



City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL **DATE: JANUARY 28, 2025**

FROM: FINANCE DEPARTMENT **WARDS: ALL**

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

ISSUE:

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

RECOMMENDATION:

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

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 September 30, 2024, the City's pooled investment portfolio's market value was \$991 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 \$386 million. The weighted average yield of the pooled investment portfolio is 3.40% as of September 30, 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 September 30, 2024:

1. The Convention Center Fund has a negative cash balance of \$1,205,916 in the pooled investment portfolio; however, the negative cash balance is offset by a positive \$3,084,600 in miscellaneous cash. The overall cash balance for the Convention Center Fund is a positive \$1,878,684.
2. The Cheech Marin Center Fund has a negative cash balance of \$41,988 due to an operating deficit in the prior fiscal year of \$1,534,771, excluding transfers. This is currently being corrected with transfers from the General Fund.
3. The Housing Opportunities for Persons with AIDS (HOPWA) Fund has a negative cash balance of \$1,500,211 due to the timing of grant cash receipts. Eligible expenditures have been incurred but the related revenue has not been received yet.
4. The Neighborhood Stabilization Program Fund has a negative cash balance of \$135,312 that is offset by land held for resale totaling \$443,130.
5. The Transportation Uniform Mitigation Fees Fund has a negative cash balance of \$2,771,041 due to the timing of expenditures; however, this will be corrected when capital project funding sources are received.
6. The Debt Service Fund – General has a negative cash balance of \$22,212,729 which is fully offset by outstanding cash transfers from all funds related to their share of the Pension Obligation Bond (POB) payments made by the Debt Service Fund and other debt service payments.
7. The Central Stores Fund has a negative cash balance of \$814,398 stemming from stale inventory and the impact of inflation on inventory purchases. Inventory is charged out (sold) at an average cost. Although this pricing methodology ensures the total cost of inventory is recovered over time, the cash balance is temporarily negative because inventory is sold at a lower price than the current cost of replenishment. On December 17, 2024, the City Council approved carryovers totaling \$250,000 from Riverside Public Utilities Administration, \$642,222 from Electric, and \$100,000 from Water to reimburse the Central Stores Fund for stale RPU inventory and correct the negative cash balance.

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

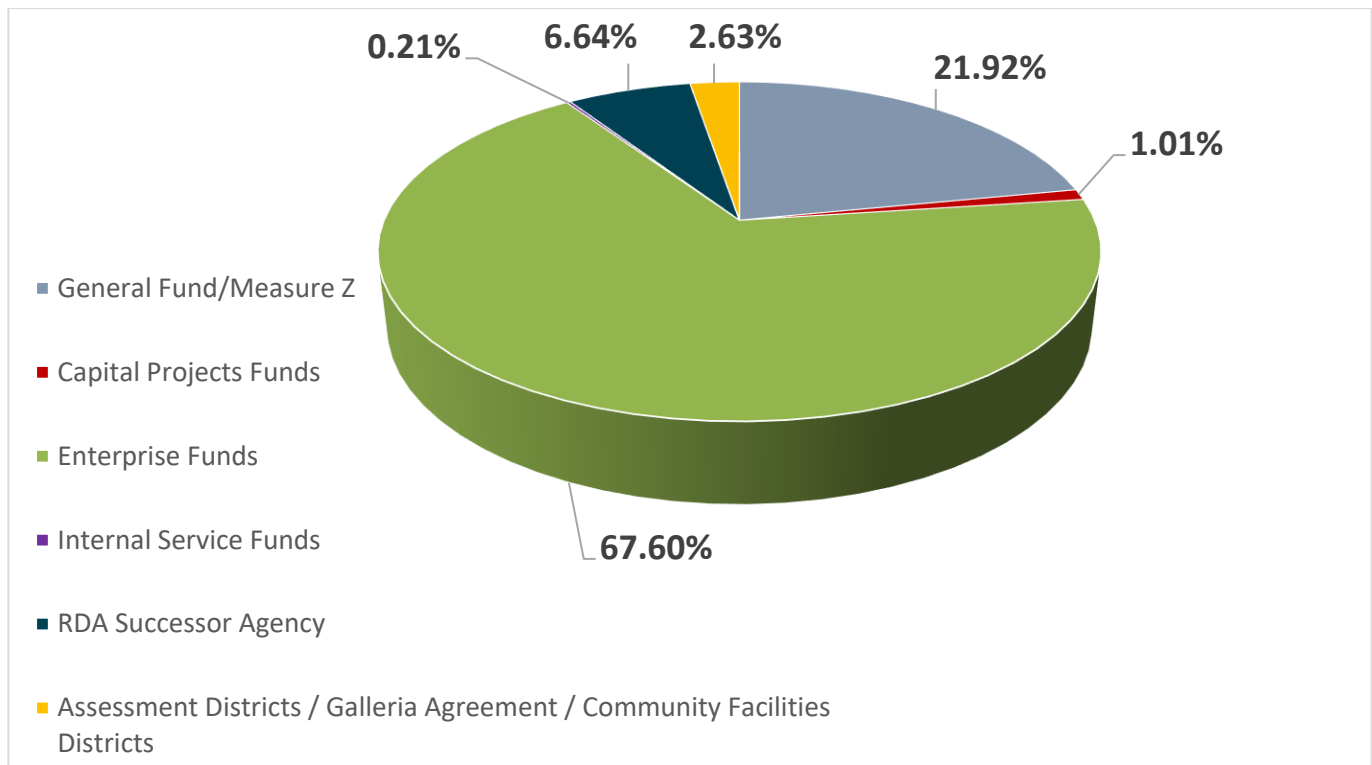
Debt Summary Analysis

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 first quarter of FY 2024/25, the City's outstanding principal balance decreased \$20,060,999 from the end of the fourth quarter of FY 2023/24.

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

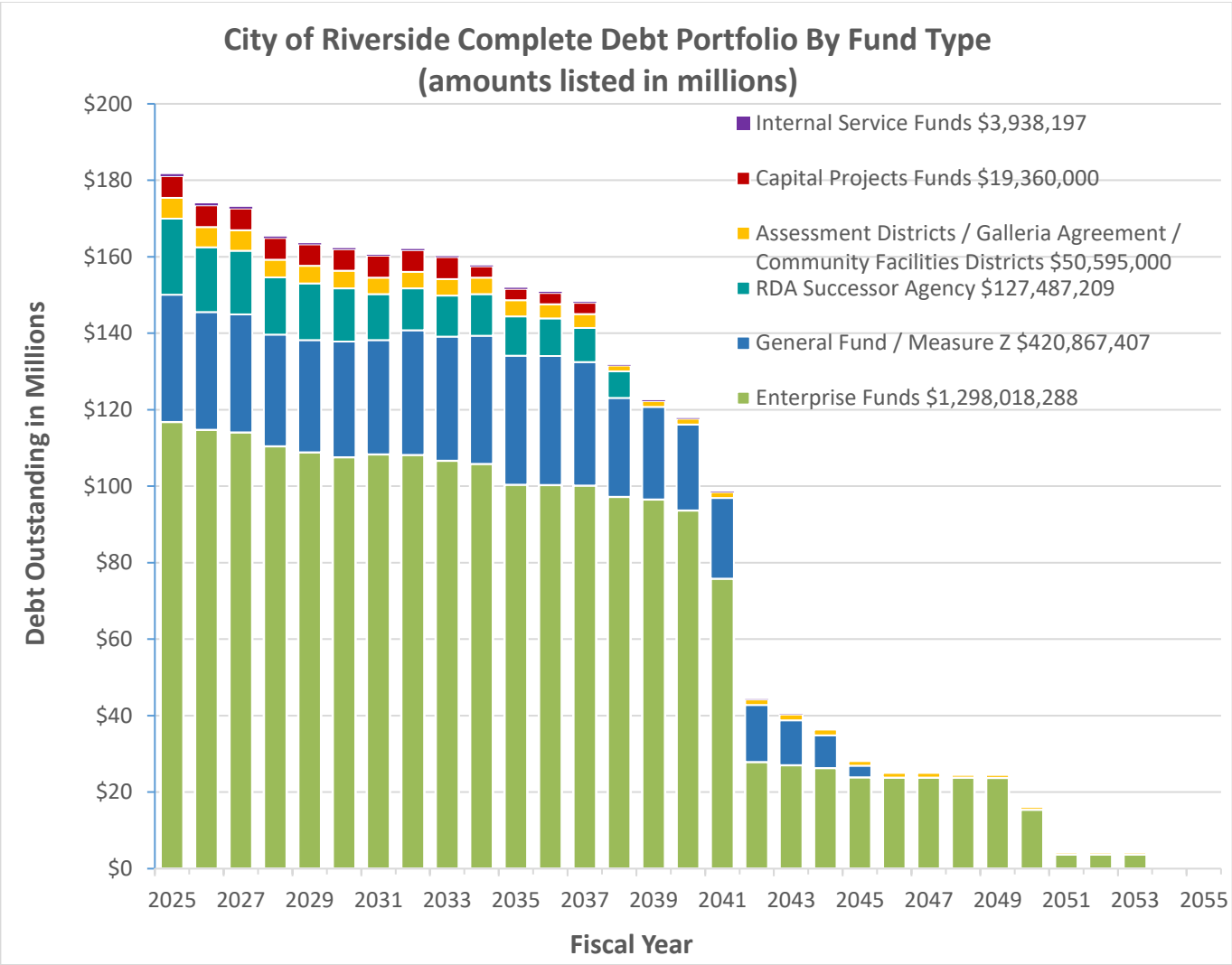
- General Obligation Bonds 2004 Measure G Fire Facility
- Bank of America Capital Lease #2 (Hardware, Software and Vehicles)
- Bank of America Capital Lease #3 (Heavy Vehicles and Equipment)
- Reid Park, Riverside Golf Course and Utilities Plaza Interfund Loans
- Sewer Revenue Bonds 2015A and 2018A
- Tax Allocation Refunding Bonds 2014A, 2014B, 2018A
- Riverwalk Business Assessment District
- Sycamore Canyon Business District
- Hunter Park Assessment District
- Riverwalk Assessment District
- Auto Center Assessment District
- Riverwalk Vista CFD 2006-1, Series A, and B
- Highlands CFD 2013-2 2016 Series A and B
- Orangecrest CFD 2015-1 Series 2020B
- Pomelo CFD 2015-2 Series 2022

The following chart illustrates the composition of the City's debt portfolio at the end of the first 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 First 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 first 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 first quarter include:

- Completed the financing plan for the procurement of 15 vehicles for Riverside Public Utilities, Water Department, with Council approval received on July 16, 2024, and a closing date of July 25, 2024.
- Continued the process to finance the Museum Reconstruction Project and refinancing of 2012 Lease Revenue Bonds, with Council approval received on September 17, 2024, and an anticipated closing date for the refinancing of October 17, 2024. The Museum transaction will close at a later date.
- Completed the transfer of 115 Pension Trust Assets between Custodian Banks due to changing Investment Advisers.

- Received and filed the Auto Center Annual Report as well as conducted the Public Hearing to finalize the levy process
- Began the levy process for the Arlington Business District

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
Approved by:	Sergio Aguilar, Deputy Finance Director
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:	Jack Liu, Interim City Attorney

Attachments:

1. Cash and Investment Report – Q1
2. Quarterly Debt Report – Q1