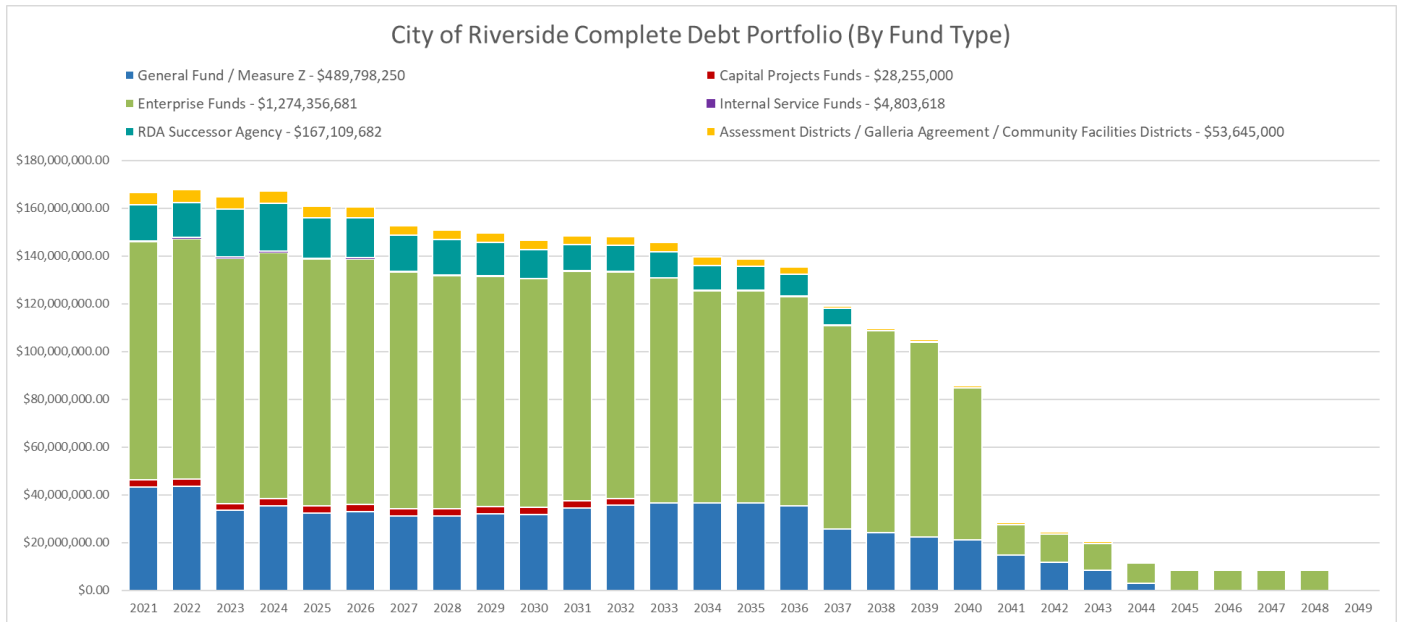
fiscal year 20/21. This principal decrease is primarily due to debt service principal payments on the 2008 Certificates of Participation (Renaissance), Convention Center Expansion Loan, various Capital Leases, and the final payment on the State of California Revolving Fund Loan for the Sewer Cogeneration Project.

The chart below depicts the composition of the City’s debt portfolio at the end of the third quarter. The Enterprise funds are responsible for the majority of the City’s debt, with 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. The 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 purposes of this report, the Sewer, Water, Electric, Refuse, Special Transit, Civic 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 and the City’s Parks Special Capital fund are classified under Capital Projects Funds. While the Assessment Districts, Galleria Agreement, and Community Facilities Districts are part of the City debt portfolio, they aren’t City obligations. They are paid by individual Improvement Districts that are separate legal entities from the City, formed to issue debt and levy assessments or special tax to pay debt service within those districts.

The following bar chart provides the City’s debt service portfolio using the same classification methodology, outlining the principal and interest payments on all City debt instruments by fund. As illustrated below, the City has a stable debt service curve that results in steadily diminishing annual debt service payments and that minimizes any upward spikes in payments that could negatively impact the City’s ability to pay debt service.



Debt Related Activities in Third Quarter

Finance staff regularly monitor the market to identify opportunities to maximize debt service savings through refunding and to issue debt when rates are most advantageous. Within the third quarter, Debt Division staff prepared and filed Annual Continuing Disclosure reports for all City publicly issued bonds. The financing team also completed the renewal of Letters of Credit liquidity facilities for the 2008 Certificates of Participation and 2008A and 2008C Electric Revenue Bonds. The City began the process of preparing the Annual Engineer’s reports for the Street Light Assessment District and Riverwalk and Sycamore Canyon Landscape Maintenance Districts.

Other debt related activities conducted within the third quarter includes:

- Analysis, preparation, and posting of the SB1029 CDIAC Annual Debt Transparency Report
- TEFRA Hearing renewing approval of tax-exempt financing for St. Michael’s Housing Project
- Completion of the CSA 152 Tax Levy Process
- Release of Request for Proposal to purchase Debt Collaboration Software

FISCAL IMPACT:

There is no fiscal impact associated with this report.

Prepared by: Heidi Schrader, Debt Manager
 Certified as to availability of funds: Edward Enriquez, Chief Financial Officer/City Treasurer
 Approved by: Moises Lopez, Deputy City Manager
 Approved as to form: Kristi J. Smith, Interim City Attorney

- Attachments:
1. Cash and Investment Report
 2. Quarterly Debt Report
 3. Presentation