



City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL **DATE: JULY 28, 2026**

FROM: FINANCE DEPARTMENT **WARDS: ALL**

SUBJECT: FISCAL YEAR 2025/26 THIRD QUARTER CASH, INVESTMENTS, AND DEBT REPORT

ISSUE:

That the City Council receive and provide input on the Fiscal Year 2025/26 Third Quarter Cash, Investments, and Debt Report.

RECOMMENDATION:

That the City Council receive and provide input on the Fiscal Year 2025/26 Third 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. It is staff's intention to provide the Cash, Investments and Debt 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.

On April 14, 2026, the City Council received for consideration the Fiscal Year 2025/26 Second Quarter Cash, Investments and Debt Report.

DISCUSSION:

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 presented to the Finance Committee annually.

As of March 31, 2026, the City's pooled investment portfolio's market value was \$1.040 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

\$350 million. The weighted average yield of the pooled investment portfolio is 3.57% as of March 31, 2026.

The authority to manage the City's investment program is provided by the California Government Code Sections 53600-53610, which allow the City Council to delegate to the Treasurer/Chief Financial Officer (CFO) the authority to invest or to reinvest all funds of the City for a one-year period. In accordance with the City Charter and under authority granted by the City Council, the CFO 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 CFO/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, 2026:

1. **Federal and Special Program Funds:** The following funds have temporary negative cash balances resulting from a timing difference between eligible program expenditures and corresponding grant reimbursements.
 - a. Special Transit: (\$929,558)
 - b. Urban Areas Security Initiative: (\$364,092)
 - c. Grants and Restricted Programs: (\$793,445)
 - d. Community Development Block Grant: (\$604,258)
 - e. Housing Opportunities for Persons with AIDS: (\$2,766,701)
 - f. Neighborhood Stabilization Program: (\$127,517)
 - g. NPDES Storm Drain: (\$299,287)
2. **Transportation Uniform Mitigation Fee (TUMF) Fund (\$2,561,750):** The negative balance reflects a timing difference between capital project expenditures and project funding revenue receipts.
3. **Debt Service Fund – General (\$2,433,048):** This negative balance is fully offset by pending cash transfers due from various funds related to their share of the Pension Obligation Bond (POB) and other debt service payments.
4. **Central Stores Fund (\$2,711,353):** The negative balance stems from inflationary impacts on inventory replenishment costs, accumulation of stale inventory, and increased inventory purchases undertaken to ensure adequate stock levels in response to extended delivery lead times. Inventory is sold at average cost, which understates current replacement costs due to older inventory, and can contribute to a temporary negative cash position.

Quarterly Debt Report

The Finance Department is responsible for managing the City's debt portfolio, including issuing new debt and monitoring opportunities to refinance existing debt obligations. 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 obligation, and presents the total principal and interest payments made in the third quarter of Fiscal Year (FY) 2025/26 by debt classification and fund.

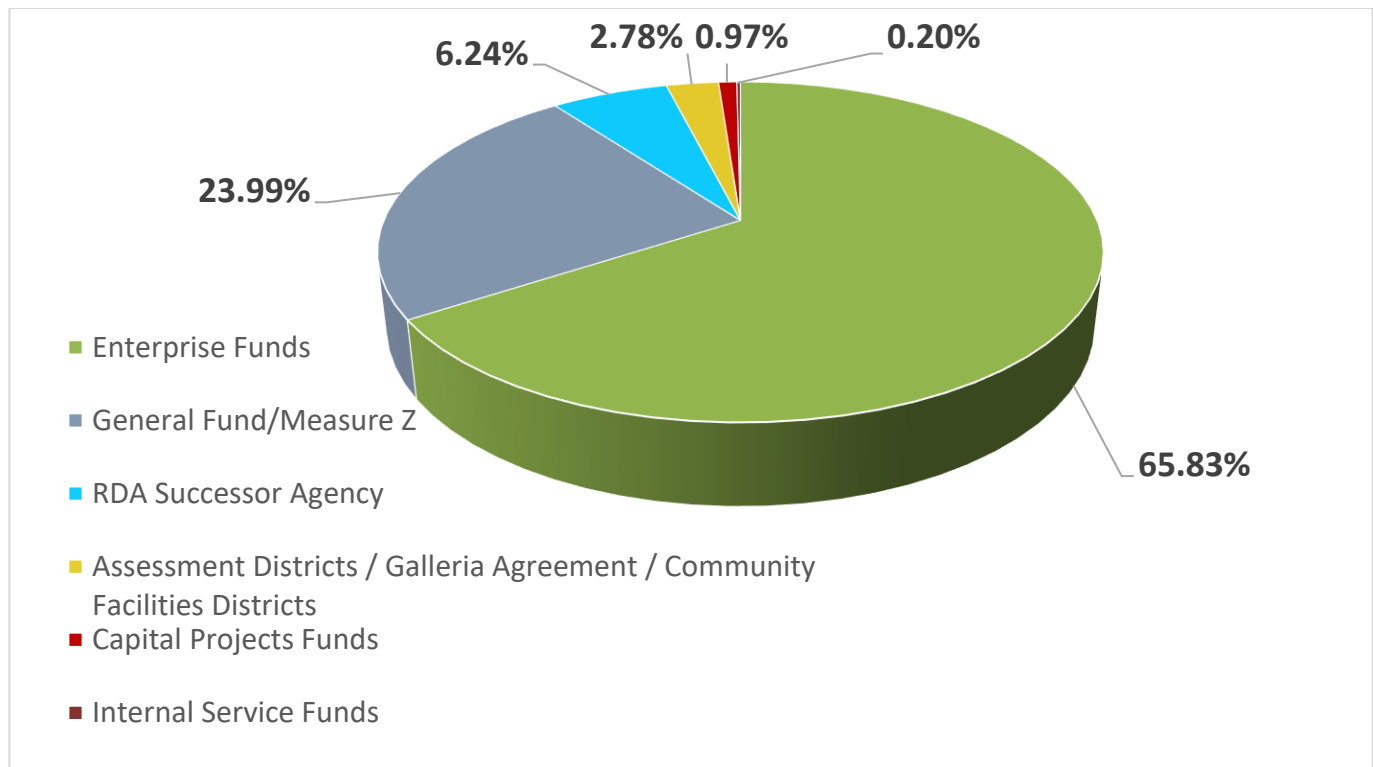
Debt Summary Analysis

The City's outstanding principle varies as a result of debt service payments, bond calls, new debt issuances, and refunding and defeasance activity. At the close of the third quarter of FY 2025/26, the City's outstanding principal balance decreased a net \$6,690,821 compared with the balance at the end of the second quarter, due to the below principal paydowns.

Debt service principle payments were made on the following bonds during the quarter:

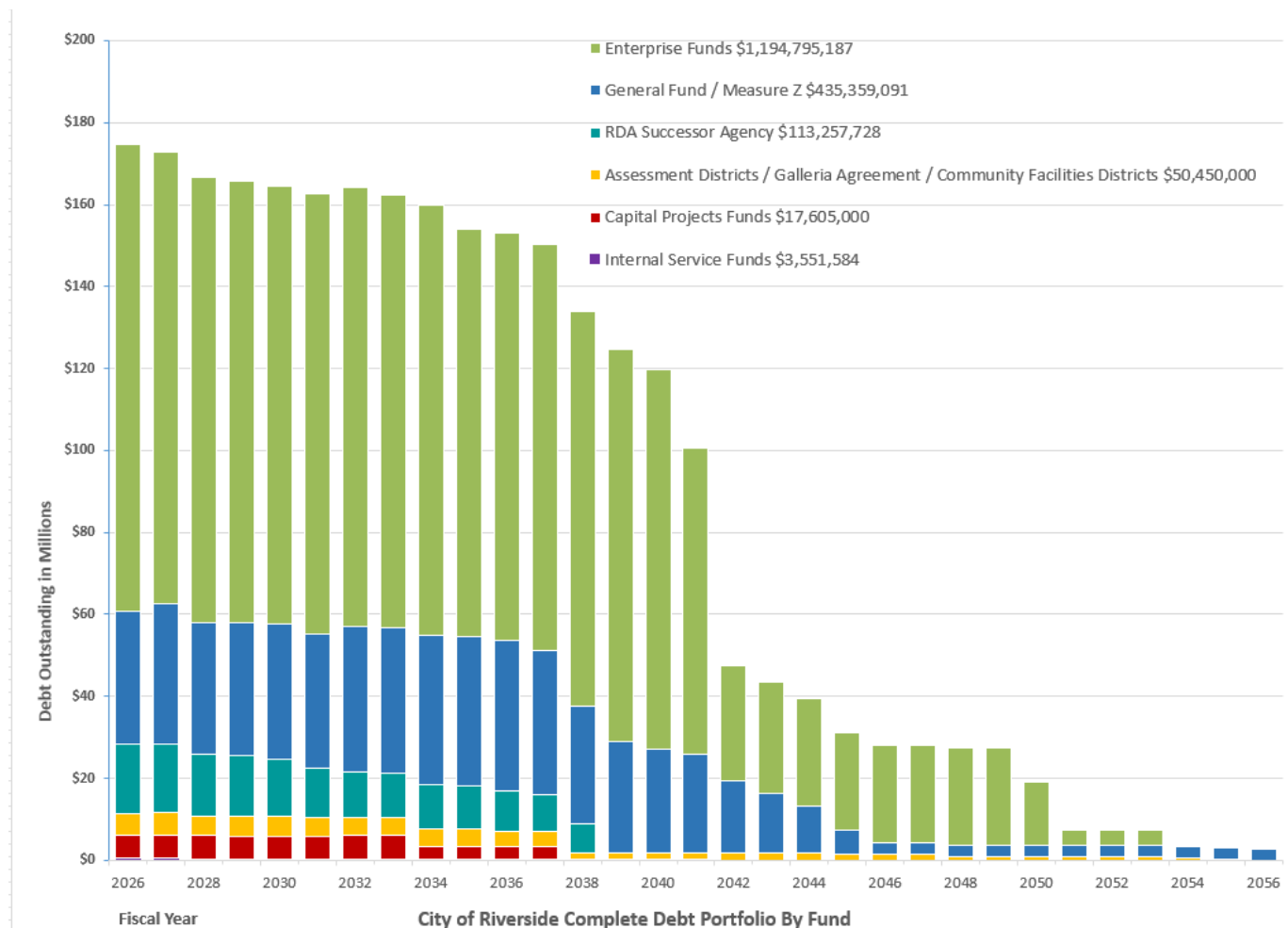
- Capital Equipment Lease (Fire, Water, Refuse Vehicles and Equipment)
- Convention Center Expansion Loan
- Certificates of Participation (Renaissance Projects)

The following chart illustrates the composition of the City's debt portfolio at the end of the third quarter. The majority of the City's debt is held by Enterprise funds, primarily issued to finance capital projects, with repayment offset by the revenues generated by the newly financed facilities. The General Fund and Measure Z carry the next largest percentage of debt, providing financing for projects and equipment related to public safety, downtown revitalization, and public facility and infrastructure improvements. Debt service for the City's Pension Obligation Bonds is allocated across multiple funds, aligning payments 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 end of the third quarter of FY 2025/26 using the same classification methodology, depicting annual aggregate principal and interest payments on all City debt by fund. As illustrated, the City maintains a stable debt service curve resulting in steadily decreasing annual payments and minimizing large upward spikes that could negatively affect the City's ability to meet debt service obligations in any given fiscal year.



Debt and Investment Related Activities in the Third 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.

Other debt-related activities conducted in the third quarter include:

1. Closed the Letter of Credit extension in connection with the 2008 Certificates of Participation.
2. Adopted resolutions initiating the annual levies for the Landscape Maintenance and Citywide Street and Lighting Districts.
3. Submitted all annual continuing disclosure reports in full compliance with SEC Rule 15c2-12 reinforcing the City's commitment to transparency. Reports are filed electronically with Electronic Municipal Market Access (EMMA) and maintained by the Municipal Securities Rulemaking Board.
4. Completed all required California Debt Investment Advisory Commission (CDIAC) filings through the State's Debt Issuance Data Portal, ensuring full compliance with SB 1029 and accurate reporting of outstanding debt and expenditures.

FISCAL IMPACT:

There is no direct fiscal impact associated with this report.

Prepared by:	Meline Carranza, Debt and Treasury Manager
Approved by:	Sergio Aguilar, Deputy Finance Director
Certified as to availability of funds:	Julie Nemes, Finance Director
Approved by:	Edward Enriquez, Interim City Manager/Chief Financial Officer/City Treasurer
Approved as to form:	Rebecca McKee-Reimbold, Interim City Attorney

Attachments:

1. Cash and Investment Report – Q3
2. Quarterly Debt Report – Q3