



City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL **DATE: APRIL 16, 2024**

FROM: FINANCE DEPARTMENT **WARDS: ALL**

SUBJECT: FISCAL YEAR 2023/24 SECOND QUARTER CASH, INVESTMENTS, AND DEBT REPORT

ISSUE:

That the City Council receive and provide input on the attached Fiscal Year 2023/24 Second Quarter Cash, Investments, and Debt Report.

RECOMMENDATION:

That the City Council receive and provide input on the attached Fiscal Year 2023/24 Second Quarter Cash, Investments, and Debt Report.

BACKGROUND:

On January 16, 2024, the City Council received and provided input on the Fiscal Year (FY) 2023/24 Second Quarter Cash and Investments and Debt report.

DISCUSSION:

It is staff's intention to provide the Quarterly Cash, Investments, and Debt reports at the same City Council meeting as the Quarterly Financial Reports 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 December 31, 2023, the City's pooled investment portfolio's market value was \$960 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 \$195 million. The weighted average yield of the pooled investment portfolio is 3.09% as of December 31, 2023.

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 December 31, 2023:

1. Civic Entertainment - Convention Center, Visitors Bureau, Sports Commission (\$928,832) has a negative cash balance in the pooled investment portfolio; however, the negative cash balance is offset by a positive \$2,199,004 in miscellaneous cash. The overall cash balance for Civic Entertainment is a positive \$1,270,172.
2. Civic Entertainment – Cheech Marin Center (\$3,229,738) has a negative cash balance due to a pending submittal of a grant reimbursement and receivables to offset expenses and negative cash. The grant reimbursement was received in the third quarter of the fiscal year.
3. Urban Areas Security Initiative (\$358,177), Community Development Block Grant (\$1,566,806), Housing Opportunities for Persons with AIDS (\$2,894,315), Housing Authority (\$78,604), Special Districts (\$1,011,363), and Transportation Uniform Mitigation Fees (\$2,888,883) have negative cash balances due to the timing of expenditures; however, the negative balances are fully offset by receivables.
4. Debt Service Fund – General (\$39,478,914) 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 (\$23.5 million) and other debt service payments.
5. Central Stores (\$559,676) has a negative cash balance stemming from the impact of inflation on inventory purchases. Inventory is charged out (sold) at an average cost. While over time the total cost of inventory is recovered with this pricing methodology, the cash balance is temporarily negative as inventory is sold at a lower price than the current cost of replenishment.

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 second quarter of FY 2023/24 by debt classification and fund.

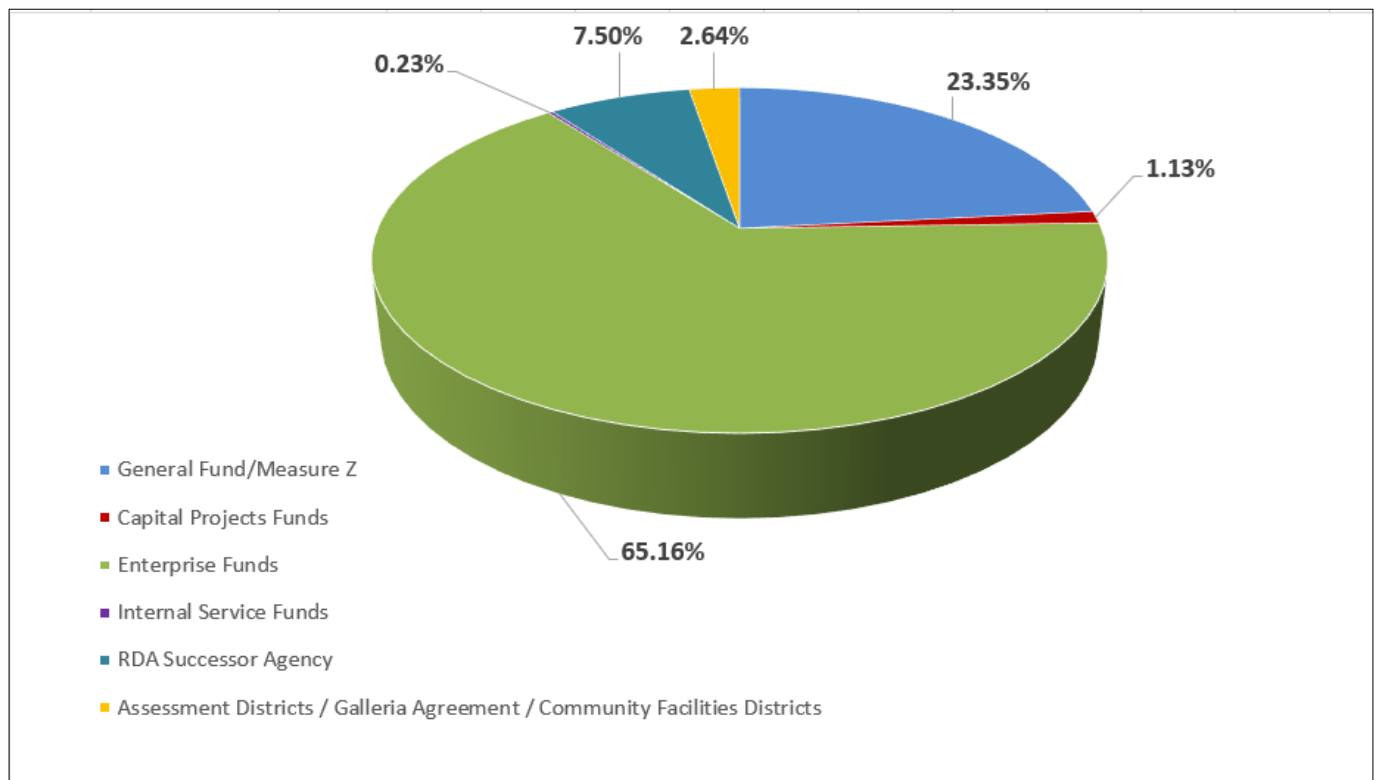
Debt Summary Analysis

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 2023/24,

the City's outstanding principal balance decreased \$36,721,298 from the end of the first quarter of FY 2023/24. This principal decrease is due to debt service principal payments on the following bonds:

- California Tower Lease Revenue Bonds Series 2003A & 2003B
- Lease Revenue Bonds 2012A, 2019A (Galleria) & 2019B (Library)
- Capital Lease for the Police Helicopters
- Fox Entertainment Plaza Loan
- Convention Center Expansion Loan
- RPU Electric Revenue Bonds 2010A, 2011A, 2019A
- RPU Water Revenue Bonds 2009B, 2019A, 2022A
- Refinancing of RPU Electric Revenue Bonds 2013A with the Issuance of 2023A, a net principal paydown of \$3.9 million

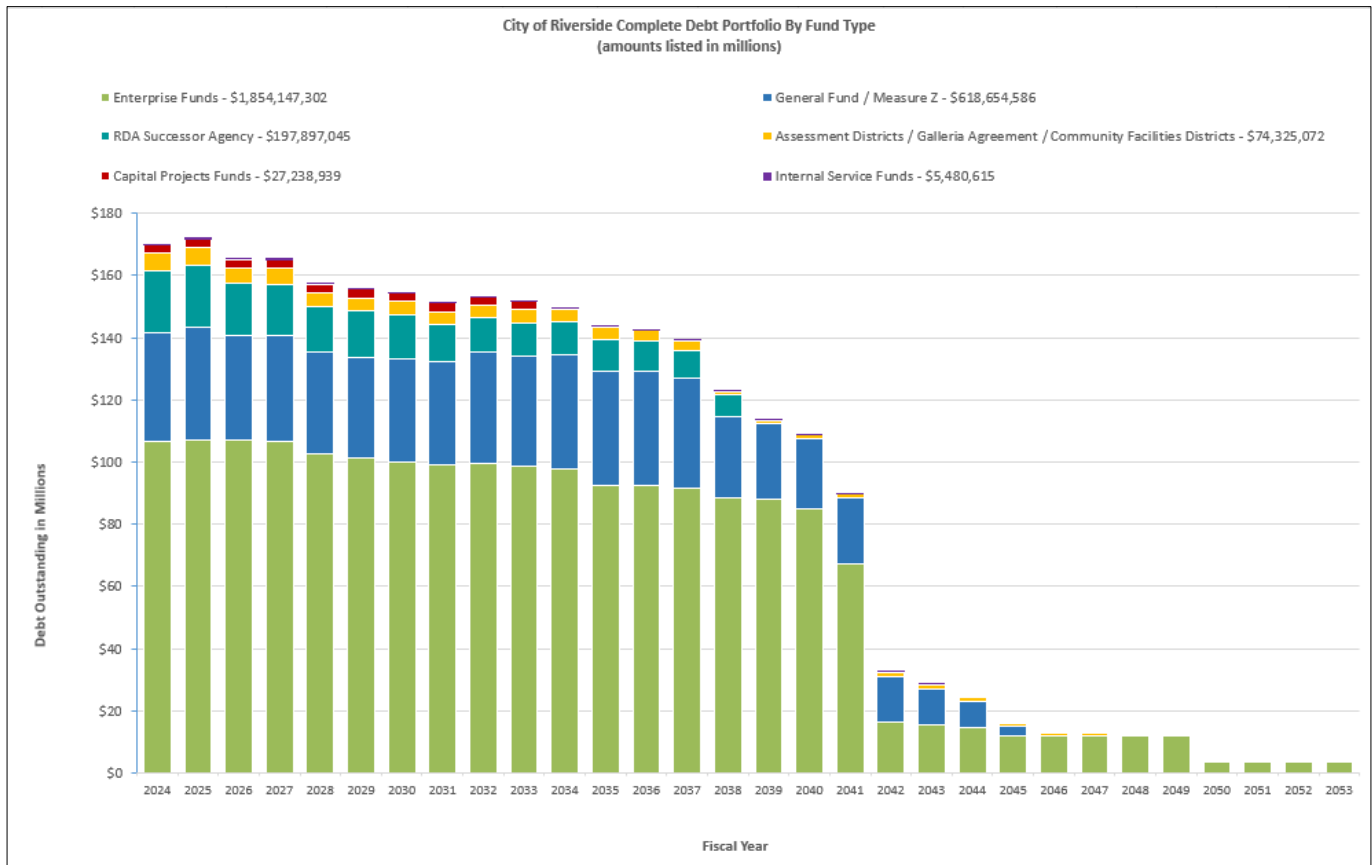
The following chart depicts the composition of the City's debt portfolio at the end of the second quarter. The Enterprise funds are responsible for most of the City's debt and are primarily for capital project financing offset by the revenues generated by the newly financed facilities. The General Fund 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 the 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 the Capital Projects Funds. While the Assessment Districts, Galleria Agreement, and Community Facilities Districts are part of the City's 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 and/or special tax to finance improvements related to development in those districts.

The following chart provides the City's debt service obligations at the beginning of fiscal year 2023-2024 using the same classification methodology, depicting aggregate principal and interest payments on all City debt by fund. As illustrated below, the City has a stable debt service curve that results in steadily diminishing annual debt service payments, minimizing large 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 the Second 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 second quarter, staff finalized the Refunding of the 2013A RPU Electric Revenue Bonds with the issuance of 2023A Electric Revenue Bonds. This financing plan resulted in approximately \$3.1 million in net present value (NPV) savings for the City.

Other debt related activities conducted within the second quarter includes:

- Coordination of the Auto Center, Arlington, and Downtown Business Improvement District annual public hearings
- Senate Bill 165 Reporting
- Preparation of various debt related reports for submission to the California Debt and Investment Advisory Commission (CDIAC) and the State Controller's Office
- Refunding of RPU's 2013A Electric Revenue Bonds with the issuance of 2023A Electric Revenue Bonds
- Began the process for a plan to finance the 2024A Refunding Electric Revenue Bonds

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 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 by presenting 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 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, Assistant Chief Financial Officer/Finance Director
Approved by:	Edward Enriquez, Assistant City Manager/Chief Financial Officer/City Treasurer
Approved as to form:	Phaedra A. Norton, City Attorney

Attachments:

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