



City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL DATE: JUNE 10, 2025

FROM: FINANCE DEPARTMENT WARDS: ALL

SUBJECT: FISCAL YEAR 2024/25 SECOND QUARTER CASH, INVESTMENTS, AND DEBT REPORT

ISSUE:

That the City Council receive and provide input on the attached Fiscal Year 2024/25 Second Quarter Cash, Investments, and Debt Report.

RECOMMENDATION:

That the City Council receive and provide input on the attached Fiscal Year 2024/25 Second 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.

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 December 31, 2024, the City's pooled investment portfolio's market value was \$986 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 \$322 million. The weighted average yield of the pooled investment portfolio is 3.59% as of December 31, 2024.

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 December 31, 2024:

1. **Convention Center Fund (\$449,040):** The negative balance in the pooled investment portfolio is offset by \$2,701,777 in miscellaneous cash holdings, resulting in a net positive cash position of \$2,252,737.
2. **Cheech Marin Center Fund (\$55,383):** The negative balance is due to the timing of internal transfers from the General Fund related to program expenses outpacing program revenues.
3. **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.
 - Urban Areas Security Initiative: (\$209,972)
 - HOME Investment Partnership Program: (\$364,044)
 - Housing Opportunities for Persons with AIDS: (\$1,804,876)
 - Neighborhood Stabilization Program: (\$135,312)
4. **Special Districts (\$603,534):** The negative balance is due to a timing difference between the special district expenditures and corresponding transfers from the General Fund to subsidize the street light maintenance district.
5. **Transportation Uniform Mitigation Fee (TUMF) Fund (\$2,125,703):** The negative balance reflects a timing difference between capital project expenditures and project funding revenue receipts.
6. **Debt Service Fund – General (\$17,630,501):** 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.
7. **Debt Service Fund – Public Works (\$62,754):** The negative balance is fully offset by pending cash transfers from the Measure A Capital Outlay Fund related to its share of the Certificates of Participation (COP) payments.
8. **Central Stores Fund (\$1,188,442):** 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. In January 2025, Riverside Public Utilities reimbursed the fund nearly \$1.4 million for stale inventory originally purchased on its behalf.

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 second quarter of Fiscal Year (FY) 2024/25 by debt classification and fund.

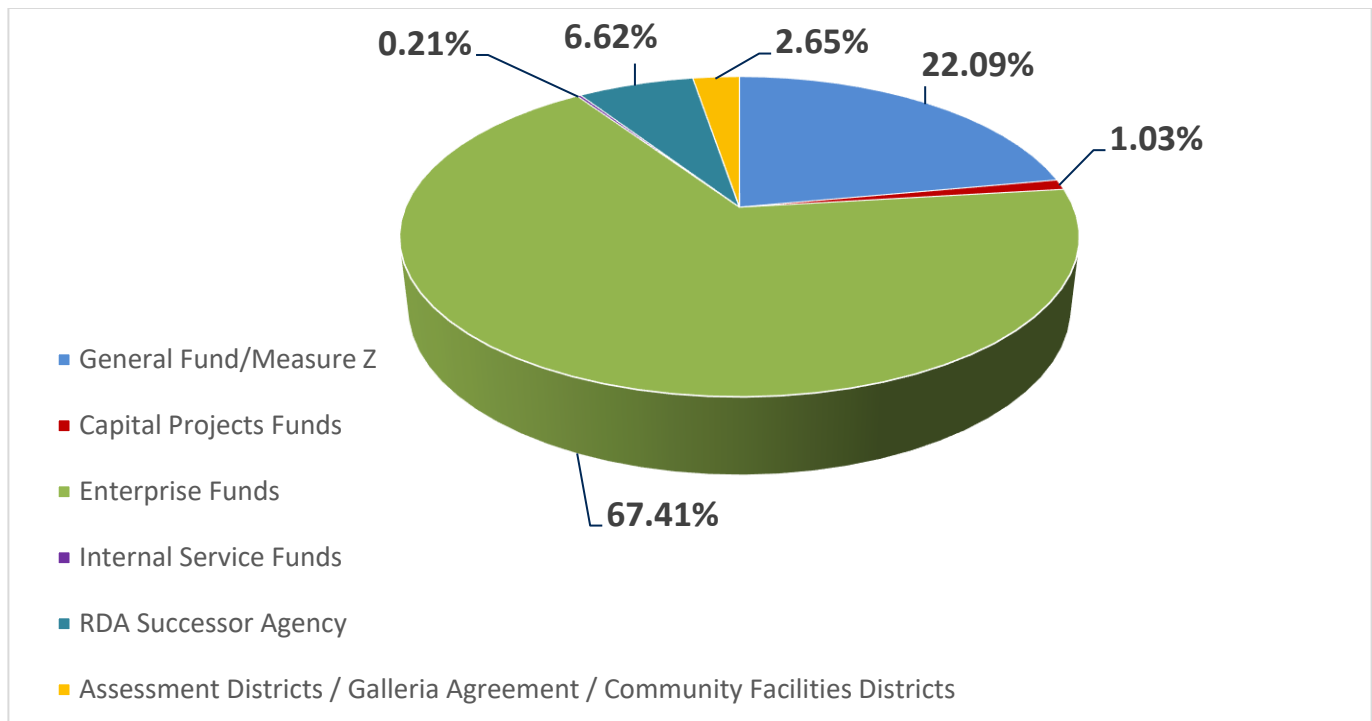
Debt Summary Analysis

The City's outstanding principal varies as a result of debt service payments, bond calls, new debt issuances, and refunding and defeasance activity. At the end of the second quarter of FY 2024/25, the City's outstanding principal balance decreased \$37,248,968 from the end of the first quarter of FY 2024/25.

Additionally, debt service principal payments were made on the following bonds:

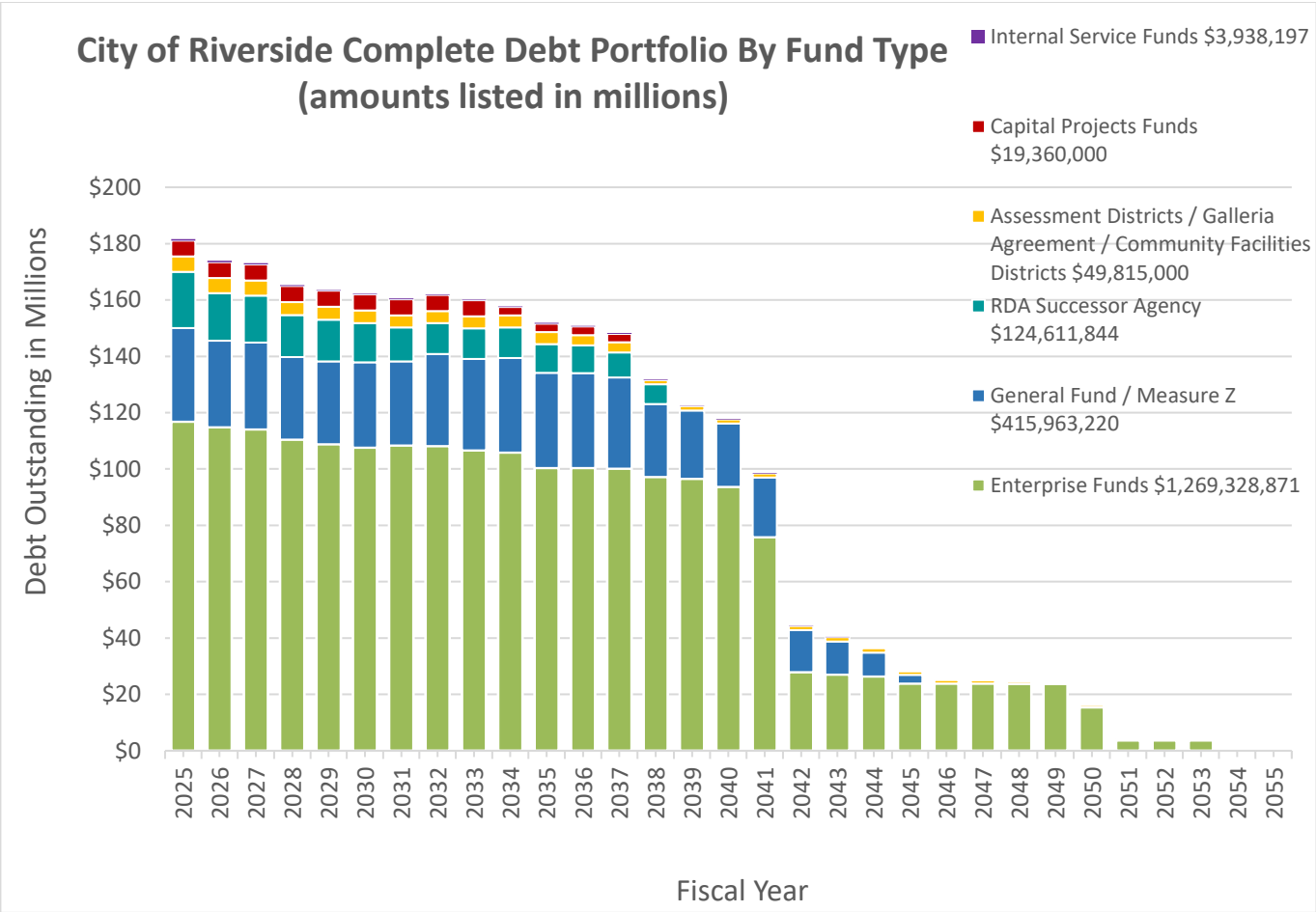
- California Tower Lease Revenue Bonds Series A & B
- Capital Equipment Lease (Police Helicopter)
- Convention Center Expansion Loan
- Electric Revenue Bonds and Refunding Bonds:
 - 2010 Series A
 - 2019 Series A
 - 2023 Series A
 - 2024 Series A
- Fox Plaza Loan
- Lease Revenue and Refunding Bonds:
 - 2012 Series A
 - 2019 Series A (Galleria)
 - 2019 Series B (Main Library Project)
- Water Revenue and Refunding Bonds:
 - 2009 Series B
 - 2019 Series A
 - 2022 Series A

The following chart illustrates the composition of the City's debt portfolio at the end of the second quarter. The majority of the City's debt is held by the 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 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 beginning of FY 2024/25 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 Related Activities in the Second 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. During the second quarter, staff developed a financing plan to refinance existing 2012 Lease Revenue Bonds as part of the Museum financing plan to reduce future debt service obligations. This debt restructuring reduces the City's borrowing costs and frees up funds to support essential services and community programs, aligning with the City's Strategic Plan initiatives of Fiscal Responsibility and High Performing Government.

Other debt related activities conducted in the second quarter include:

- Advanced financing for the Museum Reconstruction Project and Soroptimist Stones projects, scheduled to begin Summer 2025.
- Refinanced 2012 Lease Revenue Bonds, generating \$1.7 million in debt service savings.
- Transferred \$9.3 million to the 115 Pension Trust under the FY 24-25 Pension Stabilization Strategy.
- Finalized FY 24-25 levies for the Arlington and Downtown Business Districts; initiated annual levies for the Landscape Maintenance and Citywide Street and Lighting Districts.

- Held TEFRA public hearing for the Sunrise at Bogart project; approving \$15 million in conduit financing through CMFA for affordable housing.
- Submitted FY 23-24 SB 165, Local Agency Special Tax and Bond Accountability Report, and the Marks-Roos and Melo-Roos Fiscal Status Reports to CDIAC.
- Filed the FY 24-25 Q1 Cash, Investments and Debt Report
- Formed the Financing Teams for CFD 2021-2 Riverpointe/Park Place bond issuance and CFD 2025-1 Rancho La Sierra formation and bond issuance.

STRATEGIC PLAN ALIGNMENT:

This item contributes to Strategic Priority No. 5 High Performing Government 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 Quarterly Report enhances financial 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 in the management of the City's debt and investment portfolios.
4. **Innovation** – Innovative stewardship of investments and municipal debt is an effective way to track, fund, and finance repairs 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:	Meline Carranza, Debt and Treasury Manager
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Certified as to availability of funds:	Kristie Thomas, Finance Director/Assistant Chief Financial Officer
Approved by:	Edward Enriquez, Assistant City Manager/Chief Financial Officer/City Treasurer
Approved as to form:	Rebecca McKee-Reimbold, Interim City Attorney

Attachments:

1. Cash and Investment Report – Q2
2. Quarterly Debt Report – Q2