



Agenda Item

City Council

Item #: 3.23.

11/10/2020

File #: 20-255

TO: Honorable Mayor and Members of the City Council

THRU: Rick Otto, City Manager

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

1. SUBJECT

Monthly Treasurer's Reports for July, August, and September 2020

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 11241 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.

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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 @ 6/30/2020	\$150,595,453
Monthly Activity:	
Cash Received	32,651,734
Cash Disbursed	<u>(80,672,214)</u>
Balance @ 9/30/2020	\$102,574,973

⁽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 2020

The July cash disbursements exceeded cash receipts by \$30,519,748. During the month, large disbursements included payments totaling \$19,242,928 to PERS for annual lump sum prepayment of unfunded liability, \$4,347,546 to Orange County Water District for pumping assessments, \$2,445,706 to PERS for employee benefits, \$1,902,023 to CIPA (California Insurance Pool Authority) for insurance, \$842,159 to Municipal Water District of Orange County for purchased water, and \$286,366 to F.S. Contractors for Americans with Disabilities Act (ADA) wheel chair access ramp improvements. In July, the City received \$4,133,189 in sales tax revenue and \$373,714 in property tax revenue.

In the month of July, one Federal Home Loan Bank note was called. The City's balance in L.A.I.F. on July 31 was \$82,517,915 or a decrease of \$21,482,085 due to cash disbursements exceeding cash receipts during the month.

For the month of August 2020

The August cash disbursements exceeded cash receipts by \$9,812,622. During the month, large disbursements included payments totaling \$4,652,437 to U.S. Bank for debt service, \$1,837,295 to PERS for employee benefits, \$1,727,558 to Municipal Water District of Orange County for purchased

water and annual water connection charge, \$1,074,935 to the Regents of the University of California, Irvine Medical Center for refund of the deposit upon the completion of the master meter program, and \$445,426 to Big Ben for street improvements. The City received \$1,606,134 in sales tax revenue.

In the month of August, one Federal Home Loan Bank note was called. The City's balance in L.A.I.F. on August 31 was \$79,400,000 or a decrease of \$3,117,915 due to cash disbursements exceeding cash receipts during the month.

For the month of September 2020

The September cash disbursements exceeded cash receipts by \$7,688,110. Large disbursements included payments totaling \$2,770,028 to U.S. Bank for debt service, \$1,841,754 to PERS for employee benefits, \$1,010,813 to Municipal Water District of Orange County for purchased water, \$991,628 to R.J. Noble for annual pavement maintenance, \$921,690 to Big Ben for street improvements, and \$485,378 to Axon Enterprise for police vehicle mobile audio and video system. The City received \$3,552,651 in sales tax revenue and \$409,280 in property tax revenue.

In the month of September, one Federal Farm Credit Bank note was called. The City's balance in L.A.I.F. on September 30 was \$84,300,000 or an increase of \$4,900,000 mainly because of the investment activity.

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.

As of September 30, 2020, the HSBC corporate bond had a book value of \$6.3 million in the portfolio. If we were going to sell this security in the current market, we would incur a gain on the investment for approximately \$218,000. However, we would lose \$764,000 on projected interest earnings for the remaining 3 ½ year term of the security. Total interest earnings would only be \$123,000 when we reinvested the bond proceeds at the current market rate. Overall, we would take a loss of \$423,000.

Based on the discussions at the most recent Investment Advisory Committee (IAC) meeting on November 4, 2020, the Committee recommends the downgraded investment be retained in the portfolio. In addition, the Committee recommends staff to continue to monitor this security and report to the Committee any negative information on the bond rating in the next 30 - 60 days for further discussions.

Investment Advisory Committee (IAC)

The next Investment Advisory Committee meeting is to be scheduled for February 2021.

7. ATTACHMENTS

- Investment Report for July 2020
- Investment Report for August 2020
- Investment Report for September 2020