

City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL **DATE: JANUARY 18, 2022**

FROM: FINANCE DEPARTMENT **WARDS: ALL**

SUBJECT: FISCAL YEAR 2021/22 FIRST QUARTER CASH, INVESTMENTS, AND DEBT REPORT

ISSUE:

That the City Council receive and provide input on the attached Fiscal Year 2021/22 First Quarter Cash, Investments, and Debt report.

RECOMMENDATION:

That the City Council receive and provide input on the attached Fiscal Year 2021/22 First Quarter Cash, Investments, and Debt report.

BACKGROUND:

On December 14, 2021, the City Council received and provided input on the Fiscal Year 2020/21 Fourth 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, 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 September 30, 2021, the City's pooled investment portfolio's market value was \$811 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 is an additional \$192 million. The weighted average yield of the pooled investment portfolio is 0.79% as of September 30, 2021.

The authority to manage the City's investment program is provided by California Government Code Sections 53600-53610 which allows 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 City Treasurer and is responsible for investing 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.

As of September 30, 2021, all listed funds have a positive cash balance except for the following:

1. Civic Entertainment - Convention Center, Visitors Bureau, Sports Commission (\$681,085) has a negative cash balance due to the loss of revenues from the COVID-19 impact. This account is being monitored and will return to positive by fiscal year-end.
2. Civic Entertainment – Cheech Marin Center (\$5,923,048) has a negative cash balance due a pending submittal of a grant reimbursement to offset expenses and negative cash.
3. Urban Areas Security Initiative (\$949,813), Housing Opportunities for Persons with AIDS (\$440,742), Special Districts (\$431,679), Capital Outlay Grants (\$410,683), Transportation Projects (\$254,963), and Transportation Uniform Mitigation Fees (\$1,897,582) have negative cash balances due to the timing of expenditures; however, the negative balances are fully offset by receivables.
4. Debt Service Fund – General (\$26,180,639) which is fully offset by outstanding cash transfers from all funds related to their share of the Pension Obligation Bond (POBs) payments made by the Debt Service Fund (\$37 million) and other debt service payments.
5. Local Park Special Capital Improvements (\$384,038) development fees received will fully offset the negative balance and the fund will return to positive by fiscal year-end.
6. Unemployment Insurance Trust (\$76,785) due to an increase in unemployment claims related to the COVID-19 pandemic. This account is being monitored and there are plans to bring this account into positive by fiscal year-end.

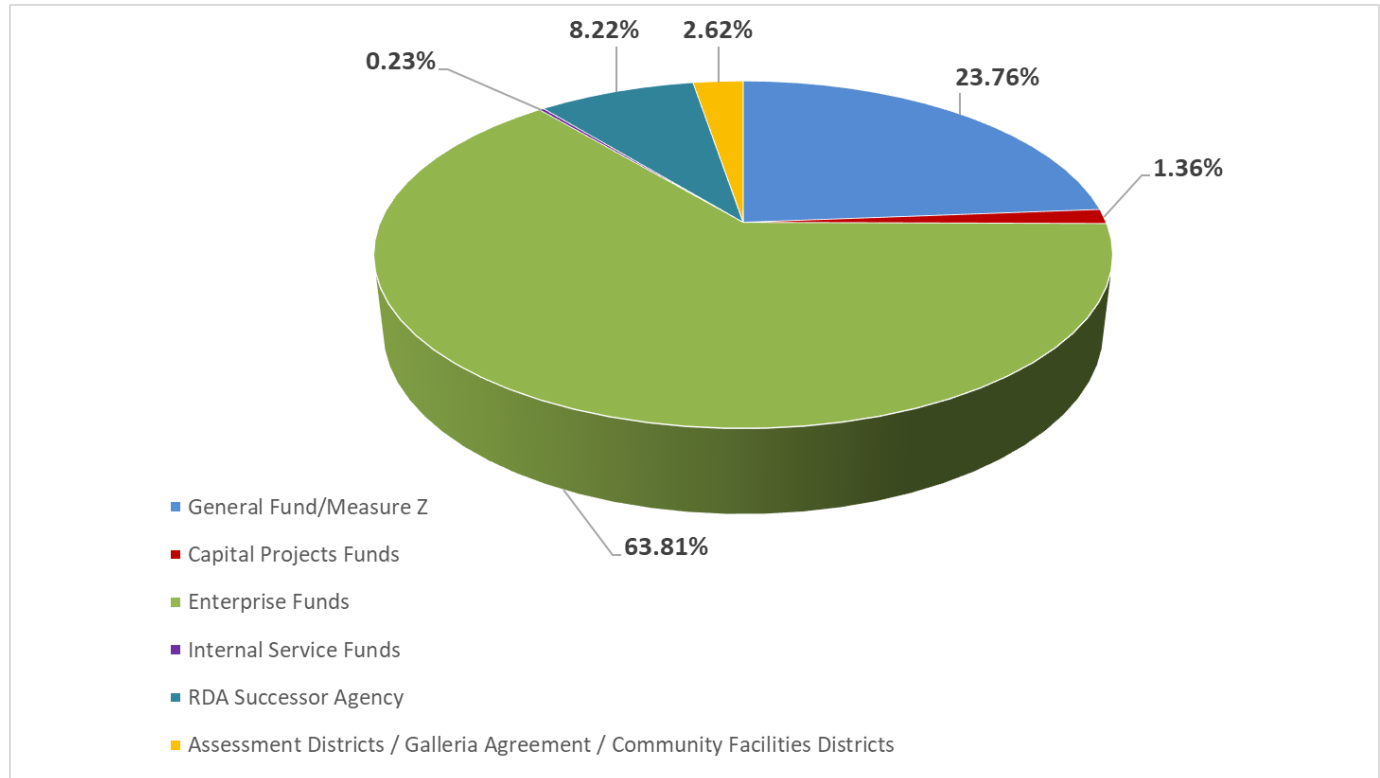
QUARTERLY DEBT REPORT

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 first quarter of Fiscal Year 2021/22 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 first quarter, the City's outstanding principal balance decreased \$41,078,010 from the end of the fourth quarter of FY 2020/21. This principal decrease is primarily due to debt service principal payments on the Measure G Fire Facility General Obligation Bonds, Pension Obligation Bonds 2004A, 2017A and 2020A, Capital Lease Payments, Convention Center Expansion Loan, Sewer Revenue Bonds, 2014 Tax Allocation Bonds (paid by Successor Agency Tax Increment,) Mello Roos and Assessment District bonds (paid by levied Special Property Tax,) and Interfund Loan transfers.

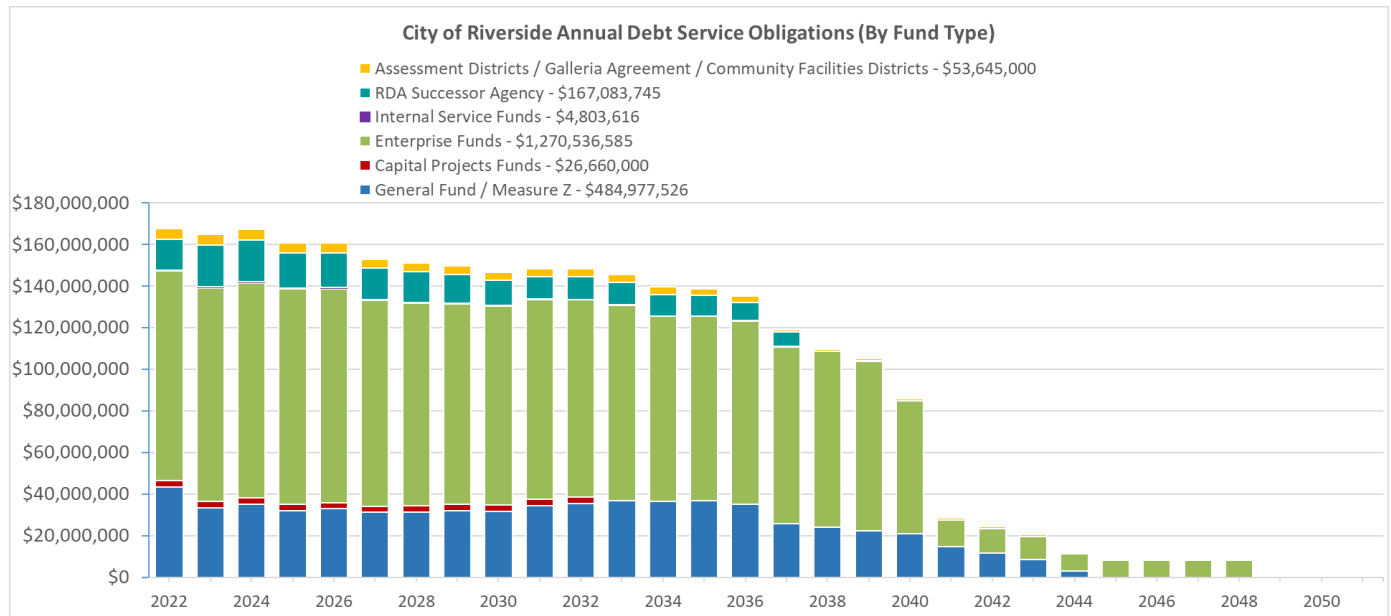
The chart below depicts the composition of the City's debt portfolio at the end of the first quarter. The Enterprise funds are responsible for most of the City's debt and are primarily for capital project financing offset by the revenues generated by the newly financed facilities. The General Fund and 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 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 classified as City obligations. They are offset by individual Improvement Districts which are separate legal entities from the City, formed to issue debt and levy assessments or special tax to finance improvements related to development in those districts.

The following bar chart provides the City's debt service obligations using the same classification

methodology, depicting the aggregate 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 First 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 first quarter, staff coordinated the approval of Arlington, Auto Center, and Downtown Business Improvement District annual levies. Staff also completed and posted the levies for all FY 2021 CFD, AD and GO Bonds with the County of Riverside.

Other debt related activities conducted within the first quarter include:

- Formed a new Community Facilities District (CFD 2021-2 Parke Place/Riverpointe) which included a City services fee within the City of Riverside
- Prepared annual CDIAC Reports for posting to State of California website

STRATEGIC PLAN ALIGNMENT:

This item contributes to **Strategic Priority No. 5 High Performing Government** and 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 preparation and approval of the debt and investment quarterly report ensures 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 to show the current financial situation of the City and closely related agencies.
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.

Prepared by: Heidi Schrader, Debt and Treasury Manager
Certified as to
availability of funds: Edward Enriquez, Chief Financial Officer/City Treasurer
Approved by: Kris Martinez, Assistant City Manager
Approved as to form: Phaedra A. Norton, City Attorney

Attachments:

1. Cash and Investment Report
2. Quarterly Debt Report