



# Agenda Item

## City Council

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Item #: 3.25.

11/9/2021

File #: 21-0604

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**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 &amp; Investments</u> <sup>(1)</sup>
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

<sup>(1)</sup>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, \$1,856,755 to PERS for employee benefits, \$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,

\$1,848,665 PERS for employee benefits, \$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