



Agenda Item

City Council

Item #: 3.15.

8/10/2021

File #: 21-0410

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/Administrative Services Director

1. SUBJECT

Monthly Treasurer's Reports for April, May, and June 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 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.

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 @ 3/31/2021	\$116,888,975
Monthly Activity:	
Cash Received	75,098,648
Cash Disbursed	<u>(43,997,770)</u>
Balance @ 6/30/2021	\$147,989,853

⁽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 April 2021

The April cash receipts exceeded cash disbursements by \$3,549,027. The City received \$9,738,168 in property tax revenue, \$3,572,971 in sales tax revenue, and \$1,186,264 in annual franchise fees for gas and electricity. During the month, large disbursements included payments totaling \$2,439,877 to PERS for employee benefits, \$738,192 to R.C. Construction for Fire Station No. 1 and Fire Headquarters, \$593,176 to U.S. Bank for debt service, \$328,801 to Insight Enterprises for Microsoft software licenses, \$246,404 to Los Angeles Truck Centers for purchase of a CNG dump truck, and \$208,617 to Nieves Landscape for landscape renovation in the Santiago Hills Landscape Assessment District.

In the month of April, no investments were purchased, matured or were called. The City's balance in L.A.I.F. on April 30 was \$52,200,000 or an increase of \$4,100,000 due to cash receipts exceeding cash disbursements during the month.

For the month of May 2021

The May cash receipts exceeded cash disbursements by \$26,993,796. The City received \$14,009,094 in American Rescue Plan Act funds for economic relief during the pandemic, \$7,509,024 in property tax in lieu of vehicle license fee, \$5,325,972 in property tax revenue (\$4,367,199 as property tax increment collected for the Successor Agency and \$958,773 for the City), and \$4,591,800 in sales tax revenue. Large disbursements included payments totaling \$1,839,359 to PERS for employee benefits, \$818,268 to R.C. Construction for Fire Station No. 1 and Fire Headquarters, \$368,215 to C.J. Concrete Construction for ADA wheelchair access ramps, and \$337,207 to R.J. Noble for street rehabilitation.

In the month of May, we purchased three Federal Home Loan Bank notes (0.50% for 3 years, 0.75% for almost 4 years, and 1.125% for 5 years). The City's balance in L.A.I.F. on May 31 was \$41,500,000 or a decrease of \$10,700,000 as a result of surplus cash not transferred to LAIF due to staffing constraints.

The City invested \$33,835,748 of its portfolio in money market mutual funds on May 31, which was \$18,835,748 above the maximum limit allowed in the investment policy. This investment category

was out of compliance because surplus funds were not transferred to LAIF until in early June.

For the month of June 2021

The June cash receipts exceeded cash disbursements by \$558,055. The City received \$3,890,206 in sales tax revenue, \$2,002,537 in bond requisition from the lease revenue bonds issued to finance the Fire Headquarters and Fire Station No.1 project, and \$190,541 in property tax revenue. Large disbursements included payments totaling \$1,868,747 to PERS for employee benefits, \$1,199,077 to R.C. Construction for Fire Station No. 1 and Fire Headquarters, \$484,963 to Municipal Water District of Orange County for purchased water, \$343,805 to KASA Construction for renovations at Handy Park, and \$209,133 to C.J. Concrete Construction for concrete replacement at various locations.

In the month of June, one Federal Home Loan Bank note was called. The City's balance in L.A.I.F. on June 30 was \$66,500,000 or an increase of \$25,000,000 due to transfer of surplus cash received in May and the called bond proceeds.

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.

The Investment Advisory Committee (IAC) recommends the downgraded investment be retained in the portfolio. In addition, the Committee recommends staff to continue to monitor this security and report any negative information on the bond rating to the Committee for further discussions.

Investment Advisory Committee (IAC)

The most recent IAC meeting was August 4, 2021 while the next quarterly Committee meeting is to be scheduled for November 2021.

7. ATTACHMENTS

- Investment Report for April 2021
- Investment Report for May 2021
- Investment Report for June 2021