



*City of Arts & Innovation*

# City Council Memorandum

**TO: HONORABLE MAYOR AND CITY COUNCIL**      **DATE: JUNE 16, 2020**

**FROM: FINANCE DEPARTMENT**      **WARDS: ALL**

**SUBJECT: FISCAL YEAR 2019/20 THIRD QUARTER CASH, INVESTMENTS, AND DEBT REPORT**

## **ISSUE:**

That the City Council receive and provide input on the attached Fiscal Year 2019/20 Third Quarter Cash, Investments, and Debt Report.

## **RECOMMENDATION:**

That the City Council receive and provide input on the attached Fiscal Year 2019/20 Third Quarter Cash, Investments, and Debt Report.

## **BACKGROUND:**

On March 17, 2020, the City Council received and provided input on the Fiscal Year 2019/20 Second 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 Measure Z 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 INVESTMENTS 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, 2020, the City's pooled investment portfolio's market value was \$696 million, with the market value of investments held for the Section 115 Pension Trust Fund and fiscal agents (bond proceeds and reserve funds primarily) amounting to an additional \$283 million. The weighted average yield of the pooled investment portfolio is 1.01%.

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 Chief Financial Officer/Treasurer 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:

1. Civic Entertainment Fund – Convention Center, Visitors Bureau, Sports Commission (\$1,192,950), Civic Entertainment Fund – Fox, Box, RMA, and Showcase (\$73,079) Special Districts (\$345,629), and NPDES Storm Drain (\$217,127) have negative cash balances due to timing of expenditures; however, the negative balances are fully offset by outstanding receivables and/or internal transfers.
2. Urban Areas Security Initiative (\$463,271), Grants and Restricted Programs (\$1,280,286), Housing Opportunities for Persons with AIDS (\$592,119), Capital Outlay - Grants (\$1,025,202), and Transportation Uniform Mitigation Fees (\$2,462,659) have negative cash balances due to the timing of expenditures; however, the negative balances are fully offset by grant receivables.
3. Debt Service Fund – General (\$8,415,295) 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 (\$17 million).

### QUARTERLY DEBT REPORT

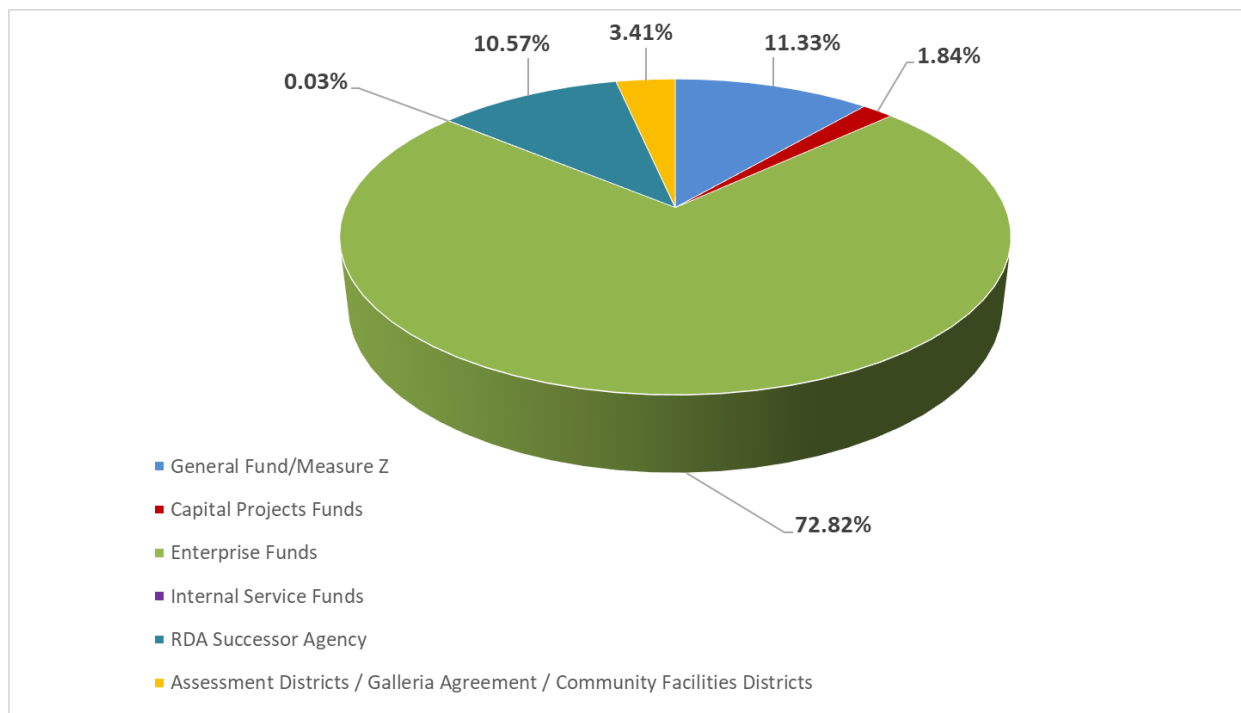
The Finance Department is responsible for managing the City's debt portfolio, which includes issuing new debt and monitoring opportunities to refinance existing debt as opportunities to reduce financing costs arise. The Quarterly Debt Report (Attachment 2) summarizes the composition of the City's debt 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 2020 by debt classification and fund.

#### *Debt Summary Analysis*

The City's outstanding principal changes 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 \$4,563,548 from the end of the second quarter of fiscal year 2020. This principal decrease is due to \$7,003,548 debt service principal payments on the City's 2008A Renaissance Certificates of Participation, Capital Leases, one State Revolving Fund Loan Payment and Private Placement Loans. There was one new issuance of debt in the principal amount of \$2,440,000 Special Tax Bonds for Community Facilities District (CFD) 2015-1.

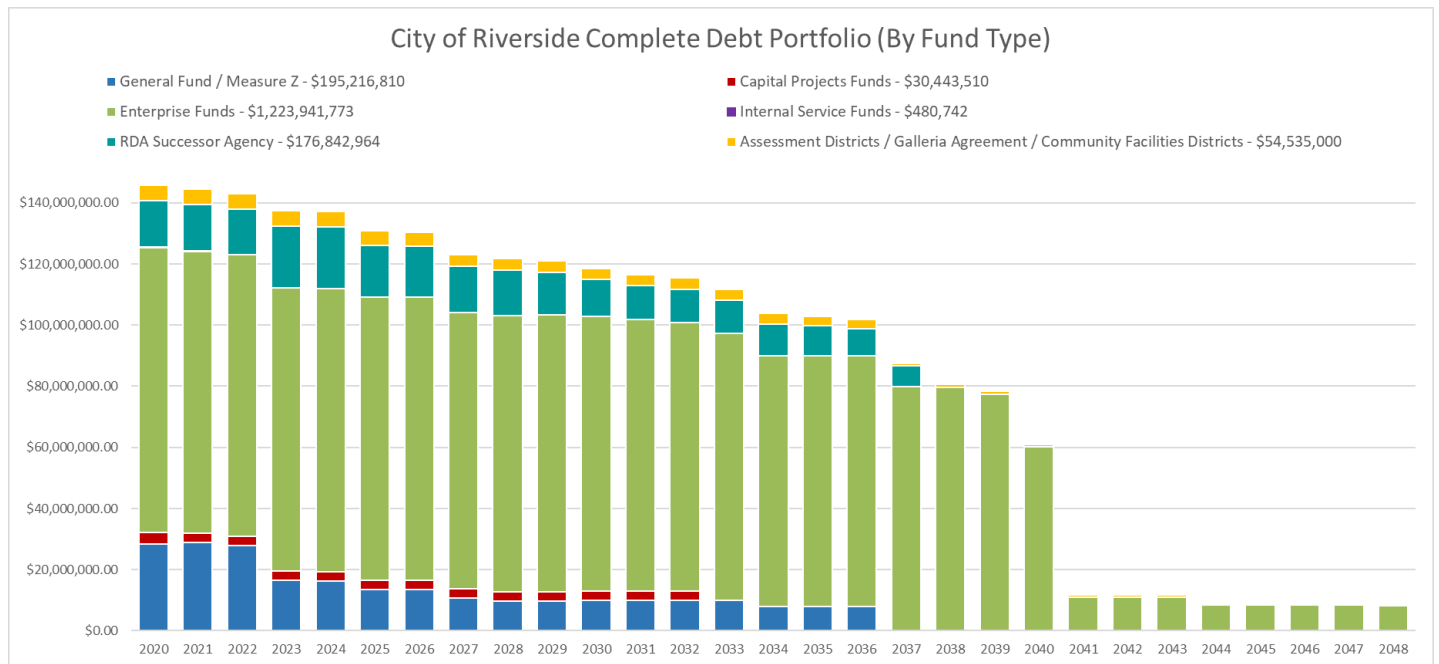
The chart below depicts the composition of the City's debt portfolio at the end of the third quarter. The Enterprise funds are responsible for the majority of the City's debt, with capital project

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.



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 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 in order to identify opportunities to maximize debt service savings through refunding and to issue debt when rates are most advantageous. Within the third quarter, the Financing Team completed the issuance of the CFD 2015-1 (Orangecrest) Special Tax Bonds and began preparing legal documents and disclosures related to the Electric 2011A Privately placed variable rate bonds. Staff also completed a 20-year forecast of all debt service-related expenses as part of the budget development process and began the annual process of levying special tax and assessments for the City's land secured debt portfolio.

Other debt related activities conducted within the third quarter include:

- Feasibility analysis of Citywide CFD formation.
- Continuing Disclosure Annual Reports for Enterprise, General Fund, Special Districts and Successor to the Redevelopment Agency Debt.
- Analysis and preparation of legal documents for proposed 2020 POB issuance.

### **FISCAL IMPACT:**

There is no direct 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: Gary G. Geuss, City Attorney

### **Attachments:**

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