



AGENDA

LARRY SALLINGER
Committee Member

MARK MITTMANN
Committee Member

VACANT
Committee Member

Investment Advisory Committee November 03, 2021

Richard Rohm
City Treasurer

Thomas R. Hatch
Interim City Manager

Will Kolbow
Assistant City Manager/
Administrative Services Director

3:00 PM

**Finance Conference Room
300 East Chapman Avenue
Orange, CA 92866**

Welcome to the Investment Advisory Committee Meeting. Regular meetings of the City of Orange Investment Advisory Committee are held quarterly at 3:30 p.m.

Agenda Information

The agenda contains a brief general description of each item to be considered. Written materials relating to an item on the agenda that are provided to the Investment Advisory Committee (IAC) after agenda packet distribution and within 72 hours before it is to consider the item will be made available for public inspection in the City Clerk's Office located at 300 E. Chapman Avenue, Orange, during normal business hours; at the IAC meeting; and made available on the City's website.

Public Participation

Pursuant to Government Code Section 54954.3, members of the public may address the Library Board on any agenda items or matters within the jurisdiction of the governing body by using any of the following methods:

1) In-Person

To speak on an item on the agenda, complete a speaker's card indicating your name and address, and identifying the agenda item number or subject matter you wish to address. The card should be given to staff prior to the start of the meeting. General comments are made during the "Public Comments" section on the agenda. Public comments are limited to three (3) minutes per speaker, unless a different time limit is announced.

2) Written Public Comments

Members of the public can submit their written comments electronically for the Committee's consideration by emailing them to Robert Moya at rmoya@cityoforange.org with the subject line "IAC Public Comment Item # (insert the item number relevant to the comment) or "Public Comment Non-agenda Item" for general public comments. To ensure distribution to the Committee prior to consideration of the agenda, we encourage the public to submit comments by 11:00 a.m. the day of the meeting. All public comments will be provided to the Investment Advisory Committee, posted on the City's website, and compiled as part of the record.

Please contact the City Clerk's Office at (714) 744-5500 with any questions.

ADA Requirements: In compliance with the Americans with Disabilities Act, if you need accommodations to participate in this meeting, contact the Orange Public Library at (714) 744-2400. Notification at least 48 hours in advance of meeting will enable the City to make arrangements to assure accessibility to this meeting.

1. OPENING/CALL TO ORDER**1.1 ROLL CALL****2. PUBLIC COMMENT**

Opportunity for members of the public to address the Investment Advisory Committee on matters not listed on the agenda which are within the subject matter jurisdiction of the Board, provided that NO action may be taken on off-agenda items unless authorized by law. Public Comments are limited to three (3) minutes per speaker.

3. APPROVAL OF MINUTES**3.1. Approval of meeting minutes of the Investment Advisory Committee of the City of Orange for the August 4, 2021, Regular Meeting.****Recommended Action:**

Approve minutes as presented.

Attachments: [IAC Minutes for August 4, 2021](#)

4. SELECTION OF INVESTMENT ADVISORY COMMITTEE OFFICERS**Recommended Action:**

Select a Chair.

5. RATE SUMMARY**5.1. Rate Summary September 2020 - September 2021****Recommended Action:**

Receive and file.

Attachments: [Rate Summary September 2020 - September 2021](#)

6. INVESTMENT PORTFOLIO UPDATE**6.1. Investment Portfolio Update****Recommended Action:**

Receive and file.

Attachments: [Investment Portfolio Update 10-20-2021](#)
 [Investment Portfolio Details 10-20-2021](#)

7. TREASURER'S INVESTMENT REPORTS**7.1. Treasurer's Reports for July, August, and September 2021****Recommended Action:**

Receive and file.

Attachments: [Monthly Treasury Report July through Sept 2021](#)
[Investment Report for July 2021](#)
[Investment Report for August 2021](#)
[Investment Report for September 2021](#)

8. INVESTMENT POLICY UPDATES**9. ECONOMIC UPDATES****9.1. California Forecast Sales Tax Trends and Economic Drivers****Recommended Action:**

Receive and file.

Attachments: [California Forecast Sales Tax Trends and Economic Drivers](#)

9.2. Sales Tax Update**Recommended Action:**

Receive and file.

Attachments: [Sales Tax Update](#)

10. CITY UPDATE**10.1. Agreement with Chandler Asset Management, Inc. for Investment Services for the City for fiscal years 2021-2022 through 2023-2024; Bid No. 21-22.17.****Recommended Action:**

Recommend that the City Council approve the three-year agreement, commencing November 15, 2021, with two optional one-year extensions, with Chandler Asset Management, Inc. in the total amount of \$225,000 (\$75,000 per year).

11. ADJOURNMENT

The next regular meeting will be held on Wednesday, February 2, 2022 at 3:00 PM in the Finance Conference Room, 300 E. Chapman Ave., Orange, CA 92866.

I, Pamela Coleman, CMC, City Clerk for the City of Orange, hereby declare, under penalty of perjury, that a full and correct copy of this agenda was posted pursuant to Government Code Section 54950 et. seq., at the following locations: Orange Civic Center kiosk and Orange City Clerk's Office at 300 E. Chapman Avenue, Orange Main Public Library at 407 E. Chapman Avenue, and uploaded to the City's website www.cityoforange.org.

Date posted: October 28, 2021



Agenda Item

Investment Advisory Committee

Item #: 3.1.

11/3/2021

File #: 21-0594

TO: Investment Advisory Committee

THRU: Will Kolbow, Assistant City Manager/Admin. Services Director

FROM: Josephine Chan, Investment/Revenue Officer

1. SUBJECT

Approval of meeting minutes of the Investment Advisory Committee of the City of Orange for the August 4, 2021, Regular Meeting.

2. RECOMMENDED ACTION

Approve minutes as presented.

MINUTES - DRAFT

City of Orange

Investment Advisory Committee

August 04, 2021

1. OPENING

1.1 CALL TO ORDER

The meeting of August 4, 2021, was called to order by Larry Sallinger, committee member, at 3:04 p.m.

1.2 ROLL CALL

Mark Mittmann was introduced to the committee as its newest member.

Present: Sallinger, and Mittmann

Absent: None

2. APPROVAL OF MINUTES

2.1. Approval of meeting minutes of the Investment Advisory Committee of the City of Orange for the February 3, 2021, Regular Meeting.

Approved minutes as presented.

Ayes: Sallinger, and Mittmann

Noes: None

Absent: None

3. PUBLIC COMMENT - None

4. RATE SUMMARY

4.1. Rate Summary June 2020 - June 2021

Received and filed.

5. INVESTMENT PORTFOLIO UPDATE

5.1. Investment Portfolio Update

Received and filed.

6. TREASURER'S INVESTMENT REPORTS

6.1. Treasurer's Reports for April, May, and June 2021

Received and filed.

7. INVESTMENT POLICY UPDATES

None

8. ECONOMIC UPDATES**8.1. California Forecast Sales Tax Trends and Economic Drivers**

Sales tax on auto sales on the rise in Orange.

Received and filed.

8.2. Sales Tax Update

Received and filed.

9. CITY UPDATE

FY22 budget passed by City Council; update on Fire Headquarters construction; Rick Otto's retirement on 10/4/2021.

10. ADJOURNMENT

The meeting was adjourned at 4:03 p.m. The next regular meeting will be held on Wednesday, November 3, 2021, at 3:00 p.m. in the Finance Conference Room, 300 E. Chapman Avenue, Orange, CA 92866.



Agenda Item

Investment Advisory Committee

Item #: 5.1.

11/3/2021

File #: 21-0590

TO: Investment Advisory Committee

THRU: Will Kolbow, Assistant City Manager/Admin. Services Director

FROM: Josephine Chan, Investment/Revenue Officer

1. SUBJECT

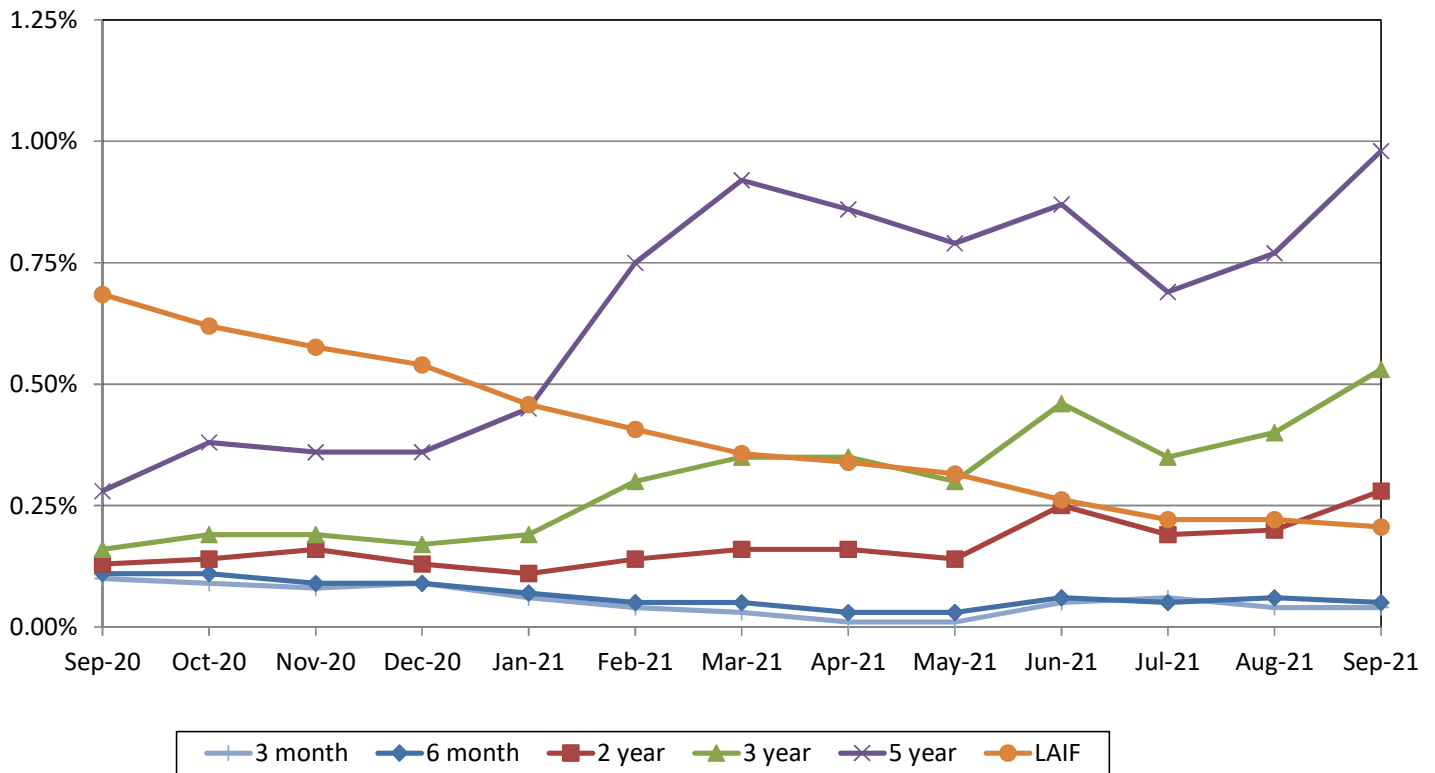
Rate Summary September 2020 - September 2021

2. RECOMMENDED ACTION

Receive and file.

RATE SUMMARY **September 2020 to September 2021**

Month Ending	U.S. Treasury Yield					LAIF Yield
	3 month	6 month	2 year	3 year	5 year	
Sep-20	0.10%	0.11%	0.13%	0.16%	0.28%	0.69%
Oct-20	0.09%	0.11%	0.14%	0.19%	0.38%	0.62%
Nov-20	0.08%	0.09%	0.16%	0.19%	0.36%	0.58%
Dec-20	0.09%	0.09%	0.13%	0.17%	0.36%	0.54%
Jan-21	0.06%	0.07%	0.11%	0.19%	0.45%	0.46%
Feb-21	0.04%	0.05%	0.14%	0.30%	0.75%	0.41%
Mar-21	0.03%	0.05%	0.16%	0.35%	0.92%	0.36%
Apr-21	0.01%	0.03%	0.16%	0.35%	0.86%	0.34%
May-21	0.01%	0.03%	0.14%	0.30%	0.79%	0.32%
Jun-21	0.05%	0.06%	0.25%	0.46%	0.87%	0.26%
Jul-21	0.06%	0.05%	0.19%	0.35%	0.69%	0.22%
Aug-21	0.04%	0.06%	0.20%	0.40%	0.77%	0.22%
Sep-21	0.04%	0.05%	0.28%	0.53%	0.98%	0.21%





Agenda Item

Investment Advisory Committee

Item #: 6.1.

11/3/2021

File #: 21-0619

TO: Investment Advisory Committee

THRU: Will Kolbow, Assistant City Manager/Admin. Services Director

FROM: Josephine Chan, Investment/Revenue Officer

1. SUBJECT

Investment Portfolio Update

2. RECOMMENDED ACTION

Receive and file.

Investment Portfolio Update
As of 10-20-21

Instruments (Days to Maturity)		Book Value	% of Portfolio
<u>LAIF</u>		\$ 38,800,000	31.6%
<u>Money Market Mutual Fund - Treasury Sweep</u>		2,382,838	1.9%
<u>Medium Term Note</u>			
3 year		9,189,529	7.5%
4 year		5,020,586	4.1%
5 year		2,999,765	2.4%
		<hr/> 17,209,880	<hr/> 14.1%
<u>Federal Agency</u>			
3 year		29,571,442	24.1%
4 year		17,500,000	14.3%
5 year		14,009,656	11.4%
Total		<hr/> 61,081,098	<hr/> 49.9%
<u>U.S. Treasury</u>			
5 year		2,980,558	2.4%
Total		<hr/> 2,980,558	<hr/> 2.4%
Total		<hr/> <hr/> \$ 122,454,373	<hr/> <hr/> 100.0%

Investment Portfolio Details
as of 10/20/2021

1 Year or Less 1 - 365 days	At least 15%	33.63%	\$	41,182,838
1 to 2 Years 366 - 730 days	No More than 50%	0.00%		-
2 to 3 Years 731 - 1095 days	No More than 35%	31.65%		38,760,971
3 to 4 Years 1096 -1460 days	No More than 30%	18.39%		17,500,000
4 to 5 Years 1461 - 1825 days	No more than 30%	16.32%		25,010,564
		100.00%	\$	122,454,373

					PURCHASE		MATURITY	DAYS TO			PAR	BOOK	MARKET	
Line #	Type	Invest. #	BROKER		DATE	DESCRIPTION	DATE	MATURITY	RATE	YIELD	VALUE	VALUE	VALUE	
10	Pool	18691	LAIF			City	10/20/2021	1	0.200	0.200	23,900,000.00	23,900,000.00	23,900,000.00	
11	Pool	20115	LAIF			Successor Agency	10/20/2021	1	0.200	0.200	14,900,000.00	14,900,000.00	14,900,000.00	
12	Money Market Mutual Fund	21250	Wells Fargo Bank - Treasury Sweep			Money Market Mutual Fund	10/20/2021	1	0.010	0.010	2,382,838.00	2,382,838.00	2,382,838.00	
13	Agency	21306	UBS Financial Services		12/29/2020	FNMA	12/29/2023	800	0.280	0.280	5,000,000.00	5,000,000.00	4,996,717.35	
14	Agency	21308	Stifel		3/29/2021	FHLB	3/28/2024	890	0.350	0.370	5,000,000.00	4,997,506.02	4,995,725.60	
15	Agency	21303	Stifel		12/10/2020	FHLMC	3/29/2024	891	0.350	0.350	5,000,000.00	5,000,000.00	5,003,632.85	
16	Agency	21301	UBS Financial Services		11/20/2020	FNMA	5/17/2024	940	0.375	0.375	5,000,000.00	5,000,000.00	5,001,207.55	
17	Agency	21304	UBS Financial Services		12/14/2020	FNMA	6/14/2024	968	0.375	0.375	5,000,000.00	5,000,000.00	4,987,634.00	
18	Medium Term Note	21290	UBS Financial Services		12/10/2019	HSBC MTN	6/23/2024	977	3.500	2.145	6,000,000.00	6,210,351.26	6,439,049.52	
19	Medium Term Note	21288	UBS Financial Services		9/20/2019	Coca Cola MTN	9/6/2024	1052	1.750	2.000	3,000,000.00	2,979,177.63	2,965,468.95	
20	Agency	21300	Stifel		11/19/2020	FHLMC	9/25/2024	1071	0.400	0.408	4,575,000.00	4,573,936.46	4,562,095.30	
21	Agency	21302	UBS Financial Services		11/20/2020	FNMA	2/18/2025	1217	0.500	0.500	5,000,000.00	5,000,000.00	4,988,151.10	
22	Agency	21312	Stifel		7/28/2021	FHLB	4/28/2025	1286	0.650	0.650	4,000,000.00	5,000,000.00	4,998,172.35	
23	Agency	21309	Stifel		5/4/2021	FHLB	4/29/2025	1287	0.750	0.750	5,000,000.00	5,000,000.00	4,998,172.35	
24	Agency	21305	UBS Financial Services		12/17/2020	FHLMC	6/17/2025	1336	0.500	0.500	2,500,000.00	2,500,000.00	2,484,586.08	
25	Medium Term Note	21299	Toyota		11/19/2020	Toyota MTN	10/16/2025	1457	0.800	0.696	5,000,000.00	5,020,585.74	4,933,577.50	
26	Agency	21298	UBS Financial Services		10/28/2020	FHLMC	10/28/2025	1469	0.600	0.600	9,000,000.00	9,000,000.00	8,901,070.38	
27	Medium Term Note	21307	Stifel		2/8/2021	Apple MTN	2/8/2026	1572	0.700	0.720	3,000,000.00	2,999,764.95	2,965,468.95	
28	Agency	21313	Stifel		7/29/2021	FHLB	7/29/2026	1743	0.900	0.859	5,000,000.00	5,009,655.56	4,978,897.70	
29	US Treasury	21314	Stifel		9/30/2021	US Treasury	9/30/2026	1806	0.875	1.008	3,000,000.00	2,980,557.53	2,982,423.00	
Total Portfolio Balance											121,257,838.00	122,454,373.15	122,364,888.53	
LAIF Balance		No maximum limit					31.69%	LAIF			38,800,000.00	38,800,000.00	38,800,000.00	
Treasury Balance		No maximum limit					2.43%	US Treasury Note			3,000,000.00	2,980,557.53	2,982,423.00	
Agency Balance		Maximum 75% of portfolio at time of purchase.					49.88%	Agency			60,075,000.00	61,081,098.04	60,896,062.61	
Money Market Mutual Fund Balance		Maximum \$15 million, or 20% of portfolio, whichever is less.					1.95%	Money Market Mutual Fund			2,382,838.00	2,382,838.00	2,382,838.00	
Commercial Paper Balance		Maximum 20% of portfolio and no more than 5% in a single issuer at time of purchase.					0.00%	Commercial Paper			0.00	0.00	0.00	
Medium Term Note Balance		Maximum 20% of portfolio and no more than 5% in a single issuer at time of purchase.					14.05%	Medium Term Note			17,000,000.00	17,209,879.58	17,303,564.92	
											100.00%	121,257,838.00	122,454,373.15	122,364,888.53
Federal Home Loan Mortgage Corporation		Maximum 35% of portfolio.					17.21%				21,075,000.00	21,073,936.46	20,951,384.61	
Federal Home Loan Bank		Maximum 35% of portfolio.					16.34%				19,000,000.00	20,007,161.58	19,970,968.00	
Federal Farm Credit Bank		Maximum 35% of portfolio.					0.00%				0	0	0	
Federal National Mortgage Association		Maximum 35% of portfolio.					16.33%				20,000,000.00	20,000,000.00	19,973,710.00	
											49.88%	60,075,000.00	61,081,098.04	60,896,062.61
											ck	0.00	0.00	0.00



Agenda Item

Investment Advisory Committee

Item #: 7.1.

11/3/2021

File #: 21-0618

TO: Investment Advisory Committee

THRU: Will Kolbow, Assistant City Manager/Admin. Services Director

FROM: Josephine Chan, Investment/Revenue Officer

1. SUBJECT

Treasurer's Reports for July, August, and September 2021

2. RECOMMENDED ACTION

Receive and file.



Agenda Item

City Council

Item #:

11/9/2021

File #: 21-0604

TO: Honorable Mayor and Members of the City Council

THRU: Thomas R. Hatch, Interim City Manager

FROM: Richard A. Rohm, City Treasurer
Will Kolbow, Assistant City Manager/Administrative Services Director

1. SUBJECT

Monthly Treasurer's Reports for July, August, and September 2021

2. SUMMARY

Presentation of three monthly Treasurer's Reports to the City Council after the end of the quarter covered by the reports.

3. RECOMMENDED ACTION

Receive and file.

4. FISCAL IMPACT

None.

5. STRATEGIC PLAN GOALS

Goal 2: Be a fiscally healthy community
d: Effectively manage and develop City assets.

6. DISCUSSION AND BACKGROUND

The City's current Statement of Investment Policy has been adopted by the City Council of the City of Orange as Resolution 11340 and is in accordance with the California Government Code Sections 53600 et seq. Per the Investment Policy, three monthly investment reports are to be submitted to the City Council within 45 days following the end of the quarter.

As required by the City's present Investment Policy, the City Treasurer's report delineates all investments made by the City Treasurer for the City, its special funds, and the Successor Agency funds, by investment type and by broker.

The monthly Compliance Report certifying compliance of all investments with both the Government Code and the City's Investment Policy is included.

The Investment Portfolio Statement accurately reflects all investments held by the City and its agents as of the end of the month. This investment data is also presented in other summary and graphic form. A reconciliation between total cash and investments and total cash per the General Ledger is also included.

All of the three monthly Treasurer's Reports have been reviewed by the Investment Advisory Committee (IAC).

Summary of changes in Treasurer's cash and investments:

	<u>Operating Cash & Investments</u> ⁽¹⁾
Balance @ 6/30/2021	\$147,989,853
Monthly Activity:	
Cash Received	47,063,741
Cash Disbursed	<u>(64,193,269)</u>
Balance @ 9/30/2021	\$130,860,325

⁽¹⁾Includes operating cash and investments (valued at cost). Does not include deposits with administrator, imprest cash, fiscal agent cash and investments, and deferred compensation.

For the month of July 2021

The July cash disbursements exceeded cash receipts by \$4,719,099. During the month, large disbursements included payments totaling \$4,570,544 to Orange County Water District for pumping assessments, \$1,867,620 to PERS for employee benefits, \$1,132,239 to Municipal Water District of Orange County for purchased water, \$936,719 to R.C. Construction for Fire Station No. 1 and Fire Headquarters, \$446,001 to Big Ben for annual sewer replacement, and \$429,286 to Municipal Water District of Orange County for annual water connection charge. The City received \$4,508,602 in sales tax revenue, and \$391,939 in property tax revenue.

The City purchased two Federal Home Loan Bank notes (0.65% for 3.75 years, 0.90% for 5 years), and one medium term note was called. The City's balance in L.A.I.F. on July 31 was \$57,300,000 or a decrease of \$9,200,000 due to cash disbursements exceeding cash receipts during the month.

For the month of August 2021

The August cash disbursements exceeded cash receipts by \$5,426,714. During the month, large disbursements included payments totaling \$4,754,075 to U.S. Bank for debt service payments, \$2,900,000 to the Law Offices of Dale Galip for a claim settlement, \$2,711,994 to CIPA for the City's insurance contribution, \$1,409,122 to Municipal Water District of Orange for purchased water, and \$308,420 to General Pump Company for well maintenance. The City received \$5,633,161 in sales tax revenue, and \$2,283,043 bond draw in bond requisition from the lease revenue bonds issued to finance the Fire Headquarters and Fire Station No.1 project.

During the month, one Federal Home Loan Bank note was called. The City's balance in L.A.I.F. on August 31 was \$54,300,000, or a decrease of \$3,000,000, due to cash disbursements exceeding cash receipts during the month.

For the month of September 2021

The September cash disbursements exceeded cash receipts by \$6,983,715. During the month, large disbursements included payments totaling \$2,818,419 to U.S. Bank for debt service payments, \$1,596,343 to Municipal Water District of Orange for purchased water, \$1,417,243 to R.C. Construction for Fire Station No. 1 and Fire Headquarters, \$1,084,622 to RJ Noble Company for pavement management, \$980,610 to Zoll Medical for Fire medical equipment, \$739,633 to Kasa Construction for Handy Park Maintenance, and \$549,471 to Big Ben for sewer replacement. The City

received \$4,507,961 in sales tax revenue, and \$490,593 in property tax revenue.

The City purchased one U.S. Treasury note (0.875% for 5 years). The City's balance in L.A.I.F. on September 30 was \$47,400,000 or a decrease of \$6,900,000 due to cash disbursements exceeding cash receipts during the month

Credit rating on investments

The HSBC medium term note in the portfolio has been downgraded by Standard and Poor's (S&P) from "A" to "A-", which is one level below the minimum "A" rating permitted in the investment policy. It should be noted S&P is the only credit rating agency that issued the downgrade. The other two major national rating companies of Moody's and Fitch have maintained the same bond credit rating.

If a security is downgraded one notch below the quality required in the investment policy, it is considered acceptable to retain such downgraded security in the portfolio. If a security is rated two grades below the required minimum rating, it will trigger an automatic sale of such downgraded security. Staff will continue to monitor the downgraded HSBC investment.

Investment Advisory Committee (IAC)

The most recent IAC meeting was November 3, 2021 while the next quarterly Committee meeting is to be scheduled for February 2022.

7. ATTACHMENTS

- Investment Report for July 2021
- Investment Report for August 2021
- Investment Report for September 2021

1. Investment Report for July 2021

MONTHLY SUMMARY COMPLIANCE CERTIFICATE

July 2021

Note: All concentration restrictions were obtained from Sections 53601 and 53635 of the Government Code or the City's Investment Policy as of June 8, 2021, whichever was the more stringent.

1. U.S. Agencies

(A) Total amount (book value) of U.S. Agency securities owned by the City = \$65,081,205.

(B) Total amount allowed (75% of portfolio book value) of all City investments = \$106,821,775.

Is (A) less than (B) at time of purchase? Yes X No _____

2. Money Market Mutual Funds

(A) Total amount (book value) invested in money market mutual funds by the City = \$2,825,441.

(B) Total amount allowed (\$15 million or 20% of portfolio book value, whichever is less) of all City investments = \$15,000,000

Is (A) less than (B)? Yes X No _____

3. Medium-Term Notes

(A) Total amount (book value) invested in medium-term notes by the City = \$17,222,388.

(B) Total amount allowed (20% of portfolio book value) of all City investments = \$28,485,807.

Is (A) less than (B) at time of purchase? Yes X No _____

4. Excluded Investment Vehicles

(A) Are any securities excluded by the Statement of Investment Policy currently included in the City's portfolio?

Yes _____ No X

5. Investment Management Agreements

(A) Does the City have any investment manager or advisor agreements?

Yes _____ No X

(B) If so, was the agreement approved in advance by the City Council?

Yes _____ No _____

(C) If so, has the City examined the methods and past performance of the investment manager?

Yes _____ No _____

(D) If so, pursuant to the agreement, does the City retain authority to make investment decisions?

Yes _____ No _____

(E) If so, pursuant to the agreement, are the investments deposited with the City's custodian?

Yes _____ No _____

6. Maturity Limits

(A) Does the City currently own any security with a maturity date in excess of five years?

Yes _____ No X _____

(B) Does the City currently hold no more than 50% of its portfolio in securities at time of purchase with maturities between 366 days and 730 days?

Yes X _____ No _____

(C) Does the City currently hold no more than 35% of its portfolio in securities at time of purchase with maturities between 731 days and 1095 days?

Yes X _____ No _____

(D) Does the City currently hold no more than 30% of its portfolio in securities at time of purchase with maturities between 1096 days and 1460 days?

Yes X _____ No _____

(E) Does the City currently hold no more than 30% of its portfolio in securities at time of purchase with maturities between 1461 days and 1825 days?

Yes X _____ No _____

7. Issuer Limits

Does each issuer of Money Market Mutual Funds continue to meet the following requirements?

(i) Is each issuer registered with the Securities and Exchange Commission under the Investment Company Act of 1940?

Yes _____ No _____ N/A X _____

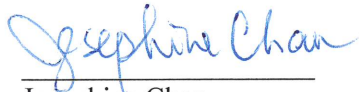
(ii) Does the fund of each issuer carry the highest rating of at least two of the three largest national rating agencies?

Yes _____ No _____ N/A X _____

(iii) Has each issuer retained an investment adviser registered with the Securities and Exchange Commission with not less than five years' experience managing money market mutual funds with assets under management in excess of \$500 million?

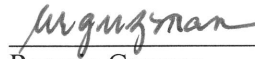
Yes _____ No _____ N/A X _____

Prepared By:



Josephine Chan
Investment/Revenue Officer

Audited By:



Rosario Guzman
Accountant

We hereby certify that for the month of July 2021, the investment actions of the City of Orange comply in all respects with the requirements of the California Government Code and the City's current Investment Policy. Additionally, we certify that there is sufficient cash flow to cover the next six months' expenditures barring any catastrophic natural disasters. Market values are obtained through ICE Data Pricing and Reference Data, the State Treasurer's Office, U.S. Trust and U.S. Bank.

Certified By:



Richard A. Rohm
City Treasurer

Verified By:



William M. Kolbow
Assistant City Manager
Administrative Services Director

DATED: October 20, 2021

City of Orange Investment Portfolio
July 31, 2021
(Sorted by TYPE)

BANK / BROKER	PURCHASE DATE	DESCRIPTION	MATURITY DATE	RATE	YIELD	PAR VALUE	BOOK VALUE	MARKET VALUE
(I) LOCAL AGENCY INVESTMENT FUND (LAIF)								
		City	-	0.221	0.221	33,800,000.00	33,800,000.00	33,800,000.00
		OSA	-	0.221	0.221	23,500,000.00	23,500,000.00	23,500,000.00
						57,300,000.00	57,300,000.00	57,300,000.00
(II) FEDERAL HOME LOAN MORTGAGE CORPORATION								
Stifel Nicolaus & Co Inc.	12/10/2020	FHLMC	3/29/2024	0.350	0.350	5,000,000.00	5,000,000.00	4,997,022.95
Stifel Nicolaus & Co Inc.	11/19/2020	FHLMC	9/25/2024	0.400	0.408	4,575,000.00	4,573,877.05	4,568,999.57
UBS Financial Services	12/17/2020	FHLMC	6/17/2025	0.500	0.500	2,500,000.00	2,500,000.00	2,492,471.15
Stifel Nicolaus & Co Inc.	10/28/2020	FHLMC	10/28/2025	0.600	0.600	9,000,000.00	9,000,000.00	8,972,145.90
						21,075,000.00	21,073,877.05	21,030,639.57
(III) FEDERAL NATIONAL MORTGAGE ASSOCIATION								
UBS Financial Services	12/29/2020	FNMA	12/29/2023	0.280	0.280	5,000,000.00	5,000,000.00	4,998,502.80
UBS Financial Services	11/20/2020	FNMA	5/17/2024	0.375	0.375	5,000,000.00	5,000,000.00	5,011,432.70
UBS Financial Services	12/14/2020	FNMA	6/14/2024	0.375	0.375	5,000,000.00	5,000,000.00	4,997,392.00
UBS Financial Services	11/20/2020	FNMA	2/18/2025	0.500	0.500	5,000,000.00	5,000,000.00	5,005,841.40
						20,000,000.00	20,000,000.00	20,013,168.90
(IV) FEDERAL HOME LOAN BANK								
Stifel Nicolaus & Co Inc.	3/29/2021	FHLB	3/28/2024	0.350	0.370	5,000,000.00	4,997,339.20	4,997,014.50
Stifel Nicolaus & Co Inc.	7/28/2021	FHLB	4/28/2025	0.650	0.650	4,000,000.00	4,000,000.00	4,001,651.12
Stifel Nicolaus & Co Inc.	5/4/2021	FHLB	4/29/2025	0.750	0.750	5,000,000.00	5,000,000.00	5,003,365.40
UBS Financial Services	5/27/2021	FHLB	5/27/2026	1.125	1.125	5,000,000.00	5,000,000.00	5,002,569.85
Stifel Nicolaus & Co Inc.	7/29/2021	FHLB	7/29/2026	0.900	0.859	5,000,000.00	5,009,988.89	5,009,281.15
						24,000,000.00	24,007,328.09	24,013,882.02
(V) MEDIUM TERM NOTE								
UBS Financial Services	9/20/2019	Coca Cola	9/6/2024	1.750	2.000	3,000,000.00	2,977,993.42	3,118,837.50
UBS Financial Services	12/10/2019	HSBC	6/23/2024	3.500	2.142	6,000,000.00	6,223,203.67	6,482,069.94
Stifel Nicolaus & Co Inc.	11/19/2020	Toyota	10/16/2025	0.800	0.696	5,000,000.00	5,021,434.63	4,970,797.60
Stifel Nicolaus & Co Inc.	2/8/2021	Apple	2/8/2026	0.700	0.702	3,000,000.00	2,999,755.95	2,984,062.89
						17,000,000.00	17,222,387.67	17,555,767.93
(VI) MONEY MARKET MUTUAL FUNDS (TREASURY)								
Wells Fargo Bank		U.S. T-Note	-	0.010	0.010	2,825,440.61	2,825,440.61	2,825,440.61
						2,825,440.61	2,825,440.61	2,825,440.61
Portfolio total 7-31-2021						142,200,440.61	142,429,033.42	142,738,899.03
Portfolio total 6-30-2021						152,636,608.24	152,861,353.10	152,888,440.54

Investment Transactions

July 2021

SETTLEMENT DATE	DESCRIPTION	RATE	YIELD	CALLABLE	PAR	PRICE
PURCHASES / DEPOSITS						
Various dates	Sweep Account	0.010%	0.010%	N/A	\$ 20,194,698.90	\$20,194,698.90
Various dates	L.A.I.F.	0.221%	0.221%	N/A	\$ 1,541,916.76	\$1,541,916.76
7/28/2021	Federal Home Loan Bank Stifel Nicolaus & Co Inc. 4/28/2025 Investment # 21312	0.650%	0.650%	Yes	\$ 4,000,000.00	\$4,000,000.00
7/29/2021	Federal Home Loan Bank Stifel Nicolaus & Co Inc. 7/29/2026 Investment # 21313	0.900%	0.859%	Yes	\$ 5,000,000.00	\$5,010,000.00

Investment Transactions

July 2021

SETTLEMENT DATE	DESCRIPTION	RATE	YIELD	CALLABLE	PAR	PRICE
MATURITIES / WITHDRAWALS / CALLS						
Various dates	Sweep Account	0.010%	0.010%	N/A	\$28,430,935.84	\$28,430,935.84
Various dates	L.A.I.F.	0.221%	0.221%	N/A	\$10,741,916.76	\$10,741,916.76
7/6/2021	Apple Medium Term Note UBS Financial Services 8/4/2021 Called Investment # 21276	1.550%	1.550%	Yes	\$ 2,000,000.00	\$2,000,000.00

City of Orange Investment Portfolio
July 31, 2021

Portfolio Performance Measures

Portfolio	Indexes		
<i>Rate of Return:</i>			
Portfolio Effective Rate of Return - for July	0.47%	0.05%	3 month Treasury -- July Average
Portfolio Effective Rate of Return - for Fiscal Year-to-date	0.47%	0.05%	6 month Treasury -- July Average
Portfolio Yield to Maturity at 7/31/2021	0.52%	0.07%	1 year Treasury -- July Average
<i>Total Rate of Return:</i>			
Total Rate of Return - for July (not annualized)	0.19%	0.19%	1-3 Year Treasury Index--Total Rate of Return for July (not annualized)
Total Rate of Return - for 2021 Y-T-D - (not annualized)	-0.20%	0.06%	1-3 Year Treasury Index--Total Rate of Return for 2021 Y-T-D (not annualized)
<i>Other:</i>			
Portfolio Weighted-Average Time to Maturity	2.05	Years	
Market Value as percent of Portfolio, 7/31/2021	100.22%		
Market Value as percent of Portfolio, 6/30/2021	100.02%		
Federal Agency Securities as percent of Portfolio, 7/31/2021	45.69%		

Portfolio Effective Rate of Return: interest earnings (not receipts) for period divided by average daily balance for period, annualized (multiplied by quotient of 365 divided by days in period).

Portfolio Yield to Maturity: weighted-average yield to maturity (or call date, if applicable) for entire portfolio;

in the case of coupon investments, includes an adjustment to the face rate for any premium paid or discount received.

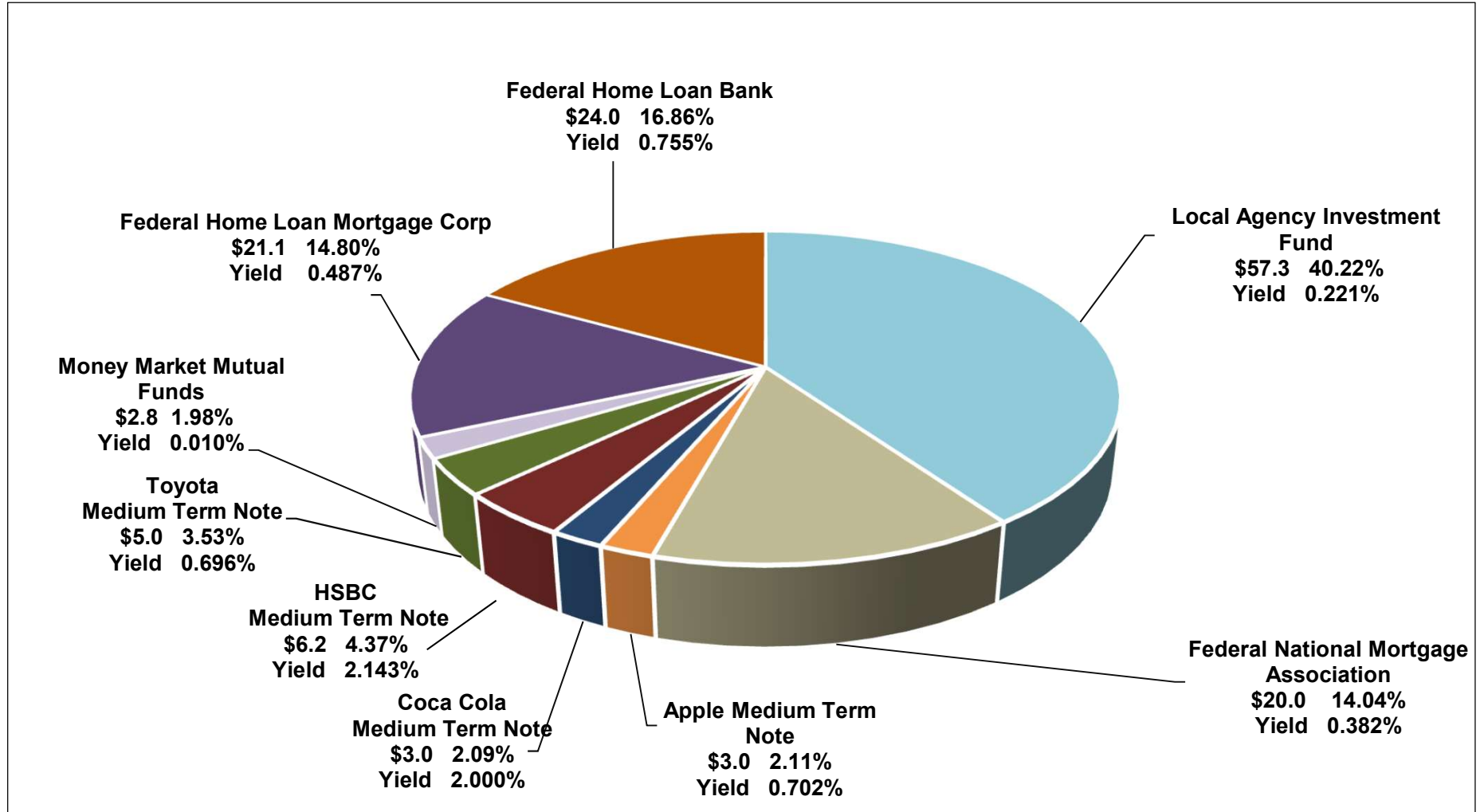
Source of Market Value: ICE Data Pricing and Reference Data provides market value on all instruments.

Total Rate of Return: growth or decline in the value of the portfolio, including both changes in the market value and income, as a proportion of the starting value, adjusted on a time-weighted basis (per Modified Dietz Method) for cash flows into or out of the portfolio during the period.

The Modified Dietz Method assumes a constant rate of return on the portfolio during the period and is not based on daily valuations.

City of Orange Investment Portfolio

July 31, 2021



Total Portfolio \$142,429,033

Chart Dollar Values in Millions of Dollars

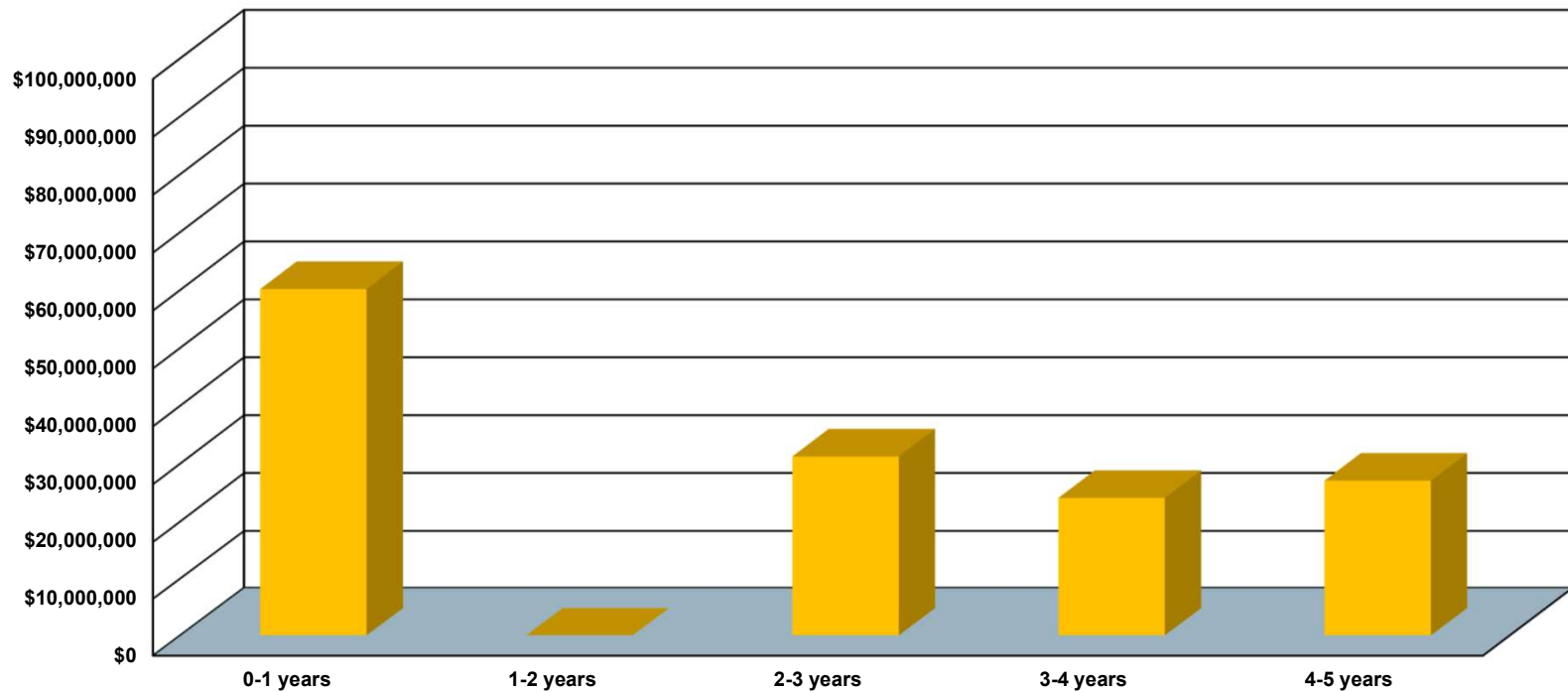
City of Orange Investment Portfolio

July 31, 2021

Maturity Aging Schedule

Maturing in	Book Value	
0-1 years	60,125,441	42%
1-2 years	0	0%
2-3 years	31,220,543	22%
3-4 years	24,051,870	17%
4-5 years	27,031,179	19%
	<u>\$142,429,033</u>	<u>100%</u>

Weighted-average years to maturity for portfolio = **2.05**



City of Orange
Reconciliation of Total Cash and
Investments to General Ledger
As of July 31, 2021

Treasurer's Operating Cash and Investments		
Checking, Payroll & PMA - Wells Fargo	272,432	
Treasurer's Investments	142,429,033	
Accrued Interest	569	
Cash in transit	<u>568,720</u>	143,270,754
Imprest Cash		12,200
Fiscal Agent Cash and Investments		<u>34,147,837</u>
Total Cash & Investments		<u><u>177,430,791</u></u>
Total Cash and Investments per General Ledger ¹		175,782,474
Plus Outstanding Checks		<u>1,648,317</u>
Total Cash & Investments		<u><u>177,430,791</u></u>

1 Includes adjustment for month-end timing differences.

City of Orange
Fiscal Agent Investments
As of July 31, 2021

	Carrying Value	Market or Contract Value
Fiscal Agent Cash and Investments		
Community Facilities District 91-2 2013 Special Tax Refunding Bonds - U.S. Bank First American Government Obligation Fund (0.02%)	1,579,578	1,579,578
Lease Revenue Bonds Series 2020 A First American Government Obligation Fund (0.02%)	30,839,557	30,839,557
Successor Agency 2008A Merged & Amended Tax Allocation Bonds - U.S. Bank First American Government Obligation Fund (0.02%)	2,492	2,492
Successor Agency 2008B Merged & Amended Tax Allocation Bonds - U.S. Bank First American Government Obligation Fund (0.02%)	2	2
Community Facilities District 06-1 2015 Special Tax Refunding Bonds - U.S. Bank First American Government Obligation Fund (0.02%) US Treasury Bond (4.375%)	1,714,821	1,714,821
Successor Agency 2014A Merged & Amended Tax Allocation Refunding Bonds - U.S. Bank First American Government Obligation Fund (0.02%)	1	1
Successor Agency Refunding Bonds 2018A - U.S. Bank First American Government Obligation Fund (0.02%)	2	2
Pension Obligation Bonds First American Government Obligation Fund (0.02%)	11,384	11,384
Total Fiscal Agent Cash and Investments	34,147,837	34,147,837

2. Investment Report for August 2021

MONTHLY SUMMARY COMPLIANCE CERTIFICATE
August 2021

Note: All concentration restrictions were obtained from Sections 53601 and 53635 of the Government Code or the City's Investment Policy as of June 8, 2021, whichever was the more stringent.

1. U.S. Agencies

(A) Total amount (book value) of U.S. Agency securities owned by the City = **\$60,081,152.**

(B) Total amount allowed (75% of portfolio book value) of all City investments = **\$102,455,363.**

Is (A) less than (B) at time of purchase? Yes X No

2. Money Market Mutual Funds

(A) Total amount (book value) invested in money market mutual funds by the City = **\$5,009,865.**

(B) Total amount allowed (\$15 million or 20% of portfolio book value, whichever is less) of all City investments = **\$15,000,000**

Is (A) less than (B)? Yes X No

3. Medium-Term Notes

(A) Total amount (book value) invested in medium-term notes by the City = **\$17,216,134.**

(B) Total amount allowed (20% of portfolio book value) of all City investments = **\$27,321,430.**

Is (A) less than (B) at time of purchase? Yes X No

4. Excluded Investment Vehicles

(A) Are any securities excluded by the Statement of Investment Policy currently included in the City's portfolio?

Yes No X

5. Investment Management Agreements

(A) Does the City have any investment manager or advisor agreements?

Yes No X

(B) If so, was the agreement approved in advance by the City Council?

Yes No

(C) If so, has the City examined the methods and past performance of the investment manager?

Yes No

(D) If so, pursuant to the agreement, does the City retain authority to make investment decisions?

Yes No

(E) If so, pursuant to the agreement, are the investments deposited with the City's custodian?

Yes No

6. Maturity Limits

(A) Does the City currently own any security with a maturity date in excess of five years?

Yes _____ No X _____

(B) Does the City currently hold no more than 50% of its portfolio in securities at time of purchase with maturities between 366 days and 730 days?

Yes X _____ No _____

(C) Does the City currently hold no more than 35% of its portfolio in securities at time of purchase with maturities between 731 days and 1095 days?

Yes X _____ No _____

(D) Does the City currently hold no more than 30% of its portfolio in securities at time of purchase with maturities between 1096 days and 1460 days?

Yes X _____ No _____

(E) Does the City currently hold no more than 30% of its portfolio in securities at time of purchase with maturities between 1461 days and 1825 days?

Yes X _____ No _____

7. Issuer Limits

Does each issuer of Money Market Mutual Funds continue to meet the following requirements?

(i) Is each issuer registered with the Securities and Exchange Commission under the Investment Company Act of 1940?

Yes _____ No _____ N/A X _____

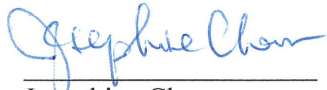
(ii) Does the fund of each issuer carry the highest rating of at least two of the three largest national rating agencies?

Yes _____ No _____ N/A X _____

(iii) Has each issuer retained an investment adviser registered with the Securities and Exchange Commission with not less than five years' experience managing money market mutual funds with assets under management in excess of \$500 million?

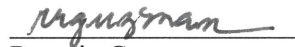
Yes _____ No _____ N/A X _____

Prepared By:



Josephine Chan
Investment/Revenue Officer

Audited By:



Rosario Guzman
Accountant

We hereby certify that for the month of August 2021, the investment actions of the City of Orange comply in all respects with the requirements of the California Government Code and the City's current Investment Policy. Additionally, we certify that there is sufficient cash flow to cover the next six months' expenditures barring any catastrophic natural disasters. Market values are obtained through ICE Data Pricing and Reference Data, the State Treasurer's Office, U.S. Trust and U.S. Bank.

Certified By:



Richard A. Rohm
City Treasurer

Verified By:



William M. Kolbow
Assistant City Manager
Administrative Services Director

DATED: October 20, 2021

City of Orange Investment Portfolio
August 31, 2021
(Sorted by TYPE)

BANK / BROKER	PURCHASE DATE	DESCRIPTION	MATURITY DATE	RATE	YIELD	PAR VALUE	BOOK VALUE	MARKET VALUE
(I) LOCAL AGENCY INVESTMENT FUND (LAIF)								
		City	-	0.221	0.221	30,800,000.00	30,800,000.00	30,800,000.00
		OSA	-	0.221	0.221	23,500,000.00	23,500,000.00	23,500,000.00
						54,300,000.00	54,300,000.00	54,300,000.00
(II) FEDERAL HOME LOAN MORTGAGE CORPORATION								
Stifel Nicolaus & Co Inc.	12/10/2020	FHLMC	3/29/2024	0.350	0.350	5,000,000.00	5,000,000.00	4,999,993.30
Stifel Nicolaus & Co Inc.	11/19/2020	FHLMC	9/25/2024	0.400	0.408	4,575,000.00	4,573,906.75	4,568,907.98
UBS Financial Services	12/17/2020	FHLMC	6/17/2025	0.500	0.500	2,500,000.00	2,500,000.00	2,491,903.15
Stifel Nicolaus & Co Inc.	10/28/2020	FHLMC	10/28/2025	0.600	0.600	9,000,000.00	9,000,000.00	8,967,616.20
						21,075,000.00	21,073,906.75	21,028,420.63
(III) FEDERAL NATIONAL MORTGAGE ASSOCIATION								
UBS Financial Services	12/29/2020	FNMA	12/29/2023	0.280	0.280	5,000,000.00	5,000,000.00	4,999,392.20
UBS Financial Services	11/20/2020	FNMA	5/17/2024	0.375	0.375	5,000,000.00	5,000,000.00	5,008,614.55
UBS Financial Services	12/14/2020	FNMA	6/14/2024	0.375	0.375	5,000,000.00	5,000,000.00	4,992,450.80
UBS Financial Services	11/20/2020	FNMA	2/18/2025	0.500	0.500	5,000,000.00	5,000,000.00	5,002,302.20
						20,000,000.00	20,000,000.00	20,002,759.75
(IV) FEDERAL HOME LOAN BANK								
Stifel Nicolaus & Co Inc.	3/29/2021	FHLB	3/28/2024	0.350	0.370	5,000,000.00	4,997,422.61	4,997,692.90
Stifel Nicolaus & Co Inc.	7/28/2021	FHLB	4/28/2025	0.650	0.650	4,000,000.00	4,000,000.00	3,999,580.96
Stifel Nicolaus & Co Inc.	5/4/2021	FHLB	4/29/2025	0.750	0.750	5,000,000.00	5,000,000.00	5,001,265.05
Stifel Nicolaus & Co Inc.	7/29/2021	FHLB	7/29/2026	0.900	0.859	5,000,000.00	5,009,822.22	5,002,769.30
						19,000,000.00	19,007,244.83	19,001,308.21
(V) MEDIUM TERM NOTE								
UBS Financial Services	9/20/2019	Coca Cola	9/6/2024	1.750	2.000	3,000,000.00	2,978,585.53	3,118,915.56
UBS Financial Services	12/10/2019	HSBC	6/23/2024	3.500	2.142	6,000,000.00	6,216,777.46	6,469,729.92
Stifel Nicolaus & Co Inc.	11/19/2020	Toyota	10/16/2025	0.800	0.696	5,000,000.00	5,021,010.19	4,972,910.75
Stifel Nicolaus & Co Inc.	2/8/2021	Apple	2/8/2026	0.700	0.702	3,000,000.00	2,999,760.45	2,985,411.09
						17,000,000.00	17,216,133.63	17,546,967.32
(VI) MONEY MARKET MUTUAL FUNDS (TREASURY)								
Wells Fargo Bank		U.S. T-Note	-	0.010	0.010	5,009,865.22	5,009,865.22	5,009,865.22
						5,009,865.22	5,009,865.22	5,009,865.22
Portfolio total 8-31-2021						136,384,865.22	136,607,150.43	136,889,321.13
Portfolio total 7-31-2021						142,200,440.61	142,429,033.42	142,738,899.03

Investment Transactions

August 2021

SETTLEMENT DATE	DESCRIPTION	RATE	YIELD	CALLABLE	PAR	PRICE
PURCHASES / DEPOSITS						
Various dates	Sweep Account	0.010%	0.010%	N/A	\$ 13,587,888.38	\$13,587,888.38
8/30/2021	L.A.I.F.	0.221%	0.221%	N/A	\$ 3,200,000.00	\$3,200,000.00

Investment Transactions

August 2021

SETTLEMENT DATE	DESCRIPTION	RATE	YIELD	CALLABLE	PAR	PRICE
MATURITIES / WITHDRAWALS / CALLS						
Various dates	Sweep Account	0.010%	0.010%	N/A	\$11,403,504.45	\$11,403,504.45
8/6/2021	L.A.I.F.	0.221%	0.221%	N/A	\$6,200,000.00	\$6,200,000.00
8/27/2021	Federal Home Loan Bank UBS Financial Services 5/27/2026 Called Investment # 21310	1.125%	1.125%	Yes	\$ 5,000,000.00	\$5,000,000.00

City of Orange Investment Portfolio
August 31, 2021

Portfolio Performance Measures

Portfolio	Indexes		
<i>Rate of Return:</i>			
Portfolio Effective Rate of Return - for August	0.52%	0.05%	3 month Treasury -- August Average
Portfolio Effective Rate of Return - for Fiscal Year-to-date	0.49%	0.05%	6 month Treasury -- August Average
Portfolio Yield to Maturity at 8/31/2021	0.49%	0.07%	1 year Treasury -- August Average
<i>Total Rate of Return:</i>			
Total Rate of Return - for August (not annualized)	0.00%	-0.04%	1-3 Year Treasury Index--Total Rate of Return for August (not annualized)
Total Rate of Return - for 2021 Y-T-D - (not annualized)	-0.20%	0.05%	1-3 Year Treasury Index--Total Rate of Return for 2021 Y-T-D (not annualized)
<i>Other:</i>			
Portfolio Weighted-Average Time to Maturity	1.91	Years	
Market Value as percent of Portfolio, 8/31/2021	100.21%		
Market Value as percent of Portfolio, 7/31/2021	100.22%		
Federal Agency Securities as percent of Portfolio, 8/31/2021	43.98%		

Portfolio Effective Rate of Return: interest earnings (not receipts) for period divided by average daily balance for period, annualized (multiplied by quotient of 365 divided by days in period).

Portfolio Yield to Maturity: weighted-average yield to maturity (or call date, if applicable) for entire portfolio;

in the case of coupon investments, includes an adjustment to the face rate for any premium paid or discount received.

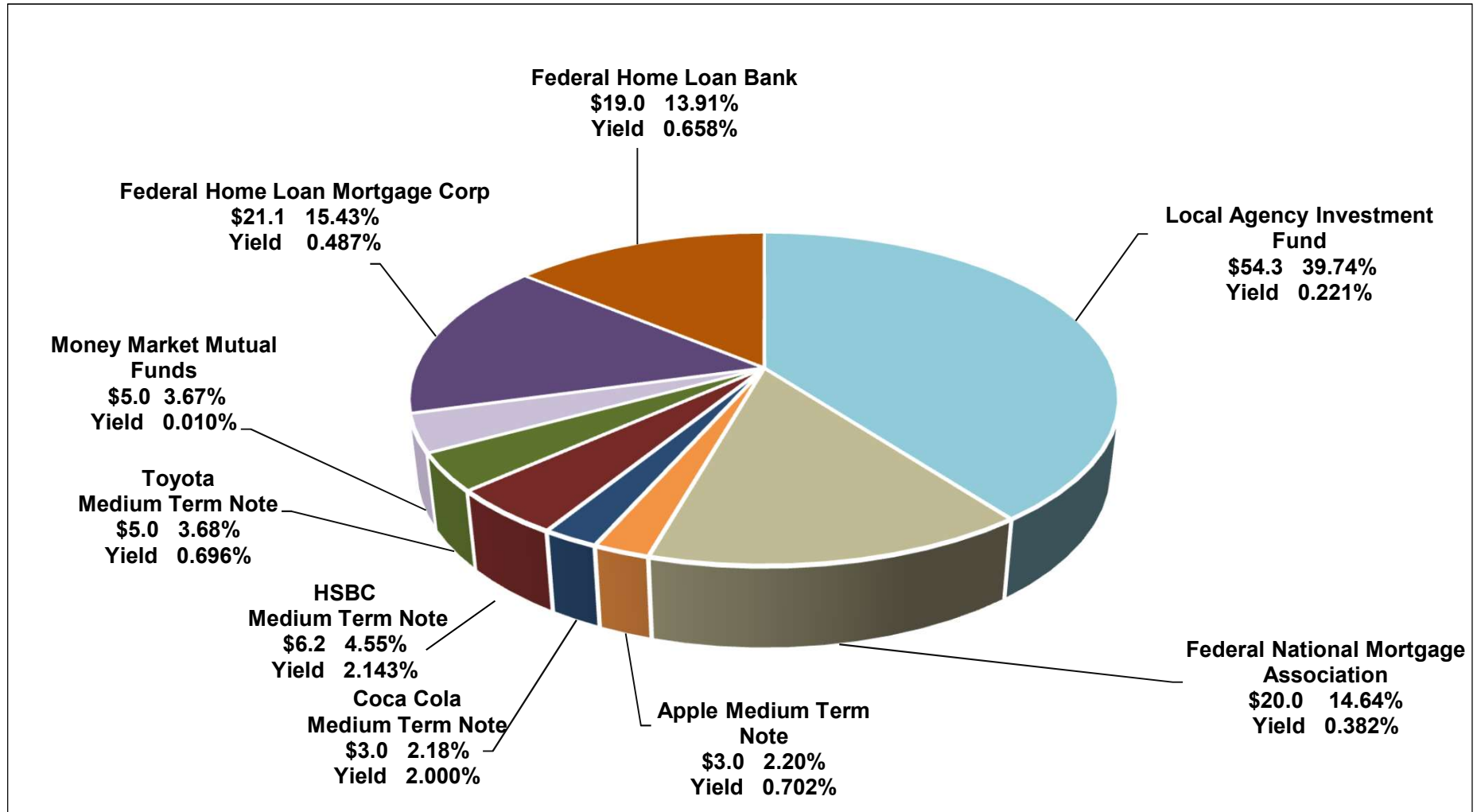
Source of Market Value: ICE Data Pricing and Reference Data provides market value on all instruments.

Total Rate of Return: growth or decline in the value of the portfolio, including both changes in the market value and income, as a proportion of the starting value, adjusted on a time-weighted basis (per Modified Dietz Method) for cash flows into or out of the portfolio during the period.

The Modified Dietz Method assumes a constant rate of return on the portfolio during the period and is not based on daily valuations.

City of Orange Investment Portfolio

August 31, 2021



Total Portfolio \$136,607,150

Chart Dollar Values in Millions of Dollars

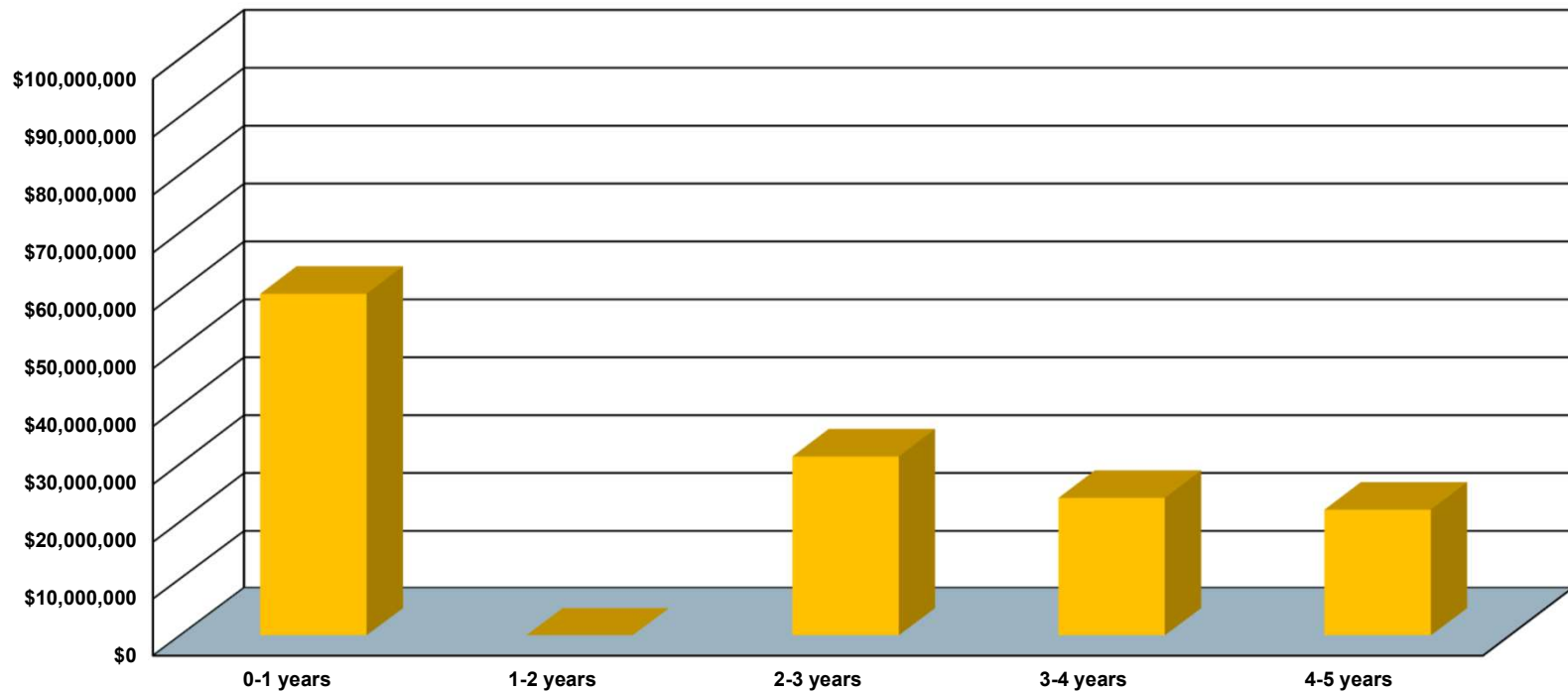
City of Orange Investment Portfolio

August 31, 2021

Maturity Aging Schedule

Maturing in	Book Value	
0-1 years	59,309,865	43%
1-2 years	0	0%
2-3 years	31,214,200	23%
3-4 years	24,052,492	18%
4-5 years	22,030,593	16%
	<u>\$136,607,150</u>	<u>100%</u>

Weighted-average years to maturity for portfolio = **1.91**



City of Orange
Reconciliation of Total Cash and
Investments to General Ledger
As of August 31, 2021

Treasurer's Operating Cash and Investments		
Checking, Payroll & PMA - Wells Fargo	485,737	
Treasurer's Investments	136,607,150	
Accrued Interest	569	
Cash in transit	<u>750,583</u>	137,844,039
Imprest Cash		12,200
Fiscal Agent Cash and Investments		<u>36,644,887</u>
Total Cash & Investments		<u><u>174,501,126</u></u>
Total Cash and Investments per General Ledger ¹		173,710,114
Plus Outstanding Checks		<u>791,012</u>
Total Cash & Investments		<u><u>174,501,126</u></u>

1 Includes adjustment for month-end timing differences.

City of Orange
Fiscal Agent Investments
As of August 31, 2021

	Carrying Value	Market or Contract Value
Fiscal Agent Cash and Investments		
Community Facilities District 91-2 2013 Special Tax Refunding Bonds - U.S. Bank First American Government Obligation Fund (0.02%)	1,579,604	1,579,604
Lease Revenue Bonds Series 2020 A First American Government Obligation Fund (0.02%)	28,557,039	28,557,039
Successor Agency 2008A Merged & Amended Tax Allocation Bonds - U.S. Bank First American Government Obligation Fund (0.02%)	2,492	2,492
Successor Agency 2008B Merged & Amended Tax Allocation Bonds - U.S. Bank First American Government Obligation Fund (0.02%)	544,580	544,580
Community Facilities District 06-1 2015 Special Tax Refunding Bonds - U.S. Bank First American Government Obligation Fund (0.02%) US Treasury Bond (4.375%)	1,740,288	1,740,288
Successor Agency 2014A Merged & Amended Tax Allocation Refunding Bonds - U.S. Bank First American Government Obligation Fund (0.02%)	3,754,500	3,754,500
Successor Agency Refunding Bonds 2018A - U.S. Bank First American Government Obligation Fund (0.02%)	455,000	455,000
Pension Obligation Bonds First American Government Obligation Fund (0.02%)	11,384	11,384
Total Fiscal Agent Cash and Investments	36,644,887	36,644,887

3. Investment Report for September 2021

MONTHLY SUMMARY COMPLIANCE CERTIFICATE
September 2021

Note: All concentration restrictions were obtained from Sections 53601 and 53635 of the Government Code or the City's Investment Policy as of June 8, 2021, whichever was the more stringent.

1. U.S. Agencies

(A) Total amount (book value) of U.S. Agency securities owned by the City = \$60,081,098.

(B) Total amount allowed (75% of portfolio book value) of all City investments = \$99,671,744.

Is (A) less than (B) at time of purchase? Yes X No _____

2. Money Market Mutual Funds

(A) Total amount (book value) invested in money market mutual funds by the City = \$5,224,124.

(B) Total amount allowed (\$15 million or 20% of portfolio book value, whichever is less) of all City investments = \$15,000,000

Is (A) less than (B)? Yes X No _____

3. Medium-Term Notes

(A) Total amount (book value) invested in medium-term notes by the City = \$17,209,880.

(B) Total amount allowed (20% of portfolio book value) of all City investments = \$26,579,132.

Is (A) less than (B) at time of purchase? Yes X No _____

4. Excluded Investment Vehicles

(A) Are any securities excluded by the Statement of Investment Policy currently included in the City's portfolio?

Yes _____ No X

5. Investment Management Agreements

(A) Does the City have any investment manager or advisor agreements?

Yes _____ No X

(B) If so, was the agreement approved in advance by the City Council?

Yes _____ No _____

(C) If so, has the City examined the methods and past performance of the investment manager?

Yes _____ No _____

(D) If so, pursuant to the agreement, does the City retain authority to make investment decisions?

Yes _____ No _____

(E) If so, pursuant to the agreement, are the investments deposited with the City's custodian?

Yes _____ No _____

6. Maturity Limits

(A) Does the City currently own any security with a maturity date in excess of five years?

Yes _____ No X

(B) Does the City currently hold no more than 50% of its portfolio in securities at time of purchase with maturities between 366 days and 730 days?

Yes X No _____

(C) Does the City currently hold no more than 35% of its portfolio in securities at time of purchase with maturities between 731 days and 1095 days?

Yes X No _____

(D) Does the City currently hold no more than 30% of its portfolio in securities at time of purchase with maturities between 1096 days and 1460 days?

Yes X No _____

(E) Does the City currently hold no more than 30% of its portfolio in securities at time of purchase with maturities between 1461 days and 1825 days?

Yes X No _____

7. Issuer Limits

Does each issuer of Money Market Mutual Funds continue to meet the following requirements?

(i) Is each issuer registered with the Securities and Exchange Commission under the Investment Company Act of 1940?

Yes _____ No _____ N/A X

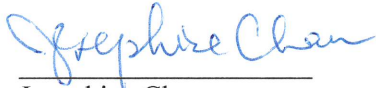
(ii) Does the fund of each issuer carry the highest rating of at least two of the three largest national rating agencies?

Yes _____ No _____ N/A X

(iii) Has each issuer retained an investment adviser registered with the Securities and Exchange Commission with not less than five years' experience managing money market mutual funds with assets under management in excess of \$500 million?

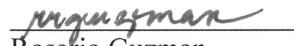
Yes _____ No _____ N/A X

Prepared By:



Josephine Chan
Investment/Revenue Officer

Audited By:



Rosario Guzman
Accountant

We hereby certify that for the month of September 2021, the investment actions of the City of Orange comply in all respects with the requirements of the California Government Code and the City's current Investment Policy. Additionally, we certify that there is sufficient cash flow to cover the next six months' expenditures barring any catastrophic natural disasters. Market values are obtained through ICE Data Pricing and Reference Data, the State Treasurer's Office, U.S. Trust and U.S. Bank.

Certified By:



Richard A. Rohm
City Treasurer

Verified By:



William M. Kolbow
Assistant City Manager
Administrative Services Director

DATED: October 20, 2021

City of Orange Investment Portfolio
September 30, 2021
(Sorted by TYPE)

BANK / BROKER	PURCHASE DATE	DESCRIPTION	MATURITY DATE	RATE	YIELD	PAR VALUE	BOOK VALUE	MARKET VALUE
(I) LOCAL AGENCY INVESTMENT FUND (LAIF)								
		City	-	0.206	0.206	23,900,000.00	23,900,000.00	23,900,000.00
		OSA	-	0.206	0.206	23,500,000.00	23,500,000.00	23,500,000.00
						47,400,000.00	47,400,000.00	47,400,000.00
(II) FEDERAL HOME LOAN MORTGAGE CORPORATION								
Stifel Nicolaus & Co Inc.	12/10/2020	FHLMC	3/29/2024	0.350	0.350	5,000,000.00	5,000,000.00	5,003,632.85
Stifel Nicolaus & Co Inc.	11/19/2020	FHLMC	9/25/2024	0.400	0.408	4,575,000.00	4,573,936.46	4,562,095.30
UBS Financial Services	12/17/2020	FHLMC	6/17/2025	0.500	0.500	2,500,000.00	2,500,000.00	2,484,586.08
Stifel Nicolaus & Co Inc.	10/28/2020	FHLMC	10/28/2025	0.600	0.600	9,000,000.00	9,000,000.00	8,901,070.38
						21,075,000.00	21,073,936.46	20,951,384.61
(III) FEDERAL NATIONAL MORTGAGE ASSOCIATION								
UBS Financial Services	12/29/2020	FNMA	12/29/2023	0.280	0.280	5,000,000.00	5,000,000.00	4,996,717.35
UBS Financial Services	11/20/2020	FNMA	5/17/2024	0.375	0.375	5,000,000.00	5,000,000.00	5,001,207.55
UBS Financial Services	12/14/2020	FNMA	6/14/2024	0.375	0.375	5,000,000.00	5,000,000.00	4,987,634.00
UBS Financial Services	11/20/2020	FNMA	2/18/2025	0.500	0.500	5,000,000.00	5,000,000.00	4,988,151.10
						20,000,000.00	20,000,000.00	19,973,710.00
(IV) FEDERAL HOME LOAN BANK								
Stifel Nicolaus & Co Inc.	3/29/2021	FHLB	3/28/2024	0.350	0.370	5,000,000.00	4,997,506.02	4,995,725.60
Stifel Nicolaus & Co Inc.	7/28/2021	FHLB	4/28/2025	0.650	0.650	4,000,000.00	4,000,000.00	3,991,543.68
Stifel Nicolaus & Co Inc.	5/4/2021	FHLB	4/29/2025	0.750	0.750	5,000,000.00	5,000,000.00	4,998,172.35
Stifel Nicolaus & Co Inc.	7/29/2021	FHLB	7/29/2026	0.900	0.859	5,000,000.00	5,009,655.56	4,978,897.70
						19,000,000.00	19,007,161.58	18,964,339.33
(V) MEDIUM TERM NOTE								
UBS Financial Services	9/20/2019	Coca Cola	9/6/2024	1.750	2.000	3,000,000.00	2,979,177.63	3,109,532.49
UBS Financial Services	12/10/2019	HSBC	6/23/2024	3.500	2.142	6,000,000.00	6,210,351.26	6,439,049.52
Stifel Nicolaus & Co Inc.	11/19/2020	Toyota	10/16/2025	0.800	0.696	5,000,000.00	5,020,585.74	4,933,577.50
Stifel Nicolaus & Co Inc.	2/8/2021	Apple	2/8/2026	0.700	0.702	3,000,000.00	2,999,764.95	2,965,468.95
						17,000,000.00	17,209,879.58	17,447,628.46
(VI) U.S. TREASURY								
Stifel Nicolaus & Co Inc.	9/30/2021	U.S. T-Note	9/30/2026	0.875	1.001	3,000,000.00	2,980,557.53	2,982,423.00
						3,000,000.00	2,980,557.53	2,982,423.00
(VII) MONEY MARKET MUTUAL FUNDS (TREASURY)								
Wells Fargo Bank		U.S. T-Note	-	0.010	0.010	5,224,123.98	5,224,123.98	5,224,123.98
						5,224,123.98	5,224,123.98	5,224,123.98
Portfolio total 9-30-2021						132,699,123.98	132,895,659.13	132,943,609.38
Portfolio total 8-31-2021						136,384,865.22	136,607,150.43	136,889,321.13

Investment Transactions

September 2021

SETTLEMENT DATE	DESCRIPTION	RATE	YIELD	CALLABLE	PAR	PRICE
PURCHASES / DEPOSITS						
Various dates	Sweep Account	0.010%	0.010%	N/A	\$ 14,425,887.37	\$14,425,887.37
9/27/2021	L.A.I.F.	0.206%	0.206%	N/A	\$ 3,500,000.00	\$3,500,000.00
9/30/2021	U.S. Treasury Stifel Nicolaus & Co Inc. 9/30/2026 Investment # 21314	0.875%	1.001%	N/A	\$ 3,000,000.00	\$2,980,547.00

Investment Transactions

September 2021

SETTLEMENT DATE	DESCRIPTION	RATE	YIELD	CALLABLE	PAR	PRICE
MATURITIES / WITHDRAWALS / CALLS						
Various dates	Sweep Account	0.010%	0.010%	N/A	\$14,211,661.36	\$14,211,661.36
Various dates	L.A.I.F.	0.206%	0.206%	N/A	\$10,400,000.00	\$10,400,000.00

City of Orange Investment Portfolio
September 30, 2021

Portfolio Performance Measures

Portfolio	Indexes		
<i>Rate of Return:</i>			
Portfolio Effective Rate of Return - for September	0.51%	0.04%	3 month Treasury -- September Average
Portfolio Effective Rate of Return - for Fiscal Year-to-date	0.50%	0.05%	6 month Treasury -- September Average
Portfolio Yield to Maturity at 9/30/2021	0.51%	0.07%	1 year Treasury -- September Average
<i>Total Rate of Return:</i>			
Total Rate of Return - for September (not annualized)	-0.22%	-0.09%	1-3 Year Treasury Index--Total Rate of Return for September (not annualized)
Total Rate of Return - for 2021 Y-T-D - (not annualized)	-0.41%	-0.05%	1-3 Year Treasury Index--Total Rate of Return for 2021 Y-T-D (not annualized)
<i>Other:</i>			
Portfolio Weighted-Average Time to Maturity	2.03	Years	
Market Value as percent of Portfolio, 9/30/2021	100.04%		
Market Value as percent of Portfolio, 8/31/2021	100.21%		
Federal Agency Securities as percent of Portfolio, 9/30/2021	45.21%		

Portfolio Effective Rate of Return: interest earnings (not receipts) for period divided by average daily balance for period, annualized (multiplied by quotient of 365 divided by days in period).

Portfolio Yield to Maturity: weighted-average yield to maturity (or call date, if applicable) for entire portfolio;

in the case of coupon investments, includes an adjustment to the face rate for any premium paid or discount received.

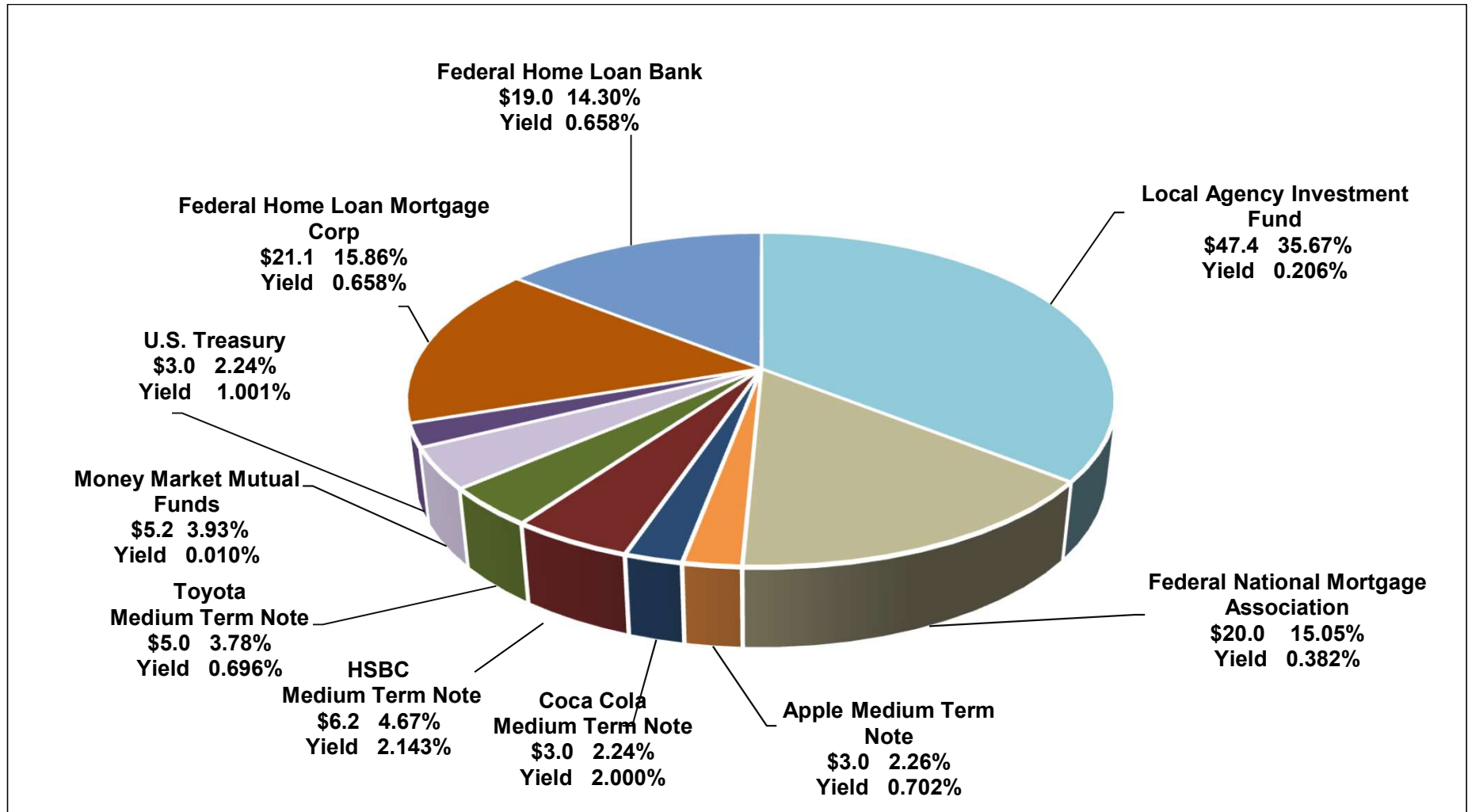
Source of Market Value: ICE Data Pricing and Reference Data provides market value on all instruments.

Total Rate of Return: growth or decline in the value of the portfolio, including both changes in the market value and income, as a proportion of the starting value, adjusted on a time-weighted basis (per Modified Dietz Method) for cash flows into or out of the portfolio during the period.

The Modified Dietz Method assumes a constant rate of return on the portfolio during the period and is not based on daily valuations.

City of Orange Investment Portfolio

September 30, 2021



Total Portfolio \$132,895,659

Chart Dollar Values in Millions of Dollars

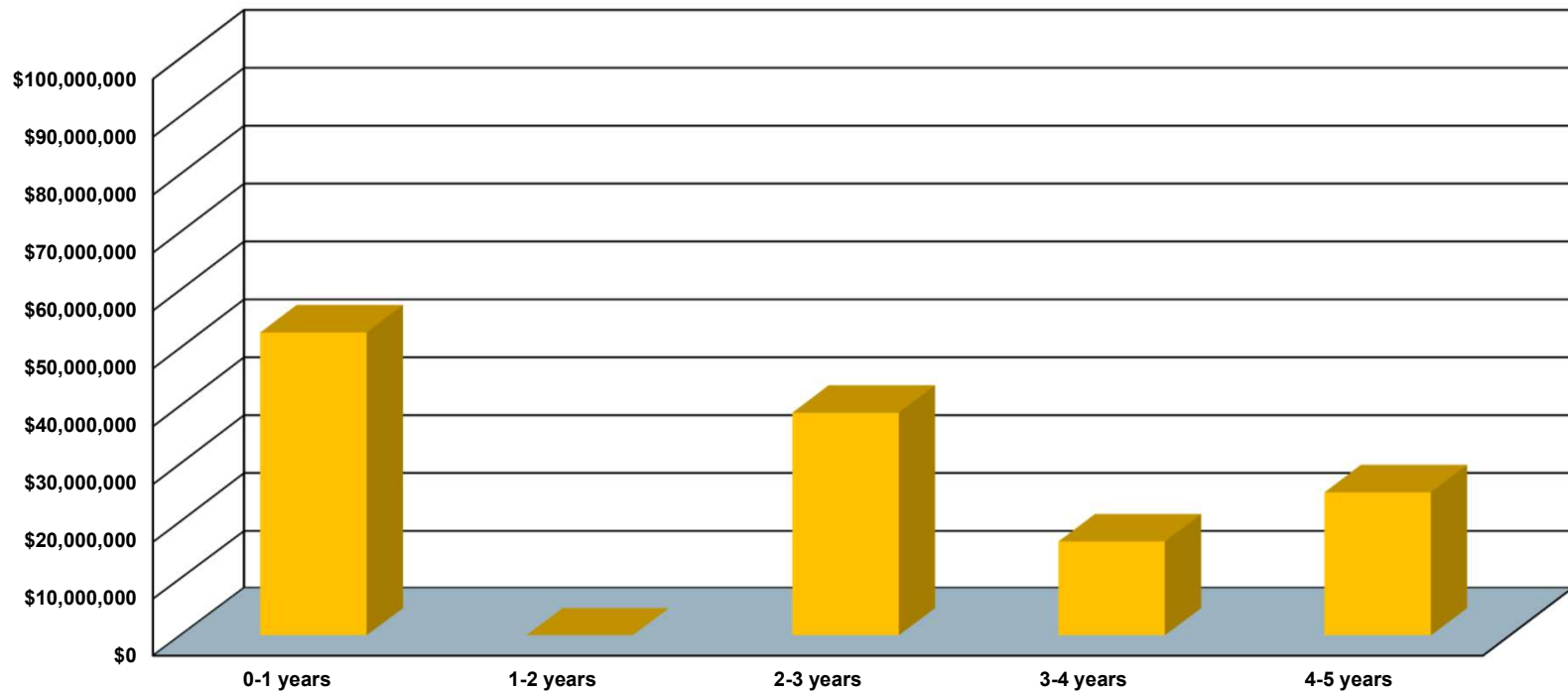
City of Orange Investment Portfolio

September 30, 2021

Maturity Aging Schedule

Maturing in	Book Value	
0-1 years	52,624,124	40%
1-2 years	0	0%
2-3 years	38,760,971	29%
3-4 years	16,500,000	12%
4-5 years	25,010,564	19%
	<u>\$132,895,659</u>	<u>100%</u>

Weighted-average years to maturity for portfolio = **2.03**



City of Orange
Reconciliation of Total Cash and
Investments to General Ledger
As of September 30, 2021

Treasurer's Operating Cash and Investments		
Checking, Payroll & PMA - Wells Fargo	327,244	
Treasurer's Investments	132,895,659	
Accrued Interest	521	
Cash in transit	<u>(2,363,099)</u>	130,860,325
Imprest Cash		12,200
Fiscal Agent Cash and Investments		<u>34,709,760</u>
Total Cash & Investments		<u>165,582,285</u>
Total Cash and Investments per General Ledger ¹		163,581,001
Plus Outstanding Checks		<u>2,001,284</u>
Total Cash & Investments		<u>165,582,285</u>

1 Includes adjustment for month-end timing differences.

City of Orange
Fiscal Agent Investments
As of September 30, 2021

	Carrying Value	Market or Contract Value
Fiscal Agent Cash and Investments		
Community Facilities District 91-2 2013 Special Tax Refunding Bonds - U.S. Bank First American Government Obligation Fund (0.02%)	3,521,857	3,521,857
Lease Revenue Bonds Series 2020 A First American Government Obligation Fund (0.02%)	28,557,527	28,557,527
Successor Agency 2008A Merged & Amended Tax Allocation Bonds - U.S. Bank First American Government Obligation Fund (0.02%)	2,493	2,493
Successor Agency 2008B Merged & Amended Tax Allocation Bonds - U.S. Bank First American Government Obligation Fund (0.02%)	3	3
Community Facilities District 06-1 2015 Special Tax Refunding Bonds - U.S. Bank First American Government Obligation Fund (0.02%) US Treasury Bond (4.375%)	2,616,485	2,616,485
Successor Agency 2014A Merged & Amended Tax Allocation Refunding Bonds - U.S. Bank First American Government Obligation Fund (0.02%)	10	10
Successor Agency Refunding Bonds 2018A - U.S. Bank First American Government Obligation Fund (0.02%)	1	1
Pension Obligation Bonds First American Government Obligation Fund (0.02%)	11,384	11,384
Total Fiscal Agent Cash and Investments	34,709,760	34,709,760



Agenda Item

Investment Advisory Committee

Item #: 9.1.

11/3/2021

File #: 21-0592

TO: Investment Advisory Committee

THRU: Will Kolbow, Assistant City Manager/Admin. Services Director

FROM: Josephine Chan, Investment/Revenue Officer

1. SUBJECT

California Forecast Sales Tax Trends and Economic Drivers

2. RECOMMENDED ACTION

Receive and file.

CALIFORNIA FORECAST

SALES TAX TRENDS AND ECONOMIC DRIVERS



Shasta County, CA

Delivering Revenue, Insight and Efficiency to Local Government Since 1983

HdL provides relevant information and analyses on the economic forces affecting California's local government agencies. In addition, HdL's Revenue Enhancement and Economic Development Services help clients to maximize revenues.

888.861.0220 | solutions@hdlcompanies.com | hdlcompanies.com



HDL CONSENSUS FORECAST – SEPTEMBER 2021

STATEWIDE SALES TAX TRENDS

HdL Companies

 **TOTAL** 2021/22 | 2022/23
10.2% | 4.0%



Autos/Transportation

2021/22 | 2022/23

2.4% | 2.4%

Receipts from auto and transportation related sales soared in the second quarter of 2021 with demand strengthened by low financing rates, a year plus of curtailed spending opportunities, government stimulus payments, and borrowing from unexpected found equity in the rising value of real estate and financial assets. Meanwhile, the supply of vehicles has been constrained by chip shortages and other production issues. Recent reports indicate the inventory shortfall is having a significant negative impact on sales, though our projection is that the strong 4th of July holiday at the beginning of the quarter, coupled with higher vehicle pricing, will offset these losses. Some sales are expected to slip during the fourth quarter, with normal gains projected going forward into 2022.



Building/Construction

7.1% | 0.5%

This forecast period follows one in which lumber prices hit record highs in May, only to plunge dramatically immediately afterward. Supply is matching demand for the moment. Further price declines are expected by the end of 2021 as China dumps vast amounts of its lumber reserves on the market. During the second quarter, building permit values climbed higher for the first time in 2.5 years, led by Single and Multi Family Residence projects while nonresidential construction was largely dormant. Office and general retail developers are still waiting for the market to signal that more space is needed before launching projects. Warehouse space is still lagging demand. The surge in permit issuance means future work for contractors and expanded demand for materials. Fire scarred areas will see an increase in supplies purchased to handle board up and roof patching ahead of wet weather.



Business/Industry

2021/22 | 2022/23

11.7% | 4.5%

Fulfillment centers were a large portion of this category's 26% growth as online sales swelled and a taxpayer's reporting change shifted 37% of their revenues from countywide pools to agencies with in-state fulfillment centers. With companies adapting to new ways of doing work, business services and technology activity spiked. While agriculture, farm, and construction equipment sales jumped, it is unknown how the continued drought and wildfires could impact future remittances. Various industries still struggle with challenges such as raw material and qualified worker shortages. Overall, returns are nearing pre-pandemic levels. The overall short-term outlook is modest gains; expect results to vary by region and segment depending upon each jurisdiction's composition of companies within this group.



Food/Drugs

2.0% | 2.0%

Brought about by worker shortages and supply shipping interruptions, inflation has driven up the cost of products in local grocery and drug stores. Prices rose over the past two years and are expected to stabilize in 2022 to a normal level of increase. Areas of the state that have seen housing expansion and/or population gains should experience new outlets built which both meet customer needs and add to the municipality's tax base. Permitted expansions of cannabis merchants has slowed; however, demand remains strong with expected greater sales volumes contributing to the steady improvement of taxes by this sector.

HDL CONSENSUS FORECAST – SEPTEMBER 2021

STATEWIDE SALES TAX TRENDS

HdL Companies

 **TOTAL** 2021/22 | 2022/23
10.2% | 4.0%

2021/22 | 2022/23



Fuel/Service Stations 23.1% | 2.8%

This industry experienced upward price pressure on sales taxes received through June. Concern for recent spikes in the COVID-19 variant has not significantly reduced demand for fuel in California. The average cost of a gallon of gas is at the highest level since the all-time record of \$4.73 set in October 2012. Oil barrel prices are in the low \$70 range and a temperate resurgence of air travel boosted recent jet fuel prices up to pre-pandemic levels. Our forecast projects consumption of fuel to trend positively through all of fiscal year 2021/2022. By the end of that year, much of the taxes lost during the worst periods of 2020 should be largely recovered.



General Consumer Goods 9.1% | 1.8%

Consumers continued to show resiliency with respect to spending in the second quarter of 2021, rebounding from the depths of the pandemic's impacts one year prior. Statewide, second quarter local tax receipts improved five percent above pre-pandemic levels. Spurred by federal stimulus, pent-up demand and a wider opening of the state economy, retailers across the boards rang up more transactions. Looking ahead, this group is expected to perform well despite a rise in Delta variant infections, recovering supply chains and decreased stimulus support. Trending back to in-person shopping, consumer demand remains healthy proven by recent data amid elevated prices. HdL expects to see positive trends endure through the remainder of the year fueled by a strong back to school shopping season and a robust holiday season that should be supported by the addition of monthly child tax credit payments.



Restaurants/Hotels 29.5% | 6.0%

Restaurants/hotels were one of the hardest hit industry groups during the beginning of the COVID-19 health crisis. In the second quarter of 2021 as restrictions were lifted and pent-up demand was released, the numbers, compared to the lowest quarter of the pandemic, strongly rebounded. Quick service receipts surpassed pre-pandemic levels while other restaurant segments neared 2019 comparable period results. Hotels began to rebound, but regional differences, a slow return for business travel and the lack of international travelers caused this group to lag behind restaurants. The 2021/22 percentage gain is sizable, mostly linked to recovery of what was lost in the preceding two fiscal years when many establishments were closed or had limited operations for weeks at a time.



State and County Pools 7.1% | 8.0%

The continual transference in consumer spending moving away from in-store purchases to the considerable ease and humongous inventory options accessible through mobile apps accelerated again as the state's economy rebounds from retailers' COVID-19 impacts last spring. Interestingly, recent returns reported a modest 10% climb, even after accounting for one company's change in return filing that redirected about one-third of use taxes collected to date for 2021 away from the pools and to local agencies with facilities that ship directly to customers. Many economic experts forecast e-commerce/m-commerce to capture a larger share of total retail sales in the coming years. Working from home and other changes brought about by COVID-19 suggest households' future spending aligns with these lifestyle patterns. Pools growth is forecasted to produce gains aligned closer to historic levels dating back to 2019 and prior years.

Proposition 172 projections vary from statewide Bradley-Burns calculations due to the state's utilization of differing collection periods in its allocations to counties. HdL forecasts a statewide increase of 9.6% for Fiscal Year 2021/22 and 4.0% for 2022/2023.

NATIONAL AND STATEWIDE ECONOMIC DRIVERS



U.S. Real GDP Growth

2020/21 | 2021/22

13.0% | 4.0%

With stellar growth in the first half of 2021, U.S. GDP surpassed pre-pandemic levels despite having 5 million fewer workers than early last year. More people are expected to rejoin the workforce as wages rise, but a smaller workforce will not necessarily mean slower economic growth if recent productivity increases can be sustained. Businesses are investing heavily in this. Capital expenditures are up by \$600 billion (9.2%) from the pre-pandemic peak. Meanwhile, highly effective vaccines have substantially decreased the economic risks from COVID-19. Temporary surges in cases will simply push growth to the following quarter rather than leave any lasting impact. The greater risk in the medium term is the coming unwinding of monetary stimulus from the U.S. Federal Reserve, which will increase the cost of servicing debt for public and private entities.



CA Unemployment Rate

2020/21 | 2021/22

7.6% | 4.8%

The unemployment rate in California has already dropped by more than half since the depths of the pandemic. Part of this improvement is a function of the huge increase in the number of people not seeking work, a category not counted as unemployed in government surveys, but not all of these workers have left the labor force indefinitely. As a result, the lower unemployment rate tends to confuse the complex labor market recovery, which is better demonstrated by total nonfarm employment. Higher unemployment rates may even be a welcome sign that hot economic conditions are inducing workers to look for work after having temporarily dropping out of the workforce. Unemployment should continue to steadily decline into next year.



CA Median Existing Home Price

\$626,187 | \$669,232

The eye-popping 18% increase in housing prices in the past year has been fueled by extremely low inventories, currently at a historic low of 1.8 months' supply. Ample household savings, rising asset prices, and low interest rates have further driven the housing boom. This has powered a broad increase in prices across the state. The Case-Shiller Index for Los Angeles and San Francisco increased over 37% and 20% on a month-over-month annualized basis in June, but these remain far from historic high increases for each of these municipalities. Although the market will cool slightly in the fall, housing prices are expected to increase 6% on a year-over-year basis in the coming quarters. Prices are more likely to come under control as interest rates rise in 2022.



U.S. Unemployment Rate

6.9% | 4.4%

The rapid decline of unemployment to 5.2% in August reflects improving economic conditions but obscures the rocky recovery in the labor market. Total employment remains depressed because of a confluence of factors, including mass retirements of baby boomers and generous unemployment support. The expiration of COVID-related unemployment benefits in September, along with rising wages, will entice more people to seek work. But do not expect a complete return to the status quo. Higher labor costs will continue to fundamentally alter segments of the economy. Companies will be forced either to close or innovate through automation, retraining or pivoting to other business offerings. This will particularly impact the service sector, including restaurants and hotels.



CA Residential Building Permits

126,181 | 135,285

The recent passing of California's Senate Bill 9, which compels local governments to allow high-density housing, will help alleviate the ongoing housing crisis caused by inadequate supply. The law could increase the number of building permits in the coming years. In the meantime, permits are expected to continue to rise into next year, topping 120,000 for the first time since 2007.



CA Total Nonfarm Employment Growth

-5.5% | 6.2%

Following the broad national trend, California's recovery has been rapid but with far fewer workers. This trend was evident before pandemic restrictions lifted, with the state clawing back to within 98.5% of its pre-pandemic size by the first quarter of 2021 (the latest available data). As a result, the economy is now almost certainly larger than pre-pandemic levels. Despite this trend, total nonfarm employment remains 1.2 million jobs (7%) smaller than before the pandemic. On the one hand, this underscores the considerable leaps in productivity achieved to sustain the recovery with far fewer workers. On the other hand, the dearth of workers could devastate some small businesses, particularly in retail and entertainment, whose existence and profit margins depend on staffing. Expected higher wages will eventually attract more workers, but California's labor market will not return to pre-pandemic levels until the fourth quarter of 2022.

HdL Companies

120 S. State College Blvd., Suite 200

Brea, CA 92821

Telephone: 714.879.5000 • 888.861.0220

California's allocation data trails actual sales activity by three to six months. HdL compensates for the lack of current information by reviewing the latest reports, statistics and perspectives from fifty or more economists, analysts and trade associations to reach a consensus on probable trends for coming quarters. The forecast is used to help project revenues based on statewide formulas and for reference in tailoring sales tax estimates appropriate to each client's specific demographics, tax base and regional trends.

Beacon Economics LLC

5777 West Century Boulevard, Suite 895

Los Angeles, CA 90045

Telephone: 310.571.3399

Beacon Economics has proven to be one of the most thorough and accurate economic research/analytical forecasting firms in the country. Their evaluation of the key drivers impacting local economies and tax revenues provides additional perspective to HdL's quarterly consensus updates. The collaboration and sharing of information between Beacon and HdL helps both companies enhance the accuracy of the work that they perform for their respective clients.



HdL Companies

714.879.5000 | hdlcompanies.com



Agenda Item

Investment Advisory Committee

Item #: 9.2.

11/3/2021

File #: 21-0593

TO: Investment Advisory Committee

THRU: Will Kolbow, Assistant City Manager/Admin. Services Director

FROM: Josephine Chan, Investment/Revenue Officer

1. SUBJECT

Sales Tax Update

2. RECOMMENDED ACTION

Receive and file.

CITY OF ORANGE

SALES TAX UPDATE

2Q 2021 (APRIL - JUNE)



ORANGE

TOTAL: \$ 13,469,141

43.1%
2Q2021



37.6%
COUNTY

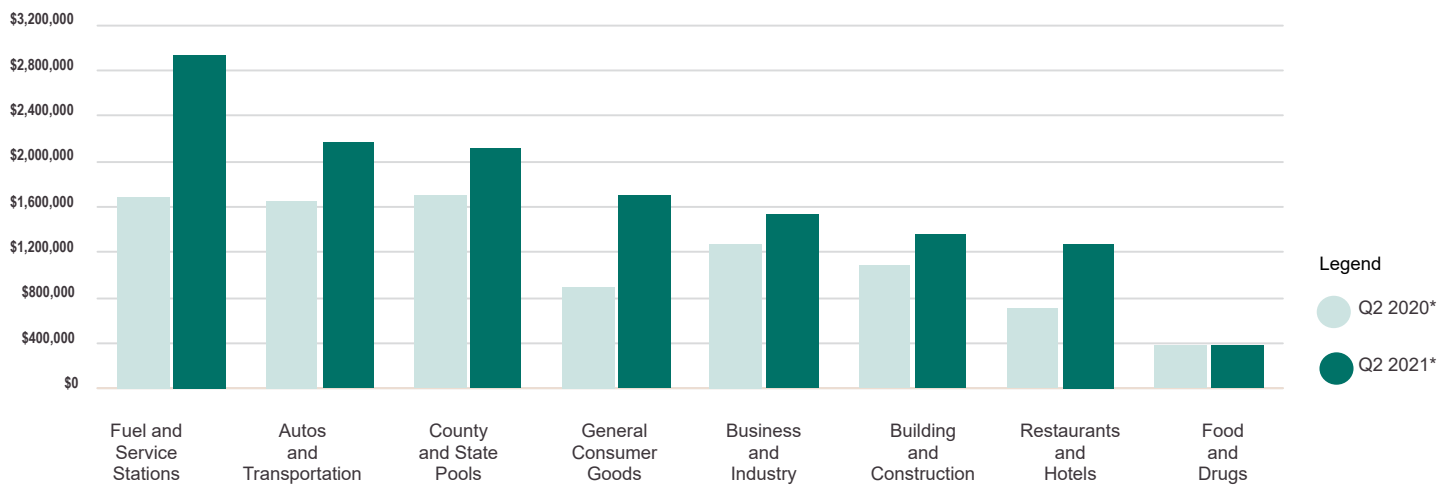


37.3%
STATE



**Allocation aberrations have been adjusted to reflect sales activity*

SALES TAX BY MAJOR BUSINESS GROUP



CITY OF ORANGE HIGHLIGHTS

Orange's receipts from April through June were 61.9% above the second sales period in 2020. Excluding reporting aberrations, actual sales were up 43.1%.

The loosening of COVID restrictions in recent months has led to a rapid recovery in global demand for crude oil, resulting in higher prices at the pump. The restaurant-hotel sector has posted significant increases, despite impacts from the COVID-19 Delta variant and labor shortages.

High demand and low supply resulted in higher sticker prices for both new and used autos. General consumer goods saw tremendous growth in 2Q21 as shopping malls opened and consumers began to return to in-person shopping, work, and leisure activities.

Consumers are still interested in home

improvements projects, even as the price of lumber soared 300% above its pre-pandemic price tag in 2Q21.

Although supply chain interruptions proved challenging for the business-industry sector, new orders are up resulting in higher revenue. Although revenue from food-drugs remained flat, food prices will continue to rise as suppliers struggled with shortages, transportation issues, weather, and labor shortages.

The City's share of the countywide use tax pool increased 25.0% when compared to the same period in the prior year.

Net of aberrations, taxable sales for all of Orange County grew 37.6% over the comparable time period; the Southern California region was up 40.3%.



TOP 25 PRODUCERS

Arco Food Mart	Target
Best Buy	Thompson Building Materials
Cardlock Fuels System	Toyota Lease Trust
Convergent Technologies	Toyota Scion of Orange
David Wilsons Villa Ford	Vercor Decking
DMG Corporation	Walmart
Enterprise Rent A Car	
Foundation Building Materials	
Home Depot	
L & W Supply	
Mazda of Orange	
MS International	
NIKE Factory Store	
Ralphs	
SC Fuels	
SC Lubricants	
SPC Distributors	
Selman Chevrolet	
Stadium Nissan	



STATEWIDE RESULTS

The local one cent sales and use tax from sales occurring April through June, was 37% higher than the same quarter one year ago after factoring for accounting anomalies and back payments from previous quarters.

The 2nd quarter of 2020 was the most adversely impacted sales tax period related to the Covid-19 pandemic and Shelter-In-Place directive issued by Governor Newsom. The 2Q21 comparison quarter of 2Q20 was the lowest since 2Q14 due to indoor dining restrictions at most restaurants; non-essential brick and mortar store closures; and employee remote/work from home options which significantly reduced commuting traffic and fuel sales. Therefore, similar to the 1st quarter 2020 comparison, dramatic percentage gains for 2Q21 were anticipated and materialized.

Up to this point through California's recovery, we've seen some regions experience stronger gains than others. However, with the latest data and the depths of declines in the comparison period, statewide most regions saw very similar growth.

Within the results, prolonged gains by the auto-transportation and building-construction industries generated higher receipts. Although the explosion of sales by new and used car dealers has come as welcome relief, the latest news of inventories being stretched thin due to the micro processing chip issues earlier in the year may result in a headwind into 2022. Conversely for the building-construction group, as housing prices in many markets increased over the last year, sustained available homeowner and investor equity is in place for the foreseeable future. Receipts from general consumer goods marked a steady and expected come back, led by family apparel, jewelry and home furnishing stores. When combined with solid greater economic trends, this is a welcome

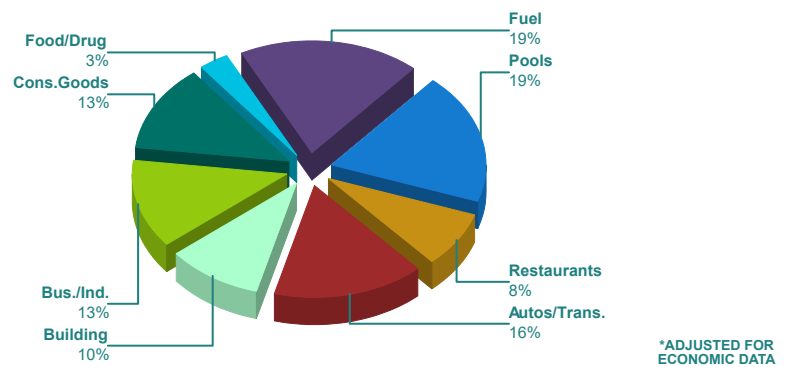
sign for many companies as a lead up to the normal holiday shopping period later this calendar year.

As consumers flock back into retail locations and with AB 147 fully implemented, growth from the county use tax pools - largely enhanced by out-of-state online sales activity - returned to more traditional gains of 9%. These results also included the reallocation of tax dollars previously distributed through the countywide pools to specific local jurisdictions that operate in-state fulfillment centers. Thus, the business and industry category, where fulfillment centers, medical-biotech vendors and garden-agricultural supplies are shown, jumped 26%.

In June, many restaurants reopened indoor dining. Given consumer desires to eat out and beautiful spring weather, all categories experienced a strong, much-needed rebound. However, labor shortages and a rise in menu prices continue to be a concern.

Looking ahead, sustained sales tax growth is still anticipated through the end of the 2021 calendar year. Inflationary effects are showing up in the cost of many taxable products. Pent up demand for travel and experiences, the return of commuters with more costly fuel, and labor shortages having upward pressure on prices may begin to consume more disposable income and tighten growth by the start of 2022.

REVENUE BY BUSINESS GROUP Orange This Fiscal Year*



TOP NON-CONFIDENTIAL BUSINESS TYPES

Orange Business Type	Q2 '21*	Change	County Change	HdL State Change
Petroleum Prod/Equipment	2,306.5	69.7% ↑	71.6% ↑	79.8% ↑
New Motor Vehicle Dealers	1,515.7	42.8% ↑	51.3% ↑	55.9% ↑
Building Materials	879.0	23.5% ↑	19.4% ↑	21.8% ↑
Service Stations	631.4	90.6% ↑	82.1% ↑	73.9% ↑
Casual Dining	614.2	139.1% ↑	134.3% ↑	130.5% ↑
Quick-Service Restaurants	437.9	27.3% ↑	26.3% ↑	28.8% ↑
Contractors	359.7	36.5% ↑	17.1% ↑	23.4% ↑
Family Apparel	326.9	215.3% ↑	172.3% ↑	230.5% ↑
Medical/Biotech	263.1	17.1% ↑	27.2% ↑	23.6% ↑
Office Equipment	231.1	35.6% ↑	6.8% ↑	2.5% ↑

*Allocation aberrations have been adjusted to reflect sales activity

*In thousands of dollars



Agenda Item

Investment Advisory Committee

Item #: 10.1.

11/3/2021

File #: 21-0617

TO: Investment Advisory Committee

THRU: Will Kolbow, Assistant City Manager/Admin. Services Director

FROM: Josephine Chan, Investment/Revenue Officer

1. SUBJECT

Agreement with Chandler Asset Management, Inc. for Investment Services for the City for fiscal years 2021-2022 through 2023-2024; Bid No. 21-22.17.

2. RECOMMENDED ACTION

Recommend that the City Council approve the three-year agreement, commencing November 15, 2021, with two optional one-year extensions, with Chandler Asset Management, Inc. in the total amount of \$225,000 (\$75,000 per year).

3. DISCUSSION AND BACKGROUND

With the retirement of the City's Investment/Revenue Officer, the Finance Department is now in the process of restructuring job duties. The decision has been made to outsource our investment management to an outside professional firm, as this is the trend for many other jurisdictions. In October, staff prepared and distributed RFP 21-22.17 for Investment Services.

Two proposals were received in response, and these two firms met our criteria to interview: Chandler Asset Management, Inc. and PFM Asset Management, LLC. The interview panel included the Assistant City Manager, Assistant Finance Director, Budget Manager, and Investment/Revenue Officer. After reviewing the qualifications and pricing proposals of each of the two firms, the panel is recommending Chandler Asset Management, Inc. to provide investment services to the City for the fiscal years ending in June 30, 2022, 2023 and 2024.

The agreement includes the cost of properly providing investment services of the City, including: managing the City's investment portfolio; assistance in developing and implementing investment strategies within the parameters of the City's Investment Policy; portfolio compliance; providing investment reports, including monthly statements, quarterly investment reports, and annual portfolio performance report; maintaining relationships with the broker/dealer community; monitoring market conditions and recommend changes to policies and strategies; review the City's Investment Policy and provide recommendations; attend Investment Advisory Committees every quarter and City Council meetings as necessary, and; serve as a general resource for City staff. The agreement also includes an option for the City Manager, at the recommendation of the Assistant City Manager, to extend the agreement for two additional terms of one year each.

Chandler Asset Management, Inc. is a California firm that has specialized in focusing on the

management of high-quality fixed income portfolios for the public sector. Their main office is located in San Diego. Their firm has extensive experience in investment services for local governmental agencies. Their references are excellent and their fees are reasonable for the services provided.