CITY OF RIVERSIDE

City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL **DATE: JANUARY 24, 2023**

FROM: FINANCE DEPARTMENT **WARDS: ALL**

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

ISSUE:

Fiscal Year 2021/22 Fourth Quarter Cash, Investments, and Debt Report.

RECOMMENDATIONS:

That the City Council:

1. Receive and provide input on the attached Fiscal Year 2021/22 Fourth Quarter Cash, Investments, and Debt Report.

BACKGROUND:

On June 14, 2022, the City Council received and provided input on the Fiscal Year 2021/22 Third Quarter Cash and Investments and Debt report.

DISCUSSION:

It is staff's intention to provide the Cash and 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 June 30, 2022, the City's pooled investment portfolio's market value was $989 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 $119 million. The weighted average yield of the pooled investment portfolio is 1.23% as of June 30, 2022.

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/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 June 30, 2022:

1. Civic Entertainment – Cheech Marin Center ($2,885,811) has a negative cash balance due to a pending submittal of a grant reimbursement and receivables to offset expenses and negative cash.

2. Community Development Block Grant ($252,594), Home Investment Partnership Program ($498,155), Housing Opportunities for Persons with AIDS ($333,468), and Transportation Uniform Mitigation Fees ($1,783,124) have negative cash balances due to the timing of expenditures; however, the negative balances are fully offset by receivables.

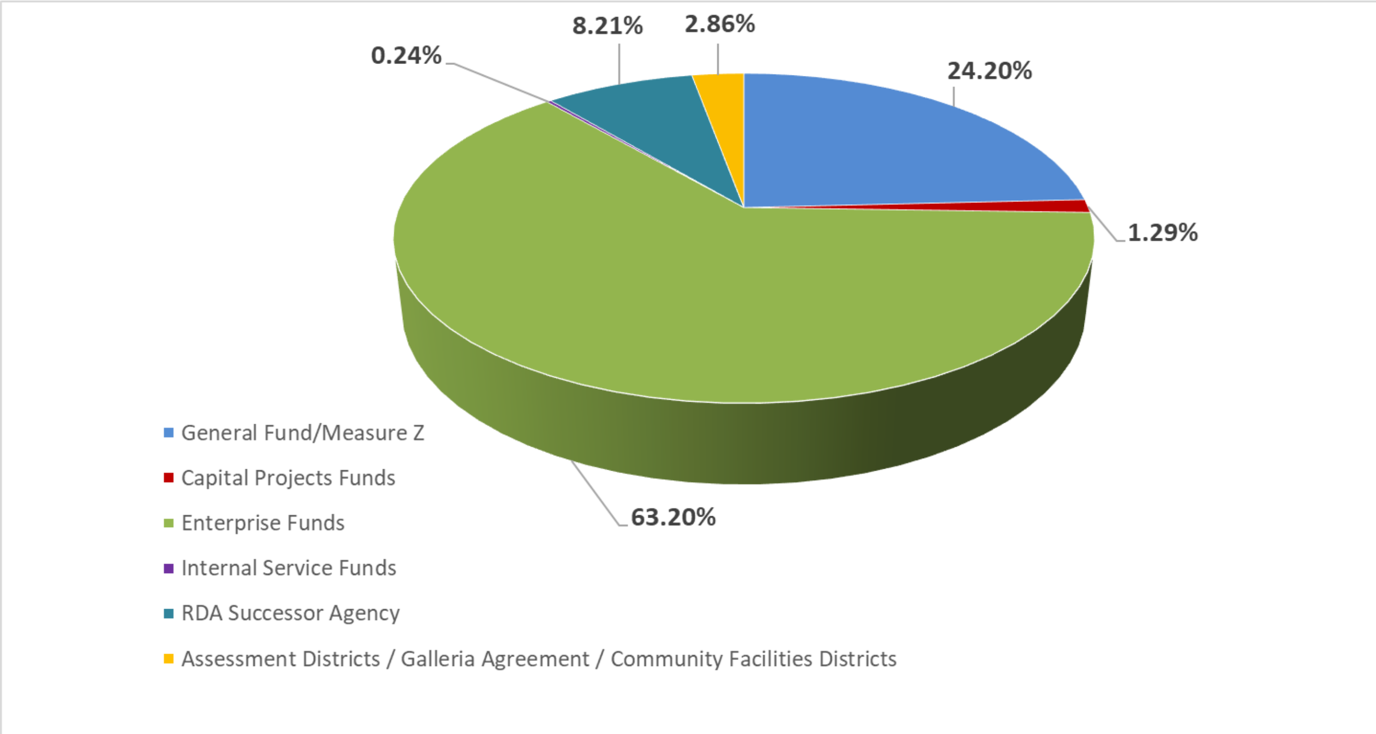
QUARTERLY DEBT REPORT

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 2022 by debt classification and fund.

Debt Summary Analysis

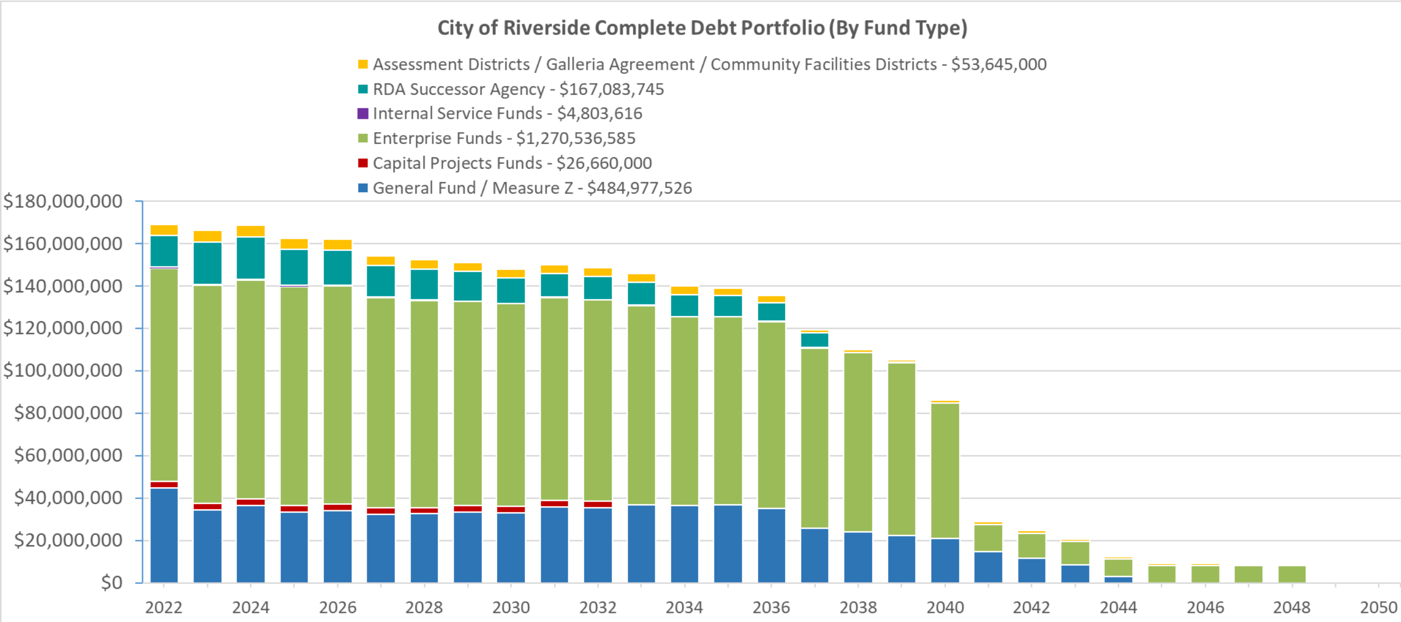
The City's outstanding principal varies quarterly as a result of debt service payments, bond calls, new debt issuances, and refunding and defeasance activity. At the end of the fourth quarter, the City's outstanding principal balance increased $12,939,896 from the end of the third quarter of fiscal year 2022. This principal increase is due to a new $11,291,564 capital lease for the purchase of two police helicopters and a new $4,805,000 limited obligation bond issuance for CFD 2015-2 (Pomelo). This was offset partially by $3,156,668 in debt service principal payments on the Ryan Bonaminio Park Loan, Measure A Certificates of Participation, Electric Fund Capital Leases, Fox Entertainment Plaza Loan, and the Convention Center Expansion Loan.

The chart below depicts the composition of the City's debt portfolio at the end of the fourth 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 is 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 Assessment and Community Facilities 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, minimizing 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 monitor the market to identify opportunities to maximize debt service savings through refunding and to issue debt when rates are most advantageous. Within the fourth quarter Debt Division staff obtained $11,291,564 in capital lease financing to purchase two new police helicopters and issued $4,805,000 in limited obligation bonds for CFD 2015-2 (Pomelo.)

Other debt related activities conducted within the fourth quarter includes:

- Legislative requirements for annual Business Improvement District, Landscape Maintenance and Streetlight Maintenance District, Special Tax and Assessment District, and General Obligation Bond levies.
- Completed formation of new Community Facilities District (CFD) 2021-3 Bridle Ridge.
- Submitted Continuing Disclosure Annual Reports for Enterprise, General Fund, and Successor to the Redevelopment Agency Debt.

STRATEGIC PLAN ALIGNMENT:

This item contributes to **Strategic Priority 5 – High Performing Government** and **Goal 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 fiscal impact associated with this report.

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

Attachments:

1. Cash and Investment Report
2. Quarterly Debt Report