



REQUEST FOR CITY COUNCIL ACTION

MEETING DATE: JUNE 24, 2025

TITLE: TREASURER'S REPORT FOR THE QUARTER
ENDED MARCH 31, 2025

Director of Administrative Services

Signed by:

7809AA719A2B4C7...

City Manager

RECOMMENDED ACTION

Receive and file the Treasurer's Report for the quarter ended March 31, 2025.

EXECUTIVE SUMMARY

The Treasurer's Report (Attachment 1) provides a synopsis of investment activity for the City's three investment portfolios for the quarter ended March 31, 2025. The portfolios, managed by Meeder Investment Management and Stifel Topalian Investment Group, under the direction of the Treasurer, include the Irvine Pooled Investment Portfolio, Gateway Preserve Portfolio, and the Special District Funds Portfolio. The total book value for all three portfolios was \$1.85 billion as of March 31, 2025. The report provides information on assets, allocations, average maturities, yields, and valuations for each of the three portfolios. A discussion of market conditions is included to give additional perspective to these measurements.

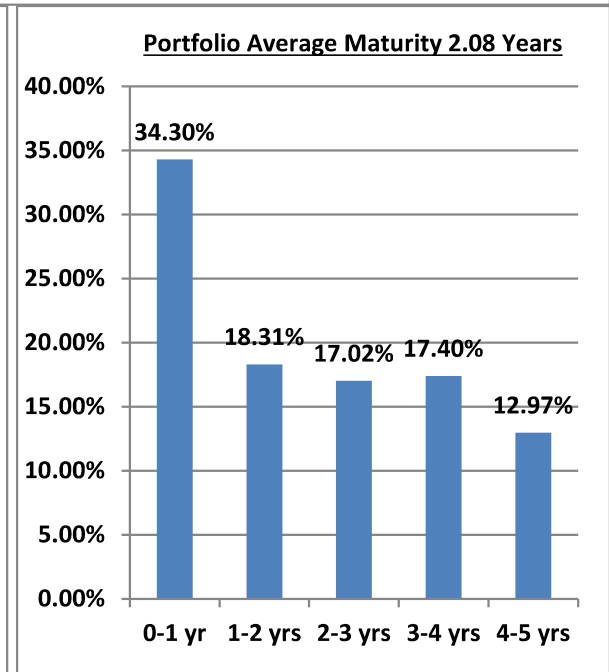
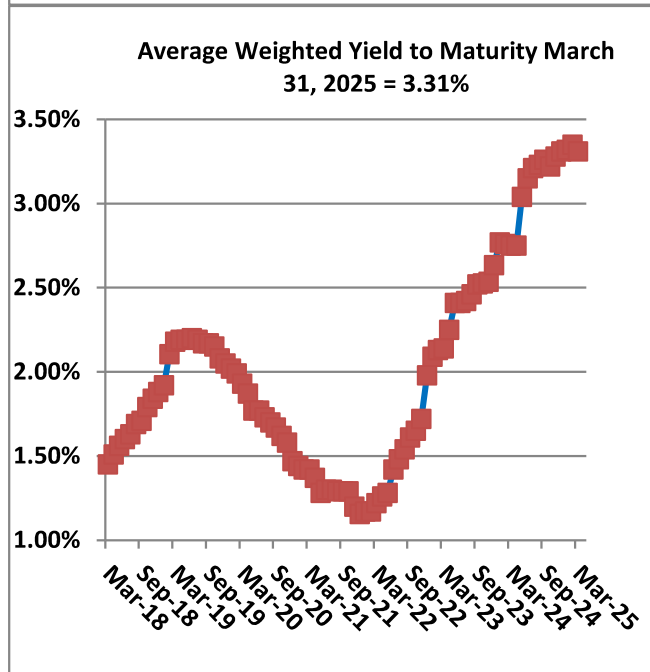
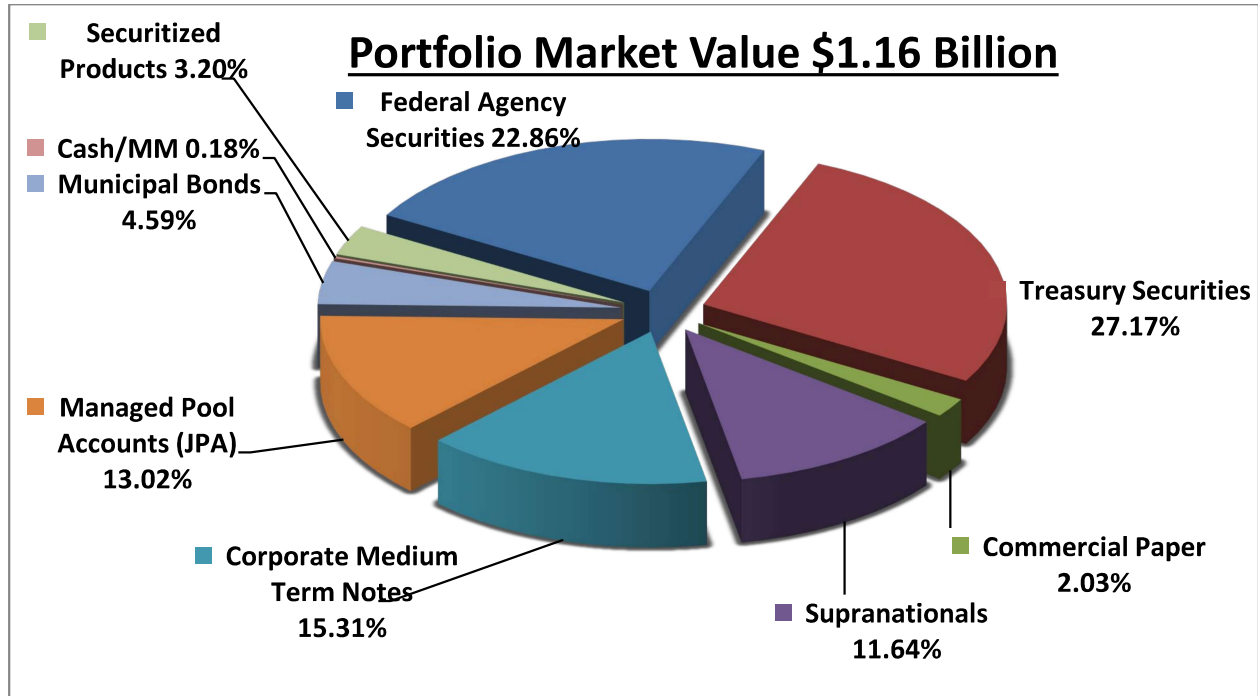
As of March 31, 2025, the City's investment portfolios are in full compliance with the City's Investment Policy, the California Government Code Section 53601, and have sufficient cash flow from a combination of liquid and maturing securities, bank deposits, and income to meet the City's expenditure requirements.

COMMISSION/BOARD/COMMITTEE RECOMMENDATION

At its regular meeting of May 14, 2025, the Investment Advisory Committee recommended that the City Council receive and file the Treasurer's Report for the fiscal quarter ended March 31, 2025 by a 5-1 vote (Committee Members Kandasamy, Hansen, Judd, Totunji, and Wei approving; Committee Member Kashalkar absent).

ANALYSIS

The Pooled Investment Portfolio holds the City's operating funds. Charts on following pages provide highlights on asset allocation, maturity distribution, credit quality, as well as the book yield history of this portfolio only. The Treasurer's Report provides detailed information on all three portfolios.



ALTERNATIVES CONSIDERED

None. The Treasurer’s Report is intended to provide historical information about the City’s investment portfolios. Pursuant to the City’s Investment Policy, the Treasurer is required to submit quarterly Treasurer’s reports to the Investment Advisory Committee, the Finance Commission, and the City Council.

City Council Meeting

June 24, 2025

Page 3 of 3

FINANCIAL IMPACT

Fiscal year-to-date investment income for the Irvine Pooled Investment Portfolio, Gateway Preserve Bond Portfolio, and Special District Funds Portfolio totaled \$60.16 million with investments structured for security and liquidity.

REPORT PREPARED BY Don Collins, City Treasurer

Attachments:

1. Treasurer's Report for the quarter ended March 31, 2025
2. Summary of Irvine Pooled Investment Portfolio by Fund



**CITY OF IRVINE
TREASURER’S REPORT
For Quarter Ended March 31, 2025**

The City of Irvine maintains three investment portfolios, the Irvine Pooled Investment Portfolio, Gateway Preserve Portfolio, and the Special District Funds Portfolio. As of the quarter ended, March 31, 2025, combined book value of the three portfolios totaled \$1.84 billion. This report provides detailed information of all three portfolios, along with an analysis of market conditions.

Irvine Pooled Investment Portfolio

The Irvine Pooled Investment Portfolio contains funds invested for the daily operational requirements of the City and funds reserved for economic uncertainties, future rehabilitation and maintenance needs. The portfolio is a combination of various operational funds, including the City’s Asset Management Plan and funds earmarked for the development of the Great Park. A summary of Irvine Pooled Investment Portfolio by Fund is presented at the end of this report (Attachment 2).

As of March 31, 2025, the book value (purchase price of securities as recorded on the City’s books) of the portfolio was \$1.17 billion and the average yield to maturity was 3.31 percent. Fiscal year to date investment revenue (interest payments and capital gains) generated by the portfolio as of March 31, 2025 was \$26.42 million. The table below compares the portfolio’s statistics over a rolling 12-month period.

**Irvine Pooled Investment Portfolio
Rolling 12-Month Quarterly Comparison**

	March 31, 2025	December 31, 2024	September 30, 2024	June 30, 2024
Book Value	\$1,165,477,803	\$1,151,485,608	\$1,142,672,558	\$1,208,214,466
Market Value	\$1,161,199,821	\$1,136,418,365	\$1,140,358,929	\$1,180,415,158
Unrealized Gain/(Loss)	(\$4,277,983)	(\$15,067,243)	(\$2,313,629)	(\$27,799,309)
Unrealized Gain/(Loss) as % of Book Value	(0.37%)	(1.31%)	(0.20%)	(2.30%)
Average Yield To Maturity	3.31%	3.31%	3.26%	3.15%
Liquidity 0–6 Months	22.30%	17.83%	19.85%	26.90%
Weighted Average Maturity	2.08	2.22	2.15	1.96
Modified Duration (Years)	1.87	2.03	2.00	1.81
Quarterly Interest Earnings	\$9,609,093	\$8,100,825	\$8,708,092	\$6,300,707
Fiscal Year to Date Income	\$26,418,010	\$16,808,917	\$8,708,092	\$25,019,812

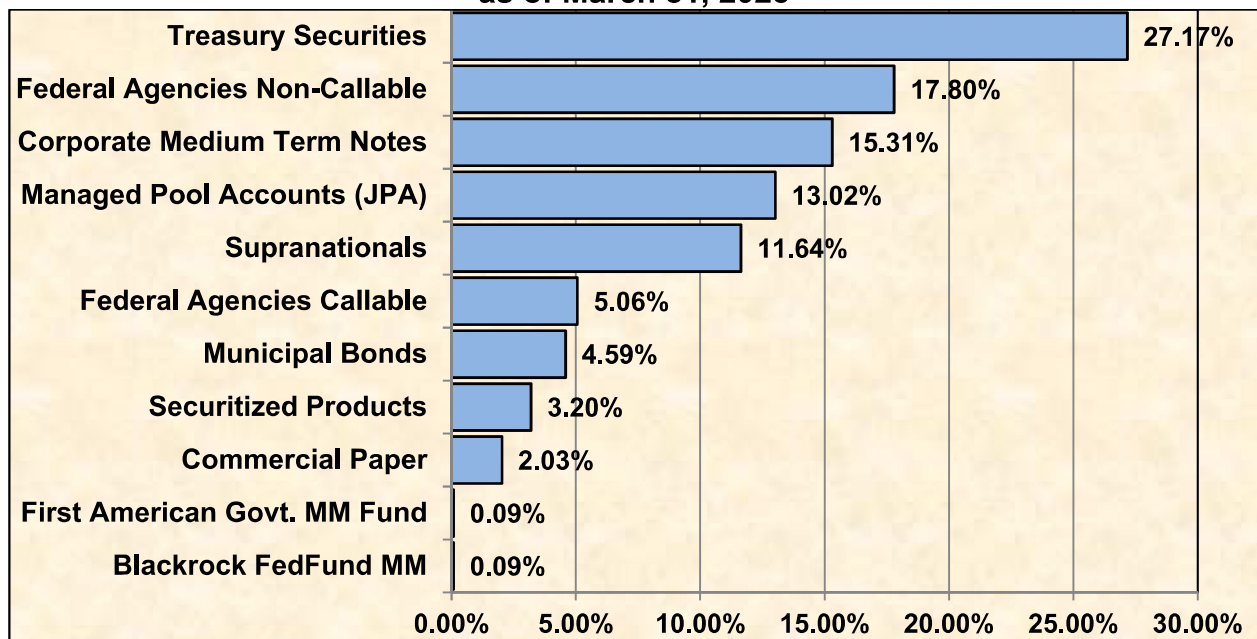
Treasurer’s Report
 Quarter ended March 31, 2025
 Page 2 of 8

As anticipated, the Irvine Pooled Investment Portfolio’s book value increased by \$13.99 million from the previous quarter due to the receipt of sales tax, developer fees and the transfer of funds from Bond Proceeds Fund Portfolio. The portfolio yield to maturity for the quarter ended March 31, 2025 remained at 3.31 percent. With market rates moving lower during the quarter, as of March 31, 2025, the portfolio ended with an unrealized loss of \$4.28 million as compared to an unrealized loss of \$15.07 million as of December 31, 2024. This is a normal result of the portfolio’s modified duration of 1.87 years and its price-sensitivity to changes in market interest rates.

To ensure the safety of the portfolio, investments held are in compliance with the Irvine Investment Policy, Bond Indentures, and State Code 53601 et al. The Irvine Pooled Investment Portfolio is comprised primarily of Treasury Securities and Federal Government sponsored entity debt, otherwise known as federal agency securities. Although both Treasury and Federal Agency securities were downgraded by Standard & Poor’s to AA+ in August 2011, and by Fitch to AA+ in August 2023, they continue to be regarded as among the safest securities in the global market. Two of the government sponsored agencies, Federal National Mortgage Association (Fannie Mae) and Federal Home Loan Mortgage Corporation (Freddie Mac), remain under conservatorship and carry an implicit guarantee by the Federal Government. In addition, both are carefully monitored by the City’s investment manager and Treasurer to ensure the continued safety of the City’s funds.

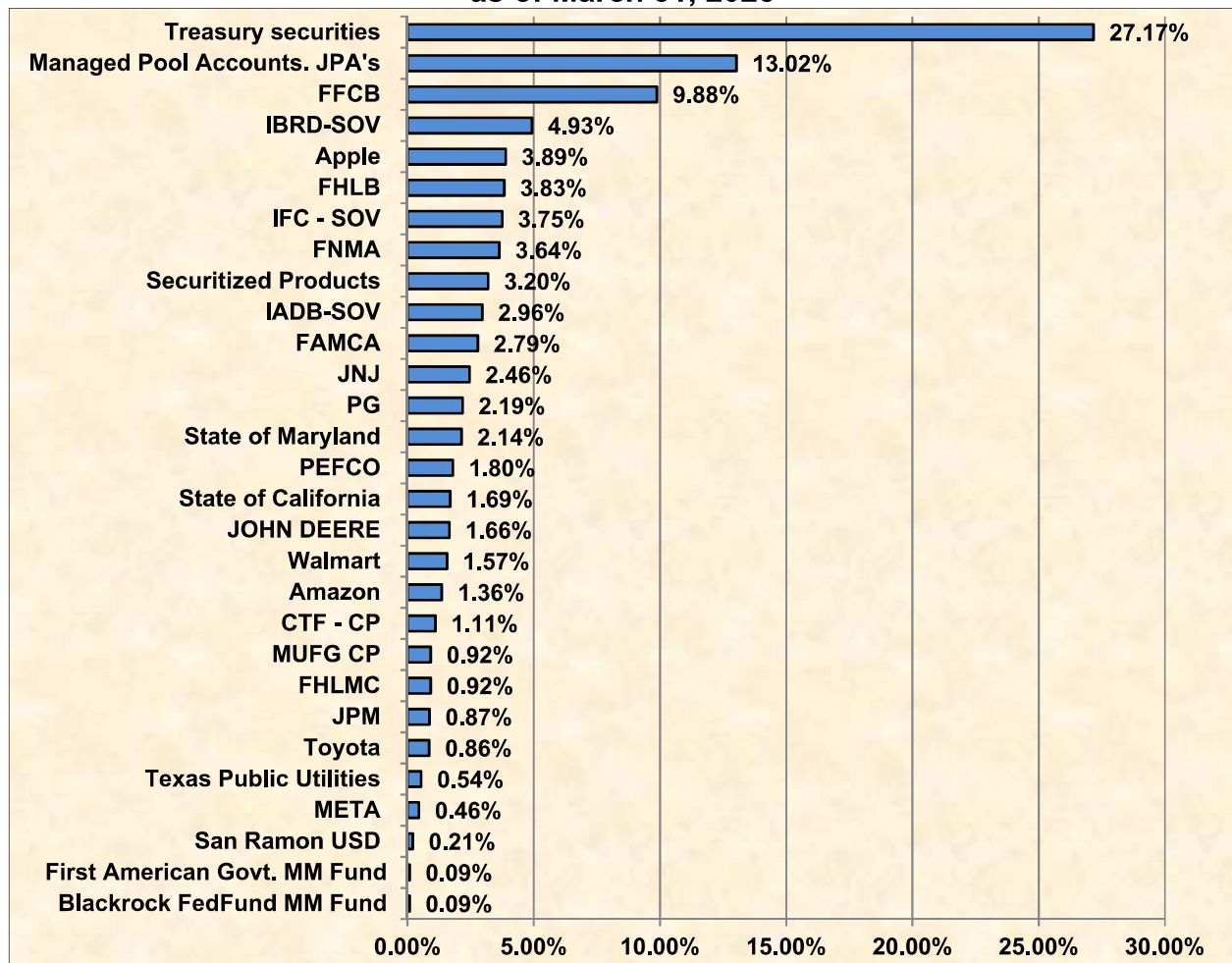
To manage liquidity, the Irvine Pooled Investment Portfolio is invested in Managed Pool Accounts (JPA), short-term Commercial Paper, Blackrock Fed Fund money market fund, and First American Government money market fund. Chart 1 shows the asset allocation of the portfolio.

Irvine Pooled Investment Portfolio
Chart 1 - Asset Allocation
as of March 31, 2025



To diversify, the City purchases United States Treasury notes, Commercial Paper, Corporate Medium-term notes, Supranational notes, asset backed securities, and securities from several different federal agencies. The five Federal Government sponsored entities the City owns are: Federal National Mortgage Association (Fannie Mae), Federal Home Loan Mortgage Corporation (Freddie Mac), Federal Home Loan Bank (Home Loan), Federal Agricultural Mortgage Corporation (Farmer Mac), and Federal Farm Credit Bank (Farm Credit). Chart 2 identifies portfolio holdings by issuer name.

**Irvine Pooled Investment Portfolio
 Chart 2 - Holdings by Issuer Name
 as of March 31, 2025**



Another key component in portfolio management is to ensure that the City has enough funds on hand to meet current expenses. As of March 31, 2025, the overnight to 6-month liquidity level for the Irvine Pooled Investment Portfolio was 22.30 percent, and 34.30 percent liquidity overnight to one year. Chart 3, on the following page, is an aging of investment maturities up to five years (the maximum maturity allowable by policy and state code) of the Irvine Pooled Investment Portfolio.

Irvine Pooled Investment Portfolio
Chart 3 - Aging of Maturing Investments (Maturity Value)
as of March 31, 2025

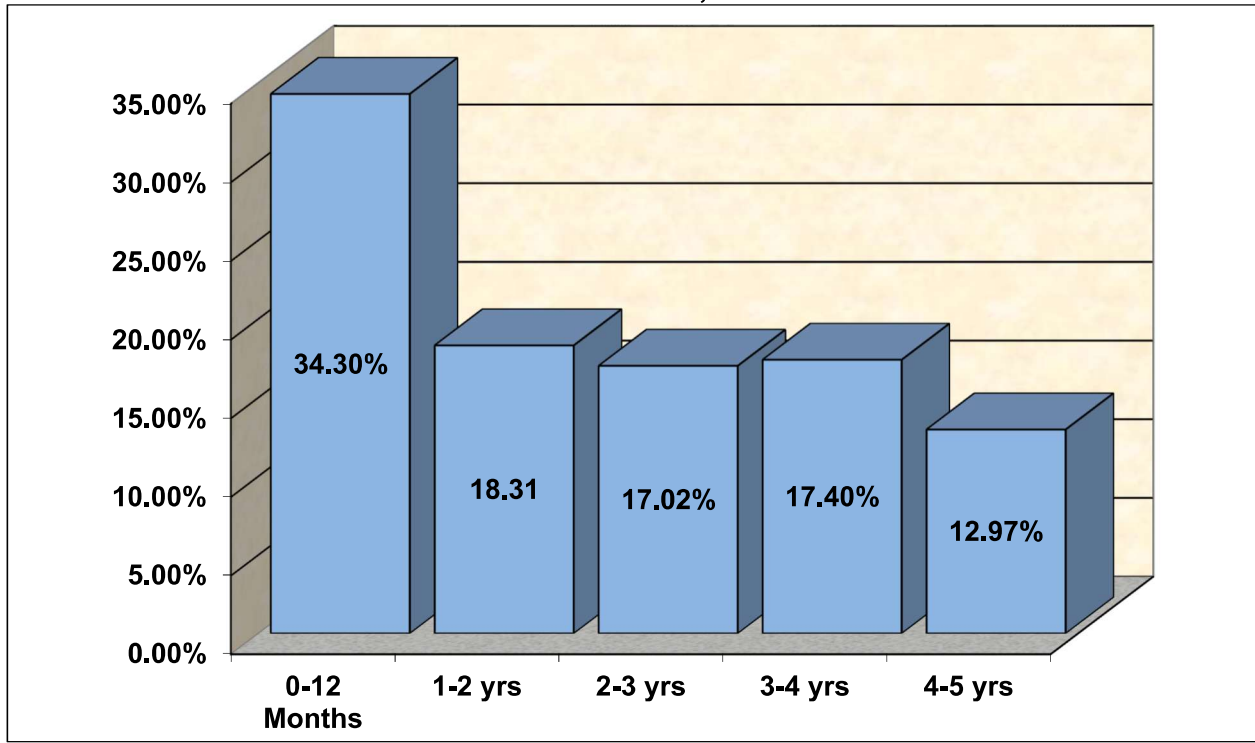
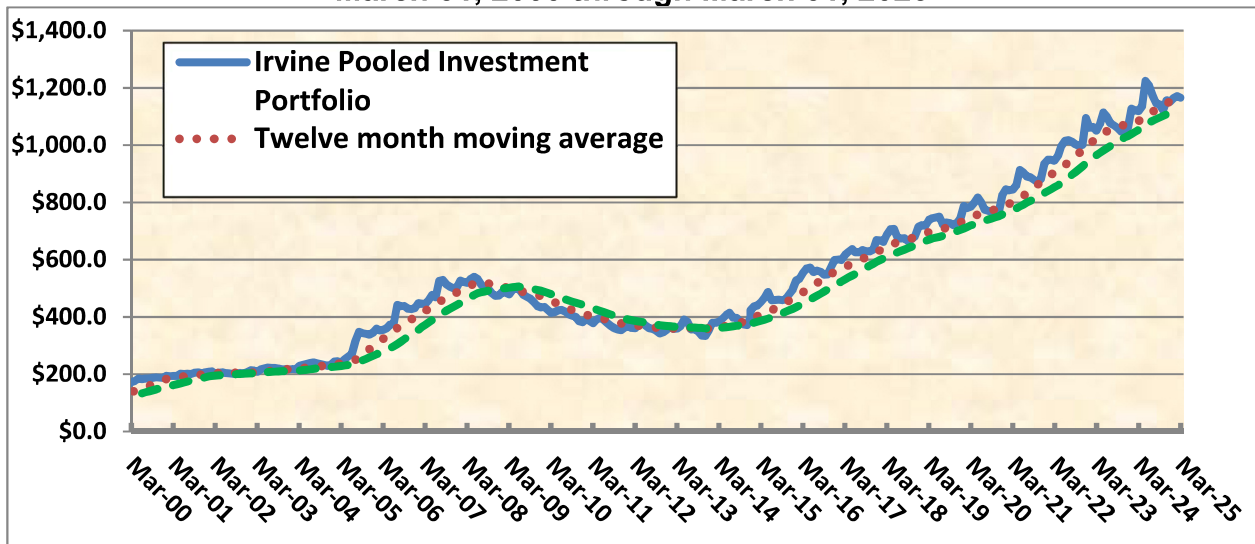
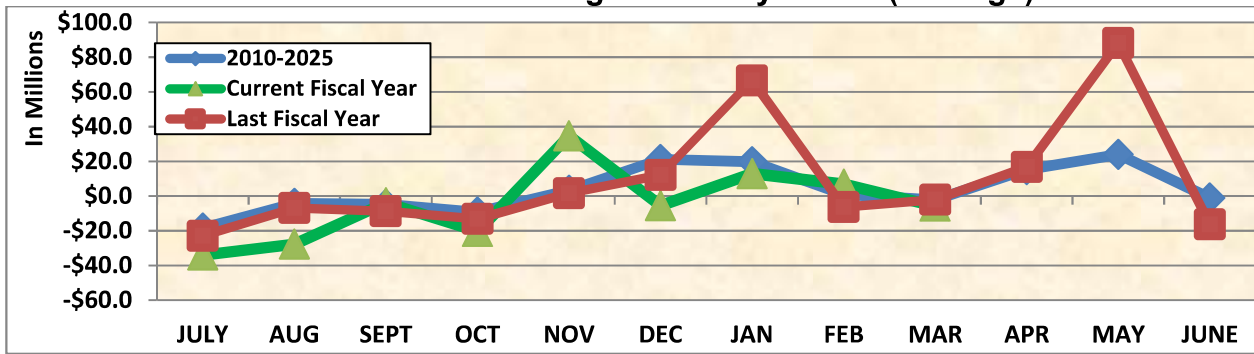


Chart 4 and Chart 5 show the volatility and cyclical nature of the Irvine Pooled Investment Portfolio fund balance and cash flows between 2000 and 2025.

Irvine Pooled Investment Portfolio
Chart 4 - Portfolio Balance
March 31, 2000 through March 31, 2025

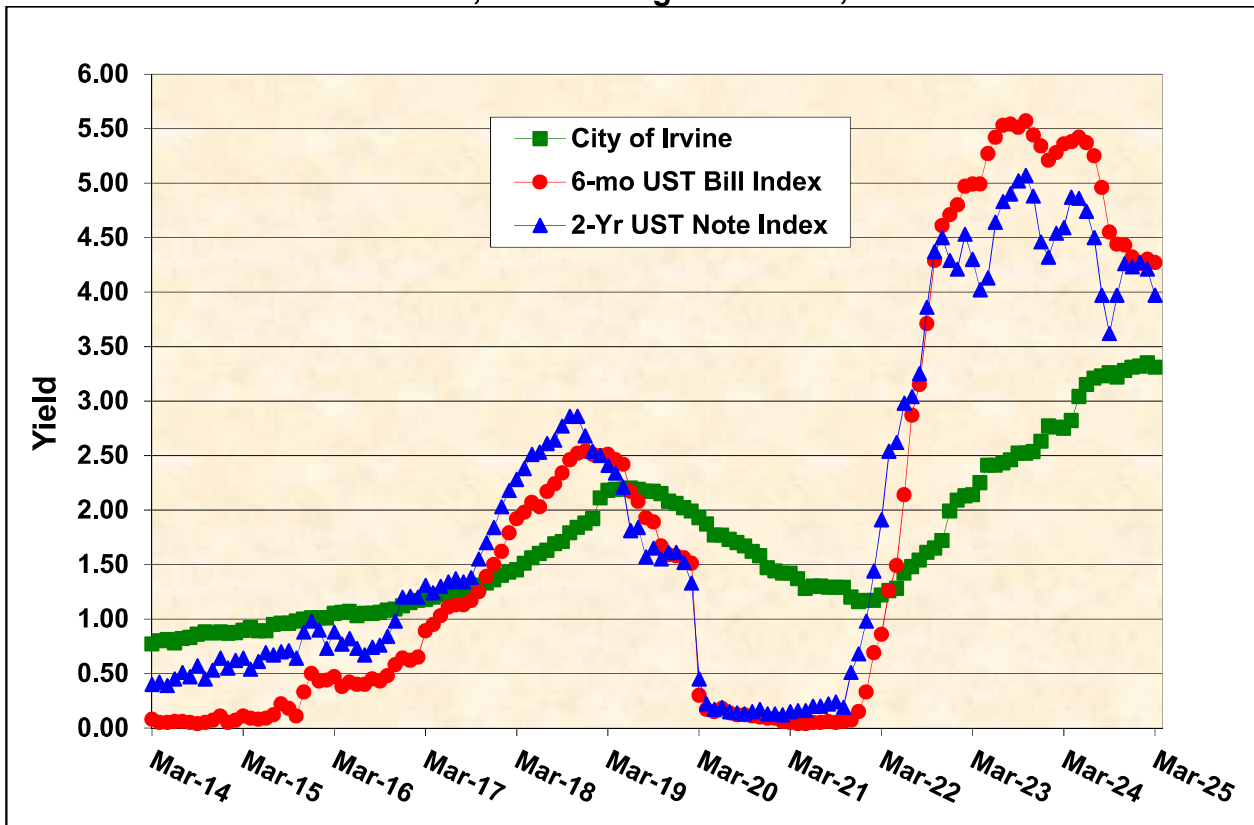


Irvine Pooled Investment Portfolio
Chart 5 – Balance Change Month by Month (Average)



To gauge performance, the City compares the Irvine Pooled Investment Portfolio's book yield to maturity against two reference notes set in the City's Annual Investment Policy: the 6-month United States Treasury (UST) Bill Index and 2-year UST Note Index spot yield. Chart 6 compares the average yield to maturity of the portfolio to these reference notes, and shows the spread (difference between the index and the yield to maturity) for the past ten years. The portfolio's book yield is lower than the 6-month UST by 0.96 percent and lower than the 2-year UST by 0.66 percent, due to the Federal Reserve rapidly increasing short term interest rates in response to inflation.

Irvine Pooled Investment Portfolio
Chart 6 - Yield to Maturity Compared to Assigned Indices
 March 31, 2014 through March 31, 2025



Treasurer’s Report
 Quarter ended March 31, 2025
 Page 6 of 8

Gateway Preserve Portfolio

The Gateway Preserve Portfolio contains funds for the procurement and conversion of the All American Asphalt Plant. Investments in this portfolio are made in accordance with the bond’s indenture and the strategy is based on the cash flow needs. The Gateway Preserve Portfolio must also remain very liquid to provide the acquisition funds needed, as well as meet debt service payment requirements. Fiscal year-to-date investment revenue (interest payments and capital gains) generated by the Gateway Preserve Portfolio as of March 31, 2025 is \$1.71 million

**Gateway Preserve Fund Portfolio
 Rolling Quarterly Comparison**

	March 31, 2025	December 31, 2024	September 30, 2024	June 30, 2024
Book Value	\$31,690,225	\$31,842,356	\$39,352,939	\$67,093,844
Market Value	\$32,643,723	\$32,661,760	\$40,453,784	\$68,301,147
Unrealized Gain/(Loss)	\$953,498	\$819,404	\$1,100,845	\$1,207,302
Unrealized Gain/(Loss) as % of Book Value	3.01%	2.57%	2.80%	1.80%
Average Yield to Maturity	4.56%	4.58%	4.91%	5.10%
Average Days to Maturity	151	213	230	193
Quarterly Interest Earnings	\$101,215	\$765,640	\$845,067	\$486,449
Fiscal Year to Date Income	\$1,711,922	\$1,610,706	\$845,067	\$6,616,552

Special District Funds Portfolio

The Special District Funds Portfolio contains project and reserve funds for 20 AD and RAD bond issues, six CFD bond issues, and one Irvine Facilities Financing Authority bond issue. Investments in this portfolio are made in accordance with each bond’s indenture and the strategy is based on the cash flow needs of each district. The Special District Funds Portfolio must also remain very liquid to provide project funds, when needed, as well as meet debt service payment requirements. Fiscal year-to-date investment revenue (interest payments and capital gains) generated by the Special District Funds Portfolio as of March 31, 2025 is \$32.03 million.

**Special District Funds Portfolio
 Rolling 12-Month Quarterly Comparison**

	March 31, 2025	December 31, 2024	September 30, 2024	June 30, 2024
Book Value	\$643,343,837	\$664,111,135	\$625,210,877	\$767,488,147
Market Value	\$644,525,940	\$667,267,631	\$630,593,130	\$773,511,141
Unrealized Gain/(Loss)	\$1,182,103	\$3,156,497	\$5,382,254	\$6,022,993
Unrealized Gain/(Loss) as % of Book Value	0.18%	0.48%	0.86%	0.78%
Average Yield To Maturity	4.18%	4.33%	4.74%	5.20%
Average Days To Maturity	6	18	43	55
Quarterly Interest Earnings	\$8,914,450	\$9,566,875	\$13,546,532	\$10,557,106
Fiscal Year to Date Income	\$32,027,857	\$23,113,407	\$13,546,532	\$30,576,962

Market Conditions

During the third quarter of FY 2024-25, interest rates decreased across the yield curve from the one-month Treasury Bill to the thirty year Long Bond. The Federal Reserve voted to keep the federal funds rate range unchanged at each of its scheduled meetings on January 29, 2025 and March 19, 2025 keeping the current range of 4.25 percent to 4.5 percent. During the quarter, the yield of the 6-month Treasury bill decreased one basis points to 4.23 percent, the 2-year Treasury note increased 36 basis points to 3.89 percent, and the 5-year Treasury note increased by 42 basis points to 3.96 percent. The Local Agency Investment Fund (LAIF) daily rate decreased from 4.4 percent to 4.3 percent during the quarter. The Joint Power Authority (JPA) daily rate decreased from 4.65 percent to 4.47 percent. The net effect to the Pooled Investment Portfolio was a decrease in the unrealized market value loss to \$4.28 million as of March 31, 2025 from an unrealized market value loss of \$15.07 million as of December 31, 2024, which is in direct proportion to the stated duration of the portfolio, and the change in market yields.

At its March meeting, the Federal Open Market Committee (FOMC) voted to leave the federal funds rate unchanged at 4.25 percent - 4.5 percent. With tariffs top of mind, updated economic projections reflected expectations for slower growth and higher inflation in the near term. Further out, inflation forecasts were largely unchanged, suggesting the Fed expects any inflationary impulse from tariffs to be transitory. The dot plot was left unchanged with two rate cuts projected for 2025. Turning to the balance sheet, the pace of quantitative tightening (QT) was slowed with the Treasury redemption cap lowered from \$25 billion to \$5 billion. The mortgage-backed securities cap was left unchanged at \$35 billion. With elevated uncertainty, the pace of rate cuts will continue to hinge on incoming economic data.

The March Jobs report showed a labor market that remained resilient through first quarter of calendar 2025. Nonfarm payrolls rose by a stronger than expected 228 thousand jobs, boosted by favorable weather effects. However, revisions put this report more in line with

Treasurer's Report
Quarter ended March 31, 2025
Page 8 of 8

expectations, removing 48 thousand jobs from the prior two months. Service sectors continued to drive job growth while hiring in goods-producing sectors slowed. Government employment rose but was weighed down by a smaller than expected decline in federal payrolls. Meanwhile, unemployment ticked up to 4.2 percent while wages rose 0.30 percent month over month (m/m) and 3.8 percent year over year (y/y). While solid, this report reflects the strength of the labor market as of the "survey week," which was the second week of March. Events since then, most notably the president's tariff announcement on April 2, suggest a bleaker picture going forward.

The February CPI report showed the headline figure increasing by 0.2 percent m/m (2.8 percent y/y), below consensus, while core CPI rose 0.2 percent (3.1 percent), which was the slowest annual rise since 2021. While the move lower is welcomed, some of the softer details of the report were indicative of weakening consumer demand. For example, recreation commodities and airline fares, segments sensitive to consumer demand, saw prices fall 0.7 percent m/m and 4 percent, respectively. This report helped to reduce fears of persistent inflation, but more price increases could be on the way as tariff impacts begin to flow through the data.

The U.S. economy expanded at a healthy 2.4 percent quarter over quarter (q/q) seasonally adjusted annual rate (saar) during the fourth quarter, bringing real economic growth to 2.8 percent y/y in 2024. Consumer spending continued to power the economy forward, growing at an exceptional 4 percent, while government spending moderated. Business fixed investment turned negative due to declines in equipment and intellectual property spending while residential investment rose after lagging for two quarters. Elsewhere, inventories were a large drag on economic activity. While policy uncertainty remains, economic momentum appears solid for now.

Calendar fourth quarter earnings season pro forma earnings per share (EPS) came in at \$65.77, representing growth of 18.4 percent y/y and 4.7 percent q/q. Looking at the three main sources of EPS growth, sales, margins and shares contributed 5.8, 13.6 and -1 percentage points, respectively. Earnings continue to broaden out, with the S&P 500 ex-Magnificent 7 earnings rising 15 percent y/y vs. 31 percent for the Magnificent 7. Results were solid with 76 percent of companies beating on earnings and 63 percent beating on revenue, in-line with 10-year averages. As GDP growth slows and y/y comparisons get tougher, companies' ability to defend their margins should be an increasingly important driver of earnings growth.

In conclusion, geopolitical tensions, trade tariffs, and new administration policy uncertainty may heighten market volatility, as a slow-moving economy is more vulnerable to any kind of shock. Fixed income continues to offer attractive levels of income and protection against an economic downturn. The City of Irvine will continue to maximize the duration of its portfolio within the guidelines of anticipated cash flows by utilizing high quality investments.

City of Irvine
Summary of Pooled Investment Portfolio Book Value by Fund *
As of March 31, 2025

General Reserve Funds	\$ 237,393,548
Special Revenue Funds:	
Orange County Great Park	280,689,690
Air Quality Improvement	573,666
County Sales Tax Measure M	15,276,586
Fees and Exactions	12,319,000
Grants	16,006,909
Hotel Improvement District	1,163,347
iShuttle	(1,502,231)
Library	-
Local Park Fees	141,731,817
Maintenance District	6,058,752
Major Special Events	529,645
OCFA Settlement Agreement	332,255
State Gasoline Tax	32,826,460
Systems Development	22,575,766
Total	<u>528,581,662</u>
Debt Service Funds:	
Irvine Public Facilities and Infrastructure Authority	(500)
Total	<u>(500)</u>
Capital Projects Funds:	
Orange County Great Park Development	21,221,222
Gateway Residential Village	(134,767)
Gateway Preserve	(21,406)
Assessment District Fund	3,926,236
Capital Improvement Projects	23,617,950
Community Facilities Districts	(12,296,718)
Irvine Business Complex	124,817,699
North Irvine Transportation Mitigation	159,996,494
Park Development	34,386,462
Slurry Seal Fees	(1,706,213)
Total	<u>353,806,959</u>
Permanent Fund:	
Senior Services	447,173
Senior Services Endowments	500,000
Total	<u>947,173</u>
Internal Service Funds:	
Self-Insurance	19,961,811
Equipment and Services	18,551,480
Inventory	96,098
Total	<u>38,609,389</u>
Fiduciary Funds:	
Successor Agency Debt Service	-
Redevelopment Obligation Retirement	-
Custodial Funds	6,139,571
Total	<u>6,139,571</u>
Total Pooled Investments at March 31, 2025	<u>\$ 1,165,477,803</u>

Note: Presentation of funds is consistent with the City's Annual Comprehensive Financial Report.

* Balances are not audited